NEW ISSUE – COMPETITIVE via PARITY
BOOK-ENTRY ONLY **RATING: Moody's Aaa**

In the opinion of K&L Gates LLP, Portland, Oregon, Bond Counsel, assuming compliance with certain covenants of the City, interest on the 2008 Series A Bonds is excludable from gross income of the owners of the 2008 Series A Bonds for federal income tax purposes under existing law. Interest on the 2008 Series A Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2008 Series A 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 2008 Series A Bonds is exempt from Oregon personal income tax under existing law.

City of Portland, Oregon

$15,360,000
General Obligation Emergency Facilities Bonds
2008 Series A

Base CUSIP 736679

Dated: Date of Delivery **DUE:** June 1, as shown on inside cover

The City of Portland, Oregon General Obligation Emergency Facilities Bonds, 2008 Series A (the "2008 Series A Bonds") will be issued in registered book-entry form only, in denominations of $5,000 or integral multiples thereof. The 2008 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co., as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2008 Series A Bonds. While Cede & Co. is the registered owner of the 2008 Series A Bonds (the "Owner") as nominee of DTC, references herein to the Bondowners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2008 Series A Bonds. See "Book-Entry System" herein.

The 2008 Series A Bonds will bear or accrue interest rates as set forth in the table on the inside cover page. The 2008 Series A Bonds will be dated as of the Date of Delivery. Interest on the 2008 Series A Bonds will be payable semiannually on June 1 and December 1 of each year, beginning December 1, 2009.

The 2008 Series A Bonds will be issued for the purpose of funding capital improvements related to the City's emergency facilities and paying issuance costs.

The 2008 Series A Bonds are general obligations of the City. The City has pledged its full faith and credit to pay the 2008 Series A Bonds, and covenants for the benefit of the Owners that the City shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after considering discounts taken and delinquencies that may occur in the payment of such taxes, to pay the 2008 Series A Bonds promptly as they mature.

The 2008 Series A Bonds are subject to optional redemption prior to maturity. See "REDEMPTION" herein.

The 2008 Series A Bonds are offered when, as and if issued by the City and accepted by the successful bidder, subject to prior sale, withdrawal or modification of the offer without notice, to the final approving opinion of K&L Gates LLP, Portland, Oregon, Bond Counsel, and to certain other conditions. The City expects that the 2008 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about December 3, 2008

Official Statement Dated November 18, 2008

MATURITY SCHEDULE

$15,360,000

CITY OF PORTLAND, OREGON
GENERAL OBLIGATION EMERGENCY FACILITIES BONDS
2008 SERIES A

Due June 1	Principal Amount	Interest Rate	Price or Yield	CUSIP No. (1) 736679
2010	$280,000	3.00%	2.00%	RG 8
2011	605,000	3.00	2.50	RH 6
2012	620,000	3.00	2.75	RJ 2
2013	640,000	3.00	2.95	RK 9
2014	660,000	3.50	3.10	RL 7
2015	685,000	3.50	3.30	RM 5
2016	705,000	3.50	100	RN 3
2017	730,000	3.75	100	RP 8
2018	760,000	4.00	3.95	RQ 6
2019	790,000	4.15	100	RR 4
2020	825,000	4.25	4.30	RS 2
2021	860,000	4.50	4.45†	RT 0
2022	895,000	4.50	4.55	RU 7
2023	935,000	4.50	4.60	RV 5
2024	980,000	4.50	4.65	RW 3
2025	1,025,000	4.70	100	RX 1
2026	1,070,000	4.75	100	RY 9
2027	1,120,000	4.75	4.80	RZ 6
2028	1,175,000	4.75	4.85	SA 0

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

† Priced to par call on June 1, 2018.

OFFICIAL STATEMENT

OF THE

CITY OF PORTLAND, OREGON

$15,360,000
General Obligation Emergency Facilities Bonds
2008 Series A

CITY COUNCIL

Tom Potter,
Mayor and Commissioner of Finance and Administration

Sam Adams, Commissioner No. 1*
Nick Fish, Commissioner No. 2
Dan Saltzman, Commissioner No. 3
Randy Leonard, Commissioner No. 4

CITY OFFICIALS

Gary Blackmer, City Auditor
David E. Thurman, City Treasurer
Linda Meng, City Attorney

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

DEBT MANAGEMENT

Eric H. Johansen, Debt Manager
City of Portland
1221 SW Fourth Avenue, Room 120
Portland, Oregon 97204

Phone: (503) 823-6851
Fax: (503) 823-4209
ejohansen@ci.portland.or.us

BOND COUNSEL

K&L Gates LLP
Portland, Oregon

* City Commissioner Sam Adams received a majority of the votes for Mayor in the Portland primary election on May 20, 2008, and will take office as Mayor in January 2009.

CITY OF PORTLAND, OREGON
1851

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 2008 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. In making an investment decision, potential investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. **In connection with this offering, the successful bidder may over allot or effect transactions which stabilize or maintain the market price of the 2008 Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued, and if discontinued, then recommenced, at any time.**

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APPENDICES

OFFICIAL STATEMENT

OF THE

CITY OF PORTLAND, OREGON

RELATED TO

$15,360,000
GENERAL OBLIGATION EMERGENCY FACILITIES BONDS
2008 SERIES A

INTRODUCTION

This Official Statement sets forth certain information concerning the City of Portland, Oregon (the "City"), and its General Obligation Emergency Facilities Bonds, 2008 Series A (the "2008 Series A Bonds").

THE 2008 SERIES A BONDS

SECURITY

The 2008 Series A Bonds are general obligations of the City. The City has pledged its full faith and credit to pay the 2008 Series A Bonds, and covenants for the benefit of the Owners that the City shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after considering discounts taken and delinquencies that may occur in the payment of such taxes, to pay the 2008 Series A Bonds promptly as they mature.

DESCRIPTION

The 2008 Series A Bonds will be issued in book-entry form only, in registered form in denominations of $5,000 or integral multiples thereof. The 2008 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co., as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). While the 2008 Series A Bonds are in book-entry form, principal of and interest on the Bonds will be paid through DTC. See "BOOK-ENTRY SYSTEM" in Appendix E.

The 2008 Series A Bonds will be dated as of the Date of Delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest on the 2008 Series A Bonds is payable semi-annually on June 1 and December 1 of each year beginning December 1, 2009, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

AUTHORIZATION AND PURPOSE

The 2008 Series A Bonds will be issued in compliance with Oregon Revised Statutes Chapter 287Aand the authority granted to the City by its voters on November 3, 1998, to issue general obligation bonds to finance capital improvements related to fire, rescue and emergency facilities described in the ballot authorizing the bonds. The 2008 Series A Bonds also are issued in accordance with City Ordinance No. 182255 adopted on October 8, 2008 (the "Ordinance"). See Appendix A for the Ordinance.

The purpose of the 2008 Series A Bonds is to fund capital improvements related to fire, rescue, and emergency facilities and to pay costs of issuance of the 2008 Series A Bonds.

FORM

In accordance with the Book-Entry System, the 2008 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee for DTC. Purchasers of the 2008 Series A Bonds who are the Beneficial Owners thereof will not receive certificates evidencing their ownership interests in the 2008 Series A Bonds. While Cede & Co. is the registered Owner of the 2008 Series A Bonds (in such capacity, the "Owner") as nominee of DTC, it shall be treated in all respects as the sole Owner of the 2008 Series A Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2008 Series A Bonds) all rights as Owner, including but not limited to the right to give consents, the right to receive notices (including notices of redemption), and other rights conferred on owners of the 2008 Series A Bonds under the Bond Declaration or applicable law. So long as the 2008 Series A Bonds are subject to the Book-Entry System, all registrations and transfers of Beneficial Ownership of the 2008 Series A Bonds will be made only through the Book-Entry System. See "BOOK-ENTRY SYSTEM" in Appendix E herein.

PAYMENT OF THE 2008 SERIES A BONDS WHILE IN BOOK-ENTRY SYSTEM

So long as the 2008 Series A Bonds are subject to the Book-Entry System, all payments of the principal of and interest on the 2008 Series A Bonds shall be remitted by the Registrar and Paying Agent, currently U.S. Bank National Association (the "Paying Agent") directly to DTC. DTC, in turn, will be required to distribute such payments to DTC Participants, and the DTC Participants will be responsible for ultimate distribution of such payments to the Beneficial Owners of the 2008 Series A Bonds. The City has no responsibility for the distribution of any payments on the 2008 Series A Bonds by DTC to any DTC Participant or by any DTC Participant to any Beneficial Owner, and shall have no liability whatsoever in the event of any failure by DTC or a DTC Participant to make any such distribution. See "BOOK-ENTRY SYSTEM" in Appendix E herein.

REDEMPTION

Redemption of the 2008 Series A Bonds

The 2008 Series A Bonds are subject to optional redemption prior to maturity in whole or in part at the option of the City on any date on or after June 1, 2018, in any order of maturity and by lot within a maturity. Any such redemption shall be at a price equal to 100 percent of the principal amount to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption. In the case of any redemption of less than all of the outstanding 2008 Series A Bonds, the City shall have the right to specify the particular maturities to be redeemed and the aggregate principal amount of each maturity to be redeemed.

Selection of 2008 Series A Bonds for Redemption

While the 2008 Series A Bonds are subject to the BEO System, if less than all the outstanding 2008 Series A Bonds of a particular maturity are to be redeemed, DTC will select the particular 2008 Series A Bonds in accordance with its customary practices.

Notice of Redemption

While the 2008 Series A Bonds are subject to the BEO System, notice of any redemption shall be given by the Paying Agent only to DTC in accordance with the agreement entered into among the City, the Paying Agent and DTC. It shall be the sole responsibility of DTC to give all notices of redemption to DTC Participants, and the DTC Participants, in turn, shall be responsible for giving such notices to the Beneficial Owners. Neither the City nor the Paying Agent will be responsible for giving any notice of redemption to any Beneficial Owner or any DTC Participant, nor shall the City or the Paying Agent be liable for any failure of DTC or any DTC Participant to give any such notice as described above. Interest on any 2008 Series A Bond or Bonds called for redemption shall cease on the redemption date designated in the notice.

EMERGENCY FACILITIES PROJECT

On November 7, 1998, Portland voters approved the issuance of up to $53,825,000 of general obligation bonds for the purpose of funding improvements to fire, rescue and emergency facilities. The anticipated total cost of the capital improvements program is $65.5 million, including contributions from the City's general fund, land and building sales, and interest earnings. Improvements are planned to be constructed over an 12-13 year period. The objectives of this program are to:

1. Undertake seismic upgrades of Portland Fire & Rescue facilities to allow the firefighters and their equipment to effectively respond to an earthquake in the metropolitan area

2. Relocate and build new facilities to meet the goal of a four-minute response time to emergency calls.

3. Renovate facilities to be consistent with the changing mission of Portland Fire & Rescue. For instance, a major segment of the work now is for emergency medical services, yet few of the facilities are well equipped to handle the drug storage and pathogen cleanup concomitant with this mission.

4. Respond to new requirements for ADA accessibility and female firefighter accommodations.

5. Expand facilities to allow the City to accommodate growth.

The City currently has 30 active fire and rescue stations. Two studies have guided the overall strategy for renovating or relocating these existing facilities or constructing new stations – a seismic rehabilitation study completed by Degenkolb Engineers and a station location/response time study conducted by Tri-Data Corporation.

The City issued $24.5 million of general obligation bonds in 1999 and $ 13.965 million of general obligation bonds in FY 2003-04 which provided funding through early FY 2008-09. Projects completed or underway that have been funded with these proceeds include:

- Construction of five new fire stations; and

- Renovation of 22 fire stations.

Proceeds from the 2008 Series A Bonds will provide continued funding for the program for approximately the next two years. Projects expected to be funded with the proceeds of the 2008 Series A Bonds include the construction of one new station in southwest Portland (Station 18), the replacement of Station 45 in outer east Portland, and the renovation of Station 1 in downtown Portland.

ESTIMATED SOURCES AND USES OF FUNDS

The anticipated uses of proceeds from the 2008 Series A Bonds are itemized in the following table:

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

SOURCES:	
Par amount of bonds	$15,360,000.00
Original issue discount	(10,383.45)
TOTAL SOURCES	$15,349,616.55
USES:	
Deposit to construction fund	$15,185,865.45
Underwriter's discount	133,751.10
Issuance costs	30,000.00
TOTAL USES	$15,349,616.55

Source: City of Portland.

DEBT SERVICE SCHEDULE FOR 2008 SERIES A BONDS

The following table presents the debt service schedule for the 2008 Series A Bonds.

Table 2
CITY OF PORTLAND, OREGON
Scheduled Debt Service on the 2008 Series A Bonds

Fiscal Year Ending June 30th	Principal	Interest	Total
2010	$280,000	$948,800	$1,228,800
2011	605,000	626,485	1,231,485
2012	620,000	608,335	1,228,335
2013	640,000	589,735	1,229,735
2014	660,000	570,535	1,230,535
2015	685,000	547,435	1,232,435
2016	705,000	523,460	1,228,460
2017	730,000	498,785	1,228,785
2018	760,000	471,410	1,231,410
2019	790,000	441,010	1,231,010
2020	825,000	408,225	1,233,225
2021	860,000	373,163	1,233,163
2022	895,000	334,463	1,229,463
2023	935,000	294,188	1,229,188
2024	980,000	252,113	1,232,113
2025	1,025,000	208,013	1,233,013
2026	1,070,000	159,838	1,229,838
2027	1,120,000	109,013	1,229,013
2028	1,175,000	55,813	1,230,813
Total	$15,360,000	$8,020,815	$23,380,815

Source: City of Portland.

ANNUAL DISCLOSURE INFORMATION

In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, §.15c2-12), the City will provide annually the updated historical financial information and operating data of the type presented in this section entitled "Annual Disclosure Information" to all NRMSIRs and SIDs, if any. See Appendix D, "Continuing Disclosure Certificate" herein.

FINANCIAL OPERATIONS

Basis of Accounting

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

Fiscal Year

July 1 to June 30.

Audits

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

KPMG LLP conducted audits of the financial statements of the City of Portland and related entities from FY 1995-96 through FY 2001-02. Moss Adams LLP performed auditing services for FY 2002-03 through FY 2006-07 and currently is underway with the FY 2007-08 audit.

A complete copy of the City's FY 2006-07 Comprehensive Audited Financial Report is available on the City's website at http://www.portlandonline.com/ shared/cfm/image.cfm?id=180644. The City's web site is listed for reference only, and is not part of this Official Statement. See Appendix B, "EXCERPTS OF AUDITED FINANCIAL STATEMENTS" herein.

Financial Reporting

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

Enterprise Business Solution Project

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

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

Since that time, considerable work has been completed including:

- Selection of the SAP software application
- Retention of a system integrator to lead the implementation effort
- Development and configuration of the ERP system to match City business needs

- Testing of the development and configuration
- Preparation of training programs and bureau readiness action plans

In December 2007, the project Executive Steering Committee determined that work would not be done in time for the planned "go-live" date at the end of January 2008. The City decided that a different system integrator was needed to ensure project success. On May 7, 2008, the City Council approved a transition to SAP Public Consulting Services, Inc., a subsidiary of SAP America, Inc. Although work has continued, the delay and extended timeframe has resulted in an expected $18.5 million increase to the project cost for a new total budget of $49.5 million.

The project is now scheduled to become operational in two phases. Phase One, including finance and purchasing, is expected to go live in November 2008. Phase Two, including human capital management, is planned to go live in April 2009. During the phase-in period, the existing IBIS system will continue to be operational.

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

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 City 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 City 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 required to be provided to City Council about a month before budget requests are submitted.

Bureau budget requests are reviewed by teams of City 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 City Council priorities, public input, and balancing requirements. Following presentation of the Proposed Budget, one or more community hearings are scheduled wherein public testimony is taken. A budget summary and notice of hearing are published prior to the hearings. The City Council, sitting as the Budget Committee, considers the testimony from the community and can alter the budget proposal before voting to approve the budget.

The City Council transmits the Approved Budget to the Tax Supervising and Conservation Commission (the "TSCC"), an oversight board appointed by the governor, for public hearing and review for compliance with budget law. Upon certification by the TSCC, the City Council holds a final public hearing prior to adoption. Final adoption of the City's budget is required to be through a majority vote of the City 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. Under the Oregon Tort Claims Act (the "OCTA"), general and fleet liability claims are limited to $100,000 per person, an additional $100,000 per person under special circumstances and $500,000 aggregate per occurrence. Claims under federal jurisdiction are not subject to such limitations. The City estimates liability for incurred losses for reported and unreported claims for workers' compensation, general and fleet liability and employee medical coverage. Workers' compensation, general, and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City's Risk Management Division and independent actuarial studies. Liabilities are based on the estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. Estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine the present value of the liability. For FY 2007-08, the expected rate of return is 5.00 percent. The City's Bureau of Human Resources and the employee benefits consultant determine relevant employees' medical coverage estimates.

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

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 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.

OHSU asked the Oregon Supreme Court to review the Court of Appeals decision. The Supreme Court accepted review and heard arguments on January 9, 2007. On December 28, 2007, the Oregon Supreme Court upheld the ruling of the Oregon Court of Appeals.

Under the OTCA, the City currently indemnifies its employees for liability that they incur due to negligence within the scope of their work. Accordingly, with the decision 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 has addressed potential impacts of the *Clarke* case by making adjustments to its insurance program. Beginning in FY 2007-08, the limits of coverage on the excess liability policy were increased from $10 million to $30 million per claim above the $1 million self-insurance retention, and the confidence level for the self-insurance reserves in the Insurance & Claims Fund was increased from 60 percent to 70 percent.

PENSION PLANS

General

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

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

Public employees hired on or after August 29, 2003, become part of OPSRP, unless membership was previously established in the T1/T2 Pension Program. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund the Individual Account Program

("IAP") under the separate defined contribution program. Beginning January 1, 2004, active members of the T1/T2 Pension Program became members of the IAP under OPSRP and their employee contributions were directed to the member's IAP account and will be part of a separate defined contribution program.

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

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

Employer Asset Valuation and Liabilities

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

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

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

Table 3
CITY OF PORTLAND, OREGON
Valuation Results for 2006 and 2007

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

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

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

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

Employer Contribution Rates

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

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

Table 4
CITY OF PORTLAND, OREGON
Current Employer Contribution Rates and Advisory Rates
(Percentage of Covered Payroll)

	Current Rates 2007-2009			Adopted Rates 2009-2011		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Total net pension contribution rate	6.29%	8.95%	12.22%	4.01%	4. 85%	7.56%

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

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

T1/T2 Pension Program employees and OPSRP employees are required by state statute to contribute six percent of their annual salary to the respective programs. Employers are allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to make the employee contribution. An employer also may elect via written employment policy or agreement to make additional employer contributions to its employees' IAP accounts in an amount that can range from not less than one percent of salary to no more than six percent of salary and must be a whole percentage. Employers may make this policy or agreement for specific groups of their employees. The City has elected to make an optional contribution to the IAP accounts of public safety employees hired after January 1, 2007 of an additional three percent of their annual salary. The rates reported in Table 4 above do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City.

In addition to the City's employer rate, each City bureau is required to make a contribution to pay debt service on approximately $298.3 million Limited Tax Pension Obligation Revenue Bonds issued in FY 1999-2000 to fund the City's share of the unfunded actuarial liabilities of PERS as of December 31, 1997.

Fire and Police Disability and Retirement Fund

Most of the fire and police personnel are covered under the City's Fire and Police Disability and Retirement ("FPDR") 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 2008-09 levy of $111,152,436 for pension purposes requires a tax rate of $2.6241 per $1,000 of assessed property value, or approximately $1.45 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, eliminating employee contributions and eliminating 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 June 30, 2007, the City's actuary estimated that the unfunded actuarial liability of the FPDR Fund was $1.9 billion. That liability was calculated using a discount rate of 6.04 percent. The City has been reviewing and revising the discount rate and assumptions utilized in the calculations of the actuarial valuation, actuarial accrued pension liabilities, and net pension obligation, to match more closely the funding and investment returns that could be achieved given current economic conditions. In 2005, the FPDR Fund's actuary used a discount rate of 6.63 percent to value the FPDR Fund, and in 2006 the FPDR Fund's actuary used a discount rate of 6.04 percent. Based on discussions with the FPDR Fund's actuary, the City may further reduce the discount rate used to value the FPDR Fund liabilities to a rate of between 4.5 and 5.0 percent. This change is projected to result in an increase to the unfunded actuarial liability of the FPDR Fund of between 13 and 20 percent. Any such change is expected to be reflected in the City's June 30, 2008, financial statements currently being finalized.

On November 7, 2006, City voters passed a ballot measure that changed 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 was reduced from the current eleven members to five. The five members include two citizen members with expertise in disability or retirement, one City representative, and two member representatives. In addition, the FPDR Board no longer decides claims. A qualified administrator denies or approves claims. Appeals are made to independent hearings officers with disability experience.

Under the ballot measure, the FPDR Fund pays lifetime medical coverage for retired police and fire-fighters' job-related injuries. The financial effects are preliminary, but the additional expenses are estimated to be up to $100,000 to $3 million in additional benefits each year, escalating as more members retire. Additional annual administrative costs related to the expense are estimated to be $100,000 to $200,000. The additional costs are not reflected in the actuarial valuation as of June 30, 2007, but will be included in the June 30, 2008 valuation.

All police and firefighters hired after January 1, 2007, receive retirement benefits through OPSRP rather than the existing FPDR Plan. The FPDR levy will pay the employee and employer portions of the OPSRP contribution. For information regarding OPSRP and the employee and employer contribution rates for OPSRP, see "PENSION PLANS – General," above. This move is expected to increase property taxes for 35 years. Performance audits will be implemented to assess the implementation of the FPDR Plan reforms.

OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB")

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. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled covered payroll. According to the 2007 City Valuation, the City's allocated share of the RHIA program's UAL is $8,375,260.

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

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 actuary for its non-PERS OPEB, AON Employee Benefits Consulting, has completed a final actuarial valuation for purposes of complying with the GASB 45 standards. The final valuation was prepared using the Entry Age Normal actuarial cost method by spreading future normal costs evenly over future service ("EAN – Service"). The final valuation was also prepared using an amortization period of 30 years and an assumed discount rate of five percent. The City's actuarial accrued liability for OPEB is solely attributable to the implicit subsidies and at the valuation date of July 1, 2007, is estimated to be $98 million on an EAN-Service basis. For fiscal year 2007, the annual required contribution ("ARC") of the employer to be recognized as the annual employer OPEB cost is estimated to be $10.9 million on an EAN-Service basis and for fiscal year 2008, the ARC is estimated to be $11.5 million on an EAN-Service basis. The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and ARC, but will monitor its OPEB liability and assess whether a different approach is needed in future years.

OVERVIEW OF CITY INDEBTEDNESS

Debt Management Policy

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

Debt History

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

Debt Limitation

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

OUTSTANDING LONG TERM DEBT

The City issues a variety of debt types for the purpose of carrying out its capital financing activities. These various debt types are shown in the table titled "Long Term Debt Statement" below. Outstanding debt amounts are as of November 1, 2008.

Unlimited Tax General Obligation Bonds

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

<u>Tax Supported General Obligation Bonds</u>

The City has $56.77 million of outstanding tax-supported general obligation bonds, excluding the 2008 Series A Bonds. These bonds were originally issued for the purpose of funding park and emergency facility system improvements. The City imposes an unlimited ad valorem tax to pay these bonds.

Self-Supporting General Obligation Water Bonds

The City has $3.135 million of outstanding self-supporting general obligation water bonds. While the City has the authority to levy an unlimited ad valorem tax to pay these bonds, the City has chosen to pay these bonds entirely from revenues of the water system.

Obligations Paid and/or Secured by the General Fund

The following obligations are secured by the City's General Fund. Most of these obligations have the phrase "limited tax" in their title. "Limited tax" refers to the City's permanent tax rate levy, which is the largest source of revenue that is credited to the City's General Fund. However, these obligations are payable from all revenues in the General Fund. In FY 2006-2007, total General Fund revenues were approximately $523 million. See Appendix B, "EXCERPTS OF AUDITED FINANCIAL STATEMENTS" herein. These obligations are also payable from legally available revenues that are not credited to the General Fund. The City is not authorized to levy additional taxes to pay these obligations.

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

Limited Tax Revenue Bonds. As of November 1, 2008, the City had $84.2 million of outstanding limited tax revenue bonds. These bonds are paid primarily from General Fund resources. The City has issued limited tax revenue bonds to satisfy a variety of capital financing requirements.

Limited Tax Pension Obligation Revenue Bonds. The City issued $300.8 million of Limited Tax Pension Obligation Revenue Bonds in November 1999 to finance the City's share of the unfunded actuarial accrued pension liability with PERS as of December 31, 1997. These bonds are secured by Available General Funds as defined in the Bond Declaration. Approximately 40 percent of the debt service on these bonds is paid from resources of the General Fund. The remaining 60 percent is paid by non-General Fund bureaus of the City. See "Self-Supporting General Fund Obligations" below. As of November 1, 2008, $293.5 million of the bonds remain outstanding, including approximately $109 million of obligations which are expected to be non-self supporting.

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

Limited Tax Housing Revenue Bonds. The City has outstanding a total of approximately $20.6 million of Limited Tax Housing Revenue Bonds, including amounts issued for the Headwaters Apartment Project and for the Housing Opportunity Program.

Self-Supporting General Fund Obligations

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

Limited Tax Revenue Bonds (Visitor Development Initiative). The City has issued bonds for various projects pursuant to an intergovernmental agreement known as the Visitor Development Initiative. While ultimately secured by the General Fund, these bonds are expected to be repaid in whole or in part with revenues generated from surcharges on the transient lodging tax and the motor vehicle rental tax. As of November 1, 2008, the City had $95.05 million of outstanding limited tax revenue bonds for the Oregon Convention Center Completion Project, $28.53 million of outstanding bonds for the Civic Stadium Project, and $1.57 million of outstanding bonds for the Portland Center for Performing Arts ("PCPA") Project.

Limited Tax Revenue Bonds (Central City Streetcar Project). The City has $22.97 million of outstanding limited tax revenue bonds for the Central City Streetcar Project. These bonds are ultimately secured by the City's General Fund, but the City expects to pay the debt service on these bonds with revenues from the City's parking facilities and meters.

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

Limited Tax Improvement Bonds. The City has $49.46 million of outstanding limited tax improvement bonds. These bonds are issued for the purpose of financing local improvement projects. These bonds are expected to be fully self-supporting from assessment payments received from property owners benefiting from the improvement projects. In addition, the City has pledged its full faith and credit to pay the bonds, and the bonds are payable from all legally available revenues, taxes and other funds of the City.

Arena Limited Tax Revenue Bonds. On February 17, 2005, the City sold the Arena Limited Tax Revenue Refunding Bonds, 2005 Series A and B to refund the Arena Limited Tax Revenue Bonds, 1996 Series A and B, the Arena Limited Tax Bonds, Series 1996 and the Arena Gas Tax Revenue Bonds, 1996 Series A. The City currently has $23.085 million of these bonds outstanding. These limited tax revenue bonds are ultimately secured by the City's General Fund. However, the City expects to pay the debt service on these bonds from revenues received from the Oregon Arena Project.

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

Contingent Loan Agreements

The City has made a limited, subject-to-appropriation, pledge of its General Fund to restore reserve fund balances on six conduit housing revenue bond issues. The original principal amount of these issues is $36.2 million, of which $33.4 million remains outstanding.

Revenue Bonds

The City issues revenue bonds to satisfy a variety of capital financing requirements backed solely by the fees derived from the provision of certain services. Included among the purposes for which these types of revenue bonds have been issued are sewer system facilities, water system facilities, parking system facilities, golf facilities, environmental remediation activities, road improvements and hydroelectric generation facilities. In these cases, fees and charges are collected for the individual services provided, generally on the basis of usage. The types and amounts of outstanding revenue bonds are shown in Table 5 below.

Urban Renewal Bonds

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

Table 5
CITY OF PORTLAND, OREGON
Long-Term Debt Statement (1)
As of November 1, 2008

Type of Obligation	Amount Outstanding
I. UNLIMITED TAX GENERAL OBLIGATION BONDS	
A. Tax Supported	
General Obligation Parks Refunding Bonds	$28,740,000
General Obligation Emergency Facilities Bonds	28,030,000
Total Tax Supported G.O. Bonds	56,770,000
B. Self-Supporting	
General Obligation Water Bonds	$3,135,000
Total Self-Supporting G.O. Bonds	$3,135,000
II. BONDS PAID AND/OR SECURED BY THE GENERAL FUND	
A. Non-Self-Supporting	
Limited Tax Revenue Bonds	$84,200,000
Limited Tax Pension Obligation Revenue Bonds (General Fund share)	108,969,662
Limited Tax Housing Revenue Bonds	20,635,000
Total Bonds Secured and Paid from the General Fund (1)	$213,804,662
B. Self-Supporting	
Limited Tax Pension Obligation Revenue Bonds (Non-General Fund share)	$184,553,684
Limited Tax Revenue Bonds (Streetcar)	22,970,000
Limited Tax Revenue Bonds (Visitor Dev. Initiative)	125,148,888
Limited Tax Revenue Bonds (S. Waterfront)	2,398,808
Limited Tax Revenue Bonds (Arena)	23,085,000
Limited Tax Revenue Bonds (Transit Mall)	15,360,000
Limited Tax Improvement Bonds	49,460,000
State Loans (Brookside)	433,521
Total Self-Supporting Bonds Secured by the General Fund	$423,409,901
III. REVENUE BONDS	
Sewer Revenue Bonds	$1,391,960,000
Sewer SRF Loans	20,554,655
Water Revenue Bonds	267,045,000
Parking Revenue Bonds	3,565,000
Golf Revenue Bonds	3,488,000
Hydroelectric Revenue Bonds	16,870,000
Urban Renewal Bonds	351,605,000
Gas Tax Revenue Bonds	5,415,000
Total Revenue Bonds	$2,060,502,655
TOTAL - ALL OUTSTANDING LONG-TERM DEBT	$2,757,622,218

Notes:

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

Source: City of Portland.

CITY GENERAL OBLIGATION DEBT

Tables 6-8 below set forth the City's general obligation capital debt ratios, the overlapping debt among various taxing districts in the City, and outstanding direct general obligation debt of the City incurred for capital purposes.

Table 6
CITY OF PORTLAND, OREGON
Debt Ratios
As of November 1, 2008

	Amount	Per Capita	Percent of Real Market Valuation	Percent of Assessed Valuation
July 1, 2007 Population	568,380			
2008-09 Market Value (Measure 5) (1)	$90,943,842,539	$160,005		
2008-09 Assessed Value (2)	$46,364,215,708	$81,573	50.98%	
Gross Bonded Debt (3)	$891,645,210	$1,569	0.98%	1.92%
Net Direct Debt (4)	$56,770,000	$100	0.06%	0.12%
Net Overlapping Debt (as of 6/30/2008) (5)	$312,920,601	$551	0.34%	0.67%
Net Direct and Overlapping Debt	$369,690,601	$650	0.41%	0.80%
FY 2008-09 General Fund Debt Service as a Percent of FY 2008-09 General Fund Budget (6)	2.6%			

Notes:

(1) Market Value reported in Table 6 encompasses City of Portland values within Multnomah, Washington, and Clackamas Counties, including estimated urban renewal incremental real market values. Market Value reported in Tables 6 and 9 are "Measure 5 Values," which represent the real market value of properties that are not specially assessed; and the value of specially assessed properties, including farm and forestland and exempt property which are less than full real market value. In 2008-09, the Measure 5 Market Value in Multnomah County represented about 84 percent of full real market value. For information regarding historical Market Value, see table titled "Historical Trends in Assessed and Market Values" herein.

(2) Includes urban renewal incremental assessed value. For information regarding historical assessed values, see table titled "Historical Trends in Assessed and Market Values" herein.

(3) Includes City's outstanding general obligation bonds, limited tax improvement bonds, and limited tax revenue bonds. Also includes general fund-supported lines of credit and tax anticipation notes.

(4) Includes only general obligation bonds paid from a separate, unlimited ad valorem tax. Does not include self-supporting general obligation bonds or bonds paid and/or secured by the City's General Fund.

(5) See Table 7 below for information on overlapping debt.

(6) Debt service amount includes all non-self supporting bonds paid and/or secured by the General Fund, but excludes General Fund share of pension obligation bonds.

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

Table 7
CITY OF PORTLAND, OREGON
Overlapping Debt
As of June 30, 2008

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

Notes:

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

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

Source: Municipal Debt Advisory Commission, Oregon State Treasury.

Table 8
CITY OF PORTLAND, OREGON
Projected Debt Service on Outstanding General Fund Obligations

	PAID FROM GENERAL FUND			SELF-SUPPORTING BONDS SECURED BY GENERAL FUND				
Fiscal Year Ending June 30	Limited Tax Revenue Bonds	Limited Tax Pension Obligation Revenue Bonds (1)	Total Non-Self Supporting Bonds/ Gen. Fund	Limited Tax Improve. Bonds (2)	Arena Limited Tax Revenue Bonds (3)	Limited Tax Pension Obligation Revenue Bonds (4)	Other Limited Tax Revenue Bonds (5)	Total Self Supporting Bonds/ Gen. Fund
2009	$14,043,272	$8,495,385	$22,538,657	$4,639,925	$2,823,250	$14,387,992	$13,484,683	$35,335,850
2010	13,667,178	8,828,964	22,496,142	4,547,125	2,921,908	14,952,950	13,732,573	36,154,556
2011	13,702,408	9,196,248	22,898,656	4,454,525	3,262,953	15,574,990	13,766,511	37,058,978
2012	12,860,584	9,558,733	22,419,317	4,342,125	3,368,925	16,188,905	13,958,523	37,858,478
2013	12,224,265	9,943,772	22,168,037	2,470,325	3,484,500	16,841,016	14,287,848	37,083,689
2014	11,140,026	10,329,489	21,469,515	2,077,405	3,601,500	17,494,275	14,540,166	37,713,346
2015	11,148,899	10,750,798	21,899,697	2,077,405	3,720,750	18,207,815	14,795,058	38,801,028
2016	8,530,610	11,184,721	19,715,331	2,077,405	3,846,500	18,942,717	15,190,383	40,057,005
2017	5,337,630	11,627,944	16,965,574	13,287,405	1,947,750	19,693,370	15,290,688	50,219,213
2018	5,322,073	12,095,715	17,417,788	1,651,905		20,485,598	11,557,013	33,694,516
2019	2,913,075	12,583,617	15,496,692	2,955,324		21,311,921	11,882,463	36,149,708
2020	2,909,645	13,081,663	15,991,308	1,439,880		22,155,425	12,220,413	35,815,718
2021	2,436,671	13,604,648	16,041,319	1,439,880		23,041,165	12,577,663	37,058,708
2022	2,437,091	14,150,222	16,587,313	1,439,880		23,965,162	12,521,413	37,926,455
2023	2,428,695	14,716,231	17,144,926	11,919,880		24,923,769	12,267,113	49,110,762
2024	2,431,655	15,304,658	17,736,313	984,000		25,920,342	9,889,713	36,794,055
2025	2,430,795	15,917,215	18,348,010	984,000		26,957,785	9,891,213	37,832,998
2026	1,669,964	16,553,904	18,223,868	984,000		28,036,096	9,896,063	38,916,159
2027	1,671,770	17,214,723	18,886,493	20,664,000		29,155,277	9,891,438	59,710,715
2028	1,670,605	17,905,243	19,575,848			30,324,757	9,896,825	40,221,582
2029	775,795	18,619,893	19,395,688			31,535,107	9,990,688	41,525,795
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					
Total	$136,339,336	$271,663,786	$408,003,122	$84,436,394	$28,978,035	$460,096,434	$271,525,838	$845,036,701

Notes:

(1) Reflects General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. Amounts shown include projected debt service on the variable rate 1999 Series D & E Bonds and are subject to change.

(2) Actual debt service may differ substantially from schedule above due to optional and mandatory redemption provisions.

(3) Bonds are expected to be paid from Arena Project revenues.

(4) Reflects non-General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. A portion of the debt service on the bonds is expected to be paid from capitalized interest. Amounts shown include projected debt service on the variable rate 1999 Series D & E Bonds (auction rate securities) and are subject to change.

(5) Includes bonds issued to finance Central City Streetcar, Convention Center Expansion Project, Portland Mall Revitalization Project, and improvements to the Portland Center for the Performing Arts ("PCPA") and Civic Stadium. Bonds issued for the Streetcar project are expected to be paid from parking facility and meter revenues. Bonds issued for Convention Center expansion, PCPA, and Civic Stadium will be repaid in whole or in part from transient lodging tax and vehicle rental tax surcharges imposed by Multnomah County. Bonds issued for Portland Mall Revitalization Project expected to be repaid with meter revenues. Also includes bonds for South Waterfront projects.

Source: City of Portland.

SHORT-TERM AND OTHER INDEBTEDNESS

Cash Flow Borrowings

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

Short-Term Borrowings

The City has issued short-term notes and lines of credit for a variety of purposes including interim construction financing of local improvement districts and interim financing for urban renewal district projects, housing, transportation, and other capital projects. The notes are paid primarily from proceeds of bond sold at completion of the construction projects. The City currently has approximately $177.4 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.

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

Tables 9-12 below present trends in property valuation, consolidated tax rates, tax collections, and major taxpayers.

Table 9
CITY OF PORTLAND, OREGON
Historical Trends in Assessed and 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%
2007-08	38,253,186	201,380	5,740,426	44,194,992	5.72%
2008-09	39,784,128	203,038	6,377,050	46,364,216	4.91%

Market Value (Measure 5) (2)

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

Notes:

(1) Under the provisions of Ballot Measure 50, beginning with FY 1997-98, Real Market Value and Assessed Value are no longer the same. Measure 50 rolled back the Assessed Value of each property for tax year 1997-98 to its 1995-96 Real Market Value, less ten percent. The Measure further limits any increase in Assessed Value to three percent for tax years after 1997-98, except for property that is substantially improved, rezoned, or subdivided, or property which ceases to qualify for a property tax exemption. This property will be assigned a new Assessed Value equal to the Assessed Value of comparable property in the area. See "PROPERTY TAX AND VALUATION INFORMATION – Section 11B."

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

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

Table 10
CITY OF PORTLAND, OREGON
Consolidated Tax Rate: Fiscal Year 2008-09
Levy Code 201 (1)

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

Notes:

(1) Levy Code 201 is the largest levy code area that includes the City, containing approximately 39 percent of the total assessed value of the City. Rates are before allocation to urban renewal division of taxes. Information regarding Levy Code 201 is provided in Table 10 above as a representative example of consolidated tax rates within the City.

(2) Includes the City Fire and Police Disability and Retirement pension levy, urban renewal special levies, and the Multnomah County local option library levy.

Source: Multnomah County Department of Assessment and Taxation.

Table 11
CITY OF PORTLAND, OREGON
Tax Collection Record for the Last Ten Years (1)

Fiscal Year	Total Levy (000) (2)	Collected Yr. of Levy (3)	Collected as of 9/30/08 (3)
1998-99	$228,449	96.87%	99.99%
1999-00	237,785	96.56%	99.99%
2000-01	257,865	96.35%	99.99%
2001-02	267,740	96.46%	99.98%
2002-03	283,978	96.57%	99.97%
2003-04	324,709	96.92%	99.96%
2004-05	332,887	97.11%	99.92%
2005-06	346,053	97.20%	99.59%
2006-07	363,073	97.29%	99.12%
2007-08	394,491	97.07%	97.60%

Notes:

(1) Tax collection information is for Multnomah County, which represents approximately 99.5% of the City's Assessed Value. Small portions of Washington and Clackamas Counties are also included in the City's Assessed Value.

(2) Includes urban renewal special levy and levy amounts allocated to urban renewal divide the taxes. Levy amounts shown are after Measure 5 compression. For a discussion on Measure 5 compression, see "PROPERTY TAX AND VALUATION INFORMATION – Section 11B" herein.

(3) Collections reflect adjustments for cancellation of taxes, allowed discounts, and taxes added to tax roll due to omissions and corrections. Discounts currently represent the largest adjustment to the tax levy; discounts associated with the 2007-08 tax levy represented about 2.5% of that year's levy.

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

Table 12
CITY OF PORTLAND, OREGON
Principal Property Taxpayer Accounts

Taxpayer Account	Type of Business	FY 2007-08 Assessed Value	Percent of Total Assessed Value
Total City Assessed Value		$44,194,992,258	100.00%
Qwest Corporation	Communications	$291,822,920	0.66%
Portland General Electric	Energy	246,548,330	0.56%
Pacificorp (PP&L)	Energy	214,929,000	0.49%
Weston Investment Co. LLC	Real estate (office)	205,381,030	0.46%
Oregon Steel Mills	Steel plate manufacturing	170,274,330	0.39%
LC Portland LLC	Real estate (retail)	148,570,890	0.34%
Northwest Natural Gas	Energy	135,621,850	0.31%
Freightliner Corporation	Truck manufacturing	131,388,300	0.30%
Verizon Wireless VAW LLC	Communications	120,541,700	0.27%
Alaska Airlines	Airline	116,962,000	0.26%
Total		$1,782,040,350	4.03%

Source: Multnomah County Department of Assessment and Taxation.

PROPERTY TAX AND VALUATION INFORMATION

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

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

SECTION 11

Permanent Tax Rate

Section 11 of the Oregon Constitution grants all local governments that levied property taxes for operations in FY 1997-1998 a permanent tax rate that was based on the taxing authority of those governments before Ballot Measure 50 was adopted. Permanent tax rates cannot be increased. The City's permanent tax rate is $4.5770/$1,000 of Assessed Value. In FY 2006-2007 revenues from the City's permanent tax rate (including prior year and current year collections) were approximately $168 million. Revenues from permanent tax rate levies may be spent for any lawful purpose.

Assessed Value

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

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

Other Property Taxes

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

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

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

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

- Some urban renewal areas that were in existence when Measure 50 was adopted are authorized to impose taxes throughout the boundaries of their creating city or county. The City has five urban renewal areas with this taxing authority.

- The City is authorized to impose a levy to pay its fire and police pension and disability obligations. The City has the authority to levy up to $2.80/$1,000 of Real Market Value under this exemption.

- Local governments are authorized to impose taxes to pay general obligation bonds (see "General Obligation Bonds" below).

In 2006, the Oregon Legislature approved Senate Bill 1100, which gives the Board of the Portland Public School District the authority to raise its district operating tax rate up to $5.27 per $1,000 of assessed value. This authority applies to each of three tax years beginning July 1, 2006. The school district would return to its permanent tax rate of $4.77 per $1,000 beginning in the FY 2009-10 tax year.

SECTION 11B

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

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

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

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

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

LOCAL OPTION LEVIES

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

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

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

In November 2008, voters approved a new local option levy of the City for the Children's Investment Fund at a rate of $0.4026 per $1,000 of Assessed Value. This local option levy will take effect beginning in FY 2009-10.

VOTER PARTICIPATION

On November 4, 2008, the voters of the State of Oregon approved a measure referred by the Oregon Legislature that allows additional property taxes to be imposed if they are approved by a majority of voters casting ballots at an election held in May or November of any year. That measure will be in effect beginning with the May 2009 election, and will apply to elections to approve new local option levies, general obligation bonds and new permanent rate limits for governments that have not previously levied operating taxes.

The measure amends a constitutional requirement that additional property taxes be approved either an election held in November of an even-numbered year, or at an election at which a majority of registered voters cast ballots.

GENERAL OBLIGATION BONDS

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

1) general obligation bonds authorized by a provision of the Oregon Constitution (this applies to State of Oregon general obligation bonds);

2) general obligation bonds issued on or before November 6, 1990;

3) general obligation bonds that were approved by a majority of voters after November 6, 1990 and before December 5, 1996, and issued to finance capital construction or capital improvements;

4) general obligation bonds that were approved after December 5, 1996, and issued to finance capital construction or capital improvements, and which met the voter participation requirements described above; and

5) obligations issued to refund the general obligation bonds described in the preceding four subparagraphs.

COLLECTION

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

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

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

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

CITY ECONOMIC CHARACTERISTICS

The City, with an estimated population of 568,380 as of July 1, 2007, comprises an area of approximately 135 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, the City is the center of commerce, industry, transportation, finance and services for a metropolitan area with an estimated population of approximately 2.16 million people as of July 1, 2007. The City is the county seat of Multnomah County and is the largest city in Oregon and the second largest city in the Pacific Northwest.

PORTLAND-VANCOUVER-BEAVERTON METROPOLITAN STATISTICAL AREA

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

Multnomah County encompasses the cities of Portland, Gresham, Troutdale, Fairview and Wood Village. Washington County contains Beaverton, Tigard, Tualatin and Hillsboro. Clackamas County includes Milwaukie, Oregon City, Lake Oswego, West Linn and Happy Valley. The cities of St. Helens and Scappoose are located in Columbia County. Yamhill County includes McMinnville and Newberg. Clark County contains Vancouver and Camas. Skamania County includes Stevenson, Carson and Skamania. As a major transportation hub of the Pacific Coast with water, land and air connections, Multnomah and Washington counties serve expanding international markets and have experienced considerable growth.

POPULATION

The population for the City has increased steadily over the past decade. The compounded annual rate of growth in population for the City from 1998 to 2007 was 1.22 percent compared to 1.13 percent for Multnomah County and 1.89 percent for the MSA for the same period.

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

As of July 1	State of Oregon	City of Portland	MSA [1]	Multnomah County	Washington County	Clackamas County
1998	3,267,550	509,610	1,815,300	651,520	397,600	323,600
1999	3,300,800	512,395	1,841,200	656,810	404,750	326,850
2000	3,365,900	531,600	1,935,960	662,400	449,250	340,000
2001	3,471,700	536,240	1,960,500	666,350	455,800	345,150
2002	3,504,700	538,180	1,989,550	670,250	463,050	350,850
2003	3,541,500	545,140	2,019,250	677,850	472,600	353,450
2004	3,582,600	550,560	2,050,650	685,950	480,200	356,250
2005	3,631,440	556,370	2,082,240	692,825	489,785	361,300
2006	3,690,505	562,690	2,121,910	701,545	500,585	367,040
2007	3,745,455	568,380	2,159,720	710,025	511,075	372,270
1998-2007 Compounded Annual Rate of Change	1.53%	1.22%	1.89%	1.13%	2.83%	1.57%
2003-2007 Compounded Annual Rate of Change	1.41%	1.05%	1.70%	1.17%	1.98%	1.31%

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

	1980	1990	2000
State of Oregon	2,633,15	2,842,321	3,421,39
Multnomah County	562,647	583,887	660,486
City of Portland	368,139	438,802	529,121
Washington County	245,860	311,554	445,342
Clackamas County	241,911	278,850	338,391

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

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

INCOME

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

The table below shows personal income and per capita income for the MSA compared to similar data for the State and nation. The compounded annual rate of change in total personal income for the MSA from 1997 to 2006 was 4.95 percent. The compounded annual rate of change in per capita income for the MSA was 3.23 percent from 1997 to 2006, compared with 3.48 percent for the State, and 4.21 percent for the nation.

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

Year	Total Personal Income MSA (000s)	Per Capita Income MSA	Oregon	USA
1997	$50,912,454	$27,672	$24,469	$25,334
1998	54,105,615	28,85	25,542	26,883
1999	56,918,006	29,85	26,480	27,939
2000	62,189,975	32,11	28,096	29,845
2001	63,933,229	32,33	28,518	30,574
2002	64,908,688	32,22	28,931	30,821
2003	66,576,262	32,65	29,565	31,504
2004	69,328,033	33,65	30,621	33,123
2005	73,086,912	34,921	31,599	34,757
2006	78,618,336	36,845	33,299	36,714
1997-2006 Compound Annual Rate of Change	4.95%	3.23%	3.48%	4.21%

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

LABOR FORCE AND UNEMPLOYMENT

Table 15 below shows the annual average civilian labor force, employment level and unemployment level data that is available for the MSA for the period 1998 through 2007. For August 2008 the unemployment rate for the MSA was 6.1% with a resident civilian labor force of 1,172,169. Table 16 below shows the average annual unemployment rates for the MSA, the State and the United States for the period 1998 through 2007.

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

Year	Resident Civilian Labor Force	Unemployment Number	Unemployment Percent of Labor Force	Total Employment
1998	1,064,295	44,477	4.2%	1,019,818
1999	1,077,532	46,665	4.3	1,030,867
2000	1,075,853	47,710	4.4	1,028,143
2001	1,087,254	65,569	6.0	1,021,685
2002	1,093,526	85,191	7.8	1,008,335
2003	1,092,887	90,272	8.3	1,002,615
2004	1,094,611	76,984	7.0	1,017,627
2005	1,106,334	64,717	5.8	1,041,617
2006	1,126,232	57,245	5.1	1,068,987
2007	1,147,959	57,120	5.0	1,090,838

Notes:

(1) 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
MSA, OREGON, AND THE UNITED STATES

Year	MSA	State of Oregon	USA
1998	4.2%	5.7%	4.5%
1999	4.3	5.5	4.2
2000	4.4	5.1	4.0
2001	6.0	6.4	4.7
2002	7.8	7.6	5.8
2003	8.3	8.1	6.0
2004	7.0	7.3	5.5
2005	5.8	6.2	5.1
2006	5.1	5.4	4.6
2007	4.9	5.2	4.6

Notes:

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

EMPLOYMENT BY INDUSTRY

Nonmanufacturing employment (including government) accounts for nearly 88 percent of non-farm employment in the Portland area. The Portland metropolitan area's manufacturing employment, accounting for the remaining 12 percent of area employment, is largely based in the metals, instruments, machinery and electrical equipment sectors.

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

	2003	2004	2005	2006	2007	Percent of Nonfarm 2007
Total nonfarm employment	**934,300**	**954,100**	**983,600**	**1,015,300**	**1,036,900**	**100.0%**
Total private	**800,800**	**817,900**	**846,000**	**876,400**	**894,500**	**86.3%**
Manufacturing	**118,100**	**120,100**	**123,400**	**126,600**	**126,000**	**12.2%**
Durable goods	87,900	90,100	93,600	96,400	95,800	9.2%
Wood products	5,500	5,800	5,900	6,000	5,600	0.5%
Primary metals	5,600	5,700	6,000	6,300	6,600	0.6%
Fabricated metals	11,500	11,900	12,500	12,900	13,300	1.3%
Machinery	8,400	8,300	8,300	8,400	8,600	0.8%
Computer and electronic products	34,700	35,600	36,500	37,700	36,900	3.6%
Transportation equipment	7,600	8,000	9,000	9,300	9,100	0.9%
Nondurable goods	30,200	30,100	29,800	30,200	30,300	2.9%
Food manufacturing	8,700	8,600	8,600	8,800	9,100	0.9%
Paper manufacturing	5,400	5,200	5,000	4,900	4,700	0.5%
Non-manufacturing	**682,700**	**697,800**	**722,500**	**749,800**	**768,300**	**74.1%**
Construction & Mining	51,800	55,600	60,300	64,900	67,300	6.5%
Trade, transportation, and utilities	190,900	193,400	198,000	202,600	206,600	19.9%
Information	22,500	22,500	23,100	24,000	24,700	2.4%
Financial activities	66,400	66,100	68,200	70,600	71,500	6.9%
Professional and business services	117,900	122,100	128,500	134,700	136,300	13.1%
Educational and health services	113,600	115,700	119,800	123,200	127,500	12.3%
Leisure and hospitality	85,600	87,700	90,100	94,100	97,800	9.4%
Other services	34,000	34,700	34,500	35,700	36,600	3.5%
Government	**133,500**	**136,200**	**137,600**	**138,900**	**142,400**	**13.7%**

Notes:

(1) Totals may not sum due to rounding.

Source: State of Oregon, Employment Department.

Table 18
CITY OF PORTLAND, OREGON
Major Employers in the MSA

Employer	Product or Service	2007 Estimated Employment (1)
Private Employers		
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
Wells Fargo	Bank	5,000
NIKE Inc.	Sports shoes and apparel	5,500
U.S. Bank	Bank & holding company	4,138
United Parcel Service (UPS)	Package Delivery	3,900
Southwest Washington Medical Center	Health care	3,200
Freightliner LLC	Heavy duty trucks	3,300 (2)
McDonald's Corporation	Fast food franchise	3,000
Portland General Electric	Utilities	2,652
Farmers Insurance Company of Oregon	Insurance	2,500
Standard Insurance Company	Insurance	2,500
Volt Services Group	Employment Services	2,500
Regence BlueCross BlueShield of Oregon	Insurance	2,475
Albertsons Food Centers	Grocery	2,351
Precision Castparts Corporation	Steel castings	2,110
Public Employers		
State of Oregon	Government	21,000 (3)
U.S. Government	Government	18,000 (3)
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
TriMet	Mass Transit	2,495

Notes:

(1) 2007 estimated employment based on 2006 data.

(2) Freightliner laid off 750 employees in March 2007; prior to March 2007, Freightliner employed a total of 4,050 employees. In November 2007, Freightliner announced it would move an additional 341 "white-collar" jobs to its Fort Mill, South Carolina location by mid-2008. In October 2008, Freightliner announced it will close its Swan Island manufacturing plant in June 2010, which would eliminate about 900 jobs. The company also plans to begin reducing the administrative staff by approximately 1,200 positions, which is expected to include a large number of workers in its Portland headquarters.

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

Source: Portland Business Alliance and State of Oregon Employment Department

INDUSTRIAL, COMMERCIAL, AND HOUSING ACTIVITY

In Clackamas, Multnomah and Washington counties, there are approximately 6,000 businesses, according to Travel Portland (formerly, Portland Oregon Visitor's Association).

A diverse mix of industrial properties is located throughout the Portland area. These include properties for all types of industrial use, including more than 280 industrial and business parks. The Portland metropolitan area offers more than 133 million square feet of existing space for industrial use and more than 10,000 acres of vacant land.

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. Another area of major retail development includes the I-205 corridor that connects Clackamas and Multnomah counties and includes the Clackamas Town Center, Mall 205 and the Gateway Mall.

Second quarter 2008 market data provided by Grubb & Ellis shows an averaged Class A, B and C overall office vacancy rate for the Portland region of 7.8 percent in the Central Business District and of 11.3 percent in the Portland region overall. For the same period, there was an overall industrial vacancy rate for the Portland metropolitan area of 6.7 percent.

In August 2008, the Regional Multiple Listing Service ("RMLS") reported a 27.1 percent decrease in new home listings, including condominiums and townhomes, and a 31 percent decrease in year-to-date closed sales compared to the same period a year ago. The RMLS reported in June 2008 that 138 new units had sold in the downtown area and 405 condominiums of all ages had sold in the first six months of the year. This number compares to sales of 809 new condominiums and 1,951 condominiums of all ages in 2007. Since 2003, approximately 5,700 new condominiums have been added in the geographic area that includes the Pearl District, South Waterfront, RiverPlace and downtown Portland. The ***Portland Business Journal*** reported in June 2008 that Portland has about 2,500 unsold condominiums, including developers' inventories.

The year-to-date median selling price of a home in metropolitan Portland in August 2008 was $280,000, down 7.3 percent from $302,000 in August 2007, according to the RMLS. The average sales price for August 2008 was down 6.7 percent compared to August 2007. As of August 2008, homes in the Portland metropolitan area were on the market an average of 121 days. According to RMLS, the Southeast and West Portland regions were the most active residential real estate areas, with 1,829 and 1,646 closed sales, respectively, year-to-date through August 2008.

DEVELOPMENT ACTIVITY

Changes in the Portland metropolitan area's residential, office, commercial, and industrial environments are described in the following building and economic development projects.

Development within Downtown Portland

In May 2006, the Board of the Portland Development Commission ("PDC"), the City's urban renewal agency, selected Gerding-Edlen Development Company for the redevelopment of the Montgomery Blocks/Block 153 properties. Block 153 properties owned by the PDC are the Jasmine Tree property and the Portland State University ("PSU") carpool lot. The designs for these blocks are currently in development, and construction is scheduled to begin in 2009.

Macy's, a division of Federated Department Stores ("Macy's"), Sage Hospitality Resources ("Sage"), and the PDC have worked together on a $106 million project to redevelop the Meier & Frank building in downtown Portland. Macy's has consolidated its store in the Meier & Frank Building to the first five floors. Sage converted floors 6 through 16 of the building to a 334-room Marriott Renaissance hotel. Plans also included a face-lift to restore the outside of the building. The project is still underway.

TMT Development has selected Hoffman Construction Company to construct Park Avenue West, a $200 million mixed-use tower located at Southwest Park Avenue and Yamhill Street. The project will include 280,000 square feet of office space, three floors of retail, 85 condominium units and 350 underground parking spaces and is scheduled to be completed in 2010.

Reliance Development and Williams & Dame Development built The Harrison, a collection of three condominium towers ranging from 22 to 25 stories and a total of 537 condominiums and 24 townhomes with floor-to-ceiling windows along SW Harrison Street. Residents began moving into Harrison East in early 2007.

Cyan Condominiums located at SW Fourth Avenue is a Gerding-Edlen Development project near PSU. The slab tower includes 16 stories of “entry-level” condominiums and is expected to be a catalyst for development of additional affordable housing in the area. The project began construction in 2007 and is expected to be completed in August 2009.

Construction began on Portland State University’s $71 million, 180,300-square-foot multipurpose building in August 2007. Swedish construction firm Skanska expects to complete the project sometime during winter quarter in 2010. The project is designed add a new student recreation facility, academic space, ground floor retail and link with the new light rail project on SW Fifth and Sixth Avenues. The City has partnered with Portland State University by contributing approximately $12 million to purchase a condominium interest in the building to house the City archives.

Octagon Development built the $30 million, 27-story, Benson Tower on SW 11th Avenue. The Benson Tower, with 168 condominiums, was finished early in August 2007.

Opus Carroll LLC is building Ladd Tower on Park Avenue. The 23-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 and sales began in January 2007. The project is scheduled for completion in summer 2009.

The Eliot Tower in Portland is an eighteen story high-rise condo tower in the heart of the city currently in the construction sales phase. Ninety-five percent of the 223 available condo homes have been sold with 12 currently offered for sale.

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, with office condominiums on four floors and retail on the ground floor.

“12W,” a 22-story tower, is being built by Gerding-Edlen Development Company at SW 12th and Washington and will contain a mix of 17 floors of luxury apartments and several floors of office space. The $138 million mixed-use building is the first major new commercial structure in the West End in more than 20 years. Zimmer Gunsul Frasca (ZGF) Architects is designing the building and is expected to move its corporate headquarters there when the project nears completion in 2009. The building will be one of the first urban buildings in the nation to integrate wind energy into its design. A series of wind turbines will be installed on the roof and generate about one percent of the power the 22-story tower will use.

The $7.5 million renovation of the Smith’s Block Building showcases one of Portland’s oldest cast-iron buildings and upgrading the building was part of the PDC’s downtown waterfront strategic plan. The recently completed building houses its new owner, investment firm R.V. Kuhns & Associates.

Construction began in September 2007 on First & Main, a 16-story office tower. The $150 million project will have underground parking, ground-level retail and 346,000 square feet of office space with individual floors that are an average of 20,000 square feet. When it opens in early 2010, it will be the first significant new office building in downtown since Fox Tower opened in 2000.

Other central business district projects under construction include the Lovejoy, the Federal Reserve Tower, 809 NW Flanders, East of Pearl, Machine Works, and 12th & Washington. Central business district projects in design and pre-development include the Mercy Corp renovation of the Skidmore Fountain Building, the 100 Columbia Building, One Waterfront Place and the Overton building.

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. The South Waterfront Central District, a neighborhood within the North Macadam area, is an extensive redevelopment effort that includes the transformation of an abandoned 130-acre industrial brownfield along the Willamette River south of downtown. It is expected that 20 high-rise buildings will be built on the site. This includes medical offices and labs for Oregon Health & Science University (“OHSU”).

The first four condo buildings in the South Waterfront Central District include Meriweather Towers, The John Ross, Atwater Place and the 3720 Condos. Simpson Housing bought Block 46 in the South Waterfront district for about $8 million in July 2007. Simpson Housing plans to begin building a 270-apartment project in 2008.

The $200 million Meriwether building was completed in early summer 2006 and all 245 units have been sold. Construction of the John Ross Condominium Tower began in mid-2005. The 31-story elliptical shaped building with 286 luxury units was finished at an estimated cost of $75 million. Ninety-three percent of the 303 available John Ross condos have been sold with 22 currently offered for sale.

The Atwater, a 22-story building offering 212 homes ranging in price from $399,000 to $3.9 million, is complete. The Atwater is located along Bancroft Street on the waterfront. Of 212 condo homes built at the Atwater, 20 are currently for sale.

"3720" will consist of a 30-story tower and a five-story "side-car" structure, which will together contain 323 units, for a total of 350,000 square feet of living space. Originally conceived to be condos, developer Mark Edlen announced in spring 2008 that with the downturn in condo sales, they would be converted to apartments. Construction of the building began in the spring of 2007 and is expected to be complete sometime in 2009. In addition, the development also calls for 17,000 square feet of retail and 380 parking spaces.

The Mirabella Retirement Community is a 30-story continuing care retirement community with 224 apartment homes that offer a range of retirement living options, from apartments to nursing home-level care. The project is being developed by Pacific Retirement Services, Inc. of Medford, Oregon in partnership with OHSU. Nearly all units have been pre-sold. Ground breaking occurred in early May 2008 and completion is expected in late summer or early fall of 2010.

The RiverPlace Project is a mixed-use development on 73 acres along the west bank of the Willamette River, with apartments, restaurants, shops and office space. The Strand consists of three glass and steel towers which house a total of 216 condominium units including 27 two-story condo homes, a 110-space parking garage, a waterfront restaurant, and retail space. Construction of the first tower of The Strand was completed in early 2007 and the third and last tower was completed in August 2007. At this time, approximately 17 condos and one townhome remain for sale at the Strand.

The River District, Pearl District, and Old Town

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

The $30.3 million, 133,000 square foot White Stag project was able to begin construction with an allocation of $19 million in New Markets Tax Credits from Portland New Markets Fund I, LLC. The project includes the revitalization of three historic buildings, White Stag/Hirsch-Weiss Building (1907), Bickel Building (1892) and the Skidmore Building (1889), which are part of the Skidmore/Old Town Historic District, home of the second largest collection of cast-iron buildings in the United States. The University of Oregon will site its Architecture and Allied Arts; Journalism; Law; Service programs; administration; a library, food center, black box theater/gallery, and ground-floor bookstore with cafe at the location. The new campus is expected to support 250 students (expected to reach 400 in two years) and 75 to 100 employees. The project will also house office space focused on sustainable finance, design and historic preservation, and is targeting a LEED Gold designation from the US Green Building Council.

Construction is expected to be completed in January 2009 on the Encore, a 16-story 177-unit condominium tower designed by Boora Architects, located at NW 9th and Overton. Pre-sales of condo units have just started and only a few have sold at this time.

Project 937 is a 16-story mixed used housing development located at NW Glisan between 9th and 10th Avenues. Project 937 includes 114 residences and ground floor retail. The project ran into cost overruns but is on schedule for completion in October 2008.

The Casey is being developed by Gerding-Edlen Development on the corner of NW 12th and Everett, with 61 luxury condominiums within a 16-story tower. Construction is now complete and residents are moving into the tower. Fifteen units are currently listed for sale at the Casey. The Casey is designed to be one of the most energy efficient and environmentally-friendly high rise residential projects in the United States. The developer, Gerding-Edlen, is aiming for it to be the first condo tower in the country to earn a top "platinum" rating under the U.S. Green Building Council's Leadership in Energy and Environmental Design ("LEED") program.

Bill Naito Corp. with Pemcor Investment Corp. and Grancorp Inc. built two 10-story condominium towers that adjoin Albers Mill and are called the Waterfront Pearl. The Waterfront Pearl construction costs escalated to a final price tag of approximately $91 million. The project offers 192 condominiums starting at $449,000 and an extensive water views. Sales of the units began in early 2007 and the project is now complete. Approximately 50 percent of the units have been sold.

Hoyt Street Properties has developed the Metropolitan Condos, a mixed use project with 121 units in a 19-story tower that is paired with a 4-story, 20,000-square-foot boutique live/work building. At 225 feet tall, the Metropolitan will be the tallest building in the Pearl District, offering views in almost every direction. Construction of the Metropolitan is complete and all but 16 units have sold.

Developer Robert Ball built the Wyatt, a 15-story condominium complex in the heart of the Pearl District. In September 2007, Ball announced that, due to a downturn in condominium sales over the past year in the Portland metropolitan area, the 15-story Wyatt will be converted to rental apartments.

Riverscape Properties opened its new eight-story Pacifica Tower on the Willamette River. Pacifica Tower has 75 units selling from $240,000 to $2.1 million. The Riverscape Condominiums will feature 104 town homes, 2 condominium towers, and 91 brownstone homes.

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 Platinum Rating.

North Portland

The $10 million Killingsworth Station project is to include 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 began in July 2008.

The 12.5 Condos, located at the corner of NE Knott Street and NE 7th Avenue, are twelve 3-story condominiums and one two-story condominium. The project is complete and all condominiums have been sold.

Mississippi Avenue Lofts is a sustainable mixed-use development featuring 32 one and two bedroom lofts, secure parking and locally owned retail store. The project was recently completed.

Salpare Bay was completed in mid-2006. Salpare Bay is a condominium community with seven 4-story buildings and a marina on the Columbia River.

Westside Development

The Jefferson Condominiums, located on the corner of SW 18th Avenue and Jefferson Street in the Goose Hollow neighborhood, is a 6-story 85,000 SF steel and concrete structure with 49 condominiums as well as 3,000 SF of retail space. Six of the condominiums will be townhouse style live-work units with sidewalk entrances. Construction is nearly complete.

Construction of the Westerly began in early 2006 and is now complete. The new 14-story condominium tower offers 104 units ranging from $200,000 to $1.2 million. Approximately 50 percent of the units have been sold at the Westerly.

The Cambridge is a five-story mixed use development that has 73 units including the Andover, Essex, Kensington Winchester and Chelsea condo buildings and ten townhouses fronting NW Westover Road. Move-in occurred in February 2008 with approximately two-thirds of the units sold.

The Vaux, a $42 million, 242,000-square-foot project, located at the northern edge of Northwest Portland's Nob Hill District, contains 145 units configured in two separate four-story buildings. The project is approximately 95 percent sold with seven units remaining for sale.

The estimated $40 million, 14-story, 104-unit, condominium tower built by ScanlanKemperBard Co. located at NW Westover Road and 24th Place was recently completed.

The Gerding-Edlen Development Company and the Housing Authority of Portland built The Civic, a complex with 261 market-rate condos, 140 apartments and retail space at a cost of $76 million. Construction was completed in 2007.

In mid-2007, Doernbecher Children's Hospital completed expansion of the pediatric cancer treatment unit. The $14 million project expanded the unit from 3,000 to 7,000 square feet and from 16 beds to 21.

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. OHSU built a 16-story, 400,000-square-foot Center for Health and Healing in November 2006 and added 80 new beds in the Kohler Pavilion in 2007. In December 2007, OHSU announced plans to spend $375 million to add 150 hospital beds. The plan will expand OHSU's inventory of 582 beds by nearly one-third.

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

Eastside Development

2121 Belmont, the 123-unit condo project recently completed between Belmont and Morrison streets has changed to apartments due to a downturn is condo sales in the Portland metropolitan area.

Gerding-Edlen Development Company is building a $32 million, five-story mixed-used project in the Hollywood District. The project will include Whole Foods Market, a bank and another retail establishment, two floors of parking, and 53 condominiums. Construction is scheduled to be complete in summer 2009.

Providence Portland Medical Center is building a 450,000-square-foot, 11-story medical facility with consolidated cancer services and a parking garage. 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. Providence recently announced plans to raze the former Davis Business Center at NE Halsey and build a new six-story administrative office building. The project will add an estimated 260,000 square feet of space, widen Halsey Street adding an additional lane and designated bicycle lane and add a traffic light at NE Halsey and NE 44th Avenue.

Legacy Health System announced it will add 230,000 square feet to Emanuel Hospital over the next two years. The project, at an estimated cost of $226 million, will add in-patient beds for children and a pediatric emergency department. Plans also call for upgrading existing space to add adult intensive care and acute care beds. Construction is expected to begin in spring of 2009 and work on a parking garage is expected to begin during summer 2008.

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.

Solaicx, producer of ingots and wafers used to make solar panels, leased a 136,000-square-foot facility in the Rivergate Industrial District in June 2007 and hired 50 employees to begin production. In June 2008 the company announced that it expected to double its work force by the end of the year and expand production. The increase in production is attributed to the 35 percent increase in residential solar applications.

Cascade Station is a 120-acre mixed use development of office, hotel and retail spaces. Trammell Crow opened the Village at Cascade Station with IKEA in July 2007. IKEA employs approximately 350 people in its Portland store. Other tenants in the estimated 800,000 square foot development include Golfsmith and Best Buy. New offices, hotels and a gas station are planned.

Work on improvements for the floating dock of Terminal 6, which Honda uses to bring in 87,000 autos every year, continues. The Port awarded $2.52 million for construction on the floating dock, which is constructed of porous rain water filtering blacktop. The construction extended crane rails and with $7.5 million in funding from ConnectOregon, a new crane arrived at the terminal in April 2008.

AGRICULTURE

Because the City is the primary urban center in the State, agriculture is not a major industry in the greater metropolitan area. The metropolitan area, however, accounted for approximately 23.3 percent of the State's Gross Farm and Ranch Sales based on 2007 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 estimated 2007 Gross Farm and Ranch Sales in Clackamas County was $409,913,000; Washington County was $351,307,000; Yamhill County was $296,105,000; and Multnomah County was $82,176,000 as estimated by the Oregon State University Extension Service.

TRANSPORTATION AND DISTRIBUTION

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

The Port is a port district encompassing Multnomah, Clackamas and Washington counties. The Port owns and maintains four marine terminals, four airports, and seven business parks. In tonnage of total waterborne commerce, the Port is currently ranked as the third largest volume port on the West Coast. Leading exports include wheat, soda ash, potash and hay. The Port is the largest wheat export port in the United States. Leading imports include automobiles, petroleum products, steel and limestone. The Port is the largest volume auto handling port and mineral bulks port on the West Coast. Total maritime tonnage increased in 2007 to 14.4 million short tons compared to 12 million in 2006.

The Columbia River ship channel is maintained at a depth of 40 feet from the Portland Harbor to the Pacific Ocean 110 miles downstream. The City is a port of call for 16 regularly scheduled major steamship lines serving major world trade routes. Primary cargoes include containers, automobiles, grain, and mineral bulks.

Six Oregon and Washington port districts joined to fund a five-year study of the feasibility of deepening the shipping channel of the Columbia River from 40 feet to 43 feet, to accommodate larger, more efficient vessels. The resulting Columbia River Channel Deepening Project will provide local and national transportation and trade improvements. The total cost of the proposed project is expected to be $150.5 million. The states of Oregon and Washington have appropriated $27.7 million each in matching funds for the local cost share, and the remaining funding will come from federal appropriations. On June 25, 2005, a U.S. Army Corp of Engineers contractor began deepening the navigating channel in selected areas near the mouth of the Columbia River. Because significant areas of the Columbia River are naturally deeper than what the new channel requires, only specific areas will require dredging. The project is expected to be completed by 2010.

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

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

PDX handles more than 14 million passengers annually. Portland is served by 20 passenger and 12 freight carriers providing about 600 flights daily. Construction has started on a second 3,000-space parking garage for PDX that could be completed as early as 2009. Portland is also served by three publicly operated general aviation airports located in the suburban areas.

PDX has also expanded local flight connections during 2007 and 2008. Northwest Airlines, in cooperation with its joint venture partner, KLM Royal Dutch Airlines, announced service to Amsterdam beginning March 29, 2008. Alaska Airlines began nonstop domestic service to both Boston and Orlando, and Delta Air Lines launched service to New York's Kennedy Airport. US Airways began seasonal summer service to Charlotte and added a second daily flight to Philadelphia. Horizon Air launched seasonal service to Palm Springs and inaugurated its new Santa Rosa flight. After five years of service, Mexicana Airlines discontinued its direct, non-stop flights to Mexico City and Guadalajara on September 2, 2008. Presently, only Alaska Airlines operates direct flights to Mexico from Portland. Four other airlines continue to offer indirect service to several locations in Mexico.

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

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

The Tri-County Metropolitan Transportation District of Oregon ("TriMet"), the regional public transit agency, provides rail and bus service through the 575 square miles in the area. During TriMet's fiscal year, from July 2006 through June 2007, passengers boarded a TriMet bus or train approximately 96.9 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 started of an 8.3 mile, two-phased extension of the light rail line. The estimated cost of the project is $494 million. Phase one would provide service along Interstate-205 between Clackamas Town Center and the existing Gateway station where it will use the existing MAX Blue Line tracks to downtown Portland, then run on new tracks along the Portland Mall to Portland State University. Service could begin as early as 2009. Phase two would extend light rail from downtown Portland to Milwaukie.

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

TriMet began construction of the $103.5 million Washington County Commuter Rail in late 2006. This line will run from Beaverton to Wilsonville and is expected to begin service late in 2008. Most phases of the new commuter line are now complete and testing is currently in progress.

The Portland Streetcar, which connects the South Waterfront area with the Pearl District and Northwest Portland, began operations in 2001. The Portland Streetcar is owned and operated by the City, and has entered into contracts with TriMet for train operators and mechanics. A new 0.6-mile extension from PSU to RiverPlace opened in early March 2005. Service began in July 2006 on the Gibbs Extension, a 0.6 mile extension that starts at SW River Parkway and SW Moody, follows SW Moody south to SW Sheridan and continues from SW Sheridan to SW Gibbs, utilizing the former Willamette Shore trolley rail right-of-way. Construction of the Lowell Extension began in August of 2006, with completion in August 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. A total of 1,398,287 people rode the tram from February 2007 through January 2008. Along with Portland Streetcar and TriMet, the Tram connects approximately 60,000 people a day with the South Waterfront, Marquam Hill, Terwilliger Parkway and OHSU.

TriMet has initiated development of the High Capacity Transit System Plan to guide the region's investments in high capacity transit – light rail, commuter rail, bus rapid transit or rapid streetcar. The plan, to be complete in spring 2009, will include a prioritized set of new high capacity transit corridors or improvements to the existing system.

This system plan will be developed in close coordination with the streetcar system plan that is under development by the City, TriMet's Transit Investment Plan and the 2035 Regional Transportation Plan currently being updated, and will ultimately be adopted as part of the Regional Transportation Plan. A plan for high capacity transit was last explored as part of the regional public transportation system component of the 2004 Regional Transportation Plan.

TriMet expects to file a grant application with the Federal Transit Administration to extend the streetcar line to Portland's east side. The extension would cross the Willamette River using the Broadway Bridge, travel through the Lloyd District, continue south along Martin Luther King, Jr. Boulevard, and make a loop at either SE Mill or Stephens Street before returning back along Grand Avenue. The estimated cost of the extension is $147 million. The project is expected to be completed in 2011. With public input on planning, the project's second phase has been adopted as the Locally Preferred Alternative of the South Corridor Project.

TOURISM, RECREATION AND CULTURAL ATTRACTIONS

Portland is the State's largest city and the center of business and transportation routes in the State. Therefore, the City accommodates a large share of the State's tourist and business visitors. The City is a destination for many tourists who are drawn to its diverse cultural and recreational facilities. These include the Oregon Symphony and associated musical organizations, Portland Center for the Performing Arts, Oregon Ballet, Portland Opera, Portland Art Museum, Oregon Historical Society Museum, Children's Museum, OMSI, Forest Discovery Center (formerly World Forestry Center), Japanese Gardens, International Rose Test Gardens, the Classical Chinese Garden and the Oregon Zoo. The metropolitan area includes more than 40 other local theater and performance art companies and ten additional gardens of special interest. Portland is the home of Forest Park, the largest urban park in the United States with a total of more than 5,000 acres.

The National Basketball Association ("NBA") Portland Trail Blazers play at the Rose Garden Arena complex (which includes the Memorial Coliseum), as do the major-junior Western Hockey League ("WHL") Portland Winterhawks. PGE Park, which was renovated and reopened in 2001, is home to the Portland Beavers (Triple-A baseball), the Portland Timbers (A-League soccer), and the Portland State Vikings (Division I college football and women's soccer). A prime tourist attraction for the City, known as the City of Roses, is the three-week long Portland Rose Festival held each June since 1907. More than two million participants enjoy the Festival annually.

According to the "Portland Metropolitan Region Fact Book - 2006", published by Travel Portland, the total retail sales in the Portland metropolitan area in 2006 was $29.2 billion.

According to the Oregon Lodging Association and data provided by Smith Travel Research, lodging occupancy rates for downtown Portland were 62.4 percent in January through May 2008, a 3.9 percent increase over January through May 2007.

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

HIGHER EDUCATION

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

PSU, one of the three large universities in the Oregon University System, is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland. PSU offers over 100 undergraduate, masters, and doctoral degrees, as well as graduate certificates and continuing education programs. Fall 2007 enrollment was approximately 24,999 students including 17,299 full-time equivalent students. PSU is noted for the development of programs specifically designed to meet the needs of the urban center.

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

OHSU's Marquam Hill campus sits on more than 100 acres overlooking downtown Portland. OHSU includes the schools of dentistry, medicine, nursing, and science and engineering. OHSU also includes Doernbecher Children's Hospital and OHSU Hospital, as well as primary care and specialty clinics, research institutes and centers, interdisciplinary centers, and community service programs. Each year, OHSU serves approximately 175,700 medical and dental patients and educates more than 3,900 students and trainees in health information technology, sciences, environmental engineering, computation and management. Competitive funding awards have nearly quadrupled during the last decade; OHSU receives more than $260 million annually. In 2006, OHSU employed 11,300 people**.** 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 Portland Community College, Mt. Hood Community College, and Clackamas Community College.

UTILITIES

Electric Power, Natural Gas and Communications

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

Water, Sewer and Wastewater

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

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

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 Ending June 30	Commercial Construction		Residential Construction		Total Construction		Bank Deposits ($000)
	No. of Permits	Value	No. of Permits	Value	No. of Permits	Value	
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	1,188,470,138	6,951	400,611,108	11,031	1,589,081,246	12,752,436
2007	2,916	1,366,932,658	5,362	365,568,171	8,278	1,732,500,829	NA

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

PROPOSED INITIATIVES WHICH QUALIFY TO BE PLACED ON THE BALLOT

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

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

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

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

Table 20
CITY OF PORTLAND, OREGON
Initiative Petitions that Qualified and Passed
1996-2008

Year of General Election	Number of Initiatives that Qualified	Number of Initiatives that Passed
1996	16	4
1998	16	6
2000	18	8
2002	7	3
2004	6	2
2006	10	3
2008	8	To Be Determined

Source: Elections Division, Oregon Secretary of State.

MEASURE 37 AND MEASURE 49

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

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

The City currently has only one pending claim under Measure 37/49, which relates to the construction of one home and is not expected to have any material, adverse impact on the financial condition of the City.

MEASURES 59 THAT QUALIFIED FOR THE NOVEMBER 2008 BALLOT

The November 2008 ballot contained eight initiative petitions. Only one, Measure 59, was expected to adversely affect the City. That measure would have allowed personal income tax payers an unlimited deduction for federal income taxes, and was estimated to reduce City business license taxes between one and two percent. Measure 59 was not approved by the Oregon voters.

FUTURE INITIATIVE MEASURES

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

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

TAX MATTERS

In the opinion of K&L Gates LLP, Bond Counsel, interest on the 2008 Series A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2008 Series A 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 2008 Series A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the 2008 Series A Bonds and the facilities financed with proceeds of the 2008 Series A Bonds and certain other matters. The City has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the City comply with the above-referenced covenants and, in addition, will rely on representations by the City and its advisors with respect to matters solely within the knowledge of the City and its advisors, respectively, which Bond Counsel has not independently verified. If the City fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2008 Series A Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2008 Series A Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated in this Tax Matters section, Bond Counsel expresses no opinion regarding any other federal income tax consequences of acquiring, carrying, owning or disposing of the 2008 Series A Bonds. Owners of the 2008 Series A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2008 Series A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the 2008 Series A Bonds should be aware that ownership of the 2008 Series A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2008 Series A Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the 2008 Series A Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the 2008 Series A Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the City's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2008 Series A Bonds. Owners of the 2008 Series A Bonds are advised that, if the IRS does audit the 2008 Series A Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the City as the taxpayer, and the owners of the 2008 Series A Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the 2008 Series A Bonds until the audit is concluded, regardless of the ultimate outcome.

Premium

An amount equal to the excess of the purchase price of a 2008 Series A Bond over its stated redemption price at maturity constitutes premium on that 2008 Series A Bond. A purchaser of a 2008 Series A Bond must amortize any premium over that 2008 Series A Bond's term using constant yield principles, based on the 2008 Series A Bond's yield to maturity. As premium is amortized, the purchaser's basis in the 2008 Series A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the 2008 Series A Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of 2008 Series A Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and the state and local tax consequences of owning such 2008 Series A Bonds.

Original Issue Discount

The initial public offering price of certain 2008 Series A 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 2008 Series A 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 2008 Series A Bonds is exempt from Oregon personal income tax under existing law.

RATING

The 2008 Series A Bonds have been rated “Aaa” by Moody’s Investors Service. Such rating reflects only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, Inc., 99 Church Street, New York, New York, 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the 2008 Series A Bonds.

FORWARD LOOKING STATEMENTS

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2008 Series A Bonds by the City are subject to the approving opinion of K&L Gates Ellis LLP, Portland, Oregon, Bond Counsel. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 2008 Series A Bonds, the Ordinance, the Bond Declaration, and the authority to issue the 2008 Series A Bonds conform to the 2008 Series A Bonds and the applicable laws under which they are issued. The statements made in this Official Statement under the captions “THE 2008 SERIES A BONDS” and “TAX MATTERS” have been reviewed and approved by Bond Counsel. All other representations of law and factual statements contained in this Official Statement, including but not limited to all financial and statistical information and representations contained herein, have not been reviewed or approved by Bond Counsel.

LITIGATION

There is no litigation pending or threatened against the City which impairs the City's ability to make principal and interest payments on the 2008 Series A Bonds when due. There is no litigation pending or threatened against the City which would materially and adversely affect the financial condition of the City.

CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of the 2008 Series A Bonds, the City will deliver a certificate to the underwriters to the effect that the City has examined this Official Statement and the financial and other data concerning the City contained herein and that, to the best of the City's knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2008 Series A Bonds, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, in light of the circumstances under which the statements were made, and (ii) between the date of this Official Statement and the date of delivery of the 2008 Series A Bonds, there has been no material change in the affairs (financial or otherwise), financial condition or results of operations of the City except as set forth in this Official Statement.

MISCELLANEOUS

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete, and reference should be made to said laws for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the underwriters or owners of any of the 2008 Series A Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or its agencies, since the date hereof.

CONTINUING DISCLOSURE

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix E for the benefit of the 2008 Series A Bond holders.

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

CONCLUDING STATEMENT

This Official Statement has been deemed final by the City for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The undersigned certifies that to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2008 Series A Bonds, does not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (ii) between the date of this Official Statement and the date of delivery of the 2008 Series A Bonds there has been no material change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in or contemplated by this Official Statement.

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

CITY OF PORTLAND, OREGON

By: /s/ ERIC H. JOHANSEN
Debt Manager
Office of Management and Finance

APPENDIX A
BOND ORDINANCE

CITY OF PORTLAND, OREGON

1851

ORDINANCE No.

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

The City of Portland ordains:

Section 1. The Council finds:

1. On November 3, 1998, the voters of the City of Portland authorized the City to issue $53,825,000 in principal amount of general obligation bonds to finance capital improvements related to fire, rescue and emergency facilities described in the ballot authorizing the bonds.

2. In 1999 and pursuant to the authority granted by the voters, the City issued its General Obligation Emergency Facilities Bonds, 1999 Series A in the aggregate principal amount of $24,500,000 (the "1999 Series A Bonds").

3. In 2004 and pursuant to the authority granted by the voters, the City issued its General Obligation Emergency Facilities Bonds, 2004 Series A in the aggregate principal amount of $13,965,000 (the "2004 Series A Bonds").

4. The City now desires to issue the remaining general obligation bonds that the voters approved to finance additional capital improvements related to fire, rescue and emergency facilities.

5. The City is authorized pursuant to the Constitution and laws of the State of Oregon and the City Charter to issue current and advance refunding general obligation bonds for its outstanding general obligation bonds.

6. The City may be able to achieve debt service savings and reduce taxes by refunding all or a portion of the City's outstanding 1999 Series A Bonds (the "Refundable Bonds").

NOW, THEREFORE, the Council directs:

A. Bonds Authorized.

   1. The City is hereby authorized to issue the remaining, unissued bonds that were authorized by the voters on November 3, 1998, in a principal amount of not more than $15,360,000. These bonds shall be issued pursuant to this Ordinance, ORS Chapter 287A and the authority granted to the City by its voters on November 3, 1998.

   2. The City is also hereby authorized to issue general obligation refunding bonds to refund all or any portion of the City's outstanding 1999 Series A Bonds pursuant to ORS 287A.360, ORS 287A.365 and related statutes.

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

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

1. Issue the Bonds in one or more series.

2. Participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for the Bonds.

3. Establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, record dates and other terms for the Bonds, and either publish a notice of sale, receive bids and award the sale of that series to the bidder complying with the notice and offering the most favorable terms to the City, or select one or more underwriters and negotiate the sale of that series with those underwriters.

4. Undertake to provide continuing disclosure for the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.

5. Apply for and purchase municipal bond insurance or other forms of credit enhancements for the Bonds, and enter into related agreements.

6. Prepare, execute and deliver one or more Bond Declarations. The Bond Declarations shall specify the terms under which the Bonds are issued, the administrative provisions that apply to the Bonds and the form of the Bonds. The Bond Declarations may also contain covenants for the benefit of the owners of the Bonds and any insurers of the Bonds.

7. Appoint service providers for the Bonds and enter into agreements with those service providers.

8. Determine whether each series of Bonds will bear interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended, or is includable in gross income under that code. If a series bears interest that is excludable from gross income under that code, the Debt Manager may enter into covenants to maintain the excludability of interest on that series of the Bonds from gross income.

9. Appoint escrow agents and verification agents, and take any other actions that are required to defease, call and redeem the Refundable Bonds.

10. Execute any documents and take any other action in connection with the Bonds which the Debt Manager finds will be advantageous to the City.

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

CITY OF PORTLAND, OREGON

1851

APPENDIX B
EXCERPTS OF AUDITED FINANCIAL STATEMENTS

CITY OF PORTLAND, OREGON
1851

INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2003, 2004, 2005, 2006 and 2007. 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, 2003 through June 30, 2007. The Notes that follow the tabular data have been prepared by the City and have not been reviewed by the independent auditor..

A CONSENT OF THE INDEPENDENT AUDITOR WAS NOT REQUESTED. THE AUDITOR WAS NOT REQUESTED TO PERFORM AND HAS NOT PERFORMED ANY SERVICE IN CONNECTION WITH THE OFFERING OF THE 2008 SERIES A BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2008 SERIES A BONDS.

CITY OF PORTLAND, OREGON
1851

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

	2003	2004	2005	2006	2007
Revenues					
Taxes (1)	$227,495,311	$246,195,810	$246,416,379	$254,440,767	$264,410,825
Intergovernmental revenues	19,143,029	24,433,714	22,676,714	26,419,859	28,203,768
Licenses and permits	98,317,689	103,502,813	113,435,989	127,432,687	143,698,767
Charges for services	47,080,319	54,454,709	57,825,590	65,579,384	72,175,566
Interest and miscellaneous revenues	2,130,636	2,506,025	7,197,582	13,042,025	15,146,421
Total revenues	394,166,984	431,093,071	$447,552,254	$486,914,722	$523,635,347
Expenditures					
Planning/community development	26,258,778	32,953,347	35,804,537	30,623,452	44,596,138
Public safety (1)	248,944,521	273,780,789	283,442,858	298,035,413	311,162,725
Support services/legis./administrative	42,707,237	45,753,826	53,010,988	65,736,351	69,953,137
Parks/recreation/cultural	44,761,687	47,475,936	48,491,194	50,398,732	58,224,659
Capital outlay	1,115,473	2,245,106	2,989,727	3,701,346	4,383,485
Debt service and related costs	--	30,550	468,890	269,219	240,755
Total expenditures	363,787,696	402,239,554	424,208,194	448,764,513	488,560,899
Revenues over (under) expenditures	30,379,288	28,853,517	23,344,060	38,150,209	35,074,448
Other Financing Sources (Uses)					
Transfers in	11,678,698	14,085,934	19,704,666	20,849,891	25,172,899
Transfers out	(30,246,465)	(35,665,461)	(34,916,060)	(35,162,749)	(48,201,134)
Proceeds from sale of capital assets	--	--	--	76,351	--
Loan proceeds	--	3,067,000	5,565,000	1,824,000	--
Total other sources (uses)	(18,567,767)	(18,512,527)	(9,646,394)	(12,412,507)	(23,028,235)
Net change in fund balances	11,811,521	10,340,990	13,697,666	25,737,702	12,046,213
Fund balance, beginning	51,803,140	57,643,938	68,036,150	93,942,572	119,280,600
Prior period adjustment (2)(3)	(5,939,843)	--	12,179,250	--	--
Fund balance, beginning, as restated	45,863,297	57,643,938	80,215,400	93,942,572	119,280,600
Change in inventory	(30,880)	51,222	29,506	(399,674)	--
Fund balances, ending (4)	$57,643,938	$68,036,150	$93,942,572	$119,280,600	$131,326,813

Notes:

(1) A change in the accounting treatment of the City's Fire and Police Disability and Retirement ("FPD&R") Fund levy in FY 1999-00 resulted in levy revenues and an equal amount of Public Safety expenditures being reported in the City's GAAP based financial statements for the General Fund. Tax revenues from the FPD&R levy are not available to pay the 1999 Series D/E Bonds. The FPD&R tax revenues per year are as follows: FY 2002-03: $69,709,477; FY 2003-04: $85,243,875; FY 2004-05: $80,577,364; FY 2005-06: $81,353,857; and FY 2006-07: $82,117,282. The Public Safety expenditures in each year include an amount equal to the FPD&R tax revenues.

(2) 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.

(3) 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.

(4) 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

	2003	2004	2005	2006	2007
ASSETS:					
Cash and investments	$69,530,390	$79,744,655	$91,967,908	$117,244,053	$135,369,404
Receivables:					
Property taxes	14,701,927	14,699,490	13,991,052	13,220,703	13,114,426
Accounts, interest and advances (2)	3,896,451	3,723,006	16,434,764	20,130,703	18,095,929
Assessments (3)	1,000	4,280,370	4,011,158	3,746,001	2,157
Due from other funds	3,458,126	4,579,636	8,223,415	8,196,748	8,739,691
Due from component units	--	--	--	--	653,444
Inventories	318,946	370,167	399,674	--	--
Prepaid Items	--	--	--	6,692	1,996
Total Assets	$91,906,840	$107,397,324	$135,027,971	$162,545,900	$175,977,047
LIABILITIES:					
Accounts payable	$5,611,240	$8,113,050	$6,602,265	$6,048,037	$9,667,094
Deferred revenue (4)	18,200,593	24,560,999	27,831,067	10,062,193	6,021,812
Unearned revenue (4)	--	--	--	18,179,533	20,272,932
Due to other funds	5,135,831	5,567,124	4,805,130	4,507,586	4,362,811
Due to component unit	--	--	143,378	523,780	128,526
Notes and mortgages payable	--	--	--	--	--
Other liabilities (5)	5,315,238	1,120,001	1,703,559	3,944,171	4,197,059
Total Liabilities	34,262,902	39,361,174	41,085,399	43,265,300	44,650,234
FUND BALANCE:					
Reserved for petty cash	44,845	44,845	46,342	--	--
Reserved for inventories	318,946	370,167	399,674	--	--
Unreserved	57,280,147	67,621,138	93,496,556	119,280,600	131,326,813
Total Fund Balance	57,643,938	68,036,150	93,942,572	119,280,600	131,326,813
Total Liabilities and Fund Balance	$91,906,840	$107,397,324	$135,027,971	$162,545,900	$175,977,047

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.

APPENDIX C
LEGAL OPINION

K&L | GATES

Kirkpatrick & Lockhart Preston Gates Ellis LLP
222 SW Columbia Street
Suite 1400
Portland, OR 97201-6632

T 503.228.3200 www.klgates.com

December 3, 2008

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

Morgan Stanley & Co. Incorporated
101 California Street 7th Floor
San Francisco, CA 94111

Subject: $15,360,000 City of Portland, Oregon, General Obligation Emergency Facilities Bonds 2008 Series A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Portland, Oregon (the "City") of its General Obligation Emergency Facilities Bonds, 2008 Series A (the "Bonds"), which are dated December 3, 2008, and are in the aggregate principal amount of $15,360,000. The Bonds are authorized by Oregon Revised Statutes Chapter 287A, the authority granted by the voters of the City at an election held on November 3, 1998, a Bond Declaration that is dated the date of delivery of the Bonds, and City Ordinance No. 182255 adopted October 8, 2008 (collectively, the "Ordinance"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

1. The Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the City Charter, and the Resolution. The Bonds constitute valid and legally binding general obligations of the City enforceable in accordance with their terms.

2. The City has pledged its full faith and credit to the payment of the Bonds. The Bonds are payable from ad valorem taxes which may be levied without limitation as to rate or amount on all taxable property within the boundaries of the City.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is 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.

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

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

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

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

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

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 K&L Gates LLP.

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

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

Respectfully submitted,

K&L GATES LLP

Lawyers

APPENDIX D
CONTINUING DISCLOSURE CERTIFICATE

CITY OF PORTLAND, OREGON

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CONTINUING DISCLOSURE CERTIFICATE

$15,360,000
City of Portland, Oregon
General Obligation Emergency Facilities Bonds
2008 Series A

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of Portland, Oregon (the "City") in connection with the issuance of the City's General Obligation Emergency Facilities Bonds, 2008 Series A (the "Bonds").

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the City for the benefit of the Bondowners and to assist the underwriter(s) of the Bonds in complying with paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12), (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 November 18, 2008.

"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, 2009, for the fiscal year ended June 30, 2008):

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. In addition, if the United States Securities and Exchange Commission subsequently approves the making of filings through another entity, in lieu of filing with NRMSIRs or SIDs or MAC, filing may be made through the entity subsequently approved by the United States Securities and Exchange Commission without amendment of this Certificate.

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 3rd day of December, 2008.

City of Portland, Oregon

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Eric H. Johansen, Debt Manager

CITY OF PORTLAND, OREGON

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APPENDIX E
BOOK ENTRY SYSTEM

CITY OF PORTLAND, OREGON

1851

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 and 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.

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