

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

**RATING: Moody's Aa1**

*In the opinion of Kirkpatrick & Lockhart Preston Gates Ellis LLP, Portland, Oregon, Bond Counsel, assuming compliance with certain covenants of the City, interest on the 2007 Series B Bonds is excludable from gross income of the owners of the 2007 Series B Bonds for federal income tax purposes under existing law. Interest on the 2007 Series B Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2007 Series B Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes 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 2007 Series B Bonds is exempt from Oregon personal income tax under existing law.*

**\$16,860,000**  
**City of Portland, Oregon**  
**Limited Tax Revenue Bonds**  
**2007 Series B**  
**(Portland Mall Revitalization Project)**

**BASE CUSIP: 736740**

**DATED:** Date of Delivery

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

The City of Portland, Oregon Limited Tax Revenue Bonds, 2007 Series B (Portland Mall Revitalization Project) (the "2007 Series B Bonds") will be issued in registered book-entry form only, in denominations of \$5,000 or integral multiples thereof. The 2007 Series B Bonds, when executed and delivered, will be registered in the name of Cede & Co., as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2007 Series B Bonds. While Cede & Co. is the registered owner of the 2007 Series B Bonds (the "Owner") as nominee of DTC, references herein to the Bondowners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2007 Series B Bonds. See "Book-Entry System" herein.

**MATURITIES, AMOUNTS AND INTEREST RATES AS SHOWN ON THE REVERSE HEREOF**

The 2007 Series B Bonds will bear or accrue interest rates as set forth on the inside cover. The 2007 Series B Bonds will be dated as of the Date of Delivery. Interest on the 2007 Series B Bonds will be payable semiannually on June 1 and December 1 of each year, beginning December 1, 2007.

Proceeds of the 2007 Series B Bonds will be used to finance a portion of the costs of the Portland Mall Revitalization Project as more fully described herein and to pay costs of issuance.

The 2007 Series B Bonds are payable from all legally available funds of the City. The City has pledged its full faith and credit to pay the 2007 Series B Bonds. The 2007 Series B Bonds are expected to be paid primarily from the Available Net Meter Revenues the City receives from its parking meter system, as more fully described herein. See "Security" herein.

The 2007 Series B Bonds are subject to optional redemption prior to maturity. See "Redemption of the 2007 Series B Bonds" herein.

*The 2007 Series B 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 Kirkpatrick & Lockhart Preston Gates Ellis LLP, Portland, Oregon, Bond Counsel, and to certain other conditions. The City expects that the 2007 Series B Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about August 2, 2007.*

**MATURITY SCHEDULE**

**\$16,860,000**

**LIMITED TAX REVENUE BONDS  
2007 SERIES B  
(PORTLAND MALL REVITALIZATION PROJECT)**

<b><u>Due June 1</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Price or Yield</u></b>	<b><u>CUSIP No. 736740</u></b>
2008	\$1,500,000	4.00%	3.68%	GK1
2009	1,440,000	4.00	3.71	GL9
2010	1,495,000	4.00	3.76	GM7
2011	1,555,000	4.00	3.81	GN5
2012	1,620,000	5.00	3.85	GP0
2013	1,700,000	4.25	3.90	GQ8
2014	1,770,000	4.25	3.95	GR6
2015	1,845,000	4.50	4.00	GS4
2016	1,930,000	4.00	4.08	GT2
2017	2,005,000	4.00	4.16	GU9

**OFFICIAL STATEMENT  
OF THE  
CITY OF PORTLAND, OREGON  
\$16,860,000  
LIMITED TAX REVENUE BONDS  
2007 SERIES B  
(PORTLAND MALL REVITALIZATION PROJECT)**

**CITY COUNCIL**

Tom Potter,  
Mayor and Commissioner of Finance and Administration

Sam Adams, Commissioner of Public Utilities  
Randy Leonard, Commissioner of Public Safety  
Dan Saltzman, Commissioner of Public Affairs  
Erik Sten, Commissioner of Public Works

**CITY OFFICIALS**

Gary Blackmer, City Auditor  
David E. Thurman, City Treasurer  
Linda Meng, City Attorney  
Kenneth L. Rust, Interim Chief Administrative Officer  
Jennifer Sims, Interim Chief Financial Officer

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**BOND COUNSEL**

Kirkpatrick & Lockhart Preston Gates Ellis 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 2007 Series B 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 2007 Series B 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**  
**\$16,860,000**  
**LIMITED TAX REVENUE BONDS**  
**2007 SERIES B**  
**(PORTLAND MALL REVITALIZATION PROJECT)**

**INTRODUCTION**

This Official Statement sets forth certain information concerning the City of Portland, Oregon (the “City”), and its Limited Tax Revenue Bonds, 2007 Series B (Portland Mall Revitalization Project) (the “2007 Series B Bonds”).

**THE 2007 SERIES B BONDS**

**DESCRIPTION**

The 2007 Series B Bonds will be issued in book-entry form only, in registered form in denominations of \$5,000 or integral multiples thereof. The 2007 Series B 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 2007 Series B 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 2007 Series B Bonds will be dated as of the Date of Delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the cover page of this Official Statement. Interest on the 2007 Series B Bonds is payable on December 1, 2007, and semi-annually thereafter on June 1 and December 1 of each year, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

**AUTHORIZATION AND PURPOSE**

The 2007 Series B Bonds are issued pursuant to the authority of Oregon’s Uniform Revenue Bond Act (Oregon Revised Statutes 288.805 to 288.945) and City Ordinance No. 180937 adopted by the City Council on May 2, 2007. The 2007 Series B Bonds also are being issued pursuant to a Bond Declaration that is dated as of the date of closing (the “Bond Declaration”). The form of the Bond Declaration is provided in Appendix A.

The 2007 Series B Bonds will be issued for the purpose of financing a light rail transit extension along the downtown transit mall between Union Station and Portland State University. See “THE PORTLAND MALL REVITALIZATION PROJECT” herein.

**SECURITY**

The City has pledged its full faith and credit to pay the 2007 Series B Bonds, and the City is obligated to pay the 2007 Series B Bonds from any of its legally available funds. The City is not authorized to levy additional taxes to pay the 2007 Series B Bonds.

The City also has committed to pay the 2007 Series B Bonds from the Available Net Meter Revenues, as defined and provided in the Bond Declaration. In August 2004, the City Council authorized the City’s Office of Transportation (“PDOT”) to increase on-street parking meter rates in order to provide sufficient revenues to pay the debt service on the 2007 Series B Bonds. While the City expects to use the net meter revenues to repay the 2007 Series B Bonds, these revenues are

not pledged to the 2007 Series B Bonds. See Appendix A, Bond Declaration and “ANNUAL DISCLOSURE INFORMATION – FINANCIAL OPERATIONS – Parking Meter Financial Operations” herein.

## **FORM**

In accordance with the Book-Entry System, the 2007 Series B Bonds, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee for DTC. Purchasers of the 2007 Series B Bonds who are the Beneficial Owners thereof will not receive certificates evidencing their ownership interests in the 2007 Series B Bonds. While Cede & Co. is the registered Owner of the 2007 Series B Bonds (in such capacity, the “Owner”) as nominee of DTC, it shall be treated in all respects as the sole Owner of the 2007 Series B Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2007 Series B 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 2007 Series B Bonds under the Bond Declaration or applicable law. So long as the 2007 Series B Bonds are subject to the Book-Entry System, all registrations and transfers of Beneficial Ownership of the 2007 Series B Bonds will be made only through the Book-Entry System. See “BOOK-ENTRY SYSTEM” in Appendix E herein.

## **PAYMENT OF THE 2007 SERIES B BONDS WHILE IN BOOK-ENTRY SYSTEM**

So long as the 2007 Series B Bonds are subject to the Book-Entry System, all payments of the principal of and interest on the 2007 Series B 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 2007 Series B Bonds. The City has no responsibility for the distribution of any payments on the 2007 Series B 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 2007 SERIES B BONDS**

The 2007 Series B Bonds maturing after June 1, 2015 are subject to redemption at the option of the City in whole or in part on June 1, 2015, and on any date thereafter, at a price of par plus interest accrued to the date fixed for redemption.

In the case of any redemption of less than all of the outstanding 2007 Series B Bonds, the City shall have the right to specify the particular maturities to be redeemed and the aggregate principal amounts of each such maturity to be redeemed.

### **Selection of 2007 Series B Bonds for Redemption**

While the 2007 Series B Bonds are subject to the Book-Entry System, if less than all the outstanding 2007 Series B Bonds of a particular maturity are to be redeemed, DTC will select the particular 2007 Series B Bonds in accordance with its customary practices.

### **Notice of Redemption**

While the 2007 Series B Bonds are subject to the Book-Entry System, notice of any redemption shall be given by the Paying Agent only to DTC in accordance with the agreement entered into among the City, the Paying Agent and DTC. It shall be the sole responsibility of DTC to give all notices of redemption to DTC Participants, and the DTC Participants, in turn, shall be responsible for giving such notices to the Beneficial Owners. Neither the City nor the Paying Agent will be responsible for giving any notice of redemption to any Beneficial Owner or any DTC Participant, nor shall the City or the Paying Agent be liable for any failure of DTC or any DTC Participant to give any such notice as described above.

## **THE PORTLAND MALL REVITALIZATION PROJECT**

In June 2007, the City entered into an intergovernmental agreement (the “Intergovernmental Agreement”) with the Tri-County Metropolitan Transportation District of Oregon (“Tri-Met”) to provide a share of the local funding necessary for light rail extensions between the Gateway and the Clackamas Town Center (the “I-205 Segment”) and along the downtown transit mall between Union Station and Portland State University (the “Mall Segment”). The project is expected to be operational in September 2009.

Construction of the Mall Segment, which will be paid for in part with a City grant to Tri-Met funded with the proceeds of the 2007 Series B Bonds, includes 1.8 miles of light rail track, stations, overhead wiring and other necessary elements along 5<sup>th</sup> and 6<sup>th</sup> Avenues between Interstate 405 and Union Station, with a connection to the existing light rail tracks on the Steel Bridge. The Mall Segment includes seven new stations in each direction in downtown Portland. Additionally, the project includes repairing and replacing damaged elements of the current Portland Transit Mall, sidewalk and urban design treatments, shelter improvements, and other improvements.

Federal funding for the project is being provided under a Full Funding Grant Agreement through the Federal Transit Administration. The total project cost is estimated at \$584.8 million. The Intergovernmental Agreement requires the City to provide a total of \$24.5 million for the project, including the proceeds of the 2007 Series A Bonds. Additional City funding is expected to be contributed from the City’s General Fund and by the City’s Office of Transportation (“PDOT”), Bureau of Environmental Service and Water Bureau.

**ESTIMATED SOURCES AND USES OF FUNDS**

The anticipated uses of proceeds from the 2007 Series B Bonds are itemized in the following table:

**Table 1  
CITY OF PORTLAND, OREGON  
Estimated Sources and Uses of Funds**

<b>SOURCES:</b>	
Par amount of bonds	\$16,860,000.00
Original issue premium/(discount)	198,553.20
<b>TOTAL SOURCES</b>	<b>\$17,058,553.20</b>
 <b>USES:</b>	
Deposit to construction fund	\$17,000,000.00
Underwriter’s discount	30,158.31
Issuance costs	28,394.89
<b>TOTAL USES</b>	<b>\$17,058,553.20</b>

Source: City of Portland.

The following table presents the scheduled debt service on the 2007 Series B Bonds.

**Table 2**  
**CITY OF PORTLAND, OREGON**  
**Scheduled Debt Service on the 2007 Series B Bonds**

<b>Fiscal Year Ending June 30th</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$1,500,000.00	\$588,448.61	\$2,088,448.61
2009	1,440,000.00	648,500.00	2,088,500.00
2010	1,495,000.00	590,900.00	2,085,900.00
2011	1,555,000.00	531,100.00	2,086,100.00
2012	1,620,000.00	468,900.00	2,088,900.00
2013	1,700,000.00	387,900.00	2,087,900.00
2014	1,770,000.00	315,650.00	2,085,650.00
2015	1,845,000.00	240,425.00	2,085,425.00
2016	1,930,000.00	157,400.00	2,087,400.00
2017	2,005,000.00	80,200.00	2,085,200.00
<b>Total</b>	<b>\$16,860,000.00</b>	<b>\$4,009,423.61</b>	<b>\$20,869,423.61</b>

Source: City of Portland.

## ANNUAL DISCLOSURE INFORMATION

*In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12), the City will provide annually the information presented in this section entitled “Annual Disclosure Information” to all NRMSIRs and SIDs, if any. (See Appendix D, “Continuing Disclosure Certificate” herein.)*

### FINANCIAL OPERATIONS

#### Basis of Accounting

The governmental fund types, expendable trust funds, and agency funds are maintained on the modified accrual basis of accounting. The City’s accounting practices conform to generally accepted accounting principles as interpreted by the Governmental Accounting Standards Board (the “GASB”). Beginning with FY 2001-02, the City of Portland adopted the provisions of GASB Statement No. 34 (“GASB 34”), which establishes new requirements and a new reporting model for the annual financial reports of state and local governments.

#### 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 2005-06, and has been engaged to conduct the City’s FY 2006-07 audit.

A complete copy of the City’s FY 2005-06 audit is available on the City’s web site at <http://www.portlandonline.com/omf/index.cfm?c=43896>. The City’s web site is listed for reference only, and is not part of this Official Statement.

#### 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.

#### General Fund

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

#### Parking Meter Financial Operations

The 2007 Series B Bonds are secured by the City’s full faith and credit and the City is unconditionally obligated to pay the 2007 Series B Bonds from any legally available source. However, the City has committed to pay the 2007 Series B Bonds from the Available Net Meter Revenues, as defined and provided in the Bond Declaration. The City has not pledged the Available Net Meter Revenues to pay the 2007 Series B Bonds.

Net meter revenues are currently pledged to the City's outstanding parking revenue bonds and to the City's Limited Tax Revenue Bonds, 1999 Series A, the proceeds of which funded a portion of the Portland Streetcar. In addition, the City has a contingency plan related to the City's Arena Limited Tax Revenue Refunding Bonds, 2005 Series A that designates net meter revenues to be used to pay those bonds if revenues from the Rose Garden Arena project are not sufficient to pay debt service on those bonds. Net meter revenues are not currently used to pay debt service on any of these outstanding debt obligations. Debt service on the City's parking revenue bonds and Portland Streetcar limited tax revenue bonds is paid from revenues of the City's parking garage system. The Arena limited tax revenue bonds are paid entirely from revenues derived from the operations of the Rose Quarter Arena, including parking revenues and user fees on tickets. However, if net meter revenues were required to pay these outstanding obligations, the net meter revenues would be used to pay those obligations before they are used to pay the 2007 Series B Bonds.

Gross Meter Revenues and Meter Operating Expenses are accounted for in the Transportation Operating Fund. Gross Meter Revenues include all revenues from the Meters, including meter receipts, parking permit fees, and citation fines. Gross Meter Revenues support transportation related activities, including installation, operation, and maintenance of the meters, and regulation, enforcement, control, engineering and construction in connection with vehicle and pedestrian traffic within the City. Meter Operating Expenses are all costs associated with operating and maintaining the Meters and collecting the Gross Meter Revenues.

The table below shows historical collections of Gross Meter Revenues and related Meter Operating Expenses. Between FY 2002-03 and FY 2006-07, Gross Meter Revenues increased by a compound annual rate of 11.9 percent. The rate of revenue growth was driven by three primary factors. First, PDOT replaced almost all of the single-spaced coin parking meters with multi-space smart-meters beginning in FY 2002-03. The smart-meters provide better customer service, allow customers to use credit and debit card technology to pay for parking, reduce collection costs incurred by the City, and improve revenue recovery performance. The second factor relates to changes in parking operations beginning in FY 2005-06. The hourly parking rate increased from \$1.00 per hour to \$1.25 per hour, and the rate for long-term parking was eliminated. Also, the hours of operations for the downtown meter area were expanded by an hour from 6 p.m. to 7 p.m. This change accounts for approximately a third of revenue growth. Finally, the regional economic recovery has resulted in improved meter collections in recent years.

Between FY 2002-03 and FY 2005-06, Meter Operating Expenses grew by a compound annual rate of 7.6 percent. This increase was due in part to the cost of the software used in the smart-meters and the paper used for printing the parking validation receipt and bank transaction fees for customers using their credit or debit cards to pay for parking. In FY 2006-07, operating expenses declined by 5.3 percent from the prior fiscal year in part because of temporary position vacancies and reassignment of operating personnel to capital projects.

**Table 3**  
**CITY OF PORTLAND, OREGON**  
**Historical Revenues and Expenses – Parking Meter System**  
**FY 2003-03 through FY 2006-07**

	<b>Actual</b> <b>FY 2002-03</b>	<b>Actual</b> <b>FY 2003-04</b>	<b>Actual</b> <b>FY 2004-05</b>	<b>Actual</b> <b>FY 2005-06</b>	<b>Estimated</b> <b>FY 2006-07 (1)</b>
<b>Gross Meter Revenues</b>					
Meter Collections	\$8,229,429	\$8,960,134	\$9,814,533	\$13,231,023	\$14,100,000
Citation Fines	3,137,609	2,667,592	2,781,658	3,326,982	3,800,000
Misc. Fees/Permit	1,239,248	1,325,556	1,288,940	1,265,492	1,900,000
Total	<u>\$12,606,286</u>	<u>\$12,953,282</u>	<u>\$13,885,131</u>	<u>\$17,823,497</u>	<u>\$19,800,000</u>
<b>Meter Operating Expenses</b>					
Parking Patrol Program	\$3,296,658	\$3,188,514	\$3,411,115	\$3,467,153	\$3,202,000
Parking Op./Mgt. Program	1,339,620	1,770,565	2,031,796	2,678,111	2,839,000
Meter Maintenance	662,659	485,318	463,008	498,761	418,839
Collection Contract (2)	183,230	161,159	128,238	176,219	0
Total	<u>\$5,482,167</u>	<u>\$5,605,556</u>	<u>\$6,034,157</u>	<u>\$6,820,244</u>	<u>\$6,459,839</u>
<b>Net Meter Revenues</b>	<u>\$7,124,119</u>	<u>\$7,347,725</u>	<u>\$7,850,974</u>	<u>\$11,003,253</u>	<u>\$13,340,161</u>

Notes:

- (1) Estimated year-end results based on financial data collected through Accounting Period 12, which ended May 30, 2007.
- (2) Beginning in FY 2006-07, collections are being handled internally, and are accounted for in the Parking Operations Program.

Source: City of Portland.

**BUDGETING 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 City Council convenes to review overall goals, establish priorities, and provide 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 Council at the beginning of the budget process, in December, which serves as the basis for determining resources available for budgeting. Major City operations prepare five-year financial plans and Capital Improvement Plans, which are provided to Council about a month before budget requests are submitted.

Bureau budget requests are reviewed by teams of Council members and citizen advisors who solicit further public comment and make recommendations to the Mayor. The Mayor then develops a Proposed Budget that addresses 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 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 through a majority vote of the Council no later than June 30. All committee meetings and budget hearings are open to the public.

## INSURANCE

The City is self-insured for workers' compensation, general liability claims, and certain employees' medical coverage in internal service funds. Per Oregon Revised Statute 30.270(1)(b)(c), general and fleet liability claims are limited to \$100,000 per person, and 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 final 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 2005-06, the expected rate of return was 3.75 percent. The City's Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

The City provides insurance coverage deemed as adequate, appropriate, and actuarially sound. It meets all the City's anticipated settlements, obligations, and outstanding liabilities. Current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess coverage insurance policy covers individual claims in excess of \$1,000,000 and an excess workers' compensation coverage insurance policy covers claims in excess of \$1,500,000. Settlements have not exceeded coverages in the past three fiscal years.

On July 5, 2006, the Oregon Court of Appeals decided a case, *Clarke v. Oregon Health Sciences University* ("OHSU"), challenging the constitutionality of parts of the Oregon Tort Claims Act ("OTCA"). Under the OTCA, the State's common law sovereign immunity from suit is lifted and claims may be brought against a public body in Oregon, including the City. The liability of public bodies, however, is capped at \$200,000 for individual personal injury claims. In addition, the public body has to be substituted as a defendant in lieu of individual employees of the public body, thereby limiting recovery for claims against individual employees to the limits applicable to public bodies. In *Clarke*, the plaintiff was severely disabled as a result of the negligence of health professionals employed at OHSU, which is a public body. The damages alleged amounted to approximately \$12 million.

Article I, Section 10 of the Oregon Constitution provides the right to a remedy to persons who are injured in their person, property or reputation. The *Clarke* court concluded that the \$200,000 cap on the amount of potential recovery did not provide a substantial remedy to plaintiff in lieu of what plaintiff would have been able to claim at common law from individual government employees who were admittedly negligent. Therefore, the substitution of OHSU for the individual plaintiffs, under the facts at issue in *Clarke*, violated Article I, Section 10 of the Oregon Constitution.

The impact of the court's holding in this case on other public bodies, such as the City, is uncertain. OHSU has asked the Oregon Supreme Court to review the Court of Appeals decision. The Supreme Court accepted review and heard arguments on January 9, 2007. Although there is no specified timetable for the Supreme Court to issue its decision and some cases take a very long time from argument to decision, it is fairly likely that a decision might be reached sometime in 2007.

Under the OTCA, the City currently indemnifies its employees for liability that they incur due to negligence within the scope of their work. Accordingly, if the decision is upheld by the Oregon Supreme Court it may mean that the City must pay higher amounts to indemnify its employees who would not be protected by the damage cap.

The City is addressing potential impacts of the *Clarke* case by making appropriate adjustments to its insurance program. In November 2006, the City expanded its excess liability coverage, so that its insurance policy will now respond as needed no matter how the *Clarke* case is decided and no matter how the Oregon Tort Claims Act is challenged in the future. Also, consideration is being given in the current budget process as to the cost-effectiveness of increasing the limits of coverage on the excess liability policy and increasing the confidence level of the self-insurance reserves in the Insurance & Claims Fund.

## 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”) – 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. Beginning January 1, 2004, T1/T2 Pension Program employee contributions were directed to an individual retirement account and will be part of a separate defined contribution program.

The 72<sup>nd</sup> Oregon Legislature created the OPSRP. 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.

Every two years the Public Employees Retirement Board (“PERB”) establishes the contribution rates that employers will 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. 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 City’s current employer contribution rates for the period between July 1, 2005, and June 30, 2007, are based on the December 31, 2003, actuarial valuation and are 8.07 percent of T1/T2 Pension Program payroll, 4.66 percent of OPSRP general services payroll, and 8.27 percent of OPSRP police and fire payroll. These rates do not include the six percent and nine percent employee contribution rates.

The City’s employer rates for the period between July 1, 2007, through June 30, 2009, will be 6.66 percent of T1/T2 Pension Program payroll, 9.21 percent of OPSRP general services payroll, and 12.48 percent of OPSRP police and fire payroll. These rates do not include the six percent and nine percent employee contribution rates to the IAP paid by the City. These contribution rates were calculated based upon the December 31, 2005, actuarial valuation (the “2005 Valuation”), which was prepared under new actuarial methodologies that were approved in April 2006. Currently, one percent of payroll for the three pension benefit programs is approximately: \$1.9 million for T1/T2 Pension Programs; \$450,000 for OPSRP general services; and \$50,000 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.

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”). The 2005 Valuation indicates that the City has an accrued actuarial surplus of \$92,818,145. As of December 31, 2004, the City had an actuarial surplus of \$587,340. The City’s portion of the SLGRP’s assets and liabilities is based on the City’s proportionate share of SLGRP’s pooled payroll. The increase in the City’s accrued actuarial surplus is due to a variety of factors, including strong earnings on investments in the PERS Fund, changes to certain actuarial methodologies and assumptions, and the deployment of certain excess System reserves to accounts that are treated as assets of the System.

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 PERS actuary recently released its first valuation of OPSRP for the year ending December 31, 2005. As of December 31, 2005, OPSRP's actuarial asset value was \$55 million and the actuarial accrued liability was \$53.8 million, resulting in a funded ratio of 102.2 percent.

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 Limited Tax Pension Obligation Revenue Bonds issued in FY 1999-2000 to fund the City's unfunded actuarial liabilities with PERS as of December 31, 1997.

### **Legal Challenges**

The 2003 Oregon Legislative Assembly enacted significant changes to PERS (the "2003 PERS Legislation") that were intended to reduce costs for participating employers, including the City. Several Oregon employees filed lawsuits challenging various aspects of the 2003 PERS Legislation. The 2003 PERS Legislation, among other things, affected the earnings calculation on the accounts of Tier 1 Pension Program members; created the OPSRP retirement program; blocked further contributions to variable rate accounts, and required updated actuarial tables. The initial challenges to the 2003 PERS Legislation were consolidated and decided by the Oregon Supreme Court in 2005, although several additional lawsuits remain pending in the Oregon state courts. The United States Court of Appeals for the Ninth Circuit decided the initial federal court challenges to the PERS legislation in October 2006, including one case challenging the updated actuarial tables. In that case, the Ninth Circuit affirmed in part, reversed in part and remanded back to the lower court for further proceedings related to the procedural posture of the case.

The 2003 PERS Legislation also provided a statutory remedy to a prior case filed by the City of Eugene and other public employers. In that case, the trial court ruled, among other things, that PERB credited too much in 1999 earnings to certain member accounts. The decision was appealed by PERS members who intervened in the case. The original parties in the case entered into a settlement agreement in which PERB agreed, among other things, to reduce the 1999 earnings credited to certain member regular accounts. In 2005, the Oregon Supreme Court dismissed the appeal of the case as moot and in July 2006, the court vacated the underlying trial court judgment.

The Supreme Court's decision in the City of Eugene appeal will affect certain pending cases that challenge PERB's actions taken to address the 1999 over-crediting addressed in the litigation, the City of Eugene settlement, and the 2003 PERS Legislation. This decision will most directly affect a class action suit filed by certain retirees which challenges PERB's recovery of funds from the 1999 earnings over-crediting. The amount at issue is approximately \$800 million. If the court finds in favor of the retirees, PERS may be required to devise an alternative method to recover the funds.

The recently released 2005 Valuation takes into account the court decisions in existence when the valuation was completed. The outcome of the pending federal and state cases challenging the Legislature's and PERB's actions may affect the system's and the City's unfunded actuarial liability in the future.

### **Fire and Police Disability and Retirement Fund**

Most of the fire and police personnel are covered under the City's Fire and Police Disability and Retirement ("FPDR") Fund. The FPDR Fund is financed from a special property tax levy of not less than \$1.00 or more than \$2.80 per \$1,000 of real market value of property in the City. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the \$2.80 per \$1,000 limit, then other City funds would be required to make up the difference. The FY 2006-07 imposed levy of \$86,550,497 for pension purposes requires a tax rate of \$2.2379 per \$1,000 of assessed property value, or approximately \$1.37 per \$1,000 of real market value.

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

As of July 1, 2006, the unfunded actuarial liability of the FPDR Fund was \$1,802,394,343. In consultation with its external auditor, 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 could be achieved under existing investment. In FY 2005-06, City continued to monitor the discount rate used to value the Fund liabilities throughout the fiscal year and revised the 2005 discount rate of 6.63% used to value the FPDR Fund liabilities to 6.04%. The impact of this change increased the net pension obligation by \$362,344.

On November 7, 2006, City voters passed a ballot measure that will change the structure of the FPDR Plan. The change took effect on January 1, 2007. Under the new structure, the number of members on the board of trustees will be reduced from the current eleven members to five. The five members will include two citizen members with expertise in disability or retirement, one City representative, and two member representatives. In addition, the FPDR Board will no longer decide claims. A qualified administrator will deny or approve claims. Appeals will be made to independent hearings officers with disability experience.

All police and firefighters hired after January 1, 2007, will 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.

## **POST-EMPLOYMENT RETIREMENT BENEFITS**

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 or allocated to individual employers. Based upon the 2005 Valuation, the RHIA program had an unfunded actuarial liability of approximately \$314.9 million, which represents a funded ratio of 36.5%. The City's employer contribution rate for the RHIA plan for the period between July 1, 2005, through June 30, 2007, is 0.59% of covered payroll, which is included in the City's T1/T2 Pension Program employer contribution rate of 8.07% described above. The City's employer contribution rate for the RHIA plan for the period between July 1, 2007, through June 30, 2009, is 0.37%, which is included in the City's T1/T2 Pension Program employer contribution rate of 6.66 percent described above. The valuation information for RHIA has been calculated under GASB Statement No. 43 valuation standards.

Distinct from the PERS program, the City is currently assessing its liability for other post-employment benefits ("OPEB") in anticipation of expanded reporting requirements specified by GASB Statement No. 45 ("GASB 45").

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. GASB 45 refers to this as an implicit subsidy and therefore requires the corresponding liability to be determined and reported. The City's benefits consulting firm's actuary is performing the actuarial valuation for purposes of complying with the GASB 45 standards. The City expects to report its OPEB liability in conformance with GASB 45 requirements beginning with the fiscal year ending June 30, 2008.

## **OVERVIEW OF CITY INDEBTEDNESS**

### **Debt Management Policy**

In April 1984, the City Council adopted Resolution No. 33661, which places centralized responsibility for Debt Management in the Office of Management and Finance and establishes standards and procedures for the issuance of debt. The policy includes more restrictive limits on City debt issuance than required by State law. In the fall of 1995, this policy was updated and expanded to include current and future debt practices. Among the general provisions included in the debt policy are types of debt that may be issued and limitations on their use, selection of finance professionals, methods of sale, structure and term of City indebtedness, issuance of conduit debt, and refunding outstanding debt. The updated policy was adopted by the City Council in October 1995.

### **Debt History**

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

### **Debt Limitation**

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

## **OUTSTANDING LONG TERM DEBT**

The City issues a variety of debt types for the purpose of carrying out its capital financing activities. These various debt types are shown in the table titled "Long Term Debt Statement." Outstanding debt amounts are as of July 1, 2007

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

#### Tax Supported General Obligation Bonds

The City has \$61.77 million of outstanding tax-supported general obligation bonds. These bonds were originally issued for the purpose of funding park and emergency facility system improvements. The City is authorized to levy an unlimited ad valorem tax to pay these bonds.

#### Self-Supporting General Obligation Water Bonds

The City has \$6.08 million of outstanding self-supporting general obligation water bonds. While the City has the authority to levy an unlimited ad valorem tax to pay these bonds, the City has chosen to pay these bonds entirely from revenues of the water system.

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

The following obligations are secured by the full faith and credit of the City. The City is obligated to pay these obligations from any taxes or other revenues available to the City that may legally be applied to pay them. The City is not authorized to levy additional taxes to pay these obligations.

#### Non Self-Supporting General Fund Obligations

*Limited Tax Revenue Bonds.* As of July 1, 2007, the City had \$81.07 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 December 31, 1997, unfunded actuarial accrued pension liability with the State of

Oregon Public Employees Retirement System. The bonds are payable from the City's "Available General Funds," defined as revenues which are legally available to pay the bonds and not prohibited for such use under the charter and ordinances of the City and Oregon laws, and includes all taxes and other legally available general funds of the City. Approximately forty percent of the debt service on these bonds is expected to be paid from resources of the General Fund. The remaining sixty percent is expected to be paid by non-General Fund bureaus of the City. (See "Self-Supporting General Fund Obligations" below.) As of July 1, 2007, approximately \$110.7 million of outstanding principal remained on the portion of the bonds projected to be repaid with General Fund resources.

*Limited Tax Housing Revenue Bonds.* The City has outstanding a total of \$21.17 million of Limited Tax Housing Revenue Bonds. This amount includes bonds issued for the Headwaters Apartment Project and for the Housing Opportunity Program.

*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 par amount of these issues is \$38.165 million, of which approximately \$34.5 million remains outstanding.

#### Self-Supporting General Fund Obligations

*Limited Tax Pension Obligation Revenue Bonds.* Of the total outstanding Limited Tax Pension Obligation Revenue Bonds described above, approximately \$187.5 million is expected to be fully self-supporting and paid from non-General Fund bureaus of the City.

*Limited Tax Revenue Bonds (Central City Streetcar Project).* The City has \$23.94 million of outstanding limited tax revenue bonds for the Central City Streetcar Project. These bonds are ultimately secured by the City's General Fund, but the City expects to pay the debt service on these bonds with revenues from the City's parking facilities and meters.

*Limited Tax Revenue Bonds (Visitor Development Initiative).* The City has issued bonds pursuant to an intergovernmental agreement known as the Visitor Development Initiative for various projects. While ultimately secured by the General Fund, these bonds are expected to be repaid in whole or in part with revenues generated from surcharges on the transient lodging tax and the motor vehicle rental tax. As of July 1, 2007, the City had \$96.6 million of outstanding limited tax revenue bonds for the Oregon Convention Center Completion Project, \$29.655 million of outstanding bonds for the Civic Stadium Project, and \$1.66 million of outstanding bonds for the Portland Center for Performing Arts ("PCPA") Project.

*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 \$24.675 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.

*Limited Tax Improvement Bonds.* The City has \$56.25 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.

*Other Obligations.* The City has about \$2.9 million of other obligations outstanding. This includes a limited tax revenue bonds for improvements in the South Waterfront Central District and a state loan being repaid by the Bureau of Environmental Services.

## **Revenue Bonds**

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

## **Urban Renewal Bonds**

A total of \$271.730 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, and bonds issued in 2004 for the Interstate Corridor Urban Renewal Area. 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.

**Table 4**  
**CITY OF PORTLAND, OREGON**  
**Long-Term Debt Statement (1)**  
**As of July 1, 2007**

<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	\$32,080,000
General Obligation Emergency Facilities Bonds	29,690,000
<b>Total Tax Supported G.O. Bonds</b>	<u>\$61,770,000</u>
<b>B. Self-Supporting</b>	
General Obligation Water Bonds	\$6,080,000
<b>Total Self-Supporting G.O. Bonds</b>	<u>\$6,080,000</u>
<b>II. BONDS PAID AND/OR SECURED BY THE GENERAL FUND</b>	
<b>A. Non-Self-Supporting</b>	
Limited Tax Revenue Bonds	\$81,070,000
Limited Tax Pension Obligation Revenue Bonds (General Fund share)	110,734,941
Limited Tax Housing Revenue Bonds	21,170,000
<b>Total Bonds Secured and Paid from the General Fund (1)</b>	<u>\$212,974,941</u>
<b>B. Self-Supporting</b>	
Limited Tax Pension Obligation Revenue Bonds (Non-General Fund share)	\$187,543,405
Limited Tax Revenue Bonds (Streetcar)	23,940,000
Limited Tax Revenue Bonds (Visitor Development Initiative)	127,923,888
Limited Tax Revenue Bonds (Arena)	24,675,000
Limited Tax Revenue Bonds (South Waterfront Improvements)	2,470,107
Limited Tax Improvement Bonds	55,250,000
State Loans	464,119
<b>Total Self-Supporting Bonds Secured by the General Fund</b>	<u>\$422,266,519</u>
<b>III. REVENUE BONDS</b>	
Sewer Revenue Bonds	\$1,178,220,000
Sewer SRF Loans	20,803,666
Water Revenue Bonds	203,100,000
Parking Revenue Bonds	4,375,000
Golf Revenue Bonds	4,096,000
Hydroelectric Revenue Bonds	20,280,000
Urban Renewal Bonds	271,730,000
Gas Tax Revenue Bonds	5,940,000
<b>Total Revenue Bonds</b>	<u>\$1,708,544,666</u>
 <b>TOTAL - ALL OUTSTANDING LONG-TERM DEBT</b>	 <u><u>\$2,411,636,126</u></u>

Notes:

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

Source: City of Portland.

## CITY GENERAL OBLIGATION DEBT

The following tables 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 5**  
**CITY OF PORTLAND, OREGON**  
**General Obligation Capital Debt Ratios**  
**As of July 1, 2007**

	Amount	Per Capita	Percent of Real Market Valuation	Percent of Assessed Valuation
December 15, 2006 Population	562,690			
2006-07 Real Market Value (1)	\$72,903,687,505	\$129,563		
2006-07 Assessed Value (2)	\$41,801,961,411	\$74,290	57.34%	
Gross Bonded Debt (3)	\$851,393,953	\$1,513	1.17%	2.04%
Net Direct Debt (4)	\$61,770,000	\$118	0.09%	0.16%
Net Overlapping Debt (as of 12/31/2006)	\$250,799,871	\$446	0.34%	0.60%
<u>Net Direct and Overlapping Debt</u>	<u>\$317,379,871</u>	<u>\$564</u>	<u>0.44%</u>	<u>0.76%</u>
FY 2007-08 General Fund Debt Service as a Percent of FY 2007-08 General Fund Budget (5)	3.1%			

Notes:

- (1) Real Market Value encompasses City of Portland values within Multnomah, Washington, and Clackamas Counties, including estimated urban renewal excess real market values and exempt property.
- (2) Includes urban renewal excess assessed value.
- (3) Includes City's outstanding general obligation bonds, 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) 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 6**  
**CITY OF PORTLAND, OREGON**  
**Overlapping Debt**  
**As of December 31, 2006**

<u>Overlapping District</u>	<u>Overlapping Debt</u>			
	<u>2005-06</u> <u>Real Market Value</u>	<u>Percent</u> <u>Overlap</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>
Multnomah County	\$78,115,064,722	83.27%	\$262,387,099	\$51,252,008
Metro	156,709,523,205	41.68%	77,252,276	44,814,643
Portland Community College	123,147,813,215	45.01%	123,074,491	31,683,736
David Douglas School District 40	3,745,521,197	100.00%	46,349,954	46,349,954
Tri-Met	155,772,227,866	41.93%	97,996,960	28,892,319
Parkrose School District 3	3,472,827,076	98.02%	13,658,432	13,658,432
Centennial School District 28J	2,583,593,900	53.53%	21,118,868	20,745,920
Reynolds School District 7	5,688,707,825	22.29%	33,129,178	11,083,533
Beaverton School District 48J	25,006,422,430	0.31%	1,394,207	812,901
North Clackamas School District 12	11,322,567,350	0.66%	1,296,288	566,608
Riverdale School District 51J	700,119,092	3.84%	501,571	438,608
Washington County	52,371,123,176	0.31%	402,874	133,447
Clackamas County Community College	29,922,482,396	0.25%	247,866	112,006
Tigard-Tualatin School District 23J	9,673,764,664	0.11%	132,086	124,854
Scappoose School District 1J	1,367,224,973	6.68%	104,266	104,266
Lake Oswego School District 7J	7,519,372,090	0.03%	36,330	22,418
Tualatin Hills Park & Rec. District	21,049,163,921	0.02%	4,468	4,218
Clackamas County	39,789,454,833	0.29%	94,668	0
Northwest Regional ESD	66,180,407,550	0.27%	22,437	0
Port of Portland	171,741,944,714	38.03%	28,245,063	0
Multnomah County Drainage District No. 1	113,110,771	100.00%	6,045,000	0
Multnomah County School District 1J	56,776,301,712	97.29%	480,845,839	0
Multnomah ESD	79,341,356,625	82.01%	30,883,535	0
Mt. Hood Community College	24,747,129,595	39.66%	22,798,247	0
Clackamas County ESD	39,445,185,766	0.19%	53,544	0
<b>Totals</b>			<u>\$1,248,076,547</u>	<u>\$250,799,871</u>

Notes:

(1) Gross Property-tax Backed Debt includes all General Obligation bonds and Full Faith and Credit bonds.

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

Source: Municipal Debt Advisory Commission, Oregon State Treasury.

**Table 7**  
**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 (1)	Limited Tax Pension Obligation Revenue Bonds (2)	Total Non-Self Supporting Bonds/ Gen. Fund	Limited Tax Improve. Bonds (3)	Arena Limited Tax Revenue Bonds (4)	Limited Tax Pension Obligation Revenue Bonds (5)	Other Limited Tax Revenue Bonds (6)	Total Self-Supporting Bonds/ Gen. Fund
2008	\$15,316,212	\$8,166,114	\$23,482,326	\$5,605,730	\$2,727,415	\$13,830,330	\$11,186,590	\$33,350,066
2009	13,305,088	8,495,385	21,800,473	4,639,925	2,823,250	14,387,992	11,398,783	33,249,950
2010	12,931,007	8,828,964	21,759,971	4,547,125	2,921,908	14,952,950	11,646,473	34,068,456
2011	12,966,727	9,196,248	22,162,975	4,454,525	3,262,953	15,574,990	11,677,610	34,970,078
2012	12,118,503	9,558,733	21,677,236	4,342,125	3,368,925	16,188,905	11,870,623	35,770,578
2013	11,488,864	9,943,772	21,432,636	2,470,325	3,484,500	16,841,016	12,202,198	34,998,039
2014	10,404,505	10,329,489	20,733,994	2,077,405	3,601,500	17,494,275	12,454,740	35,627,921
2015	10,411,477	10,750,798	21,162,275	2,077,405	3,720,750	18,207,815	12,707,658	36,713,628
2016	7,785,764	11,184,721	18,970,485	2,077,405	3,846,500	18,942,717	13,105,183	37,971,805
2017	4,599,084	11,627,944	16,227,028	13,287,405		19,693,370	15,290,688	50,219,213
2018	4,583,326	12,095,715	16,679,041	1,651,905		20,485,598	13,647,913	35,785,416
2019	2,019,629	12,583,617	14,603,246	2,955,324		21,311,921	13,972,113	38,239,357
2020	2,014,799	13,081,663	15,096,462	1,439,880		22,155,425	14,315,488	37,910,793
2021	1,541,425	13,604,648	15,146,073	1,439,880		23,041,165	14,664,363	39,145,408
2022	1,542,445	14,150,222	15,692,667	1,439,880		23,965,162	14,616,413	40,021,455
2023	1,536,480	14,716,231	16,252,711	11,919,880		24,923,769	14,361,613	51,205,262
2024	1,538,765	15,304,658	16,843,423	984,000		25,920,342	11,979,213	38,883,555
2025	1,533,865	15,917,215	17,451,080	984,000		26,957,785	9,891,213	37,832,998
2026	776,065	16,553,904	17,329,969	984,000		28,036,096	9,896,063	38,916,159
2027	777,215	17,214,723	17,991,938	20,664,000		29,155,277	9,891,438	59,710,715
2028	777,130	17,905,243	18,682,373			30,324,757	9,896,825	40,221,582
2029	775,795	18,619,893	19,395,688			31,535,107	9,990,688	41,525,795
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>\$135,330,798</b>	<b>\$279,829,900</b>	<b>\$415,160,698</b>	<b>\$90,042,124</b>	<b>\$31,705,450</b>	<b>\$473,926,764</b>	<b>\$280,661,273</b>	<b>\$876,335,611</b>

Notes:

- (1) Includes Limited Tax Housing Revenue Bonds.
- (2) Reflects General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. A portion of the debt service on the bonds is expected to be paid from capitalized interest. Amounts shown reflect projected debt service on the bonds, net of capitalized interest.
- (3) Actual debt service may differ substantially from schedule above due to optional and mandatory redemption provisions.
- (4) Bonds are expected to be paid from Arena Project revenues.
- (5) Reflects non-General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. A portion of the debt service on the bonds is expected to be paid from capitalized interest. Amounts shown reflect projected debt service on the bonds, net of capitalized interest.
- (6) Includes bonds issued to finance Central City Streetcar, Convention Center Expansion Project, North Macadam Investors Funding Obligation, and improvements to the Portland Center for the Performing Arts ("PCPA") and Civic Stadium. Bonds issued for the Streetcar project are expected to be paid from parking facility and meter revenues. Bonds issued for Convention Center expansion, PCPA, and Civic Stadium will be repaid in whole or in part from transient lodging tax and vehicle rental tax surcharges imposed by Multnomah County. Excludes debt service on the 2007 Series B Bonds.

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 prior to the end of the fiscal year in which they were issued. The City expects to issue \$15,525,000 of tax anticipation notes on July 19, 2007, to fund cash flow deficits in the Fire and Police Disability and Retirement Fund. These notes will be retired on June 26, 2008.

### 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 bond proceeds sold at completion of the construction projects. The City currently has approximately \$195.3 million of these short-term obligations outstanding.

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

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

<b>Purpose</b>	<b>Estimated Amount</b>	<b>Planned Issue Date</b>	<b>Type of Issue</b>
Archives condominium	\$11.6 million	Summer 2007	Limited Tax Revenue Bonds
Emergency facilities	\$15 million	Fall 2007	General Obligation Bonds

Source: City of Portland.

## TRENDS IN PROPERTY VALUATION AND TAXATION

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

**Table 9**  
**CITY OF PORTLAND, OREGON**  
**Historical Trends in Assessed and Real Market Values**  
**(000s)**

Assessed Value					
Fiscal Year	Inside Multnomah County	Outside Multnomah County	Urban Renewal Incremental Value	Total Assessed Value	Percent Change
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%

  

Real Market Value (2)					
Fiscal Year	Inside Multnomah County	Outside Multnomah County	Urban Renewal Incremental Value	Total Real Market Value	Percent Change
1997-98 (1)	\$34,374,190	\$147,783	\$2,231,355	\$36,753,328	10.65%
1998-99	36,598,114	165,782	2,522,729	39,286,625	6.89%
1999-00	39,613,750	174,744	3,157,236	42,945,730	9.31%
2000-01	41,884,242	188,959	4,250,563	46,323,764	7.87%
2001-02	44,730,566	201,208	5,424,131	50,355,905	8.70%
2002-03	46,433,551	207,172	6,021,978	52,662,701	4.58%
2003-04	48,768,158	226,555	6,497,670	55,492,383	5.37%
2004-05	51,547,668	250,013	7,052,557	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%

Notes:

- (1) Under the provisions of Ballot Measure 50, beginning with FY 1997-98, Real Market Value and Assessed Value are no longer the same. Measure 50 rolled back the Assessed Value of each property for tax year 1997-98 to its 1995-96 Real Market Value, less ten percent. The Measure further limits any increase in Assessed Value to three percent for tax years after 1997-98, except for property that is substantially improved, rezoned, or subdivided, or property which ceases to qualify for a property tax exemption. This property will be assigned a new Assessed Value equal to the Assessed Value of comparable property in the area. See "Property Tax and Valuation Information" herein.
- (2) Allocation of Real Market Value to categories "Inside Multnomah County" and "Urban Renewal Incremental Value" is estimated by the City.

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

**Table 10**  
**CITY OF PORTLAND, OREGON**  
**Consolidated Tax Rate: Fiscal Year 2006-07**  
**Levy Code 201 (1)**

<u><b>Taxing District</b></u>	<b>Permanent Tax Rate Per \$1000 A.V.</b>	<b>Local Option And Other Tax Rates (2) Per \$1000 A.V.</b>	<b>General Obligation Debt Tax Rate Per \$1000 A.V.</b>	<b>Total Tax Rate Per \$1000 A.V.</b>
<b>CITY OF PORTLAND</b>	\$4.5770	\$3.0305	\$0.2053	\$7.8128
Portland Urban Renewal	0.0000	0.3588	0.0000	0.3588
Port of Portland	0.0701	0.0000	0.0000	0.0701
Metro	0.0966	0.0000	0.1816	0.2782
Multnomah County	4.3434	0.7550	0.1965	5.2949
E. Multnomah Soil & Conservation	0.0000	0.0000	0.0973	0.0973
Tri-County Metropolitan Trans. Dist.	0.0000	0.0326	0.0000	0.0326
<b>Subtotal - General Government</b>	<b>\$9.0871</b>	<b>\$4.1769</b>	<b>\$0.6807</b>	<b>\$13.9447</b>
Portland School District	\$5.2781	\$0.0000	\$0.0000	\$5.2781
Portland Community College	0.2828	0.0000	0.2061	0.4889
Multnomah Co. Education Svc. Dist.	0.4576	0.0000	0.0000	0.4576
<b>Subtotal - Schools</b>	<b>\$6.0185</b>	<b>\$0.0000</b>	<b>\$0.2061</b>	<b>\$6.2246</b>
<b>Totals</b>	<b>\$15.1056</b>	<b>\$4.1769</b>	<b>\$0.8868</b>	<b>\$20.1693</b>

Notes:

- (1) Levy Code 201 includes approximately 39 percent of the total assessed value of the City. Rates are before allocation to urban renewal division of taxes. Levy Code 001 contains the second largest amount of assessed value in the City, approximately 25%. This levy code does not include rates for the East Multnomah Soil and Conservation District.
- (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 City's two local option levies. Does not include impact of urban renewal division of tax rates.

Source: Multnomah County Department of Assessment and Taxation.

**Table 11**  
**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 5/18/07 (3)</b>
1997-98	\$213,328	95.87%	99.98%
1998-99	228,449	96.87%	99.99%
1999-00	237,785	96.56%	99.99%
2000-01	257,865	96.35%	99.98%
2001-02	267,740	96.46%	99.96%
2002-03	283,978	96.57%	99.94%
2003-04	324,709	96.92%	99.72%
2004-05	332,887	97.11%	99.47%
2005-06	363,683	97.20%	98.81%
2006-07	363,073	93.12% (4)	93.12%

Notes:

- (1) Tax collection information is for Multnomah County, which represents approximately 99% of the City's Assessed Value. Small portions of Washington and Clackamas Counties are also included in the City's Assessed Value.
- (2) Includes urban renewal special levy and levy amounts allocated to urban renewal divide the taxes. Levy amounts shown are after Measure 5 compression.
- (3) Collections reflect adjustments for cancellation of taxes, allowed discounts, and taxes added to tax roll due to omissions and corrections. Discounts currently represent the largest adjustment to the tax levy; discounts associated with the 2006-07 tax levy represent 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 12**  
**CITY OF PORTLAND, OREGON**  
**Principal Property Taxpayer Accounts**

<b>Taxpayer Account</b>	<b>Type of Business</b>	<b>FY 2006-07 Assessed Value</b>	<b>Percent of Total Assessed Value</b>
Total City Assessed Value		\$41,801,961,411	100.00%
Qwest Wireless	Communications	\$295,432,590	0.71%
Portland General Electric	Energy	246,469,230	0.59%
Pacificorp (PP&L)	Energy	235,810,000	0.56%
Oregon Steel Mills Inc	Steel plate manufacturing	163,510,960	0.39%
LC Portland LLC	Real estate	143,836,450	0.34%
United Airlines Inc.	Airline	132,002,500	0.32%
Freightliner LLC	Truck manufacturing	128,000,780	0.31%
Northwest Natural Gas	Energy	127,243,310	0.30%
Cingular Wireless	Communications	121,245,600	0.29%
Siltronic Corp.	Silicon wafer manufacturing	114,574,130	0.27%
		<b>\$1,708,125,550</b>	<b>4.08%</b>

Source: Multnomah County Department of Assessment and Taxation.

*(End of Annual Disclosure Information)*

## PROPERTY TAX AND VALUATION INFORMATION

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

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

### Section 11

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

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

New construction and changed property is not assessed at its estimated market value. (In Oregon, the assessor’s estimate of market value is called “Real Market Value.”) Instead, it receives an Assessed Value that is calculated by multiplying the Real Market Value of the property by the ratio of Assessed Values of comparable property in the area to the Real Market Values of those properties. This produces an Assessed Value for new construction and changed property that approximates to the Assessed Value of comparable property in the area.

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

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

Section 11 limits property tax collections by limiting increases in Assessed Value, by preventing increases in permanent tax rates, and through its voter participation requirements (see below).

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

- Some urban renewal areas which 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 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. This section (“Section 11b”) limits property tax collections by limiting the tax rates (based on Real Market Value) which are imposed for government operations.

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

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

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

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

### **Local Option Taxes**

Local governments (including community colleges and school districts) may obtain voter approval to impose local option taxes. Local option taxes are limited to a maximum of ten years for capital purposes, and a maximum of five years for operating purposes. Legislation was passed in the 1999 Session which allows school districts to use local option levies beginning October 23, 1999. In November 2006, voters 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 will begin in FY 2007-08.

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.

Three local government local option levies are currently in place within Multnomah County. In 2002, voters approved two local option levies of the City, which total \$0.7926 per \$1,000 of Assessed Value. These local option levies took effect in FY 2003-04 and extend for five years. A Multnomah County local option levy for libraries also was approved at a rate of \$0.7550 per \$1,000 of Assessed Value and also extended through FY 2007-08. In November 2006, voters approved a measure to replace the current Multnomah County library local option levy with a new library local option levy. This local option levy will take effect in FY 2007-08 and extend for five years at a rate of \$0.8900 per \$1,000 of Assessed Value.

### **Voter Participation**

New local option levies, taxes to pay general obligation bonds (other than refunding bonds), and permanent rate limits for governments that have not previously levied operating taxes must be approved at an election that meets the voter participation requirements established by Section 11. Section 11 requires those taxes to be approved by a majority of the voters voting on the question either: (i) at a general election in an even numbered year, or (ii) at any other election in which not less than fifty percent (50 percent) of the registered voters eligible to vote on the question cast a ballot.

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

### **General Obligation Bonds**

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

- 1) general obligation bonds authorized by a provision of the Oregon Constitution (this applies to State of Oregon general obligation bonds);
- 2) general obligation bonds issued on or before November 6, 1990;
- 3) general obligation bonds which were approved by a majority of voters after November 6, 1990 and before December 5, 1996, which are issued to finance capital construction or capital improvements;

- 4) general obligation bonds which were approved after December 5, 1996, which are issued to finance capital construction or capital improvements, and which met the voter participation requirements described above; and
- 5) obligations issued to refund the general obligation bonds described in the preceding four subparagraphs.

### **Collection**

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

Tax collections are now segregated into two pools, one for public schools and one for local governments, and each taxing body shares in its pool on the basis of its tax rate (adjusted as needed with tax limitation rate caps), regardless of the actual collection experience within each taxing body. Therefore, in application, the amount for each taxing body becomes a pro rata share of the total tax collection record of all taxing bodies within the County. Thus, an overall collection rate of 90 percent of the county-wide levy 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 6 percent.

## CITY ECONOMIC CHARACTERISTICS

The City, with an estimated July 1, 2006, population of 562,690, 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 July 1, 2006, population of approximately 2.12 million. The City is the county seat of Multnomah County, and is the largest city in Oregon and the second largest city in the Pacific Northwest.

### 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 1997 to 2006 was 1.13 percent compared to 0.92 percent for Multnomah County and 1.98 percent for the Portland MSA for the same period of time.

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

As of July 1	State of Oregon	City of Portland	Portland- Vancouver- Beaverton MSA <sup>1</sup>	Multnomah County	Washington County	Clackamas County
1997	3,302,140	508,500	1,779,200	646,260	385,000	317,700
1998	3,350,080	509,610	1,815,300	651,520	397,600	323,600
1999	3,393,410	512,395	1,841,200	656,810	404,750	326,850
2000	3,436,750	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 <sup>2</sup>	701,545	500,585	367,040
1997-2006 Compounded						
Annual Rate of Change	1.24%	1.13%	1.98%	0.92%	2.96%	1.62%
2002-2006 Compounded						
Annual Rate of Change	1.30%	1.12%	1.62%	1.15%	1.97%	1.13%

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

	1980	1990	2000
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 (MSA) as Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

(2) Preliminary as of January 2007.

Source: Washington State Office of Financial Management; Portland State University, Center for Population Research. Under 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.

## Portland-Vancouver-Beaverton Metropolitan Statistical Area

The Portland-Vancouver-Beaverton Metropolitan Statistical Area (“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 and West Linn. The cities of St. Helens and Scappoose are located in Columbia County. Yamhill County includes McMinnville and Newberg. Clark County contains Vancouver and Camas. 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.

## INCOME

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

The following table 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 1995 to 2005 was 5.47 percent. The compounded annual rate of change in per capita income for the PMSA was 3.58 percent from 1995 to 2005, compared with 3.77 percent for the State, and 4.09 percent for the nation.

**Table 14**  
**CITY OF PORTLAND, OREGON**  
**Total Personal Income and Per Capita Income**  
**MSA, Oregon, and the United States**  
**1995 to 2005**

Year	<u>Total Personal</u> <u>Income (millions)</u>	<u>Per Capita Income</u>		
	Portland- Vancouver- Beaverton MSA (1)	Portland- Vancouver- Beaverton MSA (1)	State of Oregon	USA
1995	\$43,598	\$24,924	\$22,293	\$23,076
1996	47,266	26,301	23,398	24,175
1997	50,912	27,672	24,469	25,334
1998	54,106	28,851	25,542	26,883
1999	56,918	29,858	26,480	27,939
2000	62,190	32,117	28,093	29,843
2001	63,933	32,334	28,502	30,562
2002	64,909	32,228	28,915	30,795
2003	66,576	32,629	29,530	31,466
2004	70,144	34,018	31,017	33,090
2005	74,282	35,430	32,289	34,471
1995-2005 Compound Annual Rate of Change	5.47%	3.58%	3.77%	4.09%

Notes:

(1) Income estimates for the revised Portland-Vancouver-Beaverton Metropolitan Statistical Area (MSA) are reflected in this table. The Portland-Vancouver-Beaverton MSA consists of Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

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

## LABOR FORCE AND UNEMPLOYMENT

The following table shows the annual average civilian labor force, employment level and unemployment level data that is available for the MSA for the period 1997 through 2006. The State of Oregon Employment Department reported a monthly unemployment rate in the MSA of 4.5 percent in May 2007.

**Table 15**  
**CITY OF PORTLAND, OREGON**  
**MSA Labor Force and Unemployment Rates (1)**

Year	Resident Civilian Labor Force	Unemployment		Total Employment (2)
		Number	Percent of Labor Force	
1997	1,043,762	43,017	4.1%	1,000,745
1998	1,064,295	44,477	4.2	1,019,818
1999	1,077,532	46,665	4.3	1,030,867
2000	1,074,434	47,972	4.5	1,026,462
2001	1,086,565	65,873	6.1	1,020,692
2002	1,091,037	85,327	7.8	1,005,710
2003	1,089,672	90,420	8.3	999,252
2004	1,090,557	77,118	7.1	1,013,439
2005	1,106,334	64,717	5.8	1,041,617
2006	1,126,232	57,245	5.1	1,068,987

Notes:

- (1) The data in this table reflects the definition of the Portland-Vancouver-Beaverton MSA which consists of Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.
- (2) Includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers and labor disputants.

Source: Oregon Employment Department.

**Table 16**  
**CITY OF PORTLAND, OREGON**  
**Average Annual Unemployment**

<b>Year</b>	<b>Portland- Vancouver- Beaverton MSA (1)</b>	<b>State of Oregon</b>	<b>USA</b>
1997	4.1%	5.6%	4.9%
1998	4.2	5.7	4.5
1999	4.3	5.5	4.2
2000	4.5	5.2	4.0
2001	6.1	6.4	4.7
2002	7.8	7.6	5.8
2003	8.3	8.1	6.0
2004	7.1	7.3	5.5
2005	5.8	6.2	5.1
2006	5.1	5.4	4.6

Notes:

- (1) This data reflects the definition of the Portland-Vancouver-Beaverton MSA which consists of Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

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

## EMPLOYMENT BY INDUSTRY

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

The Portland metropolitan area's manufacturing employment is largely based in the metals, instruments, machinery and electrical equipment sectors. The computer and electronic product manufacturing industry accounts for only 3.73 percent of the Portland metropolitan area's 2006 total non-farm employment.

**Table 17**  
**CITY OF PORTLAND, OREGON**  
**Portland-Vancouver-Beaverton, Oregon MSA**  
**Non-Farm Wage and Salary Employment (1) (2)**  
**(000)**

	2002	2003	2004	2005	2006	Percent of Nonfarm 2006
<b>Nonfarm employment</b>	<b>944,600</b>	<b>934,800</b>	<b>954,600</b>	<b>982,300</b>	<b>1,015,300</b>	<b>100.00%</b>
<b>Manufacturing</b>	<b>123,800</b>	<b>118,100</b>	<b>120,100</b>	<b>123,700</b>	<b>126,900</b>	<b>12.50%</b>
Durable goods	92,800	87,900	90,100	94,000	96,600	9.14
Wood products	5,500	5,500	5,800	6,000	6,100	0.54
Metal manufacturing	18,300	17,100	17,600	18,600	19,100	1.80
Machinery manufacturing	8,800	8,400	8,300	8,200	8,500	0.87
Computer & electronic manufacturing	37,700	34,700	35,600	36,900	37,800	3.71
Transportation equipment manufacturing	7,700	7,600	8,000	9,000	9,300	0.76
Nondurable goods	31,000	30,200	30,000	29,700	30,300	3.05
Food manufacturing	8,700	8,700	8,600	8,500	8,700	0.86
Paper manufacturing	5,600	5,400	5,200	5,000	5,000	0.55
<b>Non-manufacturing</b>	<b>820,800</b>	<b>816,700</b>	<b>834,500</b>	<b>858,600</b>	<b>888,400</b>	<b>87.50</b>
Construction & mining	53,300	51,800	55,600	60,000	65,100	6.41
Trade, transportation & utilities	192,400	190,900	193,400	197,700	203,100	20.00
Information	23,800	22,500	22,500	22,700	23,800	2.34
Financial activities	65,600	66,400	66,100	67,600	70,300	6.92
Professional and business services	121,700	117,900	122,100	128,000	134,100	13.21
Education and health services	111,000	113,600	115,700	119,500	123,600	12.17
Leisure and hospitality	84,800	85,600	87,700	90,400	93,700	9.23
Other Services	33,900	34,000	34,700	34,600	35,600	3.51
Government	134,300	134,000	136,700	138,100	139,100	13.70

Notes:

- (1) Totals may not sum due to rounding.
- (2) This data reflects the definition of the Portland-Vancouver-Beaverton MSA which consists of Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

Source: State of Oregon, Employment Department.

**Table 18**  
**CITY OF PORTLAND, OREGON**  
**Major Employers in the Portland-Vancouver-Beaverton, Oregon MSA**

<b>Employer</b>	<b>Product or Service</b>	<b>2006 Estimated Employment</b>
<b>Private Employers</b>		
Intel Corporation	Semiconductor integrated circuits	16,500
Providence Health System	Health care & health insurance	13,496
Safeway Inc.	Grocery chain	13,000
Fred Meyer Stores	Grocery & retail variety chain	10,500
Kaiser Foundation of the Northwest	Healthcare	8,747
Legacy Health System	Nonprofit health care	8,500
NIKE Inc.	Sports shoes and apparel	5,500
Wells Fargo	Bank	5,000
U.S. Bank	Bank & holding company	4,138
Freightliner LLC	Heavy duty trucks	4,000
United Parcel Service (UPS)	Package Delivery	3,900
Southwest Washington Medical Center	Health care	3,200
McDonald's Corporation	Fast food franchise	3,000
Precision Castparts Corporation	Steel castings	2,110
Tektronix Inc.	Electronic instruments	1,820
Hewlett-Packard Co.	Computer printers	1,800
<b>Public Employers</b>		
State of Oregon	Government	21,600 (1)
U.S. Government	Government	18,200 (1)
Oregon Health and Science University	Health care & education	11,300
City of Portland	Government	5,498
Portland Public Schools	Education	5,047
Portland State University	Education	4,000
Beaverton School District	Education	3,886
Portland Community College	Education	3,400

Notes:

(1) Total may include part-time, seasonal and temporary employees.

Source: State of Oregon Employment Department and Portland Business Alliance 2005-2006 as of January 2007.

**DEVELOPMENT ACTIVITY**

In Clackamas, Multnomah and Washington counties, there are approximately 6,000 business, according to the "Portland Metropolitan Fact Book - 2006" published by Portland Oregon Visitor's Association.

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

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

First quarter 2007 market data provided by Cushman & Wakefield show an overall office vacancy rate for the Portland region of 10.1 percent in the Central Business District and of 11.9 percent in the Portland region overall. For the first quarter 2007, market data provided by Cushman & Wakefield show that the industrial overall vacancy for the Portland metropolitan area was 5.4 percent.

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

### **Development within Downtown Portland**

In February 2005 the Portland Development Commission (“PDC”) updated the plan for the Montgomery Blocks Development. The Montgomery Blocks are three blocks in the University District. The total estimated cost for Blocks 161, 153 and 152 is \$124 million. Portland State University (“PSU”) plans to begin construction on Block 161 in mid to late 2007. Block 161 will have 280,000 square feet of office/institutional space and 15,000 square feet of retail space. Block 153 is expected to be 11-14 stories with 204 condominiums, and 12,650 square feet of retail space. Hoffman Corp anticipates construction of Block 153 to begin in mid 2007.

Equity Office plans to build a 15-story office building with ground floor retail. Amenities in the new building on First and Main Street include a 3,000-square-foot bicycle hub. Equity Office purchased the property for the building in March 2005. If plans for the building are approved construction could be complete as early as 2009.

The Oak Tower on Oak Street along SW 3<sup>rd</sup> Avenue will be developed by Trammell Crow Residential. The property was purchased by the PDC in 2002. The current plan for Oak Tower has the completion of a 31-story 219 condominium tower by early 2009.

May Department Stores Co. (now Federated Department Stores), Sage Hospitality Resources (“Sage”), and the PDC are working together on a \$106 million project that will redevelop the Macy’s store building in downtown Portland. Macy’s has consolidated its store to the first five floors. Sage plans to convert floors 6 through 16 of the building to a 331-room Starwood Luxury Collection hotel. There are also plans for a face-lift to restore the outside of the building. Completion is anticipated in early 2008.

TMT Development, will break ground in the fall of 2007 on Park Avenue West. Park Avenue West is a mixed use building with 280,000 square feet of office space, three floors of retail, 85 housing units and 350 underground parking spaces.

Reliance Development and Williams & Dame Development are building The Harrison, a three condominium tower community with a total of 537 condominiums and 24 townhomes with floor-to-ceiling windows. Residents began moving into Harrison East, in early 2007. Construction of all towers is expected to be complete in September 2008.

The Casey is being developed by Gerding/Edlen Development on the corner of NW 12<sup>th</sup> and Everett, with 61 condominiums within a 16-story tower. Construction is expected to be complete in late 2007.

Octagon Development is building the \$30 million, 26-story, Benson Tower on SW 11<sup>th</sup> Avenue. The Benson Tower will have 168 condominiums and is expected to be finished in the summer of 2007.

Opus Carroll LLC is building Ladd Tower. The 21-story mixed-use residential tower will offer approximately 190 units along the south Park blocks. Opus Carroll broke ground on the Ladd Tower in the fall of 2006.

Construction was completed on the Eliot Tower at 10<sup>th</sup> and Jefferson in mid-2006. The 18-story tower consists of 223 condominiums.

Sockeye Development and GBD Architects teamed up to build the Madison Office Condominiums. The Madison building was completed in October 2006 and includes five floors, four consisting of office condominiums and retail on the ground floor.

The U.S. General Services Administration finished construction of a \$23.4 million, five-space parking lot for 9th U.S. Circuit Court of Appeals judges in the Pioneer Courthouse basement in December 2005. The construction project also involved building a driveway to reach the parking area as well as renovation, restoration and seismic strengthening.

### **South Waterfront /North Macadam District**

The North Macadam area was the last large piece of undeveloped land close to the downtown area when it was designated as an urban renewal district by the City in August 1999. The area comprises 409 acres, and is approximately defined by Boundary Street on the south; Macadam Avenue and Hood Street on the west; Montgomery Street on the North; and the Willamette River on the east.

Construction of the John Ross Condominium Tower began in mid 2005. The 31-story elliptical shaped building with 286 units is expected to cost \$75 million. By mid-July 2005, 225 units were reserved. Construction is expected to be completed in early 2008.

The Atwater will be a 23-story building offering 212 homes ranging in price from \$399,000 to \$3.9 million. The Atwater will be located along Bancroft Street on the waterfront and is scheduled to be complete in early 2008.

The RiverPlace Project, located within the South Waterfront portion of the North Macadam urban renewal area, is a mixed-use development on 73 acres along the west bank of the Willamette River, with apartments, restaurants, shops and office space. Construction of The Strand, a \$110 million mixed use development, began in early 2005. The Strand will consist of three glass and steel towers which will house 222 condominium units, ground-level town homes, a 110-space parking garage, a waterfront restaurant, and retail space. Completion is projected to be late 2007.

The Portland Aerial Tram ("Tram") opened in January 2007. The Tram, which is owned by the City and operated by OHSU, links OHSU's North Macadam offices and its Marquam Hill campus. Its two 79-passenger cars and construction of approximately 1 mile of cable and support cost approximately \$57 million.

OHSU in cooperation with Gerding/Edlen Development finished a 16-story, 400,000-square-foot Center for Health and Healing in November 2006.

Gerding/Edlen Development Co. and Williams & Dame Development constructed the Meriwether condominiums, an \$81 million, twin-towered residential project. The 246-unit project is the first residential project in the waterfront neighborhood. Residents began moving into the tower in May 2006.

The Portland Streetcar Inc. opened a 0.6-mile extension from PSU to RiverPlace in early March 2005. Service began in July 2006 on the Gibbs Extension. This 0.6 mile extension connects at SW River Parkway and SW Moody, follows SW Moody south to SW Sheridan and from SW Sheridan to SW Gibbs, utilizing the former Willamette Shore trolley rail right-of-way. The cost of this extension was \$15.8 million, which includes the purchase of three additional streetcars.

### **The River District, Pearl District, and Old Town**

Located north of the central business district and east of Interstate 405, the River District urban renewal area is comprised of approximately 310 acres bounded generally by Burnside Street on the south, NW 16<sup>th</sup> Avenue on the west, the northern end of the Terminal One site on the north, and the Willamette River and the boundaries of the Downtown Waterfront urban renewal area on the east.

Bill Naito Corp. with Pemcor Investment Corp. and Grancorp Inc. started construction of two condominium towers in October 2005. The two 10-story towers will adjoin Albers Mill and are called the Waterfront Pearl. The Waterfront Pearl will offer 180 condominiums starting at \$350,000. The first tower is scheduled to be finished in mid to late 2007.

Hoyt Street Properties is developing the Metropolitan, a 19-story, 121-condominium complex on NW 10<sup>th</sup> Avenue. Occupancy is expected in fall 2007.

Developer Robert Ball is building the Wyatt, a 15-story condominium complex. The Wyatt with 244 condos is expected to be complete in fall 2007.

Portland Center Stage converted the Armory building in anticipation of a move from downtown Portland to the Pearl District. The \$36.1 million theater project opened for performances in late 2006. The performance hall is the first ever historic rehabilitation to receive a LEED (Leadership in Energy and Environmental Design) Platinum Rating.

The Yards at Union Station is a four-phase project with 700 new units of market rate and affordable housing. Construction of the Yards at Union Station was complete in mid 2006.

In the Pearl District (located within the River District urban renewal area), Gerding/Edlen Development purchased the former Blitz Weinhard Brewery, a five-block complex, known as the "Brewery Blocks," adjoining Burnside Street for \$20 million. The firm completed redevelopment of the property into a mixed-use retail, commercial and housing complex in fall 2006.

### **North Portland**

The \$10 million Killingsworth Station project includes affordable one- and two-bedroom rental units, affordable loft-style condominiums, ground floor commercial space, townhomes, and ground floor retail/office space along Killingsworth and Interstate Avenue, and structured parking. Construction is scheduled to begin in late 2007 or early 2008.

Construction on the Sitka, a 5-story affordable apartment building with 210 units on NW Northrup was completed in summer 2006.

In February 2006, the \$7.9 million Clara Vista Townhomes project on NE Killingsworth was completed. The PDC rehabilitated the Villa de Clara Vista apartments adding 44 new townhomes and rehabilitating 133 rental units.

Kaiser Permanente opened a \$27 million radiation treatment center at its north Portland campus in January 2006. The center is a 17,000 square-foot, one-story building, along with a two and a half-story parking structure.

### **Westside Development**

Construction of the Westerly began in early 2006. The new 14-story condominium tower will offer 104 units ranging from \$200,000 to \$1.2 million. Construction is scheduled to be finished in mid 2008.

In May 2005 the PDC approved a 14-story, 104-unit, condominium tower to be built by ScanlanKemperBard Co. The estimated \$40 million building will be located at NW Westover Road and 24th Place and is expected to be complete in the summer of 2008.

The Gerding/Edlen Development Corporation and the Housing Authority of Portland are building The Civic, a complex with 261 market-rate condos, 140 apartments and retail space. Construction is expected to be complete in 2007.

Doernbecher Children's Hospital started expansion of the pediatric cancer treatment unit. The \$14 million project will expand the unit from 3,000 to 7,000 square feet and from 16 beds to 21. The project is scheduled to be completed in July 2007.

Dove Lewis completed construction of their new \$6.6 million animal hospital in July 2006. The new hospital has 22,000 square feet of space, eight exam rooms, 96 beds and two surgery suites.

The Vaux, a high-end apartment building, was completed in July 2006. The \$42 million, 26 story, 242,000-square-foot, Vaux is located in Portland's Nob Hill District and offers 145 units.

In June 2006 OHSU and Hoffman-Anderson Joint Venture finished construction of a 335,000-square-foot Peter O. Kohler Pavilion. The Peter O. Kohler added 120 beds to the OHSU health system and 450 parking spaces.

In late 2005, construction of the \$113.4 million, 274,000-square-foot, OHSU Biomedical Research building on the Marquam Hill campus was completed. The \$216 million, 335,000-square-foot, 146 bed, Patient Care Facility was completed in mid-2006.

## **Eastside Development**

Providence Portland Medical Center is building a parking garage and a 450,000-square-foot, 11-story medical facility with consolidated cancer services. The garage will have three-levels, 635 spaces, and will be adjacent to the clinic. Of those spaces, 480 will be available to park-and-ride transit customers, replacing the current surface spaces, and 155 will be reserved for clinic employees and patients. The facility will provide 124 additional beds and a comprehensive cancer center with 207 employees. Construction will cost an estimated \$31 million. Construction is expected to be complete in early 2008.

The PDC approved a loan of \$2.4 million to aid The Heritage Building LLC in refinishing the Heritage Building on NE Martin Luther King Junior Boulevard. The building includes 12,900 square feet of office space and 8,100 square feet of restaurants or shops. The building was finished in late 2006.

The Huynh family, owners of the Portland Beauty School, built a \$6 million Asian American Shopping Center on NE 82<sup>nd</sup> Avenue. The center occupies two acres and construction was finished in October 2006.

Aiyana Weidler began construction of a \$36 million, mixed-use development called 1620 Broadway in October 2003. The project features 225,000 square feet of living and shopping space, including 88 condominiums and three levels of underground parking. Construction was completed in spring of 2005.

## **The Columbia Corridor**

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

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

Cascade Station will be a 120-acre mixed use development of office, hotel and retail spaces. Trammell Crow expects to open the Village at Cascade Station with IKEA and Costco Home in summer 2007. IKEA plans to employ more than 350 people when their Portland store opens.

Work on improvements for the floating dock of Terminal 6, which Honda uses to bring in 87,000 autos every year, is expected to be complete in mid-2007. The Port of Portland awarded \$2.52 million for construction on the floating dock, which will be constructed of porous rain water filtering blacktop. The construction will extend crane rails and add a new crane to the Terminal.

Zim American Integrated Shipping Services Co. started routing their Asia-Mediterranean-Pacific ocean container service through Portland in May 2006. The service will provide additional container shipping capacity and approximately 106 new jobs.

In July and August 2006, Oregon Steel Mills opened two new spiral-weld pipe mills near their steel rolling mill. The new mills are expected to bring close to 150 new jobs to Portland. In November 2006, Evraz Group S.A. ("Evraz") signed an agreement to purchase and merge with Oregon Steel Mills. Evraz is one of the largest vertically-integrated steel and mining businesses with operations mainly in Russia. Upon completion of the transaction, Oregon Steel Mills will become a subsidiary of Evraz.

## **AGRICULTURE**

Because the City is the primary urban center in the State, agriculture is not a major industry in the greater metropolitan area. However, because the Portland-Vancouver-Beaverton MSA is geographically diverse the metropolitan area accounted for

approximately 23.8 percent of the State's Gross Farm and Ranch Sales based on 2005 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 2005 Gross Farm and Ranch Sales in Clackamas County was \$361,918,000; Washington County was \$274,884,000; Yamhill County was \$264,038,000 and Multnomah County was \$77,744,000; as estimated by the Oregon State University Extension Service.

## **TRANSPORTATION AND DISTRIBUTION**

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

The 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 increased in 2006 to 12 million short tons compared to 11.6 million in 2005.

The Columbia River ship channel is maintained at a depth of 40 feet from the Portland Harbor to the Pacific Ocean 110 miles downstream. The City is a regular port of call for 16 regularly scheduled major steamship lines serving major world trade routes. Six Oregon and Washington port districts joined to fund a five-year, study of the feasibility of deepening the shipping channel of the Columbia River from 40 feet to 43 feet, in order to accommodate larger, more efficient vessels. The Columbia River Channel Deepening Project will provide local and national transportation and trade improvements. The total cost of the proposed project is \$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.

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 three primary barge lines providing service between the upriver ports and the City. In addition, the Columbia River Gorge forms a corridor through the Cascades which, because it is level, provides an economical rail and highway route between the City and the region east of the mountains.

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

PDX handles more than 13 million passengers annually. In November 2006, 1.13 million passengers enplaned and deplaned at PDX. Portland is served by 20 passenger carriers providing about 600 flights daily. In 2006, Portland's Zimmer Gunsul Frasca Partnership received a \$1.6 million contract to design a second 3,000-space parking garage for PDX. Construction could be completed as early as 2009. 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 Interstate-5, the primary north-south highway artery of the West Coast, and by-pass routes Interstate 205 and Interstate 405 within and around Portland. The primary east-west highway system is Interstate 84, which begins at Portland and heads east along the Columbia River to Idaho and beyond. The Portland metropolitan area is also served by U.S. highways 26 and 30, Oregon highways 43, 213, 217, 224, 99E, 99W, the Tualatin Valley Highway, the historic Columbia River Highway, nine bridges across the Willamette River and two bridges across the Columbia River.

The Tri-County Metropolitan Transportation District of Oregon (“TriMet”), the regional public transit agency, provides rail and bus service through the 575 square miles in the area. In 2006, passengers boarded a TriMet bus or train approximately 95.7 million times.

TriMet’s light rail system (“MAX”) connects the cities of Portland, Gresham, Beaverton and Hillsboro, and PDX. The most recent extension of the light rail line, the Interstate MAX line, 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. Service on the Interstate MAX began in May 2004.

In 2007, TriMet intends to start construction of an 8.3 mile, two-phased extension of the light rail line. The estimated cost of the project is \$494 million. One phase would provide service along Interstate-205 between Clackamas Town Center and the existing Gateway station. Service could begin as early as 2009. TriMet is also 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 will run from Beaverton to Wilsonville and is expected to begin 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, which 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.

## **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 and the Portland LumberJax a professional indoor lacrosse team. PGE Park, which was renovated and reopened in 2001, is home to the Portland Beavers (Triple-A), 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 “Portland Metropolitan Region Fact Book - 2006,” published by Portland Oregon Visitor’s Association (“POVA”), the total retail sales in the Portland metropolitan area in 2006 was \$29.2 billion.

According to “Trends in the Hotel Industry”, published by Wolfgang Rood Hospitality Consulting, lodging occupancy rates for downtown Portland were 76.1 percent in January through November 2006, a 0.4 percent increase over January through November 2005.

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 of Oregon. Within the Portland metropolitan area are several post-secondary educational systems.

PSU is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland. PSU offers over 100 undergraduate, masters, and doctoral degrees, as well as graduate certificates and continuing education programs. Fall 2006 enrollment was approximately 25,000 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, with the other two major universities in the Oregon State System of Higher Education, have field offices and extension activities in the Portland metropolitan area.

OHSU's Marquam Hill campus sits on more than 100 acres overlooking downtown Portland. 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. See also "DEVELOPMENT ACTIVITY -- South Waterfront /North Macadam District".

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 PCC, Mt. Hood Community College, and Clackamas Community College.

## **UTILITIES**

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

## **PUBLIC FACILITIES**

### **Water**

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

The City, along with Metro and 26 other metropolitan area cities and water districts, participates in the Regional Water Providers Consortium. The Consortium works together through a voluntary intergovernmental agreement to coordinate and implement the Regional Water Supply Plan and to address water supply and resource management issues affecting the region. The City provides technical planning and administrative staff to the Consortium through the City's Water Bureau through an intergovernmental agreement.

### **Sewer and Wastewater**

The City owns, operates and maintains sanitary and storm water collection, transportation, and treatment systems within its boundaries. The service area is located on both sides of the Willamette River, extending approximately 20 miles south of its confluence with the Columbia River. It is generally bounded on the west by low-lying hills paralleling the Willamette River, by other service areas serving the City metropolitan area to the south, by the City of Gresham to the east, and by the Columbia River to the north. The City provides sanitary sewer service to approximately 563,000 people, numerous commercial and industrial facilities, and several wholesale contract customers located adjacent to the City.

During rainstorms, the collection system exceeds the capacity of the interceptor system that conveys sewage to the Columbia Boulevard treatment plant, resulting in overflows of untreated sewage directly into the Willamette River and the Columbia Slough. Under a 1991 agreement between the City and the Oregon Department of Environmental Quality, the City has undertaken the Combined Sewer Overflow ("CSO") program to remedy this situation. Costs are estimated at more than \$1.4 billion to be invested over 20 years. In July 2005 the tunnel for the West side big pipe project was completed. In February 2006, the CSO project design for the final phase of the East side of the CSO project was completed. Construction of major CSO projects will continue until 2011.

## HOUSING

The year-to-date median selling price of a home in metropolitan Portland for December 2006 was \$270,500, up 13.9 percent from \$237,500 in December 2005, according to the Realtors Metropolitan Area Multiple Listing Service ("RMLS"). Homes in the metropolitan area were on the market an average of 43 days in December 2006. According to RMLS, in December 2006, the Southeast Portland region was the most active, with 4,446 closed sales year-to-date.

## OTHER ECONOMIC FACTORS

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

**Table 19**  
**CITY OF PORTLAND, OREGON**  
**Various Economic Indices**  
**for Fiscal Years Ending June 30**

Fiscal Year	Commercial Construction		Residential Construction		Total Construction		Bank Deposits (\$000)
	No. of Permits	Value	No. of Permits	Value	No. of Permits	Value	
1997	3,378	\$690,910,81	4,343	\$157,497,045	7,721	\$848,407,861	\$14,281,503
1998	4,089	778,910,533	4,153	166,479,499	8,242	945,390,032	12,942,696
1999	3,746	712,690,707	4,128	164,598,675	7,874	877,289,382	14,529,741
2000	3,628	685,894,883	4,390	166,029,804	8,018	851,924,687	15,667,859
2001	3,524	693,494,820	5,304	227,161,633	8,828	920,656,453	12,978,750
2002	3,394	702,312,602	5,676	286,907,402	9,070	989,220,004	16,214,809
2003	3,738	647,952,470	6,008	314,138,287	9,746	962,090,757	18,455,222
2004	3,485	819,507,836	6,105	329,706,927	9,590	1,149,214,763	11,223,521
2005	4,022	872,050,904	6,216	341,898,757	10,238	1,213,949,661	11,283,590
2006	4,080	1,188,470,13	6,951	400,611,108	11,031	1,589,081,246	12,752,436

Sources:

*Building:*

City of Portland, Bureau of Development Services. Data is collected on a fiscal year basis and includes new construction and alterations. Permit data shown is for the City of Portland *only*.

*Bank Deposits:*

Oregon Department of Consumer and Business Services.

## **THE INITIATIVE PROCESS**

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

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

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

To be placed on a general election ballot, the proponents of a proposed initiative must submit to the Secretary of State initiative petitions signed by a number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a Governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2006 general election, the requirements were eight percent (100,840 signatures) for a constitutional amendment measure and six percent (75,630 signatures) for a statutory initiative. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

The initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signatures is being paid, the signature sheet must contain a notice of such payment.

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

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

**Table 20**  
**CITY OF PORTLAND, OREGON**  
**Initiative Petitions that Qualified and Passed**  
**1990-2006**

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified</u>	<u>Number of Initiatives that Passed</u>
1990	8	3
1992	7	1
1994	16	8
1996	16	4
1998	10	6
2000	18	4 (1)
2002	7	3
2004	6	2
2006	10	3

Notes:

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

Source: Elections Division, Oregon Secretary of State.

**MEASURE 37 PASSED BY THE VOTERS IN NOVEMBER 2004**

Oregon voters approved citizen initiative petition Measure 37 on November 2, 2004. Measure 37 became effective on December 2, 2004, and is codified as Oregon Revised Statutes (ORS) 197.352.

Measure 37 entitles a property owner to either compensation or relief from certain land use regulations (the Restrictions) if the owner can show (a) the Restrictions were adopted after the owner acquired the affected property, and (b) the Restrictions have restricted the owner’s use of the property and reduced its value. The government body that enacted or enforced the Restrictions decides whether to pay the claim or waive the Restrictions.

“Restrictions” do not include the regulation of nuisances, regulations that protect public health and safety, regulations that are required to comply with federal law; regulations restricting or prohibiting the use of a property for the purpose of selling pornography or performing nude dancing, and regulations that were enacted before the current property owner (or a member of that owner’s family) acquired the property.

For claims filed before November 1, 2006, if a land use regulation continues to apply to the owner’s property more than 180 days after the owner has made written demand for compensation, the owner may file a cause of action for compensation in the circuit court and the owner is entitled to reasonable attorney fees, expenses, costs, and other disbursements. If claims are not paid within two years after they accrue, Measure 37 releases the land from the Restrictions. It is not clear whether the governments imposing the Restrictions have any residual liability after that point.

On May 10, 2007, the Governor signed legislation (HB 3546) extending by an additional 360 days the time for state and local governments to make final decisions on claims filed under Measure 37 on or after November 1, 2006. For claims filed on or after that date, the government entity with which the claims are filed will have a total of 540 days (180 days originally provided under the measure, plus the 360-day extension under HB 3546) to issue a final order before claimants will have the right to pursue an action under the measure for damages, attorney fees and costs. The City anticipates processing all claims by the required deadlines (either 180 days or 540 days after receipt).

The City has enacted Restrictions, and as of May 24, 2007, has received 92 claims. Of this number, six have been approved by the Council, 13 have been denied, eight have been withdrawn, 34 have been placed on hold and 31 are in various stages of the review process. To date, for the six claims the City has approved, the City has paid no monetary compensation but has opted to release properties from the challenged Restrictions. There can be no assurance, however, that a similar proportion

of future claims will be released or that the City will not be ordered to pay some claims as a result of litigation. Of the remaining unresolved claims, the amount being demanded is approximately \$247 million.

Although in February of 2006 the Oregon Supreme Court upheld the constitutionality of Measure 37, many questions remain about the meaning of Measure 37 and the effect of its provisions. To date, the Oregon Legislature has not adopted legislation resolving these questions, and no significant judicial precedents are available that construe its meaning. Therefore the City cannot predict how it will be affected by the measure.

## **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 Kirkpatrick & Lockhart Preston Gates Ellis LLP, Bond Counsel, interest on the 2007 Series B 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 2007 Series B Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the 2007 Series B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the 2007 Series B Bonds and the facilities financed or refinanced with proceeds of the 2007 Series B 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 2007 Series B Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2007 Series B Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal income tax consequences of acquiring, carrying, owning or disposing of the 2007 Series B Bonds. Owners of the 2007 Series B Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2007 Series B 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 2007 Series B Bonds should be aware that ownership of the 2007 Series B 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 2007 Series B Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the 2007 Series B Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the 2007 Series B 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 2007 Series B Bonds. Owners of the 2007 Series B Bonds are advised that, if the IRS does audit the 2007 Series B 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 2007 Series B 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 2007 Series B Bonds until the audit is concluded, regardless of the ultimate outcome.

### **Premium**

An amount equal to the excess of the purchase price of a 2007 Series B Bond over its stated redemption price at maturity constitutes premium on that 2007 Series B Bond. A purchaser of a 2007 Series B Bond must amortize any premium over that 2007 Series B Bond's term using constant yield principles, based on the 2007 Series B Bond's yield to maturity. As premium is amortized, the purchaser's basis in the 2007 Series B 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 2007 Series B Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of 2007 Series B 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 2007 Series B Bonds.

### **Original Issue Discount**

The initial public offering price of certain 2007 Series B Bonds (the "Original Issue Discount Bonds") may be less than the stated redemption price at maturity. In such case, the difference between (i) the stated amount payable at the maturity of an Original Issue Discount Bond and (ii) the initial public offering price of that Original Issue Discount Bond constitutes original issue discount with respect to that Original Issue Discount Bond in the hands of the owner who purchased that Original Issue Discount Bond at the initial public offering price in the initial public offering of the 2007 Series B Bonds. The initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to an Original Issue Discount Bond equal to that portion of the amount of the original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by the initial owner.

In the event of the redemption, sale or other taxable disposition of an Original Issue Discount Bond prior to its stated maturity, however, the amount realized by the initial owner in excess of the basis of the Original Issue Discount Bond in the hands of its initial owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by the initial owner) is includable in gross income. Purchasers of Original Issue Discount Bonds should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning Original Issue Discount Bonds.

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

In the opinion of Bond Counsel, interest on the 2007 Series B Bonds is exempt from Oregon personal income tax under existing law.

## **RATING**

The 2007 Series B Bonds have been rated "Aa1" by Moody's Investor Service, Inc. ("Moody's"). The rating reflects only the view of the rating organization and any desired explanation of the significance of the rating should be obtained from 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 ratings 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 rating may have an adverse effect on the market price of the 2007 Series B Bonds.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the 2007 Series B Bonds by the City are subject to the approving opinion of Kirkpatrick & Lockhart Preston Gates Ellis LLP, Portland, Oregon, Bond Counsel. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 2007 Series B Bonds, the Ordinance, the Bond Declaration, and the authority to issue the 2007 Series B Bonds conform to the 2007 Series B Bonds and the applicable laws under which they are issued. The statements made in this Official Statement under the captions “THE 2007 SERIES B 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 2007 Series B 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 2007 Series B Bonds, the City will deliver a certificate to the Underwriters to the effect that the City has examined this Official Statement and the financial and other data concerning the City contained herein and that, to the best of the City’s knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2007 Series B 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 2007 Series B Bonds, there has been no material change in the affairs (financial or otherwise), financial condition or results of operations of the City except as set forth in this Official Statement.

## **MISCELLANEOUS**

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete, and reference should be made to said laws for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the Underwriters or owners of any of the 2007 Series B 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.

## **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.

## **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 2007 Series B 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 2007 Series B 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 2007 Series B 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 DECLARATION**

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# **BOND DECLARATION**

**City of Portland, Oregon**

**Limited Tax Revenue Bonds, 2007 Series B  
(Portland Mall Revitalization Project)**

**Executed on behalf of the City of Portland, Oregon  
as of the 2nd day of August, 2007**

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## **BOND DECLARATION**

THIS BOND DECLARATION is executed as of August 2, 2007, on behalf of the City of Portland, Oregon (the "City") by its Debt Manager pursuant to City Ordinance No. 180937 and ORS Chapter 288, to establish the terms under which the City's Limited Tax Revenue Bonds (Portland Mall Revitalization Project), 2007 Series B are issued.

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

- (1) The City is authorized by City Ordinance No. 180937 and ORS Chapter 288 to issue up to \$17,200,000 of bonds that are secured by the City's Available Net Meter Revenues and full faith and credit to finance a portion of the City's costs related to the Portland Mall Revitalization Project.
- (2) The City Council has authorized execution of this Bond Declaration by City Ordinance No. 180937, and executes this Bond Declaration to memorialize the terms of the City's Limited Tax Revenue Bonds, 2007 Series B (Portland Mall Revitalization Project).

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

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

"2007 Series B Bonds" means the City's Limited Tax Revenue Bonds, 2007 Series B (Portland Mall Revitalization Project) that are described in Section 3 of this Bond Declaration.

"Available Net Meter Revenues" means the Gross Meter Revenues less the Meter Operating Expenses and less any Available Net Meter Revenues that the City is obligated to retain to pay borrowings of the City that are secured by the Available Net Meter Revenues.

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

"Bond Declaration" means this Bond Declaration, including any amendments made in accordance with Section 8 of this Bond Declaration.

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

"City" means the City of Portland, Oregon.

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

"Debt Manager" means the City's Debt Manager, the City's Chief Financial Officer of the Bureau of Financial Services, the City's Chief Administrative Officer of the Office of Management and Finance, or the person designated by the City's Chief Administrative Officer of the Office of Management and Finance to act on behalf of the City pursuant to the Ordinance.

"Debt Service Fund" means a fund or account, which the City accounts for separately, but which may be commingled with other funds or accounts for investment purposes, into which the City deposits Available Net Meter Revenues pursuant to Section 4(1) of this Bond Declaration.

"Event of Default" refers to an Event of Default listed in Section 9(1) of this Bond Declaration.

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

“Gross Meter Revenues” means all revenues from the Meters, including parking citation fines, parking permits, other related fees, and any interest earnings on those revenues. However, the term “Gross Meter Revenues” does not include:

- (a) the interest income or other earnings derived from the investment of any escrow fund established for the defeasance or refunding of outstanding indebtedness of the City;
- (b) any gifts, grants, donations or other moneys received by the City from any State or Federal Agency or other person if such moneys are restricted by law or the grantor to uses inconsistent with the payment of Bonds;
- (c) the proceeds of any borrowing;
- (d) the proceeds of any liability or other insurance except business interruption insurance or a similar type of insurance that protects against the loss of revenues;
- (e) the proceeds of any casualty insurance which the City intends to utilize for repair or replacement of the capital assets;
- (f) the proceeds derived from the sales of Meters;
- (g) any ad valorem or other taxes imposed by the City (except charges or payments for on-street, surface or similar parking services which become “taxes” within the meaning of Article XI, Section 11b of the Oregon Constitution only because they are imposed on property); or,
- (h) amounts paid to, or withheld by, the county in connection with the collection of parking citation fines.

“Meters” means all parking meters and any pay stations or similar devised that are used by the City to collect fees for on-street, surface or similar parking within the City. However, “Meters” do not include any City parking garages or other facilities for off-street parking.

“Meter Operating Expenses” means all costs which are properly treated as expenses of operating and maintaining the Meters and collecting the Gross Meter Revenues under generally accepted accounting principles. However, Meter Operating Expenses do not include:

- (a) any rebates or penalties paid from Gross Meter Revenues under Section 148 of the Code;
- (b) payments of judgments against the City and payments for the settlement of litigation;
- (c) depreciation and amortization of property values or losses, and all amounts treated for accounting purposes as payments for capital expenditures;
- (d) debt service payments;
- (e) transfers of Gross Meter Revenues to other City funds; or,
- (f) franchise fees and similar charges imposed by the City on the Meters or similar City parking operations.

“Ordinance” means City Ordinance No. 180937 adopted by the City Council on May 2, 2007.

“Outstanding” refers to all 2007 Series B Bonds authorized and delivered pursuant to this Bond Declaration except 2007 Series B Bonds which have been paid, canceled, or defeased pursuant to Section 10 of this Bond Declaration, and 2007 Series B Bonds which have matured but have not been presented for payment for the payment of which adequate money has been transferred to the Paying Agent.

“Owner” means the person shown on the 2007 Series B Bond register maintained by the Paying Agent as the registered owner of a 2007 Series B Bond.

“Paying Agent” means the registrar and paying agent for the 2007 Series B Bonds, which, at the time of execution of this Bond Declaration, is U.S. Bank National Association, in Portland, Oregon.

“Payment Date” means any day on which principal, interest or premium on 2007 Series B Bonds is required to be paid.

**Section 3. 2007 Series B Bond Authorized.**

- (1) Pursuant to ORS Chapter 288 and the Ordinance, the City hereby authorizes the issuance, sale and delivery of its Limited Tax Revenue Bonds, 2007 Series B (Portland Mall Revitalization Project) in accordance with this Bond Declaration and in a principal amount of \$16,860,000. The 2007 Series B Bonds shall be dated August 2, 2007, shall bear interest which is payable on June 1 and December 1 of each year, commencing December 1, 2007, and shall mature on June 1 of the following years in the following principal amounts:

<u>Due June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number (Base 736740)</u>
2008	\$1,500,000	4.00%	GK1
2009	1,440,000	4.00%	GL9
2010	1,495,000	4.00%	GM7
2011	1,555,000	4.00%	GN5
2012	1,620,000	5.00%	GP0
2013	1,700,000	4.25%	GQ8
2014	1,770,000	4.25%	GR6
2015	1,845,000	4.50%	GS4
2016	1,930,000	4.00%	GT2
2017	2,005,000	4.00%	GU9

- (2) The 2007 Series B Bonds are subject to redemption prior to maturity in whole or in part at the option of the City on any date on or after June 1, 2015, in any order of maturity and by lot within a maturity, any such redemption to be at a price equal to 100.00% of the principal amount to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption.
- (3) The 2007 Series B Bond proceeds will be used to finance costs related to the City’s Portland Mall Revitalization Project, including costs related to the 2007 Series B Bonds.
- (4) The City reserves the right to purchase 2007 Series B Bonds in the open market.

**Section 4. Security for 2007 Series B Bonds.**

- (1) The City commits to pay the 2007 Series B Bonds from its Available Net Meter Revenues. Not less than five days before each Payment Date the City shall transfer Available Net Meter Revenues to the Debt Service Fund in amounts that are at least sufficient to pay all 2007 Series B Bond principal and interest that is due on that Payment Date.
- (2) The City hereby pledges its full faith and credit to pay the 2007 Series B Bonds. If the Available Net Meter Revenues credited to the Debt Service Fund are not sufficient to pay the amounts due on the 2007 Series B Bonds on any Payment Date, the City shall pay the 2007 Series B Bonds from any of its lawfully available revenues.
- (3) This Bond Declaration shall constitute a contract with the Owners.

## **Section 5. Commitment of Available Net Meter Revenues.**

The City reserves the right, without limitation, to grant liens and pledges of the Available Net Meter Revenues to secure other City obligations. The 2007 Series B Bonds are not secured by any lien on the Available Net Meter Revenues.

## **Section 6. Book Entry System.**

The 2007 Series B Bonds shall be initially issued in BEO form and shall be governed by this Section 6. While the 2007 Series B Bonds are in BEO form no physical 2007 Series B Bonds shall be provided to the Owners. An official of the City has executed and delivered a blanket letter of representations to DTC. While the 2007 Series B Bonds are in BEO form, registration and transfer of beneficial interests in the 2007 Series B Bonds shall be governed by that letter and the operational arrangements of DTC, as they may be amended from time to time, as provided in the blanket issuer letter of representations. So long as the 2007 Series B Bonds are in BEO form:

- (1) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to the Owners of the 2007 Series B Bonds. 2007 Series B Bond payments shall be made, and notices shall be given, to DTC in accordance with the letter of representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2007 Series B Bonds called for redemption or of any other action premised on such notice.
- (2) The City may discontinue maintaining the 2007 Series B Bonds in the BEO form at any time. The City shall discontinue maintaining the 2007 Series B Bonds in BEO form if DTC determines not to continue to act as securities depository for the 2007 Series B Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- (3) If the City discontinues maintaining the 2007 Series B Bonds in book-entry only form, the City shall cause the Paying Agent to authenticate and deliver replacement 2007 Series B Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 7 below, regarding registration, transfer and exchange of 2007 Series B Bonds shall apply.
- (4) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
  - (A) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the 2007 Series B Bonds;
  - (B) the delivery to any participant or correspondent or any other person of any notice with respect to the 2007 Series B Bonds, including any notice of prepayment;
  - (C) the selection by DTC of the beneficial interest in 2007 Series B Bonds to be redeemed prior to maturity; or
  - (D) the payment to any participant, correspondent, or any other person other than the registered owner of the 2007 Series B Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the 2007 Series B Bonds.
  - (E) The provisions of this Section 6 may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for 2007 Series B Bonds issued in book-entry only form.

## **Section 7. Authentication, Registration and Transfer.**

- (1) No 2007 Series B Bond shall be entitled to any right or benefit under this Bond Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all 2007 Series B Bonds to be delivered at the closing of the 2007 Series B Bonds, and shall additionally authenticate all 2007 Series B Bonds properly surrendered for exchange or transfer pursuant to this 2007 Series B Bond Declaration.
- (2) The ownership of all 2007 Series B Bonds shall be entered in the 2007 Series B Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the 2007 Series B Bond register as the owner of the 2007 Series B Bond for all purposes.
- (3) While the 2007 Series B Bonds are in book-entry only form, the Paying Agent shall transfer 2007 Series B Bond principal and interest payments in the manner required by DTC.
- (4) If the 2007 Series B Bonds cease to be in book-entry only form, the Paying Agent shall mail each interest payment on the interest payment date (or the next Business Day if the payment date is not a Business Day) to the name and address of the Owners as they appear on the 2007 Series B Bond register as of the record date for the 2007 Series B Bonds. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.
- (5) 2007 Series B Bonds may be exchanged for an equal principal amount of 2007 Series B Bonds of the same maturity which are in different denominations, and 2007 Series B Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
  - (A) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent, and
  - (B) the 2007 Series B Bonds to be exchanged or transferred.
- (6) The Paying Agent shall not be required to exchange or transfer any 2007 Series B Bonds submitted to it during any period beginning with a record date and ending on the next following payment date; however, such 2007 Series B Bonds shall be exchanged or transferred promptly following that payment date.
- (7) The Paying Agent shall note the date of authentication on each 2007 Series B Bond. The date of authentication shall be the date on which the Owner's name is listed on the 2007 Series B Bond register.
- (8) For purposes of this Section 7, 2007 Series B Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 7(5), above.
- (9) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

## **Section 8. Amendment of Bond Declaration.**

- (1) The City may amend this Bond Declaration without the consent of any Owner for any one or more of the following purposes:
  - (A) To cure any ambiguity or formal defect or omission in this Bond Declaration;

- (B) To add to the covenants and agreements of the City in this Bond Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Bond Declaration as theretofore in effect;
  - (C) To confirm, as further assurance, any security interest or pledge created under this Bond Declaration or any Supplemental Bond Declaration;
  - (D) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.
- (2) This Bond Declaration may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected 2007 Series B Bonds then Outstanding. However, no amendment shall be valid which:
- (A) Extends the maturity of any 2007 Series B Bonds, reduces the rate of interest upon any 2007 Series B Bonds, extends the time of payment of interest on any 2007 Series B Bonds, reduces the amount of principal payable on any 2007 Series B Bonds, or reduces any premium payable on any 2007 Series B Bonds, without the consent of the affected Owner; or
  - (B) Reduces the percent of Owners required to approve amendments to this Bond Declaration.

**Section 9. Default and Remedies.**

- (1) The occurrence of one or more of the following shall constitute an Event of Default under this Bond Declaration:
- (A) Failure by the City to pay 2007 Series B Bond principal, interest or premium when due (whether at maturity, or upon redemption after a 2007 Series B Bond has been properly called for redemption);
  - (B) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of 2007 Series B Bonds, for a period of 60 days after written notice to the City by the Owners of ten percent or more of the principal amount of 2007 Series B Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 9(1)(B); or,
  - (C) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.
- (2) The Owners of ten percent or more of the principal amount of 2007 Series B Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in Section 9(1)(A).
- (3) Upon the occurrence and continuance of any Event of Default hereunder the Owners of ten percent or more of the principal amount of 2007 Series B Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of 2007 Series B Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Bond Declaration or in aid of the exercise of any power granted in this Bond Declaration or for the enforcement of any other legal or equitable right vested in the Owners of 2007 Series B Bonds by this Bond Declaration or by law. However, the 2007 Series B Bonds shall not be subject to acceleration.

- (4) No remedy in this Bond Declaration conferred upon or reserved to Owners of 2007 Series B Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of 2007 Series B Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by this Bond Declaration or by law.

**Section 10. Defeasance.**

The City shall be obligated to pay 2007 Series B Bonds which are defeased pursuant to this Section solely from the money and Government Obligations deposited with an escrow agent or independent trustee, and the City shall have no further obligation to pay the defeased 2007 Series B Bonds from any source except the amounts deposited in the escrow. 2007 Series B Bonds shall be deemed defeased if the City:

- (1) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient for the payment of the 2007 Series B Bonds which are to be defeased without reinvestment; and
- (2) files with the escrow agent or trustee a verification from an independent, certified public accountant to the effect that calculation, described above, is correct; and
- (3) files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not cause the interest component of the 2007 Series B Bonds to be includable in gross income under the Code.

**Section 11. Form.**

The 2007 Series B Bonds shall be issued in substantially the form attached to hereto as Appendix A, with any changes that are approved by the Debt Manager. The 2007 Series B Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.

**Section 12. Rules of Construction.**

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

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

Dated as of the 2<sup>nd</sup> day of August, 2007.

**City of Portland, Oregon**

By: \_\_\_\_\_  
Eric H. Johansen, Debt Manager

## Appendix A

No. R-«BondNumber»

\$«PrincipalAmtNumber»

UNITED STATES OF AMERICA  
STATE OF OREGON  
COUNTIES OF MULTNOMAH, WASHINGTON AND CLACKAMAS  
**CITY OF PORTLAND**  
LIMITED TAX REVENUE BOND, 2007 SERIES B  
(PORTLAND MALL REVITALIZATION PROJECT)

**Dated Date:** August 2, 2007

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

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

**CUSIP Number:** 736740«CUSIPNumbr»

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

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

The City of Portland, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of June and the first day of December in each year until maturity or prior redemption, commencing December 1, 2007. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank National Association, in Portland, Oregon (the "Paying Agent"), as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating \$16,860,000 in principal amount designated as Limited Tax Revenue Bonds, 2007 Series B (Portland Mall Revitalization Project) (the "Bonds"). The Bonds are issued for the purpose of financing costs related to the City's Portland Mall Revitalization Project. The Bonds are authorized by City Ordinance No. 180937 (the "Ordinance") and ORS Chapter 288, in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The Bonds constitute valid and legally binding obligations of the City. The full faith and credit of the City are pledged for the punctual payment of the principal of and interest on the Bonds and the City has covenanted to pay the Bonds from its Revenues as defined in the Ordinance. The City has also committed to pay the Bonds from the City's Available Net Meter Revenues, but the City has reserved the right to grant liens on the Available Net Meter Revenues to secure other obligations. The City is not authorized to levy any additional taxes to pay the Bonds. The Bonds do not constitute a debt or indebtedness of Multnomah, Washington, or Clackamas Counties, the State of Oregon, or any political subdivision thereof other than the City.

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

The Bonds shall mature and be subject to redemption as described in the final Official Statement for the Bonds which is dated July 24, 2007.

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

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

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

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

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



**City of Portland, Oregon**

Tom Potter, Mayor

Gary Blackmer, Auditor

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

**CERTIFICATE OF AUTHENTICATION**

This Bond is one of a series of \$16,860,000 aggregate principal amount of City of Portland, Oregon Limited Tax Revenue Bonds, 2007 Series B (Portland Mall Revitalization Project) issued pursuant to the Ordinance described herein.

Date of authentication: August 2, 2007.

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

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

ASSIGNMENT

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

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

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

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

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

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

Signature Guaranteed

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

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

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

TEN COM -- tenants in common

TEN ENT -- as tenants by the entireties

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

OREGON CUSTODIANS use the following

\_\_\_\_\_ CUST UL OREG \_\_\_\_\_ MIN

as custodian for (name of minor)

OR UNIF TRANS MIN ACT

under the Oregon Uniform Transfer to Minors Act

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

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**APPENDIX B**  
**AUDITED FINANCIAL STATEMENTS**

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## INTRODUCTION TO FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2002, 2003, 2004, 2005, and 2006.

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, 2002 through June 30, 2006.

**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 2007 SERIES B BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2007 SERIES B 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>2002 (2)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Revenues</b>					
Taxes	\$216,576,056	\$227,495,311	\$246,195,810	\$246,416,379	\$254,440,767
Intergovernmental revenues	19,926,294	19,143,029	24,433,714	22,676,714	26,419,859
Licenses and permits	87,625,667	98,317,689	103,502,813	113,435,989	127,432,687
Charges for services	50,461,451	47,080,319	54,454,709	57,825,590	65,579,384
Interest and miscellaneous revenues	8,691,828	2,130,636	2,506,025	7,197,582	13,042,025
<b>Total revenues</b>	<b>383,281,296</b>	<b>394,166,984</b>	<b>431,093,071</b>	<b>447,552,254</b>	<b>486,914,722</b>
<b>Expenditures</b>					
Planning/community development	25,891,173	26,258,778	32,953,347	35,804,537	30,623,452
Citizen/community services	--	--	--	--	--
Public safety	242,380,376	248,944,521	273,780,789	283,442,858	298,035,413
Support services/legis./administrative	43,460,216	42,707,237	45,753,826	53,010,988	65,736,351
Parks/recreation/cultural	45,027,462	44,761,687	47,475,936	48,491,194	50,398,732
Capital outlay	1,444,136	1,115,473	2,245,106	2,989,727	3,701,346
Debt service and related costs	--	--	30,550	468,890	269,219
<b>Total expenditures</b>	<b>358,203,363</b>	<b>363,787,696</b>	<b>402,239,554</b>	<b>424,208,194</b>	<b>448,764,513</b>
Revenues over (under) expenditures	25,077,933	30,379,288	28,853,517	23,344,060	38,150,209
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	10,610,557	11,678,698	14,085,934	19,704,666	20,849,891
Operating transfers out	(33,894,184)	(30,246,465)	(35,665,461)	(34,916,060)	(35,162,749)
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>(23,283,627)</b>	<b>(18,567,767)</b>	<b>(18,512,527)</b>	<b>(9,646,394)</b>	<b>(12,412,507)</b>
Net change in fund balances	1,794,306	11,811,521	10,340,990	13,697,666	25,737,702
<b>Fund balance, beginning</b>	<b>50,016,695</b>	<b>51,803,140</b>	<b>57,643,938</b>	<b>68,036,150</b>	<b>93,942,572</b>
Prior period adjustment (1)(2)	--	(5,939,843)	--	12,179,250	--
<b>Fund balance, beginning, as restated</b>	<b>50,016,695</b>	<b>45,863,297</b>	<b>57,643,938</b>	<b>80,215,400</b>	<b>93,942,572</b>
Change in inventory	(7,861)	(30,880)	51,222	29,506	(399,674)
<b>Fund balances, ending (3)</b>	<b>\$51,803,140</b>	<b>\$57,643,938</b>	<b>\$68,036,150</b>	<b>\$93,942,572</b>	<b>\$119,280,600</b>

Notes:

- (1) Since FY 1991-92 when quarterly estimated license payments were first implemented, all payments received in a given year have been recognized as revenues. Refunds were charged as an expense in special appropriations. No year-end liability was recorded for overpayments outstanding at year-end. The impact of this treatment was to overstate revenues and expenses for the year and to accumulate an unrecorded liability that has increased annually. To properly report the error, the City recorded a prior period adjustment to the FY 2001-02 governmental ending net assets of \$5,939,843.
- (2) 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.
- (3) 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>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>ASSETS:</b>					
Cash and investments	\$60,812,814	\$69,530,390	\$79,744,655	\$91,967,908	\$117,244,053
Receivables:					
Property taxes	14,479,097	14,701,927	14,699,490	13,991,052	13,220,703
Accounts, interest and advances (2)	3,184,386	3,896,451	3,723,006	16,434,764	20,130,703
Assessments (3)	1,000	1,000	4,280,370	4,011,158	3,746,001
Due from other funds	2,557,009	3,458,126	4,579,636	8,223,415	8,196,748
Inventories	349,826	318,946	370,167	399,674	--
Prepaid Items	--	--	--	--	6,692
<b>Total Assets</b>	<b>\$81,384,132</b>	<b>\$91,906,840</b>	<b>\$107,397,324</b>	<b>\$135,027,971</b>	<b>\$162,545,900</b>
<b>LIABILITIES:</b>					
Accounts payable	\$5,263,171	\$5,611,240	\$8,113,050	\$6,602,265	\$6,048,037
Deferred revenue (4)	19,478,128	18,200,593	24,560,999	27,831,067	10,062,193
Unearned revenue (4)	--	--	--	--	18,179,533
Due to other funds	4,834,193	5,135,831	5,567,124	4,805,130	4,507,586
Due to component unit	--	--	--	143,378	523,780
Notes and mortgages payable	5,500	--	--	--	--
Other liabilities (5)	--	5,315,238	1,120,001	1,703,559	3,944,171
<b>Total Liabilities</b>	<b>29,580,992</b>	<b>34,262,902</b>	<b>39,361,174</b>	<b>41,085,399</b>	<b>43,265,300</b>
<b>FUND BALANCE:</b>					
Reserved for petty cash	44,595	44,845	44,845	46,342	--
Reserved for inventories	349,826	318,946	370,167	399,674	--
Unreserved	51,408,719	57,280,147	67,621,138	93,496,556	119,280,600
<b>Total Fund Balance</b>	<b>51,803,140</b>	<b>57,643,938</b>	<b>68,036,150</b>	<b>93,942,572</b>	<b>119,280,600</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$81,384,132</b>	<b>\$91,906,840</b>	<b>\$107,397,324</b>	<b>\$135,027,971</b>	<b>\$162,545,900</b>

Notes:

- (1) Reflects changes due to GASB 34 reporting requirements beginning with FY 2001-02 financial statements.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) "Other liabilities" category reflects revised accounting treatment of business license refunds beginning in FY 2002-03 to conform with GAAP.

Source: City of Portland audited annual financial statements.

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

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August 2, 2007

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

Piper Jaffray & Co.  
800 Nicollet Mall  
Minneapolis, Minnesota 55402

Subject: \$16,860,000 City of Portland, Oregon, Limited Tax Revenue Bonds,  
2007 Series B (Portland Mall Revitalization Project)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Portland, Oregon (the "City") of its Limited Tax Revenue Bonds, 2007 Series B (Portland Mall Revitalization Project) (the "Bonds"), which are dated August 2, 2007, and are in the aggregate principal amount of Sixteen Million Eight Hundred Sixty Thousand Dollars (\$16,860,000). The Bonds are authorized by Oregon Revised Statutes ("ORS") 288.805 to 288.945, City Ordinance No. 180937 (the "Ordinance"), and a Bond Declaration dated as of the date of delivery of the Bonds. We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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.

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

Based on 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 and the Charter of the City. The Bonds constitute valid and legally binding obligations of the City enforceable in accordance with their terms. The City has pledged its full faith and credit to the payment of the Bonds.
2. 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 taken into account in determining adjusted current earnings for the purpose of computing the 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, 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.
3. 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.

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.

This opinion is based on existing law and we assume no obligation to update 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 or become effective.

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 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 to Kirkpatrick & Lockhart Preston Gates Ellis 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,

KIRKPATRICK & LOCKHART PRESTON GATES ELLIS LLP

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

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## CONTINUING DISCLOSURE CERTIFICATE

**\$16,860,000**

**City of Portland, Oregon**

**Limited Tax Revenue Bonds, 2007 Series B  
(Portland Mall Revitalization Project)**

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of Portland, Oregon (the "City") in connection with the issuance of the City's Limited Tax Revenue Bonds, 2007 Series B (Portland Mall Revitalization Project) (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), (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.

"NRMSIR" means a nationally recognized municipal securities information repository.

"Official Statement" means the final official statement for the Bonds dated July 24, 2007.

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

"SID" means a state information depository for the State of Oregon (if one is created).

Section 3. Financial Information. The City agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing no later than March 31, 2008, for the fiscal year ended June 30, 2007):

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. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the NRMSIR, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

The City agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of its failure to provide the annual financial information described in 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 SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

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

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

Section 9. DisclosureUSA. Any filing required to be made with any NRMSIR or SID under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 10. 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 2nd day of August, 2007.

**City of Portland, Oregon**

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Eric H. Johansen, 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 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as 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 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 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 the 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 such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's 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 the 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[nor its nominee], 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 securities 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 securities 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.



