

**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 29, 2012**

**NEW ISSUE – COMPETITIVE via PARITY  
BOOK-ENTRY ONLY**

**SALE DATE: September 11, 2012  
RATING: Moody's Aa1**

*In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2012 Series C Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2012 Series C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, interest on the 2012 Series C Bonds is exempt from Oregon personal income tax under existing law. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.*

**City of Portland, Oregon  
\$37,695,000\*  
Limited Tax Revenue Bonds  
2012 Series C  
(Portland-Milwaukie Light Rail Project)  
BASE CUSIP: 736740**

**Dated:** Date of Delivery

**DUE:** September 1, as shown on inside cover

The City of Portland, Oregon, Limited Tax Revenue Bonds, 2012 Series C (Portland-Milwaukie Light Rail Project) (the "2012 Series C Bonds") will be issued in registered book-entry form only, in denominations of \$5,000 or integral multiples thereof. The 2012 Series C Bonds, when executed and delivered, will be registered in the name of Cede & Co., as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2012 Series C Bonds. While Cede & Co. is the registered owner of the 2012 Series C Bonds (the "Owner") as nominee of DTC, references herein to the Bondowners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2012 Series C Bonds. See "Book-Entry System" herein.

The 2012 Series C Bonds will bear or accrue interest rates as set forth on the inside cover. The 2012 Series C Bonds will be dated as of the Date of Delivery. Interest on the 2012 Series C Bonds will be payable semiannually on March 1 and September 1 of each year, beginning September 1, 2013.

Proceeds of the 2012 Series C Bonds will be used to finance a portion of the costs of the Portland-Milwaukie Light Rail Project as more fully described herein and to pay costs of issuance.

The 2012 Series C Bonds are payable from all legally available funds of the City. The City has pledged its full faith and credit to pay the 2012 Series C Bonds. See "SECURITY" herein.

The 2012 Series C Bonds are subject to optional redemption prior to maturity. See "Redemption of the 2012 Series C Bonds" herein.

*The 2012 Series C Bonds are offered when, as and if issued by the City and accepted by the successful bidder, subject to prior sale, withdrawal or modification of the offer without notice, to the final approving opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel, and to certain other conditions. The City expects that the 2012 Series C Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about September 20, 2012.*

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\* Preliminary, subject to change.

**MATURITY SCHEDULE\***

**\$37,695,000\***

**CITY OF PORTLAND, OREGON  
LIMITED TAX REVENUE BONDS  
2012 SERIES C  
(PORTLAND-MILWAUKIE LIGHT RAIL PROJECT)**

<b>Due September 1</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>CUSIP No. (1) 736740</b>
2013	\$975,000	%	%	
2014	1,495,000			
2015	1,525,000			
2016	1,560,000			
2017	1,600,000			
2018	1,640,000			
2019	1,680,000			
2020	1,730,000			
2021	1,780,000			
2022	1,835,000			
2023	1,895,000			
2024	1,960,000			
2025	2,015,000			
2026	2,080,000			
2027	2,140,000			
2028	2,205,000			
2029	2,275,000			
2030	2,350,000			
2031	2,435,000			
2032	2,520,000			

- (1) Registered Trademark 2012, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies.

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\* Preliminary, subject to change.

**OFFICIAL STATEMENT  
OF THE  
CITY OF PORTLAND, OREGON  
\$37,695,000\*  
LIMITED TAX REVENUE BONDS  
2012 SERIES C  
(PORTLAND-MILWAUKIE LIGHT RAIL PROJECT)**

**CITY COUNCIL**

Sam Adams,  
Mayor and Commissioner of Finance and Administration

Amanda Fritz, Commissioner No. 1  
Nick Fish, Commissioner No. 2  
Dan Saltzman, Commissioner No. 3  
Randy Leonard, Commissioner No. 4

**CITY OFFICIALS**

LaVonne Griffin-Valade, City Auditor  
Jennifer Cooperman, City Treasurer  
James H. Van Dyke, Interim City Attorney  
Jack D. Graham, Chief Administrative Officer  
Richard F. Goward, Jr., Chief Financial Officer

**DEBT MANAGEMENT**

B. Jonas Biery, Debt Manager  
City of Portland  
1120 SW Fifth Avenue, Room 1250  
Portland, Oregon 97204  
Phone: (503) 823-4222  
Fax: (503) 823-4209  
Jonas.Biery@portlandoregon.gov

**BOND COUNSEL**

Hawkins Delafield & Wood LLP  
Portland, Oregon

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\* Preliminary, subject to change.



No dealer, broker, salesperson or other person has been authorized by the City of Portland (the “City”) to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Bond Counsel’s review of this document is limited; see “Legal Matters” herein. This Official Statement has been deemed final as of its date by the City pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended.

This Official Statement speaks only as of its date, and the information contained herein is subject to change without notice. Certain statements contained in this Official Statement are projections, forecasts and other statements about future events. These statements (“Forward Looking Statements”) are not statements of historical facts and no assurance can be given that the results shown in these Forward Looking Statements will be achieved. See “FORWARD LOOKING STATEMENTS.” All estimates set forth herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates are correct. So far as any statements herein involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and are not representations of fact.

This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the 2012 Series C Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. In making an investment decision, potential investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. **In connection with this offering, the successful bidder may over allot or effect transactions which stabilize or maintain the market price of the 2012 Series C Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued, and if discontinued, then recommenced, at any time.**

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## OFFICIAL NOTICE OF BOND SALE

**\$37,695,000\***

**City of Portland, Oregon  
Limited Tax Revenue Bonds  
2012 Series C (Portland-Milwaukie Light Rail Project)**

NOTICE IS HEREBY GIVEN that the City of Portland, Oregon (the “City”) is soliciting bids to purchase its Limited Tax Revenue Bonds, 2012 Series C (Portland-Milwaukie Light Rail Project) (the “Bonds”) until 9:00 a.m. (Prevailing Pacific Time) on:

**September 11, 2012.**

Bids must be submitted electronically via *PARITY* in accordance with this Notice in the manner described below.

**SECURITY:** The Bonds shall be full faith and credit obligations of the City. The Bonds are payable from any legally available funds of the City.

**RATING:** Moody’s Investors Service has assigned a rating on the Bonds of “Aa1.”

**DATED DATE AND DELIVERY DATE:** The Bonds will be dated as of their date of delivery. Bidders should use September 20, 2012, the expected delivery date of the Bonds, for purposes of computing their bids.

**INTEREST PAYMENTS AND MATURITIES:** Interest on the Bonds is payable semiannually on March 1 and September 1 of each year until maturity commencing September 1, 2013. The Bonds will be issued in the principal amount of \$37,695,000\*, and will mature on the following dates in the following principal amounts (subject to adjustment as noted below).

<b><u>Due September 1</u></b>	<b><u>Principal Amount (\$)*</u></b>
2013	975,000
2014	1,495,000
2015	1,525,000
2016	1,560,000
2017	1,600,000
2018	1,640,000
2019	1,680,000
2020	1,730,000
2021	1,780,000
2022	1,835,000
2023	1,895,000
2024	1,960,000
2025	2,015,000
2026	2,080,000
2027	2,140,000
2028	2,205,000
2029	2,275,000
2030	2,350,000
2031	2,435,000
2032	2,520,000

\*This maturity schedule assumes that the winning bidder will use premium couponing; principal amounts may be adjusted after the sale as described under the heading “ADJUSTMENT OF MATURITIES.”

**ADJUSTMENT OF MATURITIES:** The City reserves the right to adjust the principal amount specified in the bidding maturity schedule within 4 hours following receipt of bids to properly size the issue. The City will adjust maturities so that the purchase price for the Bonds is approximately \$38,750,000. If the City adjusts the principal amount, the price to be paid to the City by the successful bidder will be adjusted in a manner that preserves the successful bidder’s percentage net compensation. Notice of any adjustment will be given to the winning bidder promptly.

**TERM BONDS:** Bidders may designate one or more term bonds, which consist of two or more consecutive maturities with identical interest rates, which mature on the maturity date of the last of the consecutive maturities in an amount equal to the sum of the consecutive maturities, and which are subject to mandatory redemption at par and by lot in amounts equal to the consecutive maturities which were combined into term bonds. Each bidder should specify in its bid whether term bonds are desired.

**SELECTION OF BONDS FOR REDEMPTION:** The selection of Bonds for mandatory or optional redemption shall be as described in the preliminary official statement for the Bonds in the section “THE 2012 SERIES C BONDS – REDEMPTION OF THE 2012 SERIES C BONDS.”

**RIGHT TO CANCEL, CHANGE TIMING AND TERMS OF SALE:** The City reserves the right to change the sale date, maturity date, amount, timing, terms under which the Notes are offered for sale, to postpone the sale to a later date, to cancel the sale based upon market conditions, or to otherwise amend this Notice by posting changes to this Notice on i-Deal Prospectus.

**INTEREST RATE AND BID CONSTRAINTS:** Bidders must specify the interest rate or rates which the Bonds shall bear. The bids must comply with the following conditions: (1) each interest rate specified in any bid must be a multiple of one-thousandth of one percent (0.001%); (2) each Bond that matures on the same date shall bear interest from its date to its stated maturity date at a single, fixed interest rate; (3) no bid will be considered that does not offer to purchase all of the maturities of the Bonds; (4) the maximum interest rate per maturity of the Bonds shall not exceed six percent (6.00%); and (5) no bid will be accepted which results in a true interest cost of more than five percent (5.00%) per annum.

**PURCHASE PRICE:** Bidders must specify a purchase price of not less than ninety-nine percent (99.0%) of the aggregate principal amount of the Bonds.

**BASIS OF AWARD:** Unless all bids are rejected, the Bonds will be awarded to the bidder whose bid produces the lowest overall true interest cost for the City. The true interest cost for the Bonds will be determined by doubling the semi-annual interest rate necessary to discount the debt service on the Bonds to the expected delivery date of the Bonds, as described in “DATED DATE AND DELIVERY DATE” above, and to the aggregate purchase price bid for the Bonds. Each bidder is requested to supply the total interest cost and the true interest cost that the City will pay on the Bonds if the bid is accepted. Bids will be publicly announced and will be considered and acted upon by the City within 4 hours after the sale.

**BIDS MUST BE SUBMITTED ON “PARITY”:** Bids must be submitted electronically via **PARITY**. Bids must be received by the **PARITY** system not later than the date and time indicated in the first paragraph of this Notice. No bid will be received after the time for receiving bids specified above. For further information about submitting a bid using **PARITY**, potential bidders may contact **PARITY** at (212) 849-5021. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice, the terms of this Notice shall control. Bidders must obtain access to the **PARITY**



system and bear all risks associated with using that system, including errors and delays in receipt of bids. In the event there are any technical problems associated with **PARITY**, **PARITY** may fax bids that it receives prior to 9:00 a.m. (Prevailing Pacific Time), as soon as practicable to (503) 823-4209 to the attention of Jonas Biery, the City's Debt Manager, for consideration by the City. Bids received by **PARITY** prior to 9:00 a.m. (Prevailing Pacific Time), but faxed after 9:00 a.m. (Prevailing Pacific Time) as provided in the preceding sentence, shall be considered conforming to the time requirements of this Notice.

**GOOD FAITH DEPOSIT:** The winning bidder must provide a good faith deposit to the City in the amount of \$500,000 not later than 1:00 p.m. Prevailing Pacific Time, September 11, 2012, (the date of sale). The deposit must be provided in the form of (a) a wire transfer to the account of the City designated by the City at the time of award, or (b) a certified or cashier's check drawn on a bank doing business in the State of Oregon. If the good faith deposit is not provided in the manner and by the time indicated in this Notice, the City may award the sale to the next most favorable bidder or may cancel the sale. The good faith deposit will be forfeited to the City as liquidated damages if the bidder to whom the Bonds are awarded withdraws its bids or fails to complete its purchase in accordance with the terms of its bid and this Notice. No interest will be allowed on the good faith deposit and the good faith deposit will be retained as part payment of the Bonds or for liquidated damages as described in this Notice. The City shall be entitled to retain for the sole and exclusive use and benefit of the City all investment earnings derived from each good faith deposit prior to the delivery of the Bonds, and in no event shall the winning bidder be entitled to any such investment earnings (whether by means of a credit or otherwise).

**RIGHT OF REJECTION:** The City reserves the right to reject any or all bids and to waive any irregularities.

**BOOK-ENTRY-ONLY:** The Bonds will be issued in registered, book-entry-only form through DTC. Unless the book-entry-only system is discontinued, Bond principal and interest payments will be made by the City to DTC through the City's paying agent and registrar, which is currently U.S. Bank National Association

**STANDARD FILINGS AND CHARGES:** The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to Municipal Securities Rulemaking Board ("MSRB") Rules G-8, G-11, and G-36. The winning bidder will be required to pay the standard MSRB charge for the Bonds purchased. In addition, if the winning bidder is a member of the Securities Industry and Financial Markets Association ("SIFMA") it will be required to pay SIFMA's standard charges.

**PURPOSE:** The Bonds are being issued to pay for a portion of the costs of the Portland-Milwaukie light rail line, and to pay related costs.

**CERTIFICATE OF ISSUE PRICE, REOFFERING PRICE:** The winning bidder must provide the City's Debt Manager with the reoffering price and yield for the Notes within one hour after award of the bid. The reoffering price and yield so provided will be printed on the cover of the final official statement. In addition, the winning bidder must provide a certificate, satisfactory to Note Counsel, not later than two business days prior to the closing of the Notes, that contains information reasonably requested by the City and Note Counsel to permit the City to determine the "issue price" of the Notes (within the meaning of Treasury Regulations Section 1.148-1). Such certificate will state, in part, that (i) the successful bidder has made a bona fide offering of all of the Notes to the public at the reoffering yield or price provided by the successful bidder; and (ii) the successful bidder reasonably expected that the first price at which at least 10% of the Notes would be sold to the public would be the reoffering yield or price provided by the successful bidder. For these purposes, the term "public" does not include bond houses, brokers and similar persons or organizations acting in the capacity of

underwriters or wholesalers. Failure to provide the reoffering price and yield, or the certificate satisfactory to Note Counsel, may result in cancellation of the sale and forfeiture of the winning bidder's good faith deposit.

**LEGAL OPINION:** The approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, of Portland, Oregon, will be provided at no cost to the purchasers.

**TAX-EXEMPT STATUS:** In the opinion of Bond Counsel, under existing law and conditioned on the City complying with certain covenants relating to the tax-exempt status of the Bonds, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, as provided in greater detail in the preliminary official statement for the Bonds. In the opinion of Bond Counsel, interest on the Bonds is exempt from Oregon personal income tax under existing law.

**DELIVERY AND PAYMENT:** The City will deliver the Bonds through the facilities of DTC. The winning bidder must pay for the Bonds in funds immediately available to the City on the date and at the time of closing. Delivery of the Bonds will be made within thirty days after the sale and is expected to occur on September 20, 2012.

**ADDITIONAL INFORMATION AND PRELIMINARY OFFICIAL STATEMENT:** Additional information and the preliminary official statement for the Bonds will be provided upon request to Jonas Biery, Debt Manager, at the City's Office of Management and Finance, 1120 SW Fifth Avenue, Room 1250, Portland, Oregon 97204, telephone (503) 823-4222, telecopier (503) 823-4209, e-mail [Jonas.Biery@portlandoregon.gov](mailto:Jonas.Biery@portlandoregon.gov). The preliminary official statement for the Bonds may also be obtained from i-Deal Prospectus at [www.i-dealprospectus.com](http://www.i-dealprospectus.com). For more information on electronic delivery, please call i-Deal Prospectus at 212-849-5024. Any questions concerning **PARITY** should be directed to (212) 849-5021.

**FINAL OFFICIAL STATEMENT; COMPLIANCE WITH SEC RULES:** The City will distribute the final official statement through i-Deal Prospectus. In addition, upon request of the winning bidder, the City will provide the winning bidder with up to 150 paper copies of the final official statement for the Bonds at the expense of the City, promptly after the request is received and the official statement is published through i-Deal Prospectus. Upon request, the City will provide additional copies of the final official statement at the expense of the bidder making the request. The official statement will be published through i-Deal Prospectus in a form "deemed final" by the City, not later than three business days prior to the anticipated delivery date of the Bonds. Bidders should expect that the official statements will not be available prior to the seventh business day following the date of the sale, and should not issue confirmations which request payment prior to that date. This paragraph will constitute a contract with the winning bidder upon acceptance of their bids by the City, in compliance with Section 240.15c2-12(b)(3) in Chapter II of Title 17 of the Code of Federal Regulations (the "Rule").

**CONTINUING DISCLOSURE:** The City will enter into an undertaking to provide ongoing disclosure for the benefit of the owners of the Bonds as required by the Rule, in substantially the form shown in the preliminary official statement for the Bonds.

**CUSIP:** The City will obtain CUSIP numbers for the Bonds.

**CLOSING CERTIFICATES:** At the time of payment for the delivery of the Bonds, the City will certify that no litigation is pending that may adversely affect the validity of the Bonds, and that to the City's knowledge the official statement does not contain any material misstatements or omissions.

By order of the City of Portland, Oregon

**OFFICIAL STATEMENT  
OF THE  
CITY OF PORTLAND, OREGON  
RELATED TO  
  
\$37,695,000\*  
LIMITED TAX REVENUE BONDS  
2012 SERIES C  
(PORTLAND-MILWAUKIE LIGHT RAIL PROJECT)**

**INTRODUCTION**

This Official Statement sets forth certain information concerning the City of Portland, Oregon (the “City”) and its Limited Tax Revenue Bonds, 2012 Series C (Portland-Milwaukie Light Rail Project) (the “2012 Series C Bonds”).

**THE 2012 SERIES C BONDS**

**AUTHORIZATION AND PURPOSE**

The City is authorized to issue the 2012 Series C Bonds to pay for a portion of the costs of the Portland-Milwaukie Light Rail Project, and to pay related costs, pursuant to City Ordinance No. 184519 adopted by the City Council on April 13, 2011, (the “Ordinance”), Oregon Revised Statutes Section 287A.150 and the Bond Declaration. See Appendix A for the Bond Declaration, “THE PORTLAND-MILWAUKIE LIGHT RAIL PROJECT” and “ESTIMATED SOURCES AND USES OF BOND PROCEEDS” herein.

**SECURITY**

The City has pledged its full faith and credit and taxing power to pay the 2012 Series C Bonds, and the City is obligated to pay the 2012 Series C Bonds from Available General Funds as defined in the Bond Declaration pursuant to which the 2012 Series C Bonds will be issued (the “Bond Declaration”). “Available General Funds” is defined under the Bond Declaration as revenues which are legally available to pay the 2012 Series C Bonds and not prohibited for such use under the charter and ordinances of the City and Oregon laws, and includes all property taxes and other legally available general funds of the City. The City is not authorized to levy additional taxes to pay the 2012 Series C Bonds.

Certain City revenues credited to the City’s General Fund are legally available to pay the 2012 Series C Bonds. A principal source of these General Fund revenues is the City’s permanent tax rate property tax levy. In FY 2010-11, revenues from that levy (including current and prior year collections) were approximately \$192.4 million, after delinquencies. See “ANNUAL DISCLOSURE INFORMATION – FINANCIAL OPERATIONS – Table 4” herein.

**DESCRIPTION**

The 2012 Series C Bonds will be issued in book-entry form only, in registered form in denominations of \$5,000 or integral multiples thereof. The 2012 Series C Bonds, when executed and delivered, will be registered in the name of Cede & Co., as the registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”). Purchasers of the 2012 Series C Bonds who are the Beneficial Owners thereof will not receive certificates evidencing their ownership interests in the 2012 Series C Bonds. While Cede & Co. is the registered Owner of the 2012 Series C Bonds (in such capacity, the “Owner”) as nominee of DTC, it shall be treated in all respects as the sole Owner of the 2012 Series C Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2012 Series C Bonds) all rights as Owner, including but not limited to the right to give consents, the right to receive notices (including notices of redemption), and other rights conferred on owners of the 2012 Series C Bonds under the Bond Declaration or applicable law. So long as the 2012 Series C Bonds are subject to the Book-Entry System, all registrations and transfers of Beneficial Ownership of the 2012 Series C Bonds will be made only through the Book-Entry System. See “BOOK-ENTRY SYSTEM” in Appendix E herein.

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\* Preliminary, subject to change.

The 2012 Series C Bonds will be dated as of the Date of Delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the cover page of this Official Statement. Interest on the 2012 Series C Bonds is payable on September 1, 2013, and semi-annually thereafter on March 1 and September 1 of each year, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

#### **PAYMENT OF THE 2012 SERIES C BONDS WHILE IN BOOK-ENTRY SYSTEM**

So long as the 2012 Series C Bonds are subject to the Book-Entry System, all payments of the principal of and interest on the 2012 Series C Bonds shall be remitted by the Registrar and Paying Agent, currently U.S. Bank National Association (the "Paying Agent") directly to DTC. DTC, in turn, will be required to distribute such payments to DTC Participants, and the DTC Participants will be responsible for ultimate distribution of such payments to the Beneficial Owners of the 2012 Series C Bonds. The City has no responsibility for the distribution of any payments on the 2012 Series C Bonds by DTC to any DTC Participant or by any DTC Participant to any Beneficial Owner, and shall have no liability whatsoever in the event of any failure by DTC or a DTC Participant to make any such distribution. See "BOOK-ENTRY SYSTEM" in Appendix E herein.

#### **REDEMPTION OF THE 2012 SERIES C BONDS**

##### **Optional Redemption**

The 2012 Series C Bonds maturing on or after September 1, 2023, are subject to redemption at the option of the City on September 1, 2022, and on any date thereafter, in any order of maturity and by lot within a maturity, at a price of par, plus interest accrued to the date fixed for redemption. While the 2012 Series C Bonds are in BEO form, if less than all the outstanding 2012 Series C Bonds of a particular maturity are to be redeemed, DTC will select the particular 2012 Series C Bonds in accordance with its customary practices.

##### **Notice of Redemption**

While the 2012 Series C Bonds are subject to the BEO System, notice of any redemption shall be given by the Paying Agent only to DTC in accordance with the agreement entered into among the City, the Paying Agent and DTC. It shall be the sole responsibility of DTC to give all notices of redemption to DTC Participants, and the DTC Participants, in turn, shall be responsible for giving such notices to the Beneficial Owners. Neither the City nor the Paying Agent will be responsible for giving any notice of redemption to any Beneficial Owner or any DTC Participant, nor shall the City or the Paying Agent be liable for any failure of DTC or any DTC Participant to give any such notice as described above. Interest on any 2012 Series C Bond or 2012 Series C Bonds called for redemption shall cease on the redemption date designated in the notice.

##### **Conditional Notice of Redemption**

Any notice of optional redemption to the Paying Agent or to the Owners may state that the optional redemption is conditioned upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such 2012 Series C Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and the Bond Declaration provides that any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. The Bond Declaration requires notice of such rescission or of the failure of any such condition to be given by the Paying Agent to affected Owners of 2012 Series C Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

##### **Effect of Notice of Redemption**

The Bond Declaration provides that official notice of redemption having been given (other than conditional notices of optional redemption as described above), the 2012 Series C Bonds or portions of 2012 Series C Bonds so to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless the City fails to pay the redemption price) such 2012 Series C Bonds or portion of 2012 Series C Bonds shall cease to bear interest.

## THE PORTLAND-MILWAUKIE LIGHT RAIL PROJECT

The Portland-Milwaukie Light Rail Project (the "Project") is a 7.3 mile extension of the light rail system connecting Portland State University in downtown Portland, inner Southeast Portland, Milwaukie and north Clackamas County. Service is expected to begin in September 2015. The Project is owned and will be operated by the Tri-County Metropolitan Transportation District of Oregon ("TriMet"). The total cost of the Project is estimated at \$1.495 billion.

On May 22, 2012, the Federal Transit Administration authorized a Full Funding Grant Agreement for the Project, which commits the federal government to provide 50 percent of the Project's established budget. Local funding for the remaining 50 percent is provided from various sources, including resources of the State of Oregon, TriMet, the City, the City of Milwaukie, and Clackamas County.

In May 2011, the City entered into an intergovernmental agreement with TriMet to provide \$55 million of the required local match to the Project, including proceeds of the 2012 Series C Bonds, \$10 million of tax increment bond proceeds, and \$5 million of in-kind real property donations. The planned sources of City funds are shown in the table below.

**Table 1**  
**CITY OF PORTLAND, OREGON**  
**Expected Sources of City Funds for the Project**

Tax Increment Revenue Bonds	\$10,000,000
In-Kind Property Contributions	5,000,000
Citywide Transportation System Development Charges	1,300,000
Limited Tax Revenue Bonds paid from:	
Innovation Quadrant Transportation System Development Charge Overlay	5,000,000
Citywide Transportation System Development Charges	480,000
North Macadam Transportation System Development Charge Overlay	10,000,000
General Transportation Revenues	23,220,000
TOTAL	<u>\$55,000,000</u>

Notes:

- (1) General transportation revenues include parking and gas tax revenues.

Source: City of Portland.

Certain revenue sources planned for the Project are uncertain. For example, revenue sources related to the System Development Charges are dependent upon development activity within Portland. Appraisals of City-owned properties are not complete and their exact value has not been determined. Consequently, the 2012 Series C Bonds are secured by Available General Funds in the event that the System Development Charge revenues or other planned sources are not available or sufficient to pay the 2012 Series C Bonds. The City expects to use parking revenues and gas tax revenues to fill any shortfalls in planned funding due to under-collection of System Development Charges.

**ESTIMATED SOURCES AND USES OF FUNDS**

The anticipated uses of proceeds from the 2012 Series C Bonds are itemized in the following table:

**Table 2**  
**CITY OF PORTLAND, OREGON**  
**Estimated Sources and Uses of Funds**

<b>SOURCES OF FUNDS</b>	
Par amount of bonds	
Net original issue premium/(discount)	_____
Total sources of funds	=====
<b>USES OF FUNDS</b>	
Deposit to project fund	
Underwriter's discount	
Issuance costs	_____
Total uses of funds	=====

Source: City of Portland.

**DEBT SERVICE SCHEDULE FOR 2012 SERIES C BONDS**

The following table presents the debt service schedule for the 2012 Series C Bonds.

**Table 3**  
**CITY OF PORTLAND, OREGON**  
**Scheduled Debt Service on the 2012 Series C Bonds**

<b>Fiscal Year</b>			
<b>Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
<b>Total</b>			

Source: City of Portland.

## ANNUAL DISCLOSURE INFORMATION

*In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, §.15c2-12), the City will provide annually the updated historical financial information and operating data of the type presented in this section entitled "ANNUAL DISCLOSURE INFORMATION" to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, so long as the MSRB approves of its use. See Appendix D, "Continuing Disclosure Certificate" herein.*

### FINANCIAL OPERATIONS

#### Basis of Accounting

The governmental fund types, expendable trust funds and agency funds are maintained on the modified accrual basis of accounting. The accounting practices of the City conform to generally accepted accounting principles.

#### Fiscal Year

July 1 to June 30.

#### Audits

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy. Moss Adams LLP has performed auditing services for FY 2002-03 through FY 2010-11.

A complete copy of the City's FY 2010-11 audit is available on the City's web site at <http://www.portlandonline.com/omf/index.cfm?c=57772>. The City's web site is listed for reference only, and is not part of this Official Statement. Excerpts of the City's audited financial statements for the City's General Fund on a Generally Accepted Accounting Principles (GAAP) basis are found in Appendix B.

### FINANCIAL REPORTING

The City has been awarded the Government Finance Officers Association ("GFOA") Certificate of Achievement for Excellence in Financial Reporting every year since 1982. According to the GFOA, the Certificate of Achievement is the "highest form of recognition in the area of governmental financial reporting." To be awarded the certificate, a governmental unit must publish an easily readable and efficiently organized comprehensive financial report whose content conforms to program requirements and satisfies both generally accepted accounting principles and applicable legal requirements.

### GENERAL FUND

#### Overview

The General Fund includes all activities of the City that are supported by property taxes and other non-dedicated revenues, including utility license fees, business license fees, transient lodging taxes, state shared revenues (from cigarette and liquor taxes), interest income, and miscellaneous revenues and beginning cash balances. General Fund resources are used to support such City services as police, fire and parks, as well as planning, community development and administrative support services.

#### No Material Liens

The City has not granted any material liens on amounts in the General Fund. The limited tax bonds of the City and the salaries and other expenses of the City that are paid from the General Fund all have an unsecured claim to amounts in the General Fund.



## **General Fund Revenues**

Major categories of revenues that are accounted for in the General Fund are described below. Table 4, excerpted from the City's annual financial statements, presents a Schedule of Revenues and Expenditures on a budgetary basis.

**Taxes.** Taxes consist of two categories: property taxes and transient lodging taxes. Property taxes constitute the largest revenue source, representing nearly 46 percent of total General Fund revenues in FY 2010-11. Property taxes consist of current year and prior year property taxes collected from the City's \$4.577/\$1,000 permanent rate levy (\$192.4 million). See "PROPERTY TAX AND VALUATION INFORMATION – Section 11 – Permanent Tax Rate" herein.

The transient lodging tax is a tax on transient lodgers, which are daily or weekly renters at hotels, motels and other lodging establishments. The tax rate within Multnomah County currently is 11.5 percent. Of the 11.5 percent transient lodging tax collected within the City, 6.0 percent is allocated to the City, with 5.0 percent going to the City's General Fund and 1.0 percent going to Travel Portland (formerly the Portland Visitors Association). The remaining 5.5 percent is allocated to Multnomah County. Transient lodging taxes were 3.8 percent of General Fund revenues in FY 2010-11, or \$16.0 million.

**Licenses and Permits.** Licenses and permits represented \$124 million, or 29.4 percent of the General Fund revenues, in FY 2010-11. Within this category are business license fee revenues collected from firms doing business within the City. The City's business license fee is based upon net apportioned income, and must be paid in advance for each year of business. Utility license fees, which are paid by public utilities such as electric, natural gas, communications, and cable providers, doing business in Portland, are another major revenue source. Additionally, utility license fee revenues are derived from fees charged to their customers by the City's water and sewer utilities.

**Intergovernmental Revenues.** Intergovernmental revenues (6.0 percent of the FY 2010-11 General Fund revenues, or about \$25.4 million) consist largely of State-shared revenues (including taxes on cigarettes and liquor), and also include revenues from Multnomah County and other local governments for their shares of expenses of specific programs or activities that are administered by the City. The City (along with the State and Multnomah County) also receives a share of revenues from traffic court fines, classified as local shared revenues.

**Charges for Services.** Charges for services were \$17.5 million, or 4.2 percent of General Fund revenues in FY 2010-11. This category includes rents and reimbursements received for use of City-owned property such as City Hall, JELD-WEN Field and other facilities, and parks and recreation facilities fees.

**Other Sources.** The General Fund receives revenues from a variety of other sources. Approximately 4.9 percent of its revenues are received from City bureaus and agencies related to specific services that are paid from this fund. Additionally, all bureaus whose programs are supported by the General Fund pay a share of centralized service or overhead costs. In total, these overhead billings represented 5.1 percent of General Fund revenues in FY 2010-11. Other sources include investment earnings, payments in lieu of taxes, and General Fund intrafund revenue.

**Table 4**  
**CITY OF PORTLAND, OREGON**  
**Statement of General Fund Revenues and Expenditures**  
**(Actual Results Reported on a Budgetary Basis)**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
<b>REVENUES</b>					
Taxes:					
Current/prior year property taxes	\$167,687,976	\$175,172,471	\$180,169,233	\$188,611,104	\$192,368,379
Lodging taxes	14,605,568	16,372,997	19,643,852	14,224,430	16,011,008
Total taxes	182,293,544	191,545,468	199,813,085	202,835,534	208,379,387
Licenses and permits:					
Business licenses, net	75,758,543	76,517,913	68,824,823	59,803,972	65,624,418
Public utility licenses	46,999,857	51,258,950	51,768,928	54,753,844	54,296,377
Other	3,946,893	4,192,796	4,383,071	4,199,758	4,032,214
Total licenses and permits	126,705,293	131,969,659	124,976,822	118,757,574	123,953,009
Intergovernmental					
Federal cost sharing	-	-	-	53,413	95,210
State sources	11,986,454	11,861,607	12,933,508	12,157,719	12,772,716
County sources	3,906,601	2,839,361	1,914,850	1,495,290	1,443,044
Local sources	12,386,117	11,532,177	14,439,774	15,392,016	11,072,092
Total intergovernmental	28,279,172	26,233,145	29,288,132	29,098,438	25,383,062
Charges for services:					
Rents and reimbursements	3,217,317	3,759,621	3,921,430	3,809,186	3,959,316
Parks and recreation facilities fees	8,578,462	9,476,797	9,286,171	9,968,315	9,978,134
Other	5,061,122	6,038,568	4,459,423	4,262,094	3,606,476
Total charges for services	16,856,901	19,274,986	17,667,024	18,039,595	17,543,926
Billings to other funds for services	42,026,758	38,250,600	29,569,803	20,299,663	20,827,898
Billings to other funds for general and overhead charges	16,508,882	19,906,535	22,962,943	24,377,463	21,642,330
Other	11,356,416	11,986,794	7,043,626	4,553,645	3,855,850
<b>TOTAL REVENUES</b>	<b>\$424,026,966</b>	<b>\$439,167,187</b>	<b>\$431,321,435</b>	<b>\$417,961,912</b>	<b>\$421,585,462</b>

**Table 4 (continued)**  
**CITY OF PORTLAND, OREGON**  
**Statement of General Fund Revenues and Expenditures**  
**(Actual Results Reported on a Budgetary Basis)**

<b>EXPENDITURES</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>
Public Safety	\$231,211,310	\$239,109,736	\$241,028,654	\$248,738,454	\$245,806,746
Parks, Recreation and Culture	58,189,332	59,059,863	59,185,906	61,537,488	58,513,350
Community Development	43,396,132	49,146,026	42,885,951	42,063,934	31,821,045
Legislative/Admin. Support Services	68,990,433	69,340,049	63,243,312	62,589,145	66,736,869
Debt service and related costs	240,755	2,039,003	2,065	4,916,113	5,318,785
Capital outlay	4,383,485	5,078,171	358,618	3,369,952	1,681,931
<b>TOTAL EXPENDITURES</b>	<b>406,411,447</b>	<b>423,772,848</b>	<b>406,704,506</b>	<b>423,215,086</b>	<b>409,878,726</b>
<b>Revenues Over / (Under) Expenditures</b>	<b>17,615,519</b>	<b>15,394,339</b>	<b>24,616,929</b>	<b>(5,253,174)</b>	<b>11,706,736</b>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Transfers from other funds	43,422,486	34,635,650	27,178,016	26,512,123	25,060,023
Transfers to other funds	(49,592,768)	(56,483,049)	(59,082,312)	(47,166,753)	(32,484,221)
Loans issued	-	-	-	-	0
Internal loan proceeds/remittances	-	-	-	(8,506,660)	8,006,660
Sale of capital asset	-	-	1,202,998	6,787	5,653
<b>TOTAL OTHER FINANCING SOURCES / (USES)</b>	<b>(6,170,282)</b>	<b>(21,847,399)</b>	<b>(30,701,298)</b>	<b>(29,154,503)</b>	<b>588,115</b>
<b>Net Change in Fund Balance</b>	<b>11,445,237</b>	<b>(6,453,060)</b>	<b>(6,084,369)</b>	<b>(34,407,677)</b>	<b>12,294,851</b>
<b>Beginning Fund Balance, Budgetary Basis</b>	<b>70,212,844</b>	<b>81,658,081</b>	<b>75,205,021</b>	<b>69,120,652</b>	<b>34,712,975</b>
<b>Ending Fund Balance, Budgetary Basis</b>	<b>\$81,658,081</b>	<b>\$75,205,021</b>	<b>\$69,120,652</b>	<b>\$34,712,975</b>	<b>\$47,007,826</b>
<b>Adjustments to GAAP basis:</b>					
General Reserve Fund budgeted as separate fund	\$49,721,922	\$55,220,383	\$63,622,146	\$48,784,573	\$46,294,375
Internal loans	-	-	-	8,506,660	278,586
Unrealized gain (loss) on investments – GASB 31	(95,760)	471,837	970,483	(178,800)	500,000
Resources not available for spending:					
Petty cash	42,570	42,550	42,145	47,000	-
<b>Ending Fund Balance, GAAP basis</b>	<b>\$131,326,813</b>	<b>\$130,939,791</b>	<b>\$133,755,426</b>	<b>\$91,872,408</b>	<b>\$94,080,787</b>

Source: City of Portland.

**CITY BUDGET PROCESS**

The City prepares annual budgets for all its bureaus and funds in accordance with provisions of Oregon Local Budget Law. The law provides standard procedures for the preparation, presentation, administration, and public notice for public sector budgets. At the outset of the process, the Mayor or the full City Council reviews overall goals, establishes priorities, and provides direction to bureaus. The Council conducts an extensive public information process to obtain direct public input on City service priorities, and most bureaus include key stakeholders in developing their budget requests. In addition to this public outreach process, the City created the Portland Utilities Review Board (the “PURB”) in 1994. The PURB, an appointed body of nine interested citizens who provide independent and representative customer review of water, sewer, stormwater, and solid waste financial plans and rates, operates in an advisory capacity to Council.

A five-year General Fund financial forecast, which serves as the basis for determining resources available for budgeting, is also provided to the City Council along with budget requests. Major City bureaus generally prepare and submit five-year financial plans and Capital Improvement Plans.

Bureau budget requests are reviewed by the Mayor and Council members, as well as a panel of community advisors. The Mayor develops a Proposed Budget that addresses City Council priorities, public input, and balancing requirements. Following presentation of the Proposed Budget, a community hearing is scheduled wherein public testimony is taken. A budget summary and notice of hearing are published prior to the hearings. The City Council, sitting as the Budget Committee, considers the testimony from the community and can alter the budget proposal before voting to approve the budget.

The City Council transmits the Approved Budget to the Tax Supervising and Conservation Commission (the "TSCC"), an oversight board appointed by the governor, for public hearing and review for compliance with budget law. Upon certification by the TSCC, the City Council holds a final public hearing prior to adoption. Final adoption of the City's budget is required to be through a vote of the Council no later than June 30. All committee meetings and budget hearings are open to the public.

For a discussion of the City's FY 2011-12 and FY 2012-13 budgets, see "SUPPLEMENTAL INFORMATION ON THE GENERAL FUND DISCRETIONARY BUDGET AND FINANCIAL PLAN" herein.

## **INSURANCE**

The City is self-insured for workers' compensation, general liability claims and certain employees' medical coverage in internal service funds. The Oregon Tort Claims Act (ORS 30.260 to 30.300) limits certain claims against the City for personal injury, death and property damage or destruction as described below. Claims under federal jurisdiction are not subject to such limitations. The City estimates liability for incurred losses for reported and unreported claims for workers' compensation, general and fleet liability and employee medical coverage (included in accrued self insurance claims in the combined statement of net assets).

Workers' compensation, general and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City's Risk Management Division and independent actuarial studies. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. The estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine present value of the liability. For fiscal year ending June 30, 2012, the expected rate of return is 0.45 percent. The Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

The City provides insurance coverage deemed as adequate, appropriate, and actuarially sound. It meets all the City's anticipated settlements, obligations and outstanding liabilities. Furthermore, current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess liability coverage insurance policy covers individual claims in excess of \$1,000,000. The City's limits of coverage on the excess liability policy is \$30 million per claim above the \$1 million self-insurance retention until November 11, 2012. After that date, the limits of excess liability policy will be \$10 million per claim above the \$1 million self-insured retention. A tort claim for a loss from 2010 has been settled for \$1.2 million. The majority of the settlement will come from the excess insurance. An excess workers' compensation coverage insurance policy covers claims in excess of \$750,000. Currently this excess insurance will cover up to statutory limits.

### **Personal Injury and Death Claim**

Under ORS 30.272, the liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$600,000 for causes of action arising on or after July 1, 2012, and before July 1, 2013. This cap increases incrementally through June 30, 2015, to \$666,700. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increases to \$1,266,700 for causes of action arising on or after July 1, 2012, and before July 1, 2013, and incrementally to \$1,333,300 for causes of action arising on or after July 1, 2014, and before July 1, 2015.

For causes of action arising on or after July 1, 2015, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.272. The adjustment may not exceed three percent for any year.

## **Property Damage or Destruction Claim**

Under ORS 30.273, the liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2012, and before July 1, 2013, are as follows: (a) \$104,300 for any single claimant and (b) \$521,400 to all claimants. These liability limits are adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.273. The adjustment may not exceed three percent for any year.

## **PENSION PLANS**

### **General**

Substantially all City employees (other than most fire and police personnel), after six months of employment, are participants in three retirement pension benefit programs under the State of Oregon Public Employees Retirement System (“PERS” or the “System”) – Tier 1, Tier 2, or the Oregon Public Service Retirement Plan (“OPSRP”).

The Tier 1 and Tier 2 pension programs (the “T1/T2 Pension Programs”) are defined benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Retirement benefits for T1/T2 Pension Program members are based on final average salary and length of service and are calculated under a full formula method, formula plus annuity method, or money match (defined contribution) method if a greater benefit results.

Public employees hired on or after August 29, 2003, become part of OPSRP, unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund the Individual Account Program (“IAP”) under the separate defined contribution program. Beginning January 1, 2004, active members of the T1/T2 Pension Program became members of the IAP under OPSRP and their employee contributions were directed to the member’s IAP account and will be part of a separate defined contribution program.

Oregon statutes require an actuarial valuation of the System by a competent actuary at least once every two years. Under current practice, actuarial valuations are performed annually, but only valuations as of the end of each odd-numbered year are used to determine contribution rates that employers will be required to pay to fund the obligations of T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account Plan (“RHIA”). See “POST-EMPLOYMENT RETIREMENT BENEFITS” below.

In October 2010, Mercer Human Resource Consulting (“Mercer”), the PERS actuary, released the City’s 2009 actuarial valuation report (the “2009 City Report”), which includes the City’s share of the System’s actuarial accrued liabilities and assets as of December 31, 2009 and provides the City’s employer contribution rates that are currently in effect (effective from July 1, 2011 through June 30, 2013). In November 2011, Mercer released an actuarial valuation for the City as of December 31, 2010 (the “2010 City Report”), which included the City’s share of the System’s actuarial accrued liability as of December 31, 2010 and provides the City’s advisory employer contribution rates.

### **Employer Asset Valuation and Liabilities**

An employer’s share of PERS’s UAL is the excess of the actuarially determined present value of the employer’s benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

The City is pooled with the State of Oregon and other Oregon local government and community college public employers for its T1/T2 Pension Programs (the “State and Local Government Rate Pool” or “SLGRP”), and the SLGRP’s assets and liabilities are pooled. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The City’s portion of the SLGRP’s assets and liabilities is based on the City’s proportionate share of SLGRP’s pooled covered payroll. OPSRP’s assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The City’s allocated share of OPSRP’s assets and liabilities is based on the City’s proportionate share of OPSRP’s pooled covered payroll. The City’s proportionate liability of the T1/T2 Pension Programs and OPSRP may increase if other pool participants fail to pay their full employer contributions.

The table below is a summary of principal valuation results from the 2009 City Report and the 2010 City Report.

**Table 5**  
**CITY OF PORTLAND, OREGON**  
**Valuation Results for 2009 and 2010**  
**(as of December 31)**

	<b>2009</b>	<b>2010</b>
Allocated Pooled T1/T2 UAL/ (surplus)	\$178,802,989	\$168,908,108
Allocated Pooled OPSRP UAL/ (surplus)	3,216,137	3,818,471
Net unfunded pension actuarial accrued liability/(surplus)	\$182,019,126	\$172,726,579

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/09 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/10 Valuation Report prepared by Mercer Human Resource Consulting.

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 20 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

The funded status of the System and the City, as reported by Mercer, changes over time depending on the market performance of the securities that the Oregon Public Employees Retirement Fund (the "OPERF") is invested, future changes in compensation and benefits of covered employees, any additional lump sum deposits made by employers, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS. No assurance can be given that the unfunded actuarial liability of PERS and of the City will not materially increase.

#### **Employer Contribution Rates**

Employer contribution rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including known and anticipated investment performance of the OPERF. The City's current employer contribution rates are based on the 2009 City Report. These rates became effective on July 1, 2011 and are effective through June 30, 2013. The 2010 City Report provides advisory employer contribution rates only.

In January 2010 the PERS Board adopted a revised implementation of the rate collar limiting increases in employer contribution rates from biennium to biennium (the "Rate Collar"). Under normal conditions, the Rate Collar is the greater of three percent of payroll or 20 percent of the current base rate. If the funded status of the SLGRP is below 80 percent, the Rate Collar increases by 0.3 percent for every percentage point under the 80 percent funded level until it reaches six percent at the 70 percent funded level. The 2009 System Valuation found that the SLGRP was 77 percent funded, resulting in a Rate Collar of 3.9 percent. The Rate Collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with RHIA and the Retiree Health Insurance Premium Account ("RHIPA"). Because the 2011-2013 employer contribution rates were reduced by the Rate Collar, further rate increases are anticipated for the 2013-2015 biennium. Although the 2010 City Report includes advisory employer contribution rates for the City, the City's employer contribution rates for the 2013-2015 biennium will be reported in the City's individual actuarial valuation report as of December 31, 2011. Presently, PERS anticipates that system-wide, the 2013-2015 rates will be increased by approximately 5 percent of covered payroll as a result of the implementation of the Rate Collar in the 2011-2013 biennium. This increase, however, will be subject to change based on the investment performance of OPERF and other factors. The City's actual 2013-2015 contribution rate increase also may vary from the system-wide number.

The table below shows the City’s current employer contribution rates based on the 2009 City Report and the advisory rates identified in the 2010 City Report.

**Table 6**  
**CITY OF PORTLAND, OREGON**  
**Current Employer Contribution Rates and Advisory Rates**  
**(Percentage of Covered Payroll)**

	Current Rates			Advisory Rates		
	2011-2013			2013-15		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Total net pension contribution rate	8.71%	7.19%	9.90%	12.80%	10.99%	13.73%

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/09 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/10 Valuation Report prepared by Mercer Human Resource Consulting.

Currently, one percent of covered payroll for the three pension benefit programs is approximately: \$1,904,948 for T1/T2 Pension Programs; \$790,418 for OPSRP general services; and \$150,863 for OPSRP police and fire. The City’s contribution rates may increase or decrease due to a variety of factors, including the investment performance of the OPERF, the use of reserves, further changes to system valuation methodology and assumptions and decisions by the PERS Board and changes in benefits resulting from legislative modifications.

T1/T2 Pension Programs employees and OPSRP employees are required by state statute to contribute six percent of their annual salary to the respective programs. Employers are allowed to pay any or all of the employees’ contribution in addition to the required employers’ contribution. The City has elected to make the employee contribution. An employer also may elect via written employment policy or agreement to make additional employer contributions to its employees’ IAP accounts in an amount that can range from not less than one percent of salary to no more than six percent of salary and must be a whole percentage. Employers may make this policy or agreement for specific groups of their employees. The City has elected to make an optional contribution to the IAP accounts of public safety employees hired after January 1, 2007 of an additional three percent of their annual salary. The rates reported in Table 6 above do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City.

In addition to the City’s employer rate, each City bureau is required to make a contribution to pay debt service on outstanding Limited Tax Pension Obligation Revenue Bonds originally issued in FY 1999-2000 to fund the City’s share of the unfunded actuarial liabilities of PERS as of December 31, 1997.

**Fire and Police Disability and Retirement Fund**

The following discussion pertains to the City’s FPDR Fund. Most of the fire and police personnel are covered under the Fire and Police Disability, Retirement and Death Plan (the “FPDR Plan”). The FPDR Plan consists of three tiers, two of which are now closed to new employees. FPDR One, the original plan, and FPDR Two, in which most active fire and police personnel participate, are single-employer, defined-benefit plans administered by the FPDR Board. FPDR Three participants are part of OPSRP for retirement benefits and are under the FPDR Plan for disability and death benefits. For information regarding OPSRP and the employee and employer contribution rates for OPSRP see “PENSION PLANS – General,” above. The authority for the FPDR Plan’s vesting and benefit provisions is contained in the Charter of the City. Fire and police personnel generally become eligible for membership in the FPDR Plan immediately upon employment. The FPDR Plan provides for service connected disability benefits at 75 percent of salary, reduced by 50 percent of any wages earned in other employment with a 25 percent of salary minimum, for the first year of disability and 25 to 75 percent of salary in later years, depending on medical status and ability to obtain other employment. The FPDR Plan also provides for non-service connected disability benefits at reduced rates of base pay.

Effective July 1, 1990, the FPDR Plan was amended to create the FPDR Two tier, which provides for the payment of benefits upon termination of employment on or after attaining age fifty-five, or on or after attaining age fifty if the member has twenty-five or more years of service. Members become 100 percent vested after five years of service. Members enrolled in the FPDR Plan prior to July 1, 1990 were required to make an election as to whether they wished to fall under the provisions of the FPDR

Plan as constituted prior to July 1, 1990 (now called FPDR One) or become subject to the new FPDR Two provisions after June 30, 1990.

On November 7, 2006, voters in the City of Portland passed a measure that created the FPDR Three tier and changed the retirement plan benefits of new members to OPSRP. The FPDR levy pays the employee and employer portions of the OPSRP contribution. This move is expected to increase property taxes for 35 years. Performance audits have been implemented to assess the implementation of the FPDR Plan reforms. The initial and follow-up disability program audits have been performed, and a pension program audit was completed in January 2010.

Another ballot measure passed by the voters November 6, 2007, also made new retirees from active service eligible for payment by the FPDR Fund of medical and hospital expenses associated with their job-related injuries and illnesses accepted before retirement. The change is effective for retirees after January 1, 2007. State legislation governing workers' compensation law requires that the FPDR Fund treat 12 cancers as presumptive occupational illnesses for firefighters effective January 1, 2010.

The FPDR Plan is funded by a special property tax levy which cannot exceed two and eight-tenth mills on each dollar of valuation of property (\$2.80 per \$1,000 of real market value) not exempt from such levy. In the event that funding for the FPDR Plan is less than the required payment of benefits to be made in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the special property tax levy in the succeeding year. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the two and eight-tenth mills limit, other City funds would be required to make up the difference. The FY 2011-12 levy of \$114,264,711 required a tax rate of \$2.4683 per \$1,000 of assessed property value, or approximately \$1.4078 per \$1,000 of gross real market value.

In accordance with the Charter's provisions, there are no requirements to fund the Plan using actuarial techniques, and the Charter indicates that the City cannot pre-fund the FPDR Plan benefits. As required by the Charter, the FPDR Fund's Board of Trustees estimates the amount of money required to pay and discharge all requirements of the FPDR Fund for the succeeding fiscal year and submits this estimate to the City Council. The Council is required by Charter to annually levy a tax sufficient to provide amounts necessary to fund the estimated requirements for the upcoming year provided by the FPDR Fund's Board of Trustees. While the FPDR Fund has not experienced any funding shortfalls to date, future funding is dependent on the availability of property tax revenues and, in the absence of sufficient property tax revenues, City funds.

The FPDR Fund's Board periodically assesses the future availability of property tax revenues by having projections and simulations performed in connection with the Actuarial Valuation of the Fund. The most recent assessment was as of July 1, 2010. The Fund's Board believes that, under a wide range of simulated economic scenarios in the foreseeable future, the future FPDR Fund levy would remain under \$2.80 per \$1,000 of real market value, but reaching the \$2.80 threshold has a five percent or greater probability level starting in 2023 and an almost 10 percent probability in 2029.

Recognizing that the economic conditions have changed significantly over the past few years, the City reviewed the discount rate and assumptions utilized in the calculations of the actuarial valuation, including actuarial accrued pension liabilities and net pension obligation, and determined they should be revised to more closely match the funding and investment returns that actually are achieved under existing investment. The City revised the rate for the July 1, 2010, valuation from 4.50 percent to 4.00 percent. This change increased the unfunded actuarial liability by \$190 million. Overall the unfunded actuarial liability increased from \$2.21 billion on July 1, 2008 to \$2.53 billion on July 1, 2010.

## **OTHER POST-EMPLOYMENT RETIREMENT BENEFITS (“OPEB”)**

The City's OPEB liability includes two separate plans. The City provides a contribution to the State of Oregon PERS cost-sharing multiple-employer defined benefit plan and an implicit rate subsidy for retiree Health Insurance Continuation premiums.

### **PERS Program**

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may also receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premiums under the RHIA program. RHIA's assets and liabilities are pooled on a system-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled covered payroll. According to the 2009 City Report, the City's allocated share of the RHIA program's UAL is \$10,603,769 as of December 31, 2009, and according to the 2010 City Report, the City's allocated share of the RHIA program's UAL is \$11,064,746 as of December 31, 2010.



The City's current total contribution rate to fund RHIA benefits for T1/T2 employees is 0.59 percent and for OPSRP general services employees and police and fire employees is 0.50 percent.

### **Health Insurance Continuation Option**

Distinct from the PERS program, Oregon municipalities, including the City, are required to allow retirees and their dependents to continue to receive health insurance by paying the premiums themselves at a rate that is blended with the rate for current employees until retirees and spouses are eligible for federal Medicare coverage and until children reach the age of 18 (the "Health Insurance Continuation Option"). GASB 45 refers to this as an implicit subsidy and therefore requires the corresponding liability to be determined and reported.

The City's actuary for its OPEB liability associated with the Health Insurance Continuation Option, AON Employee Benefits Consulting, completed an actuarial valuation for purposes of complying with the GASB 45 standards. The valuation was prepared using the Entry Age Normal actuarial cost method by spreading future normal costs evenly over future service ("EAN-Service"). The valuation was prepared using an amortization period of 30 years and an assumed discount rate of five percent. The City's actuarial accrued liability for OPEB is solely attributable to the Health Insurance Continuation Option and at the valuation date of July 1, 2009 (the date of the most recent actuarial valuation), is estimated to be \$118,894,232 on an EAN-Service basis. Actuarial valuations for the Health Insurance Continuation Option are undertaken every two years. A new valuation study is underway for reporting the OPEB liability as of July 1, 2011.

For FY 2010-11, the annual required contribution (the "ARC") of the employer to be recognized as the annual employer OPEB cost is estimated to be \$13,442,894 on an EAN-Service basis. For fiscal year ended June 30, 2011, the City benefits paid on behalf of retirees exceeded the premiums they paid by \$7,800,959. The City has elected to not pre-fund the FY 2010-11 employer's annual required contribution to the plan (ARC) of \$13,442,894. The amount unfunded in FY 2010-11 is \$28,721,772, which is the OPEB obligation from the beginning of the fiscal year, plus the ARC for FY 2010-11, less payments made in relation to the FY 2010-11 ARC. The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and ARC, but will monitor its OPEB liability and assess whether a different approach is needed in future years.

## **OVERVIEW OF CITY INDEBTEDNESS**

### **Debt Management Policy**

In April 1984, the City Council adopted Resolution No. 33661, which places centralized responsibility for Debt Management in the Office of Management and Finance and establishes standards and procedures for the issuance of debt. The policy includes more restrictive limits on City debt issuance than required by State law. This policy has subsequently been updated and expanded. The most recent updates to the debt policy were included in Ordinance 181829, which was adopted by the City Council on May 14, 2008. Among the general provisions in the debt policy are types of debt that may be issued and limitations on their use, selection of finance professionals, methods of sale, structure and term of City indebtedness, issuance of conduit debt, and refunding outstanding debt.

### **Debt History**

The City has met all principal and interest payments on its indebtedness in a timely manner and in the required amounts. In addition, the City has never been required to refinance any general obligation indebtedness to meet regular operating expenses.

### **Debt Limitation**

Oregon statutes limit the amount of general obligation debt which an Oregon city may have outstanding at any time to three percent of the real market value of the taxable property within the City, although revenue bonds, general obligation improvement bonds, sewer and water bonds are among the types of bonds legally exempt from the debt limitation. The City is in compliance with all statutory debt limitations.

## **Outstanding Debt**

The City issues a variety of debt types for the purpose of carrying out its capital financing activities. These various debt types are shown in the table below titled “Debt Statement.” Outstanding debt amounts are as of August 1, 2012.

### **Unlimited Tax General Obligation Bonds**

The City has \$70.74 million of outstanding tax-supported general obligation bonds. These bonds were originally issued for the purpose of funding parks, emergency facility system, and public safety improvements. The City is authorized to levy unlimited *ad valorem* property taxes outside the limitations of Article XI, Sections 11 and 11b of the Oregon Constitution to pay these bonds.

### **Bonds Paid and/or Secured by the General Fund**

The following obligations are secured by the full faith and credit of the City. The City is obligated to pay these obligations from any taxes or other revenues available to the City that may legally be applied to pay them. The City is not authorized to levy *ad valorem* property taxes outside the limitations of Article XI, Sections 11 and 11b of the Oregon Constitution to pay these obligations.

#### Non Self-Supporting General Fund Obligations

Non self-supporting General Fund obligations are either paid from Available General Funds or are otherwise considered to be non self-supporting based upon factors including, but not limited to, length of history of the payment revenue source, debt service coverage, revenue volatility and classification of such debt by bond rating agencies. Outstanding obligations that have been determined to be non self-supporting are as follows.

*Limited Tax Revenue Bonds.* The City had \$79.11 million of outstanding limited tax revenue bonds that are paid primarily from General Fund resources. The City has issued limited tax revenue bonds to satisfy a variety of capital financing requirements.

*Limited Tax Pension Obligation Revenue Bonds.* The City issued \$300.8 million of Limited Tax Pension Obligation Revenue Bonds in November 1999 to finance the City’s December 31, 1997, unfunded actuarial accrued pension liability with the State of Oregon Public Employees Retirement System. Approximately forty percent of the debt service on these bonds is expected to be paid from resources of the General Fund. The remaining sixty percent is expected to be paid by non-General Fund bureaus of the City. (See “Self-Supporting General Fund Obligations” below.) Approximately \$96.9 million of outstanding principal remains on the portion of the bonds projected to be repaid with General Fund resources.

*Limited Tax Housing Revenue Bonds.* The City has outstanding a total of \$18.14 million of Limited Tax Housing Revenue Bonds. This amount includes \$10.7 million issued for the Headwaters Apartment Project and \$7.5 million issued for the Housing Opportunity Program.

*Non Self-Supporting Lines of Credit.* The City has established a line of credit to fund Parks Bureau capital maintenance expenses that are secured by the City’s full faith and credit. This line of credit has a current balance of \$1,763,632.

*Contingent Loan Agreements.* The City has made a limited, subject-to-appropriation, pledge of its General Fund to restore reserve fund balances on six conduit housing revenue bond issues. As of August 1, 2012, the City had not received any requests to appropriate funds to restore the reserve fund balances of these issues. The original par amount of these issues is \$30.9 million, of which \$25.7 million remains outstanding.

**Table 7**  
**CITY OF PORTLAND, OREGON**  
**Debt Statement (1)**  
**As of August 1, 2012**

<b>Type of Obligation</b>	<b>Amount Outstanding</b>
<b>UNLIMITED TAX GENERAL OBLIGATION BONDS</b>	
<b>Tax Supported</b>	
General Obligation Parks Bonds	\$12,440,000
General Obligation Public Safety Bonds	24,465,000
General Obligation Emergency Facilities Bonds	33,835,000
<b>Total Tax Supported G.O. Bonds</b>	<b>\$70,740,000</b>
<b>BONDS PAID AND/OR SECURED BY THE GENERAL FUND</b>	
<b>Non Self-Supporting</b>	
Limited Tax Revenue Bonds	\$79,110,000
Limited Tax Pension Obligation Revenue Bonds (General Fund share)	96,933,834
Limited Tax Housing Revenue Bonds	18,140,000
Park Maintenance Facility Line of Credit	\$1,763,632
<b>Total Bonds Secured and Paid from the General Fund</b>	<b>\$195,947,465</b>
<b>Self-Supporting</b>	
Limited Tax Pension Obligation Revenue Bonds (Non-General Fund share)	\$164,169,512
Limited Tax Revenue Bonds (Streetcar)	17,815,000
Limited Tax Revenue Bonds (Convention Center)	80,123,934
Limited Tax Revenue Bonds (PCPA)	1,200,000
Limited Tax Revenue Bonds (Civic Stadium)	23,250,000
Limited Tax Revenue Bonds (S. Waterfront)	2,069,528
Limited Tax Revenue Bonds (Arena)	14,490,000
Limited Tax Revenue Bonds (Transit Mall)	9,250,000
Limited Tax Revenue Bonds (JELD-WEN Field)	12,000,000
Limited Tax Improvement Bonds	55,940,000
State Loans (Brookside)	283,321
Urban Renewal Lines of Credit	26,738,232
Local Improvement Districts Line of Credit	12,414,803
<b>Total Self-Supporting Bonds Secured by the General Fund</b>	<b>\$419,744,329</b>
<b>REVENUE BONDS</b>	
First Lien Sewer Revenue Bonds	\$885,535,000
Second Lien Sewer Revenue Bonds	680,250,000
Sewer SRF Loans	19,999,120
First Lien Water Revenue Bonds (2)	320,475,000
Second Lien Water Revenue Bonds	60,585,000
Parks SDC Revenue Bonds	959,100
Hydroelectric Revenue Bonds	11,050,000
Urban Renewal Bonds	548,615,000
Gas Tax Revenue Bonds	6,372,200
Transportation Line of Credit	18,515,000
<b>Total Revenue Bonds</b>	<b>\$2,552,355,420</b>
<b>TOTAL - ALL OUTSTANDING DEBT</b>	<b>\$3,238,787,215</b>

Notes:

- (1) Excludes contingent loan agreements.
- (2) Does not include \$76.51 million of First Lien Water System Revenue Bonds, 2012 Series A that were issued on August 2, 2012.

Source: City of Portland.

## Self-Supporting General Fund Obligations

Self-supporting General Fund obligations are secured by Available General Funds, but paid from non-General Fund revenues that are considered to be stable and reliable. Outstanding self-supporting General Fund obligations are as follows.

*Limited Tax Pension Obligation Revenue Bonds.* Of the total outstanding Limited Tax Pension Obligation Revenue Bonds described above, approximately \$164.2 million is expected to be fully self-supporting and paid from non-General Fund bureaus of the City.

*Limited Tax Revenue Bonds (Visitor Development Initiative).* The City has issued bonds pursuant to an intergovernmental agreement known as the Visitor Development Initiative for various projects. While ultimately secured by the General Fund, these bonds are expected to be repaid in whole or in part with revenues generated from surcharges on the TLT and the VRT. The City has \$80.1 million of outstanding limited tax revenue bonds for the Oregon Convention Center Completion Project, \$23.25 million of outstanding bonds for the Civic Stadium Project, and \$1.2 million of outstanding bonds for the Portland Center for Performing Arts (“PCPA”) Project.

*Limited Tax Revenue Bonds (Central City Streetcar Project).* The City has \$17.815 million of outstanding limited tax revenue bonds for the Central City Streetcar Project. These bonds are ultimately secured by the City’s General Fund, but the City expects to pay the debt service on these bonds with revenues from the City’s parking facilities and meters.

*Limited Tax Revenue Bonds (Transit Mall Project).* In August 2007, the City issued limited tax revenue bonds to provide a share of the local funding necessary for a light rail extension along the downtown transit mall between Union Station and Portland State University. These bonds are ultimately secured by the City’s General Fund, but the City expects to pay the debt service with revenues from the its parking meter revenues. The City has \$9.25 million of these bonds outstanding.

*Limited Tax Revenue Bonds (JELD-WEN Field Project).* On April 24, 2012, the City issued limited tax revenue bonds to refinance improvements for major league soccer at JELD-WEN Field (formerly known as PGE Park). While secured by the City’s General Fund, the City expects to pay the debt service with revenues from the its Spectator Facilities Fund. The City has \$12.0 million of these bonds outstanding.

*Limited Tax Improvement Bonds.* The City has \$55.94 million of outstanding limited tax improvement bonds. These bonds are issued for the purpose of financing local improvement projects. These bonds are expected to be fully self-supporting from assessment payments received from property owners benefiting from the improvement projects. In addition, the City has pledged its full faith and credit to pay the bonds, and the bonds are payable from all legally available revenues, taxes and other funds of the City.

*Arena Limited Tax Revenue Bonds.* The City currently has \$14.49 million of Arena Limited Tax Revenue Bonds outstanding. These bonds are ultimately secured by the City’s General Fund. However, the City expects to pay the debt service on these bonds from revenues received from the Oregon Arena Project.

*Urban Renewal and Other Self-Supporting Lines of Credit.* The City has established lines of credit for various programs that are secured in part by the City’s full faith and credit. Lines of credit have been established for seven urban renewal areas. The City borrows on these lines of credit to provide interim financing for capital projects, then repays the debt with the proceeds of urban renewal and redevelopment bonds secured solely by the tax increment revenues of the districts for which the bonds are issued. The total balance on the urban renewal lines of credit as of August 1, 2012, was \$26.7 million. A line of credit secured by the City’s full faith and credit has also been established to fund projects in local improvement districts. The balance on this line of credit currently totals \$12.4 million.

*Other Obligations.* The City has about \$2.4 million in other obligations outstanding. These include a loan being repaid by the North Macadam Investors, LLC and a State loan being repaid by the Bureau of Environmental Services.

## **Revenue Bonds**

The City issues revenue bonds to satisfy a variety of capital financing requirements backed solely by the fees derived from the provision of certain services. Included among the purposes for which these types of revenue bonds have been issued are sewer system facilities, water system facilities, parking system facilities, golf facilities, environmental remediation activities, road improvements and hydroelectric generation facilities. In these cases, fees and charges are collected for the individual services provided, generally on the basis of usage. The types and amounts of outstanding revenue bonds are shown in the above table titled “Debt Statement.”

## Urban Renewal Bonds

A total of \$548.6 million of Urban Renewal and Redevelopment Bonds are outstanding for nine urban renewal areas. All of these obligations are paid from tax increment revenues generated from the respective urban renewal areas. No additional City revenues are pledged to the repayment of these bonds.

## Cash Flow Borrowings

The City may borrow for General Fund operating purposes through the issuance of short-term tax anticipation notes (“TANs”). State law limits the amount of TANs that a political subdivision may sell annually to no more than 80 percent of the amount of the annual tax levy, and all TANs must be retired within thirteen months after they were issued. In order to fund cash flow deficits in the FPDR Fund caused by the timing mismatch between when benefit payments are required to be made and when property tax collections are received, the City will issue TANs. On August 23, 2012, the City issued \$21,030,000 of TANs to fund cash flow deficits in the FPDR Fund. These notes are scheduled to be repaid on June 27, 2013.

## Conduit Financings

The City issues revenue bonds for certain private activities under specific statutory authority. This debt is payable solely from private sources and is not an obligation of the City. These bonds are not reported in this document.

## Concurrent Debt Issues

The City of Portland is currently underway or planning for the issuance of additional debt over the next six months. The following table identifies issues that are presently under consideration, and includes the estimated issuance amounts, planned issue dates, and the expected type of issue. The City may also obtain lines of credit for various facilities and equipment in amounts to be determined. These plans are subject to change.

**Table 8**  
**CITY OF PORTLAND, OREGON**  
**Future Debt Issues**

<b>Purpose</b>	<b>Estimated Amount</b>	<b>Planned Issue Date</b>	<b>Type of Issue</b>
Sewer System Capital Improvements	\$185 million	October 2012	Second Lien Sewer System Revenue Bonds
Sellwood Bridge Project	\$70 million	December 2012	Limited Tax Revenue Bonds

Source: City of Portland.

## City General Obligation Debt

Tables 9-11 below set forth the City's general obligation capital debt ratios, the overlapping debt among various taxing districts in the City, and outstanding direct general obligation debt of the City incurred for capital purposes.

**Table 9**  
**CITY OF PORTLAND, OREGON**  
**Debt Ratios**  
**As of August 1, 2012**

	Amount	Per Capita	Percent of Market Value	Percent of Assessed Value
July 1, 2011 Population	585,845			
2011-12 Market Value (Measure 5) (1)	\$81,163,435,001	\$138,541		
2011-12 Assessed Value (2)	\$51,253,281,336	\$87,486	63.15%	
Gross Bonded Debt (3)	\$686,431,795	\$1,172	0.85%	1.34%
Net Direct Debt (4)	\$266,387,465	\$455	0.33%	0.52%
Net Overlapping Debt (as of 6/30/2012) (5)	\$922,309,297	\$1,574	1.14%	1.80%
Net Direct and Overlapping Debt	\$1,188,696,762	\$2,029	1.46%	2.32%
FY 2012-13 General Fund Debt Service as a Percent of FY 2012-13 General Fund Budget (6)	5.4%			

Notes:

- (1) Market Value reported in this table encompasses City of Portland values within Multnomah, Washington, and Clackamas Counties, including estimated urban renewal incremental real market values. Market Value reported in this table and in Table 12 are "Measure 5 Values," which represent the real market value of properties that are not specially assessed; and the value of specially assessed properties, including farm and forestland and exempt property which are less than full real market value. In 2011-12, the Measure 5 Market Value represented about 82 percent of full real market value. For information regarding historical Market Value, see table titled "Historical Trends in Assessed and Market Values" herein.
- (2) Includes urban renewal incremental assessed value. For information regarding historical assessed values, see table titled "Historical Trends in Assessed and Market Values" herein.
- (3) Includes City's outstanding general obligation bonds, limited tax improvement bonds, and limited tax revenue bonds. Also includes general fund-supported lines of credit and tax anticipation notes.
- (4) Net direct debt includes non self-supporting limited tax revenue bonds secured by the City's General Fund as well as general obligation bonds paid from a separate, unlimited *ad valorem* tax.
- (5) See table entitled "Overlapping Debt" below for information on overlapping debt.
- (6) Debt service amount includes all non self-supporting bonds paid and/or secured by the General Fund plus the General Fund share of pension obligation bonds.

Sources: Portland State University Population Research Center; Multnomah County Department of Assessment, Recording and Taxation; Municipal Debt Advisory Commission, Oregon State Treasury; City of Portland.

**Table 10**  
**CITY OF PORTLAND, OREGON**  
**Overlapping Debt**  
**As of June 30, 2012**

TAXING DISTRICT	Real Market Value	Percent Overlapping	Overlapping Debt	
			Gross Property Tax Backed (1)	Net Property Tax Backed (2)
Multnomah Cty SD 1J (Portland)	\$71,565,796,882	97.60%	\$449,394,534	\$449,394,534
Metro	188,213,817,015	43.52%	140,513,024	119,020,672
Portland Community College	151,131,432,801	46.46%	168,646,968	87,416,379
Multnomah County	96,115,185,157	84.92%	224,329,488	75,578,088
Multnomah Cty SD 3 (Parkrose)	4,657,458,024	98.46%	61,515,072	61,515,072
Multnomah Cty SD 40 (David Douglas)	4,155,074,974	100.00%	60,360,000	60,360,000
Multnomah Cty SD 7 (Reynolds)	6,461,332,922	22.56%	32,116,501	32,116,501
Multnomah Cty SD 28J (Centennial)	2,632,777,596	53.93%	17,762,310	17,762,310
Mt Hood Community College	28,378,871,776	40.99%	28,272,221	9,153,692
Columbia Cty SD 1J (Scappoose)	1,705,864,901	13.89%	4,475,297	4,475,297
Clackamas Cty SD 12 (North Clackamas)	12,476,292,846	0.53%	1,861,769	1,861,769
Washington Cty SD 48J (Beaverton)	30,166,591,572	0.30%	1,521,021	1,521,021
Multnomah Cty SD 51J (Riverdale)	721,576,844	5.25%	1,455,762	1,455,762
Clackamas County	46,272,270,083	0.24%	240,621	177,900
Multnomah Cty Drainage District 1	\$194,734,784	100.00%	3,150,000	125,000
Washington Cty SD 23J (Tigard-Tualatin)	12,169,399,883	0.09%	123,714	123,714
Tri-Met	187,637,038,973	43.65%	104,769	104,769
Clackamas Community College	33,484,751,034	0.20%	155,279	58,936
Washington County	63,616,446,137	0.28%	314,648	39,284
Clackamas Cty SD 7J (Lake Oswego)	8,387,014,112	0.02%	27,122	27,122
Tualatin Hills Park & Rec District	25,378,840,802	0.02%	21,488	21,475
Clackamas Cty ESD	44,081,280,604	0.15%	39,148	0
Multnomah ESD	97,184,919,419	83.86%	29,138,512	0
Northwest Regional ESD	82,595,259,515	0.41%	24,026	0
Port Of Portland	206,003,917,447	39.76%	27,556,815	0
Rockwood Water PUD	4,081,340,033	27.54%	1,755,879	0
			<u>\$1,254,875,988</u>	<u>\$922,309,297</u>

Notes:

(1) Gross Property-tax Backed Debt includes all unlimited-tax General Obligation bonds and Bonds Paid and/or secured by the General Fund.

(2) Net Property-tax Backed Debt is Gross Property-tax Backed Debt less Self-supporting Unlimited-tax General Obligation debt and less Self-supporting General Fund Obligations.

Source: Municipal Debt Advisory Commission, Oregon State Treasury.

**Table 11**  
**CITY OF PORTLAND, OREGON**  
**Projected Debt Service on Outstanding General Fund Obligations (1)**

Fiscal Year Ending June 30	PAID FROM GENERAL FUND			SELF-SUPPORTING BONDS SECURED BY GENERAL FUND				
	Limited Tax Revenue Bonds (2)	Limited Tax Pension Obligation Revenue Bonds (3)	Total Non-Self Supporting Bonds/ Gen. Fund	Limited Tax Improve. Bonds (4)	Arena Limited Tax Revenue Bonds (5)	Limited Tax Pension Obligation Revenue Bonds (6)	Other Limited Tax Revenue Bonds (7)	Total Self Supporting Bonds/ Gen. Fund
2013	\$16,581,156	\$9,943,772	\$26,524,928	\$4,007,810	\$3,484,500	\$16,841,016	\$13,736,408	\$38,069,734
2014	15,534,863	10,338,770	25,873,633	3,941,610	3,601,500	17,509,993	16,578,322	41,631,426
2015	15,538,293	10,750,246	26,288,539	3,735,860	3,720,750	18,206,880	16,784,755	42,448,244
2016	15,558,568	11,184,169	26,742,737	2,544,910	3,846,500	18,941,782	17,339,295	42,672,487
2017	11,920,667	11,627,391	23,548,059	10,888,460	1,947,750	19,692,434	19,354,175	51,882,820
2018	7,404,601	12,095,163	19,499,764	1,895,210	-	20,484,663	15,626,846	38,006,719
2019	4,993,256	12,573,783	17,567,040	1,895,210	-	21,295,267	15,953,148	39,143,625
2020	4,994,376	13,081,663	18,076,040	6,355,210	-	22,155,425	16,298,522	44,809,156
2021	4,524,228	13,604,648	18,128,876	1,761,410	-	23,041,165	16,639,114	41,441,689
2022	4,525,429	14,150,222	18,675,651	2,926,410	-	23,965,162	16,603,238	43,494,809
2023	2,904,658	14,716,231	17,620,889	8,049,810	-	24,923,769	16,344,488	49,318,066
2024	2,906,461	15,304,658	18,211,119	1,439,238	-	25,920,342	16,818,350	44,177,930
2025	2,908,095	15,917,215	18,825,310	1,439,238	-	26,957,785	14,944,700	43,341,722
2026	2,143,764	16,553,904	18,697,668	1,439,238	-	28,036,096	14,951,550	44,426,884
2027	1,671,770	17,214,723	18,886,493	21,119,238	-	29,155,277	14,943,000	65,217,514
2028	1,670,605	17,905,243	19,575,848	455,238	-	30,324,757	11,685,738	42,465,732
2029	775,795	18,619,893	19,395,688	455,238	-	31,535,107	11,782,350	43,772,694
2030	778,225	-	778,225	10,405,238	-	-	11,786,750	22,191,988
2031	774,170	-	774,170	44,800	-	-	2,597,350	2,642,150
2032	773,865	-	773,865	1,164,800	-	-	2,597,563	3,762,363
2033	767,075	-	767,075	-	-	-	2,599,713	2,599,713
2034	769,035	-	769,035	-	-	-	-	-
2035	724,260	-	724,260	-	-	-	-	-
<b>Total</b>	<b>\$121,143,215</b>	<b>\$235,581,695</b>	<b>\$356,724,910</b>	<b>\$85,964,176</b>	<b>\$16,601,000</b>	<b>\$398,986,921</b>	<b>\$285,965,370</b>	<b>\$787,517,463</b>

Notes:

- (1) Excludes debt service on the City's Unlimited Tax General Obligation Bonds, which are secured by *ad valorem* taxes on property within the City. Totals may not sum due to rounding.
- (2) Includes Limited Tax Revenue Bonds paid from General Fund sources, Limited Tax Housing Revenue Bonds and Portland International Raceway loan. Excludes line of credit for Parks Maintenance Facility and contingent loan agreements.
- (3) Reflects General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. Amounts shown include projected debt service on the variable rate 1999 Series D & E Bonds and are subject to change.
- (4) Actual debt service may differ substantially from schedule above due to optional and mandatory redemption provisions.
- (5) Bonds are expected to be paid from Arena Project revenues.
- (6) Reflects non-General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. A portion of the debt service on the bonds is expected to be paid from capitalized interest. Amounts shown include projected debt service on the variable rate 1999 Series D & E Bonds (auction rate securities) and are subject to change.
- (7) Includes debt service for bonds issued for the Central City Streetcar Project, Convention Center Expansion Project, Portland Mall Revitalization Project, improvements to the Portland Center for the Performing Arts ("PCPA"), Civic Stadium (2001), and JELD-WEN Field (2012). Also includes debt service for the 2012 Series C Bonds. The Central City Streetcar bonds are expected to be paid from parking facility and meter revenues. Bonds issued for Convention Center expansion, PCPA, and Civic Stadium will be repaid in whole or in part from transient lodging tax and vehicle rental tax surcharges imposed by Multnomah County. Bonds issued for Portland Mall Revitalization Project expected to be repaid with meter revenues. Bonds issued for JELD-WEN Field are expected to be paid from Spectator Facilities Fund revenues. Also includes bonds for South Waterfront projects and excludes a \$325,000 Oregon Economic Community Development loan for the Brookside project paid from sewer revenues. The 2012 Series C Bonds are expected to be repaid with transportation revenues, including parking and gas tax revenues. Preliminary, subject to change.

Source: City of Portland.



## TRENDS IN PROPERTY VALUATION AND TAXATION

The following tables present trends in property valuation and taxation for the City.

**Table 12**  
**CITY OF PORTLAND, OREGON**  
**Historical Trends in Assessed and Market Values (1)**  
**(000s)**

<b>Assessed Value</b>					
<b>Fiscal Year</b>	<b>Inside Multnomah County</b>	<b>Outside Multnomah County</b>	<b>Urban Renewal Incremental Value</b>	<b>Total Assessed Value</b>	<b>Percent Change</b>
2002-03	\$32,412,271	\$158,690	\$3,557,116	\$36,128,077	2.83%
2003-04	33,166,845	160,207	3,981,438	37,136,519	2.79%
2004-05	34,214,710	179,226	4,093,296	38,487,232	3.64%
2005-06	35,285,419	186,755	4,484,614	39,956,788	3.82%
2006-07	38,638,637	197,885	4,965,439	41,801,961	4.62%
2007-08	38,253,186	201,380	5,740,426	44,194,992	5.72%
2008-09	39,784,128	203,038	6,377,050	46,364,216	4.91%
2009-10	41,109,227	211,157	7,056,631	48,377,015	4.34%
2010-11	42,160,414	214,998	7,462,728	49,838,140	3.02%
2011-12	43,543,881	215,497	7,493,903	51,253,281	2.84%

<b>Market Value (Measure 5) (2)</b>				
<b>Fiscal Year</b>	<b>Inside Multnomah County</b>	<b>Outside Multnomah County</b>	<b>Total Market Value</b>	<b>Percent Change</b>
2002-03	\$52,455,529	\$207,172	\$52,662,701	4.58%
2003-04	55,265,828	226,555	55,492,383	5.37%
2004-05	58,600,225	250,013	58,850,238	6.05%
2005-06	65,033,250	275,930	65,309,180	10.98%
2006-07	72,566,725	336,963	72,903,688	11.63%
2007-08	83,935,421	355,558	84,290,979	15.62%
2008-09	90,002,463	355,981	90,358,444	7.20%
2009-10	88,691,826	330,284	89,022,110	-1.48%
2010-11	86,062,318	312,362	86,374,680	-2.97%
2011-12	80,872,627	290,808	81,163,435	-6.03%

- (1) Under the provisions of Ballot Measure 50, beginning with FY 1997-98, Real Market Value and Assessed Value are no longer the same. Measure 50 rolled back the Assessed Value of each property for tax year 1997-98 to its 1995-96 Real Market Value, less ten percent. The Measure further limits any increase in Assessed Value to three percent for tax years after 1997-98, except for property that is substantially improved, rezoned, or subdivided, or property which ceases to qualify for a property tax exemption. This property will be assigned a new Assessed Value equal to the Assessed Value of comparable property in the area. See "PROPERTY TAX AND VALUATION INFORMATION – Section 11B."
- (2) For explanation of Measure 5 Market Value, see footnote 1 of table entitled "Debt Ratios." Measure 5 Market Values are not calculated separately for urban renewal incremental value by the county assessor.

Sources: Multnomah County Division of Assessment, Recording and Taxation; City of Portland.

**Table 13**  
**CITY OF PORTLAND, OREGON**  
**Consolidated Tax Rate: Fiscal Year 2011-12**  
**Levy Code 201 (1)**

<u><b>Taxing District</b></u>	<b>Permanent Tax Rate Per \$1000 A.V.</b>	<b>Local Option And Other Tax Rates (2) Per \$1000 A.V.</b>	<b>General Obligation Debt Tax Rate Per \$1000 A.V.</b>	<b>Total Tax Rate Per \$1000 A.V.</b>
<b>CITY OF PORTLAND</b>	\$4.5770	\$2.8708	\$0.2402	\$7.6880
Portland Urban Renewal	\$0.0000	\$0.2926	\$0.0000	\$0.2926
Port of Portland	\$0.0701	\$0.0000	\$0.0000	\$0.0701
Metro	\$0.0966	\$0.0000	\$0.2188	\$0.3154
Multnomah County	\$4.3434	\$0.9400	\$0.1569	\$5.4403
Tri-County Metropolitan Trans. Dist.	\$0.0000	\$0.0000	\$0.0583	\$0.0583
E. Multnomah Soil & Conservation	\$0.1000	\$0.0000	\$0.0000	\$0.1000
Subtotal - General Government	\$9.1871	\$4.1034	\$0.6742	\$13.9647
Portland Public School District	\$5.2781	\$1.9900	\$0.0000	\$7.2681
Portland Community College	\$0.2828	\$0.0000	\$0.3153	\$0.5981
Multnomah Co. Education Svc. Dist.	\$0.4576	\$0.0000	\$0.0000	\$0.4576
Subtotal - Schools	\$6.0185	\$1.9900	\$0.3153	\$8.3238
<b>Totals</b>	\$15.2056	\$6.0934	\$0.9895	\$22.2885

Notes:

- (1) Levy Code 201 is the largest levy code area that includes the City, containing approximately 38 percent of the total assessed value of the City. Rates are before allocation to urban renewal division of taxes. Information regarding Levy Code 201 is provided in this table as a representative example of consolidated tax rates within the City.
- (2) Includes the City Fire and Police Disability and Retirement pension levy, urban renewal special levies, the Multnomah County local option library levy and the Portland Public Schools local option levy.

Source: Multnomah County Division of Assessment, Recording and Taxation.

**Table 14**  
**CITY OF PORTLAND, OREGON**  
**Tax Collection Record for the Last Ten Years (1)**

<b>Fiscal Year</b>	<b>Total Levy (000) (2)</b>	<b>Collected Yr. of Levy (3)</b>	<b>Collected as of 6/30/2012 (3)</b>
2002-03	\$283,978	96.57%	99.98%
2003-04	324,709	96.92%	99.98%
2004-05	332,887	97.11%	99.98%
2005-06	346,053	97.20%	99.99%
2006-07	363,073	97.29%	99.98%
2007-08	394,491	97.07%	99.94%
2008-09	397,822	96.43%	99.69%
2009-10	436,332	96.85%	98.91%
2010-11	445,321	97.22%	98.38%
2011-12	443,510 (4)	96.89%	96.89%

Notes:

- (1) Tax collection information is for Multnomah County, which represents approximately 99.5% of the City's Assessed Value. Small portions of Washington and Clackamas Counties are also included in the City's Assessed Value.
- (2) Includes urban renewal special levy and levy amounts allocated to urban renewal divide the taxes. Levy amounts shown are after Measure 5 compression.
- (3) Collections reflect adjustments for cancellation of taxes, allowed discounts, and taxes added to tax roll due to omissions and corrections. Discounts currently represent the largest adjustment to the tax levy; discounts associated with the 2011-12 tax levy represented about 2.5% of that year's levy.
- (4) Total levy for FY 2011-12 was lower than prior year due largely to higher Measure 5 compression. See "PROPERTY TAX AND VALUATION INFORMATION—SECTION 11B" herein.

Sources: Multnomah County Division of Assessment, Recording and Taxation and City of Portland.

**Table 15**  
**CITY OF PORTLAND, OREGON**  
**Assessed and Market Value of City Property in Multnomah County**  
**by Property Type (FY 2011-12)**

<b>Property Type</b>	<b>Assessed Value</b>	<b>Percent of Total</b>	<b>Market Value (Measure 5)</b>	<b>AV/RMV Ratio</b>
Real Property				
Residential	\$31,103,974,100	60.94%	\$47,619,674,812	65.32%
Commercial	8,145,308,160	15.96%	16,769,280,920	48.57%
Industrial	4,524,771,070	8.87%	6,778,989,390	66.75%
Multiple Family Housing	2,702,146,530	5.29%	4,932,142,380	54.79%
Other	76,135,610	0.15%	115,575,910	65.87%
Subtotal	46,552,335,470	91.21%	76,215,663,412	
Personal Property	1,977,084,373	3.87%	1,977,754,214	99.97%
Manufactured Property	78,143,970	0.15%	96,067,360	81.34%
Utilities	2,430,220,449	4.76%	2,583,142,448	94.08%
<b>Total</b>	<b>\$51,037,784,262</b>	<b>100.00%</b>	<b>\$80,872,627,434</b>	

Source: Multnomah County Division of Assessment, Recording and Taxation.

**Table 16**  
**CITY OF PORTLAND, OREGON**  
**Principal Property Taxpayer Accounts**

<b>Taxpayer Account</b>	<b>Type of Business</b>	<b>FY 2011-12 Assessed Value</b>	<b>Percent of Total Assessed Value</b>
Total City Assessed Value		\$51,253,281,336	100.00%
PacifiCorp (PP&L)	Energy	314,006,000	0.61%
Portland General Electric	Energy	288,093,351	0.56%
Weston Investment Co. LLC	Real estate (office)	233,362,410	0.46%
Qwest Corporation	Communications	217,679,900	0.42%
Comcast Corporation	Communications	198,036,300	0.39%
LC Portland LLC	Real estate (retail)	173,395,750	0.34%
Evraz Inc. NA	Steel plate manufacturing	166,298,921	0.32%
Alaska Airlines Inc.	Airline	148,875,000	0.29%
Northwest Natural Gas Co.	Energy	135,428,790	0.26%
AT&T	Communications	134,105,500	0.26%
<b>Total</b>		<b>\$2,009,281,922</b>	<b>3.92%</b>

Source: Multnomah County Division of Assessment, Recording and Taxation.

*(End of Annual Disclosure Information)*

# **SUPPLEMENTAL INFORMATION ON THE GENERAL FUND DISCRETIONARY BUDGET AND FINANCIAL PLAN**

## **INTRODUCTION**

General Fund resources are categorized as either discretionary or nondiscretionary. Discretionary resources are those that the City Council can allocate to programs and services in any area. These resources have few restrictions on how they can be allocated. General Fund discretionary resources are typically used to support such basic City services as police, fire, and parks. Discretionary resources include property taxes, utility license fees, business license fees, transient lodging taxes, state shared revenues (from cigarette taxes and liquor sales), interest income, miscellaneous revenues, and cash transfers into the General Fund. Nondiscretionary resources include grants, contract revenues, service reimbursements, and other revenues specifically dedicated to a particular purpose. Discretionary resources represent the largest share of the General Fund budget. These resources represent approximately 82.2% of the total FY 2012-13 General Fund budget.

## **RECENT BUDGET ACTIONS**

Despite some recent measured improvement, many effects of the most recent recession persist. These conditions have affected many of the City's General Fund revenue streams in recent years. In particular, the prolonged declines in property values are beginning to limit property tax growth through the impact of Measure 5 compression. See "PROPERTY TAX AND VALUATION INFORMATION—SECTION 11B" herein. Over the course of FY 2008-09 and FY 2009-10, business license taxes and transient lodging taxes dropped by over 16 percent. In FY 2010-11, both revenue streams have reversed course and are expected to be close to pre-recession levels in FY 2011-12. Meanwhile the recent cuts in state shared liquor and cigarette revenues that reached six percent have abated and final figures for FY 2011-12 are expected to show a record year for collections. Interest income continues to be weak, as historically low interest rates have diminished opportunities for revenue growth. Finally, the City managed to carry forward \$9.1 million into FY 2012-13 in order to mitigate the impact of its expenses rising faster than its revenues.

## **FY 2012-13 BUDGET**

Overall General Fund discretionary revenues (net of beginning balance) for FY 2012-13 are projected to be 2.5 percent above FY 2011-12 levels. Business license revenue is projected to grow approximately six percent above the revised FY 2011-12 figure, reaching \$76.2 million in FY 2012-13. This amount is nearly equal to the peak collections in FY 2007-08. Additionally, property taxes are expected to increase by about a historically-low 1.3 percent in FY 2012-13.

The adopted FY 2012-13 General Fund discretionary budget allows for \$22.7 million of one-time spending in FY 2012-13, and sets aside \$4.9 million for one-time spending in future years. The Mayor and Council also required all City bureaus to propose reduction packages at the four percent, six percent, and eight percent levels. Ultimately, although reductions to public safety bureaus were somewhat limited, the FY 2012-13 Adopted Budget does make nearly \$15 million in ongoing current service level cuts.

The City likely will be required to make further reductions beginning in FY 2013-14 to balance the budget and plan. The City Council has directed that over \$8 million in programs that are currently being funded with one-time resources be folded into the forecast for ongoing expenditures. Absent any other changes, the result will require cuts from current service levels from other ongoing programs. A major risk for the forecast beyond FY 2012-13 is the decision by Multnomah County to submit a measure to voters to establish a new permanent library district beginning in FY 2013-14. Though very preliminary at this point, current estimates suggest that the negative impact on City General Fund property tax revenues could exceed \$7 million annually beginning in FY 2013-14 due to higher levels of Measure 5 compression. The table below shows the FY 2011-12 General Fund discretionary budget (revised as of June 30, 2012) and the adopted FY 2012-13 budget.

**Table 17**  
**CITY OF PORTLAND, OREGON**  
**General Fund Discretionary Budget**  
**Revised FY 2011-12 and Adopted FY 2012-13**

<b>Resources</b>	<b>Revised FY 2011-12</b>	<b>Adopted FY 2012-13</b>
Property Taxes	\$198,009,386	\$197,935,167
Lodging Taxes	15,248,600	18,050,550
Business Licenses	67,386,974	76,563,447
Utility License Fees	70,813,350	72,200,963
Other Intergovernmental Revenues	2,659,989	1,906,489
State Shared Cigarette & Liquor	12,389,324	12,882,863
Cash Transfers	1,650,449	1,167,054
Other/Miscellaneous Revenues	1,131,911	930,000
Bond and Note Proceeds	500,000	6,600,000
Beginning Fund Balance	47,007,826	14,982,358
<b>Total Resources</b>	<b>\$416,797,809</b>	<b>\$403,218,891</b>
<b>Expenditures</b>		
Total Bureau Expenses	\$364,556,988	\$352,496,365
Contingency - Operating & Reserve	11,735,126	9,566,477
Overhead Recovery True-Up	(1,077,826)	1,419,151
Debt Service	5,950,694	6,452,869
Transfers to Other Funds	35,632,827	33,284,029
<b>Total Expenditures</b>	<b>\$416,797,809</b>	<b>\$403,218,891</b>

Source: City of Portland

**Table 18**  
**CITY OF PORTLAND, OREGON**  
**General Fund Discretionary Revenues – Budgeted and Forecast**

<b>Resources (millions of \$)</b>	<b>FY 2012-13 Budget</b>	<b>FY 2013-14 Forecast</b>	<b>FY 2014-15 Forecast</b>
Beginning Balance	\$15.0	\$16.7	\$13.3
<i>Revenues</i>			
Property Taxes	197.9	203.1	210.2
Transient Lodging	18.1	18.1	19.4
Business Licenses	76.7	81.1	88.9
Utility License/Franchise	72.2	75.0	78.4
State Revenues	12.9	13.1	13.5
Interest Income	0.9	1.3	1.6
Transfers	0.8	0.8	0.8
Miscellaneous	8.6	2.1	2.2
Discretionary Resources	<u>\$403.2</u>	<u>\$411.2</u>	<u>\$428.2</u>

Source: City of Portland.

## PROPERTY TAX AND VALUATION INFORMATION

The property tax is used by Oregon cities, counties, schools and other special districts to raise revenue to partially defray the expense of local government. The State of Oregon has not levied property taxes for General Fund purposes since 1941 and obtains its revenue principally from income taxation.

Oregon voters changed the Oregon property tax system substantially when they approved Ballot Measure 50 in May of 1997. Ballot Measure 50 was a citizen initiative that substantially amended Article XI, Section 11 of the Oregon Constitution (“Section 11”).

### SECTION 11

#### Permanent Tax Rate

Section 11 of the Oregon Constitution grants all local governments that levied property taxes for operations in FY 1997-1998 a permanent tax rate that was based on the taxing authority of those governments before Ballot Measure 50 was adopted. Permanent tax rates cannot be increased. The City’s permanent tax rate is \$4.5770/\$1,000 of Assessed Value. Revenues from permanent tax rate levies may be spent for any lawful purpose.

#### Assessed Value

Section 11 provides that property that was subject to *ad valorem* taxation in FY 1997-1998 will have an Assessed Value in that fiscal year which is equal to 90 percent of its FY 1995-96 estimated market value. Section 11 limits annual increases in Assessed Value to three percent for fiscal years after 1997-98, unless the property changes because it is substantially improved, rezoned, subdivided, annexed, or ceases to qualify for a property tax exemption.

In Oregon, the assessor’s estimate of market value is called “Real Market Value.” In conformance with Measure 5 (see “SECTION 11B” below), properties also are assigned a “Market Value,” which adjusts the Real Market Value to reflect the value of specially assessed properties, including farm and forestland and exempt property. New construction and changed property is not assessed at its Real Market Value or its Market Value. Instead, it receives an Assessed Value that is calculated by multiplying the Market Value of the property by the ratio of Assessed Values of comparable property in the area to the Market Values of those properties. This produces an Assessed Value for new construction and changed property that approximates to the Assessed Value of comparable property in the area.

#### Other Property Taxes

Section 11 requires that new taxes be approved at an election that meets the voter participation requirements described below.

Local governments that have permanent tax rates cannot increase those rates. Local governments (including community colleges and school districts) can obtain the authority to levy “local option taxes.” See “LOCAL OPTION LEVIES” below.

Section 11 limits property tax collections by limiting increases in Assessed Value, by preventing increases in permanent tax rates, and through its voter participation requirements. See “GENERAL OBLIGATION BONDS” below.

In addition to permanent rate levies and local option levies, Section 11 allows the following:

- Some urban renewal areas that existed when Measure 50 was adopted are authorized to impose taxes throughout the boundaries of their creating city or county. The City has five urban renewal areas with this taxing authority.
- The City is authorized to impose a levy to pay its fire and police pension and disability obligations. The City has the authority to levy up to \$2.80/\$1,000 of Real Market Value under this exemption.
- Local governments are authorized to impose taxes to pay voter-approved general obligation bonds (see “General Obligation Bonds” below).



## **SECTION 11B**

A citizen initiative, which is often called “Measure 5,” was added to the Oregon Constitution as Article XI, Section 11B (“Section 11B”). Section 11B limits property tax collections by limiting the tax rates (based on Market Value) that are imposed for government operations.

Section 11B divides taxes imposed upon property into two categories: “non-school taxes,” which fund the operations of local governments other than schools, and “school taxes,” which fund operations of the public school system and community colleges. Section 11B limits rates for combined non-school taxes to \$10 per \$1,000 of Market Value and rates for school taxes to \$5 per \$1,000 of Market Value.

If the combined tax rates within a category exceed the rate limit for the category, local option levies are reduced first, and then permanent rate levies, urban renewal levies and the City’s pension levy are reduced proportionately to bring taxes within the rate limit.

Taxes levied to pay general obligation bonds that comply with certain provisions are not subject to the rate limits of Section 11B.

In addition to limiting *ad valorem* property taxes, Section 11B also restricts the ability of local governments to impose certain other charges on property and property ownership.

## **LOCAL OPTION LEVIES**

Local governments (including community colleges and school districts) may obtain voter approval to impose local option taxes. Local option taxes are limited to a maximum of 10 years for capital purposes, and a maximum of five years for operating purposes.

Local option levies are subject to the “special compression” under Section 11B. If operating taxes for non-school purposes exceed the \$10/\$1,000 limit, local option levies are reduced first to bring operating taxes into compliance with this limit. This means that local option levies can be entirely displaced by future approval of permanent rate levies for new governments, or by levies for urban renewal areas and the City’s pension levy.

A Multnomah County local option levy for libraries was approved in November 2006. This local option levy took effect in FY 2007-08 and extends for five years at a rate of \$0.8900 per \$1,000 of Assessed Value. In November 2008, voters approved a measure to renew a five-year levy for the Children’s Investment Fund at a rate of \$0.4026 per \$1,000 of Assessed Value. This local option levy took effect in FY 2009-10. In May 2011, voters approved a five-year local option levy for Portland Public Schools at a rate of \$1.9900 per \$1,000 of Assessed Value. This local option levy began in FY 2011-12.

## **ELIGIBLE ELECTIONS**

New local option levies, taxes to pay general obligation bonds (other than refunding bonds), and permanent rate limits for governments that have not previously levied operating taxes must be approved at an election that is held in May or November, or at another election in which not less than 50 percent of the registered voters eligible to vote on the question cast a ballot.

## **GENERAL OBLIGATION BONDS**

Levies to pay certain general obligation bonds are exempt from the limits of Sections 11 and 11B. The provisions of the Oregon Constitution that govern general obligation bonds have changed several times since 1990. Currently local government general obligation bonds can only be approved at an eligible election (described above), and can only be issued to finance assets having a useful life of more than one year, but only if the weighted average maturity of the bonds does not exceed the weighted average life of the assets that are financed with the bonds.

## COLLECTION

The county tax collectors extend authorized levies, compute tax rates, bill and collect all taxes and make periodic remittances of collections to tax levying units. County tax collectors are charged with calculating public school and local government taxes separately, calculating any tax rate reductions to comply with tax limitation law, and developing percentage distribution schedules. Tax collectors then report to each taxing district within five days the amount of taxes imposed.

Tax collections are now segregated into two pools, one for public schools and one for local governments, and each taxing body shares in its pool on the basis of its tax rate (adjusted as needed with tax limitation rate caps), regardless of the actual collection experience within each taxing body. Therefore, in application, the amount for each taxing body becomes a pro rata share of the total tax collection record of all taxing bodies within the county. Thus, an overall collection rate of 90 percent of the county-wide levy translates into a 90 percent tax levy collection for each taxing body.

Taxes are levied and become a lien on July 1 and tax payments are due November 15 of the same calendar year. Under the partial payment schedule the first third of taxes are due November 15, the second third on February 15 and the remaining third on May 15. A three-percent discount is allowed if full payment is made by the due date, two-percent for a two-thirds payment. Late payment interest accrues at a rate of 1.33 percent per month. Property is subject to foreclosure proceedings four years after the tax due date.

A Senior Citizen Property Tax Deferral Program (1963) allows homeowners to defer taxes until death or sale of the home. Qualifications include a minimum age of 62 and household income under \$19,500 for claims filed after January 1, 1991; \$18,500 if filed during 1990; or \$17,500 if filed prior to January 1, 1990. Taxes are paid by the State, which obtains a lien on the property and accrues interest at six percent.

## PROPERTY TAX EXEMPTION PROGRAMS

### City Programs

Various City housing programs provide property tax abatements as a means to encourage construction, rehabilitation, or conversion of housing units within the City. These programs are authorized by State statute and City Code. The City establishes specific criteria that meet statutory guidelines. Programs currently in effect are as follows:

- Non-Profit Owners of Low Income Housing Tax Exemption: This exemption is intended to promote housing for low-income renters, and allows charitable, non-profit owners or managers of residential property to apply for a tax exemption based upon the number of affordable housing units they maintain. The tax exemption is granted for one year, with annual renewals.
- Rental Rehabilitation Program: To preserve rental property, the City offers a ten-year tax abatement (subject to annual review) on improvements to existing rental housing or conversion of existing structures to rental housing. Property owners continue to pay taxes on the Assessed Value of the land and the original improvements to the property and such Assessed Value can not exceed the Assessed Value as it appeared in the most recent assessment roll prior to the application filing date. Property owners must designate a minimum number of units to remain affordable to low-income households during the exemption period.
- Owner-Occupied Rehabilitation Program: To encourage the rehabilitation of owner-occupied housing in designated distressed areas of the City, the City offers a ten-year property tax abatement on the increased Assessed Value of the property resulting from approved rehabilitation. Property owners continue to pay taxes on the Assessed Value of the land and the original improvements to the property, along with any increases to these values allowed under Measure 50.
- Transit Oriented Development Program: This program is intended to promote high-density residential and mixed use development in transit oriented areas. Property owners receive a tax exemption on the residential portion of new construction or conversion of existing structures for up to ten years.
- Single Family New Construction: To encourage the new development owner-occupied housing in designated distressed areas of the City, the City offers a ten-year property tax abatement on the Assessed Value of the new improvements resulting from the development or redevelopment of the land. Property owners continue to pay taxes on the Assessed Value of the land along with any increases to these values allowed under Measure 50.

- New, Multiple-Unit (Central City) Housing Program: This program provides a property tax exemption for newly constructed multiple-unit housing or conversion of existing structures into multiple-unit housing in the Central City and urban renewal areas for up to ten years.

Because the City and the Commission view property tax exemption programs as important components of promoting affordable housing and economic development within the City, the City may seek to extend existing programs past their current expiration dates or to create new programs.

### **Oregon Enterprise Zone Program**

The Oregon Enterprise Zone program is a State of Oregon economic development program that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by the state statute and the local sponsor. The Commission is the local sponsor for the Portland Enterprise Zone program.

### **Other State Programs**

State statutes authorize other property tax exemptions that are not directly controlled by the City. Among these are property tax exemptions for charitable, educational, and religious institutions; certain health care facilities; historic property; property owned by State, local, and certain federal government agencies; and exemptions for disabled veterans.

## **CITY ECONOMIC CHARACTERISTICS**

The City, with an estimated population of 585,845 as of July 1, 2011, comprises an area of approximately 135 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, the City is the center of commerce, industry, transportation, finance and services for a metropolitan area with an estimated population of approximately 2.2 million people as of July 1, 2010. The City is the county seat of Multnomah County and is the largest city in Oregon and the second largest city in the Pacific Northwest.

### **PORTLAND-VANCOUVER-BEAVERTON METROPOLITAN STATISTICAL AREA**

The Portland-Vancouver-Beaverton Metropolitan Statistical Area (the “MSA”) consists of Multnomah, Clackamas, Washington, Yamhill, and Columbia counties in Oregon, and Clark and Skamania counties in Washington. Metropolitan statistical areas are based on commuting patterns within a metropolitan area, and are used primarily for labor, employment and unemployment statistics.

Multnomah County encompasses the cities of Portland, Gresham, Troutdale, Fairview and Wood Village. Washington County contains Beaverton, Tigard, Tualatin and Hillsboro. Clackamas County includes Milwaukie, Oregon City, Lake Oswego, West Linn and Happy Valley. The cities of St. Helens and Scappoose are located in Columbia County. Yamhill County includes McMinnville and Newberg. Clark County contains Vancouver and Camas. Skamania County includes Stevenson, Carson and Skamania.

## POPULATION

The population for the City has increased steadily over the past decade, as shown in the table below.

**Table 19**  
**CITY OF PORTLAND, OREGON**  
**Population Estimate for the Last Ten Years**

As of July 1	State of Oregon	City of Portland	MSA <sup>(1)</sup>	Multnomah County	Washington County	Clackamas County
2002	3,504,700	538,180	1,989,550	670,250	463,050	350,850
2003	3,541,500	545,140	2,019,250	677,850	472,600	353,450
2004	3,582,600	550,560	2,050,650	685,950	480,200	356,250
2005	3,631,440	556,370	2,082,240	692,825	489,785	361,300
2006	3,690,505	562,690	2,121,910	701,545	500,585	367,040
2007	3,745,455	568,380	2,159,720	710,025	511,075	372,270
2008	3,791,075	575,930	2,191,784	717,880	519,925	376,660
2009	3,823,465	582,130	2,216,785	724,680	527,140	379,845
2010	3,837,300	583,775	2,230,578	736,785	531,070	376,780
2011	3,857,625	585,845	2,246,083	741,925	536,370	378,480
2002-2011 Compounded						
Annual Rate of Change	1.1%	0.9%	1.4%	1.1%	1.6%	0.8%
2007-2011 Compounded						
Annual Rate of Change	0.7%	0.8%	1.0%	1.1%	1.2%	0.4%

Notes: The federal Census figures, as of April 1 of the stated year, are as follows:

	1980	1990	2000	2010
State of Oregon	2,633,156	2,842,321	3,421,399	3,831,074
Multnomah County	562,647	583,887	660,486	735,334
City of Portland	368,139	438,802	529,121	583,776
Washington County	245,860	311,554	445,342	529,710
Clackamas County	241,911	278,850	338,391	375,992

Notes:

- (1) Portland State University Population Research Center defines the Portland-Vancouver-Beaverton Metropolitan Statistical Area as Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

Source: Washington State Office of Financial Management; Portland State University, Center for Population Research. Under Oregon State law, the State Board of Higher Education must estimate annually the population of Oregon cities and counties so that shared revenues may be properly apportioned. The Center for Population Research and Census at Portland State University performs this statutory duty.

## INCOME

Per capita personal income in the MSA has been consistently higher than in the State of Oregon, and except for 2007, was higher than in the nation. Table 20 below shows personal income and per capita income for the MSA compared to similar data for the State and nation.

**Table 20**  
**CITY OF PORTLAND, OREGON**  
**Total Personal Income and Per Capita Income**  
**MSA, Oregon, and the United States**

Year	Total Personal Income MSA (millions)	Per Capita Income		
		MSA	Oregon	USA
2001	\$65,340	\$33,074	\$29,250	\$31,157
2002	66,298	32,973	29,797	31,481
2003	68,222	33,541	30,582	32,295
2004	70,927	34,552	31,650	33,909
2005	74,750	35,868	32,557	35,452
2006	80,794	38,040	34,706	37,725
2007	85,305	39,428	35,950	39,506
2008	88,978	40,950	37,407	40,947
2009	87,894	39,830	35,467	38,846
2010	90,654	40,590	36,317	39,937
2011	Not available	Not available	37,909	41,663
2001-2010 Compounded Annual Rate of Change				
	3.7%	2.3%	2.5%	2.8%

Source: Personal income from U.S. Department of Commerce, Bureau of Economic Analysis, as of August 9, 2011.  
Per capita income from U.S. Department of Commerce, Bureau of Economic Analysis as reported by Oregon  
Employment Department as of July 2012.

## LABOR FORCE AND UNEMPLOYMENT

Table 21 below shows the annual average civilian labor force, employment level and unemployment level data that is available for the MSA for the period 2002 through 2011. For May 2012, the seasonally-adjusted unemployment rate for the MSA was 8.0 percent (7.7 percent not seasonally-adjusted) with a resident civilian labor force of 1,201,004. Table 22 below shows the seasonally-unadjusted, average annual unemployment rates for the MSA, the State and the United States for the period 2002 through 2011.

**Table 21**  
**CITY OF PORTLAND, OREGON**  
**MSA Labor Force and Unemployment Rates<sup>(1)</sup>**

<b>Year</b>	<b>Resident Civilian Labor Force</b>	<b>Unemployment</b>		<b>Total Employment</b>
		<b>Number</b>	<b>Percent of Labor Force</b>	
2002	1,093,526	85,191	7.8%	1,008,335
2003	1,090,119	90,082	8.3	1,000,037
2004	1,089,204	76,576	7.0	1,012,628
2005	1,097,592	64,282	5.9	1,033,310
2006	1,121,350	56,388	5.0	1,064,962
2007	1,142,519	55,274	4.8	1,087,245
2008	1,169,791	69,708	6.0	1,100,083
2009	1,185,625	127,688	10.8	1,057,937
2010	1,189,827	126,187	10.6	1,063,640
2011	1,195,738	109,302	9.1	1,086,436

Notes:

(1) Includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers and labor disputants. Not seasonally adjusted.

Source: Oregon Employment Department as of January 2012.

**Table 22**  
**CITY OF PORTLAND, OREGON**  
**Average Annual Unemployment**  
**MSA, Oregon, and the United States**  
**(Not Seasonally Adjusted)**

<b>Year</b>	<b>MSA</b>	<b>State of Oregon</b>	<b>USA</b>
2002	7.8%	7.6%	5.8%
2003	8.3	8.1	6.0
2004	7.0	7.3	5.5
2005	5.9	6.2	5.1
2006	5.0	5.3	4.6
2007	4.8	5.2	4.6
2008	6.0	6.5	5.8
2009	10.8	11.1	9.3
2010	10.6	10.8	9.6
2011	9.1	9.5	8.9

Source: Oregon Employment Department as of January 2012.

## EMPLOYMENT BY INDUSTRY

Non-manufacturing employment (including government) accounts for about 89 percent of non-farm employment in the Portland area. The Portland metropolitan area's manufacturing employment, accounting for the remaining 11 percent of area employment, is largely based in the metals and computer and electronic equipment sectors.

**Table 23**  
**CITY OF PORTLAND, OREGON**  
**Portland-Vancouver-Beaverton, Oregon MSA**  
**Non-Farm Wage and Salary Employment <sup>(1)</sup>(000)**

<b>Industry</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Total nonfarm employment	<b>1,034,900</b>	<b>1,034,300</b>	<b>973,800</b>	<b>965,500</b>	<b>975,900</b>
Total private	<b>892,700</b>	<b>887,300</b>	<b>825,700</b>	<b>817,700</b>	<b>830,700</b>
Manufacturing	<b>126,100</b>	<b>123,200</b>	<b>109,100</b>	<b>106,700</b>	<b>108,300</b>
Durable goods	95,700	93,500	81,700	79,300	81,000
Wood product manufacturing	5,600	4,800	3,700	3,500	3,400
Primary metal manufacturing	6,600	7,100	5,800	5,600	5,800
Fabricated metal manufacturing	13,300	13,400	11,100	11,100	11,300
Machinery manufacturing	8,600	8,300	7,000	7,000	7,400
Computer/electronic manufacturing	36,900	35,900	33,900	33,200	34,300
Transportation equipment manufacturing	9,000	8,600	7,000	6,300	6,500
Nondurable goods	30,400	29,600	27,400	27,300	27,400
Food manufacturing	9,100	9,200	9,100	9,300	9,500
Paper manufacturing	4,700	4,500	3,900	3,600	3,300
Non-Manufacturing	<b>766,600</b>	<b>764,200</b>	<b>716,900</b>	<b>711,100</b>	<b>722,600</b>
Construction and mining	66,900	62,400	50,600	45,800	46,000
Trade, transportation, and utilities	205,700	203,900	189,700	186,700	190,600
Wholesale Trade	58,100	57,800	54,400	52,500	53,000
Retail trade	109,800	108,500	101,100	101,100	103,800
Transportation, warehousing, and utilities	37,800	37,600	34,200	33,100	33,900
Information	24,800	24,600	22,900	22,300	22,200
Financial activities	70,400	67,800	63,800	61,800	62,100
Professional and business services	136,400	136,500	124,900	126,600	129,700
Educational and health services	127,800	132,600	135,200	139,000	143,200
Leisure and hospitality	98,000	99,300	94,500	93,900	94,700
Other services	36,600	37,100	35,300	35,000	34,100
Government	<b>142,300</b>	<b>147,000</b>	<b>148,100</b>	<b>147,800</b>	<b>145,200</b>

Notes:

(1) Totals may not sum due to rounding.

Source: State of Oregon, Employment Department as of January 2012.



**Table 24**  
**CITY OF PORTLAND, OREGON**  
**Major Employers in the MSA**

<b>Employer</b>	<b>Product or Service</b>	<b>Estimated Employment</b>
<b>Private Employers</b>		
Intel Corporation	Computer and electronic products	16,250
Providence Health System	Health care & health insurance	14,389
Fred Meyer Stores	Grocery & retail variety chain	10,389
Legacy Health System	Health care	9,662
Kaiser Foundation of the Northwest	Health care	9,195
NIKE Inc.	Sports shoes and apparel	7,000
Wells Fargo	Bank	4,578
U.S. Bank	Bank & holding company	4,007
Daimler Trucks North America	Heavy duty trucks	3,900
Southwest Washington Medical Center	Health care	3,309
Xerox Corp.	Document systems	3,000
The Standard	Insurance	2,352
Portland General Electric	Utilities	2,100
<b>Public Employers</b>		
U.S. Federal Government	Federal government	13,900
Oregon Health and Science University	Health care & education	13,733
City of Portland	Government	8,951
State of Oregon	State government	7,559
Portland School District	Education	6,544
Evergreen School District	Education	6,282
Multnomah County	Government	4,500
Portland State University	Education	4,224
Beaverton School District	Education	4,073
Portland Community College	Education	3,205
Vancouver School District	Education	3,129
TriMet	Mass transit	2,476

Source: Portland Business Journal, May 18, 2012.

## **REAL ESTATE**

### **Industrial**

A diverse mix of industrial properties are located throughout the Portland metropolitan area for all types of industrial use, including more than 160 million square feet of industrial and business park space. On the eastside, the Columbia Corridor is the largest industrial area in Oregon, containing approximately 22,600 acres or 28 square miles along an 18-mile stretch of land that runs along the southern shore of the Columbia River. The Columbia Corridor includes the Rivergate Industrial District, marine terminals, and Portland International Airport (“PDX”). The Rivergate Industrial Park is a 2,800-acre area owned by The Port of Portland (the “Port”) in North Portland. In addition to Rivergate’s access to the Columbia River and PDX, the area qualifies local businesses for participation in the Enterprise Zone and related tax incentives.

Just west of the City, the Sunset Corridor has emerged as the center for Oregon’s high technology industry, including Intel’s approximately 16,000-employee campuses. This area parallels a major east/west highway (U.S. Highway 26) in the western metropolitan area. Another large submarket for industrial and flex space is the Interstate 5 (“I-5”) Corridor, which extends from S.W. Portland to the City of Wilsonville along I-5.

Portland’s industrial sector is continuing its recovery, with a gradual downward trend in overall vacancy according to Cushman & Wakefield in their publication *Marketbeat—Industrial Snapshot, Portland, OR, Q1 2012*. Cushman & Wakefield report that the overall vacancy rate in the first quarter of 2012 was 7.8 percent, down 0.2 percentage points from the first quarter 2011 rate of 8.0 percent. Cushman & Wakefield note that rental rates have stabilized in almost all submarkets and product types, with overall net absorption of approximately 1.7 million square feet in the first quarter of 2012. A total of 581,477 square feet of new construction is reported to be underway.

### **Office**

The Portland metropolitan area office market is home to diverse architectural styles ranging from Class-A office space to unique historical buildings in downtown Portland.

The office market is showing signs of increased activity, as reported in *Marketbeat—Office Snapshot, Portland, OR, Q1 2012* prepared by Cushman & Wakefield. The first quarter overall vacancy rate for the Portland region was 14.5 percent, down slightly from the first quarter 2011 vacancy rate of 14.8 percent. The first quarter 2012 overall vacancy rate in the downtown central business district has remained steady at a 9.7 percent rate since third quarter 2011. Overall absorption in the central business district totaled 226,195 square feet, ahead of overall absorption of 174,899 in the first quarter of 2011. The suburban market was weaker, with a first quarter 2012 overall vacancy rate of 19.2 percent. Class A office space in the downtown continues to fare better than the rest of the market, with asking rents averaging \$25.56 per square foot compared to \$22.64 per square foot for the Class A space in the Portland region’s suburban market.

### **Housing**

The year-to-date median selling price of a home in the Portland metropolitan area through June 2012 was \$225,500, up 2.9 percent from the June 2011 year-to-date price of \$219,100, according to the Realtors Metropolitan Area Multiple Listing Service (“RMLS”). Through June 2012, homes in the Portland metropolitan area were on the market an average of 124 days during the year. According to RMLS, through June 2012, the Southeast, West Portland, and Northeast regions were the most active residential real estate areas, with 1,362, 1,174, and 1,087 closed sales, respectively. Portland metropolitan area closed sales year-to-date were up 15.1 percent from the same period in 2011.

The table below compares the median home sale price for the first quarter of 2011 and 2012 in the Portland metropolitan region and with the nation.

**Table 25**  
**CITY OF PORTLAND, OREGON**  
**Median Home Sale Price**  
**(U.S. and Portland Metropolitan Area)**

<b>Region</b>	<b>1st Quarter 2011</b>	<b>1st Quarter 2012</b>	<b>Percent Change</b>
U.S.	\$158,700	\$158,100	-0.4%
Portland Metro. Area	213,400	208,600	-2.2%

Source: National Association of Realtors and RMLS.

The market for condominiums, while improving nationwide, continues to deteriorate as a result of the downturn in the housing market as shown in the following table. Portland's decrease in value is largely due to the increased inventory that has come on the market over the past few years.

**Table 26**  
**CITY OF PORTLAND, OREGON**  
**Median Condo/Coop Sale Price**  
**(U.S. and Portland Metropolitan Area)**

<b>Region</b>	<b>1st Quarter 2011</b>	<b>1st Quarter 2012</b>	<b>Percent Change</b>
U.S.	\$152,100	\$157,200	3.4%
Portland Metro. Area	144,200	135,800	-5.8%

Source: National Association of Realtors and RMLS.

Residential building permits are an indicator of growth in a region. The number and value of new single-family and multi-family residential building permits for the City are shown below.

**Table 27**  
**CITY OF PORTLAND, OREGON**  
**New Single-family and Multi-family  
Residential Construction Permits**

<b>Year</b>	<b>New Single Family</b>		<b>New Multi-Family</b>	
	<b>No. of Permits</b>	<b>Value</b>	<b>No. of Permits</b>	<b>Value</b>
2001	1,040	\$159,218,264	102	\$46,446,402
2002	1,088	169,816,560	110	92,457,354
2003	1,093	176,408,264	198	195,489,464
2004	956	162,215,542	161	153,283,224
2005	981	172,372,705	196	247,646,057
2006	1,256	232,917,661	164	241,125,419
2007	1,205	236,732,683	179	346,708,925
2008	648	126,171,068	73	410,957,333
2009	427	86,645,801	15	44,978,728
2010	435	95,809,473	30	86,511,573
2011	451	101,302,272	44	92,746,314

Source: U.S. Census Bureau as of May 18, 2012.

## **Urban Renewal**

The City seeks to promote neighborhood revitalization through the creation of urban renewal areas. Urban renewal is a state-authorized, redevelopment and finance program designed to help communities improve and redevelop areas that are physically deteriorated, suffering economic stagnation, unsafe or poorly planned. Urban renewal is used as a tool to focus resources in blighted or underused areas to stimulate private investment and improve neighborhood livability.

The City has eleven urban renewal areas, with combined acreage of about 14 percent of the City's area. Five of the 11 urban renewal areas are concentrated in the city's core; three of these have largely completed their work. Three are mainly residential areas in Portland's eastside. The City also has three industrial areas: Central Eastside on the east bank of the Willamette River; Willamette Industrial, located north of the downtown core on the Willamette River; and Airport Way, located in the Columbia corridor, which also is completing its urban renewal work. The Portland Development Commission administers the urban renewal areas. In April 2012, the City Council adopted ordinances to create six small urban renewal areas, which will be located along commercial corridors in certain eastside neighborhoods. These urban renewal areas are being formed in order to strengthen the economic competitiveness of neighborhood business districts. In May 2012, the City Council approved a new urban renewal area in Portland's west side, which will include property in the vicinity of Portland State University.

## **TRANSPORTATION AND DISTRIBUTION**

Location and topography have established the City as a leading warehousing and distribution center for the Pacific Northwest. The City's location at the head of deep-water navigation on the Columbia River system gives it geographic and, therefore, economic advantages for the shipment of freight.

The Port is a port district encompassing Multnomah, Clackamas and Washington counties. The Port owns and maintains four marine terminals, four airports, and seven business parks. In tonnage of total waterborne commerce, the Port is currently ranked as the third largest volume port on the West Coast. The Port is the largest wheat export port in the United States and is the largest volume auto handling port and mineral bulks port on the West Coast. Leading exports include wheat, soda ash, potash and hay. Leading imports include automobiles, petroleum products, steel and limestone.

In 2011, 554 ocean-going vessels made calls at Port facilities. Total maritime tonnage in 2011 increased by 2.0 percent to 13.4 million short tons in 2011 compared to 13.1 million in 2010.

The Columbia River ship channel extends from the Portland Harbor to the Pacific Ocean 110 miles downstream. In 2005, the Columbia River Channel Deepening Project was initiated to improve navigation to accommodate the current fleet of international bulk cargo and container ships and to improve the condition of the Columbia River estuary through the completion of other environmental restoration projects. The project deepened the Columbia River by three feet, to 43 feet along a 103-mile stretch of river from the Pacific Ocean to Portland and was completed in November 2010.

The Columbia River provides the only water route through the Cascade Mountains to the agricultural regions of eastern Oregon, Washington, and northern Idaho. This region has been opened to slack-water barge navigation by means of locks installed in a series of federal hydroelectric projects on the lower Columbia River and its largest tributary, the Snake River. There are two primary barge lines providing service between the upriver ports and Portland. In addition, the Columbia River Gorge forms a corridor through the Cascades which, because it is level, provides an economical rail and highway route between the City and the region east of the Cascade mountains.

Portland is also in a strategic position to serve the Willamette Valley, which extends approximately 145 miles south from the City and is one of the nation's most diversified and productive agricultural regions and food processing centers.

PDX handled approximately 13.7 million passengers in 2011, with more than 400 flights daily. This includes nonstop service on international flights to Amsterdam, Netherlands; Vancouver, British Columbia; Toronto, Ontario; and Tokyo, Japan. In 2011, 205,846 short tons of cargo and 8,118 short tons of mail were handled by PDX. Portland is also served by three publicly operated general aviation airports located in the suburban areas.

Two major railroads—the Burlington Northern Santa Fe and Union Pacific—plus the Amtrak passenger train system serve the City.

Transportation is facilitated by a highway system that includes I-5, the primary north-south highway artery of the West Coast, and two by-pass routes, Interstate 205 and Interstate 405, within and around the City. The primary east-west highway system is Interstate 84, which begins at Portland and heads east along the Columbia River to Idaho and beyond. The Portland metropolitan area is also served by U.S. highways 26 and 30, Oregon highways 43, 213, 217, 224, 99E, 99W, the Tualatin Valley Highway, the historic Columbia River Highway, nine bridges across the Willamette River and two bridges across the Columbia River.

The Tri-County Metropolitan Transportation District of Oregon (“TriMet”), the regional public transit agency, provides rail and bus service throughout the Portland metropolitan area. During TriMet’s fiscal year, from July 2010 through June 2011, passengers boarded a TriMet bus or train approximately 100 million times.

TriMet’s light rail system (“MAX”) connects the cities of Portland, Gresham, Beaverton and Hillsboro, and PDX. In 2009, TriMet completed an 8.3 mile extension of the light rail line, providing service along Interstate-205 between Clackamas Town Center through downtown Portland to Portland State University. Tri-Met is currently underway with the Portland-Milwaukie light rail extension, which will connect downtown Portland to Milwaukie. This 7.3 mile line is expected to be operational in 2015. In 2008, TriMet began service on the Washington County Commuter Rail, which runs from Beaverton to Wilsonville.

The Portland Streetcar connects South Waterfront area along the Willamette River with the Pearl District and Northwest Portland. The Portland Streetcar is owned and operated by the City, and has entered into contracts with TriMet for train operators and mechanics. An extension of the streetcar line to Portland’s east side is currently underway. The extension will cross the Willamette River using the Broadway Bridge, travel through the Lloyd District, continue south along Martin Luther King, Jr. Boulevard, and make a loop at either SE Mill or Stephens Street before returning back along Grand Avenue. The project is expected to be completed in September 2012.

The Portland Aerial Tram (“Tram”) opened in January 2007. The Tram, which is owned by the City and operated by Oregon Health and Science University (“OHSU”), links OHSU’s North Macadam offices and its Marquam Hill campus.

## **TOURISM, RECREATION AND CULTURAL ATTRACTIONS**

Portland is the State’s largest city and the center of business and transportation routes in the State. Therefore, the City accommodates a large share of the State’s tourist and business visitors. The City is a destination for many tourists who are drawn to its diverse cultural and recreational facilities. These include the Oregon Symphony and associated musical organizations, Portland Center for the Performing Arts, Oregon Ballet, Portland Opera, Portland Center Stage, Portland Art Museum, Oregon Historical Society Museum, Children’s Museum, Oregon Museum of Science and Industry, Forest Discovery Center (formerly World Forestry Center), Japanese Gardens, International Rose Test Gardens, the Lan Su Chinese Garden and the Oregon Zoo. The metropolitan area includes more than 40 other local theater and performance art companies and ten additional gardens of special interest. Portland is the home of Forest Park, the largest urban park in the United States with a total of more than 5,000 acres. A prime tourist attraction for the City, known as the City of Roses, is the three-week long Portland Rose Festival held each June since 1907. More than two million participants enjoy the festival annually.

A 90-minute drive from Portland in almost any direction provides access to numerous recreational, educational, and leisure activities. The Pacific Ocean and the Oregon Coast to the west, the Columbia Gorge and Mt. Hood, Mt. St. Helens and Mt. Adams in the Cascade Range to the east, and the Willamette Valley to the south offer opportunities for hiking, camping, swimming, fishing, sailboarding, skiing, wildlife watching, and numerous other outdoor activities.

The National Basketball Association (“NBA”) Portland Trail Blazers play at the Rose Garden Arena complex (which includes the Veteran’s Memorial Coliseum), as do the major-junior Western Hockey League (“WHL”) Portland Winterhawks. JELD-WEN Field (formerly PGE Park) was recently renovated for major league soccer and is the home of the Major League Soccer (“MLS”) Portland Timbers.

## **HIGHER EDUCATION**

Within the Portland metropolitan area are several post-secondary educational systems. Portland State University (“PSU”), the largest university in the Oregon University System, is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland. PSU offers over 220 undergraduate, masters, and doctoral programs. Enrollment for the Fall 2011 term was approximately 29,703 students. PSU is noted for the development of programs specifically designed to meet the needs of the urban center.

Oregon State University and the University of Oregon, also within the Oregon University System, have field offices and extension activities in the Portland metropolitan area.

OHSU's Marquam Hill campus sits on more than 100 acres overlooking downtown Portland. OHSU includes the schools of dentistry, medicine, nursing, and science and engineering. OHSU also includes Doernbecher Children's Hospital and OHSU Hospital, as well as primary care and specialty clinics, research institutes and centers, interdisciplinary centers, and community service programs. Enrollment for 2010-11 was approximately 2,720 medical, dental, nursing, science, and allied health students.

Independent colleges in the Portland metropolitan area include Lewis & Clark College, University of Portland, Reed College, Linfield College-Portland Campus, ITT Technical Institute, and Marylhurst University; and several smaller church-affiliated schools, including Warner Pacific College, Concordia University, George Fox University, and Cascade College. Several community colleges serve the Portland metropolitan area including Portland Community College, Mt. Hood Community College, and Clackamas Community College.

## **UTILITIES**

### **Electric Power and Natural Gas**

Electricity is provided by Portland General Electric Company ("PGE") and Pacific Power. Low-cost hydroelectric power provides a substantial portion of the area's energy requirements. NW Natural distributes natural gas.

### **Communications**

Telephone services are provided by CenturyLink (formerly Qwest Communications) and, in some areas, Verizon. The Portland metropolitan area is also served by three cable service providers, primarily Comcast within the Portland city limits, and Verizon and Cascade Access in other parts of the region.

### **Water, Sewer, and Wastewater**

The City operates the water supply system that delivers drinking water to residents of Portland. About 900,000 people, almost one-quarter of the state's population, are served by the City's water system on a wholesale and retail basis within its 225 square mile service area. The primary water source is the Bull Run Watershed, located in the foothills of the Cascades west of Mt. Hood. The City also uses groundwater as a supplemental water supply.

The City also owns, operates, and maintains sanitary and storm water collection, transportation, and treatment systems within its boundaries. The City provides sanitary sewer service to approximately 560,000 people, numerous commercial and industrial facilities, and several wholesale contract customers located adjacent to the City.

## **AGRICULTURE**

Because the City is the primary urban center in the State, agriculture is not a major industry in the greater metropolitan area. The metropolitan area, however, accounted for approximately 18.4 percent of the State's Gross Farm and Ranch Sales based on 2011 estimates from the Oregon State University Extension Economic Information Office. The 2011 Gross Farm and Ranch Sales in Clackamas County was \$332,940,000; Washington County was \$284,778,000; Yamhill County was \$259,013,000; Multnomah County was \$55,103,000; and Columbia County was \$26,469,000 as estimated by the Oregon State University Extension Service.

## THE INITIATIVE PROCESS

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State the initiative power to amend the State constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed initiative measures are submitted that do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

### PROCESS FOR QUALIFYING STATE-WIDE INITIATIVES TO BE PLACED ON THE BALLOT

To place a proposed state-wide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2012 general election, the requirement is eight percent (116,284 signatures) for a constitutional amendment measure and six percent (87,213 signatures) for a statutory initiative. The last day for submitting signed initiative petitions for the 2012 general election was July 6, 2012. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. State-wide initiatives may only be filed for general elections in even-numbered years. The next general election for which state-wide initiative petitions may be filed will be in November 2012.

Seven state-wide initiative measures and two legislative referrals have qualified to appear on the November, 2012, general election ballot. One measure seeks to prohibit local governments from imposing real estate transfer taxes. The City does not impose real estate transfer taxes. The other measures deal with subjects such as casinos, gill-net fishing and state income and inheritance taxes. None of the measures appears likely to have a material and adverse effect on the finances of the City.

A state-wide initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition.

Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact.

Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

**Table 28**  
**CITY OF PORTLAND, OREGON**  
**Statewide Initiative Petitions that Qualified and Passed**  
**2002-2012**

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified</u>	<u>Number of Initiatives that Passed</u>
2002	7	3
2004	6	2
2006	10	3
2008	8	0
2010	4	2
2012	7	not available

Source: Elections Division, Oregon Secretary of State.

## **FUTURE STATE-WIDE INITIATIVE MEASURES**

The recent experience in Oregon is that many more initiative measures are proposed in some form than receive the number of signatures required to be placed on a ballot. Consequently, the City cannot accurately predict whether specific future initiative measures that may have an adverse effect on the City's financial operations will be proposed, obtain sufficient signatures, and be placed on a ballot for voter approval, or if placed on a ballot, will be approved by voters after November 2012.

The Oregon Secretary of State's office maintains a list of all initiative petitions that have been submitted to that office. The office can be reached by telephone at (503) 986-1518.

## **LOCAL INITIATIVES**

Article IV, Section 1 and Article XI, Section 2 of the Oregon Constitution and state statutes grant the voters in the City the initiative power to amend the City Charter or City ordinances, and to refer City Ordinances. A petition to refer a City measure must be signed by six percent of the registered voters in the City. A petition to initiate a City measure must be signed by nine percent of the registered voters in the City. The City Council or a Charter Commission may also refer measures directly to voters. Under current law, local initiative and referendum elections may be held only in March, May, September and November, unless the City Council calls for a special election due to public interest in prompt resolution. No initiative or referendum petitions are currently being circulated that would limit the financial powers of the City.

## **TAX MATTERS**

### **OPINION OF BOND COUNSEL**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2012 Series C Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2012 Series C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the 2012 Series C Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2012 Series C Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the 2012 Series C Bonds is exempt from State of Oregon personal income tax.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2012 Series C Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2012 Series C Bonds, or under state and local tax law.

### **CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2012 Series C Bonds in order that interest on the 2012 Series C Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2012 Series C Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2012 Series C Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2012 Series C Bonds from gross income under Section 103 of the Code.



## **CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2012 Series C Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2012 Series C Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2012 Series C Bonds.

Prospective owners of the 2012 Series C Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2012 Series C Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **ORIGINAL ISSUE DISCOUNT**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2012 Series C Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the 2012 Series C Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of 2012 Series C Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any 2012 Series C Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2012 Series C Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such 2012 Series C Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

### **BOND PREMIUM**

In general, if an owner acquires a 2012 Series C Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2012 Series C Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that 2012 Series C Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

## **INFORMATION REPORTING AND BACKUP WITHHOLDING**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2012 Series C Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2012 Series C Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2012 Series C Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

## **MISCELLANEOUS**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2012 Series C Bonds under Federal or state law or otherwise prevent beneficial owners of the 2012 Series C Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2012 Series C Bonds.

Prospective purchasers of the 2012 Series C Bonds should consult their own tax advisors regarding the foregoing matters.

## **RATING**

The 2012 Series C Bonds have been rated "Aa1" by Moody's Investors Service. Such rating reflects only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 250 Greenwich, New York, New York, 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the 2012 Series C Bonds.

## **FORWARD LOOKING STATEMENTS**

This Official Statement contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement and its appendices, the words "estimate," "forecast," "intend," "expect," "projected," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the 2012 Series C Bonds by the City are subject to the approving opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 2012 Series C Bonds, the Ordinance, the Bond Declaration, and the authority to issue the 2012 Series C Bonds conform to the 2012 Series C Bonds and the applicable laws under which they are issued. The statements made in this Official Statement under the captions "THE 2012 SERIES C BONDS—AUTHORIZATION AND PURPOSE," "THE 2012 SERIES C BONDS—SECURITY," and "TAX MATTERS" have been reviewed and approved by Bond Counsel. All other representations of law and factual statements contained in this Official Statement, including but not limited to all financial and statistical information and representations contained herein, have not been reviewed or approved by Bond Counsel.

## **LITIGATION**

There is no litigation pending or threatened against the City which impairs the City's ability to make principal and interest payments on the 2012 Series C Bonds when due. Except as noted in the following paragraph, there is no litigation pending or threatened against the City which would materially and adversely affect the financial condition of the City.

On December 6, 2011, the City received a complaint in *Anderson et al. v. City of Portland*, Multnomah County Circuit Court case No. 1112-15957. The complaint challenges certain expenditures by the City's Water Bureau and Bureau of Environmental Services and asks for an order requiring the City to reimburse the Water Fund and Sewage Disposal Fund for those expenditures. The complaint does not allege the amount in dispute or the source of the reimbursement. The City is currently investigating the claims. Based on current incomplete information, the City estimates that if plaintiffs prevailed on all claims and a court ordered the relief requested, the reimbursement amount could exceed \$50 million. The City has not identified potential sources of any court-ordered reimbursement, but such sources could include any legally available resources of the City, including the General Fund. The City will vigorously defend the lawsuit and believes that it is unlikely that the plaintiffs will prevail on the majority of the claims alleged.

## **CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT**

At the time of the original delivery of the 2012 Series C Bonds, the City will deliver a certificate to the Underwriters to the effect that the City has examined this Official Statement and the financial and other data concerning the City contained herein and that, to the best of the City's knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2012 Series C Bonds, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, in light of the circumstances under which the statements were made, and (ii) between the date of this Official Statement and the date of delivery of the 2012 Series C Bonds, there has been no material change in the affairs (financial or otherwise), financial condition or results of operations of the City except as set forth in this Official Statement.

## **MISCELLANEOUS**

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete, and reference should be made to said laws for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the Underwriters or owners of any of the 2012 Series C Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or its agencies, since the date hereof.

## **CONTINUING DISCLOSURE**

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix D for the benefit of the 2012 Series C Bond holders.

The City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

## **CONCLUDING STATEMENT**

This Official Statement has been deemed final by the City for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The undersigned certifies that to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2012 Series C Bonds, does not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (ii) between the date of this Official Statement and the date of delivery of the 2012 Series C Bonds there has been no material change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in or contemplated by this Official Statement.

The execution and delivery of this Official Statement has been duly approved by the City.

### **CITY OF PORTLAND, OREGON**

By: \_\_\_\_\_  
Debt Manager  
Office of Management and Finance

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**APPENDIX A**  
**BOND DECLARATION**

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# **BOND DECLARATION**

**City of Portland, Oregon**

**Limited Tax Revenue Bonds, 2012 Series C  
(Portland-Milwaukie Light Rail Project)**

**Executed on behalf of the City of Portland, Oregon  
as of the \_\_\_\_ day of September, 2012**

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## **BOND DECLARATION**

THIS BOND DECLARATION is executed as of September \_\_, 2012, on behalf of the City of Portland, Oregon (the “City”) by its Debt Manager to establish the terms under which the City’s Limited Tax Revenue Bonds, 2012 Series C (Portland-Milwaukie Light Rail Project) are issued.

### **Section 1. Findings.**

- (A) The City is authorized by Oregon Revised Statutes Section 287A.150 and City Ordinance No. 184519 adopted by the City Council on April 13, 2011 to execute this Bond Declaration and issue bonds in a maximum principal amount of \$45 million to finance grants to the Tri-County Metropolitan Transportation District of Oregon to pay a share of the costs of the Portland-Milwaukie Light Rail Project, plus additional amounts to pay costs related to the bonds.
- (B) The City executes this Bond Declaration to memorialize the terms of the City’s Limited Tax Revenue Bonds, 2012 Series C (Portland-Milwaukie Light Rail Project), which are issued to finance grants totaling \$\_\_\_\_\_ to the Tri-County Metropolitan Transportation District of Oregon to pay a share of the costs of the Portland-Milwaukie Light Rail Project and to pay costs related to the 2012 Series C Bonds.

### **Section 2. Definitions.**

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

“2012 Series C Bonds” means the City’s Limited Tax Revenue Bonds, 2012 Series C (Portland-Milwaukie Light Rail Project) that are described in Section 3 of this Bond Declaration.

“Available General Funds” means revenues which are legally available to pay the bonds and not prohibited for such use under the charter and ordinances of the City and Oregon laws, and includes all taxes and other legally available general funds of the City.

“BEO” means “book-entry-only” and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

“Bond Declaration” means this Bond Declaration, including any amendments made in accordance with Section 6 of this Bond Declaration.

“Business Day” means any day except a Saturday, a Sunday, a legal holiday, a day on which the Paying Agent or offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

“City” means the City of Portland, Oregon.

“Code” means the Internal Revenue Code of 1986, as amended.

“Debt Manager” means the Debt Manager of the City, the City Treasurer, the Chief Financial Officer of the Bureau of Financial Services, the Chief Administrative Officer of the Office of Management and Finance, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under the Ordinance.

“DTC” means the Depository Trust Company of New York, the initial securities depository for the 2012 Series C Bonds.

“Event of Default” refers to an Event of Default listed in Section 7(A) of this Bond Declaration.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by Oregon law.

“Government Obligations” means direct noncallable obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

“Ordinance” means City Ordinance No. 184519 adopted by the City Council on April 13, 2011.

“Outstanding” refers to all 2012 Series C Bonds authorized and delivered pursuant to this Bond Declaration except 2012 Series C Bonds which have been paid, canceled, or defeased pursuant to Section 8 of this Bond Declaration, and 2012 Series C Bonds which have matured but have not been presented for payment for the payment of which adequate money has been transferred to the Paying Agent.

“Owner” means the person shown on the 2012 Series C Bond register maintained by the Paying Agent as the registered owner of a 2012 Series C Bond.

“Paying Agent” means the registrar and paying agent for the 2012 Series C Bonds, which, at the time of execution of this Bond Declaration, is U.S. Bank National Association, in Portland, Oregon.

“Payment Date” means any day on which principal, interest or premium on 2012 Series C Bonds is required to be paid.

### **Section 3. 2012 Series C Bonds Authorized.**

- (A) Pursuant to Oregon Revised Statutes Chapter 287A and the Ordinance, the City hereby authorizes the issuance, sale and delivery of its Limited Tax Revenue Bonds, 2012 Series C in accordance with this Bond Declaration and in a principal amount of \$[principal amount]. The 2012 Series C Bonds shall be dated with their date of delivery, shall bear interest which is payable on March 1 and September 1 of each year, commencing September 1, 2013, and shall mature on September 1 of the following years in the following principal amounts:

<u>Due</u> <u>[September 1]</u> <u>[to be added</u> <u>after pricing]</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>Interest</u> <u>Rate (%)</u>	<u>CUSIP Number</u> <u>(Base 736740)</u>
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- (1) The 2012 Series C Bonds are subject to redemption prior to maturity in whole or in part at the option of the City on any date on or after [date], in any order of maturity and by lot within a maturity. Any such redemption shall be at a price equal to [100%] of the principal amount to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption. In the case of any redemption of less than all of the outstanding 2012 Series C Bonds, the City shall have the right to specify the particular maturities to be redeemed and the aggregate principal amount of each maturity to be redeemed.
- (B) [add mandatory redemption language if appropriate]
- (C) The 2012 Series C Bond proceeds will be used to finance the City’s contribution to the Portland-Milwaukie Light Rail Project and to pay related costs.
- (D) The City reserves the right to purchase 2012 Series C Bonds in the open market.

**Section 4. Security for 2012 Series C Bonds.**

- (A) The City hereby pledges its full faith and credit and taxing power to pay the 2012 Series C Bonds and agrees to pay the 2012 Series C Bonds from its Available General Funds if other funds are not available in sufficient amounts to pay the 2012 Series C Bonds.
- (B) The 2012 Series C Bonds are not secured by a pledge of, or lien on, any revenues or property of the City.
- (C) This Bond Declaration shall constitute a contract with the Owners.

**Section 5. Administrative Provisions for the 2012 Series C Bonds.**

(A) Payment of 2012 Series C Bonds. Principal of and interest on the 2012 Series C Bonds shall be payable through the principal office of the Paying Agent. The 2012 Series C Bonds shall be special obligations of the City, and shall be payable solely from the Security. The City hereby irrevocably pledges the Security to pay the 2012 Series C Bonds. Pursuant to ORS 287A.310, this pledge shall be valid and binding from the Closing date of the 2012 Series C Bonds. The amounts so pledged and received by the City shall immediately be subject to the lien of these pledges without any physical delivery or further act, and the lien of these pledges shall be superior to all other claims and liens whatsoever.

(B) Book-Entry System. The 2012 Series C Bonds shall be initially issued as a book-entry only security issue, with no 2012 Series C Bonds being made available to the beneficial owners, in accordance with the applicable Letter of Representations of The Depository Trust Company. Ownership of the 2012 Series C Bonds shall be recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries on The Depository Trust Company book-entry-only system. The 2012 Series C Bonds shall be initially issued in the form of separate single fully registered typewritten bonds for each series

and maturity of the 2012 Series C Bonds (the “Global Bonds”) in substantially the form attached hereto as Exhibit A. Each Global Bond shall be registered in the name of CEDE & CO. as nominee (the “Nominee”) of The Depository Trust Company (“DTC”) (DTC and any other qualified securities depository designated by the City as a successor to DTC, collectively the “Depository”) as the “Owner,” and such Global Bonds shall remain in the Paying Agent’s custody, subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and the Depository until early redemption or maturity of the 2012 Series C Bond. The Paying Agent shall remit payment for the maturing principal or redemption price and interest on the 2012 Series C Bonds to the Owner for distribution by the Nominee for the benefit of the beneficial owners (the “Beneficial Owners”) by recorded entry on the books of the Depository participants and correspondents. While the 2012 Series C Bonds are in book-entry-only form, the 2012 Series C Bonds will be available in denominations of \$5,000 and any integral multiple thereof.

(1) In the event the Depository determines not to continue to act as securities depository for the 2012 Series C Bonds, or the City determines that the Depository shall no longer so act, then the City will discontinue the book-entry-only system with the Depository. If the City fails to designate another qualified securities depository to replace the Depository or elects to discontinue use of a book-entry-only system, the 2012 Series C Bonds shall no longer be a book-entry-only issue and the 2012 Series C Bonds shall be printed and delivered and shall be registered as directed by DTC and thereafter shall be registered, transferred and exchanged as provided in Section 5(C).

(2) With respect to 2012 Series C Bonds registered in the registration books maintained by the Paying Agent in the name of the Nominee of the Depository, the City, and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of the Depository or to any Beneficial Owner on behalf of which such participants or correspondents act as agent for the Beneficial Owner with respect to:

(a) the accuracy of the records of the Depository, the Nominee or any participant or correspondent with respect to any ownership interest in the 2012 Series C Bonds;

(b) the delivery to any participant or correspondent or any other person, other than an Owner, of any notice with respect to the 2012 Series C Bonds, including any notice of redemption;

(c) the selection by the Depository of the beneficial ownership interest in 2012 Series C Bonds to be redeemed prior to maturity; or

(d) the payment to any participant, correspondent, or any other person other than the Owner of the 2012 Series C Bonds, of any amount with respect to principal of or interest on the 2012 Series C Bonds.

(3) Notwithstanding the book-entry-only system, the City may treat and consider the Owner in whose name each 2012 Series C Bond is registered in the registration books maintained by the Paying Agent as the Owner and absolute owner of such 2012 Series C Bond for the purpose of payment of principal and interest with

respect to such 2012 Series C Bond, or for the purpose of giving notices of redemption and other matters with respect to such 2012 Series C Bond, or for the purpose of registering transfers with respect to such 2012 Series C Bond, or for all other purposes whatsoever. The City shall pay or cause to be paid all principal of and interest on the 2012 Series C Bonds only to or upon the order of the Owner or such Owner's respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.

(4) Upon delivery by the Depository to the City of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in the Master Declaration shall refer to such new nominee of the Depository, and upon receipt of such notice, the City shall promptly deliver a copy thereof to the Paying Agent. The Depository shall tender the 2012 Series C Bonds it holds to the Paying Agent for re-registration.

(C) Authentication, Registration and Transfer. (No Book-Entry). The provisions of this Section 5(C) apply only when the 2012 Series C Bonds are not in book-entry form.

(1) No 2012 Series C Bond shall be entitled to any right or benefit under the Master Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all 2012 Series C Bonds properly surrendered for exchange or transfer pursuant to the Master Declaration.

(2) The ownership of all 2012 Series C Bonds shall be entered in the 2012 Series C Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the 2012 Series C Bond register as the owner of the 2012 Series C Bond for all purposes.

(3) The Paying Agent shall mail each interest payment on the interest payment date (or the next Business Day if the payment date is not a Business Day) to the name and address of the 2012 Series C Bond Owner, as that name and address appear on the 2012 Series C Bond register as of the Record Date. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.

(4) 2012 Series C Bonds may be exchanged for an equal principal amount of 2012 Series C Bonds of the same series and maturity which are in different authorized denominations, and 2012 Series C Bonds may be transferred to other owners if the 2012 Series C Bond Owner submits the following to the Paying Agent:

(a) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the 2012 Series C Bond Owner or such Owner's legal representative or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent; and

(b) the 2012 Series C Bonds to be exchanged or transferred.

(5) The Paying Agent shall not be required to exchange or transfer any 2012 Series C Bonds submitted to it during any period beginning with a Record Date and ending on the next following interest payment date; however, such 2012 Series C Bonds shall be exchanged or transferred promptly following the interest payment date.

(6) The Paying Agent shall not be required to exchange or transfer any 2012 Series C Bonds which have been designated for redemption if such 2012 Series C Bonds are submitted to it during the fifteen-day period preceding the designated date fixed for redemption.

(7) For purposes of this Section, 2012 Series C Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 5(C)(4).

(8) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all 2012 Series C Bond Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

**Section 6. Amendment of Bond Declaration.**

- (A) The City may amend this Bond Declaration without the consent of any Owner for any one or more of the following purposes:
  - (1) To cure any ambiguity or formal defect or omission in this Bond Declaration;
  - (2) To add to the covenants and agreements of the City in this Bond Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Bond Declaration as theretofore in effect;
  - (3) To confirm, as further assurance, any security interest or pledge created under this Bond Declaration or any Supplemental Bond Declaration;
  - (4) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.
  
- (B) This Bond Declaration may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected 2012 Series C Bonds then Outstanding. However, no amendment shall be valid which:
  - (1) Extends the maturity of any 2012 Series C Bonds, reduces the rate of interest upon any 2012 Series C Bonds, extends the time of payment of interest on any 2012 Series C Bonds, reduces the amount of principal payable on any 2012 Series C Bonds, or reduces any premium payable on any 2012 Series C Bonds, without the consent of the affected Owner; or
  - (2) Reduces the percent of Owners required to approve amendments to this Bond Declaration.

## **Section 7. Default and Remedies.**

- (A) The occurrence of one or more of the following shall constitute an Event of Default under this Bond Declaration:
- (1) Failure by the City to pay 2012 Series C Bond principal, interest or premium when due (whether at maturity, or upon redemption after a 2012 Series C Bond has been properly called for redemption);
  - (2) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of 2012 Series C Bonds, for a period of 60 days after written notice to the City by the Owners of ten percent or more of the principal amount of 2012 Series C Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 7(A)(2); or,
  - (3) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.
- (B) The Owners of ten percent or more of the principal amount of 2012 Series C Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in Section 7(A)(1).
- (C) Upon the occurrence and continuance of any Event of Default hereunder the Owners of ten percent or more of the principal amount of 2012 Series C Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of 2012 Series C Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Bond Declaration or in aid of the exercise of any power granted in this Bond Declaration or for the enforcement of any other legal or equitable right vested in the Owners of 2012 Series C Bonds by this Bond Declaration or by law. However, the 2012 Series C Bonds shall not be subject to acceleration.
- (D) No remedy in this Bond Declaration conferred upon or reserved to Owners of 2012 Series C Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of 2012 Series C Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by this Bond Declaration or by law.

**Section 8. Defeasance.**

The City shall be obligated to pay 2012 Series C Bonds which are defeased pursuant to this Section solely from the money and Government Obligations deposited in escrow in accordance with this Section 8 with an escrow agent or independent trustee as provided in this section, and the City shall have no further obligation to pay the defeased 2012 Series C Bonds from any source except the amounts deposited in the escrow. 2012 Series C Bonds shall be deemed defeased if the City:

- (A) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient for the payment of the 2012 Series C Bonds which are to be defeased without reinvestment; and
- (B) files with the escrow agent or trustee a verification from an independent, certified public accountant to the effect that calculation, described above, is correct; and
- (C) files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not cause the interest component of the 2012 Series C Bonds to be includable in gross income under the Code.

**Section 9. Form.**

The 2012 Series C Bonds shall be issued in substantially the form attached to hereto as Appendix A, with any changes that are approved by the Debt Manager. The 2012 Series C Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.

**Section 10. Rules of Construction.**

In determining the meaning of provisions of this Bond Declaration, the following rules shall apply unless the context clearly requires application of a different meaning:

- (A) References to section numbers shall be construed as references to sections of this Bond Declaration.
- (B) References to one gender shall include all genders.
- (C) References to the singular shall include the plural, and references to the plural shall include the singular.

Dated as of the \_\_\_ day of September, 2012.

**City of Portland, Oregon**

By: \_\_\_\_\_  
Debt Manager



## Appendix A

No. R-«BondNumber»

\$«PrincipalAmtNumber»

UNITED STATES OF AMERICA  
STATE OF OREGON  
COUNTIES OF MULTNOMAH, WASHINGTON AND CLACKAMAS  
CITY OF PORTLAND  
LIMITED TAX REVENUE BOND, 2012 SERIES C  
(PORTLAND-MILWAUKIE LIGHT RAIL PROJECT)

**Dated Date:** September \_\_, 2012

**Interest Rate Per Annum:** «CouponRate»%

**Maturity Date:** September 1, «MaturityYear»

**CUSIP Number:** 736740«CUSIPNumbr»

**Registered Owner:** -----Cede & Co.-----

**Principal Amount:** -----«PrincipalAmtSpelled» Dollars-----

The City of Portland, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of March and the first day of September in each year until maturity or prior redemption, commencing September 1, 2013. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating \$[principal amount] in principal amount designated as Limited Tax Revenue Bonds, 2012 Series C (Portland-Milwaukie Light Rail Project) (the "Bonds"). The Bonds are issued to finance grants to the Tri-County Metropolitan Transportation District of Oregon to pay a share of the costs of the Portland-Milwaukie Light Rail Project and to pay costs related to the Bonds. The Bonds are authorized by City Ordinance No. 184519 and Oregon Revised Chapter 287A, in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City. The terms of the Bonds are described in a Bond Declaration dated as of September \_\_, 2012 (the "Bond Declaration").

The Bonds constitute valid and legally binding obligations of the City. The City has pledged its full faith and credit and taxing power for the punctual payment of the principal of and interest on the Bonds and agreed to pay the Bonds from its Available General Funds, as defined and provided in the Bond Declaration. The City is not authorized to levy any additional taxes to pay the Bonds. The Bonds do not constitute a debt or indebtedness of Multnomah, Washington, or Clackamas Counties, the State of Oregon, or any political subdivision thereof other than the City.

The Bonds are initially issued in book-entry-only form with no certificates provided to the beneficial owners of the Bonds. The Depository Trust Company and its participants will maintain records of ownership of beneficial interests in the Bonds. Should the book-entry only security system be discontinued, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees, as provided in the Ordinance.

[insert optional and mandatory redemption provisions after pricing]

Any exchange or transfer of this Bond must be registered, as provided in the Ordinance, upon the Bond register kept for that purpose by the Paying Agent. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Paying Agent and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Ordinance. The City and the Paying Agent may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Ordinance.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to Issuer or its agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entry as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond shall remain in the Paying Agent's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Registrar and The Depository Trust Company.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; and that the issue of which this Bond is a part, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes and City Charter.

IN WITNESS WHEREOF, the Council of the City of Portland, Oregon, by ordinance duly enacted, has caused this Bond to be signed by facsimile signature of its Mayor and countersigned by facsimile signature of its Auditor, and has caused a facsimile of the corporate seal of the City to be imprinted hereon, all as of the date first above written.



**City of Portland, Oregon**

Sam Adams, Mayor

LaVonne Griffin-Valade, Auditor

THIS BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE PAYING AGENT IN THE SPACE INDICATED BELOW.

CERTIFICATE OF AUTHENTICATION

This Bond is one of a series of \$[principal amount] aggregate principal amount of City of Portland, Oregon Limited Tax Revenue Bonds, 2012 Series C (Portland-Milwaukie Light Rail Project) issued pursuant to the Ordinance described herein.

Date of authentication: September \_\_, 2012.

**U.S. Bank National Association**, as Paying Agent

\_\_\_\_\_  
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
(Please insert social security or other identifying number of assignee)

this Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer this Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: \_\_\_\_\_

-----  
NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed

\_\_\_\_\_  
(Bank, Trust Company or Brokerage Firm)

\_\_\_\_\_  
Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

OREGON CUSTODIANS use the following

\_\_\_\_\_ CUST UL OREG \_\_\_\_\_ MIN  
as custodian for (name of minor)

OR UNIF TRANS MIN ACT

under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.



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**APPENDIX B**  
**EXCERPTS OF AUDITED FINANCIAL STATEMENTS**

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## INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2007, 2008, 2009, 2010 and 2011. Copies of these financial statements containing the reports of the independent certified public accountants are available on the City's website at:

<http://www.portlandonline.com/omf/index.cfm?c=26053>

The following pages in this Appendix B are excerpted from the City's Comprehensive Annual Financial Reports of the City for Fiscal Years ending June 30, 2007 through June 30, 2011. The Notes that follow the tabular data have been prepared by the City and have not been reviewed by the independent auditor.

**A CONSENT OF THE INDEPENDENT AUDITOR WAS NOT REQUESTED. THE AUDITOR WAS NOT REQUESTED TO PERFORM AND HAS NOT PERFORMED ANY SERVICE IN CONNECTION WITH THE OFFERING OF THE 2012 SERIES C BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2012 SERIES C BONDS.**





**CITY OF PORTLAND, OREGON**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Generally Accepted Accounting Principles Basis**  
**for Fiscal Year Ended June 30**

	2007	2008	2009	2010	2011
<b>Revenues</b>					
Taxes	\$264,410,825	\$281,269,341	\$302,898,344	\$310,913,493	\$319,045,070
Payments in lieu of taxes	1,259,198	1,434,002	758,737	700,819	408,159
Rents and reimbursements	3,217,317	3,759,621	3,921,431	3,809,186	3,959,316
Licenses and fees (1)	143,698,767	149,013,133	141,974,295	135,753,548	141,302,069
Intergovernmental revenues	28,203,768	26,001,207	29,288,133	29,098,438	25,383,062
Charges for services(2)	72,175,566	73,795,390	60,736,199	53,859,288	48,250,025
Miscellaneous service charges	2,306,192	3,631,990	2,947,396	2,833,318	2,207,201
Investment earnings	7,588,918	7,470,499	5,219,844	846,571	1,621,034
Other miscellaneous revenues	774,796	623,088	3,509,891	2,958,004	2,876,120
<b>Total revenues</b>	<b>523,635,347</b>	<b>546,998,271</b>	<b>551,254,270</b>	<b>540,772,665</b>	<b>545,052,056</b>
<b>Expenditures</b>					
Public safety	311,162,725	326,388,826	340,683,111	353,868,421	355,237,833
Parks/recreation/cultural	58,224,659	59,218,279	55,051,936	61,469,945	61,497,188
Community development	44,596,138	48,921,442	35,991,649	41,784,300	31,448,667
Transportation/metered parking	--	--	--	--	2,819
Support svcs./legis./admin.	69,953,137	70,242,455	74,903,683	62,110,207	58,601,261
Capital outlay	4,383,485	5,078,171	358,618	3,590,728	1,756,789
Debt service and related costs (3)	240,755	2,039,003	2,065	4,916,113	5,318,785
<b>Total expenditures</b>	<b>488,560,899</b>	<b>511,888,176</b>	<b>506,991,062</b>	<b>527,739,714</b>	<b>513,863,342</b>
Revenues over (under) expenditures	35,074,448	35,110,095	44,263,208	13,032,951	31,188,714
<b>Other Financing Sources (Uses)</b>					
Transfers in	25,172,899	17,390,723	9,718,996	3,760,257	4,739,963
Transfers out	(48,201,134)	(52,887,840)	(52,369,567)	(58,683,013)	(34,258,943)
Proceeds from sale of capital assets	--	--	1,202,998	6,787	5,653
Loan proceeds	--	--	--	--	--
<b>Total other sources (uses)</b>	<b>(23,028,235)</b>	<b>(35,497,117)</b>	<b>(41,447,573)</b>	<b>(54,915,969)</b>	<b>(29,513,327)</b>
Net change in fund balances	12,046,213	(387,022)	2,815,635	(41,883,018)	1,675,387
<b>Fund balance, beginning</b>	<b>119,280,600</b>	<b>131,326,813</b>	<b>130,939,791</b>	<b>133,755,426</b>	<b>91,872,408</b>
Reclassifications:					
Special revenue fund to general fund per GASB 54	--	--	--	--	532,992
<b>Fund balances, ending</b>	<b>\$131,326,813</b>	<b>\$130,939,791</b>	<b>\$133,755,426</b>	<b>\$91,872,408</b>	<b>\$94,080,787</b>

Notes:

- (1) Reflects internal and external utility license fees, business licenses, construction permits and other permits and penalties. Reductions in FY 2008-09 and FY 2009-10 are primarily as a result of the economic recession resulting in reductions to business license and construction permit charges.
- (2) Reflects park and recreation fees, billing and overhead charges to other funds and inspection fees. The reductions in FY 2008-09 and FY 2009-10 are as a result of process improvements created by the City's new financial reporting system implemented in November 2008. Under the new system interagency revenue is no longer recognized because the charges are direct billed to the bureau receiving the service.
- (3) Beginning in FY 2009-10 the general fund portion of the debt service on the 1999 Pension Bonds was paid directly from the general fund. Previously it was paid via a transfer out to the Pension Debt fund. This reclassification was to accommodate the City's new financial system.

Source: Derived from City of Portland audited annual financial statements.

**CITY OF PORTLAND, OREGON**  
**General Fund**  
**Consecutive Balance Sheets as of June 30**

	2007	2008	2009	2010	2011
<b>ASSETS:</b>					
Unrestricted:					
Cash and investments (1)	\$135,369,404	\$145,311,441	\$117,073,956	\$71,254,278	\$75,817,940
Receivables:					
Taxes	13,114,426	14,370,341	18,519,259	18,871,533	11,517,113
Accounts, interest and advances (2)	18,095,929	19,882,956	29,740,044	24,183,060	23,885,800
Assessments	2,157	21,894	44,041	53,804	67,947
Due from other funds	8,739,691	3,962,233	9,203,475	49,758	28,234
Due from component units	653,444	531,074	261,186	794,924	534,328
Internal loans	--	--	--	8,506,660	500,000
Prepaid Items	1,996	--	2,791,250	2,369,171	234,968
Restricted:					
Cash and investments (1)	--	--	--	--	5,458,561
Receivables:					
Taxes	--	--	--	--	6,555,139
<b>Total Assets</b>	<b>\$175,977,047</b>	<b>\$184,079,939</b>	<b>\$177,633,211</b>	<b>\$126,083,188</b>	<b>\$124,600,030</b>
<b>LIABILITIES:</b>					
Liabilities payable from unrestricted assets:					
Accounts payable	\$9,667,094	\$15,629,222	\$11,018,683	\$9,362,421	\$7,385,335
Deferred revenue	6,021,812	6,997,217	12,672,604	9,407,576	9,467,829
Unearned revenue (3)	20,272,932	17,922,453	4,900	30,918	64,114
Due to other funds	--	356,665	--	--	--
Due to component unit	128,526	1,638,147	3,500,120	2,641,780	1,588,265
Due to fiduciary fund	4,362,811	4,836,049	6,569,936	6,782,859	0
Other liabilities	4,197,059	5,760,395	10,111,542	5,985,226	0
Liabilities payable from restricted assets:					
Due to fiduciary fund	--	--	--	--	6,555,139
Other liabilities	--	--	--	--	545,856
<b>Total Liabilities</b>	<b>44,650,234</b>	<b>53,140,148</b>	<b>43,877,785</b>	<b>34,210,780</b>	<b>30,519,243</b>
<b>FUND BALANCE:</b>					
Unreserved	131,326,813	130,939,791	133,755,426	91,872,408	--
Nonspendable	--	--	--	--	234,968
Committed	--	--	--	--	46,294,375
Assigned	--	--	--	--	23,588,446
Unassigned	--	--	--	--	23,962,998
<b>Total Fund Balance</b>	<b>131,326,813</b>	<b>130,939,791</b>	<b>133,755,426</b>	<b>91,872,408</b>	<b>94,080,787</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$175,977,047</b>	<b>\$184,079,939</b>	<b>\$177,633,211</b>	<b>\$126,083,188</b>	<b>\$124,600,030</b>

Notes:

- (1) In FY 2009-10 there were smaller amounts of unspent budget and unearned revenues as a result of bureaus spending a greater portion of their budget. In addition to that, there was an \$8.5 million loan to the Grants Fund.
- (2) The increase in FY 2008-09 is caused by slower collections as a result of the recession, delays in year-end billings and large accruals being setup as a result of process changes with the implementation of the City's new financial system.
- (3) The reductions in FY 2008-09 and FY 2009-10 are as a result of a restructuring of how business licenses fees are billed. Beginning in FY 2008-09 business license fees are billed in arrears. They were previously billed in advance.

Source: City of Portland audited annual financial statements.

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**APPENDIX C**  
**LEGAL OPINION**

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September \_\_, 2012

City of Portland  
1120 SW Fifth Avenue, Room 1250  
Portland, Oregon 97204

Subject:    \$[principal] City of Portland, Oregon, Limited Tax Revenue Bonds, 2012 Series C  
              (Portland-Milwaukie Light Rail Project)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Portland, Oregon (the “City”) of its Limited Tax Revenue Bonds, 2012 Series C (Portland-Milwaukie Light Rail Project) (the “2012 Series C Bonds”), which are dated as of their date of delivery and are in the aggregate principal amount of \$[principal]. The 2012 Series C Bonds are authorized by Oregon Revised Statutes Sections 287A.150, City Ordinance No. 184519 adopted by the City Council on April 13, 2011 (the “Ordinance”), and a Bond Declaration dated as of the date of delivery of the 2012 Series C Bonds (the “Declaration”).

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have reviewed the Official Statement only to confirm that that the portions of it describing the 2012 Series C Bonds, the Ordinance, the Bond Declaration, and the authority of the City to issue the 2012 Series C Bonds conform to those documents and the laws under which the 2012 Series C Bonds are issued. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any other parts of the official statement or other offering materials which has been or may be supplied to the purchasers of the 2012 Series C Bonds, and we express no opinion relating thereto.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Ordinance and in the Declaration and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1.       The 2012 Series C Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Charter of the City, and the Ordinance. The 2012 Series C Bonds constitute valid and legally binding obligations of the City that are enforceable in accordance with their terms.
2.       The City has pledged its full faith and credit and taxing power to the payment of the 2012 Series C Bonds and has agreed to pay the 2012 Series C Bonds from its Available General Funds as described in the Declaration.
3.       Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the 2012 Series C Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2012 Series C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. [Bond counsel further is of the opinion that, for any 2012 Series C Bonds having original issue discount (a “Discount Bond”), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2012 Series C Bonds.] In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the 2012 Series C Bonds, and we have assumed compliance by the City and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2012 Series C Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the 2012 Series C Bonds in order that, for Federal income tax purposes, interest on the 2012 Series C Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of 2012 Series C Bond proceeds, restrictions on the investment of 2012 Series C Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2012 Series C Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the 2012 Series C Bonds, the City will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the 2012 Series C Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the 2012 Series C Bonds, and (ii) compliance by the City with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

4. Interest on the 2012 Series C Bonds is exempt from Oregon personal income tax.

Except as stated in paragraphs 3 and 4 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the 2012 Series C Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the 2012 Series C Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the 2012 Series C Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This opinion is given as of the date hereof and is based on existing law, and we assume no obligation to update, revise, or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention or any changes in law or interpretations thereof that may hereafter arise or occur, or for any other reason.

This opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the City in connection with the 2012 Series C Bonds and have not represented any other party in connection with the 2012 Series C Bonds. This opinion is given solely for the benefit of the City in connection with the 2012 Series C Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the City, the owners of the 2012 Series C Bonds, and any person to whom we may send a formal reliance letter, indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

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**APPENDIX D**  
**CONTINUING DISCLOSURE CERTIFICATE**

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## CONTINUING DISCLOSURE CERTIFICATE

**[\$principal]  
City of Portland, Oregon  
Limited Tax Revenue Bonds, 2012 Series C  
(Portland-Milwaukie Light Rail Project)**

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the City of Portland, Oregon (the “City”) in connection with the issuance of the City’s Limited Tax Revenue Bonds, 2012 Series C (Portland-Milwaukie Light Rail Project) (the “2012 Series C Bonds”).

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the City for the benefit of the Bondowners and to assist the underwriter(s) of the 2012 Series C Bonds in complying with paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended, (the “Rule”). This Certificate constitutes the City’s written undertaking for the benefit of the Bondowners as required by Section (b)(5) of the Rule.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2012 Series C Bonds, including persons holding 2012 Series C Bonds through nominees or depositories.

“Bondowners” means the registered owners of the 2012 Series C Bonds, as shown on the bond register maintained by the Paying Agent for the 2012 Series C Bonds, and any Beneficial Owners.

“Commission” means the Securities and Exchange Commission.

“EMMA” means the Electronic Municipal Market Access system for municipal securities disclosure established by the MSRB and accessible at <http://emma.msrb.org/>.

“MSRB” means the Municipal Securities Rulemaking Board or any successor to its functions.

“Official Statement” means the final official statement for the 2012 Series C Bonds dated September \_\_, 2012.

“Rule” means the Commission’s Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Financial Information. The City agrees to provide to the MSRB, the following annual financial information and operating data for the prior fiscal year (commencing no later than March 31, 2013, for the fiscal year ended June 30, 2012):

A. The City’s previous fiscal year annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors); and

B. To the extent not included in those annual financial statements, historical operating information generally of the type included in the Official Statement under the heading "Annual Disclosure Information."

Section 4. Timing. The information described in Section 3 above shall be provided by the City for each of its fiscal years in which the 2012 Series C Bonds are outstanding. The City shall provide that information not later than nine months after the end of each fiscal year, commencing no later than March 31, 2013, for the fiscal year ended June 30, 2012. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the MSRB.

The City agrees to provide, in a timely manner, to the MSRB, notice of its failure to provide the annual financial information described in Sections 3.A and 3.B above on or prior to the date set forth in the preceding paragraph.

Section 5. Material Events. The City to provide to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the 2012 Series C Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (g) Modifications to the rights of security holders, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph (l), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the

existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);

(m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the City, such other event is material with respect to the 2012 Series C Bonds, but the City does not undertake any commitment to provide such notice of any event except those events listed above.

Section 6. Failure to File Annual Financial Information. The City agrees to provide, in a timely manner, to the MSRB, notice of a failure by the City to provide the annual financial information described in Section 3 above on or prior to the time set forth in Section 3.

Section 7. Termination. The City's obligation to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2012 Series C Bonds. This Certificate, or any provision hereof, shall be null and void if the City (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any provision hereof, are invalid, have been repealed retroactively or otherwise do not apply to the 2012 Series C Bonds; and (b) notifies the MSRB of such opinion and the termination of its obligations under this Certificate.

Section 8. Amendment. Notwithstanding any other provision of this Certificate, the City may amend this Certificate provided that the following conditions are satisfied:

A. If the amendment relates to the provisions of Sections 3.A or 3.B or Section 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City with respect to the 2012 Series C Bonds, or the type of business conducted;

B. If this Certificate, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2012 Series C Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment either (i) is approved by the Bondowners in the same manner as amendments to the Bond Declaration as it is in effect at the time of the amendment or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners.

In the event of any amendment of a provision of this Certificate, the City shall

describe such amendment in its next annual filing pursuant to Section 3 of this Certificate, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of the amendment shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual filing pursuant to Section 3 of this Certificate for the first fiscal year that is affected by the change in accounting principles shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Bondowner's Remedies Under This Certificate. The right of any Bondowner to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the 2012 Series C Bonds. Bondowners may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed a default or an event of default under the documents authorizing issuance of the 2012 Series C Bonds, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Certificate in the event of any failure of the City to comply with this Certificate shall be an action to compel performance.

Section 10. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB.

Section 11. Filing with EMMA. Any filings required by this certificate to be made with the MSRB may be made through EMMA so long as it is approved by the MSRB.

Section 12. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the \_\_ day of September, 2012.

**City of Portland, Oregon**

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Debt Manager

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**APPENDIX E**  
**BOOK ENTRY SYSTEM**

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## BOOK ENTRY SYSTEM

### DTC LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.
5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that

the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.





