

City of Portland, Oregon
\$44,215,000
Limited Tax Revenue Bonds
2014 Series A
(Sellwood Bridge Project)

BASE CUSIP: 736740

DATED: Date of Delivery

DUE: June 1, as shown on inside cover

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

Ratings	Moody's Aa1
Tax Status	In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2014 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2014 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, interest on the 2014 Series A Bonds is exempt from Oregon personal income tax under existing law. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.
Security	The 2014 Series A Bonds are payable from all legally available funds of the City. The City has pledged its full faith and credit to pay the 2014 Series A Bonds. See "SECURITY" herein.
Purpose	Proceeds of the 2014 Series A Bonds will be used to pay for a portion of the costs of the Sellwood Bridge replacement project as more fully described herein. Proceeds also will be used to pay costs of issuance.
Interest Payment Dates	June 1 and December 1, commencing December 1, 2014.
Principal Payment Dates	June 1, as shown on inside cover.
Denominations	\$5,000 and any integral multiple thereof.
Redemption	The 2014 Series A Bonds maturing on or after June 1, 2025 are callable at par on June 1, 2024 or any date thereafter.
Closing/Settlement	On or about June 17, 2014.
Book Entry System	The Depository Trust Company.
Bond Counsel	Hawkins Delafield & Wood LLP, Portland, Oregon.
Paying Agent	U.S. Bank National Association.

MATURITY SCHEDULE

\$44,215,000

**CITY OF PORTLAND, OREGON
LIMITED TAX REVENUE BONDS
2014 SERIES A
(SELLWOOD BRIDGE PROJECT)**

Due June 1	Principal Amount	Interest Rate	Price or Yield	CUSIP No. (1) 736740
2015	\$1,430,000	5.00%	0.17%	PB1
2016	1,410,000	5.00	0.35	PC9
2017	1,480,000	5.00	0.66	PD7
2018	1,555,000	5.00	1.00	PE5
2019	1,635,000	5.00	1.31	PF2
2020	1,715,000	5.00	1.59	PG0
2021	1,800,000	5.00	1.87	PH8
2022	1,890,000	5.00	2.10	PJ4
2023	1,985,000	5.00	2.30	PK1
2024	2,085,000	5.00	2.45	PL9
2025	2,190,000	5.00	2.57†	PM7
2026	2,300,000	5.00	2.68†	PN5
2027	2,415,000	5.00	2.80†	PP0
2028	2,535,000	5.00	2.89†	PQ8
2029	2,660,000	5.00	2.96†	PR6
2030	2,795,000	4.00	3.29†	PS4
2031	2,905,000	4.00	3.36†	PT2
2032	3,020,000	4.00	3.43†	PU9
2033	3,140,000	4.00	3.50†	PV7
2034	3,270,000	4.00	3.55†	PW5

† Priced to par call on June 1, 2024.

(1) Registered Trademark 2014, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies.

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

\$44,215,000

**LIMITED TAX REVENUE BONDS
2014 SERIES A
(SELLWOOD BRIDGE PROJECT)**

CITY COUNCIL

Charlie Hales,
Mayor and Commissioner of Finance and Administration

Amanda Fritz, Commissioner No. 1

Nick Fish, Commissioner No. 2

Dan Saltzman, Commissioner No. 3

Steve Novick, Commissioner No. 4

CITY OFFICIALS

LaVonne Griffin-Valade, City Auditor

Jennifer Cooperman, City Treasurer

Tracy Reeve, City Attorney

Fred Miller, Chief Administrative Officer

DEBT MANAGEMENT

B. Jonas Biery, Debt Manager

City of Portland

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Portland, Oregon 97204

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BOND COUNSEL

Hawkins Delafield & Wood LLP

Portland, Oregon

FINANCIAL ADVISOR

Public Financial Management, Inc.

Portland, Oregon



No dealer, broker, salesperson or other person has been authorized by the City of Portland (the “City”) to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Bond Counsel’s review of this document is limited; see “Legal Matters” herein.

This Official Statement 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 2014 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The 2014 Series A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon a specific exemption contained in such act, nor have the 2014 Series A Bonds been registered under the securities laws of any state.

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 2014 Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued, and if discontinued, then recommenced, at any time.

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

\$44,215,000
LIMITED TAX REVENUE BONDS
2014 SERIES A
(SELLWOOD BRIDGE PROJECT)**

INTRODUCTION

This Official Statement sets forth certain information concerning the City of Portland, Oregon (the “City”) and its Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge Project) (the “2014 Series A Bonds”).

THE 2014 SERIES A BONDS

AUTHORIZATION AND PURPOSE

Proceeds of the 2014 Series A Bonds will be used to pay for a portion of the costs of the Sellwood Bridge replacement project (the “Sellwood Bridge Project”) as more fully described herein. See “THE SELLWOOD BRIDGE PROJECT.” Proceeds of the 2014 Series A Bonds also will be used to pay issuance costs. See “ESTIMATED SOURCES AND USES OF BOND PROCEEDS.”

The 2014 Series A Bonds are authorized by City Ordinance No. 184406 adopted by the City Council on February 9, 2011 (the “Ordinance”). The 2014 Series A Bonds also are authorized by Oregon Revised Statutes Section 287A.150 and the Bond Declaration. See Appendix A for the Bond Declaration.

SECURITY

The City has pledged its full faith and credit and taxing power to pay the 2014 Series A Bonds, and the City is obligated to pay the 2014 Series A Bonds from “Available General Funds” as defined in the Bond Declaration pursuant to which the 2014 Series A Bonds will be issued (the “Bond Declaration”). The Bond Declaration defines “Available General Funds” as all revenues of the City which are legally available to pay the 2014 Series A Bonds and not prohibited for such use by the charter and ordinances of the City or other Oregon laws. “Available General Funds” includes all general property taxes and other legally available general funds of the City.

Revenues from the City’s permanent tax rate property tax levy are legally available to pay the 2014 Series A Bonds. In FY 2012-13, revenues from that levy (including current and prior year collections) were approximately \$197.5 million, after delinquencies. See “ANNUAL DISCLOSURE INFORMATION—FINANCIAL OPERATIONS—Table 4” herein.

The City is not authorized to levy additional taxes to pay the 2014 Series A Bonds. The 2014 Series A Bonds are not secured by a lien on, or a pledge of, any specific revenues of the City.

DESCRIPTION

The 2014 Series A Bonds will be issued in book-entry-only (“BEO”) form, in registered form in denominations of \$5,000 or integral multiples thereof. The 2014 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”). Purchasers of the 2014 Series A Bonds who are the Beneficial Owners thereof will not receive certificates evidencing their ownership interests in the 2014 Series A Bonds. While Cede & Co. is the registered Owner of the 2014 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 2014 Series A Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2014 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 2014 Series A Bonds under the Bond Declaration or applicable law. So long as the 2014 Series A Bonds are subject to the BEO System, all registrations and transfers of Beneficial Ownership of the 2014 Series A Bonds will be made only through the BEO System. See “BOOK-ENTRY SYSTEM” in Appendix E herein.

The 2014 Series A Bonds will be dated as of the Date of Delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the cover page of this Official Statement. Interest on the 2014 Series A Bonds is payable on December 1, 2014, and semi-annually thereafter on June 1 and December 1 of each year, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

PAYMENT OF THE 2014 SERIES A BONDS WHILE IN BOOK-ENTRY SYSTEM

So long as the 2014 Series A Bonds are subject to the BEO System, all payments of the principal of and interest on the 2014 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 2014 Series A Bonds. The City has no responsibility for the distribution of any payments on the 2014 Series A Bonds by DTC to any DTC Participant or by any DTC Participant to any Beneficial Owner, and shall have no liability whatsoever in the event of any failure by DTC or a DTC Participant to make any such distribution. See “BOOK-ENTRY SYSTEM” in Appendix E herein.

REDEMPTION OF THE 2014 SERIES A BONDS

Optional Redemption

The 2014 Series A Bonds maturing on or after June 1, 2025, are subject to redemption at the option of the City on June 1, 2024, and on any date thereafter, in any order of maturity and by lot within a maturity, at a price of par, plus interest accrued to the date fixed for redemption. While the 2014 Series A Bonds are in BEO form, if less than all the outstanding 2014 Series A Bonds of a particular maturity are to be redeemed, DTC will select the particular 2014 Series A Bonds in accordance with its customary practices.

Notice of Redemption

While the 2014 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 2014 Series A Bond or 2014 Series A Bonds called for redemption shall cease on the redemption date designated in the notice.

Conditional Notice of Redemption

Any notice of optional redemption to the Paying Agent or to the Owners may state that the optional redemption is conditioned upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such 2014 Series A Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and the Bond Declaration provides that any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. The Bond Declaration requires notice of such rescission or of the failure of any such condition to be given by the Paying Agent to affected Owners of 2014 Series A Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Effect of Notice of Redemption

The Bond Declaration provides that official notice of redemption having been given (other than conditional notices of optional redemption as described above), the 2014 Series A Bonds or portions of 2014 Series A Bonds so to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless the City fails to pay the redemption price) such 2014 Series A Bonds or portion of 2014 Series A Bonds shall cease to bear interest.

THE SELLWOOD BRIDGE PROJECT

Proceeds of the 2014 Series A Bonds will be used to pay a portion of the costs of the Sellwood Bridge Project. The Sellwood Bridge Project will replace the 85-year old Willamette River crossing, which is owned by Multnomah County, with a new, seismically-sound structure that offers upgraded facilities for all users. The Sellwood Bridge provides the only crossing for a 12-mile stretch of the Willamette River between Oregon City and the southern end of Portland, and it connects several state highways, including Oregon 99E, 43, and 224. It is the busiest two-lane bridge in Oregon, with an average daily traffic count of 30,000 vehicles. It is also located in a heavily populated area that is experiencing high density development. Construction began in the summer of 2012 and is expected to be completed in 2016.

The current total cost estimate for the Sellwood Bridge Project is \$307.5 million (in 2014 dollars, the projected middle year for construction). The cost includes a new bridge, an interchange where the bridge connects with Highway 43, right-of-way, design, and mitigating impacts to protected resources. The Sellwood Bridge Project is expected to be funded with resources of Multnomah County, the City, the Oregon Department of Transportation, and the federal government as shown in the table below. While the City has agreed to fund up to a maximum of \$86 million of the Sellwood Bridge Project, it is currently estimated that the City's actual contribution will be \$74.7 million.

Table 1
CITY OF PORTLAND, OREGON
Sellwood Bridge Project Estimated Sources of Funds

Multnomah County	\$164.4 million
City of Portland	74.7 million
State of Oregon	35.0 million
Federal funds	<u>33.4 million</u>
Total	<u><u>\$307.5 million</u></u>

Source: Multnomah County, Oregon.

The City is issuing the 2014 Series A Bonds to pay for the first installment of its contribution of up to \$86 million to the Sellwood Bridge Project. While secured by Available General Funds, the City expects to pay the 2014 Series A Bonds with certain transportation revenues, including parking and gas tax revenues and system development charges. The City is obligated to provide its final installment payment of up to \$36 million by April 2015 and currently expects to borrow to make this final payment.

ESTIMATED SOURCES AND USES OF FUNDS

The anticipated uses of proceeds of the 2014 Series A Bonds are itemized in the following table:

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

SOURCES OF FUNDS	
Par amount of bonds	\$44,215,000.00
Net original issue premium	<u>5,938,312.35</u>
Total sources of funds	<u><u>\$50,153,312.35</u></u>
USES OF FUNDS	
Amount for Sellwood Bridge Project	\$50,000,000.00
Underwriter's discount	102,003.12
Issuance costs	<u>51,309.23</u>
Total uses of funds	<u><u>\$50,153,312.35</u></u>

Source: City of Portland.

DEBT SERVICE SCHEDULE FOR 2014 SERIES A BONDS

The following table presents the debt service schedule for the 2014 Series A Bonds.

Table 3
CITY OF PORTLAND, OREGON
Debt Service on the 2014 Series A Bonds

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$1,430,000	\$1,967,919	\$3,397,919
2016	1,410,000	1,987,950	3,397,950
2017	1,480,000	1,917,450	3,397,450
2018	1,555,000	1,843,450	3,398,450
2019	1,635,000	1,765,700	3,400,700
2020	1,715,000	1,683,950	3,398,950
2021	1,800,000	1,598,200	3,398,200
2022	1,890,000	1,508,200	3,398,200
2023	1,985,000	1,413,700	3,398,700
2024	2,085,000	1,314,450	3,399,450
2025	2,190,000	1,210,200	3,400,200
2026	2,300,000	1,100,700	3,400,700
2027	2,415,000	985,700	3,400,700
2028	2,535,000	864,950	3,399,950
2029	2,660,000	738,200	3,398,200
2030	2,795,000	605,200	3,400,200
2031	2,905,000	493,400	3,398,400
2032	3,020,000	377,200	3,397,200
2033	3,140,000	256,400	3,396,400
2034	3,270,000	130,800	3,400,800
Total	\$44,215,000	\$23,763,719	\$67,978,719

Source: City of Portland.

ANNUAL DISCLOSURE INFORMATION

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

FISCAL YEAR

July 1 to June 30.

BASIS OF ACCOUNTING

The governmental fund types, expendable trust funds, and agency funds are maintained on the modified accrual basis of accounting. The accrual basis of accounting is used for all enterprise funds. The City's accounting practices conform to generally accepted accounting principles as interpreted by the Governmental Accounting Standards Board (the "GASB").

AUDITS

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy. Moss Adams LLP has performed auditing services for FY 2002-03 through FY 2012-13.

A complete copy of the City's FY 2012-13 audit is available on the City's web site at <http://www.portlandoregon.gov/bfs/64083>. The City's web site is listed for reference only, and is not part of this Official Statement. Excerpts of the City's audited financial statements for the City's General Fund on a Generally Accepted Accounting Principles (GAAP) basis are found in Appendix B.

FINANCIAL REPORTING

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

GENERAL FUND

Overview

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

No Material Liens

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

General Fund Revenues

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

Taxes. Taxes consist of two categories: property taxes and transient lodging taxes. Property taxes constitute the largest revenue source, representing 41.3 percent of total General Fund revenues in FY 2012-13. Property taxes consist of current year and prior year

property taxes collected from the City's \$4.577/\$1,000 permanent rate levy (\$197.5 million). See "PROPERTY TAX AND VALUATION INFORMATION – Section 11 – Permanent Tax Rate" herein.

The transient lodging tax is a tax on transient lodgers, which are daily or weekly renters at hotels, motels and other lodging establishments. The tax rate within Multnomah County currently is 11.5 percent. Of the 11.5 percent transient lodging tax collected within the City, 6.0 percent is allocated to the City, with 5.0 percent going to the City's General Fund and 1.0 percent going to Travel Portland (formerly the Portland Visitors Association). The remaining 5.5 percent is allocated to Multnomah County. Transient lodging taxes were 4.5 percent of General Fund revenues in FY 2012-13, or \$21.6 million.

Licenses and Permits. Licenses and permits represented \$159.8 million, or 33.5 percent of the General Fund revenues, in FY 2012-13. Within this category are business license fee revenues collected from firms doing business within the City. The City's business license fee is based upon net apportioned income, and must be paid in advance for each year of business. Utility license fees, which are paid by public utilities such as electric, natural gas, communications, and cable providers, doing business in Portland, are another major revenue source. Additionally, utility license fee revenues are derived from fees charged to their customers by the City's water and sewer utilities.

Intergovernmental Revenues. Intergovernmental revenues (5.6 percent of the FY 2012-13 General Fund revenues, or about \$26.6 million) consist largely of State-shared revenues (including taxes on cigarettes and liquor), and also include revenues from Multnomah County and other local governments for their shares of expenses of specific programs or activities that are administered by the City. The City (along with the State and Multnomah County) also receives a share of revenues from traffic court fines, classified as local shared revenues.

Charges for Services. Charges for services were \$18.5 million, or 3.9 percent of General Fund revenues in FY 2012-13. This category includes rents and reimbursements received for use of City-owned property such as City Hall, JELD-WEN Field and other facilities, and parks and recreation facilities fees.

Other Sources. The General Fund receives revenues from a variety of other sources. Approximately 5.0 percent of its revenues are received from City bureaus and agencies related to specific services that are paid from this fund. Additionally, all bureaus whose programs are supported by the General Fund pay a share of centralized service or overhead costs. In total, these overhead billings represented 5.1 percent of General Fund revenues in FY 2012-13. Other sources include investment earnings, payments in lieu of taxes, and General Fund intrafund revenue.

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

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
REVENUES					
Taxes:					
Current/prior year property taxes	\$180,169,233	\$188,611,104	\$192,368,379	\$193,983,222	\$197,507,101
Lodging taxes	19,643,852	14,224,430	16,011,008	17,836,176	21,616,835
Total taxes	199,813,085	202,835,534	208,379,387	211,819,398	219,123,936
Licenses and permits:					
Business licenses, net	68,824,823	59,803,972	65,624,418	72,926,005	78,214,550
Public utility licenses (1)	51,768,928	54,753,844	54,296,377	52,498,486	76,046,626
Other	4,383,071	4,199,758	4,032,214	4,708,014	5,547,990
Total licenses and permits	124,976,822	118,757,574	123,953,009	130,132,505	159,809,166
Intergovernmental					
Federal cost sharing	-	53,413	95,210	178,764	242,492
State sources	12,933,508	12,157,719	12,772,716	13,382,910	14,462,170
County sources	1,914,850	1,495,290	1,443,044	1,476,301	1,751,625
Local sources/other	14,439,774	15,392,016	11,072,092	10,009,481	10,165,246
Total intergovernmental	29,288,132	29,098,438	25,383,062	25,047,456	26,621,533
Charges for services:					
Rents and reimbursements	3,921,430	3,809,186	3,959,316	3,932,082	4,180,073
Parks and recreation facilities fees	9,286,171	9,968,315	9,978,134	11,047,035	11,320,567
Other	4,459,423	4,262,094	3,606,476	2,885,982	3,011,963
Total charges for services	17,667,024	18,039,595	17,543,926	17,865,099	18,512,603
Billings to other funds for services	29,569,803	20,299,663	20,827,898	23,330,723	24,081,119
Billings to other funds for general and overhead	22,962,943	24,377,463	21,642,330	24,653,330	24,239,120
Other	7,043,626	4,553,645	3,855,850	5,239,827	5,276,207
TOTAL REVENUES	\$431,321,435	\$417,961,912	\$421,585,462	\$438,088,338	\$477,663,684

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

EXPENDITURES	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Public Safety	\$241,028,654	\$248,738,454	\$245,806,746	\$266,626,788	\$261,898,496
Parks, Recreation and Culture	59,185,906	61,537,488	58,513,350	61,644,892	61,244,469
Community Development	42,885,951	42,063,934	31,821,045	35,402,450	34,957,090
Legislative/Admin. Support Services	63,243,312	62,589,145	66,736,869	72,205,989	79,643,695
Debt service and related costs	2,065	4,916,113	5,318,785	5,726,067	6,275,927
Capital outlay	358,618	3,369,952	1,681,931	830,082	2,242,769
TOTAL EXPENDITURES	406,704,506	423,215,086	409,878,726	442,436,268	446,262,446
Revenues Over / (Under) Expenditures	24,616,929	(5,253,174)	11,706,736	(4,347,930)	31,401,238
OTHER FINANCING SOURCES/(USES)					
Transfers from other funds (1)	27,178,016	26,512,123	25,060,023	20,265,184	3,392,120
Transfers to other funds	(59,082,312)	(47,166,753)	(32,484,221)	(35,751,260)	(34,582,631)
Internal loan proceeds/remittances	-	(8,506,660)	8,006,660	(3,351,000)	5,311,226
Sale of capital asset	1,202,998	6,787	5,653	2,998	21,307
TOTAL OTHER FINANCING SOURCES / (USES)	(30,701,298)	(29,154,503)	588,115	(18,834,078)	(25,857,978)
Net Change in Fund Balance	(6,084,369)	(34,407,677)	12,294,851	(23,182,008)	5,543,260
Beginning Fund Balance, Budgetary Basis	75,205,021	69,120,652	34,712,975	47,007,826	23,825,818
Ending Fund Balance, Budgetary Basis	\$69,120,652	\$34,712,975	\$47,007,826	\$23,825,818	\$29,369,078
Adjustments to GAAP basis:					
General Reserve Fund budgeted as separate fund	\$63,622,146	\$48,784,573	\$46,294,375	\$48,984,519	\$49,930,120
Internal loans	-	8,506,660	500,000	3,851,000	1,150,000
Unrealized gain (loss) on investments	970,483	(178,800)	278,586	222,905	(50,589)
Inventories	-	-	-	367,454	352,483
Internal loans payable	-	-	-	-	(1,460,226)
Resources not available for spending:					
Petty cash	42,145	47,000	-	-	-
Ending Fund Balance, GAAP basis	\$133,755,426	\$91,872,408	\$94,080,787	\$77,251,696	\$79,290,866

Notes:

- (1) In FY 2013-14, utility license fees generated from sewer and water are now included in the Public Utility License category instead of as a transfer from the Sewer Operating Fund and the Water Fund.

Source: City of Portland.

CITY BUDGET PROCESS

The City prepares annual budgets for all its bureaus and funds in accordance with provisions of Oregon Local Budget Law. The law provides standard procedures for the preparation, presentation, administration, and public notice for public sector budgets. At the outset of the process, the Mayor or the full City Council reviews overall goals, establishes priorities, and provides direction to bureaus. The Council conducts an extensive public information process to obtain direct public input on City service priorities, and most bureaus include key stakeholders in developing their budget requests.

In addition to this public outreach process, the City created the Portland Utilities Review Board (the “PURB”) in 1994. The PURB, an appointed body of nine interested citizens who provide independent and representative customer review of water, sewer, stormwater, and solid waste financial plans and rates, operates in an advisory capacity to Council. In January 2014, the City Council approved a five-year contract with the Citizens’ Utility Board of Oregon, an independent consumer advocacy nonprofit organization, to provide input regarding the City’s water and sewer bureaus on behalf of residential customers. The Citizens’ Utility Board will provide recommendations to the City Council on capital spending, rates, and customer service issues.

A five-year General Fund financial forecast, which serves as the basis for determining resources available for budgeting, is also provided to the City Council along with budget requests. Major City bureaus generally prepare and submit five-year financial plans and Capital Improvement Plans. The City Budget Office, which was created by the City Council in December 2012, coordinates the budget development process. See “SUPPLEMENTAL INFORMATION—CHANGES IN CITY FINANCIAL MANAGEMENT” herein.

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

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

For a discussion of the City’s FY 2013-14 and FY 2014-15 budgets, see “SUPPLEMENTAL INFORMATION—GENERAL FUND DISCRETIONARY BUDGET AND FINANCIAL PLAN” herein.

INSURANCE

The City is self-insured for workers’ compensation, general liability claims and certain employees’ medical coverage in internal service funds. The Oregon Tort Claims Act (ORS 30.260 to 30.300) limits certain claims against the City for personal injury, death and property damage or destruction as described below. Claims under federal jurisdiction are not subject to such limitations.

The City estimates liability for incurred losses for reported and unreported claims for workers’ compensation, general and fleet liability and employee medical coverage (included in accrued self-insurance claims in the combined statement of net assets). Workers’ compensation, general and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City’s Risk Management Services and independent actuarial studies. Liabilities are based on 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 present value of the liability. For fiscal year ending June 30, 2014 the expected rate of return used was 0.40 percent. For fiscal year ending June 30, 2015, the expected rate of return used was 0.50 percent and for subsequent years, the expected rate of return was 0.60 percent. The Bureau of Human Resources and the employee benefits consultant determines relevant employees’ medical coverage estimates.

The City provides insurance coverage that the City deems to be adequate, appropriate, and actuarially sound to meet the City’s anticipated settlements, obligations and outstanding liabilities as described above. Current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess liability coverage insurance policy covers occurrences in excess of \$1,000,000 to policy limits for covered loss excluding law enforcement liability. Effective November 12, 2013, the excess liability for law enforcement requires a \$2.5 million retention before insurance begins coverage. An excess workers’ compensation coverage insurance policy covers claims in excess of \$850,000 for occurrences after July 1, 2012. The City purchases commercial insurance for claims in excess of coverage provided by the self-insurance fund.

Personal Injury and Death Claim

Under ORS 30.272, the liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$633,300 for causes of action arising on or after July 1, 2013, and before July 1, 2014. This cap increases incrementally through June 30, 2015, to \$666,700. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increases to \$1,266,700 for causes of action arising on or after July 1, 2013, and before July 1, 2014, and incrementally to \$1,333,300 through June 30, 2015.

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

Property Damage or Destruction Claim

Under ORS 30.273, the liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2013, and before July 1, 2014, are as follows: (a) \$106,700 for any single claimant and (b) \$533,400 to all claimants. These liability limits are adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.273. The adjustment may not exceed three percent for any year.

PENSION PLANS

Overview

The Oregon Public Employees Retirement System (“PERS” or “the Statewide PERS System”) provides statewide defined benefit retirement plans for units of state government, political subdivisions, community colleges, and school districts. Most public employers in Oregon, including the City, participate in PERS. PERS is administered under Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board (the “PERS Board”). The PERS Board is responsible for setting policies and for providing administrative direction to PERS. Benefits provided through PERS are paid from the Oregon Public Employees’ Retirement Fund (“OPERF”). PERS is a cost-sharing, multiple-employer public employee retirement system.

City employees (other than certain fire and police personnel), after six months of employment, participate in one of three retirement pension benefit programs provided through PERS as described below. The three PERS pension programs include two closed defined benefit programs and one program that has features of both defined benefit and defined contribution plans. In a defined benefit plan, the investment risk for the plan assets is borne by the employer. In a defined contribution plan, the investment risk for the plan assets is borne by the employee. A combination of participating employer contributions (determined by the PERS Board based upon the results of actuarial valuations), investment earnings and employee contributions (currently 6 percent of salaries and 9 percent for police and fire employees) fund these pension programs. See “—Employer Contribution Rates and Amounts” and “—Fire and Police Disability and Retirement Plan” below.

Benefit Programs

Employees hired before January 1, 1996 are known as “Tier 1” participants. The retirement benefits applicable to Tier 1 participants are based on a defined benefit model. Tier 1 has an assumed earnings rate guarantee of 7.75 percent and a normal retirement age of 58. PERS maintains a “Tier One Rate Guarantee Reserve” which is credited with investment earnings in excess of the assumed earnings rate guarantee and used to offset the effects of investment earnings below the assumed earnings rate guarantee. As of June 30, 2013, the balance of this reserve was negative \$0.3 million. As of June 30, 2013, there were 39,554 active members and 19,160 inactive members for a total of 58,714 Tier 1 members in the Statewide PERS System.

Employees hired on or after January 1, 1996, and before August 29, 2003, are known as “Tier 2” participants. The Tier 2 program also provides a defined benefit but with lower expected costs to employers than under the Tier 1 benefit. There is no assumed earnings rate guarantee and Tier 2 has a higher normal retirement age of 60. As of June 30, 2013, there were 45,190 active members and 16,889 inactive members for a total of 62,079 Tier 2 members in the Statewide PERS System.

Employees hired on or after August 29, 2003 are participants in a successor retirement program to the Tier 1 and Tier 2 retirement programs (the “T1/T2 Pension Programs”) known as the Oregon Public Service Retirement Plan (“OPSRP”). OPSRP consists of a

defined benefit plan and also offers the Individual Account Program (“IAP”), which offers a defined contribution benefit. As of June 30, 2013, there were 78,515 active members and 8,770 inactive members for a total of 87,285 OPSRP Pension Program members.

Effective January 1, 2004, all active Tier 1 and Tier 2 employees also became members of the IAP. Tier 1 and Tier 2 employees retain their existing T1/T2 Pension Program account, but member contributions are now deposited into the member’s IAP account, not into the member’s PERS account.

Apportionment of City Assets and Liabilities

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

Employer Asset Valuation and Liabilities

Oregon statutes require an actuarial valuation of the Statewide PERS System by a competent actuary at least once every two years. The PERS current actuary, Milliman, Inc. replaced the prior actuary, Mercer (US), Inc. (“Mercer”) in January 2012. Under current practice, actuarial valuations are performed annually, but only valuations as of the end of each odd-numbered year are used to determine annual required employer 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. Valuations are released approximately one year after the valuation date.

An employer’s unfunded actuarial liability (“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. At its September 27, 2013 meeting, the PERS Board modified certain methods and assumptions, which are used beginning for the 2012 actuarial valuations. The following table shows methods and assumptions adopted by the PERS Board, which are the basis for the actuarial valuations.

Table 5
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Actuarial Assumptions and Methods

ASSUMPTION/METHOD	PREVIOUS (2004-2011 VALUATIONS)	CURRENT (2012 VALUATION)
Actuarial Cost Method:	Projected Unit Credit	Entry Age Normal
UAL -Method:		
T1/T2 Programs	Level Percentage of Payroll over 20 years (fixed)	Level Percentage of Payroll over 20 years (fixed) (1)
OPSRP	Level Percentage of Payroll over 16 years (fixed)	Level Percentage of Payroll over 16 years (fixed)
Asset Valuation Method:	Market Value (2)	Market Value (2)
Investment Rate of Return:	8.00%	7.75%
Payroll Growth Rate:	3.75%	3.75%
Inflation Level:	2.75%	2.75%
Contribution Rate Stabilization Method:	Contribution rate may increase or decrease by 3% of payroll or by 20% of the previous rate; whichever is greater, when an employer's funded status is between 80% and 120%. At a funded status of 70% or less, or 130% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 70% and 80% or 120% and 130%, the limitation increases in increments between 3%-6% of payroll or 20%-40% of the previous rate, whichever is greater.	Contribution rate may increase or decrease by 3% of payroll or by 20% of the previous rate; whichever is greater, when an employer's funded status is between 70% and 130%. At a funded status of 60% or less, or 140% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 60% and 70% or 130% and 140%, the limitation increases in increments between 3%-6% of payroll or 20%-40% of the previous rate, whichever is greater.

Notes:

- (1) Although the UAL amortization method remains unchanged, the PERS Board directed Milliman to re-amortize the UAL for the T1/T2 Programs from the 2007, 2009, and 2011 valuations to restart the 20-year amortization period for those UALs effective with the 2013 valuation report.
- (2) Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).

Source: Oregon Public Employees Retirement System.

The PERS actuary released its 2011 valuation for the Statewide PERS System as of December 31, 2011 (the "2011 System Valuation") on October 26, 2012 and its 2012 valuation for the Statewide PERS System as of December 31, 2012 (the "2012 System Valuation") on December 13, 2013. These reports include system-wide actuarial valuations for the T1/T2 Pension Programs and OPSRP.

The PERS actuary released the City's individual 2011 valuation report as of December 31, 2011 (the "2011 City Report") on September 28, 2012, and its individual 2012 valuation as of December 31, 2012 (the "2012 City Report") on December 27, 2013. These valuation reports provide the City's portion of (a) the SLGRP based on the City's proportionate share of the total SLGRP covered payroll as of the valuation date, (b) OPSRP based on the City's proportionate share of total OPSRP covered payroll as of the valuation date, and (c) the RHIA.

The tables below provide historical summary valuation information for the Statewide PERS System and for the City.

Table 6
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Summary of Statewide PERS System Funding Levels
(\$ in Millions) ⁽¹⁾

STATEWIDE PERS SYSTEM				
Calendar Year	Actuarial	Unfunded		Funded Ratio
	Value of Assets	Actuarial Liability	Actuarial Liability	
2003	\$42,753.3	\$44,078.1	\$1,324.8	97.0%
2004 ⁽²⁾⁽³⁾	45,708.3	47,398.6	1,690.3	96.4
2005 ⁽⁴⁾	51,403.9	49,294.0	-2,109.9	104.3
2006	56,616.5	51,252.9	-5,363.6	110.5
2007	59,327.8	52,871.2	-6,456.6	112.2
2008	43,520.6	54,259.5	10,738.9	80.2
2009	48,729.2	56,810.6	8,081.4	85.8
2010	51,583.6	59,329.5	7,745.9	86.9
2011	50,168.2	61,198.4	11,030.2	82.0
2012 ⁽⁵⁾	54,784.1	60,405.2	5,621.1	90.7

Notes:

- (1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA. Includes side accounts resulting from employer supplemental deposits, including proceeds of pension obligation bonds.
- (2) In 2003, the Oregon Legislative Assembly enacted significant changes to the System and created OPSRP. The 2003 legislative reforms were enacted in response to a growing UAL of the System and to increasing charges to public employers to fund the Statewide PERS System.
- (3) Effective with the 2004 System valuation, the cost method changed from Entry Age Normal to Projected Unit Credit, and the actuarial value of assets was changed from a four-year smoothed value to market value among other changes.
- (4) Assets and liabilities for OPSRP are first valued in the 2005 OPSRP Valuation.
- (5) Reflects legislative changes in Senate Bill 822 adopted during the 2013 session of the Oregon State Legislature and assumptions and methods adopted by the PERS Board on September 27, 2013, and recent legislative changes in Senate Bills 861 and 862 adopted during the 2013 special session of the Oregon State Legislature. See "RECENT DEVELOPMENTS" below.

Source: Oregon Public Employees Retirement System.

Table 7
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Summary of City Funding Levels
(\$ in Millions) ⁽¹⁾

Calendar Year	Actuarial	Unfunded		Funded Ratio
	Value of Assets	Actuarial Liability	Actuarial Liability	
2003	\$1,187.4	\$1,159.2	(\$28.2)	102.4%
2004 ^{(2) (3)}	1,295.5	1,294.9	(0.6)	100.0
2005 ⁽⁴⁾	1,459.9	1,367.1	(92.8)	106.8
2006	1,619.3	1,432.0	(187.3)	113.1
2007	1,635.0	1,410.8	(224.2)	115.9
2008	1,280.6	1,539.9	259.2	83.2
2009	1,424.0	1,606.0	182.0	88.7
2010	1,499.8	1,672.5	172.7	89.7
2011	1,459.0	1,724.2	265.3	84.6
2012 ⁽⁵⁾	1,624.8	1,744.3	119.5	93.2

Notes:

- (1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA. City information is calculated separately for the SLGRP and OPSRP using the City's payroll as a percentage of combined payroll of the respective rate pools. Includes impact of pension obligation bonds.
- (2) In 2003, the Oregon Legislative Assembly enacted significant changes to the Statewide PERS System and created OPSRP. The 2003 legislative reforms were enacted in response to a growing UAL of the System and to increasing charges to public employers to fund the Statewide PERS System.
- (3) Effective with the 2004 System valuation, the cost method changed from Entry Age Normal to Projected Unit Credit, and the actuarial value of assets was changed from a four-year smoothed value to market value among other changes.
- (4) Assets and liabilities for OPSRP are first valued in the 2005 OPSRP Valuation.
- (5) Reflects legislative changes in Senate Bill 822 adopted during the 2013 session of the Oregon State Legislature and assumptions and methods adopted by the PERS Board on September 27, 2013 and recent legislative changes in Senate Bills 861 and 862 adopted during the 2013 special session of the Oregon State Legislature. See "RECENT DEVELOPMENTS" below.

Source: Oregon Public Employees Retirement System.

The following table presents a history of the City’s member payroll, unfunded actuarial liability and ratio of unfunded actuarial liability to payroll.

Table 8
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
City Payroll for PERS Members and Unfunded Actuarial Liability

Calendar Year	Payroll	Unfunded Actuarial Liability	Unfunded Liability to Payroll Ratio
2003	\$201,036,519	(\$28,240,751)	-14%
2004	220,669,089	(587,340)	0%
2005	226,295,315	(92,818,145)	-41%
2006	242,259,162	(187,332,041)	-77%
2007	259,889,403	(224,199,619)	-86%
2008	289,371,762	259,241,423	90%
2009	303,851,551	182,019,126	60%
2010	307,538,429	172,726,579	56%
2011	303,508,135	265,267,189	87%
2012	311,688,601	119,477,128	38%

Source: Oregon Public Employees Retirement System.

The funded status of the pension programs may change depending on the market performance of the securities that the OPERF is invested in, 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. Additionally, the market value of the investments held in the OPERF is determined using various sources.

State Investment Policy

The Oregon State Treasury is the investment officer for the state of Oregon. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council (“OIC”) establishes policies for the investment and reinvestment of moneys in PERS investment funds. Policies are established based on the primary investment asset class of each investment manager. The OIC has approved the following asset classes for the OPERF: Short-Term Investing, Fixed Income, Real Estate, Public and Private Equities, and Alternative Investments. In addition, OPERF invests in the Opportunity Portfolio, which may be populated with investment approaches across a wide range of investment opportunities with no limitation as to asset classes or strategies. The target investment portfolio mix at fair market value as of June 30, 2012, is 43 percent public equity, 16 percent private equity, 25 percent debt securities, 11 percent real estate, and 5 percent alternative equity.

The following table presents a 10-year history of investment returns for the OPERF.

Table 9
OREGON PUBLIC EMPLOYEES RETIREMENT FUND
Oregon PERS Investment Returns (1)

Fiscal Year	Net
Ending	Returns (%)
2004	17.8
2005	13.9
2006	14.4
2007	18.6
2008	-3.5
2009	-22.2
2010	17.0
2011	22.3
2012	1.6
2013	12.7

Notes:

(1) Total fund performance, excluding variable account.

Source: "Oregon PERS Monthly Returns" as of June 30 of the respective fiscal year shown in the table, website of the Oregon State Treasurer, Investment Division, Oregon Public Employees Retirement Fund (OPERF) as of January 23, 2014.

The following table presents annualized investment returns over the most recent 1-year, 3-year and 5-year periods. Calculations were prepared using a time-weighted rate of return based on market rates in accordance with the Global Investment Performance Standards performance presentation standards.

Table 10
OREGON PUBLIC EMPLOYEES RETIREMENT FUND
Annualized Investment Results (1)

Periods Ending June 30, 2013	Annualized		
	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	12.7%	11.9%	5.0%

Notes:

(1) Total fund performance, excluding variable account.

Source: Comprehensive Annual Financial Report Oregon Public Employees Retirement System, An Agency of the State of Oregon.

Employer Contribution Rates and Amounts

The PERS Board is required by State statute to determine liabilities of the Statewide PERS System from time to time and to set contributions of participating employers at a level that ensures liabilities of the Statewide PERS System will be funded no more than 40 years after the date on which the determination is made. ORS 238.225 requires participating public employers to pay the amounts the PERS Board determines to be actuarially necessary to fund benefits provided to employees.

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including known and anticipated investment performance of the OPERF.

At the end of each odd-numbered year, actuarial valuations determine the employer contribution rates that are officially set by the PERS Board. All employers participating in PERS are required to make their contribution to PERS based on the employer contribution rates set by the PERS Board. The City’s employer contribution rates were derived using a rate stabilization methodology (the “Rate Collar”) designed to cap rate increases and reduce large fluctuations in employer contribution rates. Such rate increases are shifted to future biennia, including the 2013-15 biennium. See Table 5 for a summary of the Rate Collar in effect for the 2011 City Report and the 2012 City Report.

The table below shows the City’s current employer contribution rates. The table also shows the City’s advisory rates for the 2015-17 biennium as reported in the 2012 City Report. The advisory rates reflect the impact of legislation passed during the 2013 Oregon Legislature Special Session and are based on assumptions and methodologies adopted by the PERS Board at its September 27, 2013, meeting. See Table 5 for a summary of the assumptions and methodologies and see “—Recent Changes Related to PERS” below. Advisory rates are used by the City in projecting and planning for pension costs in future years. The rates reported in the table do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City. The City’s contribution rates may increase or decrease due to a variety of factors, including the investment performance of the OPERF, the use of pension-related reserves, further changes to system valuation methodology and assumptions and decisions by the PERS Board, and changes in benefits resulting from legislative modifications.

Table 11
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Current and Future Employer Contribution Rates
Percentage of Covered Payroll (1)

Payrolls Paid	Current Rates	Advisory Rates
	2013-15	2015-17
T1/T2	9.34%	12.94%
OPSRP General Services	7.52%	6.92%
OPSRP Police and Fire	10.25%	11.02%

Notes:

- (1) For FY 2012-13, one percent of the City’s covered payroll for the three pension benefit programs was approximately: \$1,748,163 for T1/T2 Pension Programs; \$1,026,965 for OPSRP general services; and \$273,966 for OPSRP police and fire.

Source: City of Portland, Oregon Public Employees Retirement System, 2012 City Report prepared by Milliman.

T1/T2 Pension Programs employees and OPSRP employees are required by state statute to contribute six percent of their annual salary to the respective programs. Employers are allowed to pay 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.

City Funding Policy

The City currently has no Council-approved policy regarding funding of its pension liability. However, the City has always funded its full employer contribution as required by ORS 238.225. See “—Employer Contribution Rates and Amounts” above.

Pension Obligation Bonds

In addition to their PERS contribution, City bureaus in existence as of November 10, 1999 (the issue date of the bonds) are required to make a contribution to pay debt service on outstanding Limited Tax Pension Obligation Revenue Bonds (the “Pension Obligation Bonds”), which were issued to fund the City’s share of the unfunded actuarial liabilities of PERS as of December 31, 1997. The Pension Obligation Bonds were issued in three series: one series of fixed rate bonds in an amount of \$150,848,346 and two series of auction rate securities in an aggregate amount of \$150,000,000. The final maturity of the fixed rate Pension Obligation Bonds is June 1, 2029. Pension Obligation Bonds issued as auction rate securities mature on June 1, 2019. Table 12 presents debt service on the City’s Pension Obligation Bonds for the past ten fiscal years.

Proceeds of the Pension Obligation Bonds were deposited in an account with PERS. The City opted to amortize the original deposit ratably over the life of the bonds. Table 12 below shows the amount of bonds amortized annually and debt service paid by the City on its Pension Obligation Bonds. As of June 30, 2013, the remaining unamortized balance of the bond proceeds deposited with PERS was \$141,138,188.

Total City Pension and RHIA Contribution

The following table shows the amount of City contributions paid to PERS for the three pension programs including amounts paid by the City for the employee contribution, as well as contributions to RHIA. Contributions include the payments from the Fire and Police Disability and Retirement Fund for pensions of police and firefighters participating in the T1/T2 Pension Programs and OPSRP. Fire and Police Disability and Retirement Fund contributions are funded from a dedicated Citywide property tax levy. See “—Fire and Police Disability and Retirement Fund” below. In FY 2012-13, 55.0 percent of the total cash contribution was for the employer share, 41.3 percent was for the employee share, and 3.6 percent of the total was for the City’s contribution to RHIA.

The City made its required contribution for its pension obligation in all years. See “—Employer Contribution Rates and Amounts” above.

Table 12
CITY OF PORTLAND, OREGON
City Contributions to PERS and Total Pension-Related Contributions

Fiscal Year	Total City Required Contribution (1)	Amortization of Pension Obligation Bonds (2)	City’s Cash Contribution to PERS (3)	Debt Service on Pension Obligation Bonds	Total Cash Contribution for Pension Costs
2004	\$27,390,839	\$8,579,719	\$18,811,120	\$10,255,372	\$29,066,492
2005	28,857,496	8,579,719	20,277,777	11,987,632	32,265,409
2006	29,765,118	8,597,252	21,167,866	14,635,732	35,803,598
2007	31,172,696	8,597,252	22,575,444	18,990,492	41,565,936
2008	32,779,658	8,597,252	24,182,406	19,839,413	44,021,819
2009	43,924,072	8,597,252	35,326,820	22,049,937	57,376,757
2010	41,195,860	8,597,252	32,598,608	18,253,638	50,852,246
2011	42,219,332	8,597,252	33,622,080	16,413,710	50,035,790
2012	53,826,983	8,597,252	45,229,731	17,738,966	62,968,697
2013	53,875,808	8,597,252	45,278,556	19,432,611	64,711,167

Notes:

- (1) Includes City’s statutorily required employer contribution for T1/T2 and OPSRP pension programs, its pension contribution on behalf of employees, and its contribution to the RHIA.
- (2) Change in amortization amounts between FY 2004-05 and FY 2005-06 reflects correction in amortization schedule.
- (3) Includes contributions from FPDR property tax levy and other non-General Fund bureaus such as the Water Bureau and the Bureau of Environmental Services.

Source: City of Portland

Recent Developments Related to PERS

During the 2013 Legislative Session and the 2013 Special Session the Legislative Assembly enacted Senate Bills 822, 861, and 862 (the “PERS Bills”) that together: limit annual benefits cost of living adjustments (“COLAs”), for PERS retirees, eliminate a benefit increase for out-of-state retirees based on Oregon income tax, exclude salary increase given to pay for insurance costs from the final average salary used to calculate pension benefits, and reduce legislators’ participation in PERS. The 2013 PERS Bills are expected to reduce the amount of future benefit payments from the System and reduce the unfunded actuarial liability of the System by approximately \$5 billion.

In addition to legislative actions, in 2013 the PERS Board made other adjustments that were estimated by PERS to increase the unfunded actuarial liability of the System by approximately \$2.5 billion. See Table 5 for a summary of the changes made by the PERS Board.

As shown in Table 6, the unfunded actuarial liability of the PERS Statewide System decreased from \$11.03 billion as of December 31, 2011, to \$5.62 billion as of December 31, 2012. That decrease reflects the combined effects of the 2013 PERS Bills, the 2013 Board changes, changes in the actuarial value of the System assets and other factors that are taken into account in the formal valuation of the System by Milliman. See “Table 6 - OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM—Summary of Statewide PERS System Funding Levels” and “Table 7 - OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM—Summary of City Funding Levels.”

Milliman has not completed the actuarial valuation for the PERS Statewide System as of December 31, 2013 (the “2013 System Report”). However, with Milliman’s assistance, PERS estimates that the unfunded actuarial liability of the PERS Statewide System as of December 31, 2013, will have decreased to approximately \$2.2 billion, primarily due to 2013 investment returns well above the assumed earnings rate of 7.75 percent. When completed by Milliman and released in the fall of 2014, the 2013 System Report will report the final actuarially determined funded status of the system as of December 31, 2013. That valuation will be used to set employer contribution rates for the 2015-2017 biennium. The 2013 System Report will also include estimates and projections of the future funded status of the System and employer rates.

Any such estimates and projections are subject to change based on various factors including actual PERS investment earnings, and further changes in PERS actuarial methods and assumptions by the PERS Board and changes in legislation affecting the System. In addition, the PERS Bills have been challenged in the Oregon courts. See “—Challenges to PERS Reforms” below. If the 2013 PERS Bills are overturned as a result of legal challenges, the unfunded actuarial liability of the System may increase by as much as \$5 billion and employer contribution rates in future biennia may be increased. The City cannot predict whether any legislation or any related actions of the PERS Board will withstand any legal challenges.

Challenges to PERS Reforms

Several cases have been filed on behalf of PERS retirees and active employees challenging changes to PERS retirement benefits that were enacted by the Legislative Assembly in the 2013 Legislative Session. See “—Recent Developments Related to PERS.” Challenges to the PERS Bills have been filed directly with the Oregon Supreme Court. The petitioners allege that PERS Bills constitute a breach of contract as well as an impairment of contract and a taking of property rights in violation of the Oregon and United States constitutions. The Oregon Supreme Court appointed a Special Master to prepare a report and findings of fact for the Supreme Court. The Special Master’s Final Report and Recommended Findings of Fact (the “Special Master’s Report”) were presented to the Supreme Court on April 30, 2014. Upon receipt of the Special Master’s Report, the Oregon Supreme Court has issued an order to set the briefing schedule and set oral arguments on October 14, 2014. There is no required timeframe for the Oregon Supreme Court to issue its ruling in this matter. If the PERS Bills are held unconstitutional, the anticipated savings from the PERS changes that were calculated as part of the City’s FY 2013-14 budget and FY 2014-15 proposed budget, and that are reflected in the funded status for PERS and the City in the 2012 System Valuation and the 2012 City Valuation, respectively, may not be realized.

Fire and Police Disability and Retirement Fund

The following discussion pertains to the City’s Fire and Police Disability and Retirement (“FPDR”) Fund. Most of the fire and police sworn personnel are covered under the FPDR Plan. The FPDR Plan consists of three tiers, two of which are now closed to new employees. FPDR One, the original plan, and FPDR Two, in which most active fire and police personnel participate, are single-employer, defined-benefit plans administered by the FPDR Board. FPDR Three participants are part of OPSRP for retirement benefits and are under the FPDR Plan for disability and death benefits. For information regarding OPSRP and the employee and employer contribution rates for OPSRP, see “PENSION PLANS – General,” above. The authority for the FPDR Plan’s vesting and benefit provisions is contained in the Charter of the City. A ballot measure approved by voters November 6, 2012, changed the eligibility for membership in the FPDR Plan of fire and police personnel from generally upon employment to after six months of continuous sworn employment. The FPDR Plan provides for service-connected disability benefits at 75 percent of salary, reduced by 50 percent of any

wages earned in other employment with a 25 percent of salary minimum, for the first year of disability and 25 to 75 percent of salary in later years, depending on medical status and ability to obtain other employment. The FPDR Plan also provides for nonservice-connected disability benefits at zero to 50 percent of salary.

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

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

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

The November 6, 2012, ballot measure also clarified final pay calculations, eliminated a provision to increase vested termination benefits if the member was subsequently employed in PERS-covered service prior to FPDR retirement, and reduced the eligibility threshold for non-service connected death before retirement from ten years of service to five.

The FPDR Plan is funded by a special property tax levy which cannot exceed two and eight-tenth mills on each dollar of valuation of property (\$2.80 per \$1,000 of real market value) not exempt from such levy. The FPDR property tax levy has been sufficient in all years to meet required annual benefit payments. In the event that funding for the FPDR Plan is less than the required payment of benefits to be made in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the special property tax levy in the succeeding year. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the two and eight-tenth mills limit, other City funds would be required to make up the difference. The FY 2013-14 levy of \$136,383,540 required a tax rate of \$2.7822 per \$1,000 of assessed property value, or approximately \$1.6227 per \$1,000 of gross real market value.

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

The FPDR Fund's Board periodically assesses the future availability of property tax revenues by having projections and simulations performed in connection with the actuarial valuation of the Fund. The most recent assessment was as of June 30, 2012. The Fund's Board believes that, under a wide range of simulated economic scenarios in the foreseeable future, the future FPDR Fund levy would remain under \$2.80 per \$1,000 of real market value, but reaching the \$2.80 threshold has a five percent or greater probability level starting in fiscal year 2028 and an almost 10 percent probability in fiscal year 2030. The levy requirement is expected to begin declining in fiscal year 2031.

Recognizing that the economic conditions have changed significantly over the past few years, the City reviewed the discount rate and assumptions utilized in the calculations of the actuarial valuation, including actuarial accrued pension liabilities and net pension obligation, and determined they should be revised to more closely match the funding and investment returns that actually are achieved under existing investment. The City revised the rate for the June 30, 2012, valuation from 4.00 percent to 3.50 percent. This change increased the unfunded actuarial liability by \$226 million. Overall the unfunded actuarial liability increased from \$2.53 billion on July 1, 2010, to \$2.88 billion on July 1, 2012.

OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB")

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

PERS Program

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may also receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premiums under the RHIA program. RHIA's assets and liabilities are pooled on a system-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled covered payroll. According to the 2011 City Report, the City's allocated share of the RHIA program's UAL is \$7,862,531 as of December 31, 2011, and according to the 2012 City Report, the City's allocated share of the RHIA program's UAL is \$6,539,359 as of December 31, 2012.

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

Health Insurance Continuation Option

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

The OPEB liability associated with the Health Insurance Continuation Option is an actuarially determined amount calculated in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The valuation is prepared using the Entry Age Normal actuarial cost method and amortized over an open period of 30 years using the level percentage of projected pay. Other assumptions include a 3.5 percent investment rate of return, and annual healthcare cost trend rates of one to 9.5 percent for health insurance, zero to six percent for dental insurance, and zero to three percent for vision. The City's unfunded actuarial accrued liability for OPEB is solely attributable to the Health Insurance Continuation Option and at the valuation date of July 1, 2011 (the date of the most recent actuarial valuation), is estimated to be \$104,946,292. Actuarial valuations for the Health Insurance Continuation Option are undertaken every two years. A new valuation study will be undertaken for reporting the OPEB liability as of July 1, 2013.

For FY 2012-13, the annual required contribution (the "ARC") of the employer to be recognized as the annual employer OPEB cost was \$9,566,141. For fiscal year ended June 30, 2013, the City benefits paid on behalf of retirees exceeded the premiums they paid by \$3,983,198. The City elected to not pre-fund the FY 2012-13 employer's ARC of \$9,566,141. The amount unfunded in FY 2012-13 is \$36,399,053, which is the OPEB obligation from the beginning of the fiscal year, plus the ARC for FY 2012-13, less payments made in relation to the FY 2012-13 ARC. The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and ARC, but will monitor its OPEB liability and assess whether a different approach is needed in future years.

OVERVIEW OF CITY INDEBTEDNESS

Debt Management Policy

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

Debt History

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

Debt Limitation

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

Outstanding Debt

The City issues a variety of debt types for the purpose of carrying out its capital financing activities. These various debt types are shown in the table below titled "Debt Statement." Outstanding debt amounts are as of May 1, 2014.

Unlimited Tax General Obligation Bonds

The City has \$92.47 million of outstanding tax-supported general obligation bonds. These bonds were originally issued for the purpose of funding parks, emergency facility system, and public safety improvements. The City is authorized to levy unlimited *ad valorem* property taxes outside the limitations of Article XI, Sections 11 and 11b of the Oregon Constitution to pay these bonds.

Bonds Paid and/or Secured by the General Fund

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

Non Self-Supporting General Fund Obligations

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

Limited Tax Revenue Bonds. The City had \$92.47 million of outstanding limited tax revenue bonds that are paid primarily from General Fund resources. The City has issued limited tax revenue bonds to satisfy a variety of capital financing requirements.

Limited Tax Pension Obligation Revenue Bonds. The City issued \$300.8 million of Limited Tax Pension Obligation Revenue Bonds in November 1999 to finance the City's December 31, 1997, unfunded actuarial accrued pension liability with the State of Oregon Public Employees Retirement System. Approximately forty percent of the debt service on these bonds is expected to be paid from resources of the General Fund. The remaining sixty percent is expected to be paid by non-General Fund bureaus of the City. (See "Self-Supporting General Fund Obligations" below.) Approximately \$92.5 million of outstanding principal remains on the portion of the bonds projected to be repaid with General Fund resources.

Table 13
CITY OF PORTLAND, OREGON
Debt Statement (1)
as of May 1, 2014

Type of Obligation	Amount Outstanding
UNLIMITED TAX GENERAL OBLIGATION BONDS	
Tax Supported	
General Obligation Parks Bonds	\$8,455,000
General Obligation Public Safety Bonds	45,710,000
General Obligation Emergency Facilities Bonds (2)	38,305,000
Total Tax Supported G.O. Bonds	\$92,470,000
BONDS PAID AND/OR SECURED BY THE GENERAL FUND	
Non Self-Supporting	
Limited Tax Revenue Bonds	\$64,700,000
Limited Tax Pension Obligation Revenue Bonds (General Fund share)	92,497,432
Limited Tax Housing Revenue Bonds	17,135,000
Total Bonds Secured and Paid from the General Fund	\$174,332,432
Self-Supporting	
Limited Tax Pension Obligation Revenue Bonds (Non-General Fund share)	\$156,655,914
Limited Tax Revenue Bonds (Streetcar)	15,300,000
Limited Tax Revenue Bonds (Convention Center)	78,725,684
Limited Tax Revenue Bonds (PCPA)	1,060,000
Limited Tax Revenue Bonds (Civic Stadium)	21,915,000
Limited Tax Revenue Bonds (S. Waterfront)	1,925,481
Limited Tax Revenue Bonds (Arena)	11,730,000
Limited Tax Revenue Bonds (Transit Mall)	7,550,000
Limited Tax Revenue Bonds (JELD-WEN Field)	12,000,000
Limited Tax Revenue Bonds (Portland Milwaukie Light Rail)	35,445,000
Limited Tax Improvement Bonds	48,925,000
State Loans (Brookside)	198,761
FPDR Tax Anticipation Notes	26,685,000
Urban Renewal Lines of Credit	42,686,587
Local Improvement Districts Line of Credit	14,259,942
Transportation Line of Credit (2013)	859,682
Total Self-Supporting Bonds Secured by the General Fund	\$475,922,051
REVENUE BONDS	
First Lien Sewer Revenue Bonds	\$823,275,000
Second Lien Sewer Revenue Bonds	834,550,000
Sewer SRF Loans	17,993,108
First Lien Water Revenue Bonds	322,170,000
Second Lien Water Revenue Bonds	244,240,000
Parks SDC Revenue Bonds	759,100
Hydroelectric Revenue Bonds	6,635,000
Urban Renewal Bonds	519,785,000
Gas Tax Revenue Bonds	15,643,000
PBOT Parking Meter Lease	414,057
Transportation Line of Credit	3,062,200
Total Revenue Bonds	\$2,788,526,465
TOTAL - ALL OUTSTANDING DEBT	\$3,531,250,948

Notes:

- (1) Excludes contingent loan agreements.
- (2) In March 2014, the City issued bonds to refund the principal amount of the 2015-2024 maturities of its General Obligation Emergency Facilities Bonds, 2004 Series A (the "2004 Bonds"). Proceeds of these bonds were placed in an escrow account with the City's Paying Agent and will be used to call the 2004 Bonds on the call date of 6/15/2014. Because the 2004 Bonds have not been legally defeased, they remain outstanding until the call date.

Source: City of Portland.

Limited Tax Housing Revenue Bonds. The City has outstanding a total of \$17.135 million of Limited Tax Housing Revenue Bonds. This amount includes \$10.1 million issued for the Headwaters Apartment Project and \$7.02 million issued for the Housing Opportunity Program.

Contingent Loan Agreements. The City has made a limited, subject-to-appropriation, pledge of its General Fund to restore reserve fund balances on five conduit housing revenue bond issues in the event these debt service reserve funds require replenishment. As of May 1, 2014, the City had not received any requests to appropriate funds to restore the reserve fund balances of these issues. The original par amount of these five bond issues is \$33.275 million, of which \$27.88 million remains outstanding.

Self-Supporting General Fund Obligations

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

Limited Tax Pension Obligation Revenue Bonds. Of the total outstanding Limited Tax Pension Obligation Revenue Bonds described above, approximately \$156.656 million is expected to be fully self-supporting and paid from non-General Fund bureaus of the City.

Limited Tax Revenue Bonds (Visitor Development Initiative). The City has issued bonds pursuant to an intergovernmental agreement known as the Visitor Development Initiative for various projects. While ultimately secured by the General Fund, these bonds are expected to be repaid in whole or in part with revenues generated from surcharges on the transient lodging tax and the motor vehicle rental tax. The City has \$78.7 million of outstanding limited tax revenue bonds for the Oregon Convention Center Completion Project, \$21.9 million of outstanding bonds for the Stadium Project, and \$1.06 million of outstanding bonds for the Portland Center for Performing Arts (“PCPA”) Project.

Limited Tax Revenue Bonds (Central City Streetcar Project). The City has \$15.3 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 its parking meter revenues. The City has \$7.55 million of these bonds outstanding.

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

Limited Tax Revenue Bonds (Portland-Milwaukie Light Rail Project). In September 2012, the City issued limited tax revenue bonds to finance a portion of the Portland-Milwaukie Light Rail Project. While secured by the City’s General Fund, the City expects to pay the debt service with transportation revenues, including parking revenues, gas tax revenues and system development charges. The City has \$35.445 million of these bonds outstanding.

Limited Tax Improvement Bonds. The City has \$48.925 million of outstanding limited tax improvement bonds. These bonds are issued for the purpose of financing local improvement projects. These bonds are expected to be fully self-supporting from assessment payments received from property owners benefiting from the improvement projects. In addition, the City has pledged its full faith and credit to pay the bonds, and the bonds are payable from all legally available revenues, taxes and other funds of the City.

Arena Limited Tax Revenue Bonds. The City currently has \$11.730 million of Arena Limited Tax Revenue Bonds outstanding. These bonds are ultimately secured by the City’s General Fund. However, the City expects to pay the debt service on these bonds from revenues received from the Oregon Arena Project.

Urban Renewal and Other Self-Supporting Lines of Credit. The City has established lines of credit for various programs that are secured in part by the City’s full faith and credit. Lines of credit have been established for seven urban renewal areas. The City borrows on these lines of credit to provide interim financing for capital projects, then repays the debt with the proceeds of urban renewal and redevelopment bonds secured solely by the tax increment revenues of the districts for which the bonds are issued. The total balance on the urban renewal lines of credit as of May 1, 2014, was \$42.7 million. Lines of credit secured by the City’s full

faith and credit have also been established to fund projects in local improvement districts and to fund transportation projects. The balances on these lines of credit currently total \$14.3 million and \$0.9 million, respectively.

Other Obligations. The City has about \$2.1 million in other obligations outstanding. These include a loan being repaid by the North Macadam Investors, LLC and a State loan being repaid by the Bureau of Environmental Services.

Revenue Bonds

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

Urban Renewal Bonds

A total of \$519.785 million of Urban Renewal and Redevelopment Bonds are outstanding for nine urban renewal areas. All of these obligations are paid from tax increment revenues generated from the respective urban renewal areas. No additional City revenues are pledged to the repayment of these bonds.

Cash Flow Borrowings

The City may borrow for General Fund operating purposes through the issuance of short-term tax anticipation notes ("TANs"). State law limits the amount of TANs that a political subdivision may sell annually to no more than 80 percent of the amount of the annual tax levy, and all TANs must be retired within thirteen months after they were issued. In order to fund cash flow deficits in the FPDR Fund caused by the timing mismatch between when benefit payments are required to be made and when property tax collections are received, the City will issue TANs. On August 15, 2013, the City issued \$26,685,000 of TANs to fund cash flow deficits in the FPDR Fund. These notes are scheduled to be repaid on June 25, 2014.

Conduit Financings

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

Concurrent Debt Issues

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

Table 14
CITY OF PORTLAND, OREGON
Future Expected Debt Issues (1)

Purpose	Estimated Amount	Expected Issue Date	Security
Finance assessment contract obligations	\$7.8 million	June 2014	Full faith and credit
Sewer system capital improvements	\$200 million	Summer 2014	Second lien on net sewer system revenues
FPDR Fund cash flow borrowing	\$31 million	Summer 2014	Ad valorem property taxes
Water system capital improvements	\$110 million	Fall 2014	Second lien on net water system revenues

Notes:

(1) Amounts and timing are indicative estimates and are subject to change. The City may issue additional debt that is not reflected in this table.

Source: City of Portland.

City General Obligation Debt

Tables 15-17 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 15
CITY OF PORTLAND, OREGON
Debt Ratios
As of May 1, 2014

	Amount	Per Capita	Percent of Market Value	Percent of Assessed Value
July 1, 2013 Population	592,120			
2013-14 Market Value (Measure 5) (1)	\$84,044,895,532	\$141,939		
2013-14 Assessed Value (2)	\$54,352,520,253	\$91,793	64.67%	
Gross Bonded Debt (3)	\$742,724,483	\$1,254	0.88%	1.37%
Net Direct Debt (4)	\$266,802,432	\$451	0.32%	0.49%
Net Overlapping Debt (as of 6/30/2013) (5)	\$1,167,922,719	\$1,972	1.39%	2.15%
Net Direct and Overlapping Debt	\$1,434,725,151	\$2,423	1.71%	2.64%
FY 2013-14 General Fund Debt Service as a Percent of FY 2013-14 General Fund Budget (6)	5.0%			

Notes:

- (1) Market Value reported in this table encompasses City of Portland values within Multnomah, Washington, and Clackamas Counties, including estimated urban renewal incremental real market values. Market Value reported in this table and in the table titled "Historical Trends in Assessed and Market Values" 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 2013-14, the Measure 5 Market Value represented about 82 percent of full real market value. For information regarding historical Market Value, see table titled "Historical Trends in Assessed and Market Values" herein.
- (2) Includes urban renewal incremental assessed value. For information regarding historical assessed values, see table titled "Historical Trends in Assessed and Market Values" herein.
- (3) Includes City's outstanding general obligation bonds, limited tax improvement bonds, and limited tax revenue bonds. Also includes general fund-supported lines of credit and tax anticipation notes.
- (4) Net direct debt includes non self-supporting limited tax revenue bonds secured by the City's General Fund as well as general obligation bonds paid from a separate, unlimited *ad valorem* tax.
- (5) See table entitled "Overlapping Debt" below for information on overlapping debt.
- (6) Debt service amount includes all non self-supporting bonds paid and/or secured by the General Fund plus the General Fund share of pension obligation bonds.

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

Table 16
CITY OF PORTLAND, OREGON
Overlapping Debt
As of June 30, 2013

TAXING DISTRICT	Real Market Value	Percent Overlapping	Overlapping Debt	
			Gross Property Tax Backed (1)	Net Property Tax Backed (2)
Multnomah County School District 1J (Portland)	\$70,607,795,585	97.66%	\$574,230,564	\$574,230,564
Multnomah County	94,492,460,809	85.04%	311,204,522	171,162,650
Metro	184,584,369,182	43.69%	123,567,627	108,464,892
Multnomah County School District 40 (David Douglas)	4,052,801,563	100.00%	105,987,481	105,987,481
Portland Community College	148,235,007,021	46.68%	240,928,922	82,369,860
Multnomah County School District 3 (Parkrose)	4,569,559,134	98.52%	60,543,244	60,543,244
Multnomah County School District 7 (Reynolds)	6,369,225,418	22.67%	30,373,679	30,373,679
Multnomah County School District 28J (Centennial)	2,547,267,447	53.53%	16,594,458	16,594,458
Mt Hood Community College	27,902,128,740	40.77%	28,910,076	10,642,249
Columbia County School District 1J (Scappoose)	1,626,092,062	7.53%	2,371,633	2,371,633
Clackamas County School District 12 (North Clackamas)	12,444,007,068	0.52%	1,762,260	1,762,260
Multnomah County School District 51J (Riverdale)	669,891,125	5.35%	1,417,798	1,417,798
Washington County School District 48J (Beaverton)	29,601,705,148	0.30%	1,334,769	1,334,769
Clackamas County	45,255,621,135	0.25%	280,468	266,428
Washington County School District 23J (Tigard-Tualatin)	11,856,989,446	0.09%	111,432	111,432
Multnomah County Drainage District 1	216,601,533	100.00%	3,135,000	110,000
Washington County	61,761,169,999	0.28%	289,926	75,156
Clackamas Community College	32,758,218,777	0.20%	146,726	53,635
Clackamas County School District 7J (Lake Oswego)	8,088,851,271	0.02%	25,539	25,539
Tualatin Hills Park & Recreation District	24,795,791,430	0.02%	21,769	21,760
Clackamas County ESD	42,890,152,354	0.15%	41,670	3,232
Multnomah ESD	95,867,106,973	83.82%	28,313,281	-
Northwest Regional ESD	79,896,802,227	0.28%	15,185	-
Port Of Portland	201,509,268,013	40.02%	27,243,313	-
Rockwood Water PUD	3,981,261,851	28.04%	1,722,904	-
			<u>\$1,560,574,246</u>	<u>\$1,167,922,719</u>

Notes:

- (1) Gross Property-tax Backed Debt includes all unlimited-tax General Obligation bonds and Bonds Paid and/or secured by the General Fund.
- (2) Net Property-tax Backed Debt is Gross Property-tax Backed Debt less Self-supporting Unlimited-tax General Obligation debt and less Self-supporting General Fund Obligations.

Source: Municipal Debt Advisory Commission, Oregon State Treasury.

Table 17
CITY OF PORTLAND, OREGON
Projected Debt Service on Outstanding General Fund Obligations (1)

Fiscal Year Ending June 30	PAID FROM GENERAL FUND			SELF-SUPPORTING BONDS SECURED BY GENERAL FUND				
	Limited Tax Revenue Bonds (2)	Limited Tax Pension Obligation Revenue Bonds (3)	Total Non-Self Supporting Bonds/ Gen. Fund	Limited Tax Improve. Bonds (4)	Arena Limited Tax Revenue Bonds (5)	Limited Tax Pension Obligation Revenue Bonds (6)	Other Limited Tax Revenue Bonds (7)	Total Self Supporting Bonds/ Gen. Fund
2014	\$15,534,863	\$10,338,770	\$25,873,633	\$3,773,185	\$3,601,500	\$17,509,993	\$15,091,906	\$39,976,584
2015	15,538,293	10,750,246	26,288,539	4,155,103	3,720,750	18,206,880	19,444,694	45,527,426
2016	15,558,568	11,184,169	26,742,737	3,052,544	3,846,500	18,941,782	19,999,345	45,840,170
2017	11,920,667	11,627,391	23,548,059	9,198,838	1,947,750	19,692,434	22,011,139	52,850,161
2018	7,404,601	12,095,163	19,499,764	2,507,168	-	20,484,663	18,290,025	41,281,855
2019	4,993,256	12,573,783	17,567,040	2,487,703	-	21,295,267	19,161,651	42,944,620
2020	4,994,376	13,081,663	18,076,040	6,076,788	-	22,155,425	19,505,908	47,738,121
2021	4,524,228	13,604,648	18,128,876	1,905,288	-	23,041,165	19,841,872	44,788,325
2022	4,525,429	14,150,222	18,675,651	2,950,288	-	23,965,162	19,807,415	46,722,864
2023	2,904,658	14,716,231	17,620,889	7,248,488	-	24,923,769	19,547,343	51,719,599
2024	2,906,461	15,304,658	18,211,119	4,004,240	-	25,920,342	20,123,963	50,048,545
2025	2,908,095	15,917,215	18,825,310	1,560,840	-	26,957,785	18,250,100	46,768,725
2026	2,143,764	16,553,904	18,697,668	1,560,840	-	28,036,096	18,257,125	47,854,061
2027	1,671,770	17,214,723	18,886,493	21,240,840	-	29,155,277	18,248,900	68,645,017
2028	1,670,605	17,905,243	19,575,848	576,840	-	30,324,757	14,991,875	45,893,472
2029	775,795	18,619,893	19,395,688	576,840	-	31,535,107	15,088,400	47,200,347
2030	778,225	-	778,225	10,526,840	-	-	15,092,225	25,619,065
2031	774,170	-	774,170	166,403	-	-	5,904,225	6,070,628
2032	773,865	-	773,865	1,286,403	-	-	5,902,225	7,188,628
2033	767,075	-	767,075	121,603	-	-	5,903,450	6,025,053
2034	769,035	-	769,035	3,296,603	-	-	3,400,800	6,697,403
2035	724,260	-	724,260	-	-	-	-	-
Total	\$104,562,059	\$225,637,923	\$330,199,982	\$88,273,679	\$13,116,500	\$382,145,905	\$333,864,585	\$817,400,669

Notes:

- (1) Excludes debt service on the City's Unlimited Tax General Obligation Bonds, which are secured by *ad valorem* taxes on property within the City. Totals may not sum due to rounding.
- (2) Includes Limited Tax Revenue Bonds paid from General Fund sources, Limited Tax Housing Revenue Bonds and Portland International Raceway loan. Excludes line of credit for Parks Maintenance Facility and contingent loan agreements.
- (3) Reflects General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. Amounts shown include projected debt service on the variable rate 1999 Series D & E Bonds and are subject to change.
- (4) Actual debt service may differ substantially from the schedule above due to mandatory redemption provisions. Includes estimated debt service on the City's proposed Limited Tax Improvement Bonds, 2014 Series A, which are expected to be issued on June 26, 2014. Preliminary subject to change.
- (5) Bonds are expected to be paid from Arena Project revenues.
- (6) Reflects non-General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. A portion of the debt service on the bonds is expected to be paid from capitalized interest. Amounts shown include projected debt service on the variable rate 1999 Series D & E Bonds (auction rate securities) and are subject to change.
- (7) Includes debt service for bonds issued for the Central City Streetcar Project, Convention Center Expansion Project, Portland Mall Revitalization Project, improvements to the Portland Center for the Performing Arts ("PCPA"), the Stadium Project, JELD-WEN Field and Portland-Milwaukie Light Rail. Also includes estimated debt service for the 2014 Series A Bonds. The Central City Streetcar bonds are expected to be paid from parking facility and meter revenues. Bonds issued for Convention Center expansion, PCPA, and the Stadium Project 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 are expected to be repaid with meter revenues. Bonds issued for JELD-WEN Field are expected to be paid from Spector Facilities Fund revenues. Bonds issued for Portland-Milwaukie Light Rail Project are expected to be repaid with transportation revenues. Also includes bonds for South Waterfront projects and excludes a \$325,000 Oregon Economic Community Development loan for the Brookside project paid from sewer revenues. The 2014 Series A Bonds are expected to be repaid with transportation revenues, including parking and gas tax revenues.

Source: City of Portland.

TRENDS IN PROPERTY VALUATION AND TAXATION

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

Table 18
CITY OF PORTLAND, OREGON
Historical Trends in Assessed and Market Values (1)
(000s)

Assessed Value					
Fiscal Year	Inside Multnomah County	Outside Multnomah County	Urban Renewal Incremental Value	Total Assessed Value	Percent Change
2004-05	\$34,214,710	\$179,226	\$4,093,296	\$38,487,232	3.64%
2005-06	35,285,419	186,755	4,484,614	39,956,788	3.82%
2006-07	38,638,637	197,885	4,965,439	41,801,961	4.62%
2007-08	38,253,186	201,380	5,740,426	44,194,992	5.72%
2008-09	39,784,128	203,038	6,377,050	46,364,216	4.91%
2009-10	41,109,227	211,157	7,056,631	48,377,015	4.34%
2010-11	42,160,414	214,998	7,462,728	49,838,140	3.02%
2011-12	43,543,881	215,497	7,493,903	51,253,281	2.84%
2012-13	44,401,735	221,758	7,875,076	52,498,569	2.43%
2013-14	45,913,168	228,953	8,210,399	54,352,520	3.53%

Market Value (Measure 5) (2)				
Fiscal Year	Inside Multnomah County	Outside Multnomah County	Total Market Value	Percent Change
2004-05	\$58,600,225	\$250,013	\$58,850,238	6.05%
2005-06	65,033,250	275,930	65,309,180	10.98%
2006-07	72,566,725	336,963	72,903,688	11.63%
2007-08	83,935,421	355,558	84,290,979	15.62%
2008-09	90,002,463	355,981	90,358,444	7.20%
2009-10	88,691,826	330,284	89,022,110	-1.48%
2010-11	86,062,318	312,362	86,374,680	-2.97%
2011-12	80,872,627	290,808	81,163,435	-6.03%
2012-13	79,611,406	284,830	79,896,236	-1.56%
2013-14	83,745,200	299,696	84,044,896	5.19%

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) For explanation of Measure 5 Market Value, see footnote 1 of table entitled "Debt Ratios." Measure 5 Market Values are not calculated separately for urban renewal incremental value by the county assessor.

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

Table 19
CITY OF PORTLAND, OREGON
Consolidated Tax Rate: Fiscal Year 2013-14
Levy Code 201 (1)

Taxing District	Permanent Tax Rate Per \$1,000 A.V.	Local Option And Other Tax Rates (1) Per \$1,000 A.V.	General Obligation Debt Tax Rate Per \$1,000 A.V.	Total Tax Rate Per \$1,000 A.V.
CITY OF PORTLAND	\$4.5770	\$3.1848	\$0.2183	\$7.9801
Urban Renewal Special Levy	0.0000	0.2759	0.0000	0.2759
Multnomah County	4.3434	0.0500	0.1179	4.5113
Multnomah County Library (2)	1.1800	0.0000	0.0000	1.1800
Metro	0.0966	0.0960	0.2745	0.4671
Port of Portland	0.0701	0.0000	0.0000	0.0701
Tri-County Metropolitan Trans. Dist.	0.0000	0.0000	0.0000	0.0000
East Multnomah Soil & Conservation	0.1000	0.0000	0.0000	0.1000
Subtotal - General Government	10.3671	3.6067	0.6107	14.5845
Portland School District	5.2781	1.9900	1.0890	8.3571
Portland Community College	0.2828	0.0000	0.4514	0.7342
Multnomah Co. Education Svc. Dist.	0.4576	0.0000	0.0000	0.4576
Subtotal - Schools	6.0185	1.9900	1.5404	9.5489
Totals	\$16.3856	\$5.5967	\$2.1511	\$24.1334

Notes:

- (1) Includes the City Fire and Police Disability and Retirement pension levy, the City children’s local option levy, the Metro natural areas local option levy, the Multnomah County historical society levy, and the Portland Public Schools local option levy. Does not include impact of urban renewal division of tax rates. Does not include urban renewal special levy.
- (2) In FY 2013-14, a new permanent rate for the Multnomah County library became effective, replacing a local option levy that had been in effect. In FY 2013-14, the new permanent rate levy was imposed at \$1.18/\$1,000 of Assessed Value.

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

State statutes limit taxes on any property to \$10 per \$1,000 of real market value for general government and \$5 per \$1,000 of real market value for education. If the amount of taxes to be raised, calculated by multiplying tax rates in each category by the assessed value of a property, exceeds these limits, then the tax burden for that property is reduced to fit within the limits. This reduction is known as Measure 5 compression. See “PROPERTY TAX AND VALUATION INFORMATION—SECTION 11B” herein. The following table provides a ten-year history of Measure 5 compression for the City’s general levy and Fire and Police Disability and Retirement levy.

Table 20
CITY OF PORTLAND, OREGON
Historical Trends in Measure 5 Compression (1)

Fiscal Year	Taxes to Raise (2)	Loss due to Compression and Other Factors (3)	Percent Loss	Taxes Imposed (4)
2004-05	\$250,729,764	(\$9,187,107)	3.7%	\$241,542,657
2005-06	255,602,024	(7,853,812)	3.1%	247,748,212
2006-07	262,347,020	(7,253,411)	2.8%	255,093,609
2007-08	280,243,725	(7,583,824)	2.7%	272,659,901
2008-09	303,749,800	(9,066,710)	3.0%	294,683,091
2009-10	314,065,487	(9,943,163)	3.2%	304,122,325
2010-11	323,076,449	(11,822,996)	3.7%	311,253,452
2011-12	324,830,012	(15,998,964)	4.9%	308,831,048
2012-13	339,036,075	(21,536,768)	6.4%	317,499,307
2013-14	359,304,753	(34,707,746)	9.7%	324,597,007

Notes:

- (1) Taxes shown are for the City's general levy and its Fire and Police Disability and Retirement levy. Results shown are taxes collected by the City from properties in Multnomah County only. The City also collects taxes from properties located in Washington and Clackamas Counties; historically, taxes from these counties represent less than one percent of total taxes.
- (2) Before Measure 5 compression.
- (3) Includes small losses due to miscellaneous adjustments made by the county assessor.
- (4) Before losses due to delinquencies and discounts.

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

Table 21
CITY OF PORTLAND, OREGON
Tax Collection Record for the Last Ten Years (1)

Fiscal Year	Total Levy (000) (2)	Collected Yr. of Levy (3)	Collected as of 3/31/2014 (3)
2004-05	\$333,044	97.11%	99.99%
2005-06	346,053	97.20%	99.99%
2006-07	363,073	97.29%	99.99%
2007-08	394,492	97.07%	99.98%
2008-09	397,822	96.43%	99.96%
2009-10	436,246	96.85%	99.57%
2010-11	445,239	97.22%	99.23%
2011-12	445,044	96.89%	98.69%
2012-13	452,453	97.26%	98.37%
2013-14	467,516	93.75% (4)	93.75% (4)

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. Also includes miscellaneous taxes, penalties, and corrections included in the fiscal year property tax receivable.
- (3) Collections are calculated as payments received less adjustments for cancellation of taxes and allowed discounts, plus taxes added to tax roll due to omissions and corrections. Discounts currently represent the largest adjustment to the tax levy. Discounts associated with the 2013-14 tax levy represented about 2.9% of that year's levy. Discounts effectively reduce the amount of a fiscal year's levy remaining to be collected in future years.
- (4) Partial year collection.

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

Table 22
CITY OF PORTLAND, OREGON
Assessed and Market Value of City Property in Multnomah County (1)
by Property Type (FY 2013-14)

Property Type	Assessed Value	Percent of Total	Market Value (Measure 5)	AV/RMV Ratio
Real Property				
Residential	\$33,247,336,970	61.4%	\$50,950,433,132	65.3%
Commercial/Industrial (County Assessed)	11,507,705,960	21.3%	20,792,254,030	55.3%
Industrial (State Assessed)	666,431,440	1.2%	716,437,540	93.0%
Multiple Family Housing	2,972,409,850	5.5%	5,278,603,580	56.3%
Other	63,756,150	0.1%	91,432,320	69.7%
Subtotal	48,457,640,370	89.5%	77,829,160,602	
Personal Property	2,006,227,859	3.7%	2,007,613,009	99.9%
Machinery and Equipment (2)	1,088,585,300	2.0%	1,109,517,390	98.1%
Manufactured Property	72,384,160	0.1%	86,809,800	83.4%
Utilities	2,498,729,379	4.6%	2,712,098,771	92.1%
Total	\$54,123,567,068	100.0%	\$83,745,199,572	

Notes:

- (1) Excludes Clackamas and Washington County resulting in differences from other tables reporting Assessed Value and Market Value in this Official Statement. Beginning in FY 2012-13, Multnomah County reported property values for commercial and County-assessed industrial properties as a combined value and reported industrial property assessed by the State of Oregon separately. In prior disclosure documents, the County-assessed and State-assessed industrial property values have been combined, and commercial property value has been reported separately.
- (2) Senate Bill 1529, which became effective in June 2012, required the Oregon Department of Revenue to establish a separate class for real property machinery and equipment effective with tax year 2012-13.

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

Table 23
CITY OF PORTLAND, OREGON
Top Ten Property Taxpayer Accounts (1)

Taxpayer Account	Type of Business	FY 2013-14 Assessed Value	Percent of Total Assessed Value
Total City Assessed Value		\$54,352,520,253	100.00%
Portland General Electric Co.	Energy	318,697,840	0.59%
Pacificorp (PP&L)	Energy	310,512,000	0.57%
Weston Investment Co. LLC	Real estate (office)	241,178,820	0.44%
Comcast Corporation	Communications	229,076,200	0.42%
Evrax Inc., NA	Steel plate manufacturing	218,521,390	0.40%
Alaska Airlines Inc.	Airline	181,860,000	0.33%
CenturyLink	Communications	173,565,400	0.32%
AT&T Inc.	Communications	164,615,000	0.30%
CAPREF Lloyd Center LLC	Real estate (retail)	157,226,550	0.29%
555 SW Oak LLC	Real estate (office)	138,509,410	0.25%
Total		<u>\$2,133,762,610</u>	<u>3.93%</u>

Notes:

- (1) Excludes Assessed Value of various properties totaling about \$541.67 million that are owned and leased by the Port of Portland to tenants subject to property taxation.

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

(End of Annual Disclosure Information)

SUPPLEMENTAL INFORMATION

GENERAL FUND DISCRETIONARY BUDGET AND FINANCIAL PLAN

Introduction

General Fund resources are categorized as either discretionary or nondiscretionary. Discretionary resources are those that the City Council can allocate to programs and services in any area. These resources have few restrictions on how they can be allocated. General Fund discretionary resources are typically used to support such basic City services as police, fire, and parks. Discretionary resources include property taxes, utility license fees, business license fees, transient lodging taxes, state shared revenues (from cigarette taxes and liquor sales), interest income, miscellaneous revenues, and cash transfers into the General Fund. Nondiscretionary resources include contract revenues, service reimbursements, and other revenues specifically dedicated to a particular purpose. Discretionary resources, which are the largest share of the General Fund budget, represent approximately 80 percent of the total FY 2013-14 General Fund budget.

FY 2013-14 Budget

The City's FY 2013-14 budget reflects a decision by the Mayor and the Council to institute a modified zero-based budgeting system for bureau budgets, whereby each bureau could request only 90 percent of its FY 2012-13 appropriation level with the remaining 10 percent requested as add packages. Ultimately, the FY 2013-14 Adopted Budget resulted in \$21.5 million in ongoing current service level cuts. The adopted FY 2013-14 General Fund discretionary budget allocated \$5.1 million to one-time priorities, and the City set aside \$1.7 million for spending in FY 2014-15 as part of the Fall Budget Monitoring Process.

Since adoption of the FY 2013-14 budget, recent data indicates that local economic growth is accelerating. Certain elements of the expansion, such as housing and corporate profits, have a direct relationship to the City's General Fund revenue streams. Overall General Fund discretionary revenues (net of beginning fund balance) for FY 2013-14 are projected to be 0.2 percent above FY 2012-13 levels. Preliminary indications are that receipts from property taxes, which were expected to decline slightly in FY 2013-14 due to Measure 5 compression, will be almost \$4 million higher than presented in the FY 2013-14 Adopted Budget. See "PROPERTY TAX AND VALUATION INFORMATION—SECTION 11B" herein. Business license revenue is projected to fall slightly from the revised FY 2012-13 amount, while utility license taxes/franchise fees are expected to exceed \$80 million for the first time. The April 2014 forecast projects that additional discretionary funds should be available above bureau current service level budgets for FY 2013-14. These funds will fall to fund balance and be budgeted in FY 2014-15.

April 2014 Revenue Forecast

Overall General Fund discretionary revenues for FY 2014-15 are projected to be approximately five percent above FY 2013-14 levels. Based on the April 2014 General Fund Forecast, the City will have \$4.6 million in additional ongoing resources and \$4.7 million in one-time resources above projected expenditures over the five-year forecast horizon. With the exception of business license taxes that have remained relatively flat, most General Fund revenue streams are growing at above-trend rates. In particular, transient lodging and utility license taxes/franchise fees are exceeding pre-recession levels. Property taxes are also expected to rise over the next two years, with a projected increase of 3.9 percent in FY 2014-15 as higher property values reduce some of the Measure 5 property tax compression that has depressed growth over the last few years.

Though it appears business license revenues will not experience significant growth in the current fiscal year, this trend is not expected to continue. The accelerating economy is projected to push business license tax collections close to \$80 million in FY 2014-15. Finally, utility license taxes/franchise fees are experiencing substantial growth, as new construction, in particular multifamily housing, creates new revenue streams and the expanding economy allows for higher revenue receipts. The table below presents projected General Fund discretionary revenues for the FY 2013-14 budget and the ensuing two years based on the April 2014 revenue forecast.

Table 24
CITY OF PORTLAND, OREGON
General Fund Discretionary Revenues – Budgeted and Forecast

Resources (millions of \$)	FY 2013-14 Budget	FY 2014-15 Forecast	FY 2015-16 Forecast
Beginning Balance	\$8.6	\$15.0	\$7.6
<i>Revenues</i>			
Property Taxes	193.7	205.3	213.8
Transient Lodging	19.1	21.1	21.9
Business Licenses	79.1	79.8	83.4
Utility License/Franchise	77.4	82.3	84.8
State Revenues	13.9	14.5	14.8
Transfers	2.9	0.7	0.7
Miscellaneous	2.0	2.1	2.1
Discretionary Resources	<u>\$396.7</u>	<u>\$420.8</u>	<u>\$429.2</u>

Source: City of Portland.

FY 2014-15 Mayor’s Proposed Budget

On May 1, 2014, the Mayor proposed his budget for FY 2014-15. Following a FY 2013-14 budget that required more than \$20 million of ongoing reductions, this budget proposal allows for modest increases. At the onset of the budget process, the Mayor and City Council advised bureaus that the FY 2014-15 budget would be a “stabilization” budget, in which bureaus did not have to submit cut packages but also should not expect significant add packages. The Mayor’s Proposed Budget totals \$422.8 million in discretionary General Fund resources, representing a 6.6 percent increase over the FY 2013-14 Adopted Budget. It includes \$1.5 million of additional property tax revenues from a proposed reconfiguration of existing urban renewal areas, plus \$500,000 of contingency savings from FY 2013-14. In total, the Mayor’s Proposed Budget allocates \$11.3 million in discretionary resources above current service levels, which represents about 2.7 percent of the budget. The City Council will approve the budget and any amendments to the Mayor’s Proposed Budget in late May and will officially adopt the budget in late June.

The table below shows the Revised FY 2013-14 General Fund discretionary budget (revised as of April 30, 2014) and the Mayor’s Proposed FY 2014-15 budget.

Table 25
CITY OF PORTLAND, OREGON
General Fund Discretionary Budget
Revised FY 2013-14 and Mayor's Proposed FY 2014-15

Resources	Revised FY 2013-14	Proposed FY 2014-15
Property Taxes	\$193,726,152	\$206,814,634
Lodging Taxes	19,052,588	21,088,811
Business Licenses	79,063,630	79,799,708
Utility License Fees	77,396,471	82,273,530
Other Intergovernmental Revenues	1,980,216	2,067,174
State Shared Cigarette & Liquor	13,819,575	14,535,088
Cash Transfers	3,050,774	696,639
Other/Miscellaneous Revenues	50,000	0
Beginning Fund Balance	29,349,775	15,491,279
Total Resources	\$417,489,181	\$422,766,863
Expenditures		
Total Bureau Expenses	\$355,008,305	\$363,753,728
Contingency - Operating & Reserve	7,152,421	11,254,788
Overhead Recovery True-Up	794,334	3,084,376
Debt Service	7,325,708	8,891,057
Transfers to Other Funds	47,208,413	35,782,914
Total Expenditures	\$417,489,181	\$422,766,863

Source: City of Portland

CHANGES IN CITY FINANCIAL MANAGEMENT

In December 2012, the City Council voted to amend the City Code to create a separate City office focused exclusively on budget analysis and economic forecasting. The new City Budget Office was created by removing the existing budget and economic analysis functions from the City's Office of Management and Finance. This reorganization is intended to ensure that all City Commissioners are given more direct, unfiltered communication with budget office staff throughout the year and to remove potential conflicts of interest within the City government. The ordinance creating the City Budget Office became effective on December 12, 2012.

Effective May 1, 2013, the City merged the functions of the Chief Financial Officer and Chief Administrative Officer, assigned those combined functions to the Chief Administrative Officer and eliminated the position of Chief Financial Officer. The City subsequently hired an outside consultant to review and evaluate the city's management and financial oversight functions. Results of that evaluation were released in April 2014. Among the recommendations is that the Chief Financial Officer position be restored, with oversight of the City's Accounting Division, Public Finance and Treasury Division, and Revenue Bureau. The City Council is evaluating these recommendations and an implementation decision is expected to be made for FY 2014-15.

PROPERTY TAX AND VALUATION INFORMATION

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

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

SECTION 11

Permanent Tax Rate

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

Assessed Value

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

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

Other Property Taxes

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

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

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

In November 2012, Multnomah County voters approved creation of a library district to pay for the central library and 18 neighborhood branches in Portland, Gresham, Troutdale and Fairview. The library district has a permanent rate limited to \$1.24 per \$1,000 of a property’s Assessed Value. Historically, library services had been funded with local option levies. The Multnomah County Library District began levying taxes in FY 2013-14 at a rate of \$1.18 per \$1,000 of Assessed Value.

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

- Some urban renewal areas that existed when Measure 50 was adopted are authorized to impose an urban renewal special levy throughout the boundaries of their creating city or county. The City has four urban renewal areas with this taxing authority.
- The City is authorized to impose a levy to pay its fire and police pension and disability obligations. The City has the authority to levy up to \$2.80/\$1,000 of Real Market Value under this exemption.

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

SECTION 11B

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

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

If the combined tax rates within a category exceed the rate limit for the category, local option levies are reduced first, and then other operating taxes (permanent rate levies, the FPDR levy, and the urban renewal special 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 2013, voters approved a measure to renew a five-year levy for the City’s Children’s Investment Fund at a rate of \$0.4026 per \$1,000 of Assessed Value, the same rate currently in effect, which extends through FY 2018-19. In May 2011, voters approved a five-year local option levy for Portland Public Schools at a rate of \$1.9900 per \$1,000 of Assessed Value. This local option levy began in FY 2011-12 and extends through FY 2015-16. The Multnomah County Historical Society has a local option levy of \$0.0500 per \$1,000 of Assessed Value, which extends through FY 2016-17. In May 2013, voters approved a Metro local option levy for natural areas of \$0.0960 per \$1,000 of Assessed Value. This local option levy began in FY 2013-14 and extends through FY 2017-18.

ELIGIBLE ELECTIONS

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

GENERAL OBLIGATION BONDS

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

COLLECTION

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

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

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

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

PROPERTY TAX EXEMPTION PROGRAMS

City Programs

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

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

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

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

Oregon Enterprise Zone Program

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

Other State Programs

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

CITY ECONOMIC CHARACTERISTICS

The City, with an estimated population of 592,120 as of July 1, 2013, 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 2.3 million people as of July 1, 2013. The City is the county seat of Multnomah County and is the largest city in Oregon and the second largest city in the Pacific Northwest.

PORTLAND-VANCOUVER-BEAVERTON METROPOLITAN STATISTICAL AREA

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

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

POPULATION

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

Table 26
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
2004	3,582,600	550,560	2,050,650	685,950	480,200	356,250
2005	3,631,440	556,370	2,082,240	692,825	489,785	361,300
2006	3,690,505	562,690	2,121,910	701,545	500,585	367,040
2007	3,745,455	568,380	2,159,720	710,025	511,075	372,270
2008	3,791,075	575,930	2,191,784	717,880	519,925	376,660
2009	3,823,465	582,130	2,216,785	724,680	527,140	379,845
2010	3,837,300	583,775	2,230,578	736,785	531,070	376,780
2011	3,857,625	585,845	2,245,400	741,925	536,370	378,480
2012	3,883,735	587,865	2,265,725	748,445	542,845	381,680
2013	3,919,020	592,120	2,291,650	756,530	550,990	386,080
2004-2013 Compounded						
Annual Rate of Change	1.0%	0.8%	1.2%	1.1%	1.5%	0.9%
2009-2013 Compounded						
Annual Rate of Change	0.6%	0.4%	0.8%	1.1%	1.1%	0.4%

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

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

Notes:

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

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

INCOME

Table 27 below shows personal income and per capita income for the MSA compared to similar data for the State and nation.

Table 27
CITY OF PORTLAND, OREGON
Total Personal Income and Per Capita Income
MSA, Oregon, and the United States

Year	Total Personal Income MSA (millions)	Per Capita Income		
		MSA	Oregon	USA
2003	\$67,310	\$33,254	\$30,144	\$32,676
2004	70,852	34,744	31,597	34,300
2005	74,482	36,028	32,542	35,888
2006	80,390	38,224	34,644	38,127
2007	84,771	39,653	35,796	39,804
2008	88,407	40,687	36,772	40,873
2009	85,922	38,936	35,621	39,357
2010	87,549	39,212	35,869	40,163
2011	93,405	41,313	37,744	42,298
2012	98,698	43,103	39,166	43,735
2003-2012 Compounded Annual Rate of Change	4.3%	2.9%	3.0%	3.3%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, as of November 21, 2013.

LABOR FORCE AND UNEMPLOYMENT

Table 28 below shows the annual average civilian labor force, employment level and unemployment level data that is available for the MSA for the period 2004 through 2013. For March 2014, the seasonally-adjusted unemployment rate for the MSA was 6.4 percent (7.0 percent not seasonally-adjusted) with a resident civilian labor force of 1,175,319. Table 29 below shows the seasonally-unadjusted, average annual unemployment rates for the MSA, the State and the United States for the period 2004 through 2013.

Table 28
CITY OF PORTLAND, OREGON
MSA Labor Force and Unemployment Rates⁽¹⁾

Year	Resident Civilian Labor Force	Unemployment		Total Employment
		Number	Percent of Labor Force	
2004	1,089,204	76,576	7.0%	1,012,628
2005	1,097,592	64,282	5.9	1,033,310
2006	1,121,350	56,388	5.0	1,064,962
2007	1,142,519	55,533	4.9	1,086,839
2008	1,168,849	69,932	6.0	1,098,917
2009	1,180,614	126,805	10.7	1,053,809
2010	1,183,003	124,722	10.5	1,058,281
2011	1,188,219	109,930	9.3	1,078,289
2012	1,186,738	96,800	8.2	1,089,938
2013	1,171,479	85,290	7.3	1,086,189

Notes:

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

Source: Oregon Employment Department as of January 27, 2014.

Table 29
CITY OF PORTLAND, OREGON
Average Annual Unemployment
MSA, Oregon, and the United States
(Not Seasonally Adjusted)

Year	MSA	State of Oregon	USA
2004	7.0%	7.3%	5.5%
2005	5.9	6.2	5.1
2006	5.0	5.3	4.6
2007	4.9	5.2	4.6
2008	6.0	6.5	5.8
2009	10.7	11.1	9.3
2010	10.5	10.7	9.6
2011	9.3	9.6	8.9
2012	8.2	8.7	8.1
2013	7.3	7.9	7.4

Source: Oregon Employment Department as of January 27, 2014.

EMPLOYMENT BY INDUSTRY

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

Table 30
CITY OF PORTLAND, OREGON
Portland-Vancouver-Beaverton, Oregon MSA
Non-Farm Wage and Salary Employment ⁽¹⁾(000)

Industry	2009	2010	2011	2012	2013
Total nonfarm employment	973,800	965,500	975,900	1,001,000	1,026,900
Total private	825,700	817,700	830,700	856,100	884,200
Manufacturing	109,100	106,700	108,300	113,000	115,600
Durable goods	81,700	79,300	81,000	84,500	86,400
Wood product manufacturing	3,700	3,500	3,400	3,200	3,500
Primary metal manufacturing	5,800	5,600	5,800	5,300	6,400
Fabricated metal manufacturing	11,100	11,100	11,300	12,400	12,700
Machinery manufacturing	7,000	7,000	7,400	8,500	8,400
Computer/electronic manufacturing	33,900	33,200	34,300	35,300	35,300
Transportation equipment manufacturing	7,000	6,300	6,500	7,000	7,000
Nondurable goods	27,400	27,300	27,400	28,500	29,100
Food manufacturing	9,100	9,300	9,500	10,100	11,200
Paper manufacturing	3,900	3,600	3,300	3,200	3,300
Non-Manufacturing	716,900	711,100	722,600	743,100	768,600
Construction and mining	50,600	45,800	46,000	50,700	52,000
Trade, transportation, and utilities	189,700	186,700	190,600	194,600	197,800
Wholesale Trade	54,400	52,500	53,000	56,200	57,400
Retail trade	101,100	101,100	103,800	104,900	106,400
Transportation, warehousing, and utilities	34,200	33,100	33,900	33,500	34,000
Information	22,900	22,300	22,200	22,100	22,900
Financial activities	63,800	61,800	62,100	61,800	62,800
Professional and business services	124,900	126,600	129,700	133,300	144,900
Educational and health services	135,200	139,000	143,200	144,700	147,800
Leisure and hospitality	94,500	93,900	94,700	101,400	103,000
Other services	35,300	35,000	34,100	34,500	37,400
Government	148,100	147,800	145,200	144,900	142,700

Notes:

(1) Totals may not sum due to rounding.

Source: State of Oregon, Employment Department as of January 27, 2014.

Table 31
CITY OF PORTLAND, OREGON
Major Employers in the MSA

Employer	Product or Service	Estimated Employment
Private Employers		
Intel Corporation	Computer and electronic products	16,700
Providence Health System	Health care & health insurance	14,132
Fred Meyer Stores	Grocery & retail variety chain	10,176
Kaiser Foundation of the Northwest	Health care	9,896
Legacy Health System	Health care	9,835
Nike Inc.	Sports shoes and apparel	7,000
Wells Fargo	Bank	4,794
U.S. Bank	Bank & holding company	4,000
Southwest Washington Medical Center	Health care	3,300
Daimler Trucks North America	Heavy duty trucks	2,800
New Seasons Market	Grocery	2,400
Target Corp.	Retail	2,173
The Standard	Insurance	2,105
Public Employers		
Oregon Health and Science University	Health care & education	14,106
U.S. Federal Government	Federal government	13,900
City of Portland	Government	9,318
State of Oregon	State government	7,559
Evergreen School District	Education	6,500
Portland School District	Education	6,500
Multnomah County	Government	4,400
Beaverton School District	Education	4,000
Portland State University	Education	3,749
Portland Community College	Education	3,372
Vancouver School District	Education	3,200
TriMet	Mass transit	2,550

Source: Portland Business Journal, July 12, 2013.

REAL ESTATE

Industrial

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

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

Portland’s industrial sector continues to improve as Oregon’s economy emerges from the recession according to Cushman & Wakefield in their publication *Marketbeat—Industrial Snapshot, Portland, OR, Q4 2013*. Cushman & Wakefield report overall vacancy rates for the fourth quarter 2013 of 6.4 percent, down from the quarter 2013 rate of 7.4 percent. The fourth quarter 2013 vacancy rate also is improved relative to the fourth quarter 2012 rate of 7.3 percent. Areas showing the strongest absorption were Columbia Boulevard, Swan Island, and the Beaverton/Highway 217 corridor. Cushman & Wakefield note that rental rates have stabilized in almost all submarkets and product types, with overall net absorption of approximately 133,051 square feet through the fourth quarter of 2013. A total of 899,255 square feet of new construction is reported to be underway.

Office

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

Portland’s strengthening economy is also having a positive effect on its office market, as reported in *Marketbeat—Office Snapshot, Portland, OR, Q4 2013* prepared by Cushman & Wakefield. The fourth quarter overall vacancy rate for the Portland region was 12.6 percent, down slightly from the third quarter 2013 vacancy rate of 12.9 percent, and also down from the fourth quarter 2012 vacancy rate of 13.9%. The fourth quarter 2013 overall vacancy rate in the downtown central business district remained unchanged at 10.9 percent. Overall absorption in the central business district totaled 73,490 square feet for the fourth quarter of 2013. The suburban market was weaker, with a fourth quarter 2013 overall vacancy rate of 14.6 percent. Class A office space in the downtown continues to fare better than the rest of the market, with asking rents averaging \$26.35 per square foot compared to \$22.00 per square foot for the Class A space in the Portland region’s suburban market.

Housing

The year-to-date median selling price of a home in the Portland metropolitan area through February 2014 was \$270,000, up 10.2 percent from the February 2013 year-to-date price of \$244,900, according to the Realtors Metropolitan Area Multiple Listing Service (“RMLS”). Through February 2014, homes in the Portland metropolitan area were on the market an average of 97 days during the year. According to RMLS, through February 2014, the Southeast, West Portland, and Northeast regions were the most active residential real estate areas, with 362, 326, and 293 closed sales, respectively. Portland metropolitan area closed sales year-to-date were up 5.9 percent from the same period in 2013.

The table below compares the median home sale price for the fourth quarter of 2012 and 2013 in the Portland metropolitan region and with the nation.

Table 32
CITY OF PORTLAND, OREGON
Median Home Sale Price
(U.S. and Portland Metropolitan Area)

Region	4th Quarter 2012	4th Quarter 2013	Percent Change
U.S.	\$178,900	\$196,900	10.1%
Portland Metro. Area	242,000	267,500	10.5

Source: National Association of Realtors and RMLS.

The market for condominiums has rebounded, and shows growth that is higher than the nation for the fourth quarter of 2013 as shown in the table below.

Table 33
CITY OF PORTLAND, OREGON
Median Condo/Coop Sale Price
(U.S. and Portland Metropolitan Area)

Region	4th Quarter 2012	4th Quarter 2013	Percent Change
U.S.	\$178,200	\$197,200	10.7%
Portland Metro. Area	148,800	177,400	19.2%

Source: National Association of Realtors and RMLS.

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

Table 34
CITY OF PORTLAND, OREGON
**New Single-family and Multi-family
Residential Construction Permits**

Year	New Single Family		New Multi-Family	
	No. of Permits	Value	No. of Permits	Value
2004	956	\$162,215,542	161	\$153,283,224
2005	981	172,372,705	196	247,646,057
2006	1,256	232,917,661	164	241,125,419
2007	1,205	236,732,683	179	346,708,925
2008	648	126,171,068	73	410,957,333
2009	427	86,645,801	15	44,978,728
2010	435	95,809,473	30	86,511,573
2011	451	101,302,272	44	92,746,314
2012	644	148,883,319	64	166,493,454
2013 (1)	763	181,106,655	105	286,152,929

Notes:

(1) Monthly data reported through December 2013.

Source: U.S. Census Bureau as of March 27, 2014.

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 Columbia River ship channel extends from the Portland Harbor to the Pacific Ocean 110 miles downstream. The Columbia River provides the only water route through the Cascade Mountains to the agricultural regions of eastern Oregon, Washington, and northern Idaho. This region has been opened to slack-water barge navigation by means of locks installed in a series of federal hydroelectric projects on the lower Columbia River and its largest tributary, the Snake River. There are two primary barge lines providing service between the upriver ports and Portland. In addition, the Columbia River Gorge forms a corridor through the Cascades which, because it is level, provides an economical rail and highway route between the City and the region east of the Cascade mountains.

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

In 2013, 514 ocean-going vessels made calls at Port facilities. Total maritime tonnage in 2013 decreased by 3.4 percent to 12.35 million short tons in 2013 compared to 12.35 million in 2012.

PDX handled approximately 15.0 million passengers in 2013, with more than 400 flights daily. This includes nonstop service on international flights to Amsterdam, Netherlands; Tokyo, Japan; Calgary, Alberta; Vancouver, British Columbia; and Toronto, Ontario. In 2013, 212,414 short tons of cargo and 6,927 short tons of mail were handled by PDX. Portland is also served by three publicly operated general aviation airports located in the suburban areas.

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

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

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

The Tri-County Metropolitan Transportation District of Oregon ("TriMet"), the regional public transit agency, provides rail and bus service throughout the Portland metropolitan area. During TriMet's fiscal year, from July 2012 through June 2013, passengers boarded a TriMet fixed-route bus or train approximately 99 million times.

TriMet's light rail system ("MAX") connects downtown Portland with the cities of Gresham, Beaverton and Hillsboro, as well as North/Northeast Portland, Clackamas Town Center, and PDX. TriMet also provides commuter rail service between Beaverton and Wilsonville. Tri-Met is currently underway with the Portland-Milwaukie light rail extension, which will connect downtown Portland to Milwaukie. This 7.3 mile line is expected to be operational in 2015.

The Portland Streetcar connects South Waterfront area along the Willamette River, the Pearl District and Northwest Portland, the Lloyd District in northeast Portland and the Central Eastside district. The Portland Streetcar is owned and operated by the City, and has entered into contracts with TriMet for train operators and mechanics. The next phase in the Portland Streetcar construction will be the "Close the Loop" project. This project will connect the Portland Streetcar to the TriMet Portland-Milwaukie light rail line bridge on both sides of the Willamette River, closing the southern end of the Loop. The "Close the Loop" project is scheduled to open in the fall of 2015 in conjunction with the opening of the Portland-Milwaukie Light Rail Project.

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

TOURISM, RECREATION AND CULTURAL ATTRACTIONS

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

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

The National Basketball Association ("NBA") Portland Trail Blazers play at the Rose Garden Arena complex (which includes the Veteran's Memorial Coliseum), as do the major-junior Western Hockey League ("WHL") Portland Winterhawks. Providence Park (formerly JELD-WEN Field) has been renovated for major league soccer and is the home of the Major League Soccer ("MLS") Portland Timbers and National Women's Soccer League ("NWSL") Portland Thorns FC.

HIGHER EDUCATION

Within the Portland metropolitan area are several post-secondary educational systems. Portland State University ("PSU"), the largest university in the Oregon University System, is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland. PSU offers over 220 undergraduate, masters, and doctoral programs. Enrollment for the Fall 2013 term was approximately 28,766 students. PSU is noted for the development of programs specifically designed to meet the needs of the urban center.

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

OHSU's Marquam Hill campus sits on more than 100 acres overlooking downtown Portland. OHSU includes the schools of dentistry, medicine, nursing, and science and engineering. OHSU also includes Doernbecher Children's Hospital and OHSU Hospital, as well as primary care and specialty clinics, research institutes and centers, interdisciplinary centers, and community service programs. Enrollment at the Portland campus for Fall 2013 was approximately 1,834 medical, dental, nursing, science, and allied health students.

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

UTILITIES

Electric Power and Natural Gas

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

Communications

Telephone services are provided by CenturyLink and, in some areas, Frontier. The Portland metropolitan area is also served by three cable service providers, primarily Comcast within the Portland city limits, and Frontier and Reliance Connects in other parts of the region.

Water, Sewer, and Wastewater

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

The City also owns, operates, and maintains sanitary and storm water collection, transportation, and treatment systems within its boundaries. The City provides sanitary sewer service to approximately 588,000 people, numerous commercial and industrial facilities, and several wholesale contract customers located adjacent to the City.

AGRICULTURE

Because the City is the primary urban center in the State, agriculture is not a major industry in the greater metropolitan area. The metropolitan area, however, accounted for approximately 18 percent of the State's Gross Farm and Ranch Sales based on 2012 estimates from the publication entitled *2012-13 Oregon Agriculture & Fisheries Statistics* dated as of December 2013 and published cooperatively by the U.S. Department of Agriculture and the Oregon Department of Agriculture. The 2012 Gross Farm and Ranch Sales in Clackamas County was \$343,513,000; Washington County was \$292,044,000; Yamhill County was \$269,839,000; Multnomah County was \$56,774,000; and Columbia County was \$26,512,000 as estimated by the Oregon State University Extension Service.

THE INITIATIVE PROCESS

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

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

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

To place a proposed state-wide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. State-wide initiatives may only be filed for general elections in even-numbered years.

A state-wide initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. For the 2014 general election, the filing deadline is July 3, 2014. 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 35
CITY OF PORTLAND, OREGON
Statewide Initiative Petitions that Qualified and Passed
2002-2012

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified</u>	<u>Number of Initiatives that Passed</u>
2002	7	3
2004	6	2
2006	10	3
2008	8	0
2010	4	2
2012	7	2

Source: Elections Division, Oregon Secretary of State.

FUTURE STATE-WIDE INITIATIVE MEASURES

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

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

LOCAL INITIATIVES

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

TAX MATTERS

OPINION OF BOND COUNSEL

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2014 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2014 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the 2014 Series A Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2014 Series A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the 2014 Series A Bonds is exempt from State of Oregon personal income tax.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2014 Series A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2014 Series A Bonds, or under state and local tax law.

CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2014 Series A Bonds in order that interest on the 2014 Series A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2014 Series A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2014 Series A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2014 Series A Bonds from gross income under Section 103 of the Code.

CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2014 Series A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2014 Series A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2014 Series A Bonds.

Prospective owners of the 2014 Series A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2014 Series A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

BOND PREMIUM

In general, if an owner acquires a 2014 Series A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2014 Series A Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that 2014 Series A Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2014 Series A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2014 Series A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2014 Series A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

MISCELLANEOUS

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2014 Series A Bonds under Federal or state law or otherwise prevent beneficial owners of the 2014 Series A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2014 Series A Bonds. For example, the Fiscal Year 2015 Budget proposed on March 4, 2014 by the Obama Administration recommends a 28% limitation on “all itemized deductions, as well as other tax benefits” including

“tax-exempt interest.” The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond. Similarly, on February 26, 2014, Dave Camp, Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2014; and a provision similar to the 28% limitation on tax-benefit items described above (at 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their “modified adjusted gross income,” defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date. Future legislation or actions could also impact the tax treatment of interest on the 2014 Series A Bonds for state law purposes.

Prospective purchasers of the 2014 Series A Bonds should consult their own tax advisors regarding the foregoing matters.

RATING

The 2014 Series A Bonds have been rated “Aa1” by Moody’s Investors Service. Such rating reflects only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, Inc., 250 Greenwich, New York, New York, 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the 2014 Series A Bonds.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc. (“PFM”) to serve as its financial advisor in conjunction with the issuance of the 2014 Series A Bonds. PFM is expected to assist and advise the city on matters relating to the sale and structuring of the bonds, disclosure, ratings, pre-marketing of the bonds, post-sale analysis and other tasks at the discretion of the City. PFM has not audited, authenticated or otherwise verified the information set forth in this Official Statement with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty, or other representation is made by PFM respecting the accuracy and completeness of this Official Statement.

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 2014 Series A Bonds by the City are subject to the approving opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel, substantially in the form attached hereto as Appendix C. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 2014 Series A Bonds, the First Lien Bond Ordinance, the 2014 Series A Bond Declaration, and the authority to issue the 2014 Series A Bonds conform to the 2014 Series A Bonds and the applicable laws under which they are issued. The statements made in this Official Statement under the captions “THE 2014 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

Members of the public and advocacy groups from time to time assert that they intend to file a legal action against the City challenging certain programs, laws or actions that the City, its officers or bureaus have taken. Because the City cannot be certain

as to whether such actions will actually be filed, the legal assertions that may be made in a potential action or the remedy sought in terms of the amount of damages or performance requested of the City, the City includes as threatened litigation only situations in which the City is engaged in active settlement negotiations with a person or group in order to pre-empt filing of a lawsuit.

The City discloses only pending or threatened litigation that the City has determined may have a materially adverse impact on the City's financial position. The current level of materiality involves litigation where the damages or performance sought has a reasonable probability of imposing liability of \$5 million or more against the City's Available General Funds.

There is no litigation pending or threatened against the City which impairs the City's ability to make principal and interest payments on the 2014 Series A Bonds when due. Except as noted in the following paragraphs, there is no litigation pending or threatened against the City which would materially and adversely affect the financial condition of the City.

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

In December 2000, Portland Harbor was listed as a federal Superfund site and the City received General Notice Letters from the U.S. Environmental Protection Agency stating that the City may have liability for releases of hazardous substances, pollutants or contaminants in the Willamette River. The City may also have liabilities to Natural Resource Trustees of the Willamette River (including federal, state and tribal resource agencies) for damages to natural resources in Portland Harbor. The EPA has not selected a cleanup remedy for the site and the costs associated with the remedy have not been allocated among the numerous potentially liable parties. The Natural Resource Trustees have not determined the total damages to natural resources and those costs have not been allocated among the numerous potentially liable parties. The City believes that an estimate of maximum City exposure of the Portland Harbor cleanup cannot be made at this time. The City will defend against a significant allocation of liability to the City. The City has not identified potential sources of funding for costs allocated to the City, but such sources could include any legally available resources of the City, including the General Fund.

CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of the 2014 Series A Bonds, the City will certify 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 2014 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 2014 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 original purchasers or other owners of any of the 2014 Series A Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or its agencies, since the date hereof.

CONTINUING DISCLOSURE

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix D for the benefit of the 2014 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 2014 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 2014 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/ B. JONAS BIERY
Debt Manager
Office of Management and Finance

APPENDIX A
BOND DECLARATION



BOND DECLARATION

City of Portland, Oregon

**Limited Tax Revenue Bonds, 2014 Series A
(Sellwood Bridge Project)**

**Executed on behalf of the City of Portland, Oregon
as of the 17th day of June, 2014**

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BOND DECLARATION

THIS BOND DECLARATION is executed as of June 17, 2014, on behalf of the City of Portland, Oregon (the “City”) by its Debt Manager to establish the terms under which the City’s Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge Project) are issued.

Section 1. Findings.

- (A) Oregon Revised Statutes Section 287A.150 permits the City to authorize limited tax revenue bonds by non-emergency ordinance. On February 9, 2011, the City Council enacted Ordinance No. 184406 (the “Ordinance”) authorizing the City to issue revenue bonds in an amount sufficient to produce up to \$100 million to pay for the City’s portion of the direct costs of the Sellwood Bridge replacement project (the “Project”), plus additional amounts that are required to pay for costs of issuing the bonds.
- (B) The Ordinance provides that the revenue bonds authorized thereunder will be secured by the full faith and credit and available general funds of the City.
- (C) The City executes this Bond Declaration pursuant to the Ordinance to memorialize the terms of the City’s Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge Project).

Section 2. Definitions.

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

“2014 Series A Bonds” means the City’s Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge Project) that are described in Section 3 of this Bond Declaration.

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

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

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

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

“City” means the City of Portland, Oregon.

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

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

“DTC” means the Depository Trust Company of New York, the initial securities depository for the 2014 Series A Bonds.

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

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

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

“Outstanding” refers to all 2014 Series A Bonds authorized and delivered pursuant to this Bond Declaration except 2014 Series A Bonds which have been paid, canceled, or defeased pursuant to Section 8 of this Bond Declaration, and 2014 Series A Bonds which have matured but have not been presented for payment for the payment of which adequate money has been transferred to the Paying Agent.

“Owner” means the person shown on the 2014 Series A Bond register maintained by the Paying Agent as the registered owner of a 2014 Series A Bond.

“Paying Agent” means the registrar and paying agent for the 2014 Series A Bonds, which, at the time of execution of this Bond Declaration, is U.S. Bank National Association, in Portland, Oregon.

“Payment Date” means any day on which principal, interest or premium on 2014 Series A Bonds is required to be paid.

“Record Date” means the close of business on the 15th day of the calendar month immediately preceding a payment date.

Section 3. 2014 Series A Bonds Authorized.

- (A) Pursuant to Oregon Revised Statutes Chapter 287A and the Ordinance, the City hereby authorizes the issuance, sale and delivery of its Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge Project) in accordance with this Bond Declaration and in a principal amount of \$44,215,000. The 2014 Series A Bonds shall be dated with their date of delivery, shall bear interest which is payable on June 1 and December 1 of each year, commencing December 1, 2014, and shall mature on June 1 of the following years in the following principal amounts:

<u>Due June 1</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>CUSIP Number (Base 736740)</u>
2015	1,430,000	5.00	PB1
2016	1,410,000	5.00	PC9
2017	1,480,000	5.00	PD7
2018	1,555,000	5.00	PE5
2019	1,635,000	5.00	PF2
2020	1,715,000	5.00	PG0
2021	1,800,000	5.00	PH8
2022	1,890,000	5.00	PJ4
2023	1,985,000	5.00	PK1
2024	2,085,000	5.00	PL9
2025	2,190,000	5.00	PM7
2026	2,300,000	5.00	PN5
2027	2,415,000	5.00	PP0
2028	2,535,000	5.00	PQ8
2029	2,660,000	5.00	PR6
2030	2,795,000	4.00	PS4
2031	2,905,000	4.00	PT2
2032	3,020,000	4.00	PU9
2033	3,140,000	4.00	PV7
2034	3,270,000	4.00	PW5

- (B) The 2014 Series A Bonds maturing on or after June 1, 2025 are subject to redemption prior to maturity in whole or in part at the option of the City on June 1, 2024, and on any date thereafter, in any order of maturity and by lot within a maturity, at a price of par, plus interest accrued to the date fixed for redemption. In the case of any redemption of less than all of the outstanding 2014 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.
- (C) The 2014 Series A Bonds are not subject to mandatory sinking fund redemption prior to maturity.
- (D) The 2014 Series A Bond proceeds will be used to finance the Project and to pay costs related to the 2014 Series A Bonds.
- (E) The City reserves the right to purchase 2014 Series A Bonds in the open market.

Section 4. Security for 2014 Series A Bonds.

- (A) The City hereby pledges its full faith and credit and taxing power within the limits of Article XI, Sections 11 and 11b of the Oregon Constitution, to pay the 2014 Series A Bonds. The City agrees to pay the 2014 Series A Bonds from its Available General Funds if other funds are not available in sufficient amounts to pay the 2014 Series A Bonds.

- (B) The 2014 Series A Bonds are not secured by a pledge of, or lien on, any revenues or property of the City.
- (C) This Bond Declaration shall constitute a contract with the Owners.

Section 5. Administrative Provisions for the 2014 Series A Bonds.

(A) Payment of 2014 Series A Bonds. Principal of and interest on the 2014 Series A Bonds shall be payable through the principal office of the Paying Agent.

(B) Book-Entry System. The 2014 Series A Bonds shall be initially issued as a BEO security issue, with no 2014 Series A Bonds being made available to the beneficial owners, in accordance with the applicable Letter of Representations of DTC. Ownership of the 2014 Series A Bonds shall be recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries on DTC's book-entry system. The 2014 Series A Bonds shall be initially issued in the form of separate single fully registered typewritten bonds for each series and maturity of the 2014 Series A Bonds (the "Global Bonds") in substantially the form attached hereto as Exhibit A. Each Global Bond shall be registered in the name of Cede & Co. as nominee (the "Nominee") of DTC (DTC and any other qualified securities depository designated by the City as a successor to DTC, collectively the "Depository") as the "Owner," and such Global Bonds shall remain in the Paying Agent's custody, subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and the Depository until early redemption or maturity of the 2014 Series A Bond. The Paying Agent shall remit payment for the maturing principal or redemption price and interest on the 2014 Series A Bonds to the Owner for distribution by the Nominee for the benefit of the beneficial owners (the "Beneficial Owners") by recorded entry on the books of the Depository participants and correspondents. While the 2014 Series A Bonds are in book-entry-only form, the 2014 Series A Bonds will be available in denominations of \$5,000 and any integral multiple thereof.

(1) In the event the Depository determines not to continue to act as securities depository for the 2014 Series A Bonds, or the City determines that the Depository shall no longer so act, then the City will discontinue the book-entry system with the Depository. If the City fails to designate another qualified securities depository to replace the Depository or elects to discontinue use of a book-entry system, the 2014 Series A Bonds shall no longer be a BEO issue and the 2014 Series A Bonds shall be printed and delivered and shall be registered as directed by DTC and thereafter shall be registered, transferred and exchanged as provided in Section 5(C).

(2) With respect to 2014 Series A Bonds registered in the registration books maintained by the Paying Agent in the name of the Nominee of the Depository, the City, and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of the Depository or to any Beneficial Owner on behalf of which such participants or correspondents act as agent for the Beneficial Owner with respect to:

- (a) the accuracy of the records of the Depository, the Nominee or any participant or correspondent with respect to any ownership interest in the 2014 Series A Bonds;

(b) the delivery to any participant or correspondent or any other person, other than an Owner, of any notice with respect to the 2014 Series A Bonds, including any notice of redemption;

(c) the selection by the Depository of the beneficial ownership interest in 2014 Series A Bonds to be redeemed prior to maturity; or

(d) the payment to any participant, correspondent, or any other person other than the Owner of the 2014 Series A Bonds, of any amount with respect to principal of or interest on the 2014 Series A Bonds.

(3) Notwithstanding the book-entry system, the City may treat and consider the Owner in whose name each 2014 Series A Bond is registered in the registration books maintained by the Paying Agent as the Owner and absolute owner of such 2014 Series A Bond for the purpose of payment of principal and interest with respect to such 2014 Series A Bond, or for the purpose of giving notices of redemption and other matters with respect to such 2014 Series A Bond, or for the purpose of registering transfers with respect to such 2014 Series A Bond, or for all other purposes whatsoever. The City shall pay or cause to be paid all principal of and interest on the 2014 Series A Bonds only to or upon the order of the Owner or such Owner's respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.

(4) Upon delivery by the Depository to the City of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in this Bond Declaration shall refer to such new nominee of the Depository, and upon receipt of such notice, the City shall promptly deliver a copy thereof to the Paying Agent. The Depository shall tender the 2014 Series A Bonds it holds to the Paying Agent for re-registration.

(C) Notice of Redemption.

(1) For any 2014 Series A Bonds which are not in book-entry form, unless waived by the Owner of such a 2014 Series A Bond, official notice of any redemption shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first-class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2014 Series A Bond or 2014 Series A Bonds to be redeemed at the address shown on the 2014 Series A Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent.

(2) Unless DTC consents to a shorter period, for any 2014 Series A Bonds which are in book-entry form the Paying Agent shall notify DTC not less than 20 days prior to the date fixed for redemption of the maturity to be redeemed in the manner required in the City's Letter of Representations to DTC. No other notice shall be required.

(3) In addition to the requirements of Section 5(C)(5), all official notices of redemption shall be dated and shall state:

- (a) the date fixed for redemption;
- (b) the redemption price;
- (c) if less than all outstanding 2012 Series Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2014 Series A Bonds to be redeemed,
- (d) except as described in Section 5(C)(5), below, that on the date fixed for redemption the redemption price will become due and payable upon each such 2014 Series A Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (e) the place where such 2014 Series A Bonds are to be surrendered for payment of the redemption price, which place of payment shall be an office of the Paying Agent.

(4) Except as described in Section 5(C)(5), below, official notice of redemption having been given as aforesaid, the 2014 Series A Bonds or portions of 2014 Series A Bonds so to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such 2014 Series A Bonds or portions of 2014 Series A Bonds shall cease to bear interest. Upon surrender of such 2014 Series A Bonds for redemption in accordance with said notice, such 2014 Series A Bonds shall be paid by the Paying Agent at the redemption price. Installments of interest due on or prior to the date fixed for redemption shall be payable as provided for payment of interest in Section 3(B) of this Bond Declaration. Upon surrender for any partial redemption of any 2014 Series A Bond, there shall be prepared for the Owner a new 2014 Series A Bond or 2014 Series A Bonds of the same maturity in the amount of the unpaid principal. All 2014 Series A Bonds which have been redeemed shall be canceled and destroyed by the Paying Agent and shall not be reissued.

(5) Conditional Notice. Any notice of optional redemption to the Paying Agent or to the Owners pursuant to this Section 5 may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such 2014 Series A Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected Owners of 2014 Series A Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

(6) Upon the payment of the redemption price of the 2014 Series A Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the 2014 Series A Bonds being redeemed with the proceeds of such check or other transfer.

(D) Authentication, Registration and Transfer. (No Book-Entry). The provisions of this Section 5(D) apply only when the 2014 Series A Bonds are not in book-entry form.

(1) No 2014 Series A Bond shall be entitled to any right or benefit under this Bond Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all 2014 Series A Bonds properly surrendered for exchange or transfer pursuant to this Bond Declaration.

(2) The ownership of all 2014 Series A Bonds shall be entered in the 2014 Series A Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the 2014 Series A Bond register as the owner of the 2014 Series A Bond for all purposes.

(3) The Paying Agent shall mail each interest payment on the interest payment date (or the next Business Day if the payment date is not a Business Day) to the name and address of the 2014 Series A Bond Owner, as that name and address appear on the 2014 Series A Bond register as of the Record Date. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.

(4) 2014 Series A Bonds may be exchanged for an equal principal amount of 2014 Series A Bonds of the same series and maturity which are in different authorized denominations, and 2014 Series A Bonds may be transferred to other owners if the 2014 Series A Bond Owner submits the following to the Paying Agent:

(a) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the 2014 Series A Bond Owner or such Owner's legal representative or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent; and

(b) the 2014 Series A Bonds to be exchanged or transferred.

(5) The Paying Agent shall not be required to exchange or transfer any 2014 Series A Bonds submitted to it during any period beginning with a Record Date and ending on the next following interest payment date; however, such 2014 Series A Bonds shall be exchanged or transferred promptly following the interest payment date.

(6) The Paying Agent shall not be required to exchange or transfer any 2014 Series A Bonds which have been designated for redemption if such 2014 Series A Bonds are submitted to it during the fifteen-day period preceding the designated date fixed for redemption.

(7) For purposes of this Section, 2014 Series A Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 5(D)(4).

(8) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all 2014 Series A Bond Owners. The

altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 6. Amendment of Bond Declaration.

- (A) The City may amend this Bond Declaration without the consent of any Owner for any one or more of the following purposes:
 - (1) To cure any ambiguity or formal defect or omission in this Bond Declaration;
 - (2) To add to the covenants and agreements of the City in this Bond Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Bond Declaration as theretofore in effect;
 - (3) To confirm, as further assurance, any security interest or pledge created under this Bond Declaration or any Supplemental Bond Declaration;
 - (4) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.

- (B) This Bond Declaration may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected 2014 Series A Bonds then Outstanding. However, no amendment shall be valid which:
 - (1) Extends the maturity of any 2014 Series A Bonds, reduces the rate of interest upon any 2014 Series A Bonds, extends the time of payment of interest on any 2014 Series A Bonds, reduces the amount of principal payable on any 2014 Series A Bonds, or reduces any premium payable on any 2014 Series A Bonds, without the consent of the affected Owner; or
 - (2) Reduces the percent of Owners required to approve amendments to this Bond Declaration.

Section 7. Default and Remedies.

- (A) The occurrence of one or more of the following shall constitute an Event of Default under this Bond Declaration:
 - (1) Failure by the City to pay 2014 Series A Bond principal, interest or premium when due (whether at maturity, or upon redemption after a 2014 Series A Bond has been properly called for redemption);
 - (2) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of 2014 Series A Bonds, for a period of 60 days after written notice to the City by the Owners of ten percent or more of the principal amount of 2014 Series A Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60

day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 7(A)(2); or,

- (3) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.
- (B) The Owners of ten percent or more of the principal amount of 2014 Series A Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in Section 7(A)(1).
- (C) Upon the occurrence and continuance of any Event of Default hereunder the Owners of ten percent or more of the principal amount of 2014 Series A Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of 2014 Series A Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Bond Declaration or in aid of the exercise of any power granted in this Bond Declaration or for the enforcement of any other legal or equitable right vested in the Owners of 2014 Series A Bonds by this Bond Declaration or by law. However, the 2014 Series A Bonds shall not be subject to acceleration.
- (D) No remedy in this Bond Declaration conferred upon or reserved to Owners of 2014 Series A Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of 2014 Series A Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by this Bond Declaration or by law.

Section 8. Defeasance.

The City shall be obligated to pay 2014 Series A Bonds which are defeased pursuant to this Section solely from the money and Government Obligations deposited in escrow in accordance with this Section 8 with an escrow agent or independent trustee as provided in this section, and the City shall have no further obligation to pay the defeased 2014 Series A Bonds from any source except the amounts deposited in the escrow. 2014 Series A Bonds shall be deemed defeased if the City:

- (A) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient for the payment of the 2014 Series A Bonds which are to be defeased without reinvestment; and
- (B) files with the escrow agent or trustee a verification from an independent, certified public accountant to the effect that calculation, described above, is correct; and

- (C) files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not cause the interest component of the 2014 Series A Bonds to be includable in gross income under the Code.

Section 9. Tax Covenants.

The City covenants for the benefit of the Owners to comply with all provisions of the Code that are required for 2014 Series A Bond interest to be excluded from gross income for federal income tax purposes. The City also covenants for the benefit of the Owners that it will comply with all of the covenants and agreements that the City makes in the “Tax Certificate” prepared in connection with the closing of the 2014 Series A Bonds.

Section 10. Form.

The 2014 Series A Bonds shall be issued in substantially the form attached to hereto as Appendix A, with any changes that are approved by the Debt Manager. The 2014 Series A Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.

Section 11. Rules of Construction.

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

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

[The remainder of this page is left blank intentionally.]

Dated as of the 17th day of June, 2014.

City of Portland, Oregon

By: _____
B. Jonas Biery, Debt Manager

Appendix A

No. R-«BondNumber»

\$«PrincipalAmtNumber»

**UNITED STATES OF AMERICA
STATE OF OREGON
COUNTIES OF MULTNOMAH, WASHINGTON AND CLACKAMAS
CITY OF PORTLAND
LIMITED TAX REVENUE BOND, 2014 SERIES A
(SELLWOOD BRIDGE PROJECT)**

Dated Date: June 17, 2014

Interest Rate Per Annum: «CouponRate»%

Maturity Date: June 1, «MaturityYear»

CUSIP Number: 736740«CUSIPNumbr»

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

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

The City of Portland, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of June and the first day of December in each year until maturity or prior redemption, commencing December 1, 2014. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating \$44,215,000 in principal amount designated as Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge Project) (the "Bonds"). The Bonds are issued to finance the City's portion of the direct costs of the Sellwood Bridge project, and to pay costs related to the Bonds. The Bonds are authorized by City Ordinance No. 184406 (the "Ordinance") and Oregon Revised Chapter 287A, in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City. The terms of the Bonds are described in a Bond Declaration dated as of June 17, 2014 (the "Bond Declaration").

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

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

The Bonds shall mature and be subject to redemption as described in the Bond Declaration and in the Official Statement for the Bonds.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer Letter of Representations to The Depository Trust Company, as referenced in the Bond Declaration. The Bonds are subject to conditional notice of redemption as provided in the Bond Declaration. Unless conditional notice was given, interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. If the book-entry-only system is discontinued, notice of redemption shall be given by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the Registered Owner of each Bond to be redeemed at the address shown on the Bond register; however, any failure to give notice shall not invalidate the redemption of the Bonds.

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

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

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

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

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



City of Portland, Oregon

Charlie Hales, Mayor

LaVonne Griffin-Valade, Auditor

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

CERTIFICATE OF AUTHENTICATION

This Bond is one of a series of \$44,215,000 aggregate principal amount of City of Portland, Oregon Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge Project) issued pursuant to the Ordinance described herein.

Date of authentication: June 17, 2014.

U.S. Bank National Association, as Paying Agent

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

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

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

Dated: _____

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

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

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

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

TEN COM -- tenants in common

TEN ENT -- as tenants by the entireties

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

OREGON CUSTODIANS use the following

_____ CUST UL OREG _____ MIN

as custodian for (name of minor)

OR UNIF TRANS MIN ACT

under the Oregon Uniform Transfer to Minors Act

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

APPENDIX B
EXCERPTS OF AUDITED FINANCIAL STATEMENTS



INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2009, 2010, 2011, 2012 and 2013. 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, 2009 through June 30, 2013. 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 2014 SERIES A BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2014 SERIES A BONDS.



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

	2009	2010	2011	2012	2013
Revenues					
Taxes	\$302,898,344	\$310,913,493	\$319,045,070	\$316,581,372	\$331,613,653
Payments in lieu of taxes	758,737	700,819	408,159	1,659,725	1,177,430
Rents and reimbursements	3,921,431	3,809,186	3,959,316	3,932,082	4,180,073
Licenses and fees (1)	141,974,295	135,753,548	141,302,069	147,754,216	159,809,166
Intergovernmental revenues	29,288,133	29,098,438	25,383,062	25,047,456	26,621,532
Charges for services(2)	60,736,199	53,859,288	48,250,025	57,318,510	58,068,110
Miscellaneous service charges	2,947,396	2,833,318	2,207,201	1,527,842	1,561,715
Investment earnings	5,219,844	846,571	1,621,034	1,151,688	1,013,161
Other miscellaneous revenues	3,509,891	2,958,004	2,876,120	2,988,051	3,421,091
Total revenues	551,254,270	540,772,665	545,052,056	557,960,942	587,465,931
Expenditures					
Public safety	340,683,111	353,868,421	355,237,833	371,736,806	375,692,965
Parks/recreation/cultural	55,051,936	61,469,945	61,497,188	66,789,435	66,046,161
Community development	35,991,649	41,784,300	31,448,667	35,570,444	35,332,633
Transportation and metered parking	-	-	2,819	-	-
Support svcs./legis./admin.	74,903,683	62,110,207	58,601,261	61,630,240	69,535,327
Capital outlay	358,618	3,590,728	1,756,789	1,510,673	3,159,762
Debt service and related costs (3)	2,065	4,916,113	5,318,785	5,726,067	6,275,927
Total expenditures	506,991,062	527,739,714	513,863,342	542,963,665	556,042,775
Revenues over (under) expenditures	44,263,208	13,032,951	31,188,714	14,997,277	31,423,156
Other Financing Sources (Uses)					
Transfers in	9,718,996	3,760,257	4,739,963	3,030,705	3,392,858
Transfers out	(52,369,567)	(58,683,013)	(34,258,943)	(34,860,071)	(32,798,151)
Proceeds from sale of capital assets	1,202,998	6,787	5,653	2,998	21,307
Total other sources (uses)	(41,447,573)	(54,915,969)	(29,513,327)	(31,826,368)	(29,383,986)
Net change in fund balances	2,815,635	(41,883,018)	1,675,387	(16,829,091)	2,039,170
Fund balance, beginning	130,939,791	133,755,426	91,872,408	94,080,787	77,251,696
Reclassifications					
Special revenue fund to general fund per GASB 54	-	-	532,992	-	-
Fund balances, ending	\$133,755,426	\$91,872,408	\$94,080,787	\$77,251,696	\$79,290,866

Notes:

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

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

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

	2009	2010	2011	2012	2013
ASSETS:					
Unrestricted:					
Cash and investments (1)	\$117,073,956	\$71,254,278	\$75,817,940	\$58,305,999	\$53,324,870
Receivables:					
Taxes	18,519,259	18,871,533	11,517,113	13,823,796	13,832,534
Accounts, interest and advances (2)	29,740,044	24,183,060	23,885,800	22,085,392	32,916,876
Assessments	44,041	53,804	67,947	59,818	16,072
Due from other funds	9,203,475	49,758	28,234	28,234	28,234
Due from component unit	261,186	794,924	534,328	457,599	474,444
Internal loans	-	8,506,660	500,000	3,851,000	1,150,000
Inventories	-	-	-	367,454	352,483
Prepaid Items	2,791,250	2,369,171	234,968	187,634	178,764
Restricted:					
Cash and investments (1)	-	-	5,458,561	5,633,446	5,785,176
Receivables:					
Taxes	-	-	6,555,139	7,658,565	7,770,556
Total assets	\$177,633,211	\$126,083,188	\$124,600,030	\$112,458,937	\$115,830,009
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities payable from unrestricted assets:					
Accounts payable	\$11,018,683	\$9,362,421	\$7,385,335	\$8,268,080	\$7,147,783
Deferred revenue	12,672,604	9,407,576	9,467,829	12,062,839	0
Unearned revenue (3)	4,900	30,918	64,114	193,644	121,292
Internal loans payable	-	-	-	-	1,460,226
Due to component unit	3,500,120	2,641,780	1,588,265	1,390,667	1,901,883
Due to fiduciary fund	6,569,936	6,782,859	-	-	-
Other liabilities	10,111,542	5,985,226	-	-	-
Liabilities payable from restricted assets:					
Due to fiduciary fund	-	-	6,555,139	7,658,565	7,770,556
Other liabilities	-	-	5,458,561	5,633,446	5,785,176
Total liabilities	43,877,785	34,210,780	30,519,243	35,207,241	24,186,916
Deferred inflows of resources					
Unavailable revenue - unrestricted	-	-	-	-	12,352,227
Unavailable revenue - restricted	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	12,352,227
Fund balance					
Unreserved	133,755,426	91,872,408	-	-	-
Nonspendable	-	-	234,968	555,088	531,247
Committed	-	-	46,294,375	48,984,519	49,930,120
Assigned	-	-	23,588,446	5,415,881	314,562
Unassigned	-	-	23,962,998	22,296,208	28,514,937
Total fund balance	133,755,426	91,872,408	94,080,787	77,251,696	79,290,866
Total liabilities, deferred inflows of resources and fund balances	\$177,633,211	\$126,083,188	\$124,600,030	\$112,458,937	\$115,830,009

Notes:

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

Source: City of Portland audited annual financial statements.

APPENDIX C
LEGAL OPINION



On the date of issuance of the Bonds, Hawkins Delafield & Wood LLP, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

June 17, 2014

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

Subject: \$44,215,000 City of Portland, Oregon, Limited Tax Revenue Bonds, 2014 Series A
(Sellwood Bridge Project)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Portland, Oregon (the "City") of its Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge Project) (the "2014 Series A Bonds"), that are dated as of their date of delivery and are in the aggregate principal amount of \$44,215,000. The 2014 Series A Bonds are authorized by Oregon Revised Statutes Sections 287A.150, City Ordinance No. 184406 enacted February 9, 2011 and City Ordinance No. 185659 enacted October 3, 2012 (collectively, the "Ordinances"), and a Bond Declaration dated as of the date of delivery of the 2014 Series A Bonds (the "Declaration").

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

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering materials which have been or may be supplied to the purchasers of the 2014 Series A Bonds, and we express no opinion relating thereto excepting only the matters set forth as our opinion in the official statement.

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

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

1. The 2014 Series A Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Charter of the City, and the Ordinances. The 2014 Series A Bonds constitute valid and legally binding obligations of the City that are enforceable in accordance with their terms.

2. The City has pledged its full faith and credit and taxing power to the payment of the 2014 Series A Bonds and has agreed to pay the 2014 Series A Bonds from its Available General Funds as described in the Declaration.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the 2014 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2014 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the 2014 Series A Bonds, and we have assumed compliance by the City and others with certain ongoing covenants to comply with

applicable requirements of the Code to assure the exclusion of interest on the 2014 Series A Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the 2014 Series A Bonds in order that, for Federal income tax purposes, interest on the 2014 Series A Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the 2014 Series A Bonds, restrictions on the investment of proceeds of the 2014 Series A Bonds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2014 Series A Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the 2014 Series A Bonds, the City will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the 2014 Series A Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the 2014 Series A Bonds, and (ii) compliance by the City with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

4. Interest on the 2014 Series A Bonds is exempt from Oregon personal income tax.

We note that the City has not designated the 2014 Series A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Except as stated in paragraphs 3 and 4 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the 2014 Series A Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the 2014 Series A Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the 2014 Series A Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

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

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

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other

qualifications, limitations and exceptions. For purposes of this opinion, the terms “law” and “laws” do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the City in connection with the 2014 Series A Bonds and have not represented and are not representing any other party in connection with the 2014 Series A Bonds. This opinion is given solely for the benefit of the City in connection with the 2014 Series A Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the City, the owners of the 2014 Series A Bonds, and any person to whom we may send a formal reliance letter, indicating that the recipient is entitled to rely on this opinion.

Very truly yours,



APPENDIX D
CONTINUING DISCLOSURE CERTIFICATE



CONTINUING DISCLOSURE CERTIFICATE

\$44,215,000

**City of Portland, Oregon
Limited Tax Revenue Bonds, 2014 Series A
(Sellwood Bridge Project)**

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the City of Portland, Oregon (the “City”) in connection with the issuance of the City’s Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge Project) (the “2014 Series A 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 2014 Series A Bonds in complying with paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended, (the “Rule”). This Certificate constitutes the City’s written undertaking for the benefit of the Bondowners as required by Section (b)(5) of the Rule.

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

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2014 Series A Bonds, including persons holding 2014 Series A Bonds through nominees or depositories.

“Bondowners” means the registered owners of the 2014 Series A Bonds, as shown on the bond register maintained by the Paying Agent for the 2014 Series A Bonds, and any Beneficial Owners.

“Commission” means the Securities and Exchange Commission.

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

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

“Official Statement” means the final official statement for the 2014 Series A Bonds dated June 5, 2014.

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

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

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

B. To the extent not included in those annual financial statements, historical operating information generally of the type included in the Official Statement for the 2014 Series A Bonds under the heading "Annual Disclosure Information."

Section 4. Timing. The information described in Section 3 above shall be provided by the City for each of its fiscal years in which the 2014 Series A Bonds are outstanding. The City shall provide that information not later than nine months after the end of each fiscal year, commencing no later than March 31, 2015, for the fiscal year ended June 30, 2014. The information described in Section 3 shall be provided in the form of audited financial statements if they are then available, and otherwise shall be provided in the form of unaudited financial statements. If the information described in Section 3 is initially provided in the form of unaudited financial statements, the City shall provide audited financial statements promptly after they become publicly available. The City's current fiscal year ends June 30. The City may adjust its fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of separately stating such annual financial information and operating data, the City may cross-reference to other documents provided to the MSRB.

Section 5. Material Events. The City will provide or cause to be provided to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the 2014 Series A Bonds:

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

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

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

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

The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the City, such other event is material with respect to the 2014 Series A Bonds, but the City does not undertake any commitment to provide such notice of any event except those events listed above.

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

Section 7. Termination. The City's obligation to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2014 Series A 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 2014 Series A Bonds; and (b) notifies the MSRB of such opinion and the termination of its obligations under this Certificate.

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

A. If the amendment relates to the provisions of Sections 3.A or 3.B or Section 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City with respect to the 2014 Series A Bonds, or the type of business conducted;

B. If this Certificate, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2014 Series A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

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

Section 9. Bondowner's Remedies Under This Certificate. The right of any Bondowner to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the 2014 Series A Bonds. Bondowners may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed a default or an event of default under the documents authorizing issuance of the 2014 Series A Bonds, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Certificate in the event of any failure of the City to comply with this Certificate shall be an action to compel performance.

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

Section 11. Filing with EMMA. So long as the MSRB continues to approve the use of EMMA, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is emma.msrb.org.

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

Dated as of the 17th day of June, 2014.

City of Portland, Oregon

Debt Manager

APPENDIX E
BOOK ENTRY SYSTEM



BOOK ENTRY SYSTEM

DTC LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

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

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

notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

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



