

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

**RATING: Moody's Aaa**

*In the opinion of K&L Gates LLP, Portland, Oregon, Bond Counsel, assuming compliance with certain covenants of the City, interest on the 2009 Series A Bonds is excludable from gross income of the owners of the 2009 Series A Bonds for federal income tax purposes under existing law. Interest on the 2009 Series A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on either individuals or corporations. Interest on the 2009 Series A Bonds is included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel. In the opinion of Bond Counsel, interest on the 2009 Series A Bonds is exempt from Oregon personal income tax under existing law.*

**City of Portland, Oregon**  
**\$14,560,000**  
**General Obligation Emergency Facilities Refunding Bonds**  
**2009 Series A**  
**Base CUSIP: 736679**

**DATED:** Date of Delivery

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

The City of Portland, Oregon General Obligation Emergency Facilities Refunding Bonds, 2009 Series A (the "2009 Series A Bonds") will be issued in registered book-entry form only, in denominations of \$5,000 or integral multiples thereof, through The Depository Trust Company, New York, New York ("DTC").

The 2009 Series A Bonds will bear or accrue interest rates as set forth in the table on the inside cover page. The 2009 Series A Bonds will be dated as of the Date of Delivery. Interest on the 2009 Series A Bonds will be payable semiannually on June 1 and December 1 of each year, beginning December 1, 2009.

Proceeds of the 2009 Series A Bonds will be used to currently refund the City's outstanding General Obligation Emergency Facilities Bonds, 1999 Series A, as more fully described herein, and to pay costs of issuance. See "THE 2009 SERIES A BONDS – REFUNDING PLAN" herein.

The 2009 Series A Bonds are general obligations of the City. The City has pledged its full faith and credit to pay the 2009 Series A Bonds, and covenants for the benefit of the owners of the 2009 Series A Bonds that the City shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after considering discounts taken and delinquencies that may occur in the payment of such taxes, to pay the 2009 Series A Bonds promptly as they mature.

The 2009 Series A Bonds are not subject to optional redemption prior to maturity. See "REDEMPTION OF THE 2009 SERIES A BONDS" herein.

*The 2009 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 K&L Gates LLP, Portland, Oregon, Bond Counsel, and to certain other conditions. The City expects that the 2009 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about July 7, 2009.*

**Official Statement Dated June 23, 2009**

**MATURITY SCHEDULE**

**\$14,560,000**

**CITY OF PORTLAND, OREGON  
GENERAL OBLIGATION EMERGENCY FACILITIES REFUNDING BONDS  
2009 SERIES A**

<b>Due June 1</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>CUSIP No. (1) 736679</b>
2010	\$1,515,000	4.00%	0.577%	SB8
2011	1,300,000	3.00	1.000	SC6
2012	1,340,000	3.00	1.340	SD4
2013	1,370,000	1.75	100	SE2
2014	1,400,000	2.20	100	SF9
2015	1,425,000	3.00	2.450	SG7
2016	1,460,000	4.00	2.720	SH5
2017	1,515,000	4.00	2.980	SJ1
2018	1,585,000	4.00	3.180	SK8
2019	1,650,000	4.00	3.340	SL6

(1) Registered Trademark 2008, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies.

**OFFICIAL STATEMENT  
OF THE  
CITY OF PORTLAND, OREGON**

**\$14,560,000  
General Obligation Emergency  
Facilities Refunding Bonds  
2009 Series A**

**CITY COUNCIL**

Sam Adams,  
Mayor and Commissioner of Finance and Administration

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

**CITY OFFICIALS**

LaVonne Griffin-Valade, City Auditor  
David E. Thurman, City Treasurer  
Linda Meng, City Attorney

Kenneth L. Rust, Chief Administrative Officer  
Jennifer Sims, Chief Financial Officer

**DEBT MANAGEMENT**

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**BOND COUNSEL**

K&L Gates LLP  
Portland, Oregon



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

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

This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the 2009 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 2009 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**  
**\$14,560,000**  
**GENERAL OBLIGATION EMERGENCY**  
**FACILITIES REFUNDING BONDS**  
**2009 SERIES A**

**INTRODUCTION**

This Official Statement sets forth certain information concerning the City of Portland, Oregon (the “City”), and its General Obligation Emergency Facilities Refunding Bonds, 2009 Series A (the “2009 Series A Bonds”).

**THE 2009 SERIES A BONDS**

**SECURITY**

The 2009 Series A Bonds are general obligations of the City. The City has pledged its full faith and credit to pay the 2009 Series A Bonds, and covenants for the benefit of the owners of 2009 Series A Bonds that the City shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after considering discounts taken and delinquencies that may occur in the payment of such taxes, to pay the 2009 Series A Bonds promptly as they mature.

**DESCRIPTION**

The 2009 Series A Bonds will be issued in book-entry form only, in registered form in denominations of \$5,000 or integral multiples thereof. The 2009 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 2009 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 City will treat DTC as the owner of the 2009 Series A Bonds for all purposes.

The 2009 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 inside cover page of this Official Statement. Interest on the 2009 Series A Bonds is payable semi-annually on June 1 and December 1 of each year beginning December 1, 2009, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

**AUTHORIZATION AND PURPOSE**

The 2009 Series A Bonds will be issued in compliance with Oregon Revised Statutes Chapter 287A and in accordance with City Ordinance No. 182255 adopted on October 8, 2008 (the “Ordinance”). See Appendix A for the Ordinance.

The 2009 Series A Bonds are being issued to refund the City’s outstanding General Obligation Emergency Facilities Bonds, 1999 Series A (the “1999 Series A Bonds”). See “REFUNDING PLAN” herein.

**FORM**

In accordance with the Book-Entry System, the 2009 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 2009 Series A Bonds who are the Beneficial Owners thereof will not receive certificates evidencing their ownership interests in the 2009 Series A Bonds. While Cede & Co. is the registered Owner of the 2009 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 2009 Series A Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2009 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 2009 Series A Bonds under the Bond Declaration or applicable law. So long as the 2009 Series A Bonds are subject to the Book-Entry System, all registrations and transfers of Beneficial Ownership of the 2009 Series A Bonds will be made only through the Book-Entry System. See “BOOK-ENTRY SYSTEM” in Appendix E herein.

**PAYMENT OF THE 2009 SERIES A BONDS WHILE IN BOOK-ENTRY SYSTEM**

So long as the 2009 Series A Bonds are subject to the Book-Entry System, all payments of the principal of and interest on the 2009 Series A Bonds shall be remitted by the Registrar and Paying Agent, currently U.S. Bank National Association (the “Paying Agent”) directly to DTC. DTC, in turn, will be required to distribute such payments to DTC Participants, and the DTC Participants will be responsible for ultimate distribution of such payments to the Beneficial Owners of the 2009 Series A Bonds. The City has no responsibility for the distribution of any payments on the 2009 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.

**REDEMPTION OF THE 2009 SERIES A BONDS**

The 2009 Series A Bonds are not subject to optional or mandatory redemption

**REFUNDING PLAN**

A portion of the proceeds of the 2009 Series A Bonds will be placed in an irrevocable escrow fund to be held by U.S. Bank National Association (the “Escrow Agent”) and invested in United States Government obligations maturing in amounts sufficient to pay the principal of, interest on, and any redemption premium on the 1999 Series A Bonds. The accuracy of the mathematical computations will be verified by Grant Thornton LLP.

The following table lists the outstanding bonds and maturities to be refunded with the proceeds of the 2009 Series A Bonds.

**Table 1**  
**CITY OF PORTLAND, OREGON**  
**Refunding Plan for Outstanding General Obligation Emergency Facilities Bonds, 1999 Series A**

<b>CUSIP No.</b>	<b>Refunded Maturity</b>	<b>Principal Amount</b>	<b>Proposed Redemption Date</b>	<b>Redemption Price</b>
JN2	6/1/2010	\$1,200,000	8/11/2009	100.00%
JP7	6/1/2011	1,250,000	8/11/2009	100.00
JQ5	6/1/2012	1,310,000	8/11/2009	100.00
JR3	6/1/2013	1,370,000	8/11/2009	100.00
JS1	6/1/2014	1,440,000	8/11/2009	100.00
JT9	6/1/2015	1,510,000	8/11/2009	100.00
JU6	6/1/2016	1,580,000	8/11/2009	100.00
JV4	6/1/2017	1,660,000	8/11/2009	100.00
JW2	6/1/2018	1,750,000	8/11/2009	100.00
JX0	6/1/2019	1,850,000	8/11/2009	100.00
		<u>\$14,920,000</u>		

## ESTIMATED SOURCES AND USES OF FUNDS

The anticipated uses of proceeds from the 2009 Series A Bonds are itemized in the following table:

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

<b>SOURCES:</b>	
Par amount of bonds	\$14,560,000.00
Original issue premium	<u>617,053.15</u>
<b>TOTAL SOURCES</b>	<b><u><u>\$15,177,053.15</u></u></b>
<b>USES:</b>	
Deposit to refunding escrow	15,065,468.18
Underwriter's discount	80,293.97
Issuance costs	<u>31,291.00</u>
<b>TOTAL USES</b>	<b><u><u>\$15,177,053.15</u></u></b>

Source: City of Portland.

## DEBT SERVICE SCHEDULE FOR 2009 SERIES A BONDS

The following table presents the debt service schedule for the 2009 Series A Bonds.

**Table 3**  
**CITY OF PORTLAND, OREGON**  
**Scheduled Debt Service on the 2009 Series A Bonds**

<b>Fiscal Year</b>			
<b>Ending</b>			
<b>June 30th</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$1,515,000.00	\$437,152.50	\$1,952,152.50
2011	1,300,000.00	425,125.00	1,725,125.00
2012	1,340,000.00	386,125.00	1,726,125.00
2013	1,370,000.00	345,925.00	1,715,925.00
2014	1,400,000.00	321,950.00	1,721,950.00
2015	1,425,000.00	291,150.00	1,716,150.00
2016	1,460,000.00	248,400.00	1,708,400.00
2017	1,515,000.00	190,000.00	1,705,000.00
2018	1,585,000.00	129,400.00	1,714,400.00
2019	1,650,000.00	66,000.00	1,716,000.00
<b>Total</b>	<b>\$14,560,000.00</b>	<b>\$2,841,227.50</b>	<b>\$17,401,227.50</b>

Source: City of Portland.

## ANNUAL DISCLOSURE INFORMATION

*In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, §.15c2-12), the City will provide annually the updated historical financial information and operating data of the type presented in this section entitled "Annual Disclosure Information" to 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 accounting practices of the City conforms to generally accepted accounting principles.

#### Fiscal Year

July 1 to June 30.

#### Audits

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy.

KPMG LLP conducted audits of the financial statements of the City of Portland and related entities from FY 1995-96 through FY 2001-02. Moss Adams LLP performed auditing services for FY 2002-03 through FY 2007-08.

A complete copy of the City's FY 2007-08 audit is available on the City's web site at <http://www.portlandonline.com/omf/index.cfm?c=49561&a=228968>. The City's web site is listed for reference only, and is not part of this Official Statement. See Appendix B, "EXCERPTS OF AUDITED FINANCIAL STATEMENTS," herein.

#### Financial Reporting

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.

#### Enterprise Business Solution Project

The City is currently in the process of implementing a citywide Enterprise Resource Plan ("ERP") system to replace its existing 18-year-old financial system known as IBIS. Functionality of IBIS is limited and is at risk of losing maintenance support from the vendor as well as the loss of in-house expertise due to retiring City employees. When complete, the proposed Enterprise Business Solution ("EBS") Project will provide a suite of fully integrated financial, purchasing and human resources modules that are expected to help eliminate many duplicative side systems within individual City bureaus.

This project was initiated by the City in 2003 with an assessment of the City's needs and requirements, along with a review of the technology tools that could meet the City's current and future business needs. Recommendations were presented to Council in July 2004 with direction from Council to proceed with the project.

In December 2007, the project Executive Steering Committee determined that work would not be done in time for the planned "go-live" date at the end of January 2008. The City decided that a different system integrator was needed to ensure project success. On May 7, 2008, the City Council approved a transition to SAP Public Consulting Services, Inc., a subsidiary of SAP America, Inc. The delay and extended timeframe has resulted in an expected \$17.2 million increase to the project cost for a new total budget of \$48.2 million.

The project is now scheduled to become operational in two phases. Phase One, including finance and purchasing, went live on November 26, 2008 as planned under the new schedule. The system is stable and business transactions are being successfully

executed. Phase Two, including human capital management, is planned to go live June 18, 2009. Work remaining for Phase Two includes testing of the development and configuration and preparation of training and bureau readiness action plans. The existing IBIS system will continue to be operational until Phase Two is operational.

SAP is proven software used by over 42,000 organizations globally. The SAP consulting team has recent successful public sector experience. ERP projects are large and complex. All development and configuration will be fully tested prior to becoming operational. This is the City's first effort at implementing this type of system. Defects and errors may be identified after the EBS is operational. Business processes could be slowed or disrupted, especially during the critical period following "go-live." Extensive planning and training will occur to mitigate these risks. The City employs a quality assurance consultant to provide independent review and recommendations regarding project management and risk mitigation.

## **BUDGET PROCESS**

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

A five-year General Fund financial forecast is provided to the City Council at the beginning of the budget process in December, which serves as the basis for determining resources available for budgeting. Major City bureaus generally prepare five-year financial plans and Capital Improvement Plans, which are required to be provided to the City Council about a month before budget requests are submitted.

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

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

For information regarding recent budget activity, see "SUPPLEMENTAL INFORMATION ON THE GENERAL FUND BUDGET AND FINANCIAL PLAN" below.

## **INSURANCE**

The City is self-insured for workers' compensation, general liability claims, and certain employees' medical coverage in internal service funds. Under the Oregon Tort Claims Act (the "OCTA"), general and fleet liability claims are limited to \$100,000 per person, an additional \$100,000 per person under special circumstances and \$500,000 aggregate per occurrence. Claims under federal jurisdiction are not subject to such limitations. The City estimates liability for incurred losses for reported and unreported claims for workers' compensation, general and fleet liability and employee medical coverage. Workers' compensation, general, and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City's Risk Management Division and independent actuarial studies. Liabilities are based on the estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. Estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine the present value of the liability. For FY 2008-09, the expected rate of return is 2.50 percent. The City's Bureau of Human Resources and the employee benefits consultant determine relevant employees' medical coverage estimates.

The City provides insurance coverage that has been deemed by independent actuaries and the City's Risk Management Division as adequate, appropriate, and actuarially sound. It meets all the City's anticipated settlements, obligations, and outstanding liabilities. Current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess liability insurance policy covers individual claims in excess of \$1,000,000 and an excess workers' compensation insurance policy covers claims in excess of \$750,000. Settlements have not exceeded coverages in the past three fiscal years.

The City is self-insured for workers' compensation, tort liability, and certain employees' medical coverage in internal service funds. The City provides workers' compensation coverage as prescribed by ORS 656. This program covers all City employees except sworn police and fire employees.

ORS 30.260 to 30.300, the OCTA, makes the City liable for the duty related, negligent acts of its elected officials, employees and legal agents. The OTCA limits the City's general and fleet liability. Currently, the OTCA caps are set at \$50,000 for property damage per claim, \$100,000 for general damages per claim, an additional \$100,000 per claim for special damages and \$500,000 per occurrence aggregate regardless of the number of claims. Claims under federal jurisdiction are not subject to these limitations.

The City estimates incurred losses for reported and unreported claims for workers' compensation, general and fleet liability, and employee medical coverage. Losses for workers' compensation and general and fleet liability are based on individual claim payouts and reserves for reported claims and through historical data for unreported claims. Estimates are determined by the City's Risk Management Division and independent actuarial studies. Liabilities are based on the projected ultimate cost of settling claims. Ultimate costs include the effects of inflation and other societal and economic factors. Estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine the present value of the liability. For FY 2008-09, the expected rate of return is 2.50 percent. The City's Bureau of Human Resources and the employee benefits consultant determine relevant employees' medical coverage estimates.

City coverage for workers' compensation and tort liability that has been deemed as adequate, appropriate, and actuarially sound by independent actuaries and the City's Risk Management Division. Coverage meets all the City's anticipated settlements, obligations, and outstanding liabilities. Current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. The City buys commercial insurance policies to cover individual tort claims in excess of \$1,000,000 and individual workers' compensation claims in excess of \$750,000. Settlements have not exceeded the self-insured retention in the past three fiscal years.

On December 28, 2007, the Oregon Supreme Court (the "OSC") upheld a 2006 Oregon Court of Appeals OTCA ruling. The OSC supported the constitutionality of the OTCA but found that, in some cases, the limits in the OTCA would not provide an "adequate remedy" for the harm done. In response to the OSC decision, the 2009 Oregon Legislature passed Senate Bill 311, which increases the liability limits for Oregon public bodies under the OTCA. Senate Bill 311 was signed by the Governor on April 15, 2009 and will be effective on July 1, 2009. Under the new law, Oregon local public bodies such as the City will be subject to the following limits on liability. The State of Oregon is subject to different limits.

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

The liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$500,000, for causes of action arising on or after July 1, 2009, and before July 1, 2010. From July 1, 2010 through June 30, 2015, this cap increases incrementally to \$666,700. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increase from \$1 million, for causes of action arising on or after July 1, 2009, and before July 1, 2010, incrementally to \$1,333,300, for causes of action arising on or after July 1, 2014, and before July 1, 2015.

For causes of action arising on or after July 1, 2015, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in Senate Bill 311. The adjustment may not exceed 3 percent for any year.

## **Property Damage or Destruction Claim**

The liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2009 are as follows: (a) \$100,000, adjusted as described below, to any single claimant, and (b) \$500,000, adjusted as described below, to all claimants. Beginning in 2010, these liability limits shall be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in Senate Bill 311. The adjustment may not exceed 3 percent for any year.

At the advice of the City's independent actuary and in anticipation of the Oregon legislature raising tort caps as it has done under Senate Bill 311, the City made adjustments to its insurance program. Beginning in FY 2007-08, the City increased its limits of coverage on the excess liability policy from \$10 million to \$30 million per claim above the \$1 million self-insurance retention. The confidence level for the self-insurance reserves in the Insurance & Claims Fund was increased from 60 percent to 70 percent for FY 2007-08, 75 percent for FY 2008-09 and 80 percent for FY 2009-10. An 80 percent confidence level means that there is an 80 percent chance that the self-insurance reserves will be too high and a 20 percent change that the reserves will be too low. Currently the City's independent actuary is conducting a special study. The study will assess the impact of the proposed new tort caps and the cost of increasing the City's self-insured retention above the current \$1 million amount. A report is expected in June of 2009.

## **PENSION PLANS**

### **General**

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

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

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

Oregon statutes require an actuarial valuation of the System by a competent actuary at least once every two years, and based on the actuarial review, every two years the Public Employees Retirement Board ("PERB") establishes the contribution rates that employers will be required to pay to fund the obligations of T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account Plan ("RHIA"). See "POST-EMPLOYMENT RETIREMENT BENEFITS" below. The rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the Oregon Public Employee's Retirement Fund, including known and anticipated investment performance of the fund.

On September 26, 2008, Mercer Human Resource Consulting ("Mercer"), the PERS actuary, released the City's 2007 actuarial valuation report (the "2007 City Report"), which includes the City's share of the System's actuarial accrued liabilities and assets as of December 31, 2007 (the "2007 City Valuation") and provides the City's employer contribution rates recently set by the PERB that will be effective from July 1, 2009 through June 30, 2011.

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

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

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

The table below is a summary of principal valuation results from the 2007 City Valuation and the City’s actuarial valuation as of December 31, 2006 (the “2006 City Valuation”):

**Table 4**  
**CITY OF PORTLAND, OREGON**  
**Valuation Results for 2006 and 2007**

	2006	2007
Allocated Pooled T1/T2 UAL/ (surplus)	\$(186,128,313)	\$(221,774,371)
Allocated Pooled OPSRP UAL/ (surplus)	(1,203,728)	(2,425,248)
Net unfunded pension actuarial accrued liability/(surplus)	\$(187,332,041)	\$(224,199,619)

*Source:* City of Portland, Oregon Public Employees Retirement System, 12/31/06 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/07 Valuation Report prepared by Mercer Human Resource Consulting.

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 21 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

The funded status of the System and the City, as reported by Mercer as of December 31, 2007 in the 2007 City Report, will change over time depending on the market performance of the securities that the Oregon Public Employees Retirement Fund (the “OPERF”) is invested, future changes in compensation and benefits of covered employees, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS. No assurance can be given that the unfunded actuarial liability of PERS and of the City will not materially increase. The OPERF, like many pension funds across the country, is reported to have experienced significant losses since the most recently released valuation reports as of December 31, 2007, including the 2007 City Report. Investment returns since June 30, 2008, have been particularly volatile, and between June 30, 2008, and January 31, 2009, the market value of assets in the OPERF decreased from approximately \$60.7 billion to approximately \$44.1 billion. The PERB recently set employer contribution rates for fiscal years 2009-2011, and the City can not predict whether such losses will affect its employer contribution rates after fiscal year 2011.

**Employer Contribution Rates**

The City’s current employer contribution rates are based on the actuarial valuation report by Mercer based on December 31, 2005. These rates became effective on July 1, 2007 and are effective through June 30, 2009.

The 2007 City Valuation provides the City's employer contribution rates for fiscal years 2009-2011. The table below shows the City's current employer contribution rates and the 2009-2011 rates.

**Table 5**  
**CITY OF PORTLAND, OREGON**  
**Current Employer Contribution Rates and Advisory Rates**  
**(Percentage of Covered Payroll)**

	Current Rates			Adopted Rates		
	2007-2009			2009-2011		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Total net pension contribution rate	6.29%	8.95%	12.22%	4.01%	4.85%	7.56%

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/05 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/07 Valuation Report prepared by Mercer Human Resource Consulting.

Currently, one percent of covered payroll for the three pension benefit programs is approximately: \$1.9 million for T1/T2 Pension Programs; \$490,000 for OPSRP general services; and \$19,000 for OPSRP police and fire. The City's contribution rates may increase or decrease due to a variety of factors, including the investment performance of the PERS Fund, the use of reserves, further changes to system valuation methodology and assumptions and the outcome of litigation relating to legislative change and PERB action.

T1/T2 Pension Program employees and OPSRP employees are required by state statute to contribute six percent of their annual salary to the respective programs. Employers are allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to make the employee contribution. An employer also may elect via written employment policy or agreement to make additional employer contributions to its employees' IAP accounts in an amount that can range from not less than one percent of salary to no more than six percent of salary and must be a whole percentage. Employers may make this policy or agreement for specific groups of their employees. The City has elected to make an optional contribution to the IAP accounts of public safety employees hired after January 1, 2007 of an additional three percent of their annual salary. The rates reported in Table 5 above do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City.

In addition to the City's employer rate, each City bureau is required to make a contribution to pay debt service on approximately \$300.8 million of Limited Tax Pension Obligation Revenue Bonds issued in FY 1999-2000 to fund the City's share of the unfunded actuarial liabilities of PERS as of December 31, 1997.

**Fire and Police Disability and Retirement Fund**

Most of the fire and police personnel are covered under the City's Fire and Police Disability and Retirement ("FPDR") Plan. The FPDR Plan is a single-employer, defined-benefit plan administered by the FPDR Board. The authority for the FPDR Plan's vesting and benefit provisions is contained in the Charter of the City. Fire and police personnel generally become eligible for membership in the FPDR Plan immediately upon employment. The FPDR Plan provides for service connected and occupational disability benefits at 75 percent of the member's base pay reduced by 50 percent of any wages earned in other employment. The FPDR Plan also provides for non-service connected disability benefits at reduced rates of base pay.

Effective July 1, 1990, the FPDR Plan was amended to provide for the payment of benefits upon termination of employment on or after attaining age fifty-five, or on or after attaining age fifty if the member has twenty-five or more years of service. Members become 100 percent vested after five years of service. Members enrolled in the FPDR Plan prior to July 1, 1990 were required to make an election as to whether they wished to fall under the provisions of the FPDR Plan as constituted prior to July 1, 1990 or become subject to the new FPDR Plan provisions after June 30, 1990.

On November 6, 2006, voters in the City of Portland passed a measure that changed the retirement plan for most new police officers and firefighters. In general, police and firefighters hired on or after January 1, 2007, receive retirement benefits through OPSRP rather than the existing FPDR Plan. The FPDR levy will pay the employee and employer portions of the OPSRP contribution. For information regarding OPSRP and the employee and employer contribution rates for OPSRP, see "PENSION

PLANS – General,” above. This move is expected to increase property taxes for 35 years. Performance audits will be implemented to assess the implementation of the FPDR Plan reforms. The first such audit on the disability program has been performed, and a follow-up audit will be completed by July 2009.

The 2006 ballot measure passed by the voters also changed the medical coverage for retirees of the FPDR Fund. The change is effective for retirees after January 1, 2007. Under the ballot measure, the FPDR Fund will pay medical and hospital expenses associated with retired police and firefighters’ approved job-related injuries. (See OTHER POST-EMPLOYMENT RETIREMENT BENEFITS (“OPEB”) below.)

The FPDR Plan is funded by a special property tax levy which cannot exceed two and eight-tenth mills on each dollar of valuation of property (\$2.80 per \$1,000 of real market value) not exempt from such levy. In the event that funding for the FPDR Plan is less than the required payment of benefits to be made in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the special property tax levy in the succeeding year. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the two and eight-tenth mills limit, other City funds would be required to make up the difference. The FY 2008-09 levy of \$111,152,436 requires a tax rate of \$2.6241 per \$1,000 of assessed property value, or approximately \$1.23 per \$1,000 of real market value.

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

The FPDR Fund’s Board periodically assesses the future availability of property tax revenues by having projections and simulations performed in connection with the Actuarial Valuation of the Fund. The most recent assessment was as of July 1, 2008. The Fund’s Board believes that, under a wide range of simulated economic scenarios in the foreseeable future, the future FPDR Fund levy would remain under \$2.80 per \$1,000 of real market value, but reaching the \$2.80 threshold has a five percent probability level starting in 2024.

As of June 30, 2008, the City’s actuary estimated that the unfunded actuarial liability of the FPDR Fund was \$2.2 billion. Recognizing that the economic conditions have changed significantly over the past few years, the City reviewed the discount rate and assumptions utilized in the calculations of the actuarial valuation, actuarial accrued pension liabilities, and net pension obligation, and determined they should be revised to more closely match the funding and investment returns that actually are achieved under existing investment. The City continued to monitor the discount rate used to value the FPDR Fund liabilities throughout the fiscal year, and as a result, revised 2009’s rate from 6.04 percent to 4.50 percent. The impact of this change in estimate increased the net pension obligation by \$466 million.

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

The City’s OPEB liability includes three separate plans. The City provides a contribution to the State of Oregon PERS cost-sharing multiple-employer defined benefit plan, an implicit rate subsidy for retiree Health Insurance Continuation premiums, and a stand-alone plan for certain retired police and firefighters.

#### **PERS Program**

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may also receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premiums under the RHIA program. RHIA’s assets and liabilities are pooled on a system-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City’s allocated share of the RHIA program’s assets and liabilities is based on the City’s proportionate share of the program’s pooled covered payroll. According to the 2007 City Valuation, the City’s allocated share of the RHIA program’s UAL is \$8,375,260.

According to the 2005 City Valuation, the City's current total contribution rate to fund RHIA benefits for T1/T2 employees is 0.37 percent and for OPSRP general services employees and police and fire employees is 0.26 percent. According to the 2007 City Valuation, the City's contribution rates for fiscal years 2009-2011 for RHIA benefits for T1/T2 employees is 0.29 percent and for OPSRP general services employees and police and fire employees is 0.19 percent.

### **Health Insurance Continuation Option**

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

The City's actuary for its OPEB liability associated with the Health Insurance Continuation Option, AON Employee Benefits Consulting, has completed a final actuarial valuation for purposes of complying with the GASB 45 standards. The final valuation was prepared using the Entry Age Normal actuarial cost method by spreading future normal costs evenly over future service ("EAN-Service"). The final valuation was prepared using an amortization period of 30 years and an assumed discount rate of five percent. The City's actuarial accrued liability for OPEB is solely attributable to the Health Insurance Continuation Option and at the valuation date of July 1, 2007 (the date of the most recent actuarial valuation), is estimated to be \$98,027,683 on an EAN-Service basis. Actuarial valuations for the Health Insurance Continuation Option are undertaken every two years.

For fiscal year 2007, the annual required contribution ("ARC") of the employer to be recognized as the annual employer OPEB cost is estimated to be \$10,934,810 on an EAN-Service basis. For fiscal year ended June 30, 2008, the City benefits paid on behalf of retirees exceeded the premiums they paid by \$2,005,392. The City has elected to not pre-fund the fiscal year 2008 employer's annual required contribution to the plan (ARC) of \$10,934,810. Net of the payments made in relation to the ARC, the amount unfunded in fiscal year 2008 is \$8,929,418. The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and ARC, but will monitor its OPEB liability and assess whether a different approach is needed in future years.

### **Other Post-Employment Benefits**

The City's FPDR Fund pays medical and hospital expenses for retired police officers and firefighters for approved service connected or occupational injuries or illnesses.

The City's annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years. In the July 1, 2006 actuarial valuation (the date of the most recent actuarial valuation), the attained age normal actuarial cost method was used. The actuarial assumptions included a five percent investment rate of return and an annual healthcare cost trend rate of 4.5 to 11 percent for medical and prescription costs. The UAAL is being amortized over 30 years using the level dollar method. The unfunded actuarial accrued liability of the plan as of July 1, 2006 was \$28,864,710. Actuarial valuations for FPDR OPEB are undertaken every two years. The next report is scheduled to be issued in May 2009.

The disability payments for retired police officers and firefighters are paid through the City's FPDR Fund, which operates on the pay-as-you-go basis. Benefits paid during the fiscal year totaled \$290,589.

## **OVERVIEW OF CITY INDEBTEDNESS**

### **Debt Management Policy**

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

## **Debt History**

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

## **Debt Limitation**

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

## **OUTSTANDING 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” below. Outstanding debt amounts are as of May 1, 2009.

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

General Obligation bonds (also referred to as Unlimited Tax General Obligation Bonds) are payable from a dedicated property tax levy that is in addition to the City’s permanent tax rate levy and local option levies. Revenues from taxes levied to pay general obligation bonds are not accounted for in the General Fund. For a description of unlimited tax general obligation bonds, see “PROPERTY TAX AND VALUATION INFORMATION – General Obligation Bonds” below.

#### Tax Supported General Obligation Bonds

The City has \$72.13 million of outstanding tax-supported general obligation bonds, including the 1999 Series A Bonds and excluding the 2009 Series A Bonds. These bonds were originally issued for the purpose of funding park and emergency facility system improvements. The City imposes an unlimited ad valorem tax to pay these bonds.

#### Self-Supporting General Obligation Water Bonds

The City has \$3.135 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.

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

The following obligations are secured by the City’s General Fund. Most of these obligations have the phrase “limited tax” in their title. “Limited tax” refers to the City’s permanent tax rate levy, which is the largest source of revenue that is credited to the City’s General Fund. However, these obligations are payable from all revenues in the General Fund. In FY 2007-2008, total General Fund revenues were approximately \$547 million. See Appendix B, “EXCERPTS OF AUDITED FINANCIAL STATEMENTS” herein. These obligations are also payable from legally available revenues that are not credited to the General Fund. The City is not authorized to levy additional taxes to pay these obligations.

#### Non Self-Supporting General Fund Obligations (Limited Tax Bonds)

*Limited Tax Revenue Bonds.* As of May 1, 2009, the City had \$80.39 million of outstanding limited tax revenue bonds. 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 share of the unfunded actuarial accrued pension liability with PERS as of December 31, 1997. These bonds are secured by Available General Funds as defined in the Bond Declaration. Approximately 40 percent of the debt service on these bonds is paid from resources of the General Fund. The remaining 60 percent is paid by non-General Fund bureaus of the City. See “Self-Supporting General Fund Obligations” below. As of May 1, 2009, \$293.5 million of the bonds remain outstanding, including approximately \$109 million of obligations which are expected to be non-self supporting.

A total of \$150 million of the outstanding Limited Tax Pension Obligation Revenue Bonds are in the form of seven-day auction rate securities. The auction of these bonds has “failed” since mid-February 2008. In the event of a failed auction and assuming a confirming rating of at least “Aa3” by Moody’s Investors Service, the interest rate on these bonds is set at the lesser of (a) 150 percent of the Seven-Day “AA” Corporate Commercial Paper Rate, or (b) 21 percent. Since February 2008, the City has paid a maximum weekly rate of 4.47 percent on these auction rate securities. The City is considering options to refinance these securities when it is economically advantageous to do so.

*Limited Tax Housing Revenue Bonds.* The City has outstanding a total of approximately \$20.4 million of Limited Tax Housing Revenue Bonds, including amounts issued for the Headwaters Apartment Project and for the Housing Opportunity Program.

#### Self-Supporting General Fund Obligations

*Limited Tax Pension Obligation Revenue Bonds.* Of the total outstanding Limited Tax Pension Obligation Revenue Bonds described above, including the 1999 Series D/E Bonds, approximately \$184.55 million is expected to be fully self-supporting and paid from non-General Fund bureaus of the City.

*Limited Tax Revenue Bonds (Visitor Development Initiative).* The City has issued bonds for various projects pursuant to an intergovernmental agreement known as the Visitor Development Initiative. 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 May 1, 2009, the City had \$95.05 million of outstanding limited tax revenue bonds for the Oregon Convention Center Completion Project, \$28.53 million of outstanding bonds for the Civic Stadium Project, and \$1.57 million of outstanding bonds for the Portland Center for Performing Arts (“PCPA”) Project.

*Limited Tax Revenue Bonds (Central City Streetcar Project).* On May 1, 2009, the City had \$21.97 million of outstanding limited tax revenue bonds for the Central City Streetcar Project issued in 1999. On May 21, 2009, the City issued \$\_\_\_\_ of limited tax revenue refunding bonds, the proceeds of which will be used to redeem all of the outstanding 1999 Central City Streetcar Project bonds. The bonds are ultimately secured by the City’s General Fund, but the City expects to pay the debt service with revenues from the City’s parking facilities and meters.

*Limited Tax Revenue Bonds (Transit Mall Project).* In August 2007, the City issued limited tax revenue bonds to provide a share of the local funding necessary for a light rail extension along the downtown transit mall between Union Station and Portland State University. These bonds are ultimately secured by the City’s General Fund, but the City expects to pay the debt service with revenues from the its parking meter revenues. The City has \$15.36 million of these bonds outstanding.

*Limited Tax Improvement Bonds.* The City has \$48.19 million of outstanding limited tax improvement bonds. These bonds are issued for the purpose of financing local improvement projects. These bonds are expected to be fully self-supporting from assessment payments received from property owners benefiting from the improvement projects. In addition, the City has pledged its full faith and credit to pay the bonds, and the bonds are payable from all legally available revenues, taxes and other funds of the City.

*Arena Limited Tax Revenue Bonds.* On February 17, 2005, the City sold the Arena Limited Tax Revenue Refunding Bonds, 2005 Series A and B to refund the Arena Limited Tax Revenue Bonds, 1996 Series A and B, the Arena Limited Tax Bonds, Series 1996 and the Arena Gas Tax Revenue Bonds, 1996 Series A. The City currently has \$23.085 million of these bonds outstanding. 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.

*Other Obligations.* The City has about \$2.8 million in other obligations outstanding. These include a loan being repaid by the North Macadam Investors, LLC and a State loan being repaid by the Bureau of Environmental Services.

#### Contingent Loan Agreements

The City has made a limited, subject-to-appropriation, pledge of its General Fund to restore reserve fund balances on six conduit housing revenue bond issues. The original principal amount of these issues is \$36.2 million, of which \$33.4 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 types of revenue bonds have been issued are sewer system facilities, water system facilities, parking system facilities, golf facilities, environmental remediation activities, road improvements and hydroelectric generation facilities. In these cases, fees and charges are collected for the individual services provided, generally on the basis of usage. The types and amounts of outstanding revenue bonds are shown in Table 6 below.

## **Urban Renewal Bonds**

As of May 1, 2009, a total of \$351.6 million of Urban Renewal and Redevelopment Bonds are outstanding including bonds issued in calendar year 2000 for four urban renewal areas, refunding bonds issued in 2002 and in 2005, bonds issued in calendar year 2003 for the River District Urban Renewal Area, bonds issued in 2004 for the Interstate Corridor Urban Renewal Area, and bonds issued in 2008 for the Downtown Waterfront and South Park Blocks urban renewal areas. All of these obligations are paid from tax increment revenues generated from the respective urban renewal areas. No additional City revenues are pledged to the repayment of these bonds and these bonds are not secured by the City's General Fund.

**Table 6**  
**CITY OF PORTLAND, OREGON**  
**Long-Term Debt Statement (1)**  
**As of May 1, 2009**

<b>Type of Obligation</b>	<b>Amount Outstanding</b>
<b>I. UNLIMITED TAX GENERAL OBLIGATION BONDS</b>	
<b>A. Tax Supported</b>	
General Obligation Parks Refunding Bonds	\$28,740,000
General Obligation Emergency Facilities Bonds	43,390,000
<b>Total Tax Supported G.O. Bonds</b>	<u>\$72,130,000</u>
<b>B. Self-Supporting</b>	
General Obligation Water Bonds	\$3,135,000
<b>Total Self-Supporting G.O. Bonds</b>	<u>\$3,135,000</u>
<b>II. BONDS PAID AND/OR SECURED BY THE GENERAL FUND</b>	
<b>A. Non-Self-Supporting</b>	
Limited Tax Revenue Bonds	\$80,390,000
Limited Tax Pension Obligation Revenue Bonds (General Fund share)	108,969,662
Limited Tax Housing Revenue Bonds	20,445,000
<b>Total Bonds Secured and Paid from the General Fund (1)</b>	<u>\$212,644,662</u>
<b>B. Self-Supporting</b>	
Limited Tax Pension Obligation Revenue Bonds (Non-General Fund share)	\$184,553,684
Limited Tax Revenue Bonds (Streetcar)	21,970,000
Limited Tax Revenue Bonds (Visitor Dev. Initiative)	125,148,888
Limited Tax Revenue Bonds (S. Waterfront)	2,361,614
Limited Tax Revenue Bonds (Arena)	23,085,000
Limited Tax Revenue Bonds (Transit Mall)	15,360,000
Limited Tax Improvement Bonds	48,190,000
State Loans (Brookside)	397,663
<b>Total Self-Supporting Bonds Secured by the General Fund</b>	<u>\$421,066,849</u>
<b>III. REVENUE BONDS</b>	
Sewer Revenue Bonds	\$1,391,960,000
Sewer SRF Loans	20,070,056
Water Revenue Bonds	267,045,000
Parking Revenue Bonds	2,725,000
Golf Revenue Bonds	2,854,000
Hydroelectric Revenue Bonds	16,870,000
Urban Renewal Bonds	351,605,000
Gas Tax Revenue Bonds	5,415,000
<b>Total Revenue Bonds</b>	<u>\$2,058,544,056</u>
<b>TOTAL - ALL OUTSTANDING LONG-TERM DEBT</b>	<u><u>\$2,769,428,372</u></u>

Notes:

(1) Excludes lines of credit, tax anticipation notes and contingent loan agreements.

Source: City of Portland.

## CITY GENERAL OBLIGATION DEBT

Tables 7-9 below set forth the City's general obligation capital debt ratios, the overlapping debt among various taxing districts in the City, and outstanding direct general obligation debt of the City incurred for capital purposes.

**Table 7**  
**CITY OF PORTLAND, OREGON**  
**Debt Ratios**  
**As of May 1, 2009**

	Amount	Per Capita	Percent of Real Market Valuation	Percent of Assessed Valuation
July 1, 2008 Population	575,930			
2008-09 Market Value (Measure 5) (1)	\$90,943,842,539	\$157,908		
2008-09 Assessed Value (2)	\$46,364,215,708	\$80,503	50.98%	
Gross Bonded Debt (3)	\$922,104,013	\$1,601	1.01%	1.99%
Net Direct Debt (4)	\$72,130,000	\$125	0.08%	0.16%
Net Overlapping Debt (as of 6/30/2008) (5)	\$312,920,601	\$543	0.34%	0.67%
<u>Net Direct and Overlapping Debt</u>	<u>\$385,050,601</u>	<u>\$669</u>	<u>0.42%</u>	<u>0.83%</u>
FY 2008-09 General Fund Debt Service as a Percent of FY 2008-09 General Fund Budget (6)				2.6%

Notes:

- (1) Market Value reported in this table encompasses City of Portland values within Multnomah, Washington, and Clackamas Counties, including estimated urban renewal incremental real market values. Market Value reported in this table and in Table 11 are "Measure 5 Values," which represent the real market value of properties that are not specially assessed; and the value of specially assessed properties, including farm and forestland and exempt property which are less than full real market value. In 2008-09, the Measure 5 Market Value in Multnomah County represented about 84 percent of full real market value. For information regarding historical Market Value, see table titled "Historical Trends in Assessed and Market Values" herein.
- (2) Includes urban renewal incremental assessed value. For information regarding historical assessed values, see table titled "Historical Trends in Assessed and Market Values" herein.
- (3) Includes City's outstanding general obligation bonds, limited tax improvement bonds, and limited tax revenue bonds. Also includes general fund-supported lines of credit and tax anticipation notes.
- (4) 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) See Table 8 below for information on overlapping debt.
- (6) 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: Portland State University Population Research Center; Multnomah County Department of Assessment and Taxation; Municipal Debt Advisory Commission, Oregon State Treasury; City of Portland.

**Table 8**  
**CITY OF PORTLAND, OREGON**  
**Overlapping Debt**  
**As of June 30, 2008**

<u>Overlapping District</u>	<u>2007-08</u> <u>Real Market Value</u>	<u>Percent</u> <u>Overlap</u>	<u>Overlapping Debt</u>	
			<u>Gross</u> <u>Property-tax</u> <u>Backed Debt (1)</u>	<u>Net</u> <u>Property-tax</u> <u>Backed Debt (2)</u>
David Douglas School District 40	\$207,515,773,322	40.6256%	\$113,795,016	\$83,537,069
Multnomah County	4,916,269,462	100.0000%	77,925,000	77,925,000
Portland Community College	100,325,316,136	83.6771%	243,360,754	49,741,852
Centennial School District 28J	163,395,899,788	43.8881%	105,434,577	19,488,511
Tri-Met	3,376,564,671	52.7509%	19,531,734	19,214,349
Portland Public School District 1J	206,303,713,216	40.8642%	18,141,662	18,141,662
Reynolds School District 7	73,407,503,190	97.3763%	477,556,261	14,694,084
Parkrose School District 3	7,204,784,271	22.5940%	33,654,709	12,304,692
Mt. Hood Community College	4,243,797,642	97.8977%	10,705,113	10,705,113
North Clackamas School District 12	31,966,419,962	39.1028%	23,474,874	2,207,353
Beaverton School District 48J	15,587,217,201	0.5982%	2,448,904	1,809,412
East Multnomah Soil & Water Conservation	34,090,338,726	0.2938%	1,646,088	1,108,037
Riverdale School District 51J	70,030,814,386	80.4938%	1,086,666	1,086,666
Tigard-Tualatin School District 23J	859,140,791	4.3869%	502,522	436,718
Clackamas County	13,302,027,051	0.1014%	146,947	140,814
Washington County	57,192,695,090	0.2594%	200,296	126,522
Clackamas County Community College	70,931,234,586	0.2924%	349,345	107,545
Scappoose School District 1J	41,295,048,861	0.2258%	211,631	90,783
Lake Oswego School District 7J	1,889,880,820	5.0667%	30,907	30,907
Tualatin Hills Park & Rec. District	10,406,873,745	0.0262%	31,890	20,195
Northwest Regional ESD	28,697,364,315	0.0220%	3,393	3,317
Port of Portland	91,855,078,846	0.2280%	17,841	0
Multnomah County Drainage District No. 1	228,449,245,812	36.9032%	26,974,780	0
Multnomah ESD	106,967,095	100.0000%	5,580,000	0
Clackamas County ESD	102,079,962,763	82.2875%	30,631,522	0
David Douglas School District 40	54,635,149,794	0.1757%	48,054	0
<b>Totals</b>			<u>\$1,193,490,486</u>	<u>\$312,920,601</u>

Notes:

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

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

Source: Municipal Debt Advisory Commission, Oregon State Treasury.

**Table 9**  
**CITY OF PORTLAND, OREGON**  
**Projected Debt Service on Outstanding General Fund Obligations**

Fiscal Year Ending June 30	PAID FROM GENERAL FUND			SELF-SUPPORTING BONDS SECURED BY GENERAL FUND				
	Limited Tax Revenue Bonds	Limited Tax Pension Obligation Revenue Bonds (1)	Total Non-Self Supporting Bonds/ Gen. Fund	Limited Tax Improve. Bonds (2)	Arena Limited Tax Revenue Bonds (3)	Limited Tax Pension Obligation Revenue Bonds (4)	Other Limited Tax Revenue Bonds (5)	Total Self Supporting Bonds/ Gen. Fund
2009	\$14,043,272	\$8,495,385	\$22,538,657	\$4,519,220	\$2,823,250	\$14,387,992	\$13,487,283	\$35,217,745
2010	13,667,178	8,838,245	22,505,423	4,426,420	2,921,908	14,968,669	13,578,424	35,895,420
2011	13,702,408	9,186,414	22,888,822	4,333,820	3,262,953	15,558,336	13,612,010	36,767,119
2012	12,860,584	9,558,733	22,419,318	4,221,420	3,368,925	16,188,905	13,806,010	37,585,260
2013	12,224,265	9,943,772	22,168,037	1,969,620	3,484,500	16,841,016	14,137,885	36,433,021
2014	11,140,026	10,338,770	21,478,796	1,969,620	3,601,500	17,509,993	14,389,528	37,470,641
2015	11,148,899	10,750,246	21,899,145	1,969,620	3,720,750	18,206,880	14,642,283	38,539,532
2016	8,530,610	11,184,169	19,714,779	1,969,620	3,846,500	18,941,782	15,042,020	39,799,922
2017	5,337,630	11,627,391	16,965,021	11,809,620	1,947,750	19,692,434	17,224,000	50,673,805
2018	5,322,073	12,095,163	17,417,235	1,477,620		20,484,663	13,496,500	35,458,783
2019	2,913,075	12,573,783	15,486,858	2,617,620		21,295,267	13,819,500	37,732,387
2020	2,909,645	13,081,663	15,991,308	1,422,045		22,155,425	14,164,775	37,742,245
2021	2,436,671	13,604,648	16,041,320	1,422,045		23,041,165	14,513,338	38,976,548
2022	2,437,091	14,150,222	16,587,313	1,422,045		23,965,162	14,462,488	39,849,694
2023	2,428,695	14,716,231	17,144,926	11,492,045		24,923,769	14,207,363	50,623,176
2024	2,431,655	15,304,658	17,736,313	984,000		25,920,342	11,826,963	38,731,305
2025	2,430,795	15,917,215	18,348,010	984,000		26,957,785	9,891,213	37,832,997
2026	1,669,964	16,553,904	18,223,868	984,000		28,036,096	9,896,063	38,916,159
2027	1,671,770	17,214,723	18,886,493	20,664,000		29,155,277	9,891,438	59,710,714
2028	1,670,605	17,905,243	19,575,848			30,324,757	9,896,825	40,221,582
2029	775,795	18,619,893	19,395,688			31,535,107	9,990,688	41,525,794
2030	778,225		778,225				9,997,388	9,997,388
2031	774,170		774,170					
2032	773,865		773,865					
2033	767,075		767,075					
2034	769,035		769,035					
2035	724,260		724,260					
<b>Total</b>	<b>\$136,339,335</b>	<b>\$271,660,474</b>	<b>\$407,999,809</b>	<b>\$80,658,400</b>	<b>\$28,978,035</b>	<b>\$460,090,822</b>	<b>\$285,973,979</b>	<b>\$855,701,236</b>

Notes:

- (1) Reflects General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. Amounts shown include projected debt service on the variable rate 1999 Series D & E Bonds and are subject to change.
- (2) Actual debt service may differ substantially from schedule above due to optional and mandatory redemption provisions.
- (3) Bonds are expected to be paid from Arena Project revenues.
- (4) Reflects non-General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. A portion of the debt service on the bonds is expected to be paid from capitalized interest. Amounts shown include projected debt service on the variable rate 1999 Series D & E Bonds (auction rate securities) and are subject to change.
- (5) Includes debt service on bonds issued for the Central City Streetcar Project, Convention Center Expansion Project, Portland Mall Revitalization Project, and improvements to the Portland Center for the Performing Arts ("PCPA") and Civic Stadium. Bonds for the Central City 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. Bonds issued for Portland Mall Revitalization Project expected to be repaid with meter revenues. Also includes bonds for South Waterfront projects.

Source: City of Portland.

## SHORT-TERM AND OTHER INDEBTEDNESS

### Cash Flow Borrowings

The City may borrow for General Fund operating purposes through the issuance of short-term tax anticipation notes (“TANs”). State law limits the amount of TANs that a political subdivision may sell annually to no more than 80 percent of the amount of the annual tax levy, and all TANs must be retired within thirteen months after they were issued. In order to fund cash flow deficits in the FPDR Fund caused by the timing mismatch between when benefit payments are required to be made and when property tax collections are received, the City will issue TANs. On July 24, 2008, the City issued \$29,075,000 of TANs to fund cash flow deficits in the FPDR Fund. These notes mature on June 25, 2009.

### 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, housing, transportation, and other capital projects. The notes are paid primarily from proceeds of bond sold at completion of the construction projects. The City had approximately \$192.1 million of these short-term obligations outstanding on May 1, 2009.

### Conduit Financings

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

### Concurrent Debt Issues

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

**Table 10**  
**CITY OF PORTLAND, OREGON**  
**Future Debt Issues**

<b>Purpose</b>	<b>Estimated Amount</b>	<b>Planned Issue Date</b>	<b>Type of Issue</b>
Cash flow borrowing	\$36 million	July 2009	Tax Anticipation Notes (FPD&R)

Source: City of Portland.

**TRENDS IN PROPERTY VALUATION, TAX RATES, TAX COLLECTIONS, AND MAJOR TAXPAYERS**

Tables 11-15 below present trends in property valuation, consolidated tax rates, tax collections, and major taxpayers.

**Table 11  
CITY OF PORTLAND, OREGON  
Historical Trends in Assessed and Market Values  
(000s)**

<b>Assessed Value</b>					
<b>Fiscal Year</b>	<b>Inside Multnomah County</b>	<b>Outside Multnomah County</b>	<b>Urban Renewal Incremental Value</b>	<b>Total Assessed Value</b>	<b>Percent Change</b>
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%
2003-04	33,166,845	160,207	3,981,438	37,136,519	2.79%
2004-05	34,214,710	179,226	4,093,296	38,487,232	3.64%
2005-06	35,285,419	186,755	4,484,614	39,956,788	3.82%
2006-07	38,638,637	197,885	4,965,439	41,801,961	4.62%
2007-08	38,253,186	201,380	5,740,426	44,194,992	5.72%
2008-09	39,784,128	203,038	6,377,050	46,364,216	4.91%

<b>Market Value (Measure 5) (2)</b>					
<b>Fiscal Year</b>	<b>Inside Multnomah County</b>	<b>Outside Multnomah County</b>	<b>Urban Renewal Incremental Value</b>	<b>Total Market Value</b>	<b>Percent Change</b>
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	39,618,917	174,744	3,152,069	42,945,730	9.31%
2000-01	41,884,242	188,959	4,250,563	46,323,764	7.87%
2001-02	44,732,501	201,208	5,422,196	50,355,905	8.70%
2002-03	46,445,323	207,172	6,010,206	52,662,701	4.58%
2003-04	48,768,015	226,555	6,497,813	55,492,383	5.37%
2004-05	51,540,278	250,013	7,059,947	58,850,238	6.05%
2005-06	56,879,601	275,930	8,153,649	65,309,180	10.98%
2006-07	62,788,119	336,963	9,778,605	72,903,688	11.63%
2007-08	71,230,759	355,558	12,704,662	84,290,979	15.62%
2008-09	76,427,023	355,981	14,160,838	90,943,842	7.89%

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 – Section 11B."
- (2) Allocation of Market Value to categories "Inside Multnomah County" and "Urban Renewal Incremental Value" is estimated by the City. For explanation of Measure 5 Market Value, see footnote 1 of table entitled "Debt Ratios."

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

**Table 12**  
**CITY OF PORTLAND, OREGON**  
**Consolidated Tax Rate: Fiscal Year 2008-09**  
**Levy Code 201 (1)**

<b><u>Taxing District</u></b>	<b>Permanent Tax Rate Per \$1000 A.V.</b>	<b>Local Option And Other Tax Rates (2) Per \$1000 A.V.</b>	<b>General Obligation Debt Tax Rate Per \$1000 A.V.</b>	<b>Total Tax Rate Per \$1000 A.V.</b>
<b>CITY OF PORTLAND</b>	\$4.5770	2.6241	\$0.1913	\$7.3924
Portland Urban Renewal	0.0000	0.3235	0.0000	0.3235
Port of Portland	0.0701	0.0000	0.0000	0.0701
Metro	0.0966	0.0000	0.3018	0.3984
Multnomah County	4.3434	0.8900	0.1602	5.3936
Tri-County Metropolitan Trans. Dist.	0.0000	0.0000	0.0803	0.0803
E. Multnomah Soil & Conservation	0.0877	0.0000	0.0000	0.0877
Subtotal - General Government	\$9.1748	\$3.8376	\$0.7336	\$13.7460
Portland School District	\$5.2781	\$1.2500	\$0.0000	\$6.5281
Portland Community College	0.2828	0.0000	0.2203	0.5031
Multnomah Co. Education Svc. Dist.	0.4576	0.0000	0.0000	0.4576
Subtotal - Schools	\$6.0185	\$1.2500	\$0.2203	\$7.4888
<b>Totals</b>	\$15.1933	\$5.0876	\$0.9539	\$21.2348

Notes:

- (1) Levy Code 201 is the largest levy code area that includes the City, containing approximately 39 percent of the total assessed value of the City. Rates are before allocation to urban renewal division of taxes. Information regarding Levy Code 201 is provided in this table as a representative example of consolidated tax rates within the City.
- (2) Includes the City Fire and Police Disability and Retirement pension levy, urban renewal special levies, the Multnomah County local option library levy and the Portland Public Schools local option levy.

Source: Multnomah County Department of Assessment and Taxation.

**Table 13**  
**CITY OF PORTLAND, OREGON**  
**Tax Collection Record for the Last Ten Years (1)**

<b>Fiscal Year</b>	<b>Total Levy (000) (2)</b>	<b>Collected Yr. of Levy (3)</b>	<b>Collected as of 4/30/09 (3) (4)</b>
1999-00	\$237,785	96.56%	99.99%
2000-01	257,865	96.35%	99.99%
2001-02	267,740	96.46%	99.98%
2002-03	283,978	96.57%	99.98%
2003-04	324,709	96.92%	99.96%
2004-05	332,887	97.11%	99.95%
2005-06	346,053	97.20%	99.72%
2006-07	363,073	97.29%	99.40%
2007-08	394,491	97.07%	98.63%
2008-09	397,822	92.38% (4)	92.38%

Notes:

- (1) Tax collection information is for Multnomah County, which represents approximately 99.5% of the City's Assessed Value. Small portions of Washington and Clackamas Counties are also included in the City's Assessed Value.
- (2) Includes urban renewal special levy and levy amounts allocated to urban renewal divide the taxes. Levy amounts shown are after Measure 5 compression. For a discussion on Measure 5 compression, see "PROPERTY TAX AND VALUATION INFORMATION – Section 11B" herein.
- (3) Collections reflect adjustments for cancellation of taxes, allowed discounts, and taxes added to tax roll due to omissions and corrections. Discounts currently represent the largest adjustment to the tax levy; discounts associated with the 2008-09 tax levy represented about 2.4% of that year's levy.
- (4) Partial year collections.

Sources: Multnomah County Department of Assessment and Taxation and City of Portland.

**Table 14**  
**CITY OF PORTLAND, OREGON**  
**Assessed and Market Value of City Values in Multnomah County**  
**by Property Type (FY 2008-09)**

<b>Property Type</b>	<b>Assessed Value</b>	<b>Percent of Total</b>	<b>Market Value (Measure 5)</b>	<b>AV/RMV Ratio</b>
Real Property				
Residential	\$27,904,338,880	60.4%	\$57,719,646,392	48.3%
Commercial	7,318,917,830	15.9%	16,827,288,020	43.5%
Industrial	4,176,379,890	9.0%	6,678,147,860	62.5%
Multiple Family				
Housing	2,118,921,970	4.6%	3,992,329,080	53.1%
Other	62,665,750	0.1%	116,836,770	53.6%
Subtotal	41,581,224,320	90.1%	85,334,248,122	
Personal Property	2,199,168,325	4.8%	2,202,135,035	99.9%
Manufactured Property	80,460,140	0.2%	111,689,580	72.0%
Utilities	2,300,324,700	5.0%	2,354,390,067	97.7%
Total	\$46,161,177,485	100.0%	\$90,002,462,804	

Source: Multnomah County Department of Assessment and Taxation.

**Table 15**  
**CITY OF PORTLAND, OREGON**  
**Principal Property Taxpayer Accounts**

<u>Taxpayer Account</u>	<u>Type of Business</u>	<u>FY 2008-09 Assessed Value</u>	<u>Percent of Total Assessed Value</u>
Total City Assessed Value		\$ 46,364,215,708	100.00%
Qwest Corporation	Communications	\$274,428,060	0.59%
Portland General Electric	Energy	254,235,470	0.55%
Pacificorp (PP&L)	Energy	244,454,000	0.53%
Weston Investment Co. LLC	Real estate (office)	208,514,430	0.45%
Oregon Steel Mills Inc	Steel plate manufacturing	179,313,900	0.39%
LC Portland LLC	Real estate (retail)	153,027,950	0.33%
Northwest Natural Gas Co.	Energy	137,242,080	0.30%
AT&T	Communications	127,686,700	0.28%
Verizon Communications	Communications	123,480,400	0.27%
555 SW Oak LLC	Real estate (commercial)	119,142,300	0.26%
<b>Total</b>		<u>\$1,821,525,290</u>	<u>3.93%</u>

Source: Multnomah County Department of Assessment and Taxation.

*(End of Annual Disclosure Information)*

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

## **GENERAL FUND REVISED BUDGET AND FORECAST**

As with other states and municipalities throughout the country, the economic downturn is having an impact on City revenues. While most City revenues are presently holding steady, it appears that business license fees, which are the most cyclical of City revenues, are declining rapidly, and in a worst case scenario could drop as much as \$18.7 million, or about 25 percent, through FY 2009-10. The City also expects to see a decline in transient lodging fees over the coming months. Although property taxes in Oregon should not significantly decline due to differences between assessed and real market values which are a result of Measure 50, the City could begin to see a decline in property tax growth due to foreclosures and delinquent payments as well as increased Measure 5 compression. (See "PROPERTY TAX AND VALUATION INFORMATION – SECTION 11.")

### **FY 2008-09 Budget Adjustments**

In anticipation of declining business license tax revenues, the City Council set aside \$9.7 million in a rainy day fund in the fall of 2008. This amount, along with an additional \$1.8 million in unanticipated pension obligation bond savings, was expected to help mitigate revenue losses.

In January 2009, City bureaus were asked to develop mid-year budget reduction packages for Council consideration to prevent further deterioration of the General Fund from the deepening recession. All bureaus receiving General Fund support submitted FY 2008-09 reduction packages for Council consideration. On March 4, 2009, the City Council approved an ordinance which reduced General Fund expenditures and resources by \$5,883,596. This amount includes mid-year program-related reductions from General Fund bureaus of \$4,108,986 (1.30 percent). The Council also reallocated \$3,043,382 from contingency that was earmarked for police vacancies, public safety regional training center land acquisition, and City Hall reconfiguration, and will use it to bridge any revenue shortfall in the current fiscal year.

By late April 2008, estimated business license revenue collections were revised upward slightly by \$4.3 million. This, along with other forecast adjustments, will result in an estimated \$12.3 million of additional one-time revenues to be used in the FY 2009-10 budget.

### **FY 2009-10 Budget**

Revenue forecasts prepared for the FY 2009-10 budget process show a continued decline in business license revenues, which are projected to reach a low of about \$56.2 million. While property taxes are expected to increase, the City projects slower growth due to a forecasted \$2.2 million loss of revenues resulting from higher Measure 5 compression and delinquencies. Table 16 shows budgeted General Fund "discretionary" revenues (revenues with few or no restrictions that can be allocated to any program or service) for FY 2008-09 and forecast revenues for FY 2009-10 and FY 2010-11.

The City's Office of Management and Finance believes reductions of approximately \$8.8 million (2.6 percent) are needed to stabilize the General Fund. In preparation for the FY 2009-10 budget, many City bureaus were asked to cut 5 percent of their FY 2008-09 budgets. Some new fees for City services have also been proposed. These actions are reflected in the Mayor's proposed budget released in late April. The City Council is expected to adopt a final FY 2009-10 budget no later than June 30, 2009.

**Table 16**  
**CITY OF PORTLAND, OREGON**  
**General Fund Discretionary Revenues—Budgeted and Forecast**

<b>Revenue/Resource Category</b>	<b>FY 2008-09 Budget</b>	<b>FY 2009-10 Forecast</b>	<b>FY 2010-11 Forecast</b>
Beginning Fund Balance	\$31,632,005	\$18,844,019	\$12,749,434
Property Taxes	179,974,860	186,129,048	191,628,553
Lodging Tax	16,079,910	15,674,351	15,639,354
Business License Tax	75,705,012	56,230,090	65,557,293
Utility License	65,810,674	68,749,357	71,998,828
Service Charges/Other	7,907,718	4,455,702	4,968,872
Intergovernmental	12,036,210	12,276,690	12,578,343
Transfers from Other Funds	2,342,705	842,706	799,943
	<u>\$391,489,094</u>	<u>\$363,201,963</u>	<u>\$375,920,620</u>

Source: City of Portland.

## PROPERTY TAX AND VALUATION INFORMATION

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

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

### SECTION 11

#### Permanent Tax Rate

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

#### Assessed Value

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

In Oregon, the assessor’s estimate of market value is called “Real Market Value.” New construction and changed property is not assessed at its 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.

#### Other Property Taxes

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

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

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

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

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

In 2006, the Oregon Legislature approved Senate Bill 1100, which gives the Board of the Portland Public School District the authority to raise its district operating tax rate up to \$5.27 per \$1,000 of assessed value. This authority applies to each of

three tax years beginning July 1, 2006. The school district would return to its permanent tax rate of \$4.77 per \$1,000 beginning in the FY 2009-10 tax year.

## **SECTION 11B**

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

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

## **LOCAL OPTION LEVIES**

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

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

A Multnomah County local option levy for libraries was approved in November 2006. This local option levy took effect in FY 2007-08 and extends for five years at a rate of \$0.8900 per \$1,000 of Assessed Value. In November 2006, voters also approved a new five-year local option levy for Portland Public Schools at a rate of \$1.2500 per \$1,000 of Assessed Value. This local option levy began in FY 2007-08.

In November 2008, voters approved a measure to renew a five-year levy for the Children’s Investment Fund at a rate of \$0.4026 per \$1,000 of Assessed Value. This local option levy will take effect in FY 2009-10.

## **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 the Oregon Constitution. The Oregon Constitution requires those taxes to be approved by a majority of the voters voting on the question either: (i) at an election held in May or November, (ii) at a general election in an even numbered year, or (iii) at any other election in which not less than 50 percent of the registered voters eligible to vote on the question cast a ballot.

## **GENERAL OBLIGATION BONDS**

Levies to pay the following general obligation bonds are exempt from the limits of Sections 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 that were approved by a majority of voters after November 6, 1990 and before December 5, 1996, and issued to finance capital construction or capital improvements;
- 4) general obligation bonds that were approved after December 5, 1996, and 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 translates into a 90 percent tax levy collection for each taxing body.

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

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

## **CITY ECONOMIC CHARACTERISTICS**

The City, with an estimated population of 575,930 as of July 1, 2008, comprises an area of approximately 135 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, the City is the center of commerce, industry, transportation, finance and services for a metropolitan area with an estimated population of approximately 2.19 million people as of July 1, 2008. The City is the county seat of Multnomah County and is the largest city in Oregon and the second largest city in the Pacific Northwest.

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

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

Multnomah County encompasses the cities of Portland, Gresham, Troutdale, Fairview and Wood Village. Washington County contains Beaverton, Tigard, Tualatin and Hillsboro. Clackamas County includes Milwaukie, Oregon City, Lake Oswego, West Linn and Happy Valley. The cities of St. Helens and Scappoose are located in Columbia County. Yamhill County includes McMinnville and Newberg. Clark County contains Vancouver and Camas. Skamania County includes Stevenson, Carson and Skamania. 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 has increased steadily over the past decade. The compounded annual rate of growth in population for the City from 1999 to 2008 was 1.31 percent compared to 0.99 percent for Multnomah County and 1.96 percent for the MSA for the same period.

**Table 17  
CITY OF PORTLAND, OREGON  
Population Estimate for the Last Ten Years**

<b>As of July 1</b>	<b>State of Oregon</b>	<b>City of Portland</b>	<b>MSA <sup>(1)</sup></b>	<b>Multnomah County</b>	<b>Washington County</b>	<b>Clackamas County</b>
1999	3,300,800	512,395	1,841,200	656,810	404,750	326,850
2000	3,365,900	531,600	1,935,960	662,400	449,250	340,000
2001	3,471,700	536,240	1,960,500	666,350	455,800	345,150
2002	3,504,700	538,180	1,989,550	670,250	463,050	350,850
2003	3,541,500	545,140	2,019,250	677,850	472,600	353,450
2004	3,582,600	550,560	2,050,650	685,950	480,200	356,250
2005	3,631,440	556,370	2,082,240	692,825	489,785	361,300
2006	3,690,505	562,690	2,121,910	701,545	500,585	367,040
2007	3,745,455	568,380	2,159,720	710,025	511,075	372,270
2008	3,791,075	575,930	2,191,784	717,880	519,925	376,660
1999-2008 Compounded Annual Rate of Change	1.55%	1.31%	1.96%	0.99%	2.82%	1.59%
2004-2008 Compounded Annual Rate of Change	1.42%	1.13%	1.68%	1.14%	2.01%	1.40%

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

	<b>1980</b>	<b>1990</b>	<b>2000</b>
State of Oregon	2,633,156	2,842,321	3,421,399
Multnomah County	562,647	583,887	660,486
City of Portland	368,139	438,802	529,121
Washington County	245,860	311,554	445,342
Clackamas County	241,911	278,850	338,391

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

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

## INCOME

In recent years, per capita personal income in the MSA has been consistently higher than in the State of Oregon and the nation.

Table 18 below shows personal income and per capita income for the MSA compared to similar data for the State and nation. The compounded annual rate of change in total personal income for the MSA from 1998 to 2007 was 5.03 percent. The compounded annual rate of change in per capita income for the MSA was 3.36 percent from 1998 to 2007, compared with 3.61 percent for the State, and 4.11 percent for the nation.

**Table 18**  
**CITY OF PORTLAND, OREGON**  
**Total Personal Income and Per Capita Income**  
**MSA, Oregon, and the United States**

Year	Total Personal Income MSA (000s)	Per Capita Income		
		MSA	Oregon	USA
1998	\$54,105,615	\$28,851	\$25,542	\$26,883
1999	56,918,006	29,858	26,480	27,939
2000	62,189,975	32,118	28,096	29,845
2001	63,933,229	32,338	28,518	30,574
2002	64,908,688	32,228	28,931	30,821
2003	66,576,262	32,650	29,565	31,504
2004	69,328,033	33,657	30,621	33,123
2005	73,086,912	34,921	31,599	34,757
2006	78,618,336	36,845	33,299	36,714
2007	84,151,048	38,842	35,143	38,615
1998-2007 Compound Annual Rate of	5.03%	3.36%	3.61%	4.11%

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

## LABOR FORCE AND UNEMPLOYMENT

Table 19 below shows the annual average civilian labor force, employment level and unemployment level data that is available for the MSA for the period 1999 through 2008. For April 2009, the seasonally-adjusted unemployment rate for the MSA was 12.1 percent with a resident civilian labor force of 1,195,109. Table 20 below shows the average annual unemployment rates for the MSA, the State and the United States for the period 1999 through 2008.

**Table 19**  
**CITY OF PORTLAND, OREGON**  
**MSA LABOR FORCE AND UNEMPLOYMENT RATES<sup>(1)</sup>**

<b>Year</b>	<b>Resident Civilian Labor Force</b>	<b>Unemployment</b>		<b>Total Employment</b>
		<b>Number</b>	<b>Percent of Labor Force</b>	
1999	1,077,532	46,665	4.3%	1,030,867
2000	1,075,853	47,710	4.4	1,028,143
2001	1,087,254	65,569	6.0	1,021,685
2002	1,093,526	85,191	7.8	1,008,335
2003	1,090,119	90,082	8.3	1,000,037
2004	1,092,039	76,773	7.0	1,015,266
2005	1,104,193	64,619	5.9	1,039,574
2006	1,127,249	56,767	5.0	1,070,482
2007	1,147,876	55,982	4.9	1,091,894
2008	1,171,267	68,322	5.8	1,102,945

Notes:

(1) Includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers and labor disputants.

Source: Oregon Employment Department.

**Table 20**  
**CITY OF PORTLAND, OREGON**  
**AVERAGE ANNUAL UNEMPLOYMENT**  
**MSA, OREGON, AND THE UNITED STATES**

<b>Year</b>	<b>MSA</b>	<b>State of Oregon</b>	<b>USA</b>
1999	4.3%	5.5%	4.2%
2000	4.4	5.1	4.0
2001	6.0	6.4	4.7
2002	7.8	7.6	5.8
2003	8.3	8.1	6.0
2004	7.0	7.3	5.5
2005	5.9	6.2	5.1
2006	5.0	5.3	4.6
2007	4.9	5.1	4.6
2008	5.8	6.4	5.8

Source: Oregon Employment Department and U.S. Department of Labor – Bureau of Labor Statistics.

## EMPLOYMENT BY INDUSTRY

Non-manufacturing employment (including government) accounts for about 88 percent of non-farm employment in the Portland area. The Portland metropolitan area's manufacturing employment, accounting for the remaining 12 percent of area employment, is largely based in the metals and computer and electronic equipment sectors.

**Table 21**  
**CITY OF PORTLAND, OREGON**  
**PORTLAND-VANCOUVER-BEAVERTON, OREGON MSA**  
**NON-FARM WAGE AND SALARY EMPLOYMENT <sup>(1)</sup>(000)**

<b>Industry</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Total nonfarm employment	<b>954,100</b>	<b>983,600</b>	<b>1,015,300</b>	<b>1,034,900</b>	<b>1,035,500</b>
Total private	<b>817,900</b>	<b>846,000</b>	<b>876,400</b>	<b>892,700</b>	<b>888,900</b>
Manufacturing	<b>120,100</b>	<b>123,400</b>	<b>126,600</b>	<b>126,100</b>	<b>123,300</b>
Durable goods	90,100	93,600	96,400	95,700	93,600
Wood product manufacturing	5,800	5,900	6,000	5,600	4,900
Primary metal manufacturing	5,700	6,000	6,300	6,600	7,100
Fabricated metal manufacturing	11,900	12,500	12,900	13,300	13,500
Machinery manufacturing	8,300	8,300	8,400	8,600	8,400
Computer/electronic manufacturing	35,600	36,500	37,700	36,900	35,800
Transportation equipment manufacturing	8,000	9,000	9,300	9,000	8,600
Nondurable goods	30,100	29,800	30,200	30,400	29,700
Food manufacturing	8,600	8,600	8,800	9,100	9,200
Paper manufacturing	5,200	5,000	4,900	4,700	4,400
Non-Manufacturing	<b>697,800</b>	<b>722,500</b>	<b>749,800</b>	<b>766,600</b>	<b>765,600</b>
Construction and mining	55,600	60,300	64,900	66,900	62,900
Trade, transportation, and utilities	193,400	198,000	202,600	205,700	204,000
Wholesale Trade	55,100	56,300	57,500	58,100	57,500
Retail trade	101,300	104,900	107,600	109,800	108,900
Transportation, warehousing, and utilities	37,000	36,900	37,500	37,800	37,600
Information	22,500	23,100	24,000	24,800	24,800
Financial activities	66,100	68,200	70,600	70,400	68,100
Professional and business services	122,100	128,500	134,700	136,400	136,100
Educational and health services	115,700	119,800	123,200	127,800	132,700
Leisure and hospitality	87,700	90,100	94,100	98,000	99,700
Other services	34,700	34,500	35,700	36,600	37,300
Government	<b>136,200</b>	<b>137,600</b>	<b>138,900</b>	<b>142,300</b>	<b>146,600</b>

Notes:

(1) Totals may not sum due to rounding.

Source: State of Oregon, Employment Department.

**Table 22**  
**CITY OF PORTLAND, OREGON**  
**MAJOR EMPLOYERS IN THE MSA**

<b>Employer</b>	<b>Product or Service</b>	<b>2007 Estimated Employment (1)</b>
<b>Private Employers</b>		
Intel Corporation	Computer and electronic products	16,000
Providence Health System	Health care & health insurance	15,000
Safeway Inc.	Grocery chain	13,000
Fred Meyer Stores	Grocery & retail variety chain	10,500
Legacy Health System	Health care	10,000
Kaiser Foundation of the Northwest	Healthcare	8,747
NIKE Inc.	Sports shoes and apparel	7,000
Wells Fargo	Bank	4,774
U.S. Bank	Bank & holding company	4,177
United Parcel Service (UPS)	Postal and mailing service	3,900
Freightliner LLC	Heavy duty trucks	3,600 <sup>(2)</sup>
Southwest Washington Medical Center	Health care	3,200
McDonald's Corporation	Fast food franchise	3,000
Portland General Electric	Utilities	2,620
Farmers Insurance Company of Oregon	Insurance	2,500
Standard Insurance Company	Insurance	2,500
Volt Services Group	Employment Services	2,500
Regence BlueCross BlueShield of Oregon	Insurance	2,475
Albertsons Food Centers	Grocery	2,351
Precision Castparts Corporation	Steel castings	2,110
<b>Public Employers</b>		
State of Oregon	Government	15,000
U.S. Government	Government	14,998
Oregon Health and Science University	Health care & education	11,300
Portland State University	Education	6,000
City of Portland	Government	5,476
Portland Public Schools	Education	5,047
Multnomah County	Government	4,500
Beaverton School District	Education	4,100
Portland Community College	Education	3,400
TriMet	Mass Transit	2,495

Notes:

- (1) 2007 estimated employment based on 2006 data.
- (2) Freightliner laid off 750 employees in March 2007; prior to March 2007, Freightline employed a total of 4,050 employees. In November 2007, Freightliner announced it will move an additional 341 "white-collar" jobs to its Fort Mill, South Carolina location by mid-2008. The company expected to retain a workforce of 2,200 at its corporate headquarters in Portland and another 970 jobs at the Western Star Manufacturing Plant on Swan Island.

Source: Portland Business Alliance and State of Oregon Employment Department.

## **REAL ESTATE**

### **Industrial**

A diverse mix of industrial properties are located throughout the Portland metropolitan area for all types of industrial use, including more than 280 industrial and business parks. On the eastside, the Columbia Corridor is the largest industrial area in Oregon, containing approximately 22,600 acres or 28 square miles along an 18-mile stretch of land that runs along the southern shore of the Columbia River. The Columbia Corridor includes the Rivergate Industrial District, marine terminals, and Portland International Airport (“PDX”). The Rivergate Industrial Park is a 2,800-acre area owned by The Port of Portland (the “Port”) in North Portland. In addition to Rivergate’s access to the Columbia River and PDX, the area qualifies local businesses for participation in the Enterprise Zone and related tax incentives.

Just west of the City, the Sunset Corridor has emerged as the center for Oregon’s high technology industry, including Intel’s 16,000-employee campuses, 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 industrial sector has been negatively impacted by the downturn in the Portland economy. Overall vacancy rates increased to 8 percent compared to 5.2 percent in the first quarter of last year, as reported by Grubb & Ellis in their publication *Industrial Market Trends Portland, First Quarter 2009*. Grubb & Ellis note that the Portland metropolitan area delivered just over 527,000 square feet this quarter with construction projects underway totaling 741,000 square feet. Of this amount, 415,000 square feet will be occupied by FedEx in 2010. The limited amount of new construction projected to come online is expected to moderate vacancy increases in future years.

### **Office**

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

Vacancy rates have increased over the first quarter 2009, according to the *Office Market Trends Portland, First Quarter 2009 Statistics* prepared by Grubb & Ellis (the “Office Quarterly Report”). The largest impact was seen in suburban markets, where vacancy rates rose to 14.9 percent from 11.7 percent in the fourth quarter of 2008. While more moderate, vacancy rates in the downtown area also increased to 8.7 percent, up from 7.8 percent. The Office Quarterly Report indicates that the office market ended the first quarter of 2009 with a year-to-date net absorption loss for the overall market of 166,187 square feet. Class A office space in the downtown averaged \$27.44 per square foot, and \$24.50 for the Portland metropolitan area.

### **Housing**

The year-to-date median selling price of a home in the Portland metropolitan area in April 2009 was \$249,000, down 9.5 percent from April 2008 year-to-date price of \$275,000, according to the Realtors Metropolitan Area Multiple Listing Service (“RMLS”). As of April 2009, homes in the Portland metropolitan area were on the market an average of 148 days during the year. According to RMLS, for the first quarter of 2009, the Southeast and Northeast Portland regions were the most active residential real estate areas, with 162 and 132 closed sales, respectively. Portland metropolitan area closed sales were down 17.7 percent from the same period in 2008. The table below compares the median home sale price for the first quarter of 2008 and 2009 in the Portland region with the nation and western U.S.

**Table 23**  
**CITY OF PORTLAND, OREGON**  
**MEDIAN HOME SALE PRICE**  
**(U.S., West, and Portland Metropolitan Area)**

<b>Region</b>	<b>1st Quarter 2008</b>	<b>1st Quarter 2009</b>	<b>Percent Change</b>
U.S.	\$196,100	\$169,000	-16%
West	296,200	237,600	-25%
Portland Metro. Area	286,600	248,600	-15%

Source: National Association of Realtors and RMLS.

The market for condominiums also has deteriorated as a result of the downturn in the housing market as shown in the following table.

**Table 24**  
**CITY OF PORTLAND, OREGON**  
**MEDIAN CONDO/COOP SALE PRICE**  
**(U.S., West, and Portland Metropolitan Area)**

<b>Region</b>	<b>1st Quarter 2008</b>	<b>1st Quarter 2009</b>	<b>Percent Change</b>
U.S.	\$216,600	\$172,800	-25%
West	235,400	174,900	-35%
Portland Metro. Area	214,600	191,500	-12%

Source: National Association of Realtors and RMLS.

As the condominium market has softened, a number of proposed condominium projects have been converted to rental apartments, including the Ladd Tower (220 units), The Wyatt (245 units), Harrison South (176 units), 2121 Belmont (109 units), 3720 (323 units), and the Cyan (354 units).

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

**Table 25  
CITY OF PORTLAND, OREGON  
NEW SINGLE FAMILY AND MULTI-FAMILY  
RESIDENTIAL CONSTRUCTION PERMITS**

<b>Year</b>	<b>New Single Family</b>		<b>New Multi-Family</b>	
	<b>No. of Permits</b>	<b>Value</b>	<b>No. of Permits</b>	<b>Value</b>
1999	929	\$102,663,214	190	\$102,755,559
2000	866	125,275,273	93	62,578,694
2001	1,040	159,218,264	102	46,446,402
2002	1,088	169,816,560	110	92,457,354
2003	1,093	176,408,264	198	195,489,464
2004	956	162,215,542	161	153,283,224
2005	981	172,372,705	196	247,646,057
2006	1,256	232,917,661	164	241,125,419
2007	1,205	236,732,683	179	346,708,925
2008	648	126,171,068	73	410,957,333
2009 (1)	133	28,547,491	3	1,394,905

Notes:

(1) Partial year data through April 2009.

Source: U.S. Census Bureau.

**Urban Renewal**

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

The City has eleven urban renewal areas, with combined acreage of about 14 percent of the City’s area. Five of the 11 urban renewal areas are concentrated in the city’s core, including two that are completing their work. Three are largely residential areas in Portland’s eastside. The City also has three industrial areas: Central Eastside on the east bank of the Willamette River; Willamette Industrial, located north of the downtown core on the Willamette River; and Airport Way, located in the Columbia corridor, which also has largely completed its urban renewal work. The Portland Development Commission administers the urban renewal areas.

**TRANSPORTATION AND DISTRIBUTION**

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

The Port is a port district encompassing Multnomah, Clackamas and Washington counties. The Port owns and maintains four marine terminals, four airports, and seven business parks. In tonnage of total waterborne commerce, the Port is currently ranked as the third largest volume port on the West Coast. Leading exports include wheat, soda ash, potash and hay. The Port is the largest wheat export port in the United States. Leading imports include automobiles, petroleum products, steel and limestone. The Port is the largest volume auto handling port and mineral bulks port on the West Coast. Total maritime tonnage decreased slightly in 2008 to 14.1 million short tons compared to 14.4 million in 2007.

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 port of call for 16 regularly scheduled major steamship lines serving major world trade routes. Primary cargoes include containers, automobiles, grain, and mineral bulks.

Six Oregon and Washington port districts 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, to accommodate larger, more efficient vessels. The resulting Columbia River Channel Deepening Project will provide local and national transportation and trade improvements. The total cost of the proposed project is expected to be \$150.5 million. The states of Oregon and Washington have appropriated \$27.7 million each in matching funds for the local cost share, and the remaining funding will come from federal appropriations. On June 25, 2005, a U.S. Army Corp of Engineers contractor began deepening the navigating channel in selected areas near the mouth of the Columbia River. Because significant areas of the Columbia River are naturally deeper than what the new channel requires, only specific areas will require dredging. The project is expected to be completed by 2010.

Upstream from the City, the Columbia River provides the only water route through the Cascade Mountains to the agricultural regions of eastern Oregon, Washington, and northern Idaho. This region has been opened to slack-water barge navigation by means of locks installed in a series of federal hydroelectric projects on the lower Columbia River and its largest tributary, the Snake River. There are two primary barge lines providing service between the upriver ports and 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 Cascade 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.

PDX handles more than 14 million passengers annually on 14 commercial carriers, with about 520 flights daily. This includes nonstop service on international flights to Amsterdam, Netherlands; Vancouver, British Columbia; Frankfurt, Germany; and Tokyo, Japan. PDX handles nearly a quarter million tons of air cargo annually on 11 carriers. In 2008, 243,193 short tons of cargo were handled by PDX. Portland is also served by three publicly operated general aviation airports located in the suburban areas.

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

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

The Tri-County Metropolitan Transportation District of Oregon (“TriMet”), the regional public transit agency, provides rail and bus service throughout the Portland metropolitan area. During TriMet’s fiscal year, from July 2007 through June 2008, passengers boarded a TriMet bus or train approximately 99.1 million times.

TriMet’s light rail system (“MAX”) connects the cities of Portland, Gresham, Beaverton and Hillsboro, and PDX. The Interstate MAX line, which began service in 2004, added 5.8 miles of service from the Rose Quarter and Oregon Convention Center into North Portland neighborhoods, medical facilities, and the Metropolitan Exposition Center.

In 2007, TriMet started construction of an 8.3 mile, two-phased extension of the light rail line. The estimated cost of the project is \$494 million. Phase one would provide service along Interstate-205 between Clackamas Town Center and the existing Gateway station where it will use the existing MAX Blue Line tracks to downtown Portland, then run on new tracks along the Portland Mall to Portland State University. Service could begin as early as 2009. Phase two would extend light rail from downtown Portland to Milwaukie.

TriMet is adding a north/south section to the Portland Mall to accommodate additional MAX light rail lines. The new addition will allow for extension to PSU, Clackamas and Washington counties. When TriMet finishes with construction in 2009, a new MAX green line will run the length of the mall from Union Station to PSU.

TriMet began construction of the \$103.5 million Washington County Commuter Rail in late 2006. This line runs from Beaverton to Wilsonville and began service in 2008.

The Portland Streetcar, which connects the downtown area with the Pearl District and Northwest Portland, began operations in 2001. The Portland Streetcar is owned and operated by the City, and has entered into contracts with TriMet for train

operators and mechanics. Construction of the Gibbs extension of the streetcar line to the South Waterfront District was completed in the fall of 2005; service began in late 2006 following development of major components in the area. Construction of the Lowell extension started in August 2006 and was completed in August 2007.

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

Federal funding has been approved which completes the funding package for extension of the streetcar line to Portland’s east side. The extension will cross the Willamette River using the Broadway Bridge, travel through the Lloyd District, continue south along Martin Luther King, Jr. Boulevard, and make a loop at either SE Mill or Stephens Street before returning back along Grand Avenue. The estimated cost of the extension is \$147 million. The project is expected to be completed in 2011.

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

Portland is the State’s largest city and the center of business and transportation routes in the State. Therefore, the City accommodates a large share of the State’s tourist and business visitors. The City is a destination for many tourists who are drawn to its diverse cultural and recreational facilities. These include the Oregon Symphony and associated musical organizations, Portland Center for the Performing Arts, Oregon Ballet, Portland Opera, Portland 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. PGE Park, which was renovated and reopened in 2001, is home to the Portland Beavers (Triple-A baseball), the Portland Timbers (A-League soccer), and the Portland State Vikings (Division I college football and women’s soccer). 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.

According to the Travel Portland and data provided by Smith Travel Research, the lodging occupancy rate for downtown Portland was 48.4 percent in December 2008. Hotel occupancy rates for January through December 2008 were down by 3.7 percent compared to the same time period in 2007.

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

## **HIGHER EDUCATION**

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

Portland State University (“PSU”), one of the three large universities in the Oregon University System, is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland. PSU offers over 100 undergraduate, masters, and doctoral degrees, as well as graduate certificates and continuing education programs. Fall 2008 enrollment was approximately 23,639 students including 14,614 full-time equivalent students. PSU is noted for the development of programs specifically designed to meet the needs of the urban center.

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

OHSU’s Marquam Hill campus sits on more than 100 acres overlooking downtown Portland. OHSU includes the schools of dentistry, medicine, nursing, and science and engineering. OHSU also includes Doernbecher Children’s Hospital and OHSU Hospital, as well as primary care and specialty clinics, research institutes and centers, interdisciplinary centers, and community service programs. Each year, OHSU serves approximately 175,700 medical and dental patients and educates more than 3,900 students and trainees in health information technology, sciences, environmental engineering, computation

and management. Competitive funding awards have nearly quadrupled during the last decade; OHSU receives more than \$260 million annually. In 2006, OHSU employed 11,300 people.

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

Several community colleges serve the Portland metropolitan area including Portland Community College, Mt. Hood Community College, and Clackamas Community College.

## **UTILITIES**

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

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

### **Communications**

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

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

The City operates the water supply system that delivers drinking water to approximately 770,000 people in the Portland metropolitan area. The primary water source is the Bull Run Watershed, located in the foothills of the Cascades west of Mt. Hood. The City also uses groundwater as a supplemental water supply.

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

## **AGRICULTURE**

Because the City is the primary urban center in the State, agriculture is not a major industry in the greater metropolitan area. The metropolitan area, however, accounted for approximately 20.4 percent of the State’s Gross Farm and Ranch Sales based on 2008 estimates from the Oregon State University Extension Economic Information Office. Clackamas County ranked second and Yamhill and Washington counties ranked third and fourth among all counties in the State in Gross Farm and Ranch Sales.

The 2008 Gross Farm and Ranch Sales in Clackamas County was \$345,968,000; Washington County was \$299,400,000; Yamhill County was \$280,519,000; and Multnomah County was \$70,356,000 as estimated by the Oregon State University Extension Service.

## THE INITIATIVE PROCESS

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

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

### PROPOSED INITIATIVES WHICH QUALIFY TO BE PLACED ON THE BALLOT

To place a proposed initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2008 general election, the requirement was eight percent (110,358 signatures) for a constitutional amendment measure and six percent (82,769 signatures) for a statutory initiative. The last day for submitting signed initiative petitions for the 2008 general election was July 3, 2008. 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.

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

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

**Table 26**  
**CITY OF PORTLAND, OREGON**  
**Initiative Petitions that Qualified and Passed**  
**1996-2008**

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified</u>	<u>Number of Initiatives that Passed</u>
1996	16	4
1998	16	6
2000	18	8
2002	7	3
2004	6	2
2006	10	3
2008	8	0

Source: Elections Division, Oregon Secretary of State.

## **MEASURE 37 AND MEASURE 49**

In November of 2004 Oregon voters approved a citizen initiative petition (“Measure 37”) that entitled property owners for compensation or relief from certain land use regulations. Measure 37 was difficult to interpret and caused substantial confusion. In 2007 Oregon voters approved a legislative referral (“Measure 49”) that modified Measure 37 and generally provided three alternatives for persons who have submitted claims for compensation under the measure. Under the “unconditional” alternative, a claimant may build up to three home-sites on its property. A “conditional” alternative allows four to ten home-sites on the claimant’s property. The third alternative allows a claimant to continue to pursue its claim under Measure 37 if the claimant has a vested right as of the effective date of Measure 37.

House Bill 3540 also provides for transferability of development rights, revises the claims process for future land use regulations and provides a methodology for determining the amount of compensation to which a claimant may be entitled. A lawsuit has been filed, however, that challenges all of the state legislature’s referrals to the ballot, including Measure 49.

The City currently has no pending claims under Measure 37/49.

## **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.

## **TAX MATTERS**

In the opinion of K&L Gates LLP, Bond Counsel, interest on the 2009 Series A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2009 Series A Bonds is included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the 2009 Series A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the 2009 Series A Bonds and the facilities financed or refinanced with proceeds of the 2009 Series A Bonds and certain other matters. The City has covenanted to comply with all applicable requirements.

Bond Counsel’s opinion is subject to the condition that the City comply with the above-referenced covenants and, in addition, will rely on representations by the City and its advisors with respect to matters solely within the knowledge of the City and its advisors, respectively, which Bond Counsel has not independently verified. If the City fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2009 Series A Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2009 Series A Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated in this Tax Matters section, Bond Counsel expresses no opinion regarding any other federal income tax consequences of acquiring, carrying, owning or disposing of the 2009 Series A Bonds. Owners of the 2009 Series A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2009 Series A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the 2009 Series A Bonds should be aware that ownership of the 2009 Series A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2009 Series A Bonds. Bond Counsel expresses no opinion regarding any

collateral tax consequences. Prospective purchasers of the 2009 Series A Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the 2009 Series A Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the City's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2009 Series A Bonds. Owners of the 2009 Series A Bonds are advised that, if the IRS does audit the 2009 Series A Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the City as the taxpayer, and the owners of the 2009 Series A Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the 2009 Series A Bonds until the audit is concluded, regardless of the ultimate outcome.

### **Premium**

An amount equal to the excess of the purchase price of a 2009 Series A Bond over its stated redemption price at maturity constitutes premium on that 2009 Series A Bond. A purchaser of a 2009 Series A Bond must amortize any premium over that 2009 Series A Bond's term using constant yield principles, based on the 2009 Series A Bond's yield to maturity. As premium is amortized, the purchaser's basis in the 2009 Series A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the 2009 Series A Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of 2009 Series A Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and the state and local tax consequences of owning such 2009 Series A Bonds.

### **Oregon Personal Income Tax Exemption**

In the opinion of Bond Counsel, interest on the 2009 Series A Bonds is exempt from Oregon personal income tax under existing law.

## **RATING**

The 2009 Series A Bonds have been rated "Aaa" by Moody's Investors Service. Such rating reflects only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York, 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the 2009 Series A Bonds.

## **FORWARD LOOKING STATEMENTS**

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

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the 2009 Series A Bonds by the City are subject to the approving opinion of K&L Gates LLP, Portland, Oregon, Bond Counsel. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 2009 Series A Bonds, the Ordinance, the Bond Declaration, and the authority to issue the 2009 Series A Bonds conform to the 2009 Series A Bonds and the applicable laws under which they are issued. The statements made in this Official Statement under the captions “THE 2009 SERIES A BONDS” and “TAX MATTERS” have been reviewed and approved by Bond Counsel. All other representations of law and factual statements contained in this Official Statement, including but not limited to all financial and statistical information and representations contained herein, have not been reviewed or approved by Bond Counsel.

## **LITIGATION**

There is no litigation pending or threatened against the City which impairs the City’s ability to make principal and interest payments on the 2009 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 2009 Series A Bonds, the City will deliver a certificate to the initial purchaser of the 2009 Series A Bonds 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 2009 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 2009 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 initial purchaser or owners of any of the 2009 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 2009 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 2009 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 2009 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

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**APPENDIX A**  
**BOND ORDINANCE**

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## **ORDINANCE No.**

\* Authorize general obligation emergency facilities bonds and general obligation refunding bonds (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. On November 3, 1998, the voters of the City of Portland authorized the City to issue \$53,825,000 in principal amount of general obligation bonds to finance capital improvements related to fire, rescue and emergency facilities described in the ballot authorizing the bonds.
2. In 1999 and pursuant to the authority granted by the voters, the City issued its General Obligation Emergency Facilities Bonds, 1999 Series A in the aggregate principal amount of \$24,500,000 (the "1999 Series A Bonds").
3. In 2004 and pursuant to the authority granted by the voters, the City issued its General Obligation Emergency Facilities Bonds, 2004 Series A in the aggregate principal amount of \$13,965,000 (the "2004 Series A Bonds").
4. The City now desires to issue the remaining general obligation bonds that the voters approved to finance additional capital improvements related to fire, rescue and emergency facilities.
5. The City is authorized pursuant to the Constitution and laws of the State of Oregon and the City Charter to issue current and advance refunding general obligation bonds for its outstanding general obligation bonds.
6. The City may be able to achieve debt service savings and reduce taxes by refunding all or a portion of the City's outstanding 1999 Series A Bonds (the "Refundable Bonds").

NOW, THEREFORE, the Council directs:

A. Bonds Authorized.

1. The City is hereby authorized to issue the remaining, unissued bonds that were authorized by the voters on November 3, 1998, in a principal amount of not more than \$15,360,000. These bonds shall be issued pursuant to this Ordinance, ORS Chapter 287A and the authority granted to the City by its voters on November 3, 1998.
2. The City is also hereby authorized to issue general obligation refunding bonds to refund all or any portion of the City's outstanding 1999 Series A Bonds pursuant to ORS 287A.360, ORS 287A.365 and related statutes.

B. Security for Bonds. The bonds authorized by Section 1.A of this ordinance (the "Bonds") shall be general obligations of the City. The City hereby pledges its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Owners that the City shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article IX of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the

City in sufficient amount, after considering discounts taken and delinquencies that may occur in the payment of such taxes, to pay the Bonds promptly as they mature.

C. Delegation. The Debt Manager of the City, the Director of the Bureau of Financial Services, the Chief Administrative Officer of the Office of Management and Finance, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under this Ordinance (any of whom is referred to in this ordinance as a “Debt Manager”) may, on behalf of the City:

1. Issue the Bonds in one or more series.
2. 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.
3. Establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, record dates and other terms for the Bonds, and either publish a notice of sale, receive bids and award the sale of that series to the bidder complying with the notice and offering the most favorable terms to the City, or select one or more underwriters and negotiate the sale of that series with those underwriters.
4. Undertake to provide continuing disclosure for the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
5. Apply for and purchase municipal bond insurance or other forms of credit enhancements for the Bonds, and enter into related agreements.
6. Prepare, execute and deliver one or more Bond Declarations. The Bond Declarations shall specify the terms under which the Bonds are issued, the administrative provisions that apply to the Bonds and the form of the Bonds. The Bond Declarations may also contain covenants for the benefit of the owners of the Bonds and any insurers of the Bonds.
7. Appoint service providers for the Bonds and enter into agreements with those service providers.
8. Determine whether each series of Bonds will bear interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended, or is includable in gross income under that code. If a series bears interest that is excludable from gross income under that code, the Debt Manager may enter into covenants to maintain the excludability of interest on that series of the Bonds from gross income.
9. Appoint escrow agents and verification agents, and take any other actions that are required to defease, call and redeem the Refundable Bonds.
10. Execute any documents and take any other action in connection with the Bonds which the Debt Manager finds will be advantageous to the City.

Section 2. 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.



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

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## INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2004, 2005, 2006, 2007 and 2008. Copies of these financial statements containing the reports of the independent certified public accountants are available on the City's website at:

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

The following pages in this Appendix B are excerpted from the City's Comprehensive Annual Financial Reports of the City for Fiscal Years ending June 30, 2004 through June 30, 2008. The Notes that follow the tabular data have been prepared by the City and have not been reviewed by the independent auditor.

**A CONSENT OF THE INDEPENDENT AUDITOR WAS NOT REQUESTED. THE AUDITOR WAS NOT REQUESTED TO PERFORM AND HAS NOT PERFORMED ANY SERVICE IN CONNECTION WITH THE OFFERING OF THE 2009 SERIES A BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2009 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**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Revenues</b>					
Taxes	\$246,195,810	\$246,416,379	\$254,440,767	\$264,410,825	\$281,269,341
Payments in lieu of taxes	--	821,501	1,533,219	1,259,198	1,434,002
Rents and reimbursements	125,984	2,096,536	2,380,112	3,217,317	3,759,621
Licenses and fees	103,502,813	113,435,989	127,432,687	143,698,767	149,013,133
Intergovernmental revenues	24,433,714	22,676,714	26,419,859	28,203,768	26,001,207
Charges for services	51,256,482	53,879,562	65,579,384	72,175,566	73,795,390
Miscellaneous service charges	3,198,227	3,946,028	2,444,824	2,306,192	3,631,990
Investment earnings	579,660	2,448,647	4,860,587	7,588,918	7,470,499
Other miscellaneous revenues	1,800,381	1,830,898	1,823,283	774,796	623,088
<b>Total revenues</b>	<b>431,093,071</b>	<b>447,552,254</b>	<b>486,914,722</b>	<b>523,635,347</b>	<b>546,998,271</b>
<b>Expenditures</b>					
Public safety	273,780,789	283,442,858	298,035,413	311,162,725	326,388,826
Parks/recreation/cultural	47,475,936	48,491,194	50,398,732	58,224,659	59,218,279
Community development	32,953,347	35,804,537	30,623,452	44,596,138	48,921,442
Support services/legis./administrative	45,753,826	53,010,988	65,736,351	69,953,137	70,242,455
Capital outlay	2,245,106	2,989,727	3,701,346	4,383,485	5,078,171
Debt service and related costs	30,550	468,890	269,219	240,755	2,039,003
<b>Total expenditures</b>	<b>402,239,554</b>	<b>424,208,194</b>	<b>448,764,513</b>	<b>488,560,899</b>	<b>511,888,176</b>
Revenues over (under) expenditures	28,853,517	23,344,060	38,150,209	35,074,448	35,110,095
<b>Other Financing Sources (Uses)</b>					
Transfers in	14,085,934	19,704,666	20,849,891	25,172,899	17,390,723
Transfers out	(35,665,461)	(34,916,060)	(35,162,749)	(48,201,134)	(52,887,840)
Proceeds from sale of capital assets	--	--	76,351	--	--
Loan proceeds	3,067,000	5,565,000	1,824,000	--	--
<b>Total other sources (uses)</b>	<b>(18,512,527)</b>	<b>(9,646,394)</b>	<b>(12,412,507)</b>	<b>(23,028,235)</b>	<b>(35,497,117)</b>
Net change in fund balances	10,340,990	13,697,666	25,737,702	12,046,213	(387,022)
<b>Fund balance, beginning</b>	<b>57,643,938</b>	<b>68,036,150</b>	<b>93,942,572</b>	<b>119,280,600</b>	<b>131,326,813</b>
Prior period adjustment (1)	--	12,179,250	--	--	--
<b>Fund balance, beginning, as restated</b>	<b>57,643,938</b>	<b>80,215,400</b>	<b>93,942,572</b>	<b>119,280,600</b>	<b>131,326,813</b>
Change in inventory	51,222	29,506	(399,674)	--	--
<b>Fund balances, ending (2)</b>	<b>\$68,036,150</b>	<b>\$93,942,572</b>	<b>\$119,280,600</b>	<b>\$131,326,813</b>	<b>\$130,939,791</b>

Notes:

- (1) In FY 2004-05, the City's beginning net assets have been restated to establish the accounts receivable for cable franchise fees, which were previously accounted for on a cash basis of accounting and not in conformance with GAAP.
- (2) In FY 2004-05, increase to fund balance reflects restatement of cable franchise fees (see footnote 2 above), higher-than-anticipated business license tax receipts, and budget reductions to provide one-time funding for program expenditures over the next one or two fiscal years. The FY 2005-06 increase reflects higher-than-anticipated property tax collections, business license tax receipts and interest earnings.

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

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

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>ASSETS:</b>					
Cash and investments	\$79,744,655	\$91,967,908	\$117,244,053	\$135,369,404	\$145,311,441
Receivables:					
Property taxes	14,699,490	13,991,052	13,220,703	13,114,426	14,370,341
Accounts, interest and advances (1)	3,723,006	16,434,764	20,130,703	18,095,929	19,882,956
Assessments (2)	4,280,370	4,011,158	3,746,001	2,157	21,894
Due from other funds	4,579,636	8,223,415	8,196,748	8,739,691	3,962,233
Due from component units	--	--	--	653,444	531,074
Inventories	370,167	399,674	--	--	--
Prepaid Items	--	--	6,692	1,996	--
<b>Total Assets</b>	<b>\$107,397,324</b>	<b>\$135,027,971</b>	<b>\$162,545,900</b>	<b>\$175,977,047</b>	<b>\$184,079,939</b>
<b>LIABILITIES:</b>					
Accounts payable	\$8,113,050	\$6,602,265	\$6,048,037	\$9,667,094	\$15,629,222
Deferred revenue (3)	24,560,999	27,831,067	10,062,193	6,021,812	6,997,217
Unearned revenue (3)	--	--	18,179,533	20,272,932	17,922,453
Due to other funds (4)	5,567,124	19,360	19,360	--	356,665
Due to component unit	--	143,378	523,780	128,526	1,638,147
Due to fiduciary fund (4)	--	4,785,770	4,488,226	4,362,811	4,836,049
Other liabilities	1,120,001	1,703,559	3,944,171	4,197,059	5,760,395
<b>Total Liabilities</b>	<b>39,361,174</b>	<b>41,085,399</b>	<b>43,265,300</b>	<b>44,650,234</b>	<b>53,140,148</b>
<b>FUND BALANCE:</b>					
Reserved for petty cash	44,845	46,342	--	--	--
Reserved for inventories	370,167	399,674	--	--	--
Unreserved	67,621,138	93,496,556	119,280,600	131,326,813	130,939,791
<b>Total Fund Balance</b>	<b>68,036,150</b>	<b>93,942,572</b>	<b>119,280,600</b>	<b>131,326,813</b>	<b>130,939,791</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$107,397,324</b>	<b>\$135,027,971</b>	<b>\$162,545,900</b>	<b>\$175,977,047</b>	<b>\$184,079,939</b>

Notes:

- (1) In FY 2004-05, the City's beginning net assets have been restated to establish the accounts receivable for cable franchise fees in the amount of \$12,681,328, which were previously accounted for on a cash basis of accounting and not in conformance with GAAP.
- (2) Increase in Assessments in FY 2003-04 is due to transfer of liens receivable balance from Bureau of Development Services to Office of Neighborhood Involvement.
- (3) Prior to FY 2005-06 unearned revenue and deferred revenue were combined and presented as deferred revenue. To conform with GAAP, beginning in FY 2005-06, the two categories are shown separately.
- (4) Prior to FY 2004-05 "Due to other funds" and "Due to fiduciary fund" were combined and presented as "Due to other funds". To conform with GAAP, beginning in FY 2004-05, the two categories are shown separately.

Source: City of Portland audited annual financial statements.

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

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July 7, 2009

City of Portland  
1221 S.W. Fourth Avenue, Room 120  
Portland, Oregon 97204

Robert W. Baird & Co. Incorporated  
1 Harding Road, Suite 207  
Red Bank, New Jersey 07701

Subject: \$14,560,000 City of Portland, Oregon, General Obligation Emergency Facilities Refunding Bonds, 2009 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 General Obligation Emergency Facilities Refunding Bonds, 2009 Series A (the “Bonds”), which are dated July 7, 2009 and are in the aggregate principal amount of \$14,560,000. The Bonds are authorized by Oregon Revised Statutes Section 287A.360, City Ordinance No. 182255 adopted October 8, 2008, and a Bond Declaration dated the date of delivery of the Bonds (collectively, the “Ordinance”).

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

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering materials relating to the Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

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

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

1. The Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Charter of the City, and the Ordinance. The Bonds constitute valid and legally binding obligations of the City enforceable in accordance with their terms.
2. The City has pledged its full faith and credit to the payment of the Bonds. The Bonds are payable from ad valorem taxes which may be levied without limitation as to rate or amount on all taxable property within the boundaries of the City.
3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all applicable requirements. Failure to comply with these covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.
4. Interest on the Bonds is exempt from Oregon personal income tax.

We note that the City has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

# K&L | GATES

Legal Opinion  
Page 2  
July 7, 2009

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Bonds 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; (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

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

This opinion is given solely for your benefit in connection with the above referenced bond financing and may not be relied on in any manner or for any purpose by any person or entity other than the addressees listed above and the owners of the Bonds, nor may copies be furnished to any other person or entity, without the prior written consent of K&L Gates LLP.

We have served only as bond counsel to the City in connection with the Bonds and have not represented any other party in connection with the Bonds. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than the City.

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

Respectfully submitted,

K&L Gates LLP

Lawyers

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

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## CONTINUING DISCLOSURE CERTIFICATE

**\$14,560,000**

**City of Portland, Oregon**

**General Obligation Emergency Facilities Refunding Bonds  
2009 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 General Obligation Emergency Facilities Refunding Bonds, 2009 Series A (the "Bonds").

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

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

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 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.

"Official Statement" means the final official statement for the Bonds dated June 23, 2009.

"Rule" means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as it has been and may be amended.

Section 3. Financial Information. The City agrees to provide or cause to be provided the following annual financial information and operating data to the MSRB:

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."

Section 4. Timing. The information described in Sections 3.A and 3.B above shall be provided on or before nine months after the end of the City's fiscal year beginning nine months after the

end of fiscal year 2009. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the MSRB.

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

Section 5. Material Events. The City agrees to provide or cause to be provided, in a timely manner, 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 securities;
7. Modifications to the rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities; and
11. Rating changes.

Section 6. Termination/Modification. 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 provision hereof, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (b) notifies the MSRB of such opinion and the cancellation of this Certificate.

Section 7. Amendment. 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.A or 3.B or Section 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City with respect to the 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 5 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 8. 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.

Section 9. Form of Information. All information required to be provided under this certificate will be provided in an electronic format and with the identifying information prescribed by the MSRB.

Section 10. Submitting Information through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access ("EMMA") continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is [emma.msrb.org](http://emma.msrb.org).

Section 11. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the 7th day of July, 2009.

**City of Portland, Oregon**

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Debt Manager



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

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## BOOK ENTRY SYSTEM

DTC LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE  
(Prepared by DTC—bracketed material may be applicable only to certain issues)

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

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



