Annual Debt Report
Fiscal Year 2013-14

City of Portland, Oregon

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Prepared by:
Office of Management and Finance

Public Finance and Treasury Division

This Annual Debt Report is intended to inform the reader regarding the City of Portland's debt position as of the end of the most recent fiscal year. The objective of this report is to present a simplified, yet accurate snapshot of the City's debt position, as well as to describe significant changes in the City's debt profile from the prior fiscal year.

The City's Annual Debt Report has been independently prepared by the City's Public Finance and Treasury Division. The Annual Debt Report has not been reviewed by the City's independent financial auditors and is not intended as a comprehensive credit analysis for use in making an investment decision. Expressions of opinion in the Annual Debt Report are not intended to guide prospective investors in securities offered by the City and no decision to invest in such securities should be made without performing appropriate due diligence including referencing the City's audited CAFRs and official disclosure documents relating to a specific security.

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INTRODUCTION

The City of Portland issues this Annual Debt Report for fiscal year 2013-14 to provide information regarding the City's debt profile and to describe selected indicators of the City's debt position that are used by its Office of Management and Finance and the Debt Management program. The City uses these indicators to inform debt-related decisions and to identify areas that require enhanced monitoring.

Large capital projects can be funded through large one-time fee increases, by saving up resources over a period of time, or through the use of long-term debt financing. One of the premises of debt financing is that it encourages payment equity by spreading costs over time among all users of a financed asset during its useful life. The offsetting impact of financing an asset is an increase in outstanding debt balances. The debt balance associated with that asset will decrease over time as payments are made.

During the five year historical period covered by this report (fiscal year 2009-10 through fiscal year 2013-14), the City has been impacted by widespread and global economic challenges. Additionally, certain City programs have required significant infrastructure investment in order to meet regulatory requirements and to maintain reliable service. Therefore, comparisons of debt indicators from earlier years with data from recent years can be expected to display inconsistency.

This report presents both a broad view of changes and accomplishments related to overall City debt as well as detailed information regarding specific categories of debt. There is no one single indicator that effectively describes the City's debt profile, and broad-stroke comparisons may provide an incomplete picture of the City's financial health and sustainability. Indicators that look at specific categories of debt provide more useful information regarding revenues supporting the debt, year-over-year changes, and the health and specific risks associated with a given category of debt. It is also important to recognize that changes in policy, major capital requirements, and economic conditions may have varying impacts on different categories of debt.

When possible, historical data in this report conform to audited information that can be found in the City's Comprehensive Annual Financial Reports. However, due to timing issues and differences in reporting guidelines, some data in this report will differ slightly from information presented in the financial audit. While we believe information in this report is accurate, it should not be relied upon in making investment decisions. Prospective investors should refer to the City's official bond disclosure and audited financial reports which can be found at http://www.portlandoregon.gov/bfs/25955.

Changes from year-to-year may occasionally be made to this annual report to improve communication and provide material updates. Other than updating to fiscal year 2013-14 information, few changes have been made to the content of this report; however, formatting may appear different from prior versions due to the City's effort to simplify and accelerate the publication timeline for this document.

The City's fiscal year is July 1 through June 30. Unless otherwise noted, all figures in this report are as of June 30, 2014.

FISCAL YEAR 2013-14 YEAR IN REVIEW

Summary of Fiscal Year 2013-14 Debt Activity

Total Citywide debt outstanding (including urban renewal debt related to the Portland Development Commission) saw a net decrease of approximately 0.6%, or $20.7 million, in fiscal year 2013-14.

Of the $354.6 million of total debt issued in fiscal year 2013-14, approximately 56% ($198.1 million) was for new projects including sewer system capital improvements, public safety projects and the Sellwood Bridge project; the remaining 44% refunded outstanding debt.

In fiscal year 2013-14, the City paid $208.6 million (excluding refinancing) in principal due on outstanding debt (including $7.9 million in early payments).

Table 1: Fiscal Year 2013-14 Change in Total Debt Outstanding *	
Outstanding Total Debt, as of July 1, 2013	$3,425,543,385
Increases in Debt Outstanding:	
New Money Bonds Issued	$158,808,709
Refunding Bonds Issued	63,315,653
Line of Credit Takeout Bonds Issued	93,223,639
Short-Term Notes Issued	26,685,000
Line of Credit Draws	12,608,931
Total Increases in Debt Outstanding	$354,641,931
Reductions to Outstanding Debt:	
Bonds & Notes Paid/Matured as Scheduled	$200,676,465
Bonds Redeemed Prior to Maturity	7,935,000
Bonds Refunded	61,875,000
Line of Credit Reductions	104,838,739
Total Reductions in Outstanding Debt	$375,325,204
Net Increase (Decrease) in Outstanding Debt	($20,683,273)
Outstanding Total Debt, as of June 30, 2014	**$3,404,860,112**

* Totals may not foot nor balance to Annual Debt Report for fiscal year 2012-13 due to rounding.

Bond Sales and Other Financings

The City targets distribution of bonds to a broad pool of investors so that all interested investors have an opportunity to participate in the City's bond offerings. Additionally, the City borrows directly from banks for short-term lines of credit and some smaller-sized financings. The City supports active competition for underwriting and banking services to encourage the best terms and lowest possible costs of borrowing.

Table 2: Debt Issuance in Fiscal Year 2013-14

Long-Term Bond Issues	Date of Issue	Final Maturity	Par Amount	Debt Type
Second Lien Sewer System Revenue and Refunding Bonds, 2013 Series A	9/17/2013	2038	$210,965,000	Revenue
General Obligation Bonds, 2014 Series A (Public Safety Projects and Emergency Facilities Refunding)	3/27/2014	2029	29,795,000	Unlimited Tax
Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge Project)	6/17/2014	2034	44,215,000	Limited Tax
Limited Tax Improvement Bonds, 2014 Series A	6/26/2014	2034	7,385,000	Limited Tax
Bank Loans and Credit Facilities				
Gas Tax Revenue Refunding Bonds, 2013 Series A	8/6/2013	2018	1,073,000	Revenue
Urban Renewal Replacement Lines of Credit	12/11/2013	2016	64,875,000	Limited Tax
Limited Tax Revenue Refunding Bonds, 2013 Series A (Stadium Project)	12/11/2013	2023	21,915,000	Limited Tax

Table 3: Long-Term Debt Rating Actions in Fiscal Year 2013-14

		Rating		
	Rating Type	Moody's	S&P	Date
Second Lien Sewer System Revenue Bonds*	Affirmed / Lowered	Aa3	AA-	August 2013
General Obligation Bonds	Affirmed	Aaa	--	May 2014
Limited Tax Revenue Bonds	Affirmed	Aa1	--	May 2014
Limited Tax Improvement Bonds	Affirmed	Aa1	--	May 2014

Notes:

* Moody's Investor's Service affirmed their Aa3 rating while Standard and Poor's lowered its rating from AA to AA-. Both rating agencies indicated a stable outlook.

Rating Actions

As indicated in Table 3, in fiscal year 2013-14, the City received rating updates which affirmed the rating on three bond issues. The rating by Standard and Poor's on the Second Lien Sewer System Revenue Bonds was lowered from AA to AA- in August 2013.

Refinancing of Outstanding Debt

In fiscal year 2013-14, the City refunded (refinanced) four long-term bond issues totaling $61,875,000 in principal amount, resulting in a total reduction in debt service of $8,133,511 through fiscal year 2023-24.

Post-issuance Compliance – Continuing Disclosure and Arbitrage Rebate Calculations

Continuing Disclosure

The City has agreed to provide annual updates of certain financial and operating information and other materially important information related to outstanding bonds. Generally, this information must be submitted no later than nine months after the end of the fiscal year (meaning fiscal year 2012-13 reporting obligations are met during fiscal year 2013-14). In fiscal year 2013-14, the City complied with fiscal year 2012-13 continuing disclosure requirements on all of the City's outstanding bond issues. The City's current continuing disclosure reports can be accessed online at: http://www.portlandoregon.gov/bfs/28087.

Arbitrage Rebate Calculations

The federal government requires that the City monitor and provide periodic reporting regarding the use and investment of tax exempt bond proceeds. Investment earnings on bond proceeds that exceed specific levels determined by the federal government must be returned to the federal government as "arbitrage rebate." The City is in compliance with all rebate calculation requirements as of June 30, 2014. The City was not required to rebate any arbitrage earnings to the federal government during fiscal year 2013-14.

Other Significant Actions and Accomplishments

FY 2013-14	The City's Debt Manager continued participation on the GFOA Committee on Governmental Debt Management.
October 2013 – May 2014	Performed analysis of impacts of significant modifications to urban renewal areas in support of the proposal of the Portland Development Commission and the Mayor to make changes to the City's portfolio of urban renewal areas. This work is ongoing as urban renewal plans are finalized and implemented.
December 2013	Selected Public Financial Management as the City's municipal advisor via competitive procurement process.
March 2014	Presented the City's water and sewer revenue bond credits at the Bank of America Merrill Lynch 2014 Western States Institutional Investor Conference.
April 2014	Renegotiated two contingent loan agreements related to low-income housing projects, in support of Home Forward bond refinancings that reduced debt service payments subject to the City's subject-to-appropriation support, thereby reducing risk to the City.
April/May 2014	Presented information on fiduciary responsibility, regulatory environment and bond disclosure responsibilities to City elected officials and other Citywide financial staff.
August 2014	Subsequent to the end of fiscal year 2013-14, City Council approved the updated City Debt Management Policy.

THE CITY'S DEBT PORTFOLIO

The following terms are used in this section and throughout the Annual Debt Report:

Outstanding Debt *The amount of principal that remains to be repaid; equal to the amount of debt originally issued, minus principal payments that have been made.*

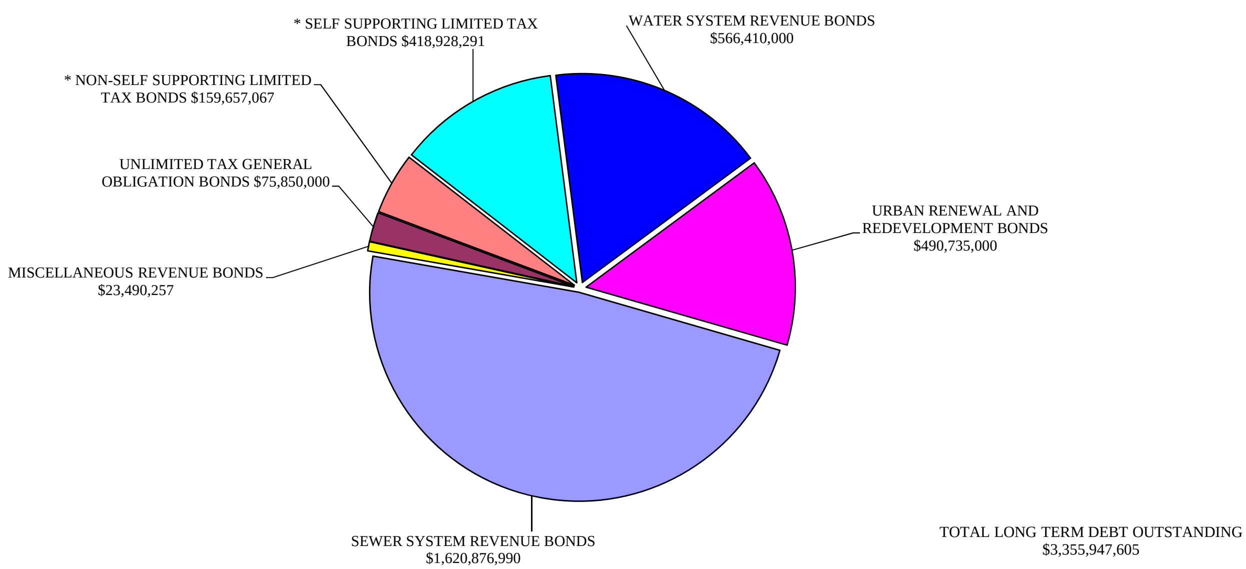
Debt Service *The total payments due on outstanding debt; comprised of both principal and interest. The amount of "annual debt service" associated with a particular bond issue means the amount of principal and interest due to be paid by the City on that bond issue in a given year.*

Bond Rating *An indicator of credit quality, assigned by an independent rating organization that monitors and reviews the City's ability to repay debt.*

Types of Debt Issued by the City

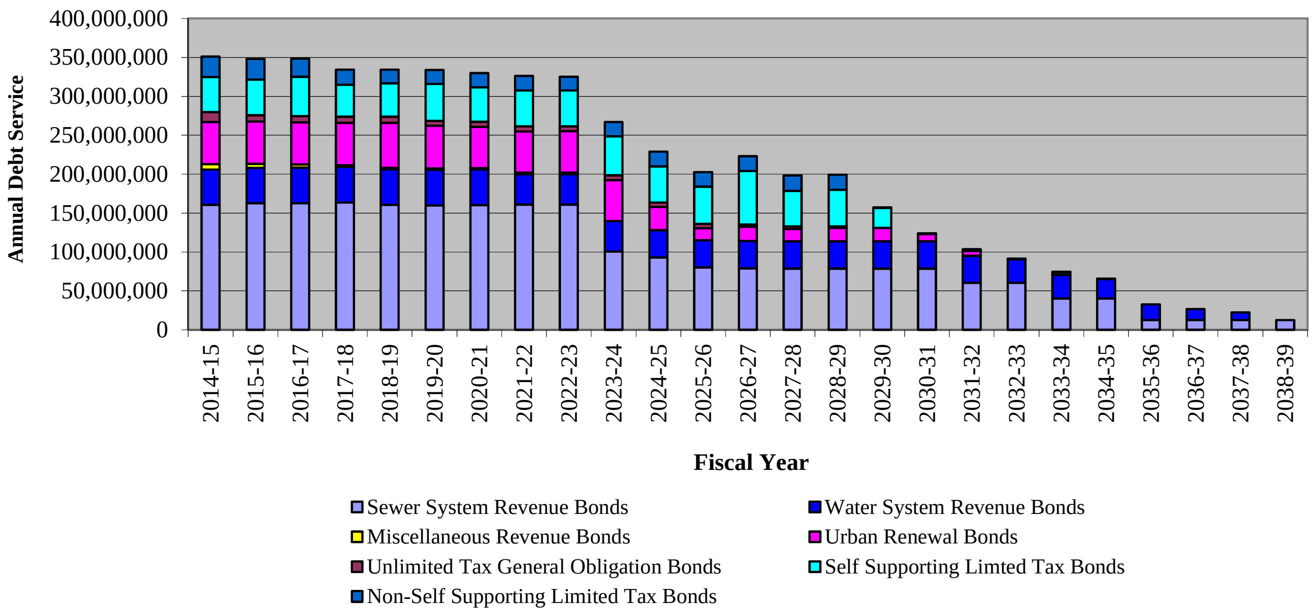
The City issues many different types of debt. While these are all considered debt of the City, the actual resources committed to repay each type of debt varies. As described more specifically in later sections of this report, approximately 80% of the City's total outstanding debt has no direct legal claim on resources of the City's General Fund. Figure 1 does not include approximately $49 million in interim financing that may later be converted to long-term debt.

Figure 1: Outstanding Long-Term Debt by Type of Bonds



* The City's Pension Obligation Bonds are allocated between self-supporting and non-self-supporting based upon the allocation of responsibility between General Fund bureaus and non-General Fund bureaus. Data in this report does not include conduit bonds issued for non-City entities in which the City serves as the debt issuer but has no legal responsibility for repayment of the bonds.

Figure 2: Total Future Debt Service on Outstanding Long-Term Debt by Type of Bonds



City Debt Policy

The City maintains and follows a City Council-approved Debt Management Policy. The debt policy provides formal guidance regarding amounts of debt that can be issued, repayment terms, target debt ratios, and other conditions and strategies related to the use of debt. The City is in compliance with all provisions of the debt policy. Some key provisions of the City's debt policy are listed below. An update to the City's debt policy was approved by the City Council in August 2014 (subsequent to the end of fiscal year 2013-14). The debt policy can be accessed in its entirety online at http://www.portlandoregon.gov/bfs/61902.

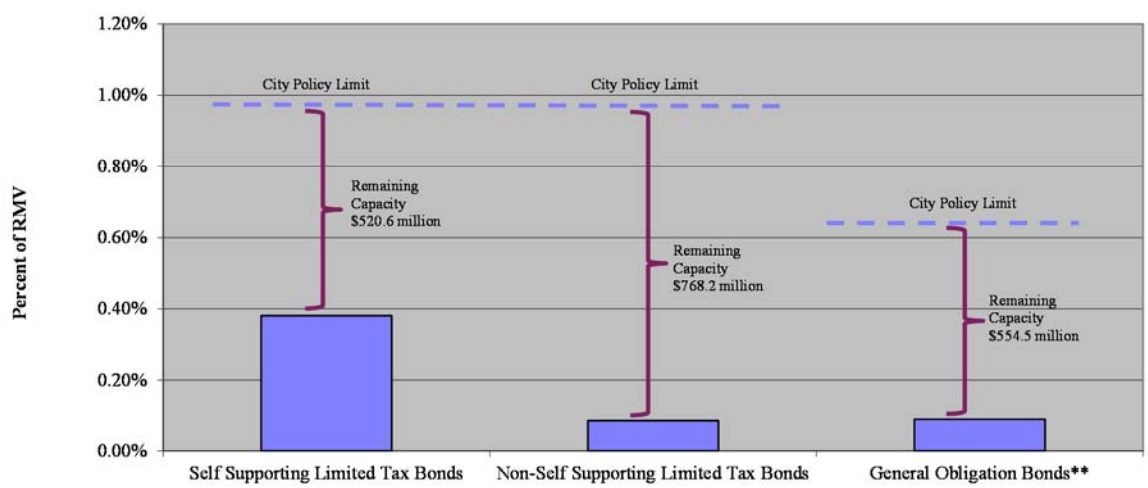
Table 4: Selected Provisions of the City's Debt Policy

Policy Provision	Target	Purpose / Objective
Sale Method	Competitive preference	Match to the Government Finance Officers Association best practice
Repayment of Principal	20% in 5 years; 40% in 10 years	Encourage rapid repayment of debt
Limits on Debt Outstanding	Varies, see the following section	Prevent General Fund exposure to excessive debt payment requirements
Limit on Debt Service paid by the General Fund	No more than 7% of annual General Fund revenues	Limit total debt service obligation of General Fund
Revenue Bond Debt Service Coverage and Reserves	Subject to Debt Manager's approval	Encourages strong credit quality; provides flexibility to accommodate specific borrowing programs
Capital Contribution	Minimum 5% of total project cost paid from cash	Encourages mix of debt and pay-as-you-go financing sources
Minimum Bond Rating (for public bond sales)	A3 (Moody's) and/or A- (S&P)	Discourages issuance of high-risk, non-investment grade bonds
Refunding Requirements	3%-5% minimum savings	Avoids excessive and/or inefficient bond refinancing efforts

Limits on Debt Supported by Property Taxes

The City's debt policy imposes specific limits on the amount of property tax-secured debt that can be outstanding at any time. Limits are based upon a percentage of taxable real market value within the City (the City's fiscal year 2013-14 taxable real market value is $84,044,895,532). The limits in the City's debt policy are more restrictive than the limitations placed upon cities by the Oregon Revised Statutes. The statutory limitation is 3.00% of taxable real market value for general obligation bonds; there is no statutory limitation on limited tax bonds. The City has set policy limits of 0.75% of taxable real market value for general obligation bonds, 1.00% of taxable real market value for non-self supporting limited tax bonds, and 1.00% of taxable real market value for self supporting limited tax bonds. Figure 3 describes the City's debt limits pertaining to property tax-secured debt, per the City's debt policy.

Figure 3: Policy Limits on Property Tax-Secured Debt as a Percentage of Real Market Value*



* The City's ratios do not include debt that has been authorized, but remains unissued nor do they include unused balances on existing lines of credit.

** Statutory limit on general obligation bonds is 3% of real market value.

It should be noted that the City's limited use of debt supported by property taxes is an important consideration for the rating agencies when evaluating the City's credit strength. The City does not, and should not, strive to utilize its full debt capacity within the City's policy limits. It is prudent for the City to retain borrowing capacity to limit overexposure to debt, to maintain sustainable cash flows, and to protect capacity in the event of need during catastrophic or emergency one-time events.

City Bond Ratings

The City is assigned a separate bond rating for each individual type of bonds. The City's property tax-secured bond ratings were most recently affirmed at Aaa (GO) and Aa1 (LTRBs) in May 2014. All City bonds are rated by Moody's Investor's Service Inc. (Moody's); the City's sewer revenue bonds and hydroelectric revenue bonds are additionally rated by Standard and Poor's Financial Services LLC (S&P). The rating agencies are responsible for ongoing surveillance and maintenance of up-to-date rating information. Higher ratings translate into lower costs of borrowing.

Despite the variance in ratings among different types of City debt, the City is often referred to as a Aaa-rated City. This refers to the rating on the City's General Obligation Bonds, which are secured by the City's ability to impose property taxes – generally the strongest security that a government can provide. A municipality's GO bond rating (or equivalent) is commonly referred to as its issuer rating. The issuer rating sets the standard upon which other ratings for that city are measured and is used for comparison against issuer ratings for other municipalities. The City has maintained a Aaa issuer rating for over 37 years.

The Moody's rating scale (highest-to-lowest) is Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, etc. Municipal ratings are rarely assigned a rating below Baa1. According to the August 21, 2014 Moody's report titled *Median Report: 2013 US Local Government Medians (the "2013 Medians Report")*, the median issuer rating for all US cities rated by Moody's is Aa3. Approximately 7% of all US cities rated by Moody's carry a Aaa issuer rating and the City of Portland is one of only two cities in Oregon that is assigned a Aaa rating.

Table 5: Underlying Ratings for Outstanding Debt

TYPE OF DEBT	RATING (Moody's/*S&P*)
Tax Supported General Obligation Bonds	Aaa
Full Faith & Credit Obligations	
Limited Tax Revenue Bonds	Aa1
Limited Tax Housing Revenue Bonds	Aa1
Limited Tax Pension Obligation Revenue Bonds	Aa1
Arena Limited Tax Revenue Bonds	Aa1
Limited Tax Improvement Bonds	Aa1
Revenue Bonds	
First Lien Water System Revenue Bonds	Aaa
Second Lien Water System Revenue Bonds	Aa1
Gas Tax Revenue Bonds	Aa2
First Lien Sewer System Revenue Bonds	Aa2/*AA*
Second Lien Sewer System Revenue Bonds	Aa3/*AA-*
Hydroelectric Power Revenue Bonds	Baa1/*BBB*
Urban Renewal and Redevelopment Bonds	
Downtown Waterfront	Aa3
South Park Blocks	Aa3
Airport Way	Aa3
Oregon Convention Center	Aa3
Lents Town Center	A1
North Macadam	A1
River District	A1
Central Eastside	A2
Interstate Corridor	A2

DEBT SECURED BY GENERAL FUND RESOURCES (INCLUDING PROPERTY TAXES)

About Debt Secured by General Fund Resources

Property taxes are the primary source of revenue collected by the City. The City's permanent rate and general obligation bond levy are projected to produce approximately $207.1 million in property taxes to the City in fiscal year 2013-14. Property tax revenues are used to support a vast array of City programs including public safety, parks, and community development services. As of June 30, 2014, approximately $703.3 million (20.7%) of the City's total outstanding debt is secured by general property taxes (excluding property taxes dedicated to urban renewal areas). Of this amount, $467.8 million is paid by revenue sources other than property taxes. The City issues three types of debt secured by General Fund resources including property taxes:

General Obligation (GO) Bonds	*Debt supported by a dedicated voter-approved property tax levy that can only be used to pay those specific bonds.*
Limited Tax Revenue Bonds (LTRB)	*Debt other than GO Bonds that is secured by and paid from General Fund resources including City property taxes. (Also commonly called full faith & credit or FF&C bonds.)*
Self-Supporting Limited Tax Revenue Bonds	*LTRBs with a legal claim on General Fund resources, but paid from specifically identified non-General Fund resources.*

Fiscal Year 2013-14 Highlights – Debt Secured by General Fund Resources

Bonds Issued: ………... $66.1 million Limited Tax Revenue and Refunding Bonds
$29.8 million General Obligation and Refunding Bonds
$7.4 million Limited Tax Improvement Bonds
Rating Actions: ……… Affirmed at Aaa (GO Bonds) and Aa1 (LTRBs & LTIBs)
Refinancing Activity: …$21.9 million Limited Tax Revenue Refunding Bonds to refinance Stadium Project bonds
$7.1 million general obligation refunding bonds to refinance emergency facilities bonds
Other Activities: $3.2 million payoff of Park Maintenance Facility line of credit

Bond Ratings for Debt Secured by General Fund Resources

General Obligations Bonds:	Aaa (Moody's)
Limited Tax Revenue Bonds:	Aa1 (Moody's)
Limited Tax Improvement Bonds:	Aa1 (Moody's)

Classifications of Debt Secured By General Fund Resources

For comparison to municipal credit benchmarks, debt secured by property taxes is divided into two classifications: net debt and gross debt. For purposes of calculating outstanding net debt and gross debt, lines of credit and other short-term borrowing facilities are also included – including lines of credit related to urban renewal areas that may later be converted to long-term debt secured solely by urban renewal district revenues. However, lines of credit and other short-term borrowing facilities are not included in calculations of future debt service for purposes of this report.

Net Debt	*Debt secured by and paid directly by General Fund resources, including City property taxes.*
Gross Debt	*Net debt, plus debt secured by General Fund resources, but paid from dedicated revenues outside of the General Fund.*

Net Debt

Net debt includes General Obligation Bonds, non-self-supporting Limited Tax Revenue Bonds and other obligations. In practice, some debt identified as non-self-supporting may be partially or fully paid from non-General Fund sources. However, in conformance with conservative management practices, the City may identify such debt as non-self-supporting if the actual repayment revenue stream is perceived to be volatile or at risk. Total net debt decreased for the third consecutive year, dropping by $7.3 million (3.0%) in fiscal year 2013-14. Table 6 lists all individual issues identified as net debt of the City as of June 30, 2014.

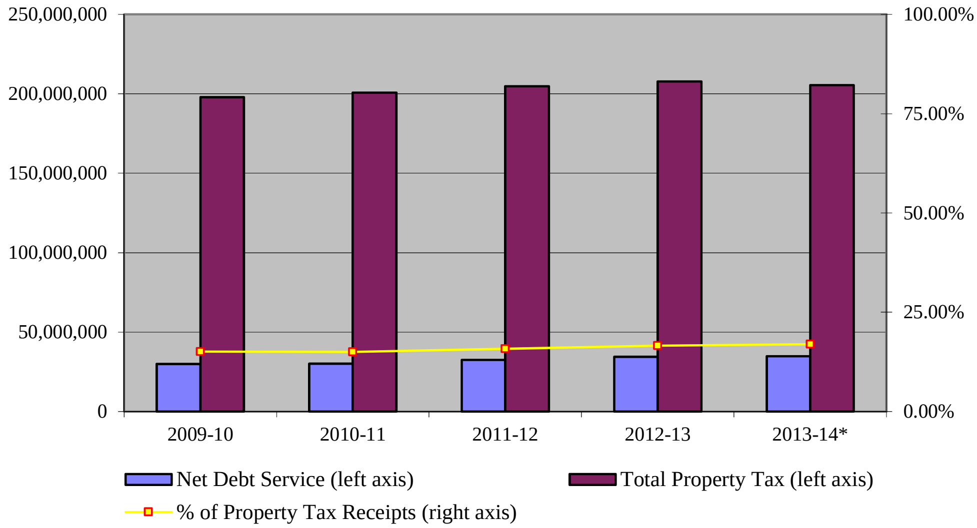
Table 6: Net Debt Outstanding

Type	Outstanding 6/30/2014
General Obligation Bonds	
Emergency Facilities Bonds, 2008 Series A	$12,555,000
Emergency Facilities Refunding Bonds, 2009 Series A	7,635,000
Parks Refunding Bonds, 2010 Series A	4,310,000
Public Safety Bonds, 2011 Series A	21,555,000
Public Safety and Emergency Facilities Refunding, 2014 Series A	29,795,000
Total General Obligation Debt	**$75,850,000**
Non-Self-Supporting Limited Tax Revenue Bonds and Other Obligations	
Limited Tax Pension Obligation Bonds, 1999 (General Fund Portion)*	$87,402,067
Limited Tax Housing Revenue Bonds, 2005 Series C & D (HOB)	6,555,000
Limited Tax Housing Rev. Bonds, 2005 Series A & B (Headwaters)**	10,115,000
Limited Tax Revenue Bonds, 2007 Series A (EBSP)	3,970,000
Portland International Raceway, Series 2007**	740,000
Limited Tax Revenue Bonds, 2007 Series C (Archives)	9,280,000
Limited Tax Revenue Ref. Bonds, 2008 Series A (Devel. Services)	7,860,000
Limited Tax Revenue Bonds, 2009 Series B (CAD & EBSP)	10,280,000
Limited Tax Revenue Ref. Bonds, 2010 Series A (Ref 98B, 99B, 02A)	3,345,000
Limited Tax Revenue Bonds, 2011 Series B (Emerg. Comm. Ctr.)	4,780,000
Limited Tax Revenue & Ref. Bonds, 2012 Series B (PTF/Cty Hall/Comm)	15,330,000
Total Non-Self-Supporting Limited Tax Revenue Bonds and Other Obligations	**$159,657,067**
Total Net Debt	**$235,507,067**

* Reflects bonded portion of pension liability only.

** Debt service has been paid from non-general fund resources, but remain as non-self-supporting until higher coverage is established.

Figure 4: Comparison of Net Debt Service to Property Tax Receipts



* Preliminary and unaudited property tax receipt estimate.

Historically, annual net debt payment requirements have been consistent at less than 16.8% of total annual City permanent rate and general obligation bond property tax receipts, as reflected in Figure 4. The FY 2013-14 ratio is 16.8%.

Gross Debt

Gross debt includes net debt, plus self-supporting Limited Tax Revenue Bonds. Self-supporting Limited Tax Revenue Bonds are paid from non-General Fund sources, but ultimately have a claim on the General Fund if the self-supporting repayment revenues are insufficient. The City protects the General Fund by using internal actions and management practices to encourage continued receipt of non-General Fund resources for payment of this debt. Total gross debt increased by $8.8 million (1.3%) in fiscal year 2013-14. Table 7 lists all individual issues identified as gross debt of the City as of June 30, 2014.

Table 7: Gross Debt Outstanding

Type	Outstanding 6/30/2014	Expected Source of Payment
Total Net Debt (from previous table)	**$235,507,067**	General Fund
Self-Supporting Limited Tax Revenue Bonds and Other Obligations		
Limited Tax Pension Obligation Bonds (Non-General Fund Portion) *	148,026,279	Non-General fund Bureau revenues
Oregon Economic and Community Develepoment Loan (Brookside)	198,761	Sewer revenues
Limited Tax Revenue Bonds, 2001 Series B (Convention Center)	11,342,572	Transient Lodging/Vehicle Rental Tax
Arena Limited Tax Revenue Ref. Bonds, 2005 Series B	8,715,000	Arena revenues; user fees, parking revenues; gas tax revenues
Limited Tax Revenue Bonds Series 2006 (S. Waterfront)	$1,874,679	Assessment collections
Limited Tax Revenue Bonds, 2007 Series B (Transit Mall)	5,780,000	Parking meter revenues
Limited Tax Revenue Ref. Bonds, 2009 Series A (Streetcar)	15,300,000	Parking system revenue
Urban Renewal Lines of Credit	42,686,587	Urban renewal bond proceeds
Local Improvement District Line of Credit	5,109,971	Limited tax improvement bonds
Transportation Line of Credit 2013	1,115,948	LED savings and transportation revenues
Limited Tax Revenue Refunding Bonds, 2011 Series A (Convention Center)	65,920,000	Transient Lodging/Vehicle Rental Tax
Limited Tax Revenue Bonds, Series 2011 Series (PCPA)	920,000	Transient Lodging/Vehicle Rental Tax
Limited Tax Improvement Bonds	48,625,000	Property assessments
Limited Tax Revenue Refunding Bonds, 2012 Series A (MLS Line Takeout)	12,000,000	Spectator Facilities Revenue
Limited Tax Revenue Bonds, 2012 Series C (Portland Milwaukie Light Rail)	35,445,000	Parking System and gas tax revenues
Limited Tax Revenue Refunding Bonds, 2013 Series D (Stadium Project)	20,566,000	Transient Lodging/Vehicle Rental Tax; Spectator Facility Rev
Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge Project)	44,215,000	General Transportation Revenues
Total Self-Supporting Obligations	**$467,840,796**	
Total Gross Debt	**$703,347,863**	

* Reflects bonded portion of pension liability only.

Figures 5 and 6 present the total amount of net debt and gross debt outstanding over the past five fiscal years, and the projected annual debt service obligations remaining on currently outstanding net debt and gross debt.

Figure 5: Historical Gross Bonded Debt Outstanding by Type

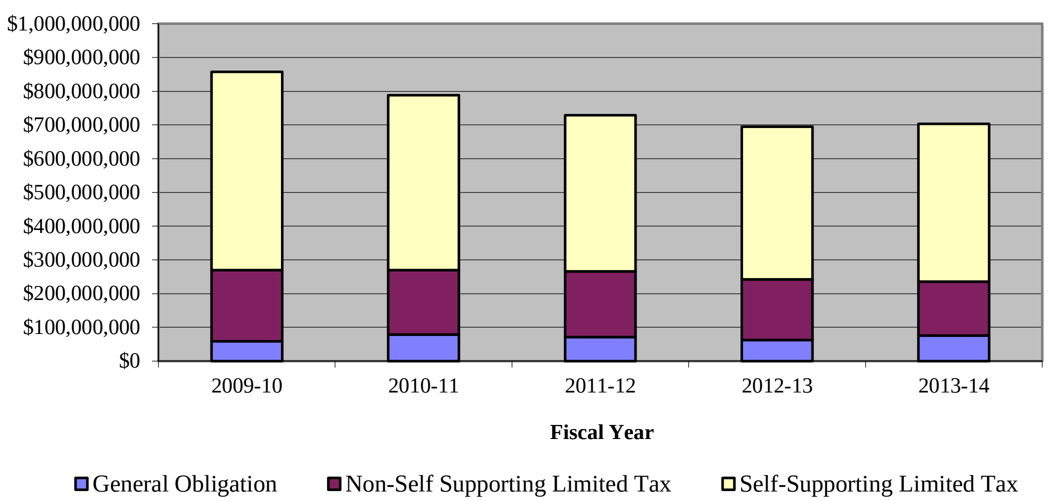
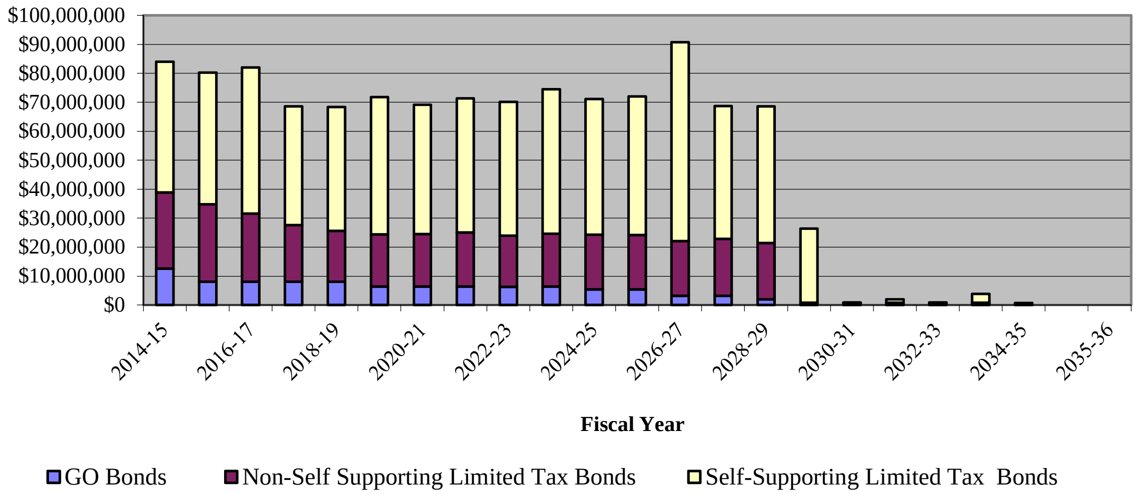


Figure 6: Gross Annual Debt Service Requirements by Type



Historical and Comparative Analysis

The City uses national indicators, benchmarks and historical performance to monitor the levels of City debt. Many benchmarks were most recently presented in the *2013 Medians Report*. The data provided below is not comprehensive of all points of analysis, but reflects select indicators the City believes are most useful in describing the condition and status of City debt secured by General Fund resources.

Debt Ratios *Indicators comparing debt secured by the General Fund to property taxes.*

The City's debt ratios indicate the level of outstanding debt secured by General Fund resources compared to the taxable real market value of properties within the City (representing the pool from which property taxes to repay the debt are collected). A lower ratio reflects a lesser debt burden. Because the Oregon property tax system collects property taxes based upon assessed value, the City looks at debt ratios based on both real market value and assessed value. The City has maintained stable (or improving) debt ratios over the past five years. According to the *2013 Medians Report*, the median net debt-to-real-market-value ratio is 1.26% for all US cities and 0.81% for all Aaa-rated US cities. The City's ratio of 0.28% for fiscal year 2013-14 compares favorably to the benchmarks.

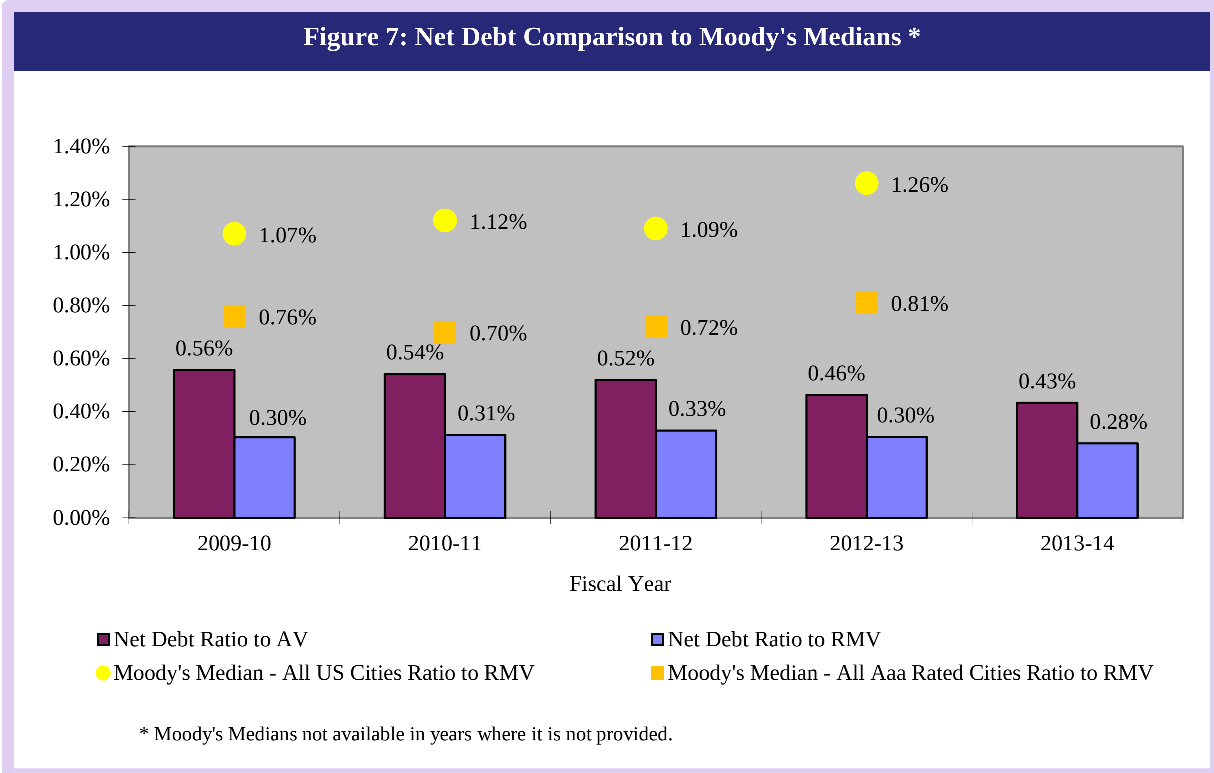


Figure 7: Net Debt Comparison to Moody's Medians *
1.40%
1.20%
1.00%
0.80%
0.60%
0.40%
0.20%
0.00%
1.07%
1.12%
1.09%
1.26%
0.76%
0.70%
0.72%
0.81%
0.56%
0.54%
0.52%
0.46%
0.43%
0.30%
0.31%
0.33%
0.30%
0.28%
2009-10
2010-11
2011-12
2012-13
2013-14
Fiscal Year
Net Debt Ratio to AV
Net Debt Ratio to RMV
Moody's Median - All US Cities Ratio to RMV
Moody's Median - All Aaa Rated Cities Ratio to RMV
* Moody's Medians not available in years where it is not provided.

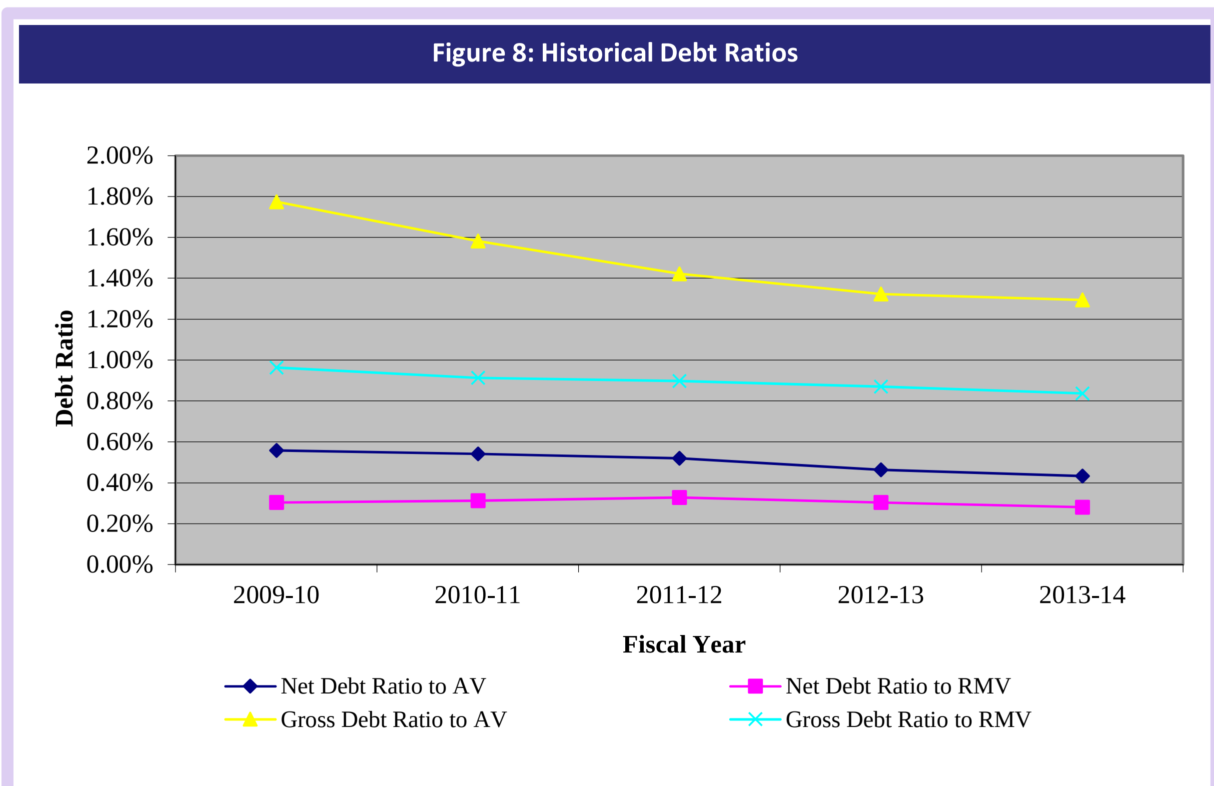
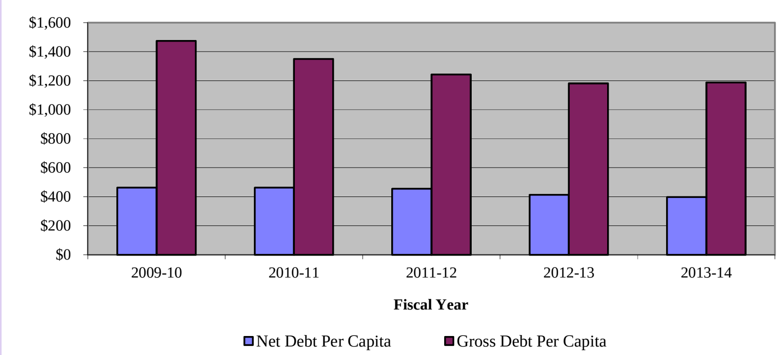


Figure 8: Historical Debt Ratios
2.00%
1.80%
1.60%
1.40%
1.20%
1.00%
0.80%
0.60%
0.40%
0.20%
0.00%
Debt Ratio
2009-10
2010-11
2011-12
2012-13
2013-14
Fiscal Year
Net Debt Ratio to AV
Net Debt Ratio to RMV
Gross Debt Ratio to AV
Gross Debt Ratio to RMV

Debt Per Capita *The ratio of City debt secured by General Fund resources to City population.*

The debt per capita figure is an indicator of the debt burden allocable to individual residents of the City (assuming each resident is responsible for an equal share of the debt). Net debt per capita reflects the actual debt paid by each City resident, assuming equal allocation. The gross debt per capita reflects the total amount of debt allocable to each City resident if the self-supporting resources that pay the debt were completely eliminated (and all debt secured by General Fund resources was actually paid directly by property taxes). Debt per capita has shown consistent annual declines through fiscal year 2012-13 and has stabilized in fiscal year 2013-14.

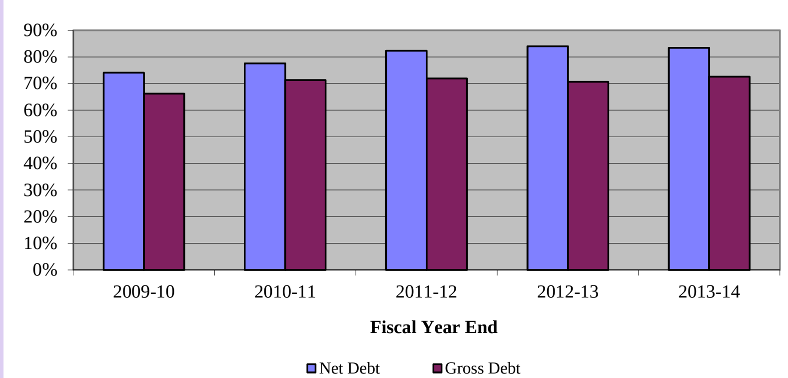
Figure 9: Net and Gross Debt Per Capita



Debt Payout *An indicator of how rapidly outstanding debt is repaid.*

The debt payout indicator reflects how quickly the City expects to repay outstanding property tax-secured debt. A more rapid repayment period reduces risks associated with future loss of revenue and is an indicator of repayment strength. Rapid repayment also allows debt capacity to be released and made available for future capital needs. The City's debt payout ratios have remained very strong over the past five fiscal years with the 10-year payout of gross debt exceeding 66% in all years and increasing to approximately 73% in fiscal year 2013-14.

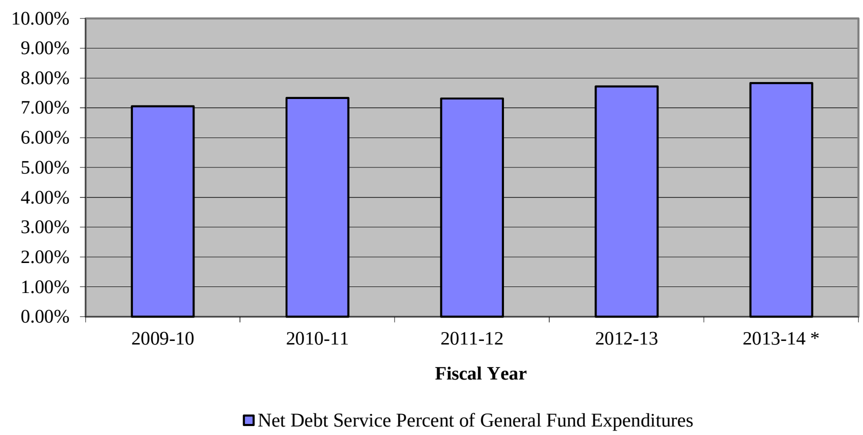
Figure 10: Percent of Debt Paid in 10 Years



Debt Service as a Percent of General Fund Expenditures	*The percentage of General Fund resources that are actually required to meet debt service payments.*

Debt service as a percentage of General Fund expenditures reflects the level of General Fund responsibility directly related to payment of debt. Excessive reliance on the General Fund to cover outstanding debt obligations can suggest higher default risk and lead to additional stress on other programs that rely upon General Fund resources. The *2010 Medians Report* (the most recent year for which this indicator was published) identifies a median percentage of 8.26% for all cities and a median percentage of 9.17% for all Aaa-rated cities. The City's percentage of net debt service to General Fund expenditures continues to compare favorably to these medians at levels below 8.00% estimated for fiscal year 2013-14.

Figure 11: Net Debt Service as a Percent of General Fund Expenditures



* Preliminary and unaudited General Fund expenditure estimate.

REVENUE BONDS

About Revenue Bonds

The City issues Revenue Bonds – bonds secured by revenues other than property taxes – mostly for the City's water and sewer systems. These bonds are paid by a specific dedicated revenue stream and have no legal claim on the City's General Fund or resources that are not specifically identified in bond documents. For example, the City's Sewer Revenue Bonds are paid solely from fees and service charges associated with the collection and treatment of wastewater within the City; the City's Water Revenue Bonds are paid solely from fees and charges collected by the City's water system. The City uses three primary types of revenue bonds as described in this section.

Sewer System Revenue Bonds	*Debt for capital facilities and improvements to the sanitary sewer and storm-water drainage system, supported by revenues of the City's sewer system.*
Water System Revenue Bonds	*Debt for capital projects of the water system, supported by revenues of the City's water system.*
Gas Tax Revenue Bonds	*Debt for specifically-eligible transportation capital projects, supported by fuel taxes and motor vehicle registration fees.*

Other Miscellaneous Revenue Bonds

The City has issued hydroelectric revenue bonds; however, that system is separately maintained and hydroelectric system debt is not included in this report. The City's remaining $6.6 million hydroelectric system debt is scheduled to mature in October 2016 and the City has no expectation of future additional hydroelectric system debt.

SEWER SYSTEM REVENUE BONDS

The Bureau of Environmental Services issues Sewer System Revenue Bonds to provide funding for a significant portion of its capital program. Bonds are secured by either a first lien or second (subordinate) lien on the net revenues of the City's sewer system. The City also has a small amount of loans from the State of Oregon that have a third lien on sewer system net revenues. Over the past several years, outstanding sewer system debt has increased as the City completed the Combined Sewer Overflow ("CSO") project, commonly referred to as the Big Pipe project. According to the Bureau of Environmental Service's fiscal year 2014-15 financial plan, approximately $595 million of additional long term sewer revenue bonds (including reserves and issuance costs) are expected to be issued through fiscal year 2018-19 to fund a portion of the Bureau of Environmental Service's ongoing capital improvement plan. The amount expected to be issued includes $204 million issued in August 2014 (subsequent to the date of this report).

Fiscal Year 2013-14 Highlights

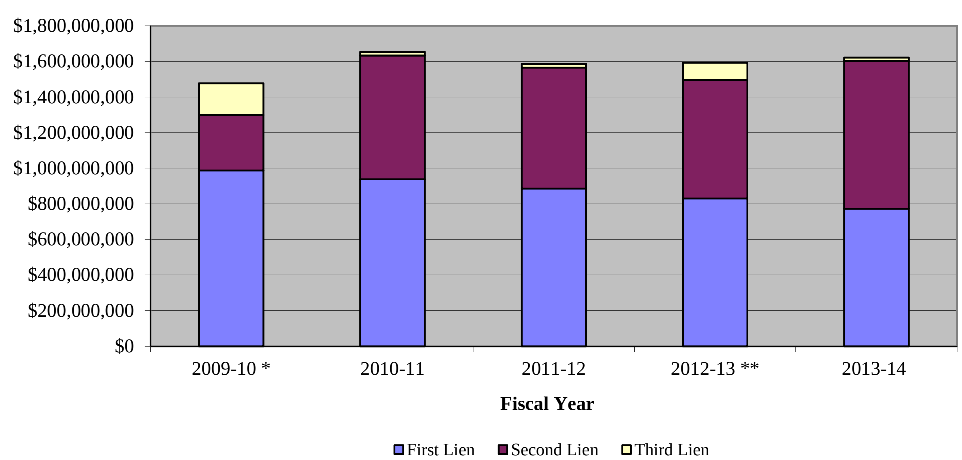
Debt Issued:	$211 million of second lien sewer revenue and refunding bonds
Rating Actions:	Moody's affirmed the Aa2 (First Lien) and Aa3 (Second Lien) ratings in August 2013. (Most recently affirmed in July 2014.)
	Standard and Poor's affirmed AA (First Lien) and lowered Second Lien rating to AA- in August 2013. (Most recently affirmed in July 2014.)
Refinancing Activity:	$30.4 million to refund Second Lien 2003 Series A and $91.2 million to takeout line of credit.
Other Activities:	N/A

Sewer System Revenue Bond Ratings

First Lien:	Aa2 (Moody's)	Second Lien:	Aa3 (Moody's)
	AA (Standard & Poor's)		AA- (Standard & Poor's)

Sewer System Revenue Bonds Outstanding

Figure 12: Five-Year History of Outstanding Sewer System Revenue Bonds



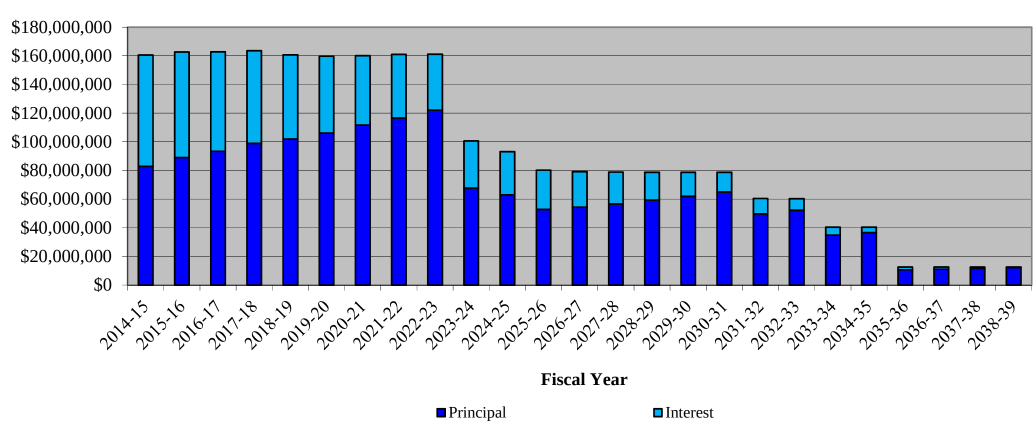
* The Third Lien includes $160 million oustanding on a line of credit which was repaid with 2nd lien revenue bonds in the subsequent fiscal year.

** The Third Lien includes $78.6 million outstanding on a line of credit which was repaid with 2nd lien revenue bonds in fiscal year 2013-14.

Table 8: Outstanding Sewer System Revenue Bonds

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
First Lien Bonds:				
2004 Series A	11/30/2004	10/1/2024	$163,500,000	$108,980,000
2004 Series B Refunding	11/30/2004	6/1/2017	93,080,000	79,180,000
2005 Series A Refunding	6/16/2005	8/1/2020	144,850,000	144,850,000
2006 Series A	5/25/2006	6/15/2031	177,845,000	142,050,000
2007 Series A Refunding	3/8/2007	6/1/2015	193,510,000	31,530,000
2008 Series A Revenue & Refunding	4/17/2008	6/15/2033	333,015,000	266,340,000
Total First Lien Bonds				$772,930,000
Second Lien Bonds:				
2006 Series B	5/25/2006	6/15/2031	$87,135,000	$69,865,000
2008 Series B Revenue & Refunding	4/17/2008	6/15/2033	195,700,000	187,505,000
2010 Series A	8/19/2010	3/1/2035	407,850,000	362,010,000
2013 Series A Revenue & Refunding	9/17/2013	8/1/2038	210,965,000	210,965,000
Total Second Lien Bonds				$830,345,000
Third Lien Bonds:				
State Loans	Various	Various	$26,302,393	$17,611,990
Total Third Lien Bonds				$17,611,990
TOTAL OUTSTANDING				$1,620,886,990

Figure 13: Sewer System Annual Debt Service Requirements

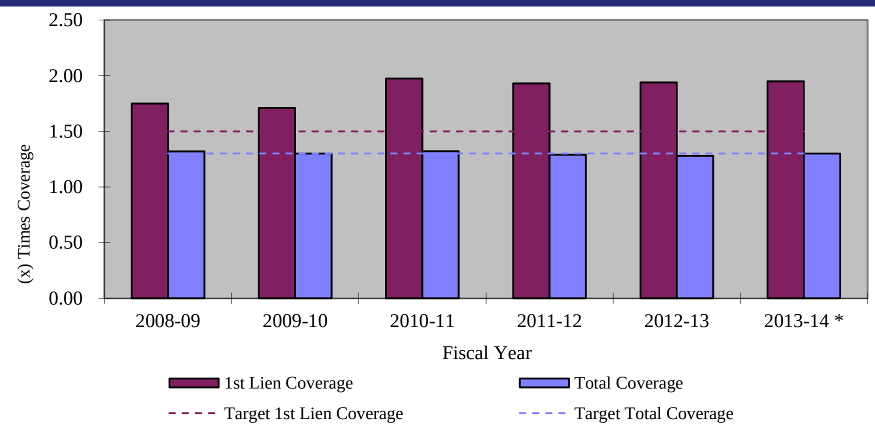


Security for Sewer System Revenue Bonds

Revenues of the Sewer System

The Bureau of Environmental Services charges fees to City residents and businesses for sanitary and storm water collection, transport, and treatment. Sewer rates are set at levels that meet all legal covenants and planning targets to provide sewer system revenues sufficient to cover sewer system debt obligations. Figure 14 shows the ratio of net revenues to debt service (referred to as "debt service coverage") for first and second lien bonds over the past five years. Note that the Bureau of Environmental Services has established a rate stabilization fund that can be used to smooth rate increases while maintaining desired debt service coverage levels.

Figure 14: Debt Service Coverage Ratios - Sewer System Revenue Bonds



* Preliminary unaudited coverage estimate.

Sewer System Debt Service Reserves

Outstanding sewer revenue bonds are also secured by a debt service reserve. All sewer revenue bond debt reserves are currently funded at or above the legal minimums either with cash or through bond insurance (surety).

WATER SYSTEM REVENUE BONDS

The Water Bureau issues Water System Revenue Bonds to provide funding for a significant portion of its capital program. Bonds are secured by either a first lien or second (subordinate) lien on the net revenues of the water system. Over the past several years, outstanding water system debt has increased with implementation of the bureau's capital program to meet the requirements of the federal Long-Term 2 Enhanced Surface Water Treatment ("LT2") Rule, federal Endangered Species Act requirements, system vulnerability needs, and aging infrastructure needs. According to the Water Bureau's fiscal year 2014-15 financial plan, approximately $368 million of additional water revenue bonds (including reserves and issuance costs) are expected to be issued through fiscal year 2018-19 to fund a portion of the Water Bureau's ongoing capital improvement plan.

Fiscal Year 2013-14 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	N/A

Water System Revenue Bond Ratings

First Lien: Aaa (Moody's) Second Lien: Aa1 (Moody's)

Water System Revenue Bonds Outstanding

Figure 15: Five-Year History of Outstanding Water System Revenue Bonds

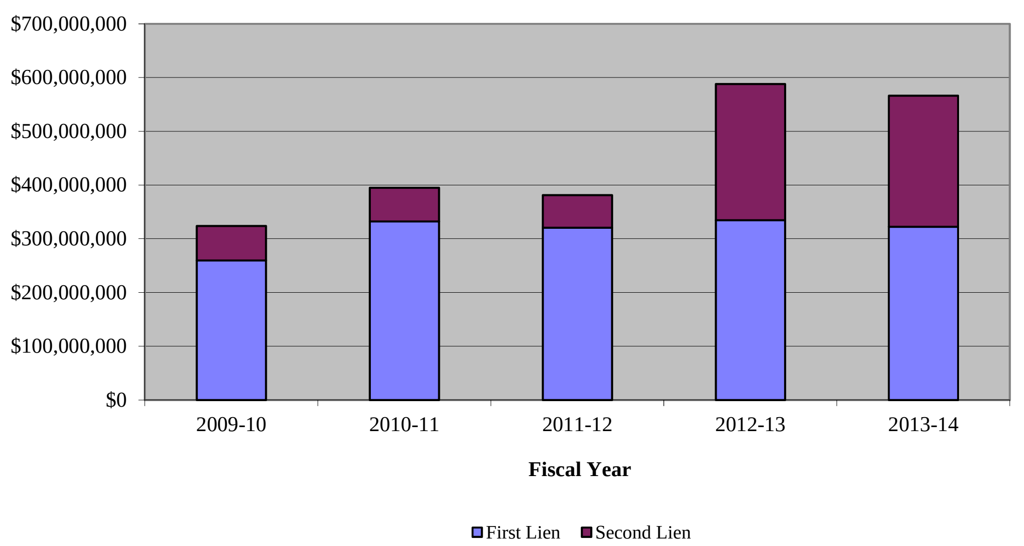
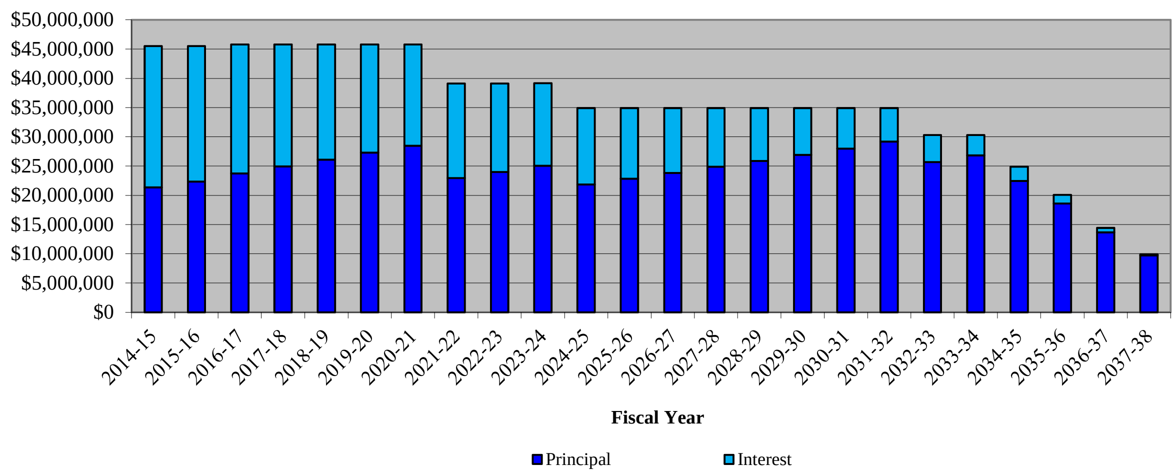


Table 9: Outstanding Water System Revenue Bonds

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
First Lien Bonds:				
2006 Series B Refunding	9/21/2006	10/1/2020	$44,000,000	$36,000,000
2008 Series A	8/7/2008	11/1/2033	79,680,000	70,160,000
2010 Series A	2/11/2010	5/1/2035	73,440,000	66,790,000
2011 Series A	3/22/2011	5/1/2036	82,835,000	77,340,000
2012 Series A	8/2/2012	4/1/2037	76,510,000	71,880,000
Total First Lien Bonds				$322,170,000
Second Lien Bonds:				
2013 Series A	5/2/2013	4/1/2037	$253,635,000	$244,240,000
Total Second Lien Bonds				$244,240,000
TOTAL OUTSTANDING				$566,410,000

Figure 16: Water System Annual Debt Service Requirements

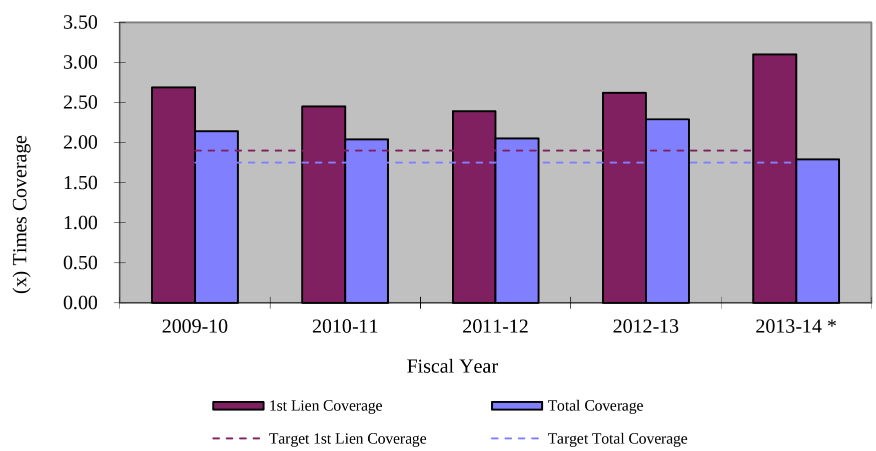


Security for Water System Revenue Bonds

Revenues of the Water System

The Water Bureau charges fees to City residents and businesses for treatment and transmission of water. The Water Bureau's financial plans set water rates at levels that meet all legal covenants and planning targets to provide water system revenues sufficient to cover water system debt obligations. Figure 17 shows the ratio of net revenues to debt service (referred to as "debt service coverage") for first and second lien bonds over the past five years. Note that for second lien bonds, the Water Bureau has established a rate stabilization fund that can be used to smooth rate increases while maintaining desired debt service coverage levels.

Figure 17: Debt Service Coverage Ratios - Water System Revenue Bonds



* Preliminary unaudited coverage estimate.

Water System Debt Service Reserves

Outstanding water revenue bonds are also secured by a debt service reserve. All water revenue bond debt reserves are currently funded at or above the legal minimums either with cash or through bond insurance (surety).

GAS TAX REVENUE BONDS

The Bureau of Transportation occasionally issues bonds or borrows on lines of credit to provide funding for portions of its capital program. Gas Tax Revenue Bonds are secured by a pledge of the City's gas tax revenues, as described in the Security section below. All payments of Gas Tax Revenue Bonds have been made as scheduled from gas tax revenues.

Fiscal Year 2013-14 Highlights

Debt Issued:	$1.1 million Gas Tax Refunding Bonds (bank placement)
Rating Actions:	None
Refinancing Activity:	$1.1 million to refinance Gas Tax Revenue Bonds, 1998 Series A
Other Activities:	N/A

Gas Tax Revenue Bond Rating

Aa2 (Moody's)

Gas Tax Revenue Bonds Outstanding

Figure 18: Five-Year History of Outstanding Gas Tax Revenue Bonds

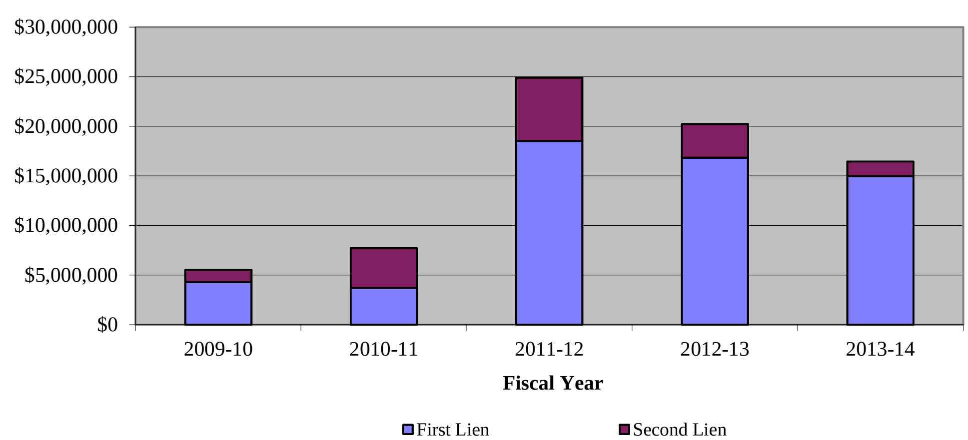


Table 10: Outstanding Gas Tax Bonds

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
First Lien:				
Gas Tax Revenue Refunding Bonds, 2005 Series A	3/17/2005	6/1/2016	$4,400,000	$975,000
Gas Tax Revenue Bonds, 2011 Series A	11/22/2011	2/1/2023	15,400,000	13,135,000
Gas Tax Revenue Refunding Bonds, 2013 Series A	8/6/2013	6/1/2018	1,073,000	864,000
Total First Lien Bonds				$14,974,000
Second Lien:				
2010 Credit Facility	10/8/2010	6/1/2015	$7,500,000	$1,467,200
Total Second Lien				$1,467,200
TOTAL OUTSTANDING				$16,441,200

Security for Gas Tax Revenue Bonds

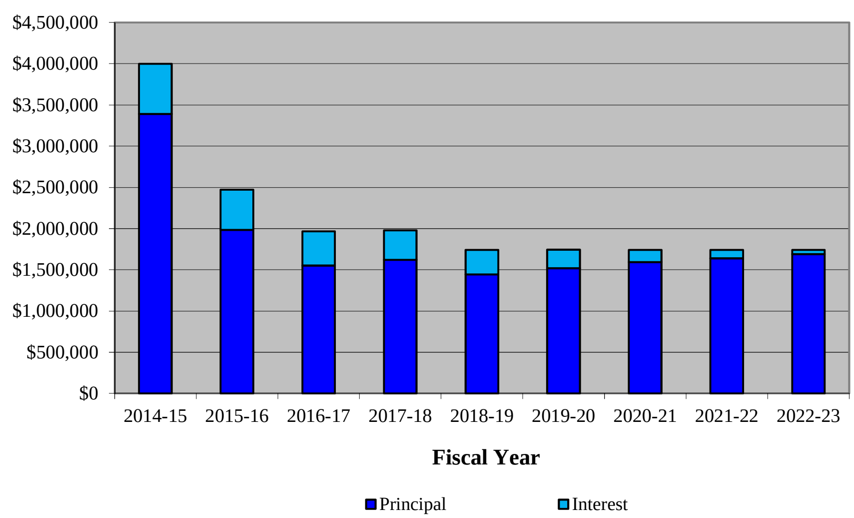
Gas Tax Revenues

Gas tax revenues include taxes and fees charged for motor fuel purchases and vehicle registration within the City. The Bureau of Transportation is responsible for collection of gas tax revenues from the State and County. Certain Limited Tax Revenue Bonds are also paid from (though not legally secured by) gas tax revenues – these bonds are included in the category of self-supporting debt secured by property taxes.

Gas Tax Debt Service Reserves

Outstanding gas tax bonds are also secured by a debt service reserve. All gas tax bond reserves are currently funded at or above the legal minimums either with cash or through bond insurance (surety).

Figure 19: Gas Tax Annual Debt Service Requirements



URBAN RENEWAL AND REDEVELOPMENT BONDS

About Urban Renewal and Redevelopment Bonds

The City has eighteen urban renewal areas. Ten of these districts, as further described below, have issued long-term debt or interim debt. Eight districts - Willamette Industrial, the Education Urban Renewal Plan and the six small urban renewal areas described in the following paragraph - have not yet incurred long-term or interim debt.

In fiscal year 2011-12, the City formed six small urban renewal areas as part of the City's Neighborhood Prosperity Initiative ("NPI"). NPI district acreage and assessed values are counted against the City's combined urban renewal limitations identified in Table 11. However, NPI districts are not authorized to issue long-term or interim debt, and are therefore excluded from some debt statistics in this section of the Annual Debt Report.

Urban renewal debt is repaid from property taxes generated on the increase in property value from the time the urban renewal area is formed. The increase in property value above this base amount is referred to as the incremental assessed value.

Urban Renewal and Redevelopment Bonds	*Long term bonds issued for projects in an urban renewal area, supported by a portion of property taxes allocable to that urban renewal area.*

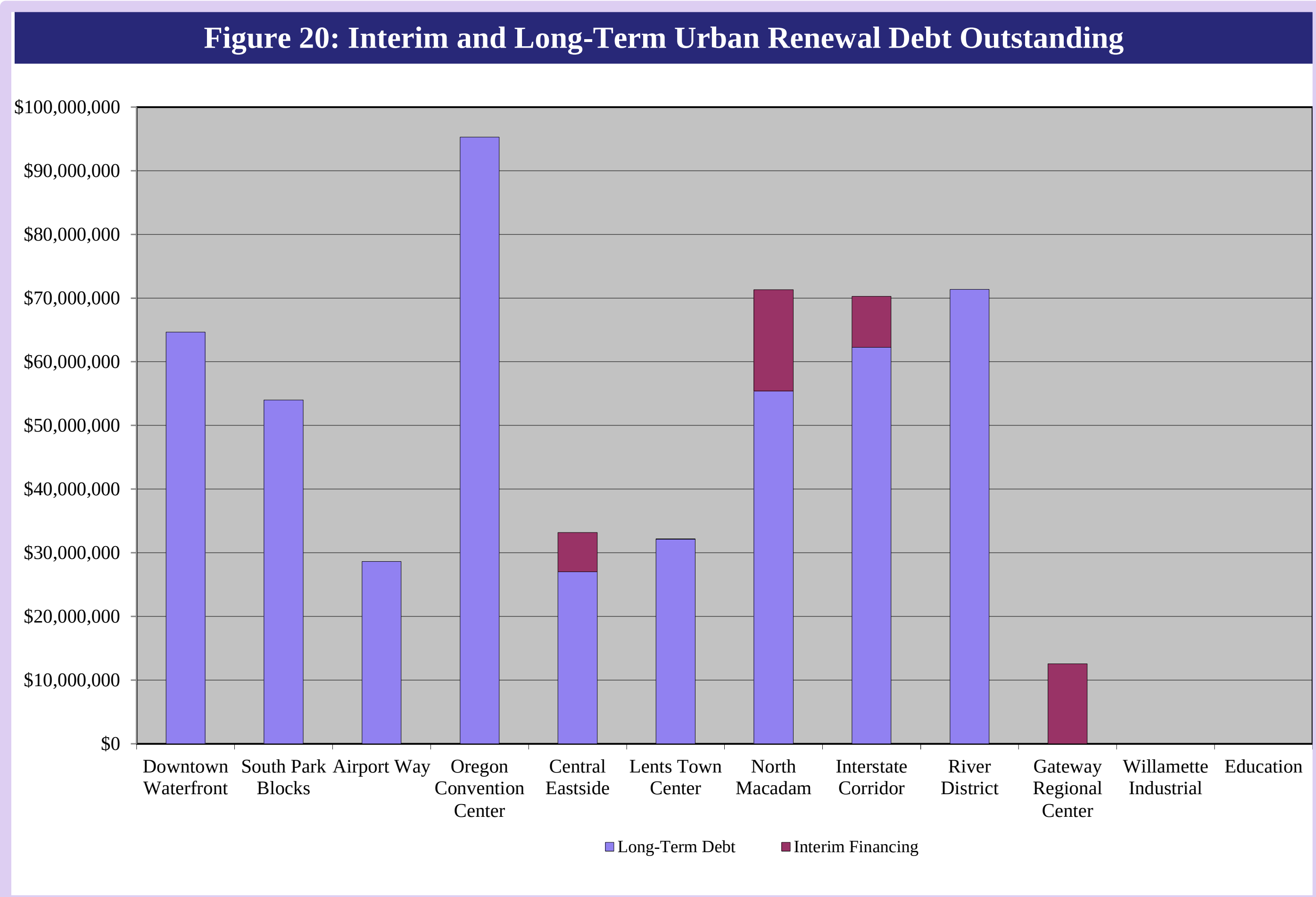
Outstanding Urban Renewal Debt

Short-Term (Interim) Urban Renewal Debt

The City often uses interim borrowings (lines of credit) to initially fund urban renewal projects. While paid from tax increment revenues and proceeds of long term urban renewal and redevelopment bonds, urban renewal lines of credit also are secured by the City's full faith and credit and are therefore included in calculations of debt secured by General Fund resources. The City borrows on lines of credit for urban renewal areas until the outstanding balance is large enough to cost effectively repay the line of credit from proceeds of long-term bonds secured solely by tax increment revenues. In some circumstances, the City may also use tax increment revenues to directly repay line of credit balances. In fiscal year 2013-14, there were no urban renewal bonds issued and no material draws on the lines of credit resulting in a stable combined balance on outstanding urban renewal lines of credit of $42.7 million as of June 30, 2014.

Long-Term Urban Renewal Debt

Total outstanding long-term debt for urban renewal areas as of June 30, 2014, was $490,735,000. At fiscal year-end, nine urban renewal districts had outstanding long term debt as shown in the table below. Long-term urban renewal debt is secured by and paid solely from tax increment revenues generated by an urban renewal area. No new long-term urban renewal bonds were issued in fiscal year 2013-14.



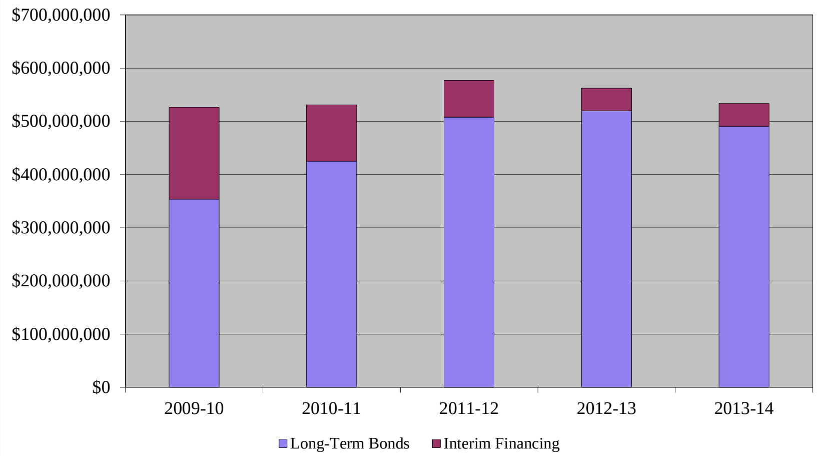
Du Jour Borrowing	*A one day borrowing that makes tax increment collections legally available to be spent on projects in an urban renewal area without issuance of long term debt.*

In addition to interim and long-term urban renewal debt, the City uses du jour borrowings to provide eligible funds to urban renewal districts. These borrowings convert available tax increment collections to useable cash as allowed by the Oregon Revised Statutes and effectively provide a pay-as-you-go option for funding urban renewal projects. Du jour borrowings are outstanding for a single day and therefore do not show up on the outstanding debt tables. Because of the very short maturity, du jour borrowings can be completed at an extremely low cost. Du jour borrowing is counted against the maximum indebtedness limitation for an urban renewal district, as described in the following section describing urban renewal limitations.

Outstanding Urban Renewal Debt Summary

At the end of fiscal year 2013-14, the combined amount of outstanding interim and long-term urban renewal debt was $533.4 million. Since fiscal year 2009-10, total outstanding urban renewal debt has increased approximately 1.4%. Outstanding interim debt, which is secured by both the City's general fund and tax increment revenues, remained the same in fiscal year 2013-14 as a result of du jour borrowings being sufficient to meet funding requirements.

Figure 21: Total Urban Renewal Debt Outstanding



Limitations on Urban Renewal Areas

Limitations on Total Size of Urban Renewal Areas

Chapter 457 of the Oregon Revised Statues places limits upon the amount of a City's total acreage and assessed value that can be included within an urban renewal area. The total assessed value of properties within urban renewal areas, determined at the time of formation (and as may be later amended in the urban renewal plan), cannot exceed 15% of total assessed value in the City. Also, the total combined acreage within urban renewal areas cannot exceed 15% of total area within the City. The table below indicates the City's compliance within these statutory limitations as of June 30, 2014.

Table 11: Urban Renewal Size Capacity

	Acreage	Assessed Value
City of Portland Total	92,768	$46,142,052,109
Urban Renewal Areas	13,226	$5,518,368,426
Maximum Allowed	15.00%	15.00%
% Used	14.26%	11.96%
Capacity Remaining	689	$1,402,939,390

Maximum Indebtedness Limitations for Urban Renewal Areas

The City may issue debt up to a maximum amount established in the plan of each urban renewal area. This amount is referred to as an urban renewal area's maximum indebtedness. The table below shows the maximum indebtedness limitation for each of the City's urban renewal areas and the remaining capacity available to be borrowed within that limitation as of June 30, 2014.

Tabele 12: Remaining Borrowing Capacity for Urban Renewal Areas

Urban Renewal Area	Final Date to Issue Debt	Maximum Indebtedness	Long-Term Bonds Issued *	Other Indebtedness **	Outstanding Line of Credit Balances	Remaining Borrowing Capacity	
Downtown Waterfront	Expired	$165,000,000	$96,685,000	68,315,000	$0	$0	
South Park Blocks	Expired	143,619,000	77,810,000	34,225,000	0	31,584,000	***
Airport Way	Expired	72,638,268	53,000,000	19,638,268	0	0	
Oregon Convention Center	Expired	167,511,000	119,140,000	48,370,000		1,000	***
Central Eastside	August 2018	104,979,000	32,920,340	51,511,161	6,186,639	14,360,860	
Lents Town Center	June 2020	245,000,000	36,890,000	79,959,895	2,882	128,147,223	
North Macadam	June 2020	288,562,000	64,925,000	49,436,730	15,927,680	158,272,590	
Interstate Corridor	At Max Indebt.	335,000,000	81,835,000	72,705,000	8,017,000	172,443,000	
River District	June 2021	489,500,000	106,269,306	198,415,000	0	184,815,694	
Gateway	June 2022	164,240,000	-	24,981,099	12,552,386	126,706,515	
Willamette Industrial	December 2024	200,000,000	-	5,496,000	0	194,504,000	
Education District	At Max Indebt.	169,000,000	0	1,020,000	0	167,980,000	
42nd Avenue NPI	At Max Indebt.	1,250,000	0	39,500	0	1,210,500	
Cully Blvd. NPI	At Max Indebt.	1,250,000	0	65,500	0	1,184,500	
Parkrose NPI	At Max Indebt.	1,250,000	0	0	0	1,250,000	
Rosewood NPI	At Max Indebt.	1,250,000	0	38,500	0	1,211,500	
Division-Midway NPI	At Max Indebt.	1,250,000	0	34,500	0	1,215,500	
82nd Ave. & Division NPI	At Max Indebt.	1,250,000	0	0	0	1,250,000	
Total		$2,552,549,268	$669,474,646	$654,251,153	$42,686,587	$1,186,136,882	

* Includes interim financing counting against maximum indebtedness that was subsequently converted to long-term debt.

** Includes du jour borrowings and disbursements to NPI urban renewal areas.

*** Cannot be accessed via issuance of long-term or interim debt due to expiration of final date to issue debt.

Fiscal Year 2013-14 Highlights

Fiscal year 2013-14 was a quiet year for urban renewal financing with no long-term urban renewal bond transactions and no line of credit draws.

New Issuance

None.

Bond Refinancings

None.

Rating Actions

None.

Option 3 Urban Renewal Districts

Option 3 District	*A specific type of urban renewal district established by statutory changes in 1997 that collect a fixed dollar amount of property tax revenues from the incremental assessed value of the district plus an allocated portion of a citywide special levy.*

Overview

The City has four Option 3 urban renewal areas: Airport Way, Downtown Waterfront, Oregon Convention Center, and South Park Blocks. All of the City's Option 3 districts have either reached their final date to issue debt or reached their maximum indebtedness limit.

Tax Collections

Option 3 districts receive tax increment revenues through a combination of fixed taxes on the incremental assessed value of the urban renewal area and an allocation of the urban renewal special levy. The incremental assessed value needed to generate the fixed urban renewal taxes has historically been less than the full incremental assessed value. Any incremental value not allocated to payment of debt service is released to the overlapping taxing jurisdictions, as shown in the table below.

Table 13: Summary of Option 3 District Assessed Value

Urban Renewal Area	Frozen Base	Incremental Assessed Value	Incremental AV Used	Taxes on Incremental AV *	Incremental AV Released
Airport Way	$124,710,301	$1,065,895,813	$117,341,649	$2,540,000	$948,554,164
Downtown Waterfront	55,674,313	967,422,027	323,507,815	7,710,000	643,914,212
Oregon Convention Center	214,100,689	806,003,675	240,595,201	5,740,000	565,408,474
South Park Blocks **	305,692,884	770,670,660	237,490,821	5,660,000	533,179,839

* Before Measure 5 compression. Includes Special Levy plus taxes from incremental assessed value.
** Frozen base and incremental AV amounts reflect changes approved in fiscal year 2012-13 and released by the County in July 2013.

Per City Council direction and in accordance with the debt service requirements of each urban renewal area, a special levy is allocated amongst each of the four urban renewal areas in a combined amount planned not to exceed $15 million. Availability of the special levy has historically resulted in higher bond ratings for Option 3 areas than for other types of urban renewal areas.

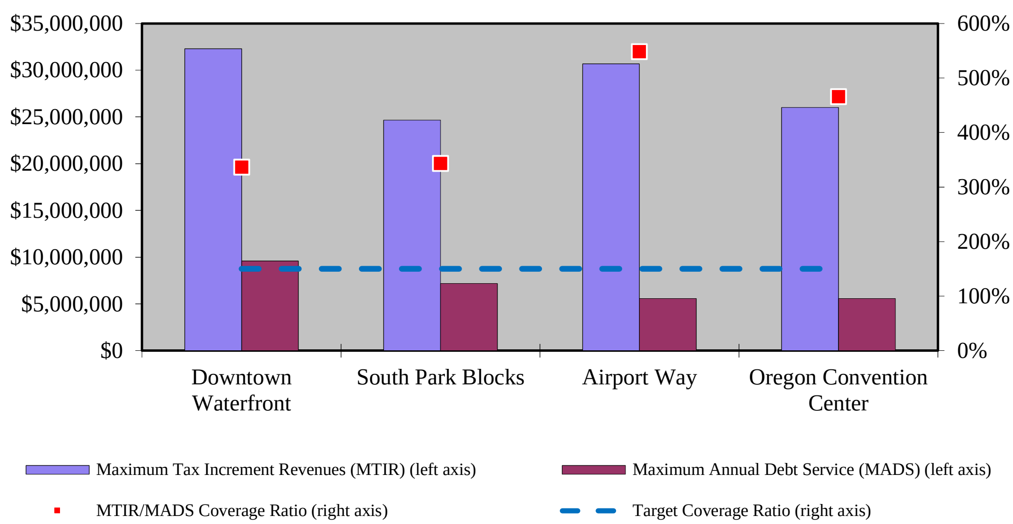
Security

For planning purposes, the City's target coverage ratio standard for Option 3 districts is generally for maximum tax increment revenues to provide at least 150% of the maximum annual debt service. This coverage standard recognizes the strength of the urban renewal special levy, which is currently imposed in an amount significantly below statutorily authorized levels. The maximum tax increment revenues were established for each urban renewal area with the passage of Measure 50, and, since that time, grow at the same rate as the incremental assessed value of the district. In fiscal year 2013-14, the maximum tax increment revenues significantly exceeded the maximum annual debt service, providing a minimum of 3.37X coverage of maximum annual debt service (Downtown Waterfront) and a maximum of 5.49X coverage (Airport Way).

Maximum Annual Debt Service (MADS)	*The maximum annual amount due during the life of a bond issue or group of bond issues. Often used to calculate "coverage" a calculation that demonstrates the availability of revenues above the required debt payment.*

Outstanding urban renewal bonds may also be secured by a debt service reserve. Certain outstanding long-term bonds issued for the Downtown Waterfront, Oregon Convention Center and South Park Blocks do not have debt service reserves due to favorable debt service coverage and market conditions at the time those bonds were issued.

Figure 22: Summary of Option 3 District Debt Service Coverage



Standard and Reduced Rate Plan Districts

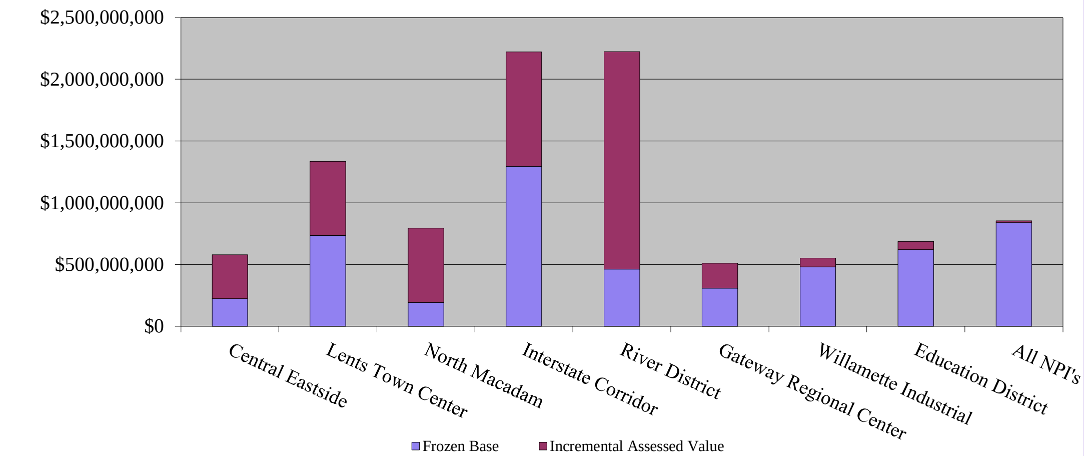
Overview

The majority of the City's urban renewal areas are either "standard rate" plans or "reduced rate" plans. The primary difference between these plans are the tax rate used to calculate the tax increment revenues. For a standard rate plan, the tax rate consists of all permanent rates, local option levies, the Fire and Police Disability and Retirement (FPD&R) levy, and bond levies of taxing jurisdictions that overlap the urban renewal area. For reduced rate plans, only incremental revenues generated by permanent rates, the FPD&R levy and bond levies passed prior to October 6, 2001 are included in the tax rate. The City has five standard rate plans: Gateway Regional Center, Interstate Corridor, Lents Town Center, North Macadam, and River District. Long term debt is outstanding for all of these districts, except Gateway. The City has three reduced rate plans, Central Eastside, Willamette Industrial and the Education urban renewal area, and six NPI districts, with long-term bonds outstanding for only Central Eastside. None of these districts has reached its maximum indebtedness limitation.

Tax Collections

All of the City's reduced rate plan and standard rate plan urban renewal districts receive tax increment revenues on the full value of the incremental assessed value, except for River District, the Education Urban Renewal Plan and the NPI districts. In 2009, state legislation required River District and districts formed on or after January 1, 2010, to share revenues generated on the incremental assessed value after reaching certain milestones. Fiscal year 2010-11 marked the first year that sharing was required for the River District. For fiscal year 2013-14, the River District amount shared with overlapping tax districts was $4,429,236. Figure 24 below provides the incremental assessed value for the reduced rate and standard rate plan urban renewal areas.

Figure 23: Summary of Standard/Reduced Plan District Incremental Assessed Value

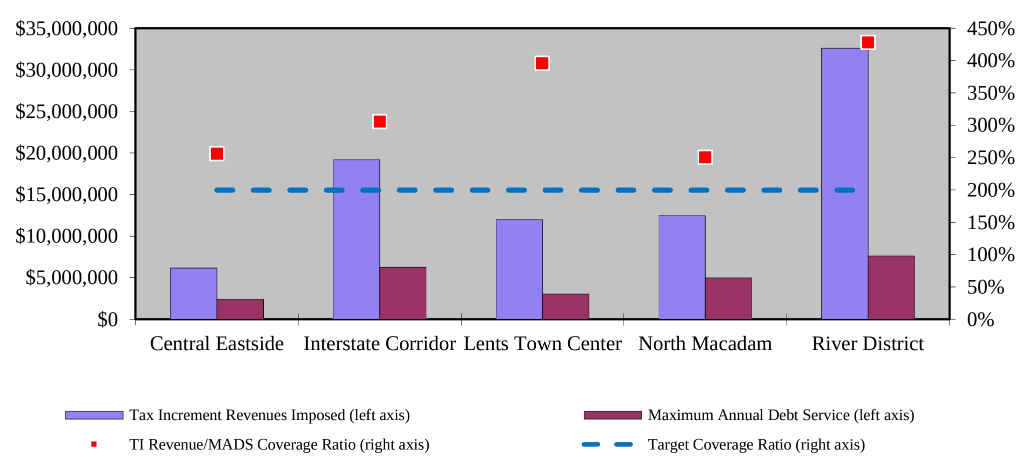


Security

For planning purposes, the City's target coverage ratio standard for all reduced rate plan and standard rate districts is for tax increment revenues to be at least 200% of the maximum annual debt service. The higher coverage reflects the passive nature of the tax increment revenue stream. The City cannot control tax rates, growth in incremental assessed value, Measure 5 compression, and other factors that affect tax increment revenue collections. Higher debt service coverage helps mitigate the risk of lower collections that could result from unanticipated impacts of any of these factors.

The City maintains cash-funded debt service reserves for all bonds issued for standard and reduced rate plans.

Figure 24: Summary of Standard/Reduced Plan District Debt Service Coverage



Downtown Waterfront

Urban Renewal District Bonds

District Summary

Year of URA Formation:	1974
District Type:	Option 3
Final Year to Issue Debt:	2008 (Expired)
Remaining Max. Indebtedness:	None
District Area:	233 acres
Frozen AV Base:	$55,674,313
FY2013-14 District AV:	$1,023,096,350
Incremental AV Used:	$323,507,815
Est. FY2013-14 Tax Collections:	$9,550,612

Fiscal Year 2013-14 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	None

Bond Rating

Aa3 (Moody's)

Debt Outstanding

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
2008 Series A	4/22/2008	6/15/2024	$50,165,000	$38,370,000
2011 Series A	7/6/2011	6/15/2020	$30,370,000	$26,270,000
Total Long-Term Debt			$80,535,000	$64,640,000
Interim debt				$0

Figure 25: Five Year History of Outstanding Downtown Waterfront Urban Renewal Debt

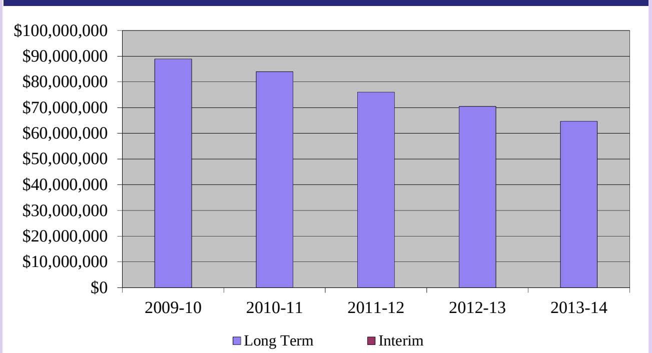
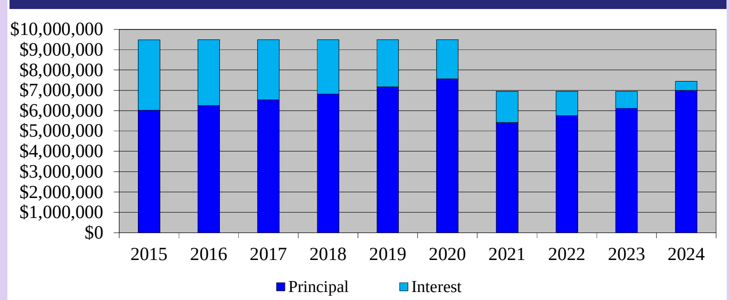


Figure 26: Total Annual Debt Service Requirements--Downtown Waterfront Urban Renewal Bonds



Security

Downtown Waterfront has reached its maximum indebtedness limitation and no additional tax increment bonds may be issued. The average growth in incremental assessed value over the past five years was approximately 1.67%. The maximum tax increment revenues averaged 307% of maximum annual debt service over the same five year period.

South Park Blocks

Urban Renewal District Bonds

District Summary

Year of URA Formation:	1985
District Type:	Option 3
Final Year to Issue Debt:	2008 (Expired)
Remaining Max. Indebtedness:	$31,584,000
District Area:	98 acres
Frozen Base:	$305,692,884
FY2013-14 District AV:	$1,076,363,544
Incremental AV Used:	$237,490,821
Est. FY2012-13 Tax Collections:	$7,157,835

Fiscal Year 2013-14 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	None

Bond Rating

Aa3 (Moody's)

Debt Outstanding

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
2008 Series A	7/16/2008	6/15/2019	$34,580,000	$21,970,000
2008 Series B	7/16/2008	6/15/2024	$32,020,000	$32,020,000
Total Long-Term Debt			$66,600,000	$53,990,000
Interim debt				$0

Figure 27: Five-Year History of Outstanding South Park Blocks Urban Renewal Debt

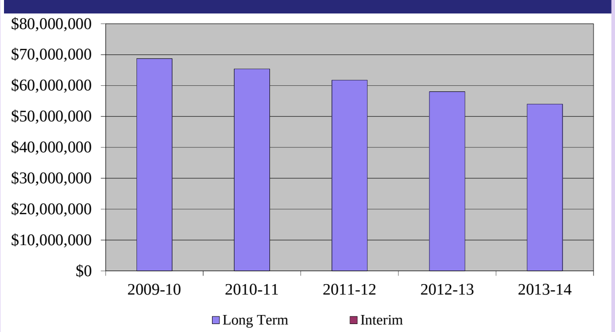
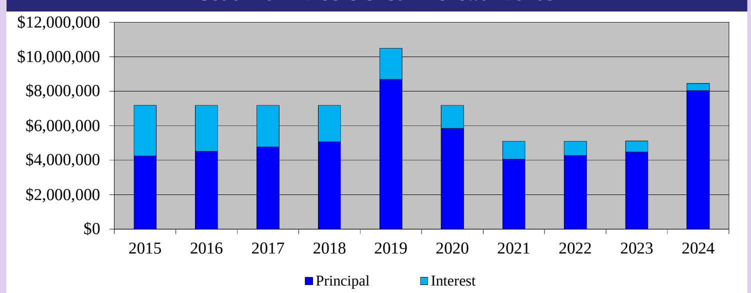


Figure 28: Total Annual Debt Service Requirements-- South Park Blocks Urban Renewal Bonds



Security

The last date to issue long-term debt for the South Park Blocks urban renewal area was in July 2008. In fiscal year 2011-12 the South Park Blocks urban renewal plan was amended to reduce the size and assessed value. The impact of the reduction was realized in fiscal year 2013-14. The growth in incremental assessed value over the past five years averaged approximately 1.58% including the impact of the reduction. The maximum tax increment revenues averaged 375% of the maximum annual debt service over the same five year period.

Airport Way
Urban Renewal District Bonds

District Summary

Year of URA Formation:	1986
District Type:	Option 3
Final Year to Issue Debt:	2011 (Expired)
Remaining Max. Indebtedness:	None
District Area:	1,841 acres
Frozen AV Base:	$124,710,301
FY2013-14 District AV:	$1,190,606,114
Incremental AV Used:	$117,341,649
Est. FY2013-14 Tax Collections:	$5,511,318

Fiscal Year 2013-14 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	None

Bond Rating

Aa3 (Moody's)

Debt Outstanding

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
2005 Series A	9/29/2005	6/15/2020	$45,370,000	$28,640,000
Interim debt				$0

Figure 29: Five-Year History of Outstanding Airport Way Urban Renewal Debt

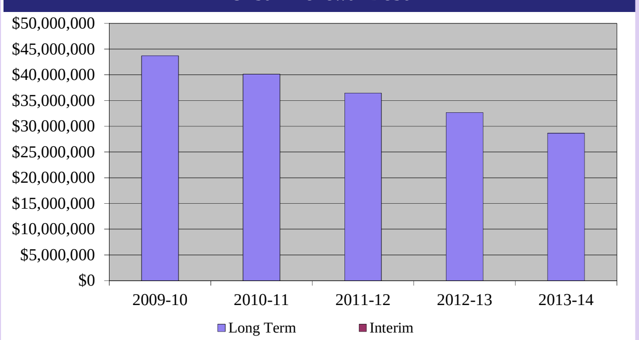
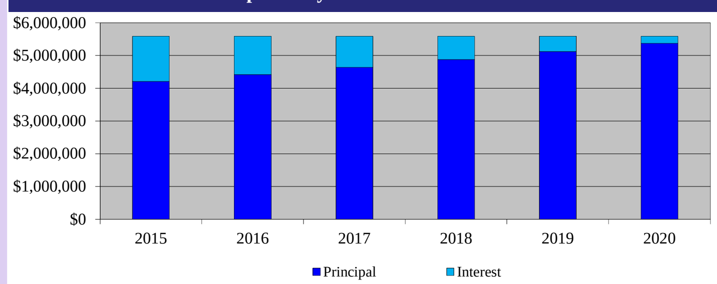


Figure 30: Total Annual Debt Service Requirements--Airport Way Urban Renewal Bonds



Security

Airport Way has reached its maximum indebtedness limitation and no additional tax increment bonds may be issued. The growth in incremental assessed value over the past five years averaged approximately 2.14% while the maximum tax increment revenues averaged 549% of the maximum annual debt service over the same five year period.

Oregon Convention Center
Urban Renewal District Bonds

District Summary

Year of URA Formation:	1989
District Type:	Option 3
Final Year to Issue Debt:	2013 (Expired)
Remaining Max. Indebtedness:	$1,000
District Area:	410 acres
Frozen AV Base:	$214,100,689
FY2013-14 District AV:	$1,020,104,364
Incremental AV Used:	$240,595,201
Est. FY2013-14 Tax Collections:	$8,767,591

Fiscal Year 2013-14 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	None

Bond Rating

Aa3 (Moody's)

Debt Outstanding

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
2011 Series B Refunding	7/6/2011	6/15/2020	$29,685,000	$25,515,000
2012 Series A	5/17/2012	6/15/2025	$69,760,000	$69,760,000
Total Long-Term Debt			$99,445,000	$95,275,000
Interim debt				$0

Figure 31: Five-Year History of Outstanding Oregon Convention Center

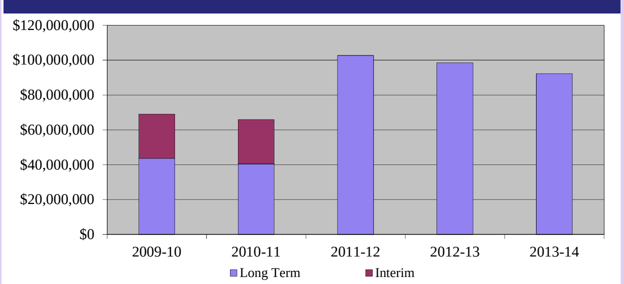
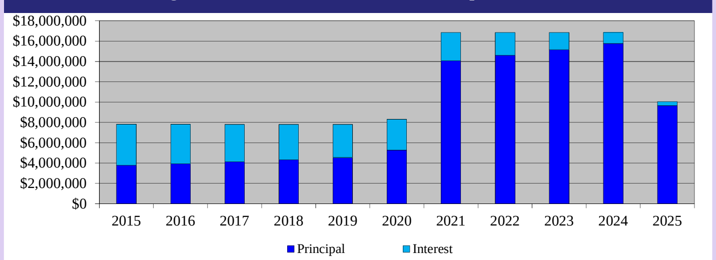


Figure 32: Total Annual Debt Service Requirements--



Security

Oregon Convention Center has reached its maximum indebtedness limitation and no additional tax increment bonds may be issued. Incremental assessed value declined over the past five years at an average rate of approximately -0.39% as a result of a plan amendment in fiscal year 2010-11 that removed property from the tax rolls beginning in fiscal year 2012-13. The maximum tax increment revenues averaged 463% of the maximum annual debt service over the same five year period.

Central Eastside

Urban Renewal District Bonds

District Summary

Year of URA Formation:	1986
District Type:	Reduced Rate Plan
Final Year to Issue Debt:	2018
Remaining Max. Indebtedness:	$14,360,860
District Area:	692 acres
Frozen AV Base:	$224,626,739
FY2013-14 District AV:	$578,662,875
Incremental AV Used:	$354,036,136
Est. FY2013-14 Tax Collections:	$5,914,553

Fiscal Year 2013-14 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $3,000,000

Bond Rating

A2 (Moody's)

Debt Outstanding

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
2011 Series A (Taxable)	3/31/2011	6/15/2021	$10,205,000	$7,535,000
2011 Series B	3/31/2011	6/15/2031	$19,485,000	$19,485,000
Total Long-Term Debt			$29,690,000	$27,020,000
Interim debt				$6,184,000

Figure 33: Five-Year History of Outstanding Central Eastside Urban Renewal Debt

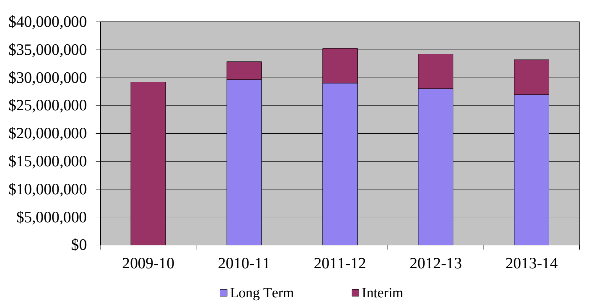
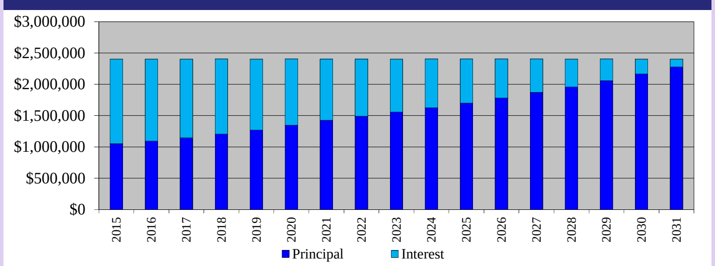


Figure 34: Total Annual Debt Service Requirements-- Central Eastside Urban Renewal Bonds



Security

The growth in incremental assessed value over the past five years averaged about 5.01%. Central Eastside had no outstanding long-term debt prior to fiscal year 2010-11. In the four years since long-term debt has been outstanding, tax increment revenues as a percent of maximum annual debt service grew from 227% in fiscal year 2010-11 to 256% in fiscal 2013-14.

Lents Town Center
Urban Renewal District Bonds

District Summary

Year of URA Formation:	1998
District Type:	Standard Rate Plan
Final Year to Issue Debt:	2020
Remaining Max. Indebtedness:	$128,147,223
District Area:	2,846 acres
Frozen AV Base:	$736,224,033
FY2013-14 District AV:	$1,336,091,065
Incremental AV Used:	$599,867,032
Est. FY2013-14 Tax Collections:	$11,520,665

Fiscal Year 2013-14 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $8,620,000

Bond Rating

A1 (Moody's)

Debt Outstanding

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
2010 Series A (Taxable)	6/24/2010	6/15/2024	$21,240,000	$16,485,000
2010 Series B	6/24/2010	6/15/2030	$15,650,000	$15,650,000
Total Long-Term Debt			$36,890,000	$32,135,000
Interim debt				$0

Figure 35: Five Year History of Outstanding Lents Town Center Urban Renewal Debt

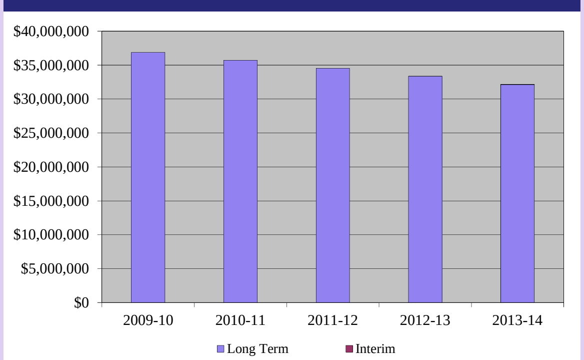
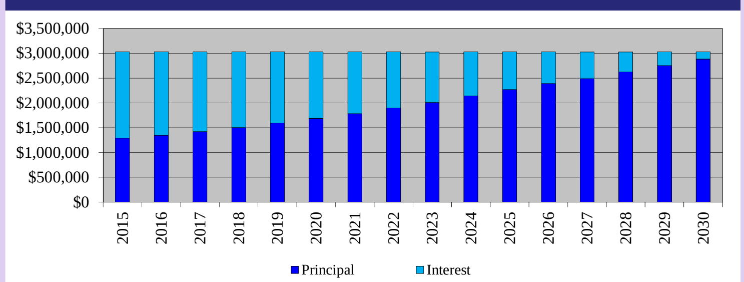


Figure 36: Total Annual Debt Service Requirements--Lents Town Center Urban Renewal Bonds



Security

The growth in incremental assessed value over the past five years averaged approximately 8.44% which includes a plan amendment that added property to the urban renewal area in fiscal year 2009-10. Lents Town Center had no outstanding long-term debt prior to fiscal year 2009-10. Tax increment revenues as a percent of maximum annual debt service grew from 308% in fiscal year 2009-10 to 396% in fiscal 2013-14.

North Macadam

Urban Renewal District Bonds

District Summary

Year of URA Formation:	1999
District Type:	Standard Rate Plan
Final Year to Issue Debt:	2020
Remaining Max. Indebtedness:	$158,272,590
District Area:	402 acres
Frozen Base:	$192,609,397
FY2013-14 District AV:	$795,739,703
Incremental AV Used:	$603,130,306
Est. FY2013-14 Tax Collections:	$11,972,923

Fiscal Year 2013-14 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $5,830,000

Bond Rating

A1 (Moody's)

Debt Outstanding

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
2010 Series A (Taxable)	9/23/2010	6/15/2022	$29,645,000	$20,115,000
2010 Series B	9/23/2010	6/15/2030	$35,280,000	$35,280,000
Total Long-Term Debt			$64,925,000	$55,395,000
Interim debt				$15,920,855

Figure 37: Five-Year History of Outstanding North Macadam Urban Renewal Debt

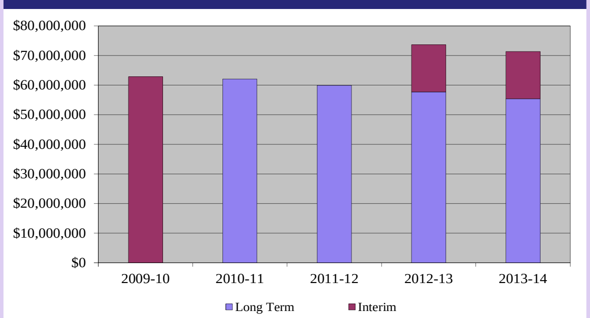
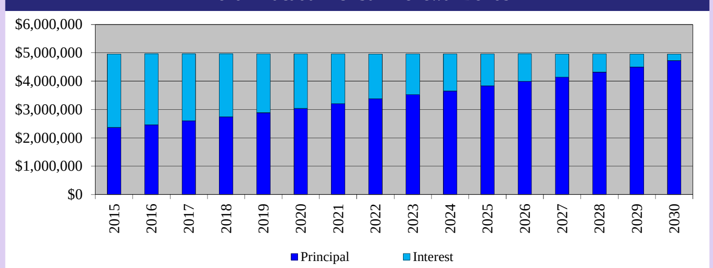


Figure 38: Total Annual Debt Service Requirements--North Macadam Urban Renewal Bonds



Security

The growth in incremental assessed value over the past five years averaged approximately 9.03%. North Macadam had no outstanding long-term debt prior to fiscal year 2010-11. In the four years since long-term debt has been outstanding, the tax increment revenues as a percent of maximum annual debt service decreased from 265% in fiscal year 2010-11 to 251% in fiscal year 2013-14 in large part due to reduction of assessed value in fiscal year 2011-12 related to a successful appeal of a major property owner within the area.

Interstate Corridor
Urban Renewal District Bonds

District Summary

Year of URA Formation:	2000
District Type:	Standard Rate Plan
Final Year to Issue Debt:	at Max Indebt.
Remaining Max. Indebtedness:	$172,443,000
District Area:	3,990 acres
Frozen AV Base:	$1,293,389,062
FY2013-14 District AV:	$2,221,429,335
Incremental AV Used:	$928,040,273
Est. FY2013-14 Tax Collections:	$18,389,974

Fiscal Year 2013-14 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $11,500,000

Bond Rating

A2 (Moody's)

Debt Outstanding

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
2004 Series A	12/9/2004	6/15/2025	$32,310,000	$21,045,000
2011 Series A (Taxable)	8/11/2011	6/15/2026	$28,890,000	$23,970,000
2011 Series B	8/11/2011	6/15/2031	$17,245,000	$17,245,000
Total Long-Term Debt				$62,260,000
Interim debt				$8,009,158

Figure 39: Five-Year History of Outstanding Interstate Corridor Urban Renewal Debt

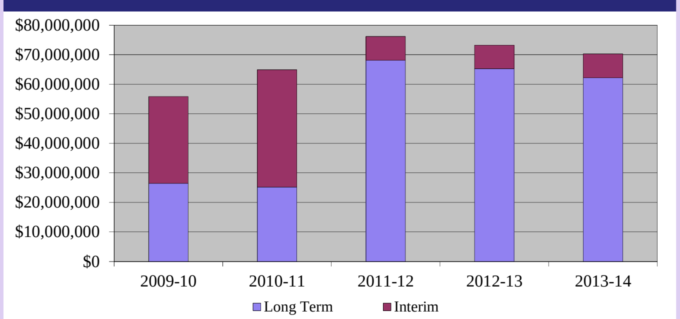
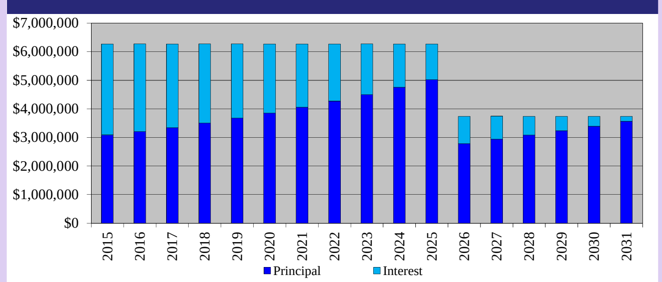


Figure 40: Total Annual Debt Service Requirements--Interstate Corridor Urban Renewal Bonds



Security

The growth in incremental assessed value over the past five years averaged approximately 12.30% which includes plan amendments that added property to the urban renewal area which increased value in fiscal year 2012-13. Tax increment revenues averaged 362% of the maximum annual debt service over the same five year period.

River District

Urban Renewal District Bonds

<u>District Summary</u>

Year of URA Formation:	1998
District Type:	Standard Rate Plan
Final Year to Issue Debt:	2021
Remaining Max. Indebtedness:	$184,815,694
District Area:	351 acres
Frozen Base:	$461,577,974
FY2013-14 District AV:	$2,224,463,411
Incremental AV Used:	$1,577,036,857
Est. FY2013-14 Tax Collections:	$31,353,956

<u>Fiscal Year 2013-14 Highlights</u>

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $25,055,000

<u>Bond Rating</u>

A1(Moody's)

Debt Outstanding

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
2003 Series B (Taxable)	6/26/2003	6/15/2015	$28,760,000	$655,000
2012 Series A (Taxable)	7/10/2012	6/15/2026	$24,250,000	$21,310,000
2012 Series B	7/10/2012	6/15/2032	$34,140,000	$34,140,000
2012 Series C (TE Non-AMT)	7/10/2012	6/15/2031	$15,275,000	$15,275,000
Total Long-Term Debt			$102,425,000	$71,380,000
Interim debt				$0

Figure 41: Five-Year History of Outstanding River District Urban Renewal Debt

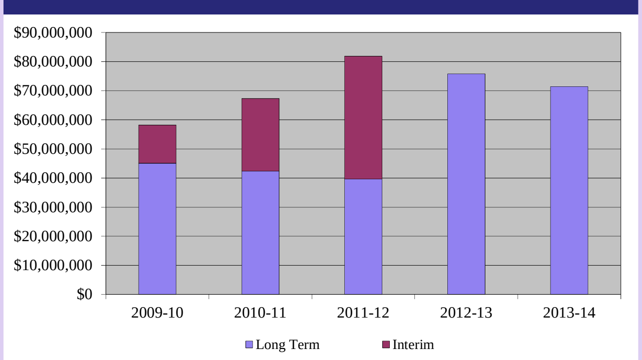
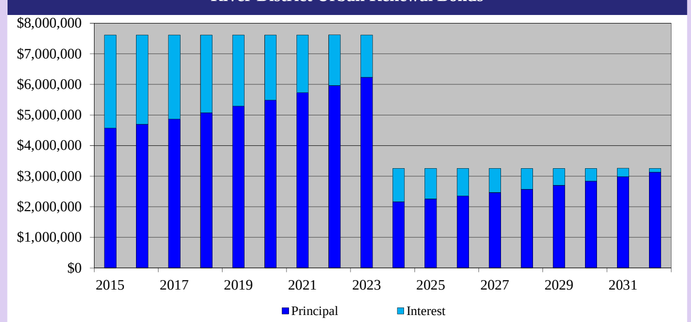


Figure 42: Total Annual Debt Service Requirements-- River District Urban Renewal Bonds



Security

The growth in incremental assessed value over the past five years averaged approximately 8.55% which includes a plan amendment that added property to the urban renewal area in fiscal year 2010-11. Tax increment revenues averaged 549% of the maximum annual debt service over the same five year period.

Gateway Regional Center

Urban Renewal District Bonds

District Summary

Year of URA Formation:	2001
District Type:	Standard Rate Plan
Final Year to Issue Debt:	2022
Remaining Max. Indebtedness:	$126,706,515
District Area:	659 acres
Frozen Base:	$307,174,681
FY2013-14 District AV:	$509,935,140
Incremental AV Used:	$202,760,459
Est. FY2012-13 Tax Collections:	$3,608,111

Fiscal Year 2013-14 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $3,500,000

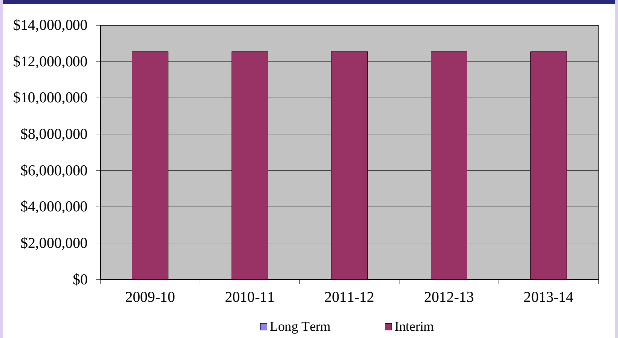
Bond Rating

None

Debt Outstanding

Long-Term Bonds:	None
Interim:	$12,552,386

Figure 43: Five-Year History of Outstanding Gateway Regional Center Urban Renewal Debt



Security

The growth in incremental assessed value over the past five years averaged approximately 9.49%. Gateway has no long-term debt outstanding.

Willamette Industrial

Urban Renewal District Bonds

District Summary

Year of URA Formation:	2004
District Type:	Reduced Rate Plan
Final Year to Issue Debt:	at Max Indebt.
Remaining Max. Indebtedness:	$194,504,000
District Area:	755 acres
Frozen Base:	$481,443,135
FY2013-14 District AV:	$552,608,310
Incremental AV Used:	$71,165,175
Est. FY2012-13 Tax Collections:	$1,164,350

Debt Outstanding

Long-Term Bonds:	None
Interim:	None

Fiscal Year 2013-14 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $1,000,000

Bond Rating

None

Education

Urban Renewal District Bonds

District Summary

Year of URA Formation:	2012
District Type:	Reduced Rate Plan
Final Year to Issue Debt:	2041
Remaining Max. Indebtedness:	$167,800,000
District Area:	144 acres
Frozen Base:	$622,437,726
FY2013-14 District AV:	$686,422,175
Incremental AV Used:	$64,004,449
Est. FY2013-14 Tax Collections:	$1,021,966

Debt Outstanding

Long-Term Bonds:	None
Interim:	None

Fiscal Year 2013-14 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $1,020,000

Bond Rating

None

CONCLUSION

Overall, total outstanding City debt saw a minor decrease in fiscal year 2013-14 as debt repayment outpaced new debt issuance. All new City debt was issued in conjunction with capital expenditures that were programmed and budgeted, continuing a long-standing City trend of not issuing long-term debt for short-term operational needs. The City made timely payment of over $208 million in principal, plus associated interest, this fiscal year.

The City has continued to manage within its financial resources and without reliance on unplanned debt issuance during recovery from a deep global recession and despite recent budgetary challenges. Future capital investment challenges remain; however, future debt payments – including borrowings anticipated in fiscal year 2014-15 – are not expected to outpace the revenue streams that support the various categories of City debt. When compared to industry benchmarks, comparative rating information, and debt service coverage capacity, the City's debt position is favorable.

Responsible use of debt financing spreads costs of City infrastructure over the usable life of an asset, allows the City to accommodate large capital needs, provides management control over cash flows and expenses, and contributes to a healthy government financial system. We hope this report provides a helpful presentation of key information the City uses on a regular basis to monitor and maintain stable and sustainable City debt programs.

Additional information is also available on the City's Debt Management website at http://www.portlandoregon.gov/bfs/26607, and questions may be addressed directly to the City's Debt Manager, B. Jonas Biery at jonas.biery@portlandoregon.gov.

EXHIBIT A

About the City's Debt Management Program

The City's Debt Management team currently consists of three full-time employees dedicated to administration and management of the City's debt portfolio. Additionally, the Debt Management team relies on critical input from the City Treasurer and the Chief Administrative Officer, as well as participation from other staff from the Office of Management and Finance and the bureaus that utilize services of the Debt Management program. The Debt Management program is housed within the Public Finance and Treasury Division of the Bureau of Revenue and Financial Services.

Primary responsibilities of the Debt Management program include:

- Providing advice to City bureaus and staff regarding capital markets and application of debt towards capital projects.
- Issuance of bonds, lines of credits, and other financing tools, at the direction of City Council, for all City bureaus and for the Portland Development Commission.
- Close and constant monitoring of City debt ratios and financial indicators.
- Monitoring outstanding debt for opportunities to reduce City borrowing costs.
- Preparation and submittal of Primary Disclosure for new bond offerings.
- Continuing Disclosure for all existing bond issues.
- Procuring ratings for City bonds.
- Ensuring timely payment of all City debt obligations.
- Arbitrage tracking and monitoring of ongoing tax compliance.
- Serving as a point of contact for investors looking to invest in the City's publicly offered bonds, including ongoing maintenance of the Debt Management website.
- Monitoring public debt markets and other financial events, and maintaining relationships with bankers, underwriters and other related financial service providers.
- Managing contracts with the City's Bond Counsel, Paying Agent, Financial Advisor and other debt-related consultants and service providers.

The City's Debt Policy and information regarding recent and historic bond issues can be found online at http://www.portlandoregon.gov/bfs/26607. Debt Management staff aim to continuously improve debt management procedures to comply with, or to exceed, recommended practices as determined by the Municipal Securities Rulemaking Board, the Government Finance Officers Association, and other regulatory and advisory bodies.

Questions regarding City debt, including information presented in the Annual Debt Report, can be directed to the City's Debt Manager, B. Jonas Biery at jonas.biery@portlandoregon.gov.

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