NEW ISSUE—Competitive via PDXAuction.com BOOK-ENTRY ONLY

In the opinion of Preston Gates & Ellis LLP, Bond Counsel, interest on the 2003 Series A Bonds is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended, subject to certain conditions and assumptions described herein under "TAX EXEMPT STATUS OF THE 2003 SERIES A BONDS." The 2003 Series A Bonds are not private activity bonds. Interest on the 2003 Series A Bonds is included in the computation of certain federal taxes on corporations. In the opinion of Bond Counsel, interest on the 2003 Series A Bonds is exempt from present personal income taxation by the State of Oregon.

\$21,430,000 City of Portland, Oregon Limited Tax Improvement Bonds 2003 Series A

DATED: May 22, 2003 **DUE:** June 1, as shown below

The Limited Tax Improvement Bonds, 2003 Series A (the "2003 Series A Bonds") will be issued in registered book-entry form only, in denominations of \$5,000 or integral multiples thereof. The 2003 Series A 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 2003 Series A Bonds. While Cede & Co. is the registered owner of the 2003 Series A 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 2003 Series A Bonds. See "Book-Entry System" herein.

The 2003 Series A Bonds will bear or accrue interest rates as set forth below. The 2003 Series A Bonds will be dated as of the Date of Delivery. Interest on the 2003 Series A Bonds will be payable semiannually on June 1 and December 1 of each year, beginning December 1, 2003.

The 2003 Series A Bonds will be issued for the purpose of financing assessment contracts relating to local improvements, sidewalk repairs, and system development charges, the costs of which have been assessed against benefiting property owners. The 2003 Series A Bonds are limited tax bonds of the City, and are payable primarily from installment payments of assessments made against benefited properties. The City has also pledged its full faith and credit to pay the 2003 Series A Bonds, and the 2003 Series A Bonds are payable from all legally available revenues, taxes and other funds of the City. See "Security" herein.

The 2003 Series A Bonds are subject to mandatory redemption prior to maturity. See "Mandatory Redemption" herein. Bonds maturing on June 1, 2023, are subject to optional redemption prior to maturity. See "Optional Redemption" herein.

The 2003 Series A Bonds will be dated as indicated above, bear interest, and mature as follows:

MATURITY SCHEDULE

Due June 1	Principal Amount	Interest <u>Rate</u>	Price or Yield	CUSIP No. 736679
2004	\$1,030,000	3.00%	1.10%	NP2
2005	1,045,000	3.00	1.32	NQ0
2006	1,070,000	3.00	1.61	NR8
2007	1,100,000	3.00	2.05	NS6
2008	1,065,000	3.25	2.37	NT4

\$ 5,640,000 3.40% 2003 Series A Term Bonds due June 1, 2013; Price 100.561

CUSIP Number: 736679NU1

\$10,480,000 4.35% 2003 Series A Term Bonds due June 1, 2023; Yield 4.40%

CUSIP Number: 736679NV9

The 2003 Series A 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 Preston Gates & Ellis LLP, Portland, Oregon, Bond Counsel, and to certain other conditions. The City expects that the 2003 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York on or about May 22, 2003.

RATING: Moody's Aa2



OFFICIAL STATEMENT OF THE

CITY OF PORTLAND, OREGON

\$21,430,000

LIMITED TAX IMPROVEMENT BONDS 2003 SERIES A

CITY COUNCIL

Vera Katz, Mayor and Commissioner of Finance and Administration

Jim Francesconi, Commissioner of Public Utilities Randy Leonard, Commissioner of Public Safety Dan Saltzman, Commissioner of Public Affairs Erik Sten, Commissioner of Public Works

CITY OFFICIALS

Gary Blackmer, City Auditor David E. Thurman, City Treasurer Jeffrey L. Rogers, City Attorney

Timothy Grewe, Chief Administrative Officer Kenneth L. Rust, Chief Financial Officer Eric H. Johansen, Debt Manager

BOND COUNSEL

Preston Gates & Ellis LLP

This Official Statement has been designed to conform, where applicable, to the guidelines presented in Disclosure Guidelines for State and Local Government Securities, published by the Government Finance Officers Association in 1976 and revised in 1979, 1988 and 1991. The Official Statement DOES NOT constitute a recommendation, express or implied, to purchase or not to purchase these Bonds or any other previous obligations of the City.



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. In accordance with their responsibilities under the federal securities laws, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness.

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 2003 Series A 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 2003 Series A 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 STATEMENT

OF THE

CITY OF PORTLAND, OREGON

RELATED TO

\$21,430,000

LIMITED TAX IMPROVEMENT BONDS

2003 Series A

INTRODUCTION

This Official Statement sets forth certain information concerning the City of Portland, Oregon (the "City"), and its Limited Tax Improvement Bonds, 2003 Series A (the "2003 Series A Bonds").

THE 2003 SERIES A BONDS

DESCRIPTION

The 2003 Series A Bonds will be issued in book-entry form only, in registered form in denominations of \$5,000 or integral multiples thereof. The 2003 Series A 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"). While the 2003 Series A Bonds are in book-entry form, principal of and interest on the Bonds will be paid through DTC. See "BOOK-ENTRY SYSTEM" in Appendix E.

The 2003 Series A 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 2003 Series A Bonds is payable on December 1, 2003, and semi-annually thereafter on June 1 and December 1 of each year, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

AUTHORIZATION AND PURPOSE

The 2003 Series A Bonds are being issued pursuant to Oregon Revised Statutes Chapter 288 and Sections 223.205 to 223.295 and the City Charter which authorize the City to issue limited tax bonds to finance the costs of certain systems development charges and local improvements. The 2003 Series A Bonds also are being issued pursuant to Ordinance No. 177408 adopted by the City Council on April 23, 2003 (the "Ordinance"). Reference is made to Appendix A for the Ordinance. The 2003 Series A Bonds will be issued for the purpose of financing assessment contracts relating to local improvements, sidewalk repairs, and system development charges, the costs of which have been assessed against benefiting property owners.

SECURITY

The full faith and credit of the City are pledged to the punctual payment of principal, premium, if any, and interest on the 2003 Series A Bonds. The 2003 Series A Bonds are expected to be paid primarily from assessment contract installment payments (the "Assessment Payments") relating to local improvement projects, sidewalk repairs and system development charges that are being financed with the proceeds of the 2003 Series A Bonds. To the extent that Assessment Payments are not sufficient to pay the 2003 Series A Bonds, the 2003 Series A Bonds are further payable from all legally available revenues, taxes and other funds of the City.

OPTIONAL REDEMPTION

The 2003 Series A Bonds maturing after June 1, 2013 are subject to redemption at the option of the City in whole or in part on June 1, 2013, and on any date thereafter, at a price of par plus interest accrued to the date fixed for redemption.

While the 2003 Series A Bonds are in book-entry form, notice of redemption will be given to DTC in accordance with DTC's rules. Unless the book-entry system is discontinued, notice of any call for redemption shall be given to DTC not less than thirty days prior to the redemption date. DTC shall be responsible for notifying the DTC participants; Beneficial Owners are responsible for making arrangements with the DTC participants to received redemption notices. Interest on any 2003 Series A Bond or Bonds called for redemption shall cease on the redemption date designated in the notice.

MANDATORY REDEMPTION

Term Bonds maturing on June 1, 2013, and June 1, 2023, are subject to mandatory redemption, in integral multiples of \$5,000, in order of maturity and by lot within a maturity, on December 1, 2003, and on any interest payment date thereafter, at a price of par plus interest accrued to the date fixed for redemption, from Available Revenues as defined below. The City may use Available Revenues to purchase Term Bonds, and Term Bonds purchased by the City may be credited against the mandatory redemption requirement described in this paragraph. The City will redeem all of the June 1, 2013 Term Bonds before it redeems any June 1, 2023 Term Bonds.

Available Revenues means assessment payments, prepayments, collection of delinquent assessments, interest earnings and other revenues derived from the operation of the local improvement district financing program. Available Revenues do not include the proceeds of refunding bonds.

FORM

In accordance with the Book-Entry System, the 2003 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee for DTC. Purchasers of the 2003 Series A Bonds who are the Beneficial Owners thereof will not receive certificates evidencing their ownership interests in the 2003 Series A Bonds. While Cede & Co. is the registered Owner of the 2003 Series A Bonds (in such capacity, the "Owner") as nominee of DTC, it shall be treated in all respects as the sole Owner of the 2003 Series A Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2003 Series A 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 2003 Series A Bonds under the Ordinance or applicable law. So long as the 2003 Series A Bonds are subject to the Book-Entry System, all registrations and transfers of Beneficial Ownership of the 2003 Series A Bonds will be made only through the Book-Entry System. See "BOOK-ENTRY SYSTEM" in Appendix E herein.

PAYMENT OF THE 2003 SERIES A BONDS WHILE IN BOOK-ENTRY SYSTEM

So long as the 2003 Series A Bonds are subject to the Book-Entry System, all payments of the principal of and interest on the 2003 Series A Bonds shall be remitted by the Registrar and Paying Agent, currently U.S. Bank, N.A. (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 2003 Series A Bonds. The City has no responsibility for the distribution of any payments on the 2003 Series A 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.

LOCAL IMPROVEMENT PROJECTS AND FINANCING

The City offers financing to property owners who are assessed for the costs of public infrastructure projects that primarily benefit their properties or who are assessed systems development charges. The City designs and builds the local improvement projects and assesses properties for their share based on various cost allocation methods. Assessments have a lien on properties superior to all other liens except certain tax liens. Property owners have the option of paying their assessment in cash or entering into an assessment contract with the City. Assessment contract payments provide the primary payment source for improvement bonds, including the 2003 Series A Bonds. Property owners may prepay their assessments at any time. In the event that contract payments (including prepayments) are not sufficient to repay the 2003 Series A Bonds, the 2003 Series A Bonds are further payable from all legally available revenues, taxes and other funds of the City.

Description of Assessed Properties

The 2003 Series A Bonds are expected to be repaid from the assessment contract payments, prepayments, collection of delinquencies and other revenues associated with the properties whose assessments are being financed with the proceeds of the 2003 Series A Bonds. Approximately 647 contracts totaling \$21,511,270 in assessment contract principal are included in this bond sale. Major property owners that will have assessments financed with proceeds of the bond sale are the Port of Portland (47.36 percent of the par amount of the 2003 Series A Bonds), the Oregon Board of Higher Education (7.97 percent of the par amount), and Nauru Phosphate Royalties Inc. (8.86 percent of the par amount).

The total assessed value of the benefiting properties is in excess of \$1,799 million, resulting in an overall value to loan ratio of 83.6:1. Value to loan ratios by class are as follows:

	Percent of
Value to Loan Ratio	Contract Principal
Less than 2:1	6.1%
2:1 to 5:1	4.3%
5:1 to 10:1	35.8%
10:1 or higher	53.8%

Redemption Expectations

Property owners have elected to pay their assessments over terms of 5, 10 or 20 years, with the option to prepay the assessment at any time without penalty. The obligation to pay assessment installments runs with the land, and remains a prior lien on the property even if it is transferred. Assessments bind only the land and are not obligations of the property owners. Property owners may become delinquent in their assessment payments and incur collection charges and penalties. These factors make the actual assessment repayment schedule uncertain.

The City will redeem the 2003 Series A Bonds according to the availability of assessment payments. Historic prepayment experience has indicated an annual rate of prepayment of two percent of scheduled payments and a delinquency rate of less than eight percent.

The City may begin to redeem the 2003 Series A Bonds from Available Revenues beginning December 1, 2003. The following table projects the amount of 2003 Series A Bonds the City expects to redeem each year. The 2003 Series A Bonds maturing on June 1, 2013, will be called in their entirety before any 2003 Series A Bonds maturing on June 1, 2023, are called. The City has used historic prepayment and delinquency experience to project this schedule and makes no representation as to whether the projections will be realized. The rate of redemption of the 2003 Series A Bonds may be significantly faster or slower than is shown in Table 1.

Table 1 CITY OF PORTLAND, OREGON Projected Term Bond Redemptions

	Projected Term Bond		Projected Term Bond
Date	Redemptions	Date	Redemptions
12/01/03	\$1,590,000	12/01/10	\$805,000
06/01/04	0	06/01/11	815,000
12/01/04	820,000	12/01/11	815,000
06/01/05	0	06/01/12	800,000
12/01/05	655,000	12/01/12	695,000
06/01/06	0	06/01/13	595,000
12/01/06	645,000	12/01/13	545,000
06/01/07	0	06/01/14	535,000
12/01/07	555,000	12/01/14	540,000
06/01/08	0	06/01/15	555,000
12/01/08	785,000	12/01/15	565,000
06/01/09	785,000	06/01/16	575,000
12/01/09	800,000	12/01/16	585,000
06/01/10	800,000	06/01/17	260,000

Source: City of Portland.

ESTIMATED SOURCES AND USES OF FUNDS

The anticipated uses of proceeds from the 2003 Series A Bonds are itemized in the following table:

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

SOURCES:	
Par amount of bonds	\$21,430,000.00
Net reoffering premium	145,038.70
TOTAL SOURCES	\$21,575,038.70
USES:	
Financed assessments	\$21,511,270.35
Underwriter's discount	62,147.00
Rounding	1,621.35
TOTAL USES	\$21,575,038.70
	·

Source: City of Portland.

The following table presents the estimated debt service on the 2003 Series A Bonds.

Table 3
CITY OF PORTLAND, OREGON
Estimated Scheduled Debt Service on the 2003 Series A Bonds (1)

Fiscal Year			
Ending			
June 30th	Principal	Interest	Total
2004	\$1,030,000.00	\$829,842.56	\$1,859,842.56
2005	1,045,000.00	778,702.50	1,823,702.50
2006	1,070,000.00	747,352.50	1,817,352.50
2007	1,100,000.00	715,252.50	1,815,252.50
2008	1,065,000.00	682,252.50	1,747,252.50
2009		647,640.00	647,640.00
2010		647,640.00	647,640.00
2011		647,640.00	647,640.00
2012		647,640.00	647,640.00
2013	5,640,000.00	647,640.00	6,287,640.00
2014		455,880.00	455,880.00
2015		455,880.00	455,880.00
2016		455,880.00	455,880.00
2017		455,880.00	455,880.00
2018		455,880.00	455,880.00
2019		455,880.00	455,880.00
2020		455,880.00	455,880.00
2021		455,880.00	455,880.00
2022		455,880.00	455,880.00
2023	10,480,000.00	455,880.00	10,935,880.00
Total	\$21,430,000.00	\$11,550,402.56	\$32,980,402.56

Notes:

Source: City of Portland.

⁽¹⁾ The 2003 Series A Bonds maturing on June 1, 2013, and June 1, 2023, are subject to mandatory redemption on December 1, 2003, and on any interest payment date thereafter, to the extent that Available Revenues exceed scheduled debt service and any amounts necessary to maintain a reasonable reserve as determined by the City. Therefore, the actual debt service on the 2003 Series A Bonds will vary substantially from the schedule above

ANNUAL DISCLOSURE INFORMATION

In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12), the City will provide annually the information presented in this section entitled "Annual Disclosure Information" to all NRMSIRs and SIDs, if any. (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 City's accounting practices conform to generally accepted accounting principles as interpreted by the Governmental Accounting Standards Board.

Fiscal Year

July 1 to June 30.

Audits

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination to be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit must be made by accountants whose names are included on the roster prepared by the State Board of Accountancy. City audits for FY 1996-97 and thereafter were performed by KPMG LLP. A complete copy of the City's FY 2001-02 audit is available on the City's web site at www.ci.portland.or.us/accounting/financials/index.html. The City's web page is listed for reference only, and is not part of this Official Statement.

The City has received the Government Finance Officers Association's ("GFOA") Certificate of Achievement for Excellence in Financial Reporting every year since 1982. According to 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 annual financial report whose content conforms to program requirements and satisfies both generally accepted accounting principles and applicable legal requirements.

General Fund

Financial operations of the City that are not accounted for in any other fund are shown in the general fund (the "General Fund"). Principal sources of revenue are property taxes, licenses and permits, billings for interfund services, and state shared revenues. Primary expenditures in the General Fund are made for police protection, fire protection and maintenance of park facilities. Appendix B contains a Statement of Revenues, Expenditures and Changes in Fund Balance and Balance Sheet for the General Fund for the past five fiscal years.

BUDGETING PROCESS

The City prepares annual budgets for each bureau in accordance with provisions of the Oregon Local Budget Law, which provides standard procedures for the preparation, presentation, administration, and appraisal of budgets. While the City must legally adopt an annual budget each fiscal year in accordance with Oregon Local Budget Law, it also prepares a biennial budget consistent with its five-year financial plans. City policy requires all budgetary decisions to be balanced and sustainable over the biennial budget period and the five-year planning period. During the development and adoption of the biennial budget, the emphasis is on decisions made in the first year. Year-one allocations are incorporated into the year-one adopted budget. Year-two allocation decisions are not legally binding until adoption of the year-two budget.

Every year between the months of October and February, each bureau within the City prepares a proposed budget. Budget proposals are reviewed by the City's Office of Management and Finance prior to the development of the Mayor's Proposed Budget. The Mayor's Proposed Budget is presented to the full Council sitting as the Budget Committee (a requirement of Local Budget Law) which may amend and ultimately vote to approve the Budget. Public input and comment on the budget is solicited throughout the process.

The Approved Budget is sent to elected officials, the City Council, and the Tax Supervising Conservation Commission ("TSCC"), an independent board appointed by the governor to review the budgets of all legal entities within Multnomah County. The TSCC reviews the Budget and conducts a public hearing with the City Council in attendance, normally between mid-May and mid-June. Final approval of the Budget is through a majority vote of the City Council. This is scheduled to occur in late June, as close as practical to the beginning of the fiscal year.

INSURANCE

The City is self-funded and administered in the areas of comprehensive general, fleet liability and worker's compensation insurance. The State of Oregon protects public bodies by disallowing claim payments greater than (i) \$50,000 to any claimant for any number of claims for damage to or destruction of property, including consequential damages, arising out of a single accident or occurrence; (ii) \$200,000 to any claimant for all other claims arising out of a single accident or occurrence.

The City purchases insurance coverage for several other types of risk including all-risk property insurance, boiler and machinery insurance, marine hull and machinery insurance for fireboats, a public official bond for the City Treasurer, a crime policy, and a tuning and testing liability policy for Portland International Raceway. All sewage treatment and pumping facilities are insured for loss through purchased insurance coverage. Collection systems and interceptor sewer lines are not insured but are repaired and replaced as required through the maintenance program of the Bureau of Environmental Services.

PENSION PLANS

Oregon Public Employees Retirement System

Substantially all City employees (other than most fire and police personnel), after six months of employment, are participants in the State of Oregon Public Employees Retirement System ("PERS"), a hybrid defined benefit/defined contribution pension plan to which employees and employers both contribute. The rate of employee contribution (six percent of compensation) is established by law, and is paid by the City in conformance with City policy. The rate of the employer contribution is set periodically by PERS based on actuarial valuations, and in no event is less than six percent, which matches the employee contribution regardless of whether or not such payment is paid by the employer. The total pension plan contribution of the City charged to expenditures for FY 2001-02 was \$28,400,981.

The City is currently paying an employer rate of 8.26 percent, which is effective through June 30, 2003. PERS has notified employers of their new contribution rate, which will be effective beginning July 1, 2003. The City's employer rate will be 10.42 percent. This contribution rate is subject to future adjustment based upon the results of subsequent actuarial valuations. As of December 31, 2001, the City's assets with PERS exceeded its actuarial liability by \$7,003,525. This surplus is expected to be substantially eroded in 2002 due to low PERS investment returns resulting from declining interest rates and poor equities market performance.

PERS is currently addressing two issues that may affect future employer contribution rates. In October 2002, a final opinion and order was issued in connection with a petition filed in the Oregon Circuit Court by the City of Eugene against PERS. The judge remanded three PERS Board of Trustees orders to the PERS Board for further consideration, including the 1998 establishment of employer contribution rates, 2000 establishment of employer contribution rates, and 2000 allocation of 1999 earnings of the PERS fund. The Court decision may require the PERS Board to reallocate investment earnings for prior periods. If the underlying data on member account balances and retirement allowances is revised, the PERS Board may consider adjustments to the employer contribution rates.

The PERS Board also is addressing modifications to the actuarial equivalency factors. Updated actuarial equivalency factors for the conversion of member account balances to monthly allowances are expected to reduce future employer contribution rates. The amount of the reduction depends on the timing and method of implementing revised actuarial equivalency factors.

The City issued \$300.8 million of Limited Tax Pension Obligation Revenue Bonds in FY 1999-00 to fund its unfunded actuarial accrued liability with PERS as of December 31, 1997. Debt service on the bonds is allocated to each of the City's bureaus.

Fire and Police Disability and Retirement Fund

Most of the fire and police personnel are covered under the City's Fire and Police Disability and Retirement ("FPDR") Fund. The FPDR Fund is financed from a special property tax levy of not less than \$1.00 or more than \$2.80 per \$1,000 of real market value of property in the City. The FY 2002-03 levy of \$74,656,426 for pension purposes requires a tax rate of \$2.19 per \$1,000 of assessed property value, or approximately \$1.52 per \$1,000 of real market value. As of July 1, 2002, the unfunded actuarial liability of the FPDR Fund was \$1,132,145,737 based on estimates provided by the FPDR Fund actuary.

In November 1989, the voters of the City agreed to amend the FPDR Plan to bring its provisions in line with PERS. Under state law, plans must be "equal to or better than" PERS. Basic retirement benefit changes involved reducing vesting from 25 years to 5 years, elimination of employee contributions, and elimination of termination of benefits to a surviving spouse that remarries. Disability benefits were modernized to cover conditions such as AIDS and Hepatitis B, vocational rehabilitation, wage offsets for outside earnings, and reduction of benefits when conditions become medically stationary and a person is capable of other employment. Calculation of disability pay was also changed from 100 percent of salary for the first year, 100 percent of First Class Patrol or Firefighter for the next 3 years and 60 percent of First Class pay thereafter, to 75 percent of salary until medically stable and capable of other employment.

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. In the fall of 1995, this policy was updated and expanded to include current and future debt practices. Among the general provisions included 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. The updated policy was adopted by the City Council in October 1995.

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 true cash value of 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 LONG TERM 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 titled "Long-Term Debt Statement." Outstanding debt amounts are as of April 1, 2003.

Unlimited Tax General Obligation Bonds

Tax Supported General Obligation Bonds

The City has \$68.84 million of outstanding tax-supported general obligation bonds. These bonds were originally issued for the purpose of park system improvements, emergency facilities, and refunding outstanding general obligation bonds. The City is authorized to levy an unlimited ad valorem tax to pay these bonds.

Self-Supporting General Obligation Water Bonds

The City has \$24.5 million of outstanding self-supporting general obligation water bonds. While the City has the authority to levy an unlimited ad valorem tax to pay these bonds, the City has chosen to pay these bonds entirely from revenues of the water system.

Bonds Paid and/or Secured by the General Fund

These 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 additional taxes to pay these obligations.

Non Self-Supporting General Fund Obligations

Limited Tax Revenue Bonds/Full Faith and Credit Obligations. As of April 1, 2003, the City had \$94.485 million of outstanding limited tax revenue bonds (excluding Limited Tax Revenue Bonds issued for the Interstate MAX Project described below). These bonds 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. The bonds are secured by Available General Funds, defined as 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. 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.) As of April 1, 2003, approximately \$111.7 million of outstanding principal remained on the portion of the bonds projected to be repaid with General Fund resources.

Limited Tax Revenue Bonds (Interstate MAX Project). The City has \$32.75 million of outstanding limited tax revenue bonds for the Interstate MAX Project that are secured by the City's General Fund. Interest on the bonds has been capitalized through their maturity date of December 15, 2004. The City expects to refinance these bonds with the proceeds of future urban renewal and redevelopment bonds.

Self-Supporting General Fund Obligations

Urban Renewal Bonds. The City has \$1.64 million of outstanding urban renewal bonds that are secured by tax increment revenues and also by the General Fund. Since FY 1996-97, growth in the City's assessed valuation has been sufficient to enable the City to levy and collect an amount of tax increment revenues to fully pay the debt service on outstanding urban renewal bonds. Based on forecasts of assessed value growth and the available tax increment, the City expects to pay the debt service on its outstanding urban renewal bonds from tax increment revenue for the foreseeable future.

Limited Tax Pension Obligation Revenue Bonds. Of the total outstanding Limited Tax Pension Obligation Revenue Bonds described above, approximately \$189.2 million is expected to be fully self-supporting and paid from non-General Fund bureaus of the City.

Limited Tax Improvement Bonds. The City has \$10 million of outstanding limited tax improvement bonds (excluding the 2003 Series A 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 has \$9.8 million of Arena Limited Tax Revenue Bonds outstanding, the proceeds of which were used to finance certain public improvements relating to the Oregon Arena Project. These limited tax revenue 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.

Arena Limited Tax Bonds. The City has \$8.4 million of Arena Limited Tax Bonds outstanding, the proceeds of which were used to finance certain public improvements relating to the Oregon Arena Project. These bonds are ultimately secured by the City's General Fund and by a subordinate pledge of available City parking meter revenues. However, the City expects to pay the debt service on these bonds from revenues received from the Oregon Arena Project.

Limited Tax Revenue Bonds (Central City Streetcar Project). The City has \$27.4 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 (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 transient lodging tax and the motor vehicle rental tax. As of April 1, 2003, the City had \$100 million of outstanding limited tax revenue bonds for the Oregon Convention Center Completion Project, \$34.4 million of outstanding bonds for the Civic Stadium Project, and \$2.0 million of outstanding bonds for the Portland Center for Performing Arts ("PCPA") Project.

Other Obligations. 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. The original par amount of these issues is \$38.165 million, of which \$37.09 million remains outstanding.

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 type of revenue bonds have been issued are sewer system facilities, water system facilities, parking system facilities, golf facilities, 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 a subsequent table.

<u>Urban Renewal Bonds (Not General Fund Supported)</u>

Approximately \$227.7 million of Urban Renewal and Redevelopment Bonds are outstanding, including bonds issued in calendar year 2000 for four urban renewal areas and refunding bonds issued in the fall of 2002. 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.

Assessment Bonds

The City has sold special assessment bonds to the Oregon Department of Environmental Quality to finance certain local sewer improvement projects in mid-Multnomah County. These bonds are currently outstanding in the amount of \$400,000. The bonds are secured solely by the assessment payments received from benefiting property owners as well as a subordinate pledge of revenues of the City's sewer system.

Table 4 CITY OF PORTLAND, OREGON Long-Term Debt Statement (1) As of April 1, 2003

Type of Debt	Amount Outstanding
I. UNLIMITED TAX GENERAL OBLIGATION BONDS	
A. Tax Supported	
General Obligation Parks Bonds	\$17,245,000
General Obligation Parks Refunding Bonds	29,575,000
General Obligation Emergency Facilities Bonds	22,020,000
Total Tax Supported G.O. Bonds	<u>\$68,840,000</u>
B. Self Supporting	
General Obligation Water Bonds	<u>\$24,521,606</u>
Total Self-Supporting G.O. Bonds	\$24,521,606
II. BONDS PAID AND/OR SECURED BY THE GENERAL FUND	
A. Non Self-Supporting	
Limited Tax Revenue Bonds	\$94,485,000
Limited Tax Revenue Bonds (Interstate MAX)	32,750,000
Limited Tax Pension Obligation Revenue Bonds	
(General Fund share)	<u>111,689,046</u>
Total Bonds Secured and Paid from the General Fund	\$238,924,046
B. Self-Supporting	
Urban Renewal Bonds (2)	\$1,640,000
Limited Tax Pension Obligation Revenue Bonds	
(Non-General Fund share)	189,159,300
Limited Tax Revenue Bonds (Central City Streetcar)	27,360,000
Limited Tax Revenue Bonds (Visitor Development Initiative)	136,428,888
Limited Tax Improvement Bonds Arena Limited Tax Revenue Bonds	9,995,000 9,790,000
Arena Limited Tax Revenue Bonds Arena Limited Tax Bonds	8,400,000
Total Self-Supporting Bonds Secured by the General Fund	\$382,773,188
III. REVENUE BONDS	
Sewer Revenue Bonds (3)	\$716,990,000
Water Revenue Bonds	93,810,000
Special Assessment Bonds	400,000
Parking Revenue Bonds	8,435,000
Golf Revenue Bonds	6,333,333
Hydroelectric Revenue Bonds	27,740,000
Urban Renewal Bonds (Not General Fund Supported)	227,725,000
Arena Gas Tax Revenue Bonds Gas Tax Revenue Bonds	12,293,102 7,895,000
Total Revenue Bonds	\$1,101,621,435
TOTAL - ALL OUTSTANDING LONG-TERM DEBT	<u>\$1,829,241,942</u>

Notes:

- (1) Excludes lines of credit.
- (2) Since Fiscal Year 1996-97, the City has paid all outstanding urban renewal bonds from tax increment revenues rather than the General Fund and expects to do the same for the foreseeable future.
- (3) On April 3, 2003, the City issued \$88,370,000 of Second Lien Sewer System Revenue and Refunding Bonds, including \$49,485,000 of new money and \$38,885,000 of bonds to refund the Sewer System Revenue Bonds, 1993 Series A, currently outstanding in the amount of \$41,235,000. The 1993 Series A Bonds are expected to be called on May 9, 2003.

Source: City of Portland.

CITY GENERAL OBLIGATION DEBT

The following tables set forth the overlapping debt among various taxing districts in the City, the City's general obligation capital debt ratios, and outstanding direct general obligation debt of the City incurred for capital purposes.

Table 5
CITY OF PORTLAND, OREGON
General Obligation Capital Debt Ratios
As of April 1, 2003

	Amount	Per Capita	Percent of Real Market Valuation (1)	Percent of Assessed Valuation (2)
July 1, 2002 Population	538,180			
2002-03 Real Market Value (1)	\$52,662,700,989	\$97,853		
2002-03 Assessed Value (2)	\$36,128,077,346	\$67,130	68.60%	
Gross Bonded Debt (3)	\$822,421,655	\$1,528	1.56%	2.28%
Net Direct Debt (4)	\$68,840,000	\$128	0.13%	0.19%
Net Overlapping Debt (as of 12/31/02)	\$591,008,298	\$1,098	1.12%	1.64%
Net Direct and Overlapping Debt	\$659,848,298	\$1,226	1.25%	1.83%
FY 2002-03 General Fund Debt Service as a Percent of FY 2002-03 General Fund Budget (5)	4.3%			

Notes

- (1) Real Market Value encompasses City of Portland values within Multnomah, Washington, and Clackamas Counties, including estimated urban renewal excess real market values and exempt property.
- (2) Includes urban renewal excess assessed value.
- (3) Includes City's outstanding general obligation bonds, full faith and credit obligations, limited tax improvement bonds, limited tax revenue bonds, and general fund-supported urban renewal bonds. Also includes lines of credit and tax anticipation notes.
- (4) Includes only general obligation bonds paid from a separate, unlimited ad valorem tax. Does not include self-supporting general obligation bonds or bonds paid and/or secured by the City's General Fund.
- (5) Debt service amount includes all non-self supporting bonds paid and/or secured by the General Fund, but excludes General Fund share of pension obligation bonds.

Sources: Multnomah County Tax Supervising and Conservation Commission; Municipal Debt Advisory Commission, Oregon State Treasury; City of Portland.

Table 6
CITY OF PORTLAND, OREGON
Overlapping Debt
As of December 31, 2002

	2001-02		Overlapping Debt	
	Assessed Value	Percent	Gross Bonded	Net Direct
Overlapping District	000s	Overlap	Debt (1)	Debt (2)
Portland School District 1	\$43,028,147	97.18%	\$152,472,904	\$152,472,904
Multnomah County	61,214,147	81.92%	108,189,792	108,189,792
Portland Community College	96,386,984	43.57%	84,959,109	84,959,109
Metro	123,062,780	40.91%	112,826,110	67,712,051
David Douglas School District 40	2,907,701	99.83%	54,344,910	54,344,910
Tri-Metropolitan Transport District	123,716,097	40.70%	41,001,522	41,001,522
Parkrose School District 3	3,327,564	98.58%	24,231,259	24,231,259
Port of Portland	134,832,451	37.34%	20,446,001	20,446,001
Centennial School District 28J	2,003,975	53.70%	19,515,437	19,515,437
Reynolds School District 7	4,575,319	22.54%	15,448,573	15,448,573
Beaverton School District 48J	19,351,642	0.32%	615,564	615,564
North Clackamas County School District 12	8,494,999	0.59%	887,716	582,412
Riverdale School District 51J	529,761	3.87%	377,931	377,931
Mt. Hood Community College	20,734,511	40.04%	320,337	320,337
Scappoose School District 1J	1,138,978	8.99%	273,593	273,593
Washington County	42,641,803	0.28%	196,205	193,616
Tigard-Tualatin School District 23J	7,383,602	0.11%	175,645	157,624
Clackamas Community College	22,458,252	0.22%	116,679	116,679
Lake Oswego School District 7J	5,593,098	0.03%	26,463	26,463
Tualatin Valley Water Dist. (Wolf Creek				
Bond)	12,615,406	0.41%	13,249	13,249
Tualatin Valley Water (Metzger Bond)	2,470,264	0.42%	4,922	4,922
Tualatin Hills Park & Rec. District	16,541,192	0.02%	3,635	3,635
Clackamas County	30,976,502	0.26%	715	715
Clackamas River Water District	4,701,462	0.00%	3	
Total		_	\$636,448,274	\$591,008,298

Notes:

Source: Municipal Debt Advisory Commission, Oregon State Treasury.

⁽¹⁾ Gross Bonded Debt includes all bonds backed by a general obligation pledge, including Bancroft general obligation improvement bonds and other self-supporting bonds.

⁽²⁾ Net Direct Debt includes all tax-supported bonds. Bancroft general obligation improvement bonds and other self-supporting bonds are excluded.

Table 7
CITY OF PORTLAND, OREGON
Projected Debt Service on Outstanding General Fund Obligations

-	PAID F	ROM GENERA	L FUND	SELF-SUPPORTING BONDS SECURED BY GENERAL FUND				UND	
-		Limited Tax			Arena	Limited Tax			Total
Fiscal		Pension	Total	Limited	Limited Tax/	Pension	Other		Self-
Year	Limited Tax	Obligation	Bonds Paid	Tax	Limited Tax	Obligation	Limited Tax	Urban	Supporting
Ending	Revenue	Revenue	From	Improve.	Revenue	Revenue	Revenue	Renewal	Bonds/
June 30	Bonds (1)	Bonds (2)	General Fund	Bonds (3)	Bonds (4)	Bonds (5)	Bonds (6)	Bonds (7)	Gen. Fund
2003	\$15,338,563	\$4,295,634	\$19,634,197	\$1,229,697	\$2,208,668	\$7,275,192	\$9,399,960	\$587,048	\$20,700,565
2004	15,034,072	5,047,291	20,081,363	914,739	2,208,198	8,548,216	9,810,610	587,935	22,069,698
2005	46,836,227	5,753,534	52,589,761	441,114	2,207,853	9,744,325	10,381,010	587,103	23,361,405
2006	11,508,551	6,470,197	17,978,748	441,114	2,212,385	10,958,085	10,537,710	589,375	24,738,669
2007	10,871,441	7,424,302	18,295,743	441,114	2,206,113	12,573,980	10,743,280		25,964,487
2008	8,017,579	8,166,114	16,183,693	441,114	2,208,743	13,830,330	10,974,270		27,454,457
2009	7,402,761	8,495,385	15,898,146	441,114	2,210,180	14,387,992	11,186,463		28,225,749
2010	7,444,297	8,828,964	16,273,261	441,114	2,213,725	14,952,950	11,434,153		29,041,942
2011	7,464,646	9,196,248	16,660,894	441,114	2,209,538	15,574,990	11,465,290		29,690,932
2012	7,188,949	9,558,733	16,747,682	441,114	2,212,733	16,188,905	11,658,303		30,501,055
2013	6,092,900	9,943,772	16,036,672	441,114	2,208,973	16,841,016	11,989,878		31,480,981
2014	5,463,205	10,329,489	15,792,694	1,291,114	2,205,938	17,494,275	12,242,420		33,233,747
2015	5,464,746	10,750,798	16,215,544	1,002,239	1,232,643	18,207,815	12,495,338		32,938,035
2016	5,463,401	11,184,721	16,648,122	2,375,214	1,229,125	18,942,717	12,892,863		35,439,919
2017	3,048,659	11,627,944	14,676,603	248,381		19,693,370	13,586,628		33,528,379
2018	3,040,296	12,095,715	15,136,011	1,943,381		20,485,598	13,647,913		36,076,892
2019	470,294	12,583,617	13,053,911	3,565,750		21,311,921	13,972,113		38,849,784
2020	471,144	13,081,663	13,552,807			22,155,425	14,315,488		36,470,913
2021		13,604,648	13,604,648			23,041,165	14,664,363		37,705,528
2022		14,150,222	14,150,222			23,965,162	14,616,413		38,581,575
2023		14,716,231	14,716,231			24,923,769	14,361,613		39,285,382
2024		15,304,658	15,304,658			25,920,342	11,979,213		37,899,555
2025		15,917,215	15,917,215			26,957,785	9,891,213		36,848,998
2026		16,553,904	16,553,904			28,036,096	9,896,063		37,932,159
2027		17,214,723	17,214,723			29,155,277	9,891,438		39,046,715
2028		17,905,243	17,905,243			30,324,757	9,896,825		40,221,582
2029		18,619,893	18,619,893			31,535,107	9,990,688		41,525,795
2030							9,997,388		9,997,388
Total	\$166,627,731	\$308,820,858	\$475,442,589	\$16,540,538	\$28,974,815	\$523,026,562	\$327,918,907	\$2,351,461	\$898,812,283

Notes

- (3) Includes December 1, 2002 calls.
- (4) Bonds are expected to be paid from Arena Project revenues.
- (5) 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 reflect projected debt service on the bonds, net of capitalized interest.

(7) Bonds are expected to be paid from tax increment revenues.

Source: City of Portland.

⁽¹⁾ Includes Interstate Max bonds, which are expected to be refinanced with the proceeds of future urban renewal and redevelopment bonds in FY 2004-05.

⁽²⁾ Reflects 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 reflect projected debt service on the bonds, net of capitalized interest.

⁽⁶⁾ Includes bonds issued to finance Central City Streetcar, Convention Center Expansion Project, and improvements to the Portland Center for the Performing Arts ("PCPA") and Civic Stadium. Bonds issued for the Streetcar project 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.

SHORT-TERM AND OTHER INDEBTEDNESS

Cash Flow Borrowings

The City may borrow for 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 prior to the end of the fiscal year in which they were issued. On July 2, 2002, the City issued \$17,750,000 of tax anticipation notes to fund cash flow deficits in the Fire and Police Disability and Retirement Fund. These notes will be retired on June 26, 2003.

Short-Term Borrowings

The City has issued short-term notes and lines of credit for a variety of purposes including interim construction financing of local improvement districts and interim financing for urban renewal district projects, parking facilities, housing, and other capital projects. The notes are paid primarily from bond proceeds sold at completion of the construction projects. The City currently has approximately \$93.1 million outstanding on these short-term obligations.

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 Annual disclosure document.

Concurrent Debt Issues

The City is currently underway or planning for the issuance of additional debt over the next six months. The following table identifies issues that are being sold in the same time frame as the 2003 Series A Bonds or are presently under consideration, estimated issuance amounts and dates, and the expected type of issue. The City will 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
Planned Debt Issues

_	Estimated	Estimated	
Purpose	Amount	Issue Date	Type of Issue
Sewer system capital improvements	\$150 million	June 2003	Sewer revenue bonds
River District urban renewal capital improvements	\$58 million	June 2003	Tax increment bonds
FPD&R cash flow borrowing	To be determined	July 2003	Tax anticipation notes
Water facility improvements	\$110 million	Summer 2003	Water revenue bonds

Source: City of Portland.

TRENDS IN PROPERTY VALUATION AND TAXATION

The following tables present trends in property valuation and taxation for the City. See the section entitled "PROPERTY TAX AND VALUATION INFORMATION" for statutory and administrative requirements pertaining to property valuation and taxation in Oregon.

Table 9
CITY OF PORTLAND, OREGON
Historical Trends in Assessed and Real Market Values
FY 1992-93 through FY 2002-03
(000s)

Assessed Value

			Urban		
Fiscal	Inside Multnomah	Outside Multnomah	Renewal Incremental	Total Assessed	Percent
Year	County	County	Value	Value	Change
1992-93	20,091,976	88,154	1,065,141	21,245,271	9.90%
1993-94	21,599,964	90,912	1,074,359	22,765,235	7.20%
1994-95	24,940,673	98,128	1,182,072	26,220,874	15.20%
1995-96	28,201,782	109,452	1,447,255	29,758,489	13.50%
1996-97	31,311,065	127,896	1,777,108	33,216,069	11.60%
1997-98 (1)	26,413,250	111,212	1,764,211	28,288,673	(14.80%)
1998-99	27,900,438	128,750	1,988,740	30,017,928	6.11%
1999-00	29,221,639	133,939	2,144,205	31,499,783	4.94%
2000-01	30,536,310	142,710	2,744,898	33,423,918	6.11%
2001-02	31,724,086	152,421	3,258,040	35,134,547	5.12%
2002-03	32,412,271	158,690	3,557,116	36,128,077	2.83%

Real Market Value (2)

			Urban		
Fiscal	Inside Multnomah	Outside Multnomah	Renewal Incremental	Total Assessed	Percent
Year	County	County	Value	Value	Change
1997-98 (1)	\$34,374,190	\$147,783	\$2,231,355	\$36,753,328	10.65%
1998-99	36,598,114	165,782	2,522,729	39,286,625	6.89%
1999-00	39,618,832	174,744	3,152,154	42,945,730	9.31%
2000-01	41,933,779	188,959	4,201,026	46,323,764	7.87%
2001-02	44,769,897	201,208	5,384,800	50,355,905	8.70%
2002-03	46,292,907	207,172	6,162,622	52,662,701	4.58%

Notes:

- (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" herein.
- (2) Allocation of Real Market Value to categories "Inside Multnomah County" and "Urban Renewal Incremental Value" is estimated by the City.

Sources: Multnomah County Tax Supervising and Conservation Commission; City of Portland.

Table 10 CITY OF PORTLAND, OREGON Consolidated Tax Rate: Fiscal Year 2002-03 Levy Code 001 (1)

Taxing District	Permanent Tax Rate Per \$1000 A.V.	Local Option And Other Tax Rates (2) Per \$1000 A.V.	General Obligation Debt Tax Rate Per \$1000 A.V.	Total Tax Rate Per \$1000 A.V.
CITY OF PORTLAND	\$4.5770	\$2.1868	\$0.2025	\$6.9663
Portland Urban Renewal	0.0000	0.4151	0.0000	0.4151
Port of Portland	0.0701	0.0000	0.0000	0.0701
Metro	0.0966	0.0000	0.1869	0.2835
Multnomah County	4.3434	0.5947	0.2361	5.1742
Tri-County Metropolitan Trans. Dist.	0.0000	0.0000	0.1239	0.1239
Subtotal - General Government	\$9.0871	\$3.1966	\$0.7494	\$13.0331
Portland School District	\$4.7743	\$1.2174	\$1.2289	\$7.2206
Portland Community College	0.2828	0.0000	0.2116	0.4944
Multnomah Co. Education Svc. Dist.	0.4576	0.0000	0.0000	0.4576
Subtotal - Schools	\$5.5147	\$1.2174	\$1.4405	\$8.1726
Totals	\$14.6018	\$4.4140	\$2.1899	\$21.2057

Notes:

Source: Multnomah County Office of Assessment and Taxation.

⁽¹⁾ Levy Code 001 includes approximately 66 percent of the total assessed value of the City. Rates are before allocation to urban renewal division of taxes

⁽²⁾ Includes the City Fire and Police Disability and Retirement pension levy, urban renewal special levies, Multnomah County local option library levy, and Portland School District local option levy for operations and pension bond levy. Does not include urban renewal division of taxes rate

Table 11 CITY OF PORTLAND, OREGON

Tax Collection Record for the Last Ten Years (1)

Fiscal Year	Total Levy (000) (2)	Collected Yr. of Levy (3)	Collected As of 3/31/03 (3)
1993-94	143,477	95.33%	99.97%
1994-95	162,261	96.37%	99.99%
1995-96	182,497	94.76%	99.99%
1996-97	208,823	96.75%	99.99%
1997-98	213,328	95.87%	99.91%
1998-99	228,449	96.87%	99.90%
1999-00	237,785	96.56%	99.49%
2000-01	257,865	96.35%	99.01%
2001-02	267,740	96.46%	97.88%
2002-03	283,961	88.47% (4)	88.47% (4)

Notes:

- (1) Tax collection information is for Multnomah County, which represents approximately 99% 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 levy. 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.
- (4) Partial year collections.

Sources: City of Portland; Multnomah County Office of Assessment and Taxation.

Table 12
CITY OF PORTLAND, OREGON
Principal Property Taxpayer Accounts
2002-03 Assessed Value

		Property	% of Total
		Assessed	City Assessed
Taxpayer Account	Type of Business	Value	Value
Total City Assessed Value		\$36,128,077,346	
Qwest Corporation	Communications	\$465,527,745	1.29%
Pacificorp (PP&L)	Energy	246,299,400	0.68%
Portland General Electric	Energy	214,747,470	0.59%
Wacker Siltronic Corp	Silicon wafer manufacturing	204,815,810	0.57%
Alaska Airlines	Airline	164,000,000	0.45%
Oregon Steel Mills	Steel plate manufacturing	149,337,260	0.41%
Glimcher Lloyd Venture LLC	Real estate	127,669,890	0.35%
Fred Meyer, Inc.	Retail	118,753,640	0.33%
Northwest Natural Gas Co	Energy	114,976,630	0.32%
United Airlines	Airline	114,520,000	0.32%
		\$1,920,647,845	5.32%

Source: Multnomah County Department of Assessment and Taxation.

(End of Annual Disclosure Information)

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

Section 11 of the Oregon Constitution granted all local governments which levied property taxes for operations in FY 1997-1998 a permanent tax rate which 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.

Section 11 provides that property which 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.

New construction and changed property is not assessed at its estimated market value. (In Oregon, the assessor's estimate of market value is called "Real Market Value.") Instead, it receives an Assessed Value that is calculated by multiplying the Real Market Value of the property by the ratio of Assessed Values of comparable property in the area to the Real 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.

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 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 below).

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

- Some urban renewal districts which were in existence when Measure 50 was adopted to impose taxes throughout the boundaries of their creating city or county. The City has five urban renewal districts 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. For FY 2002-03, the City levied \$2.19/\$1,000 of Assessed Value for its Fire and Police Disability and Retirement Fund. This tax rate is equivalent to a rate of approximately \$1.52/\$1,000 of Real Market Value.
- Local governments to impose taxes to pay general obligation bonds (see below).

SECTION 11B

A citizen initiative which is often called "Measure 5," was added to the Oregon Constitution as Article XI, Section 11b. This section ("Section 11b") limits property tax collections by limiting the tax rates (based on Real Market Value) which 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 Real Market Value, and rates for school taxes to \$5 per \$1,000 of Real 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.

In FY 2002-03, the City experienced some compression because of Section 11b. Because compression under Section 11b is based on Real Market Values, and Real Market Values are growing at a greater rate than Assessed Values, the City may be able to impose higher taxes in the future without increasing compression under Section 11b.

However, the City does not currently impose all taxes it is authorized to impose. Certain City-wide levies for urban renewal areas (the "Special Levy") and the City's fire and police disability and retirement system levy are all currently imposed at levels substantially below their legal limits.

Increases in urban renewal Special Levies could increase compression under Section 11b of the City's permanent rate levies, the City's fire and police disability and retirement system levies, and Special Levies for other urban renewal districts.

LOCAL OPTION TAXES

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 ten years for capital purposes, and a maximum of five years for operating purposes. Legislation was passed in the 1999 Session that allows school districts to use local option levies beginning October 23, 1999.

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 urban renewal and the City's pension levy.

Multnomah County currently has a local option levy in place for libraries, which extends through FY 2002-03. In November 2002, voters approved two local option levies of the City, which total \$0.7926 per \$1,000 of Assessed Value. A Multnomah County local option levy for libraries also was approved at a rate of \$0.755 per \$1,000 of Assessed Value. These local option levies will take effect in FY 2003-04.

VOTER PARTICIPATION

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 meets the voter participation requirements established by Section 11. Section 11 requires those taxes to be approved by a majority of the voters voting on the question either: (i) at a general election in an even numbered year, or (ii) at any other election in which not less than fifty percent (50 percent) of the registered voters eligible to vote on the question cast a ballot.

In many localities in Oregon, including the City, it is unusual for more than fifty percent of registered voters to cast ballots at an election other than a general election in an even numbered year.

GENERAL OBLIGATION BONDS

Levies to pay the following general obligation bonds are exempt from the limits of Section 11 and 11b:

- 1) general obligation bonds authorized by a provision of the Oregon Constitution (this applies to State of Oregon general obligation bonds);
- 2) general obligation bonds issued on or before November 6, 1990;
- 3) general obligation bonds which were approved by a majority of voters after November 6, 1990 and before December 5, 1996, which are issued to finance capital construction or capital improvements;
- 4) general obligation bonds which were approved after December 5, 1996, which are issued to finance capital construction or capital improvements, and which met the voter participation requirements described above; and
- 5) obligations issued to refund the general obligation bonds described in the preceding four subparagraphs.

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 indicates 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. (Due to the implementation of Measure 50, the first installment of property taxes for the tax year 1997-98 was due on December 19, 1997) 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 6 percent.

CITY ECONOMIC CHARACTERISTICS

The City, with an estimated July 1, 2002, population of 538,180, 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 an immediate metropolitan area with a population of approximately 1.5 million. 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.

The Portland Standard Metropolitan Statistical Area consisted of Multnomah, Clackamas and Washington counties in Oregon, and Clark County in Washington until the 1980 Census, when Clark County was eliminated from the area and Yamhill County was added, making it the Portland Primary Metropolitan Statistical Area. In 1994, Clark County was again added, and the Portland Primary Metropolitan Statistical Area became the Portland-Vancouver Primary Metropolitan Statistical Area (the "Portland-Vancouver PMSA"). The Portland-Vancouver PMSA now includes Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon, and Clark County in Washington. All statistics reported herein have been adjusted to reflect data for the current definition of the Portland-Vancouver PMSA. 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 and West Linn. The cities of St. Helens and Scappoose are located in Columbia County. Yamhill County includes McMinnville and Newberg. Clark County contains Vancouver and Camas. As a major transportation hub of the Pacific Coast with water, land and air connections, Multnomah and Washington counties serve expanding international markets and have experienced considerable growth.

POPULATION

The population for the City increased steadily in the 1970s, declined slightly early in the next decade, and has increased each year since 1984. The compounded annual rate of growth in population for the City from 1993-2002 was 1.49 percent compared to 0.96 percent for Multnomah County and 1.80 percent for the Portland metropolitan area for the same period of time.

Table 13
CITY OF PORTLAND, OREGON
Population Estimate For the Last Ten Years

	City of	Percent	Multnomah	Percent	Portland	Percent
Year	Portland	Change	County	Change	Metro Area (1)	Change
1993	471,325	2.8%	615,000	1.7%	1,338,900	2.3%
1994	495,090	5.0%	620,000	0.8%	1,357,800	1.4%
1995	497,600	0.5%	626,500	1.0%	1,379,700	1.6%
1996	503,000	1.1%	636,000	1.5%	1,403,200	1.7%
1997	508,500	1.1%	639,000	0.5%	1,420,900	1.3%
1998	509,610	0.2%	641,900	0.5%	1,445,000	1.7%
1999	512,395	0.5%	646,850	0.8%	1,461,550	1.1%
2000 (2)	531,600	3.7%	662,400	2.4%	1,537,150	5.2%
2001	536,240	0.9%	666,350	0.6%	1,553,700	1.1%
2002	538,180	0.4%	670,250	0.6%	1,571,650	1.2%

Notes:

- (1) Includes Multnomah, Clackamas, Washington and Yamhill counties.
- (2) Revised July 1, 2000 estimates based on the April 1 population count from U.S. Bureau of Census 2000 Redistricting Data.

Source: Portland State University Population Research Center.

INCOME

The following table shows personal income and per capita income for the Portland-Vancouver PMSA, compared to similar data for the State of Oregon and the United States. The compounded annual rate of change in total personal income for the Portland-Vancouver PMSA (1991-2000) was 7.09 percent compared with 6.27 percent for the State of Oregon and 5.66 percent for the United States. The compounded annual rate of change in per capita income for the Portland-Vancouver PMSA was 4.74 percent from 1991 to 2000, compared with 4.42 percent for the State of Oregon and 4.39 percent for the United States over the same time period.

Table 14
CITY OF PORTLAND, OREGON
Total Personal Income and Per Capita Income
Portland-Vancouver PMSA, Oregon, and the United States
1991 to 2000

	Person	al Income (Mil	lions \$)	Per	(\$)	
_	Portland-			Portland-		
	Vancouver	State of	U.S.	Vancouver	State of	U.S.
Year	PMSA (1)	Oregon	Total	PMSA (1)	Oregon	Total
1991	\$32,843	\$54,891	\$5,065,416	\$20,920	\$18,806	\$20,089
1992	34,968	58,163	5,376,622	21,777	19,558	21,082
1993	37,466	61,916	5,598,446	22,785	20,404	21,718
1994	40,127	66,130	5,878,362	23,923	21,421	22,581
1995	43,489	71,209	6,192,235	25,396	22,668	23,562
1996	46,765	75,561	6,538,103	26,660	23,649	24,651
1997	50,433	80,575	6,928,545	28,164	24,845	25,874
1998	53,638	85,305	7,418,497	29,471	25,958	27,322
1999	56,616	89,084	7,779,511	30,672	27,023	28,542
2000	60,856	95,406	8,398,796	31,620	27,649	29,451
2001 (2)	N/A	97,814	8,678,255	N/A	28,165	30,472

Notes:

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

⁽¹⁾ Data for the Portland-Vancouver PMSA includes Multnomah, Clackamas, Washington, Yamhill and Columbia counties in Oregon and Clark County in Washington.

⁽²⁾ Preliminary 2001 Portland-Vancouver PMSA income statistics will be released in May 2003.

LABOR FORCE AND UNEMPLOYMENT

The following table shows the annual average civilian labor force, employment level and unemployment level for the Portland-Vancouver PMSA for the period 1992 through 2001. As reflected in the table below, the Portland metropolitan area, like the state and the nation, experienced an increase in its jobless rate in 2001. While this trend continued in early 2002, rates have since decreased from a February 2002 high of 8.9 percent. The State of Oregon Employment Department reported a Portland-Vancouver PMSA unemployment rate of 6.9 percent (not seasonally adjusted) for the month of December 2002.

Table 15
CITY OF PORTLAND, OREGON
PORTLAND-VANCOUVER PMSA LABOR FORCE AND UNEMPLOYMENT RATES
(000)

Portland-Vancouver PMSA (1)	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Civilian Labor Force (2)	880.2	906.9	940.0	956.6	1,001.0	1,024.8	1,047.3	1,048.7	1,070.8	1,071.9
Employment (3)	821.1	852.6	899.5	921.0	955.6	980.8	1,003.3	1,001.4	1,028.1	1,008.6
Unemployment	59.2	54.3	40.5	35.5	45.4	44.0	44.0	47.3	42.7	63.2
Unemployment Rates										
Portland-Vancouver PMSA	6.4%	6.0%	4.3%	3.7%	4.5%	4.3%	4.2%	4.5%	4.0%	5.9%
State of Oregon	7.5%	7.3%	5.5%	4.8%	5.9%	5.8%	5.6%	5.7%	4.9%	6.3%
United States	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.8%

Notes:

Source: State of Oregon Employment Department, and US Department of Labor, Bureau of Labor Statistics.

⁽¹⁾ Data for the Portland-Vancouver PMSA includes Multnomah, Clackamas, Washington, Yamhill and Columbia counties in Oregon, and Clark County in Washington.

⁽²⁾ Civilian labor force includes employed and unemployed persons sixteen years and older, by place of residence. Data has been adjusted for multiple job holding and commuting.

⁽³⁾ Civilian labor force employment includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers and labor disputants.

EMPLOYMENT BY INDUSTRY

The Portland metropolitan area has demonstrated considerable economic diversity. The City is the service center for a large and diverse manufacturing area that has shown substantial growth since the 1980s. Because of the area's reliance on the City for related economic service activities, the manufacturing base of the surrounding area has a meaningful impact on the City's economy.

The Portland metropolitan area's focus on manufacturing employment is largely based in the metals, instruments, machinery and electrical equipment sectors. The lumber and wood products industry accounts for only 5.7 percent of the Portland metropolitan area's manufacturing employment and 0.9 percent of total non-agricultural employment. While the area has experienced growth and success in the high technology sector of manufacturing, Portland's more traditional manufacturing industries are equally vital to the local economy.

Service industries account for 29.5 percent of the total non-agricultural employment in the metropolitan area, followed by wholesale and retail trade industries, which account for 24.2 percent.

Table 16
CITY OF PORTLAND, OREGON
Portland-Vancouver PMSA Non-Agricultural Wage and Salary Employment
(000)

											2001
Industry	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	% of Total
Non-Ag. Employment*	741.1	766.7	802.1	839.6	879.0	916.7	932.9	944.6	967.1	964.3	100.0%
Manufacturing	121.1	124.1	129.9	137.2	142.0	147.3	149.2	146.1	148.7	145.9	15.1%
Durable goods	82.8	84.9	89.4	95.8	100.9	106.6	109.0	106.7	109.9	108.2	11.2%
Lumber & wood prod.	8.6	8.7	8.7	8.7	8.7	8.9	8.7	8.4	8.4	8.3	0.9%
High Tech Mfg.	30.5	31.7	34.0	37.7	42.3	45.9	47.1	45.2	48.3	50.9	5.3%
Other durable goods	43.7	44.5	46.7	49.4	49.9	51.8	53.2	53.1	53.2	49.0	5.1%
Nondurable goods	38.2	39.2	40.5	41.3	41.1	40.7	40.2	39.4	38.7	37.7	3.9%
Food products	9.8	9.8	9.9	10.2	10.3	9.9	9.7	9.5	9.2	9.4	1.0%
Other non-dur. goods	28.4	29.4	30.6	31.1	30.8	30.8	30.5	29.9	29.5	28.3	2.9%
Nonmanufacturing	620.0	642.6	672.2	702.4	737.0	769.4	783.7	798.5	818.4	818.4	84.9%
Construction and mining	34.1	35.6	40.5	45.4	52.1	55.1	54.4	54.1	54.7	53.9	5.6%
Trans., comm. & util.	44.0	44.3	45.6	48.4	50.8	52.4	53.9	55.3	56.4	56.0	5.8%
Trade	188.1	193.2	203.6	210.8	218.3	227.7	231.3	233.5	237.7	233.5	24.2%
Finance, ins. & real est.	55.9	59.3	61.5	60.2	63.6	66.7	67.1	66.1	64.7	65.1	6.8%
Services	191.9	203.3	213.0	227.5	238.6	252.5	259.3	267.3	279.6	284.2	29.5%
Government	106.0	106.9	108.1	110.1	113.6	114.8	117.8	122.2	125.4	125.7	13.0%

^{*}Totals may not sum due to rounding.

Source: State of Oregon, Employment Department.

Table 17 CITY OF PORTLAND, OREGON Major Employers in the Portland/Vancouver Metropolitan Area

Employer	Product or Service	2002 Estimated Employment
Manufacturing Employers		
Intel Corporation	Semiconductor integrated circuits	14,826
Freightliner LLC	Heavy duty trucks	2,878 (1)
NIKE Inc.	Sports shoes and apparel	2,850(1)
Tektronix Inc.	Electronic instruments	2,537 (1)
Precision Castparts Corporation	Steel castings	2,320
Hewlett-Packard Co.	Computer printers	1,700
Wacker Siltronic Corporation	Silicon semiconductor materials	1,500
Georgia Pacific Corporation	Pulp & paper, packaging	1,400
Oregonian Publishing Co.	Newspaper & commercial printing	1,300
IBM	Supermini computer systems	1,250
SEH America Inc.	Silicon wafers	1,200
Xerox Office Printing Business	Laser printers	1,200
The Boeing Co.	Aircraft frame structures	1,151
Non-Manufacturing Employers		
Providence Health System	Health care & health insurance	12,800(1)
Fred Meyer Stores	Grocery & retail variety chain	10,744
Legacy Health System	Nonprofit health care	7,158 (1)
Kaiser Foundation Health Plan of the NW	Healthcare	6,725 (1)
Safeway Inc.	Grocery chain	6,000(1)
U.S. Bank	Bank & holding company	4,242 (1)
Meier & Frank Co.	Department stores	3,500(1)
United Parcel Service	Small package transport	3,100(1)
McDonald's Corporation	Fast food franchise	3,000
Southwest Washington Medical Center.	Health care	2,900 (1)
Portland General Electric	Electric utility	2,790
Albertsons Food Centers	Retail grocery chain	2,700 (1)
Wells Fargo	Bank	2,588 (1)
Volt Services Group	Temporary Service	2,500(1)
Qwest Communications International Inc.	Communications utility	2,300
Regence BlueCross & BlueShield of Oregon	Medical insurance	2,105 (1)
Shari's Management Corp.	Restaurant chain	2,000
Portland Trail Blazers/Oregon Arena	National basketball association team, operator of	2,000
Corporation	Rose Quarter	,
Horizon Air	Airline	1,800(1)
Nordstrom Inc.	Retail specialty stores	1,700(1)
Home Depot	Home improvement	1,700
Standard Insurance Company	Insurance	1,660
Target Stores	Retail chain	1,600
Rite Aid Corp.	Retail drug stores	1,600
Bank of America, Oregon & SW Washington	Full commercial banking services	1,594

Table 17 (continued) CITY OF PORTLAND, OREGON

Major Employers in the Portland/Vancouver Metropolitan Area

Non-Manufacturing Employers (continued)		
McMenamins Pubs & Breweries	Microbrewery, pubs, restaurants, hotels, theaters	1,500
Spirit Mountain Casino	Casino	1,500
The Holland Inc.	Burgerville USA, Holland restaurants	1,500
Farmers Insurance Company of Oregon	Insurance	1,400
Mentor Graphics	Electronic design automation	1,400(1)
Westwind Group dba Burger King	Restaurants	1,300
E C Company	Electrical & mechanical construction	1,300
First Consumers National Bank	Credit card bank offering private label	1,300
Delta Air Lines, Inc.	Airline	1,250
InFocus Corp	Data/video production	1,235
NW Natural	Natural gas transportation and distribution	1,200
Goodwill Industries	Rehabilitation services	1,200
Nature's Northwest/Wild Oats Markets	Retailer of natural foods, vitamins	1,200
Pacific Coast Restaurants Inc.	Restaurants	1,200
Sears, Roebuck & Co.	Retail department store	1,153
Household Credit Services	Credit card products	1,121
PacifiCorp	Electricity, mining & telecommunications	1,058
Tuality Healthcare	Health care	1,050
Les Schwab Tire Centers	Vehicle services	1,020
Costco Wholesale	Wholesale membership warehouse	1,000
Thomason Auto Group	Auto and truck dealer	1,000
Public Employers		
U.S. Government	Government	18,700 (2)
Oregon Health & Science University	Health care & education	11,472
City of Portland	Government	8,485 (3)
State of Oregon	Government	6,883 (2) (3)
Portland School District	Education	5,600 (4)
Multnomah County	Government	5,269
Portland Community College	Education	4,123 (4)
Portland State University	Education	3,800 (4)
Beaverton School District	Education	3,439
State of Washington (Clark County)	Government & higher education	3,344 (3)
Vancouver School District	Education	2,808 (3)
Hillsboro School District	Education	2,700
Tri Met	Transportation	2,636
Bonneville Power Administration	Power generation & transmission utility	2,500
Evergreen School District	Education	2,000
North Clackamas School District	Education	1,900
Washington County	Government	1,700

Notes:

- (1) From Portland Development Commission, as of Q1 2002.
- (2) 2001 employment.
- (3) Totals may include part-time, seasonal and temporary employees.
- (4) Totals include full-time and part-time, casual and student employees.

Source: Portland Chamber of Commerce, Portland Development Commission, and Regional Financial Advisors, Inc.

DEVELOPMENT ACTIVITY

The Portland metropolitan area is home to more than 51,000 businesses, according to the 2002 Largest Employers of the Portland-Vancouver Metropolitan Area published by the Portland Chamber of Commerce (now the Portland Alliance). Of those, about 2,400 are classified as headquarter firms. Four companies included on Fortune magazine's list of the 1,000 largest corporations in the United States have world headquarters in the Portland metropolitan area: Louisiana-Pacific Corporation, Precision Castparts, Tektronix Inc., and NIKE Inc.

A diverse selection of industrial properties is available throughout the Portland area for all types of industrial use, including more than 280 industrial and business parks.

Just west of the City, the Sunset Corridor has emerged as the center for Oregon's high technology industry and has drawn extensive investment in recent years. This area parallels a major east/west highway (U.S. Highway 26) in the western metropolitan area. The Interstate 5 ("I-5") Corridor, which extends from S.W. Portland to the City of Wilsonville along I-5, includes some of the area's most rapidly growing distribution and warehouse operations.

The third quarter 2002 Office Statistics published by Cushman & Wakefield, reported Portland's Central Business District ("CBD") overall office vacancy rate at 12.3 percent, down from 13.3 percent in second quarter 2002. The overall vacancy rate for the non-CBD area was 18.1%, down from 20.3% in second quarter 2002. Class A direct Weighted Average Asking Rental Rates, per square-foot per year was reported as \$25.37 for the CBD and \$22.79 for the non-CBD.

In 2002 the City appointed a Mayor's Business Roundtable and "Blue Ribbon Panel" to create a new economic development strategy for the City, which will focus on developing strategies for attracting and retaining quality jobs for the region. The Portland Development Commission submitted its report to the City in October 2002. The recommended strategies and actions will become the basis of a five-year economic development plan to be managed by Portland Development Commission.

Current activities showing retail, commercial and industrial changes in the Portland metropolitan area are reflected in the following building and economic development projects.

Development within Downtown Portland

A \$63 million expansion at retail center Pioneer Place was completed and became operational in March 2000. The 155,000 square-foot expansion provides space for cinemas, a restaurant and 25 retailers. In October 2002, Regal Entertainment Group announced plans to complete development of the 32,000 square-foot cinema space, which has remained vacant for over two years. The six-screen cinema has a targeted completion in mid-2003.

In June 2002, the Hilton Hotel completed a \$40 million expansion to add 327 rooms, meeting space, a fitness center and 684 parking spaces at a location adjacent to the current hotel. The site, located one block from Fox Tower, includes nine floors of above ground parking and two floors of retail space and a full-service restaurant. With the expansion complete, the Hilton now offers 782 rooms.

The North Macadam area was the last large piece of undeveloped land close to the downtown area when it was designated as an urban renewal district by the City in August 1999. The RiverPlace Project, located within the South Waterfront/North Macadam District, is a mixed-use development on 73 acres along the west bank of the Willamette River, with apartments, restaurants, shops and office space. The most recent addition to RiverPlace Project is the Residence Inn by Marriott-Portland Downtown/RiverPlace, a 258-suite Residence Inn by Marriott, which opened in the summer 2001. The City Council approved a plan to extend the Portland Streetcar line 0.6 miles from Portland State University to RiverPlace. The \$18.2 million project has a target completion in 2004. Planning is also underway to extend the Portland Streetcar line from RiverPlace into the North Macadam urban renewal area.

Along Southwest Macadam Avenue, the \$14 million, seven-story, 116-room Avalon Hotel opened in the fall of 2001.

Tenth and Salmon Condominiums, LLC and BML Architects are preparing to break ground on the \$19.5 million Roosevelt Towers. The 21-story residential tower will create 121 condominiums with 7,500 square feet of ground-floor retail and 88 parking spots. Groundbreaking is scheduled for April 2003 with a target completion in the second half of 2004.

The River District, Pearl District, and Old Town

Located north of the central business district and east of Interstate 405, the River District urban renewal area is comprised of approximately 310 acres bounded generally by Burnside Street on the south, NW 16th Avenue on the west, the northern end of the Terminal One site on the north, and the Willamette River and the boundaries of the Downtown Waterfront urban renewal area on the east. The River District formerly was used for railroad and industrial operations. In 1994, the City Council adopted the River District Housing Implementation Strategy, which calls for more than 5,000 new housing units in the target area with average densities of more than 100 units per acre. The River District was designated as an urban renewal area in 1998. Public funding for the City's River District development program comes from a variety of sources including federal, state and local transportation funds, various housing assistance sources, and tax increment proceeds from the River District urban renewal area. Significant private investment is also underway in the River District.

The Central City Streetcar project, paid for through a combination of local and federal monies, and bonds secured by City parking revenues, opened on schedule in July 2001. The streetcars follow a 4.2-mile loop that connects the River District to Downtown and Portland State University. There is no fee to ride the streetcar in the City's "Fareless Square" district.

In the Pearl District (located within the River District urban renewal area), Gerding/Edlen Development purchased the former Blitz Weinhard Brewery, a five-block complex, known as the "Brewery Blocks," adjoining Burnside Street for \$20 million. The firm is redeveloping the property into a mixed-use retail, commercial and housing complex. The brewery property is near a building that was redeveloped for Wieden & Kennedy (a national advertising firm) in the Pearl District as its international headquarters. Gerding/Edlen Development headed up the \$20 million renovation of the Historic Cold Storage Building for Wieden & Kennedy. Whole Foods opened its first natural and organic supermarket in Oregon in the Brewery Blocks in March 2002. The new store has 175 employees. In fall 2002, the Art Institute of Portland moved into 70,000 square feet of Block 4. At the beginning of 2003, other tenants in the Brewery Blocks include Tyco Telecom, Sur la Table kitchenware retailer, Baja Fresh Mexican Grill, and Peet's Coffee.

Hoyt Street Properties is continuing work on over \$125 million in development of several blocks in the Pearl District. When completed, the Hoyt Street parcels will have more than 2,500 residences and 150,000 square feet of retail and commercial space on 34 acres in the District. The 12-story retail and residential loft project, the Gregory, was completed in the first half of 2001 with over 125 residential units, 3 floors of parking and 20,000 square feet of retail space. Construction began on the Bridgeport condominiums in January 2002. This west tower is scheduled for completion in spring 2003, and the east tower is set for summer 2003. Combined, the towers will add 123 residential units and will house 250,000 square feet of retail space. The 124-unit, 13-story Park Place Condominiums began construction in September 2002, and is scheduled for December 2003 completion. The 139-unit Park XIII Apartments broke ground in November 2002 with target occupancy of January 2004.

The Marshall Street Lofts created 164 residential loft condominiums in a \$34 million renovation. Occupants began moving into the building in October 2002. As of January 2003, over 85% of the units were sold.

In April 2002, outdoor equipment retailer REI announced that it will move its Jantzen Beach store to a 35,000 square-foot space of a \$35 million planned Pearl District 124-unit loft and condominium development in the Pearl District. The project, proposed by developer John Carroll, has a target completion of spring 2004.

Projects are also underway in the Old Town neighborhood located in the Downtown Waterfront urban renewal area adjacent to the River District. The Old Town Lofts, a Portland Development Commission financed housing project at Northwest 4th and Flanders, opened on June 29, 2001. The project features 139 lofts and townhouses ranging in size from 500 to 1,400 square feet.

The Yards at Union Station is a four-phase project eventually bringing approximately 650 new units of housing. It is the largest single housing project constructed in the City since the 1960's. Phase A of The Yards at Union Station (158 units of affordable housing owned by the Housing Authority of Portland) opened in 1998. Phases B1 and B2 of the Yards at Union Station opened in the spring of 2000 and created approximately 500 new market rate and affordable housing units in three separate buildings. Phases B4 and B5 will create 50 additional units, and are scheduled for completion in 2004/2005.

In October 2002, the 301-unit McCormick Pier apartments were sold for \$30.4 million. The purchasers will spend another \$12.5 million renovating the property to resell the units as condominiums over the next two years.

North and Northwest Portland

In early 2002, Adidas America Inc. celebrated the opening of Adidas Village in North Portland in the historic Overlook neighborhood. The site, formerly Bess Kaiser Medical Center, is home to the company's North American headquarters, which employs approximately 950. The athletic footwear company occupies the 215,000 square-foot building, which has undergone a \$25 million renovation.

Electro Scientific Industries relocated its electronic component systems product line from Escondido, California to its new 62,000 square-foot Portland headquarters in January 2003.

Freightliner announced in 2001 that it would retain its corporate headquarters in Portland. In October 2002, Freightliner's Western Star truck manufacturing operations moved to the City from British Columbia.

In August 2000, the Interstate Corridor Urban Renewal Area was created to provide local funding for the proposed light rail line along Interstate Avenue, and to serve broader revitalization efforts in the area. The Interstate light rail is a \$350 million project expand light rail service 5.8 miles into North Portland neighborhoods. Service is scheduled to begin in September 2004. A number of residential developments are cropping up along the new light rail line. Among these is Interstate Crossing, which opened in September 2002.

The Rosemont redevelopment project opened September 2001. The seven-acre redevelopment includes 1,000 affordable rental units for seniors in the completely remodeled former Villa St. Rose convent. The development also includes 18 family rental units and a Head Start.

The Housing Authority of Portland is overseeing a proposed \$150 million effort to redevelop the aging Columbia Villa public housing in North Portland. The five-year New Columbia redevelopment project will begin construction in late 2003.

The Portland Expo Center, Oregon's largest consumer show facility, completed its newest exhibition building in spring 2001. The 112,000 square-foot exhibition building features 72,000 square feet of column-free exhibit space and was financed through a \$15.6 million loan provided by Oregon Economic Community Development Department.

Southwest Portland

The City completed the \$38.5 million renovation of the Civic Stadium and entered into an agreement with Portland Family Entertainment to operate the facility. The renovated stadium, now known as PGE Park, opened in early 2001. PGE Park features new seats, a new playing surface and expanded concourses. The stadium is home to the Triple-A Portland Beavers, the Portland Timbers (A-League soccer), and the Portland State Vikings (Division I college football).

Lewis and Clark College's Northwestern School of Law completed construction on the \$15 million expansion of the Paul L. Boley Law Library in January 2002. The remodeling gives the library a new technology-based infrastructure and 40,000 square feet of additional space.

In February 2001, the Portland Development Commission authorized a master predevelopment agreement to construct maximum high-density, market-rate condominiums and retail space across from Jefferson on the Safeway/YWCA block. The three-block Museum Place South is being developed to include an expanded Safeway, an expanded YWCA, 128 loft-style units in a 6-story tower above the Safeway, and 12 2-story townhouses. The \$113 million project will include 278,000 square feet. The \$8 million YWCA renovation was completed in January 2003. Completion of the Museum Place South project is scheduled to occur in fourth quarter 2003. The former Safeway site across the street will house a 21-story condominium tower, expected to begin construction when the Museum Place South construction is complete.

The \$10.8 million St. Francis apartments were completed adjacent to the YWCA building in January 2003. The 90,000 square-foot, 7-story building creates 132 affordable housing units.

In fall 2002, Oregon Health & Science University ("OHSU") broke ground on a \$321 million plan to construct two buildings on Marquam Hill. One building will be a 250,000-square-foot biomedical research building and the other will be a 300,000-square-foot patient care center with a 400-space parking facility. Construction is expected to continue until 2005.

Replacement of the Hillsdale branch of the Multnomah County library began in early 2002 and construction of the new facility is scheduled to be finished in mid-2003.

Eastside Development

Phases I and II of Eastbank Esplanade along with the Steel Bridge walkway and new public boat dock were completed in early 2001. The esplanade is part of the Eastbank Riverfront Park project that extends from Hawthorne Street to the Steel Bridge.

Construction began in February 2001 on the \$98 million, 407,500-square-foot expansion of the Oregon Convention Center. Funding of the new Convention Center space comes from the Portland Development Commission, the Metropolitan Exposition-Recreation Commission, and a bond package backed by the City. Revenues to retire the bonds will be generated through 2.5 percent increases in lodging and car-rental taxes in Multnomah County. The expanded building will celebrate its grand opening in April 2003.

The Gateway Regional Center was designated the City's newest urban renewal area by the City Council in June 2001. The goals of the area call for making transportation improvements and creating a more pedestrian-friendly environment, developing parks and plazas, ensuring quality housing and mixed-use development. The area encompasses 653 acres.

In 1998, the City Council established the Lents Town Center as an urban renewal area. Community leaders and the Portland Development Commission are developing a plan to complete community revitalization projects and create affordable housing options. Construction of the Crossroads Plaza at SE 92nd and Foster was completed in August 2001. Rose Community Development Corp. is developing a 24-unit low-income apartment complex at SE 91st and Reedway Street.

The Multnomah County Library is currently renovating branches throughout the county. The renovation plan is expected to cost approximately \$24.1 million when completed, will build three new buildings, open two new branches and renovate ten existing branches. All branches will also receive improvements to the telecommunications systems in addition to the 16,000 square feet of space to be added to the county system. The Sellwood-Moreland Library opened in February 2002. The most recently completed facility, the Hollywood Library, opened in May 2002.

The Columbia Corridor

The Columbia Corridor is a major growth opportunity for industrial development in Portland. The Corridor contains nearly 4,700 acres of vacant industrial land along a 16-mile stretch of land that runs along the southern shore of the Columbia River and includes marine terminals and the international airport.

The Rivergate Industrial Park is a 3,000-acre area owned by the Port of Portland (the "Port") in north Portland. In addition to Rivergate's access to the Columbia River and Portland International Airport ("PDX"), the area qualifies local businesses for participation in the Enterprise Zone and related tax incentives. The purpose of the City's Enterprise Zone is to stimulate business investment in north and northeast Portland. In an attempt to hire and retrain Enterprise Zone residents for quality jobs, the Portland Development Commission has set up this program to reward businesses that provide local jobs. Businesses who participate can make use of a property tax exemption from new taxes generated during the first three to five years of a non-retail business investment in the Enterprise Zone. The boundaries of the Enterprise Zone include north and northeast Portland residential, commercial and industrial land west of Interstate 205 and north of Broadway Street.

In March 2002, Trammell Crow Company and Kennedy Associates broke ground on the 23-acre Rivergate Corporate Center, positioned adjacent to the Port's Terminal 6 Marine facility within the Rivergate Industrial Park. The development will include two high cube industrial distribution buildings totaling 488,125 square feet. The development is scheduled for completion in early 2003. In December 2002, Trammell Crow secured the first tenant of Rivergate Corporate Center. Truckload carrier Schneider National will occupy 50,000 square feet in Building B.

Cascade Station includes 120 acres of proposed development on Port property south of Airport Way between I-205 and Northeast 82nd Avenue. Development plans include hotels, office buildings, retail services, and a theater complex. Bechtel, in a joint venture with Trammell Crow Company, formed Cascade Station Development Company, LLC to develop this commercial mixed-use site. Construction costs are estimated at \$180 million. Infrastructure for the area was completed in 2001. Final build-out of retail and commercial properties has an estimated completion date of 2015. Two light rail stations service the development, which will serve as a regional center and gateway to PDX.

Fujitsu Microelectonics closed its Gresham production plant in January 2002, resulting in the termination of 670 employees. Chandler, Arizona-based Microchip Technology purchased the complex in August 2002. Production at the facility is expected to begin by July 2003.

Delta Air Lines announced the elimination of 350 positions in Portland in October 2002. The job losses will affect mostly flight attendants. Delta is also shutting down flight attendant bases in Seattle, Houston, Chicago, and New Orleans.

In January 2003, Oregon Steel temporarily shut down its Rivergate melt shop, temporarily laying off approximately 300 workers. Though Oregon Steel officials have announced that the plant will reopen, as of January 31, a date has not been announced.

AGRICULTURE

Because the City is the primary urban center in the state, agriculture is not a major industry in the greater metropolitan area. Even so, the metropolitan area accounted for more than 24 percent of the state's Gross Farm and Ranch Sales based on 2001 estimates from the Oregon Agricultural Information Network at Oregon State University. Clackamas County ranked second and Washington and Yamhill counties ranked fourth and fifth among all counties in the state in Gross Farm and Ranch Sales.

The 2001 Gross Farm and Ranch Sales in Clackamas County was \$314,343,000; Washington County was \$217,122,000; Yamhill County was \$215,283,000 and Multnomah County was \$61,518,000; as estimated by the Oregon State University Extension Service.

TRANSPORTATION AND DISTRIBUTION

Location and topography have established Portland 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 substantial geographic and, therefore, economic advantages for the shipment of freight. The Columbia River ship channel is maintained at a depth of 40 feet from the Portland Harbor to the Pacific Ocean 110 miles downstream. The City is a regular port of call for 16 regularly scheduled major steamship lines serving major world trade routes. Six Oregon and Washington port districts have joined to fund a five-year, study of the feasibility of deepening the shipping channel of the Columbia River from 40 feet to 43 feet, in order to accommodate larger, more efficient vessels. The project, estimated at approximately \$171 million, is awaiting regulatory approval as of January 2003. If approval is granted, construction will begin in 2003. Primary cargoes include containers, automobiles, grain, and mineral bulks.

Upstream from the City, the Columbia River provides the only water route through the Cascade Mountains to the agricultural "Inland Empire" 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 three primary barge lines providing service between the upriver ports and the City. 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 mountains.

The City 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.

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, after Long Beach and Los Angeles. Exports include wheat and barley, potash, beef pulp pellets, baled hay, forest products (logs, lumber, plywood and wood chips), paper and newsprint, scrap metal, soda ash and aluminum products. The Port is the largest wheat export port in the United States and the second largest grain-exporting center in the world. Imports include cement, ore (limestone, iron ore and alumina), iron and steel products, petroleum products, crude salt, autos and trucks. The Port is the largest volume auto handling port on the West Coast. Total maritime tonnage declined in 2002 to 10.7 million short tons compared to 11.1 million in 2001. In June 2002, international shipping freight carrier Hanjin announced that it will return to the Port, making Portland its last port of call for transpacific shipping and boosting the port's total containership by one third.

In July 2001, Portland Shipyard LLC's ("PSY") 982-foot Dry Dock moved from Portland to the Grand Bahama Shipyard. Cascade General, Inc., which bought PSY from the Port in 2000, sold the Dry Dock 4 to Grand Bahama Shipyard Ltd.

PDX handled 12.2 million passengers in 2002, down 3.6% from 12.7 million passengers in 2001. Portland is served by 15 passenger carriers providing more than 580 scheduled non-stop and direct flights each day to over 100 cities in the US and Canada. Lufthansa will begin offering daily service from PDX to Frankfurt, Germany in March 2003. 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 by-pass routes Interstate 205 and Interstate 405 within and around Portland. 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 ("Tri-Met"), the regional public transit agency, provides bus service through the region. Tri-Met's light rail system ("MAX") began operation in the fall of 1986 with the opening of the 15-mile line between downtown Portland and the City of Gresham to the east. Current ridership is approximately 89 million rides per year. Construction of a 12-mile, \$913-million Westside extension of the light rail line into Washington County was completed in 1998, extending the line out to the cities of Beaverton and Hillsboro.

Construction of the \$125 million light rail link, Airport MAX, to PDX, was completed in September 2001. Primary funding agencies are the Port of Portland, Tri-Met, the Portland Development Commission and CascadeStation. Construction of the new commuter trolley, the Portland Streetcar, which connects the downtown area with the Pearl District and Northwest Portland, was completed in 2001. The \$54.5 million, 44-block streetcar line opened in July 2001.

In November 2000 Tri-Met began construction on a \$350 million project to extend MAX from the Rose Quarter and Oregon Convention Center 5.8 miles into North Portland neighborhoods, medical facilities, and the Metropolitan Exposition Center. Service on the Interstate MAX is scheduled to begin September 2004.

The Tri-Met Transit Investment Plan was approved by the Board of Directors in June 2002. The plan calls for major investment in order to extend the MAX line 6.5 miles south from the Gateway Transit Center to Clackamas Town Center, and from Beaverton south to Wilsonville, among other proposed expansions.

TOURISM, RECREATION AND CULTURAL ATTRACTIONS

Portland is Oregon's largest city and the center of business and transportation routes in the state. Therefore, the City accommodates a large share of Oregon'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 Art Museum, Oregon Historical Society Museum, Children's Museum, OMSI, Forest Discovery Center (formerly World Forestry Center), Japanese Gardens, International Rose Test Gardens, the Classical 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.

The National Basketball Association ("NBA") Portland Trail Blazers play at the Rose Garden Arena complex (which includes the Memorial Coliseum), as do the major-junior Western Hockey League ("WHL") Portland Winterhawks. The City completed the \$38.5 million renovation of the Civic Stadium and entered into an agreement with Portland Family Entertainment to operate the facility. The renovated stadium, opened as PGE Park on April 30, 2001. PGE Park features new seats, a new playing surface and expanded concourses. The stadium is home to the Portland Beavers (Triple-A), the Portland Timbers (A-League soccer), and the Portland State Vikings (Division I college football).

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, and the Festival generates more than \$80 million for the region's economy and local businesses. The Festival includes prominent car races and the two-day Rose Festival Air Show that is rated as one of the top five air shows in the nation and routinely attracts a quarter million spectators.

According to the Portland Oregon Visitor's Association ("POVA"), 536,307 visitors attended conventions, meetings and exhibits at the Oregon Convention Center from January through September of 2002. Lodging occupancy rates for downtown Portland averaged 68.0 percent through November 2002, up from 65.9 percent through that point in 2001 according to Wolfgang Rood Hospitality Consulting and PKF Consulting.

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 fertile Willamette Valley to the south offer opportunities for hiking, camping, swimming, fishing, sailboarding, skiing, wildlife watching, and numerous other outdoor activities.

HIGHER EDUCATION

The City is the educational center for the State of Oregon. Within the Portland metropolitan area are several post-secondary educational systems.

Portland State University ("PSU") is the largest of seven campuses in the Oregon State System of Higher Education. PSU 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 100 undergraduate, masters, and doctoral degrees, as well as graduate certificates and continuing education programs. Fall 2002 enrollment was 20,110. PSU is noted for the development of programs specifically designed to meet the needs of the urban center. PSU will begin development of the \$50 million Northwest Center for Engineering, Science and Technology, including 130,000 square feet of laboratories, classrooms and faculty office space, in 2003.

Oregon State University and the University of Oregon, with the other two major universities in the Oregon State System of Higher Education, 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 and occupies 31 major buildings on the hill. 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. In fiscal year 2002, OHSU served 130,943 medical and dental patients. For the 2002-2003 school year, there were 2,607 students in the four schools and 991 interns, residents, fellows, and clinical trainees. Competitive funding awards have nearly quadrupled during the last decade – from \$57 million in 1991 to more than \$221 million in 2001 (with money earned by the Oregon Graduate Institute located in Hillsboro, which merged with OHSU in July 2001). OHSU is the City's largest non-government public employer with 2002 employment of 11,472.

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, Warner Pacific College, Concordia University, George Fox University, and Cascade College. Portland Art Institute, Western Culinary Institute, Western States Chiropractic College, Oregon College of Oriental Medicine, National College of Naturopathic Medicine, and East-West College of the Healing Arts are also located in the City.

Community colleges serving the Portland area include Portland Community College, which operates educational centers at several locations throughout the City, in neighboring Washington County, and in Columbia County to the north; Mt. Hood Community College in Gresham, east of Portland; and Clackamas Community College at Oregon City in Clackamas County. The Division of Continuing Education of the State System of Higher Education offers a diversified program for adult education in the City, principally through evening classes but also through correspondence classes and other services.

UTILITIES

Electricity is provided by Portland General Electric ("PGE") Company and Pacific Power Company. Low-cost hydroelectric power provides a substantial portion of the area's energy requirements. PGE owns and operates eight hydroelectric power plants, and has a total net peaking capacity of 3,900 megawatts from available resources, with nearly 50% from hydroelectric sources. NW Natural distributes natural gas. Telephone services are provided by Qwest Communications and, in some areas, General Telephone of the Northwest.

PUBLIC FACILITIES

Water

The City's Bureau of Water Works operates the water supply system that delivers high-quality drinking water to more than 790,000 people in the Portland metro area. The primary water sources are the Bull Run Watershed, located in the foothills of the Cascades west of Mt. Hood. Portland also uses groundwater as a supplemental water supply.

The City, along with Metro and 25 other metropolitan area cities and water districts, participates in the Regional Water Providers Consortium. The Consortium works together through a voluntary intergovernmental agreement to coordinate and implement the Regional Water Supply Plan and to address water supply and resource management issues affecting the region. The City provides technical planning and administrative staff to the Consortium through the City's Water Bureau through an intergovernmental agreement.

In June 2002 the City Council approved plans to complete a \$65 million project to replace three open reservoirs at Mount Tabor Park and two open reservoirs at Washington Park. Construction of the new underground facilities and park redevelopment is scheduled to be completed by 2007.

Sewer and Wastewater

Approximately one-third of the 96,200 acres within the City Urban Services Boundary and approximately 60 percent of the City's population is served by combined sanitary and stormwater sewers. During rainstorms, the collection system exceeds the capacity of the interceptor system that conveys sewage to the Columbia Boulevard treatment plant, resulting in overflows of untreated sewage directly into the Willamette River and the Columbia Slough. Under a 1991 agreement between the City and the Oregon Department of Environmental Quality, the City is undertaking the Combined Sewer Overflow ("CSO") program to remedy this situation. Costs are estimated at more than \$1 billion to be invested over 20 years, including a \$400 million treatment plant to be built near the Willamette River. Through 2002, the project has reduced Columbia Slough overflows by 350 million gallons a year, and has controlled or eliminated eight Willamette River CSO outfalls. In July 2002, the City Council approved \$293 million to complete underground work and tunneling from SW Taylor's Ferry Road at Macadam Avenue to a new Swan Island Pump Station in North Portland. Construction of major CSO projects will continue until 2011.

HOUSING

The median selling price of a home in metropolitan Portland in for calendar year 2002 was \$178,000, up from \$167,500 for calendar year 2001, according to the Realtors Metropolitan Area Multiple Listing Service ("RMLS"). Homes in the metropolitan area were on the market an average of 69 days in 2002. According to RMLS, the SE Portland region was the most active, with 3,426 closed sales in 2002. According to the US Census Bureau, in 2000 there were 237,269 housing units in the City of Portland, 47.3% of which were owner-occupied.

OTHER ECONOMIC FACTORS

The following table shows various economic indices for the City over the past ten years.

Table 18 CITY OF PORTLAND, OREGON Various Economic Indices for Fiscal Years Ending June 30

		nmercial struction	Residential Construction		Total Construction		Bank
Fiscal Year	No. of Permits	Value	No. of Permits	Value	No. of Permits	Value	Deposits (\$000)
 1993						\$355,511,766	
	3,230	\$255,190,445	3,424	\$100,321,321	6,654	· · · · · · · · · · · · · · · · · · ·	\$10,917,713
1994	3,300	424,277,673	4,125	182,599,809	7,425	606,877,482	9,234,510
1995	3,286	387,755,191	3,822	113,779,784	7,108	501,534,975	10,899,814
1996	3,069	497,058,470	4,011	132,248,762	7,080	629,307,232	11,133,967
1997	3,378	690,910,816	4,343	157,497,045	7,721	848,407,861	14,281,503
1998	4,089	778,910,533	4,153	166,479,499	8,242	945,390,032	12,942,646
1999	3,746	712,690,707	4,128	164,598,675	7,874	877,289,382	14,529,741
2000	3,503	685,894,883	4,390	166,029,804	7,893	851,924,687	15,667,859
2001	3,450	601,444,594	4,968	221,896,644	8,418	823,341,238	12,978,750
2002	3,394	702,312,602	5,676	286,907,402	9,070	989,220,004	16,214,809

Sources:

Building:

City of Portland, Bureau of Buildings. Data is collected on a fiscal year basis and includes new construction and alterations. In July 1986 the City's Permit Center consolidated with the East County Permit Center operated by Multnomah County. Permit data shown is for the City of Portland *only*.

Bank Deposits: State of Oregon, Division of Finance and Corporate Securities. Data is as of June 30 of the stated year.

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 which 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.

PROPOSED INITIATIVES WHICH QUALIFY TO BE PLACED ON THE BALLOT

To be placed on a general election ballot, the proponents of a proposed initiative must submit to the Secretary of State initiative petitions signed by a 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 2002 general election, the requirements were eight percent (89,048 signatures) for a constitutional amendment measure and six percent (66,786 signatures) for a statutory initiative. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

The 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. If the person obtaining signatures is being paid, the signature sheet must contain a notice of such payment.

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 only.

Historically, a larger number of initiative measures have qualified to be placed on the ballot than have been approved by the electors. According to the Elections Division of the Oregon Secretary of State, the total number of initiative petitions that have qualified for the ballot and the numbers that have passed in recent general elections are shown in the following table.

Table 19
CITY OF PORTLAND, OREGON
Initiative Petitions that Qualified and Passed
1990-2002

Year of General Election	Number of Initiatives that <u>Qualified</u>	Number of Initiatives that <u>Passed</u>	
1990	8	3	
1992	7	0	
1994	16	9	
1996	16	4	
1998	10	6	
2000	18	4(1)	
2002	7	2	

Notes:

Source: Elections Division, Oregon Secretary of State.

FUTURE 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.

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.

⁽¹⁾ On October 4, 2002, the Oregon Supreme Court ruled that Measure 7 is unconstitutional, and it has not been included in the number of initiatives that passed.

TAX EXEMPT STATUS OF 2003 SERIES A BONDS

General. In the opinion of Preston Gates & Ellis LLP, Portland, Oregon, Bond Counsel, interest on the 2003 Series A Bonds is excluded from gross income subject to federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), provided the requirements of the Code described in this section under the heading "Continuing Requirements" are complied with.

The 2003 Series A Bonds are not private activity bonds and interest on the 2003 Series A Bonds is not an item of tax preference for purposes of determining alternative minimum taxable income for individuals or corporations under the Code. However, interest on the 2003 Series A Bonds is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code as more fully described in this section under the heading "Certain Federal Income Tax Consequences."

Except as described herein, Bond Counsel expresses no opinion on any federal, state or local tax consequence arising with respect to ownership of the 2003 Series A Bonds.

Continuing Requirements. The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the 2003 Series A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the facilities financed or refinanced with such proceeds, limitations on the investment of bond proceeds prior to expenditure and a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States. The City has covenanted in the bond documents that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the City contained in the bond documents pertaining to those sections of the Code which affect the exclusion from gross income of interest on the 2003 Series A Bonds for federal income tax purposes and, in addition, will rely on representations by the City with respect to matters solely within the knowledge of the City, which Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the bond documents or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the 2003 Series A Bonds could become taxable from the date of delivery of the 2003 Series A Bonds, regardless of the date on which the event causing such taxability occurs.

<u>Certain Federal Income Tax Consequences</u>. The following is a discussion of certain federal tax matters under the Code. This discussion does not purport to deal with all aspects of federal taxation that may be relevant to particular bondowners. Prospective bondowners, 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 2003 Series A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Alternative Minimum Tax on Corporations. Section 55 of the Code imposes an alternative minimum tax on corporations equal to the excess of the tentative minimum tax for the taxable year over the regular tax for such year. The tentative minimum tax is based upon alternative minimum taxable income which is regular taxable income with certain adjustments and increased by the amount of certain items of tax preference. One of the adjustments is 75 percent of the amount by which a corporation's adjusted current earnings exceeds the corporation's alternative minimum taxable income (determined without regard to such adjustment and the alternative tax net operating loss deduction). Interest on tax exempt obligations, such as the 2003 Series A Bonds, is included in a corporation's adjusted current earnings.

For taxable years beginning after December 31, 1997, the corporate alternative minimum tax is repealed for small business corporations that had average gross receipts of less than \$5 million for the 3-year period beginning after December 31, 1994, and such small business corporations will continue to be exempt from the corporate alternative minimum tax so long as their average gross receipts do not exceed \$7.5 million.

<u>Financial Institutions</u>. The Code denies banks, thrift institutions and other financial institutions a deduction for 100% of their interest expense allocable to tax exempt obligations, such as the 2003 Series A Bonds.

Borrowed Funds. The Code provides that interest paid on funds borrowed to purchase or carry tax exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or when carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

<u>Property and Casualty Insurance Companies</u>. The deduction for loss reserves for property and casualty insurance companies is reduced by 15 percent of the sum of certain items, including the interest received on tax exempt bonds, such as the 2003 Series A Bonds

<u>Social Security and Railroad Retirement Benefits</u>. The Code also requires recipients of certain Social Security or Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest that are exempt from federal income tax.

<u>Branch Profits Tax</u>. Certain foreign corporations doing business in the United States may be subject to a branch profits tax on their effectively connected earnings and profits, including tax exempt interest on obligations such as the 2003 Series A Bonds.

S Corporations. Certain S corporations that have subchapter C earnings and profits at the close of a taxable year and gross receipts more than 25% of which are passive investment income, which includes interest on tax exempt obligations, such as the 2003 Series A Bonds, may be subject to a tax on excess net passive income.

Premium. Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity, or, in some cases, at their earlier call date ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowed for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Original Issue Discount. If the initial public offering prices of any of the 2003 Series A Bonds is less than the principal amount thereof payable at maturity (collectively in this section, the "Discounted Bonds"), the Discounted Bonds will be considered to be issued with "Original Issue Discount." The difference between the initial public offering price of the Discounted Bonds and the principal amount payable at maturity of the Discounted Bonds will be treated as Original Issue Discount. With respect to a taxpayer who purchases a Discounted Bond at the initial public offering price (assuming it is the first price at which a substantial amount of each maturity of the Discounted Bonds is sold) and who holds such Discounted Bond to maturity, the full amount of Original Issue Discount will constitute interest which is not includable in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, under present federal income tax law, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

Section 1288 of the Code provides, with respect to tax exempt obligations such as the Discounted Bonds, that the amount of Original Issue Discount accruing each period will be added to the owner's tax basis for the Discounted Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discounted Bonds (including sales, redemption or payment at maturity). An owner of a Discounted Bond who disposes of such Discounted Bond prior to maturity should consult his tax advisor as to the amount of Original Issue Discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discounted Bond prior to maturity.

A portion of the Original Issue Discount that accrues in each year to an owner of a Discounted Bond may result in certain collateral federal income tax consequences. In the case of a corporation, such portion of the Original Issue Discount will be included in the calculation of the corporation's alternative minimum tax liability. Corporate owners of any Discounted Bonds should be aware that the accrual of Original Issue Discount in each year may result in an alternative minimum tax liability although the owners of such Discounted Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discounted Bonds in the initial public offering but at a price different from the first offering price at which a substantial amount of the Discounted Bonds was sold to the public should consult their own tax advisors with respect to the tax consequences of the ownership of the Discounted Bonds.

The Code contains certain provisions relating to the accrual of Original Discount in the case of subsequent purchasers of obligations such as the Discounted Bonds. Owners who do not purchase Discounted Bonds in the initial public offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discounted Bonds.

Owners of the Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds. It is possible that under the applicable provisions governing the determination of state or

local income taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

<u>State Tax Exemption</u>. In the opinion of Bond Counsel, interest on the 2003 Series A Bonds is exempt from present State of Oregon personal income taxation.

RATING

The 2003 Series A Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of such rating may be obtained from Moody's. There can be no assurance that any rating assigned to the 2003 Series A Bonds will not be revised at a later date.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2003 Series A Bonds by the City are subject to the approving opinion of Preston Gates & Ellis LLP, Portland, Oregon, Bond Counsel. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 2003 Series A Bonds, the Ordinance, the Bond Declaration, and the authority to issue the 2003 Series A Bonds conform to the 2003 Series A Bonds and the applicable laws under which they are issued. The statements made in this Official Statement under the captions "THE 2003 SERIES A BONDS" and "TAX-EXEMPT STATUS OF THE 2003 SERIES A BONDS" 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 2003 Series A Bonds when due. There is no litigation pending or threatened against the City which would materially and adversely affect the financial condition of the City.

CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of the 2003 Series A 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 2003 Series A 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 2003 Series A 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 2003 Series A 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 2003 Series A 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 2003 Series A 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 2003 Series A 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.

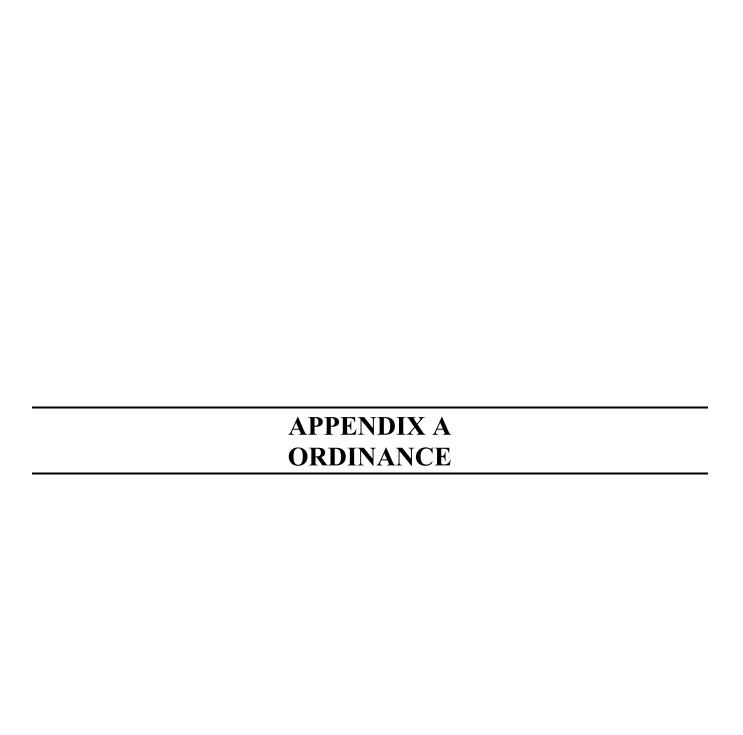
The execution and delivery of this Official Statement has been duly approved by the City.

CITY OF PORTLAND, OREGON

By: /s/ ERIC H. JOHANSEN

Debt Manager

Office of Management and Finance





ORDINANCE No. 177408

* Authorize Limited Tax Improvement Bonds, 2003 Series A (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

- 1. The City is authorized pursuant to the Constitution and laws of the State of Oregon, including Oregon Revised Statutes Chapter 288 and Sections 223.205 to 223.295 and the City Charter, to construct publicly owned and operated local improvements which specially benefit properties, to assess the specially benefited properties for the costs of local improvements, and to issue limited tax bonds to finance the costs of those improvements.
- 2. Article XI, Section 11b of the Oregon Constitution states that assessments for local improvements will not be "taxes" which are subject to that section's limitations if the local improvement is a capital construction project undertaken by the City: (a) which provides a special benefit only to specific properties or rectifies a problem caused by specific properties; (b) the costs of which are assessed against those properties in a single assessment upon the completion of the project; (c) for which the payment of the assessment plus appropriate interest may be spread over a period of at least ten years; and, (d) for which the total of all assessments do not exceed the actual costs incurred by the City in designing, constructing and financing the project.
- 3. The City is also authorized pursuant to the Constitution and laws of the State of Oregon, including Oregon Revised Statutes Chapter 288 and Sections 223.205 to 223.295 and the City Charter, to assess Systems Development Charges against property at the request of property owners, to allow property owners to pay those Systems Development Charges in installments, and to issue bonds to finance the charges. Systems Development Charges are not "taxes" which are subject to the limitations of Article XI, Section 11b of the Oregon Constitution, because Systems Development Charges are imposed only in connection with activities occurring on property, and are not imposed on property or property owners as a consequence of their property ownership. At the request of property owners, the City has assessed Systems Development Charges against their property, and the property owners have applied to pay those assessments in installments. These assessments for Systems Development Charges also are not "taxes" which are imposed on property and are subject to the limitations of Article XI, Section 11b of the Oregon Constitution, because they are made only at the request of property owners in connection with activities at the property.
- 4. Oregon Revised Statutes Section 223.235(2) limits the principal amount of limited tax bonds to the unpaid balance of all contracts for installment payment of final assessments, plus the amount necessary to pay any financing costs and reserves. The unpaid balance of contracts for installment payment of final assessments for the Projects and Systems Development Charges are not expected to exceed \$25,000,000.
- 5. The City adopts this ordinance to establish the terms under which it will issue its Limited Tax Improvement Bonds, 2003 Series A pursuant to Oregon Revised Statutes Chapter 288 and Sections 223.205 to 223.295.

NOW, THEREFORE, the Council directs:

A. Definitions

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

"Assessment Payments" means all amounts required to be paid to the City under all contracts for installment payment of final assessments for the Projects and Systems Development Charges which are financed with the Bonds, and the net proceeds of foreclosing any such assessments.

"Available General Funds" means 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.

"Bonds" means the City's Limited Tax Improvement Bonds, 2003 Series A which are authorized by this Ordinance.

"Business Day" means any day except a Saturday, a Sunday, a legal holiday, a day on which the 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.

"Code" means the Internal Revenue Code of 1986, as amended.

"Debt Service Fund" means a fund or account, which the City accounts for separately, but which may be commingled with other funds or accounts for investment purposes, into which the City shall deposit all Assessment Payments.

"Debt Manager" means the Debt Manager of the City, the Director of the Bureau of Financial Services of the City, 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 this Ordinance.

"DTC" means the Depository Trust Company of New York, the initial securities depository for the Bonds.

"Event of Default" refers to an Event of Default listed in Section 1.G of this Ordinance.

"Fiscal Year" means the period beginning on July 1st and ending on the next June 30th.

"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 this Ordinance and any Supplemental Ordinance.

"Outstanding" refers to all Bonds authorized and delivered pursuant to this Ordinance except Bonds which have been paid, canceled, or defeased pursuant to Section 1.L of this Resolution, and 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 Bond register maintained by the Paying Agent as the registered owner of a Bond.

"Paying Agent" means the Paying Agent and paying agent for the Bonds, which, at the time of enactment of this Ordinance, is First Trust National Association.

"Permitted Investments" means any investments in which the City is authorized to invest surplus funds under the laws of the State of Oregon.

"Projects" may include any (1) local street, sewer, streetcar, pedestrian and water system improvement projects which have been constructed by means of the local improvement district process, (2) sidewalk repair activities of the Bureau of Maintenance as authorized by City Code Chapter 17.28, and (3) sewer system capital improvements constructed and financed by the Bureau of Environmental Services as authorized by City Code Chapters 17.32, 17.33 and 17.36.

"Qualified Consultant" means an independent auditor, an independent financial advisor, or similar independent professional consultant of which the City determines has experience and expertise in the area for which the consultant is retained by the City to provide services under this Ordinance or any Supplemental Ordinance.

"Supplemental Ordinance" means any ordinance amending or supplementing this Ordinance, which is adopted in accordance with Section 1. F.

"Systems Development Charges" means systems development charges and connection fees which may be assessed against property and financed pursuant to ORS Chapter 223.

B. Bonds Authorized; Delegation.

- 1. In order to finance the Projects and Systems Development Charges, the City shall issue its Limited Tax Improvement Bonds, 2003 Series A (the "Bonds") in a principal amount of no more than \$25,000,000.
- 2. Proceeds of the Bonds shall be used to finance Projects and Systems Development Charges, including repaying interim financings for Projects, and to pay costs of issuing the Bonds.

- 3. The Debt Manager may, on behalf of the City:
 - (a) participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for the Bonds;
 - (b) establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, and other terms of the Bonds, publish a notice of sale, receive bids and award the sale of the Bonds to the bidder complying with the notice and offering the most favorable terms to the City;
 - (c) undertake to provide continuing disclosure for the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
 - (d) apply for and purchase municipal bond insurance or other obtain other forms of credit enhancements for the Bonds, enter into agreements with the providers of credit enhancement, and execute and deliver related documents; and
 - (e) execute any documents and take any other action in connection with the Bonds which the Debt Manager finds will be advantageous to the City.
- 4. The Bonds shall be in substantially the form of the City's Limited Tax Improvement Bonds, 2003 Series A, with such changes as may be approved by the Debt Manager. The Bonds may be printed or typewritten, and may be issued as one or more temporary Bonds which shall be exchangeable for definitive Bonds when definitive Bonds are available. The Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.

C. Security for Bonds; Flow of Funds.

- 1. The Bonds shall be payable primarily from the Assessment Payments. The City hereby pledges all Assessment Payments to pay the Bonds. Pursuant to ORS 223.235(5)(c), the lien shall be valid, binding and fully perfected from the date of issuance of the Bonds. The Assessment Payments shall be immediately subject to the lien without the physical delivery thereof, the filing of any notice or any further act. The lien shall be valid, binding and fully perfected against all persons having claims of any kind against the City or the property assessed whether in tort, contract or otherwise, and irrespective of whether such persons have notice of the lien. The City may grant superior, parity or subordinate liens to the owners of other obligations issued to finance local improvement projects as permitted in Section 1. E, below.
- 2. The City hereby pledges its full faith and credit to pay the Bonds. The Bonds are limited tax improvement bonds of the City, and the City shall pay the Bonds from Available General Funds to the extent that Assessment Payments and any taxes described in Section 1.C.3 are not sufficient to pay the Bonds.
- The City shall deposit all Assessment Payments into the Debt Service Fund. So long as the Bonds are
 Outstanding, the City shall use amounts deposited in the Debt Service Fund only to pay Bond principal, interest
 and any redemption premium.

D. Tax Covenants.

The City covenants not to take any action, or omit to take any action, if the taking or omitting would cause interest on the Bonds to become includable in gross income under the Code. The Debt Manager may, on behalf of the City, enter into additional covenants to protect the tax-exempt status of the Bonds.

E. Superior, Parity and Subordinate Obligations.

The City reserves the right to issue obligations to refinance the Bonds, and to grant pledges of the Assessment Payments on a parity with the pledge for the Bonds to secure those refinancing obligations.

F. Amendment of Ordinance.

- 1. The City may enact a Supplemental Ordinance to amend this Ordinance without the consent of any Owner for any one or more of the following purposes:
 - (a) To cure any ambiguity or formal defect or omission in this Ordinance;
 - (b) To add to the covenants and agreements of the City in this Ordinance other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Ordinance as theretofore in effect;
 - (c) To confirm, as further assurance, any security interest or pledge created under this Ordinance or any Supplemental Ordinance;
 - (d) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners of Bonds.
- 2. This Ordinance 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 Bonds then Outstanding. However, no amendment shall be valid which:
 - (a) Extends the maturity of any Bonds, reduces the rate of interest upon any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds, without the consent of the affected Owner; or
 - (b) Reduces the percent of Owners required to approve Supplemental Ordinances.

G. Default and Remedies.

- 1. The occurrence of one or more of the following shall constitute a Event of Default under this Ordinance:
 - (a) Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption);
 - (b) 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 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 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 paragraph 1.G.1.(b); or,
 - (c) 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.
- 2. The Owners of ten percent or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in Section 1.G.1(a).
- 3. Upon the occurrence and continuance of any Event of Default hereunder the Owners of ten percent or more of the principal amount of 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 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 Ordinance or in aid of the exercise of any power granted in this Ordinance or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by this Ordinance or by law. However, the Bonds shall not be subject to acceleration.
- 4. No remedy in this Ordinance conferred upon or reserved to Owners of 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

Ordinance 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 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 Ordinance or by law.

H. Ownership of Bonds.

- 1. For purposes of determining the percentage of Owners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Ordinance, the initial purchaser of the Bonds may be treated as the Owner of the Bonds at the time the Bonds are delivered in exchange for payment.
- 2. For purposes of determining the percentage of Owners taking action under this Ordinance, the Owners of Bonds which pay interest only at maturity, and mature more than one year after they are issued shall be treated as Owners of Bonds in an aggregate principal amount equal to the accreted value of such Bonds as of the date the Registrar sends out notice of requesting consent, waiver or other action as provided herein.

I. Book Entry System for Bonds.

The Bonds shall be initially issued in BEO form and shall be governed by this Section 1.I. While Bonds are in BEO form no physical bonds shall be provided to Owners of Bonds. The City has executed and delivered a blanket Letter of Representations to DTC. While the Bonds are in BEO form, registration and transfer of beneficial interests in the Bonds shall be governed by that letter and the Operational Arrangements of DTC, as they may be amended from time to time, as provided in the blanket issuer letter of representations. So long as Bonds are in BEO form:

- 1. DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of Bonds. Bond payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of Bonds called for redemption or of any other action premised on such notice.
- 2. The City may discontinue maintaining the Bonds in the BEO form at any time. The City shall discontinue maintaining the Bonds in BEO form if DTC determines not to continue to act as securities depository for the Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- 3. If the City discontinues maintaining the Bonds in book-entry only form, 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; thereafter the provisions set forth in Section 1.K. below, regarding registration, transfer and exchange of Bonds shall apply.
- 4. While the Bonds are in BEO form, the City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC 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 DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the Bonds;
 - (b) the delivery to any participant or correspondent or any other person of any notice with respect to the Bonds, including any notice of prepayment;
 - (c) the selection by DTC of the beneficial interest in Bonds to be redeemed prior to maturity; or
 - (d) the payment to any participant, correspondent, or any other person other than the registered owner of the Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal or interest on the Bonds.
- 5. The City shall pay or cause to be paid all principal and interest on the Bonds only to or upon the order of the owner, as shown in the registration books maintained by the Paying Agent, or their 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.
- 6. Upon delivery by DTC to the City and to the owner of written notice to the effect that DTC has determined to substitute a new nominee in place of the nominee, then the word "nominee" in this order shall refer to such new nominee of DTC, and upon receipt of such notice, the City shall promptly deliver a copy thereof to the Paying Agent. DTC shall tender the Bonds it holds to the Paying Agent for reregistration.
- 7. The provisions of this Section 1.I. may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC for Bonds issued in book-entry only form.

J. Redemption of Bonds.

- 1. The Bonds shall be subject to redemption on the terms established by the Debt Manager. The City reserves the right to purchase Bonds in the open market.
- 2. If any Bonds are subject to mandatory redemption, the City may credit against the mandatory redemption requirement any Bonds of the same maturity which the City has previously purchased or which the City has previously redeemed pursuant to any optional redemption provision.
- 3. So long as Bonds are in book-entry only form, the Paying Agent shall notify DTC of any early redemption not less than 30 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC in connection with the issuance of the Bonds.
- 4. During any period in which the Bonds are not in book-entry only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. The City shall notify the Paying Agent of any intended redemption not less than 45 days prior to the redemption date. All such official notices of redemption shall be dated and shall state:
 - (a) the redemption date,
 - (b) the redemption price,
 - (c) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
 - (d) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
 - (e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.

K. Authentication, Registration and Transfer.

- 1. No Bond shall be entitled to any right or benefit under this Ordinance unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all Bonds to be delivered at closing of the Bonds, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Ordinance.
- 2. The ownership of all Bonds shall be entered in the Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.

- 3. While the Bonds are in BEO form, the Paying Agent shall transfer Bond principal and interest payments in the manner required by DTC. If the Bonds cease to be in BEO form, the provisions of subsections 4 through 8 of this section shall apply to the Bonds.
- 4. If the Bonds cease to be in BEO form, 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 Owners as they appear on the 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.
- 5. Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different denominations, and Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
 - (a) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent and
 - (b) the Bonds to be exchanged or transferred.
- 6. The Paying Agent shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next following Payment Date; however, such Bonds shall be exchanged or transferred promptly following that Payment Date.
- 7. The Paying Agent shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Owner's name is listed on the Bond register.
- 8. For purposes of this Section 1.K, Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 1.K.5, above.
- 9. The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all 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.

L. Defeasance.

The City shall be obligated to pay any Bonds which are defeased in accordance with this Section 1.L solely from the money and Government Obligations which are deposited in escrow agent pursuant to this Section 1.L. Bonds shall be defeased and deemed paid if the City:

- 1. irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of Bonds which are to be defeased; and,
- 2. files with the escrow agent or trustee an opinion from a Qualified Consultant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due.

M. Rules of Construction.

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

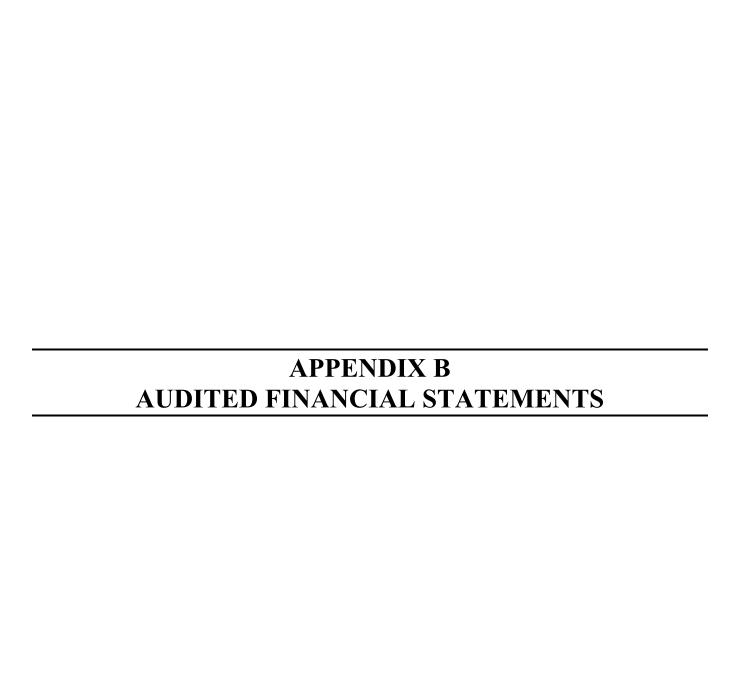
- 1. References to Section numbers shall be construed as references to this Ordinance.
- 2. References to one gender shall include all genders.
- 3. References to the singular include the plural, and references to the plural include the singular.

Section 2. Declaration of Emergency. The Council declares that an emergency exists in order that the Bonds may be issued while interest rates are favorable. Therefore, this Ordinance shall be in force and effect from and after its passage by the Council.

Passed by the Council,

Mayor Vera Katz Office of Management and Finance TG:EJ:Bond Counsel April 14, 2003 **GARY BLACKMER**Auditor of the City of Portland
By

Deputy





INTRODUCTION TO FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 1998, 1999, 2000, 2001, and 2002.

Copies of the Fiscal Years 1998 through 2002 Comprehensive Annual Financial Reports ("CAFR") containing the reports of the independent certified public accountants are available on the City's website at:

www.ci.portland.or.us/accounting/financials/index.html.

The following pages in this Appendix B are excerpted from the City's CAFRs for the Fiscal Years ending June 30, 1998 through June 30, 2002.

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 2003 SERIES A BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2003 SERIES A 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

	1998	1999	2000 (1)	2001 (2)	2002 (3)
Revenues					
Taxes	\$130,301,916	\$136,115,333	\$199,498,081	\$211,974,174	\$216,576,056
Intergovernmental revenues	14,647,660	15,177,024	16,448,048	18,541,333	19,926,294
Licenses/permits/fees	83,776,795	86,724,686	87,788,397	92,808,407	87,625,667
Charges for services	46,776,361	51,107,163	54,877,077	45,937,835	50,461,451
Interest and miscellaneous revenues	10,287,811	12,066,342	10,113,736	10,395,432	8,691,828
Total Revenues	285,790,543	301,190,548	368,725,339	379,657,181	383,281,296
Expenditures					
Planning/community development	7,798,084	8,568,794	5,183,989	10,150,582	25,891,173
Citizen/community services	9,075,706	11,369,887	12,168,685	13,830,318	
Public safety	155,201,807	164,350,530	168,737,273	238,857,116	242,380,376
Support services/legis./administrative	53,049,394	59,887,136	121,708,477	45,273,667	43,460,216
Parks/recreation/cultural	31,709,166	34,772,734	38,655,862	44,572,270	45,027,462
Capital outlay	8,205,853	9,442,832	1,390,020	3,224,695	1,444,136
Total Expenditures	265,040,010	288,391,913	347,844,306	355,908,648	358,203,363
Revenues Over (Under) Expenditures	20,750,533	12,798,635	20,881,033	23,748,533	25,077,933
Other Financing Sources (Uses)					
Operating transfers in	12,152,289	14,296,389	14,570,032	14,301,735	10,610,557
Operating transfers out	(27,922,952)	(39,812,017)	(38,750,184)	(39,775,883)	(33,894,184)
Total Other Sources (Uses)	(15,770,663)	(25,515,628)	(24,180,152)	(25,474,148)	(23,283,627)
Revenues and other sources over (under)					
expenditures and other uses	4,979,870	(12,716,993)	(3,299,119)	(1,725,615)	1,794,306
Fund Balance, Beginning of Year	62,772,466	67,729,991	55,043,649	51,730,511	50,016,695
Change in inventory	(22,345)	30,651	(14,019)	11,799	(7,861)
Residual equity transfer	<u></u>		<u></u>		
Fund Balances, End of Year	\$67,729,991	\$55,043,649	\$51,730,511	\$50,016,695	\$51,803,140

Notes:

- (1) The significant increase in Tax Revenues and Support Services/Legislative/Administrative Expenditures beginning in FY 1999-2000 was due to a change in the accounting treatment of property tax revenues collected for FPDR pension benefits. FPDR property tax revenues are now recorded in the General Fund, and then transferred to the FPDR Pension Trust Fund. The transfer is reflected in the Support Services/Legislative/Administrative expenditure category.
- (2) The significant decrease in Support Services/Legislative/Administrative expenditures and increase in Public Safety expenditures beginning in FY 2000-01 was due to a change in the accounting treatment of property tax revenues collected for Fire and Police Disability and Retirement ("FPDR") pension benefits. FPDR property tax revenues are recorded in the General Fund, and then transferred to the FPDR Pension Trust Fund. The transfer was reflected in the Support Services/Legislative/Administrative expenditure category in FY 1999-2000, but now is reflected in the Public Safety expenditure category.
- (3) Reflects changes due to GASB 34 reporting requirements. Certain categories of revenues and expenditures have been combined for comparative purposes. In FY 2001-02, Planning and Community Development includes expenditures shown in the category Citizen/Community Services in prior years.

Source: City of Portland audited annual financial statements.

CITY OF PORTLAND, OREGON

General Fund Consecutive Balance Sheets as of June 30

	1998	1999	2000	2001	2002 (1)
ASSETS:					
Cash and investments	\$78,429,699	\$64,125,298	\$62,436,481	\$57,902,121	\$60,812,814
Receivables:	\$70,427,077	ФО т ,123,276	\$02,430,401	Φ57,702,121	\$00,012,014
Property taxes	7,954,768	8,075,460	12,504,788	14,204,952	14,479,097
Accounts, interest and advances	4,066,730	5,126,267	4,223,100	4,790,697	3,184,386
Assessments	1,000	1,000	1,000	1,000	1,000
Due from other funds	4,684,477	4,444,137	5,041,879	3,976,400	2,557,009
Inventories	329,256	359,907	345,888	357,686	349,826
		•	•		
Total Assets	\$95,465,930	\$82,132,069	\$84,553,136	\$81,232,856	\$81,384,132
I I A DIL EDIDO					
LIABILITIES:					
Checks, accounts payable and other accrued liabilities	¢5 207 400	\$5.760,002	95 220 260	¢4 720 206	¢5 262 171
Deferred revenue	\$5,287,408 22,046,448	\$5,760,092 20,644,245	\$5,229,269 22,910,903	\$4,728,386 20,680,957	\$5,263,171 19,478,128
Due to other funds	402,083	684,083	4,682,453	5,806,818	4,834,193
Notes and mortgages payable	402,063	004,003	4,062,433	3,800,818	5,500
rvotes and mortgages payable					3,300
Total Liabilities	27,735,939	27,088,420	32,822,625	31,216,161	29,580,992
					_
FUND BALANCE:					
Reserved for petty cash	18,880	20,880	20,880	20,880	44,595
Reserved for inventories	329,256	359,907	345,888	357,686	349,826
Unreserved	67,381,855	54,662,862	51,363,743	49,638,129	51,408,719
· ·		, ,	<i>y y</i>	- ,,	,,
Total Fund Balance	67,729,991	55,043,649	51,730,511	50,016,695	51,803,140
Total Liabilities and Fund Balance	\$95,465,930	\$82,132,069	\$84,553,136	\$81,232,856	\$81,384,132

Notes

Source: City of Portland audited annual financial statements. FY 2001-02 financial statements are unaudited.

⁽¹⁾ Reflects changes due to GASB 34 reporting requirements. In FY 2001-02, category entitled Due to Other Funds no longer includes liabilities of component units.





Preston|Gates|Ellis LLP

May 22, 2003

City of Portland 1120 S.W. Fifth Avenue, Suite 1250 Portland, Oregon 97204 Seattle-Northwest Securities Corporation 1000 SW Broadway, Suite 1800 Portland, Oregon 97205

Subject: \$21,430,000 City of Portland, Oregon Limited Tax Improvement Bonds, 2003 Series A

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 Improvement Bonds, 2003 Series A (the "Bonds"), in the aggregate principal amount of Twenty-One Million Four Hundred Thirty Thousand Dollars (\$21,430,000).

The Bonds are issued pursuant to the provisions of Oregon Revised Statutes Sections 223.205 to 223.295 and have been authorized by Ordinance No. 177408 enacted on April 23, 2003 (the "Ordinance").

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. Capitalized terms used in this opinion and not defined herein have the meanings defined for such terms in the Ordinance.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in its certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any of the preliminary official statement, the official statement or other offering materials relating to the Bonds, and we express no opinion relating thereto.

Based on our examination, we are of the opinion, under existing law, as follows:

- 1. The Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon and the Charter of the City. The Bonds constitute valid and legally binding obligations of the City enforceable in accordance with their terms.
- 2. The Bonds are payable primarily from the Assessment Payments. The City has also covenanted to pay the Bonds from its Available General Funds, and the City has pledged its full faith and credit to pay the Bonds.
- 3. Interest on the Bonds is excluded from gross income for purposes of federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). We are also of the opinion that the Bonds are not private activity bonds.
- 4. Interest on the Bonds is not an item of tax preference for purposes of the federal alterative minimum tax imposed on individuals or corporations, but is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code.

Preston|Gates|Ellis up

Legal Opinion May 22, 2003 Page 2

- 5. The opinions set forth in the preceding two paragraphs are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds for the interest thereon to be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.
- 6. The City has not designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.
 - 7. Interest on the Bonds is exempt from State of Oregon personal income taxes.

The rights of the holders of the Bonds and the enforceability thereof may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar 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.

Except as stated herein, we express no opinion regarding any federal, state or local tax consequences arising with respect to ownership of the Bonds. Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral tax consequences.

Our 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.

Respectfully submitted,

PRESTON GATES & ELLIS LLP

Lawyers





CONTINUING DISCLOSURE CERTIFICATE

\$21,430,000 City of Portland, Oregon Limited Tax Improvement Bonds 2003 Series A

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 Improvement Bonds, 2003 Series A (the "Bonds").

- Section 1. <u>Purpose of Certificate</u>. This Certificate is being executed and delivered by the City for the benefit of the Bondowners and to assist the underwriter(s) of the Bonds in complying with paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12), (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. <u>Definitions</u>. 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 Bonds, including persons holding Bonds through nominees or depositories.
- "Bondowners" means the registered owners of the Bonds, as shown on the bond register maintained by the Paying Agent for the Bonds, and any Beneficial Owners.
 - "Commission" means the Securities and Exchange Commission.
 - "MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions.
 - "NRMSIR" means a nationally recognized municipal securities information repository.
 - "Official Statement" means the final official statement for the Bonds dated May 8, 2003.
- "Rule" means the Commission's Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.
 - "SID" means a state information depository for the State of Oregon (if one is created).
- Section 3. <u>Financial Information</u>. The City agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing no later than March 31, 2004 for the fiscal year ended June 30, 2003):
 - 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, information generally of the type included in the Official Statement for the Bonds under the heading "Annual Disclosure Information."
 - C. A table showing the principal amount of Bonds which have been redeemed and dates on which the Bonds were redeemed.
 - The information described in paragraphs A and B, above, above shall be provided on or before nine months after the end of the City's fiscal year. 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 each then existing

NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the NRMSIR, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

The City agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of its failure to provide the annual financial information described in this Section 3 on or prior to the date set forth in the preceding paragraph.

Section 4. <u>Material Events</u>. The City agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

- 1. Principal and interest payment delinquencies;
- 2. Non-payment related defaults;
- 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
- 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
- 5. Substitution of credit or liquidity providers or their failure to perform;
- 6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- 7. Modifications to the rights of Bondowners;
- 8. Bond calls;
- 9. Defeasances:
- 10. Release, substitution or sale of property securing repayment of the Bonds; and
- 11. Rating changes.

Section 5. <u>Termination/Modification</u>. The City's obligations to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 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 such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (b) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this Certificate.

Section 6. <u>Amendment</u>. Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

- A. If the amendment or waiver relates to the provisions of Sections 3 or 4 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 Bonds, or the type of business conducted;
- B. The undertaking, as amended or taking into account such waiver, 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 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- C. The amendment or waiver either (i) is approved by the Bondowners 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 or waiver of a provision of this Certificate, the City shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver 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 such change shall be given in the same manner as for a material event under Section 4 hereof, and

(ii) the annual report for the year in which the change is made should 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.

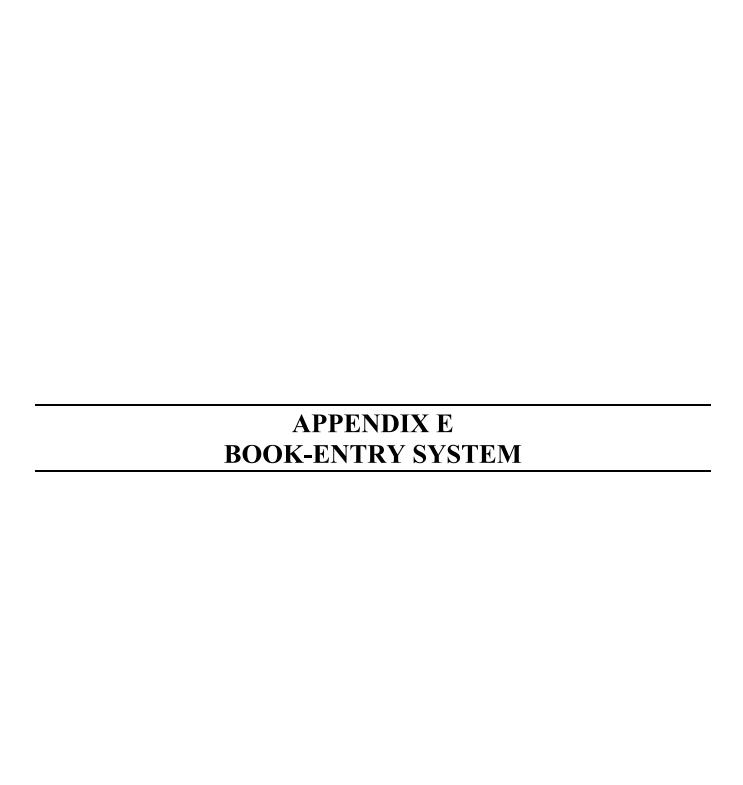
Section 7. <u>Bondowner's Remedies Under This Certificate</u>. The right of any Bondowner to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds hereunder. 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 Ordinance authorizing issuance of the Bonds or the 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 8. <u>Choice of Law.</u> 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 22nd day of May, 2003.

City of Portland, Oregon	
Eric H. Johansen, Debt Manager	







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 2003 Series A Bonds. The 2003 Series A Bonds 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 2003 Series A Bond certificate will be issued for [each issue of] the 2003 Series A Bonds, [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 \$400 million, one certificate will be issued with respect to each \$400 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
- 2. DTC 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 securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.
- 3. Purchases of 2003 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2003 Series A Bond ("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, but Beneficial Owners are 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 2003 Series A Bonds 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 2003 Series A Bonds, except in the event that use of the book-entry system for the 2003 Series A Bonds is discontinued.
- 4. To facilitate subsequent transfers, all 2003 Series A Bonds 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 2003 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2003 Series A Bonds 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 2003 Series A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2003 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of 2003 Series A Bonds may wish to ascertain that the nominee holding the 2003 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.]
- [6. Redemption notices shall be sent to DTC. If less than all of the 2003 Series A Bonds 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 such other DTC nominee) will consent or vote with respect to the 2003 Series A Bonds. 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 the 2003 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).
- Redemption proceeds, principal, tender price and interest payments on the 2003 Series A Bonds 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 dividends 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 shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.
- [9. A Beneficial Owner shall give notice to elect to have its 2003 Series A Bonds purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such 2003 Series A Bonds by causing the Direct Participant to transfer the Participant's interest in the 2003 Series A Bonds, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of 2003 Series A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2003 Series A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2003 Series A Bonds to [Tender/Remarketing] Agent's DTC account.]
- 10. DTC may discontinue providing its services as securities depository with respect to the 2003 Series A Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 2003 Series A Bond certificates are required to be printed and delivered.
- 11. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2003 Series A Bond certificates will be printed and delivered.
- 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.



