Annual Debt Report

Fiscal Year 2014-15

City of Portland, Oregon

Published:

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Prepared by:

Office of Management and Finance

Bureau of Revenue and Financial Services

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.

TABLE OF CONTENTS

INTRODUCTION

The City of Portland issues this Annual Debt Report for fiscal year 2014-15 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.

During the five-year historical period covered by this report (fiscal year 2010-11 through fiscal year 2014-15), the City's economy has begun to stabilize substantially from the global economic challenges which began in 2008. During this same time frame, certain City programs have required significant infrastructure investment in order to meet regulatory requirements and to maintain reliable service to citizens and stakeholders. Therefore, comparisons of debt indicators from earlier years with data from recent years can be expected to display significant differences.

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. A primary benefit 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.

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 (the "CAFR"). However, due to timing issues and differences in reporting guidelines, some data in this report will differ slightly from information presented in the CAFR. 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 https://www.portlandoregon.gov/brfs/61911.

Changes to this Annual Debt Report are occasionally implemented to improve communication and provide material updates. However, other than updating to fiscal year 2014-15 information, no major changes have been made to this year's report.

The City's fiscal year is July 1 through June 30. Unless otherwise noted, all figures in this report are as of June 30, 2015.

FISCAL YEAR 2014-15 YEAR IN REVIEW

Summary of Fiscal Year 2014-15 Debt Activity

Total Citywide debt outstanding (including urban renewal debt related to the Portland Development Commission) saw a net increase of approximately 3.1%, or $106.4 million, in fiscal year 2014-15.

Of the $467.6 million of total debt issued in fiscal year 2014-15, approximately 77% ($358.8 million) was for new projects including sewer system capital improvements, water system capital improvements, public safety projects and the Sellwood Bridge project; the remaining 23% refunded outstanding debt.

In fiscal year 2014-15, the City paid $222.8 million (excluding refinancing) in principal due on outstanding debt (including $3.7 million in early payments).

Table 1: Fiscal Year 2014-15 Change in Total Debt Outstanding *

Outstanding Total Debt, as of July 1, 2014	$3,404,860,112
Increases in Debt Outstanding:	
New Money Bonds Issued	$306,340,000
Refunding Bonds Issued	108,789,700
Line of Credit Takeout Bonds Issued	0
Short-Term Notes Issued	25,885,116
Line of Credit Draws	26,584,119
Total Increases in Debt Outstanding	$467,598,935
Reductions to Outstanding Debt:	
Bonds & Notes Paid/Matured as Scheduled	$219,061,302
Bonds Redeemed Prior to Maturity	3,725,930
Bonds Refunded	127,755,000
Line of Credit Reductions	10,682,337
Total Reductions in Outstanding Debt	$361,224,569
Net Increase (Decrease) in Outstanding Debt	$106,374,366
Outstanding Total Debt, as of June 30, 2015	**$3,511,234,478**

* Totals may not foot nor balance to Annual Debt Report for fiscal year 2013-14 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 2014-15

Long-Term Bond Issues	**Date of Issue**	**Final Maturity**	**Par Amount**	**Debt Type**
First Lien Sewer System Revenue and Refunding Bonds, 2014 Series A	8/21/2014	2024	$86,165,000	Revenue
Second Lien Sewer System Revenue Bonds, 2014 Series B	8/21/2014	2039	204,220,000	Revenue
First Lien Water System Revenue Bonds, 2014 Series A	12/16/2014	2039	84,975,000	Revenue
Interstate Corridor Urban Renewal and Redevelopment Refunding Bonds, 2015 Series A	3/17/2015	2025	17,155,000	Urban Renewal
General Obligation Bonds, 2015 Series A (Public Safety Projects)	6/2/2015	2029	17,145,000	Unlimited Tax
Bank Loans and Credit Facilities				
State of Oregon Infrastructure Finance Authority Levee Inspection Loan	10/15/2014	2023	420,116	Limited Tax
Harbor Restoration Line of Credit, 2015	3/23/2015	2017	2,387,410	Limited Tax
Sellwood Bridge Interim Credit Facility, Series 2015	4/28/2015	2017	20,000,000	Limited Tax
Limited Tax Revenue Refunding Bond, 2015 Series A (Arena Project)	5/28/2015	2017	5,469,700	Limited Tax

Table 3: Long-Term Debt Rating Actions in Fiscal Year 2014-15

		Rating		
	Rating Type	**Moody's**	**S&P**	**Date**
First Lien Sewer System Revenue Bonds	Affirmed	Aa2	AA	July 2014
Second Lien Sewer System Revenue Bonds	Affirmed	Aa3	AA-	July 2014
Hydroelectric Revenue Bonds*	*Upgraded*	A3	BBB	October 2014
First Lien Water System Revenue Bonds	Affirmed	Aaa	--	November 2014
Second Lien Water System Revenue Bonds	Affirmed	Aa1	--	November 2014
Interstate Corridor Urban Renewal**	*Upgraded*	A1	--	January 2015
Central Eastside Urban Renewal**	*Upgraded*	A1	--	January 2015
General Obligation ("GO") Bonds	Affirmed	Aaa	--	May 2015
Limited Tax Revenue Bonds ("LTRB")	Affirmed	Aa1	--	May 2015

Notes:

* Moody's Investor's Service upgraded the rating to A3 from Baa1.

** Moody's Investor's Service upgraded the rating to A1 from A2.

Rating Actions

As indicated in Table 3, in fiscal year 2014-15, the City received rating updates which affirmed the rating on six debt categories. The rating by Moody's for the Hydroelectric Revenue Bonds was upgraded from Baa1 to A3. The ratings by Moody's for the Interstate Corridor and Central Eastside urban renewal areas were each upgraded from A2 to A1.

Refinancing of Outstanding Debt

In fiscal year 2014-15, the City refunded (refinanced) three long-term bond issues totaling $127,755,000 in principal amount, resulting in a total reduction in debt service of $25,800,925 through fiscal year 2024-25.

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 2013-14 reporting obligations are met during fiscal year 2014-15). In fiscal year 2014-15, the City complied with fiscal year 2013-14 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, 2015. The City was not required to rebate any arbitrage earnings to the federal government during fiscal year 2014-15.

Other Significant Actions and Accomplishments

Fiscal Year 2014-15	The City's Debt Manager continued participation on the GFOA Committee on Governmental Debt Management.
August 2014	City Council approved updates to the City's Comprehensive Financial Management Policies, including administrative updates to the City's Debt Management Policy.
September 2014	Prepared and published the fiscal year 2013-14 Annual Debt Report entirely in-house by Debt Management staff, resulting in an accelerated publication timeline.
April 2015	Presented the City's water and sewer revenue bond credits at the JP Morgan Public Finance Transportation and Utility Conference 2015, and met directly with various market participants regarding the City's credit and emerging issues in public finance nationally.
April 2015	Successfully converted the City's debt management software to a new provider, allowing for enhanced debt structuring and monitoring capabilities and increased software support.
June 2015	In response to a competitive bidding process, selected Hawkins Delafield & Wood LLP to serve as the City's primary Bond Counsel (formally authorized by City Council in August 2015).

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.*

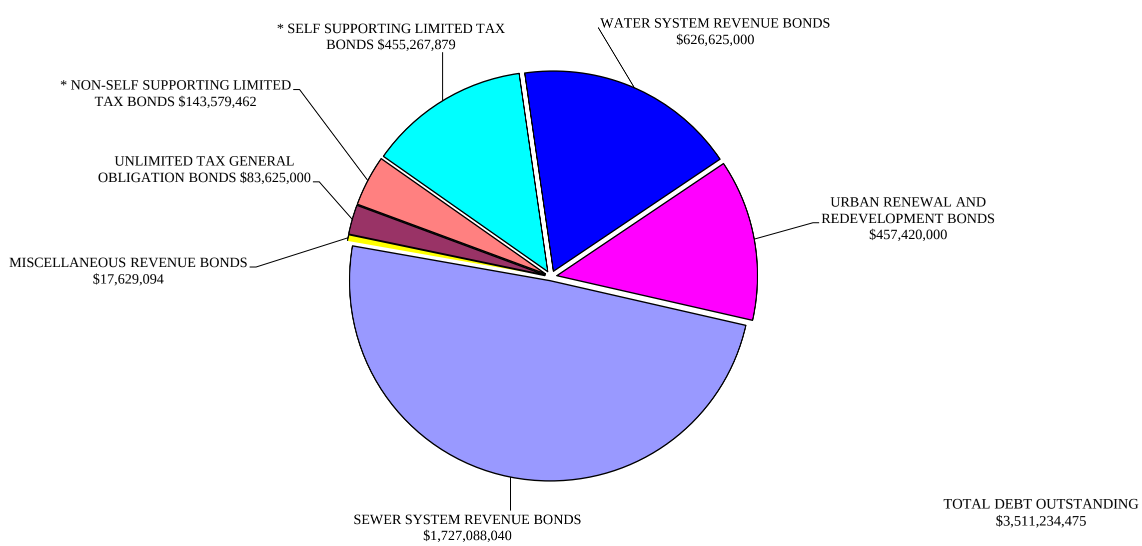
Debt Service *The total payments due on outstanding debt; comprised of both principal and interest. The amount of "annual debt service" associated with a particular bond issue means the amount of principal and interest due to be paid by the City on that bond issue in a given year.*

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

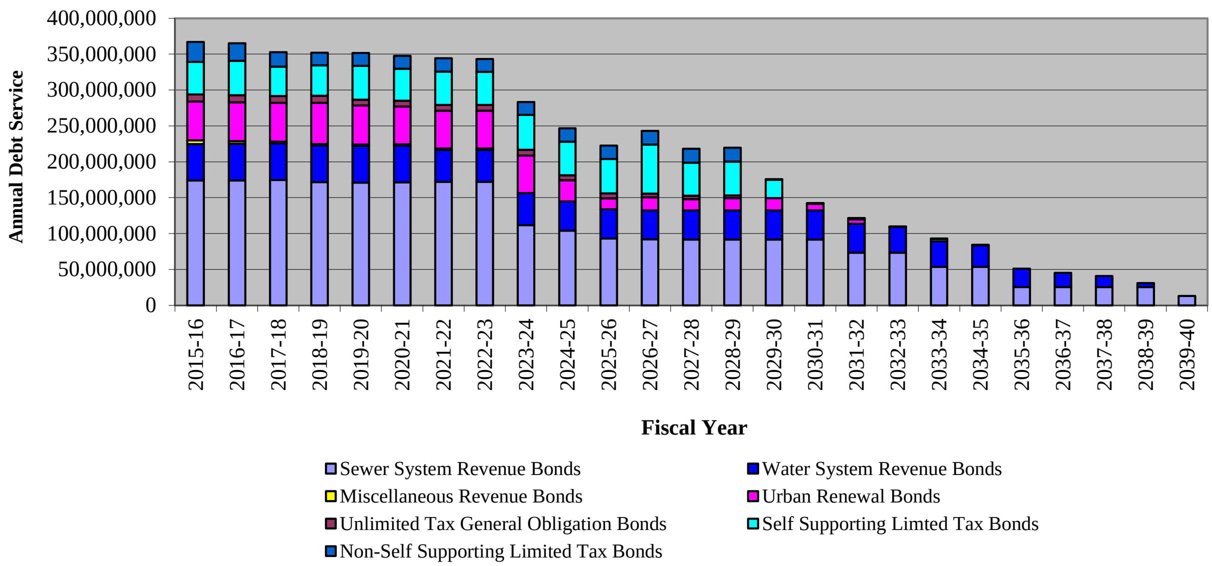
The City issues many different types of debt. While these are all considered debt of the City, the actual resources committed to repay each type of debt varies. As described more specifically in later sections of this report, approximately 83% of the City's total outstanding debt has no direct legal claim on resources of the City's General Fund.

Figure 1: Outstanding Debt by Type



* 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. The debt policy can be accessed in its entirety online at http://www.portlandoregon.gov/bfs/61902.

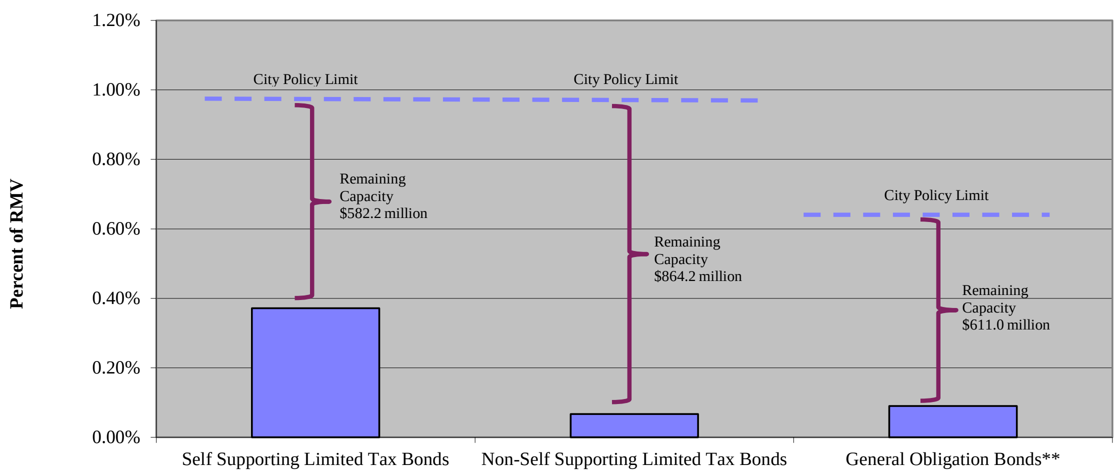
Table 4: Selected Provisions of the City's Debt Policy

Policy Provision	Target	Purpose / Objective
Sale Method	Competitive preference	Matches Government Finance Officers Association best practice
Repayment of Principal	20% in 5 years; 40% in 10 years	Encourages rapid repayment of debt
Limits on Debt Outstanding	Varies, see the following section	Prevents 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	Limits 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 2014-15 taxable real market value is $92,618,335,721). 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 events.

City Bond Ratings

The City is assigned a separate bond rating for each individual type of bond. The City's property tax-secured bond ratings were most recently affirmed at Aaa (GO) and Aa1 (LTRBs) in May 2015. 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 Ratings Services (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 GO 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 38 years.

The Moody's rating scale (highest-to-lowest) is Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, etc. Municipal bonds are rarely assigned a rating below Baa1. According to the August 13, 2015, Moody's report titled *US Local Governments – Updated 2013 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	A3/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	A1
Interstate Corridor	A1

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 levies are projected to produce approximately $223 million in property taxes to the City in fiscal year 2014-15. 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, 2015, approximately $682.5 million (19.4%) of the City's total outstanding debt is secured by general property taxes (excluding property taxes dedicated to urban renewal areas). Of this amount, $455.3 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.*
Non-Self-Supporting Limited Tax Revenue Bonds	*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	*Debt other than GO Bonds that is secured by a legal claim on General Fund resources, but paid from specifically identified non-General Fund resources.*

Fiscal Year 2014-15 Highlights – Debt Secured by General Fund Resources

Bonds Issued: ………... $22.8 million of debt secured by a Limited Tax pledge for various projects
$17.1 million of General Obligation Bonds
Rating Actions: ……… Affirmed at Aaa (GO) and Aa1 (Limited Tax)
Refinancing Activity: …$5.5 million Limited Tax Revenue Refunding Bond to refinance Arena bonds
Other Activities: $0.2 million payoff of OECDD Brookside loan

Bond Ratings for Debt Secured by General Fund Resources

General Obligation 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 area 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 fourth consecutive year, dropping by $8.3 million (3.5%) in fiscal year 2014-15. Table 6 lists all individual issues identified as net debt of the City as of June 30, 2015.

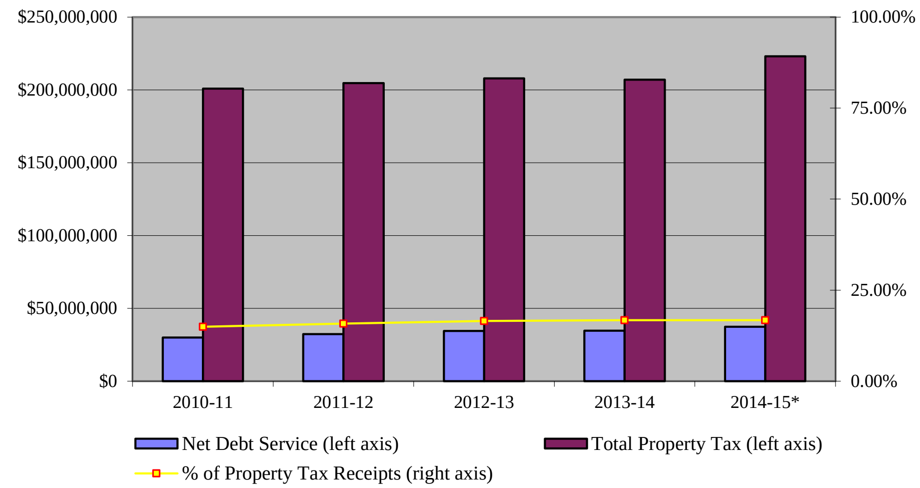
Table 6: Net Debt Outstanding

Type	Outstanding
General Obligation Bonds	
Emergency Facilities Bonds, 2008 Series A	$11,870,000
Emergency Facilities Refunding Bonds, 2009 Series A	6,210,000
Public Safety Bonds, 2011 Series A	20,010,000
Public Safety and Emergency Facilities Refunding, 2014 Series A	28,390,000
Public Safety Bonds, 2015 Series A	17,145,000
Total General Obligation Debt	**$83,625,000**
Non-Self-Supporting Limited Tax Revenue Bonds and Other Obligations	
Limited Tax Pension Obligation Bonds, 1999 (General Fund Portion)*	$81,592,052
Limited Tax Housing Revenue Bonds, 2005 Series D (HOB)	6,070,000
Limited Tax Housing Rev. Bonds, 2005 Series A & B (Headwaters)**	9,815,000
Limited Tax Revenue Bonds, 2007 Series A (EBSP)	740,000
Portland International Raceway, Series 2007**	510,000
Limited Tax Revenue Bonds, 2007 Series C (Archives)	8,775,000
Limited Tax Revenue Ref. Bonds, 2008 Series A (Devel. Services)	6,010,000
Limited Tax Revenue Bonds, 2009 Series B (CAD & EBSP)	8,520,000
Limited Tax Revenue Ref. Bonds, 2010 Series A (Ref 98B, 99B, 02A)	2,760,000
Limited Tax Revenue Bonds, 2011 Series B (Emerg. Comm. Ctr.)	4,440,000
Limited Tax Revenue & Ref. Bonds, 2012 Series B (PTF/Cty Hall/Comm)	11,960,000
Harbor Restoration Line of Credit, 2015	2,387,410
Total Non-Self-Supporting Limited Tax Revenue Bonds and Other Obligations	**$143,579,462**
Total Net Debt	**$227,204,462**

* 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 fiscal year 2014-15 ratio is the same as the fiscal year 2013-14 ratio of 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 decreased by $21.0 million (3.0%) in fiscal year 2014-15. Table 7 lists all individual issues identified as gross debt of the City as of June 30, 2015.

Table 7: Gross Debt Outstanding

Type	Outstanding	Expected Source of Payment
Total Net Debt (from Table 6)	**$227,204,462**	General Fund
Self-Supporting Limited Tax Revenue Bonds and Other Obligations		
Limited Tax Pension Obligation Bonds (Non-General Fund Portion) *	138,186,294	Non-General Fund Bureau revenues
Limited Tax Revenue Bonds, 2001 Series B (Convention Center)	9,862,042	Transient Lodging/Vehicle Rental Tax
Arena Limited Tax Revenue Ref. Bond, 2015 Series A	5,469,700	Arena revenues; user fees, parking revenues; gas tax revenues
Limited Tax Revenue Bonds Series 2006 (S. Waterfront)	$1,768,650	Assessment collections
Limited Tax Revenue Bonds, 2007 Series B (Transit Mall)	3,935,000	Parking meter revenues
Limited Tax Revenue Ref. Bonds, 2009 Series A (Streetcar)	13,990,000	Parking system revenue
Urban Renewal Lines of Credit	37,033,704	Urban renewal bond proceeds
Local Improvement District Line of Credit	2,324,971	Limited tax improvement bonds
Transportation Line of Credit 2013	4,535,402	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)	775,000	Transient Lodging/Vehicle Rental Tax
Limited Tax Improvement Bonds	43,315,000	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)	34,145,000	Parking System and gas tax revenues
Limited Tax Revenue Refunding Bonds, 2013 Series D (Stadium Project)	18,802,000	Transient Lodging/Vehicle Rental Tax; Spectator Facility Rev
Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge Project)	42,785,000	General Transportation Revenues
State Infrastructure Finance Authority Loan, 2014 (Levee Evaluation Project)	420,116	City General Fund and community partners
Sellwood Bridge Interim Credit Facility, Series 2015	20,000,000	General Transportation Revenues
Total Self-Supporting Obligations	**$455,267,879**	
Total Gross Debt	**$682,472,341**	

* 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

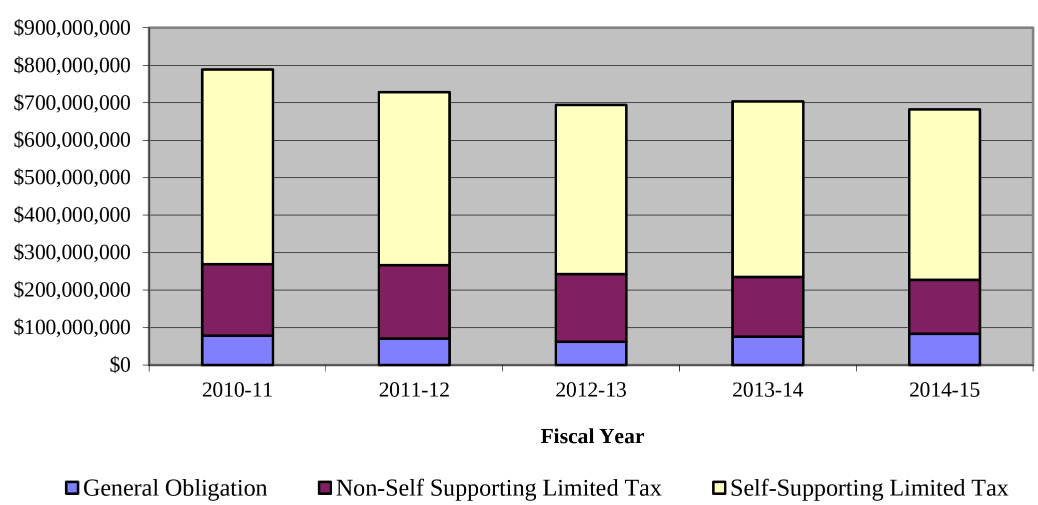
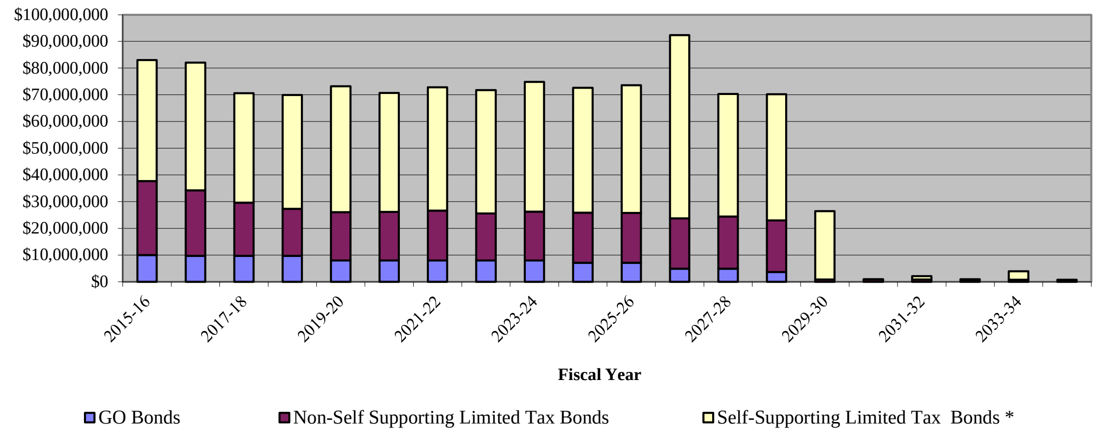


Figure 6: Gross Annual Debt Service Requirements by Type



* The fiscal year 2026-27 and 2029-30 amounts include term bonds for limited tax improvement bonds.

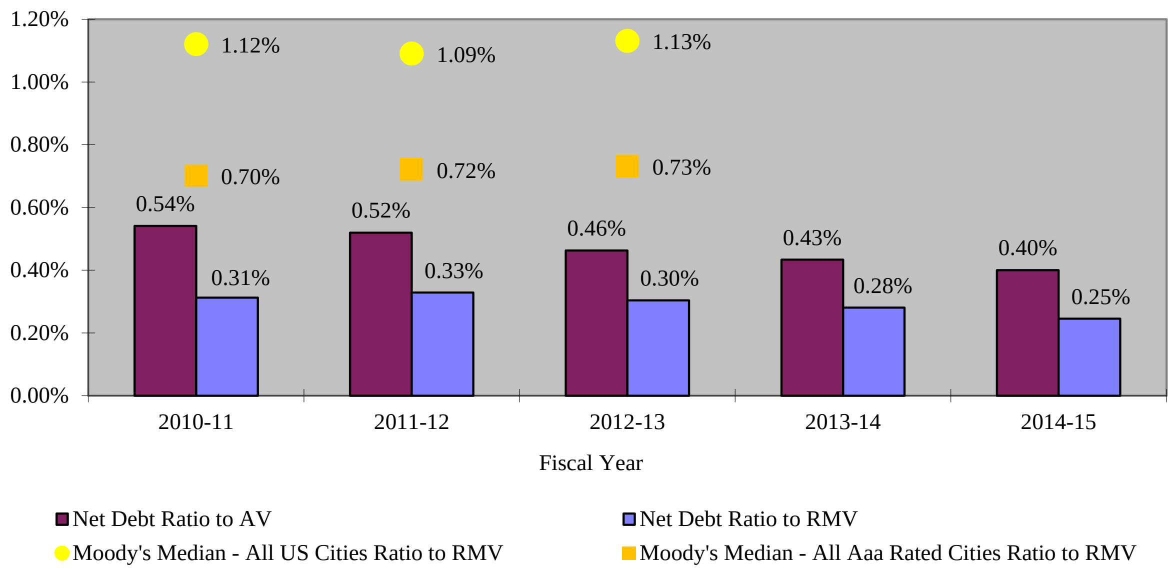
Historical and Comparative Analysis

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.*

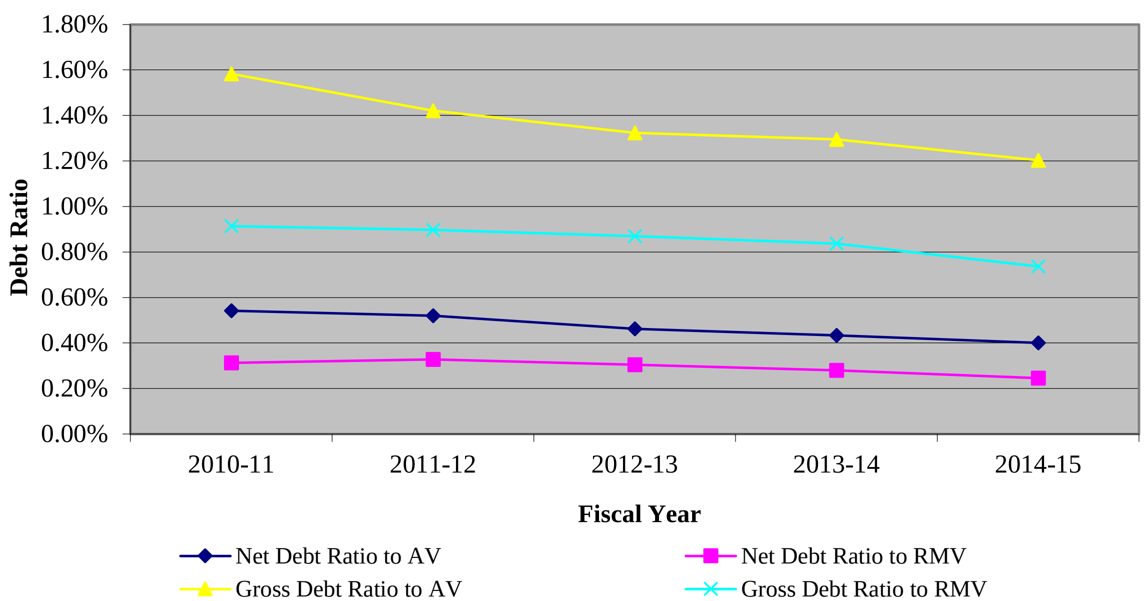
The City's debt ratios shown in Figures 7 and 8 indicate the level of outstanding debt secured by General Fund resources compared to the taxable real market value of properties within the City (representing the pool from which property taxes to repay the debt are collected). A lower ratio reflects a 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. Over the past five years, the City's debt ratios have declined, while national medians have increased. According to the *2013 Medians Report*, the median net debt-to-real-market-value ratio is 1.13% for all US cities and 0.73% for all Aaa-rated US cities. The City's ratio of 0.25% for fiscal year 2014-15 compares favorably to the benchmarks.

Figure 7: Net Debt Comparison to Moody's Medians *



* Moody's Medians not available in years where it is not provided.

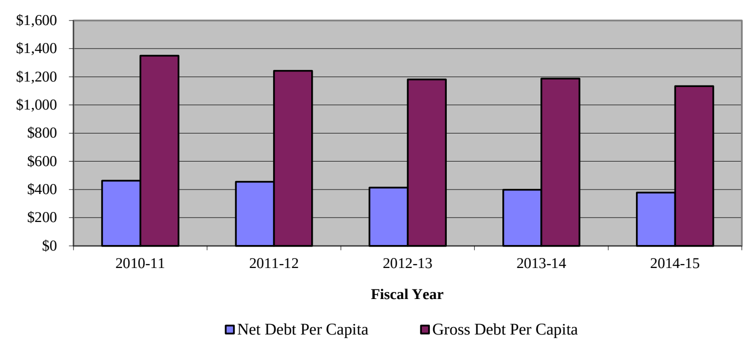
Figure 8: Historical Debt Ratios



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 generally declined annually through fiscal year 2014-15.

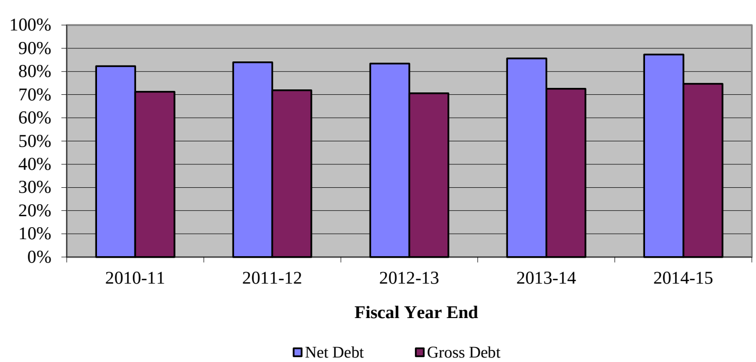
Figure 9: Net and Gross Debt Per Capita



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 70% in all years and increasing to approximately 75% in fiscal year 2014-15.

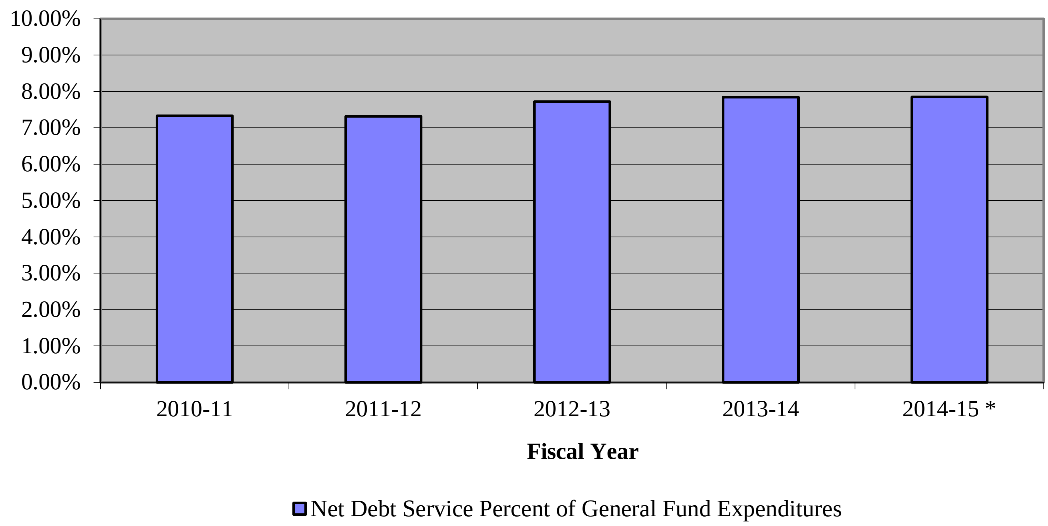
Figure 10: Percent of Debt Paid in 10 Years



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 City's percentage of net debt service to General Fund expenditures continues to compare favorably to generally accepted levels and was estimated to total 7.87% for fiscal year 2014-15.

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 System 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 System 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 $4.2 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. From fiscal year 2002-03 through fiscal year 2010-11, outstanding sewer system debt increased significantly as the City completed the Combined Sewer Overflow project, commonly referred to as the Big Pipe project. Since 2011, growth in outstanding sewer system debt has moderated significantly. According to the Bureau of Environmental Service's fiscal year 2015-16 financial plan, approximately $358 million of additional long-term sewer revenue bonds (including reserves and issuance costs) are expected to be issued through fiscal year 2019-20 to fund a portion of the Bureau of Environmental Service's ongoing capital improvement plan.

In August 2015 (subsequent to fiscal year 2014-15), the City refunded $425,495,000 in sewer revenue bonds to lower interest rates, resulting in a present value reduction to the Bureau of Environmental Service's future debt service payments of $44,194,291. The results of this refunding will be reflected in future Annual Debt Reports.

Fiscal Year 2014-15 Highlights

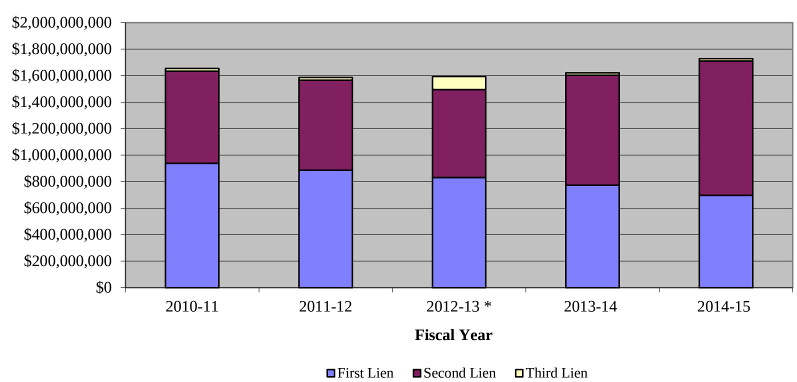
Debt Issued:	$86.2 million of first lien sewer revenue refunding bonds $204.2 million of second lien sewer revenue bonds
Rating Actions:	Moody's affirmed the Aa2 (First Lien) and Aa3 (Second Lien) ratings in July 2014. Standard and Poor's affirmed the AA (First Lien) and AA- (Second Lien) in July 2014.
Refinancing Activity:	$101.3 million to refund First Lien 2004 Series A.
Other Activities:	N/A

Sewer System Revenue Bond Ratings

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

Sewer System Revenue Bonds Outstanding

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

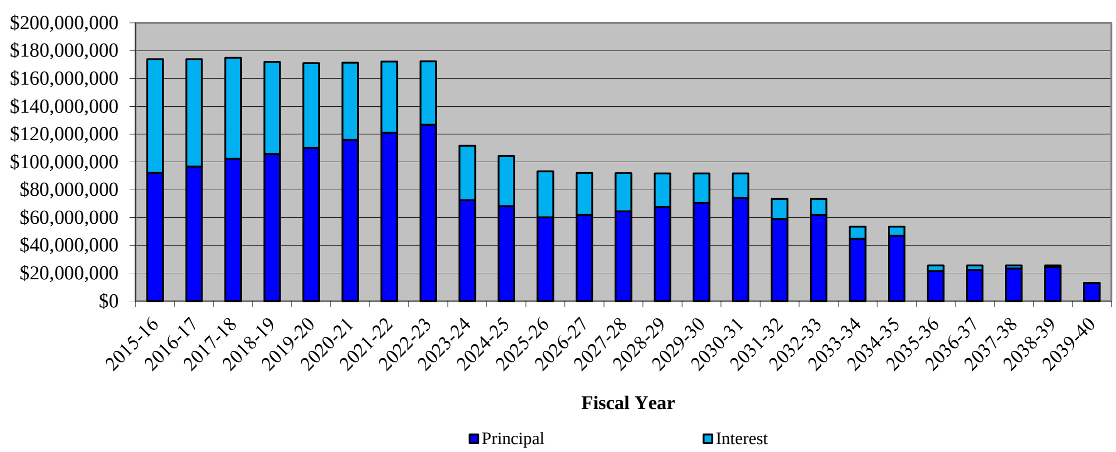


* The Third Lien includes $78.6 million outstanding on a line of credit which was repaid with 2nd lien revenue bonds in fiscal year 2013-14.

Table 8: Outstanding Sewer System Revenue Bonds

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
First Lien Bonds:				
2004 Series B Refunding	11/30/2004	6/1/2017	$93,080,000	$77,055,000
2005 Series A Refunding	6/16/2005	8/1/2020	144,850,000	144,850,000
2006 Series A Revenue	5/25/2006	6/15/2031	177,845,000	136,430,000
2008 Series A Revenue & Refunding	4/17/2008	6/15/2033	333,015,000	252,720,000
2014 Series A Refunding	8/4/2014	10/1/2024	86,165,000	86,165,000
Total First Lien Bonds				$697,220,000
Second Lien Bonds:				
2006 Series B Revenue	5/25/2006	6/15/2031	$87,135,000	$67,160,000
2008 Series B Revenue & Refunding	4/17/2008	6/15/2033	195,700,000	185,800,000
2010 Series A Revenue	8/19/2010	3/1/2035	407,850,000	351,570,000
2013 Series A Revenue & Refunding	9/17/2013	8/1/2038	210,965,000	204,845,000
2014 Series B Revenue	8/4/2014	10/1/2039	204,220,000	204,220,000
Total Second Lien Bonds				$1,013,595,000
Third Lien Bonds:				
State Loans	Various	Various	$26,302,393	$16,273,040
Total Third Lien Bonds				$16,273,040
TOTAL OUTSTANDING				$1,727,088,040

Figure 13: Sewer System Annual Debt Service Requirements

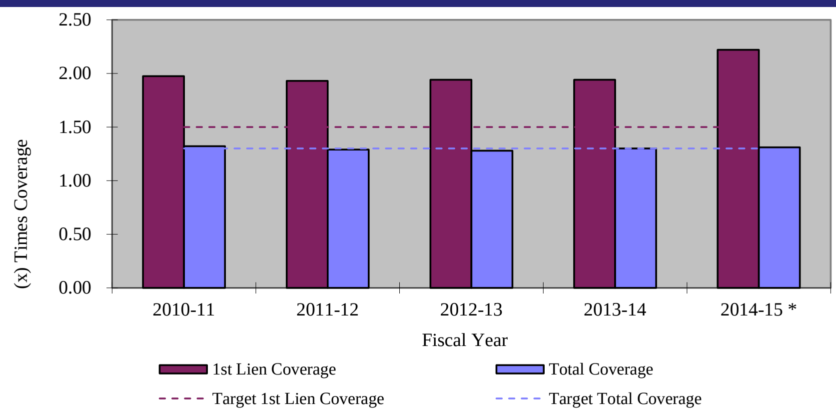


Security for Sewer System Revenue Bonds

Revenues of the Sewer System

The Bureau of Environmental Services charges fees to City residents, businesses and wholesale customers 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 Rule, federal Endangered Species Act requirements, system vulnerability needs, and aging infrastructure needs. According to the Water Bureau's fiscal year 2015-16 adopted financial plan, approximately $255 million of additional water revenue bonds (including reserves and issuance costs) are expected to be issued through fiscal year 2019-20 to fund a portion of the Water Bureau's ongoing capital improvement plan.

Fiscal Year 2014-15 Highlights

Debt Issued:	$85.0 of first lien water system revenue bonds
Rating Actions:	Moody's affirmed the Aaa (First Lien) and Aa1 (Second Lien) ratings in November 2014.
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

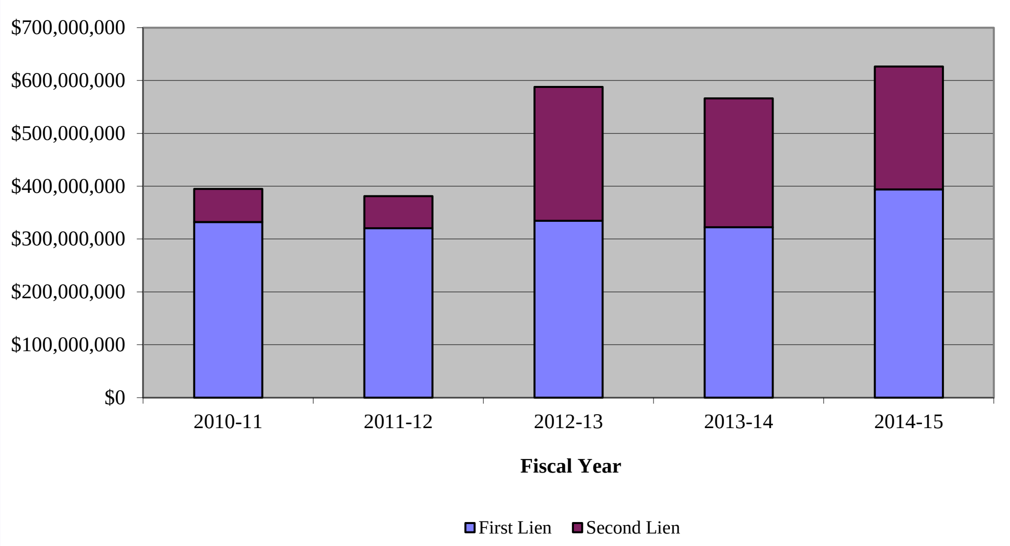
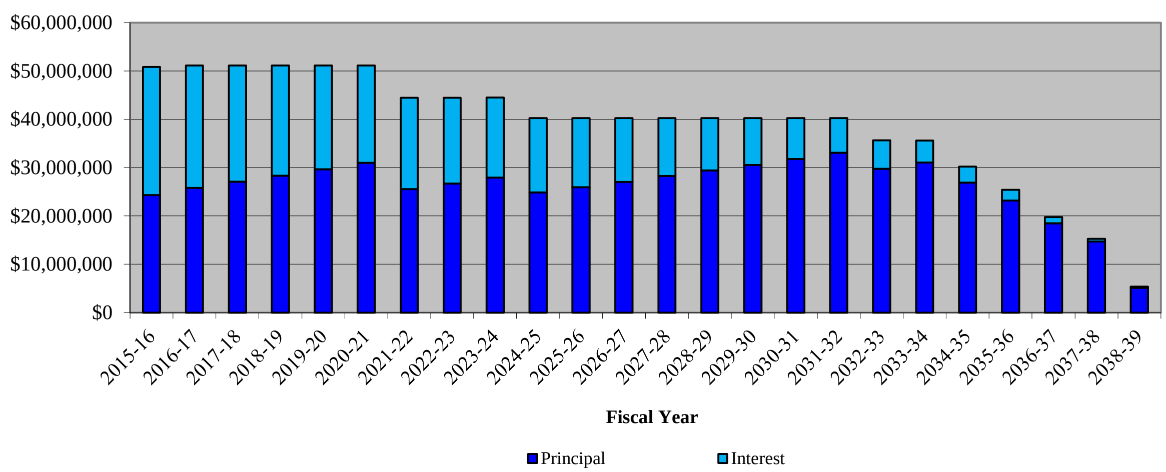


Table 9: Outstanding Water System Revenue Bonds

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	$34,470,000
2008 Series A Revenue	8/7/2008	11/1/2033	79,680,000	67,970,000
2010 Series A Revenue & Refunding	2/11/2010	5/1/2035	73,440,000	64,790,000
2011 Series A Revenue	3/22/2011	5/1/2036	82,835,000	75,215,000
2012 Series A Revenue	8/2/2012	4/1/2037	76,510,000	69,895,000
2014 Series A Revenue	12/16/2014	5/1/2039	84,975,000	81,575,000
Total First Lien Bonds				$393,915,000
Second Lien Bonds:				
2013 Series A Revenue & Refunding	5/2/2013	4/1/2037	$253,635,000	$232,710,000
Total Second Lien Bonds				$232,710,000
TOTAL OUTSTANDING				$626,625,000

Figure 16: Water System Annual Debt Service Requirements

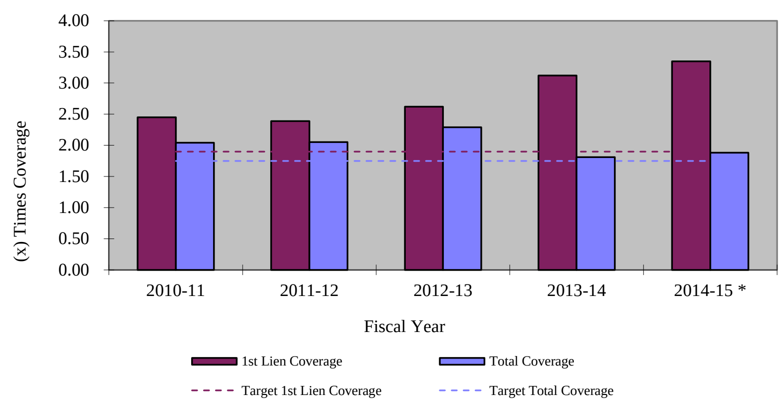


Security for Water System Revenue Bonds

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 2014-15 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	$1.47 million final pay off of 2010 line of credit.

Gas Tax Revenue Bond Rating

Aa2 (Moody's)

Gas Tax Revenue Bonds Outstanding

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

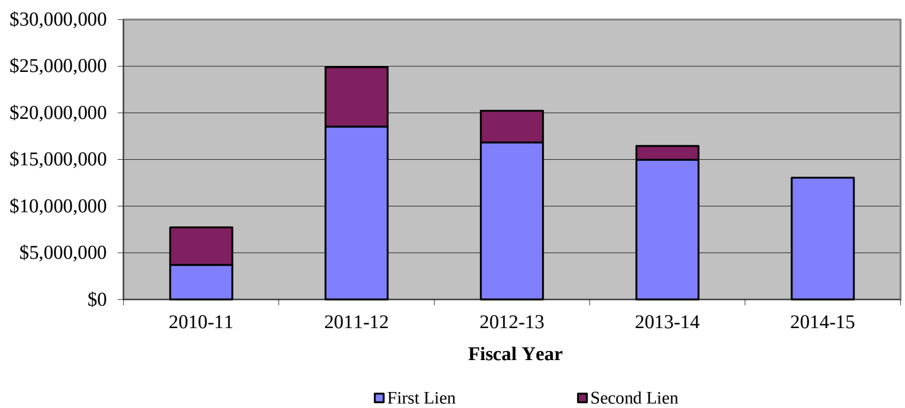


Table 10: Outstanding Gas Tax Bonds

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	$495,000
Gas Tax Revenue Bonds, 2011 Series A	11/22/2011	2/1/2023	15,400,000	11,900,000
Gas Tax Revenue Refunding Bonds, 2013 Series A	8/6/2013	6/1/2018	1,073,000	654,000
TOTAL OUTSTANDING				$13,049,000

Security for Gas Tax Revenue Bonds

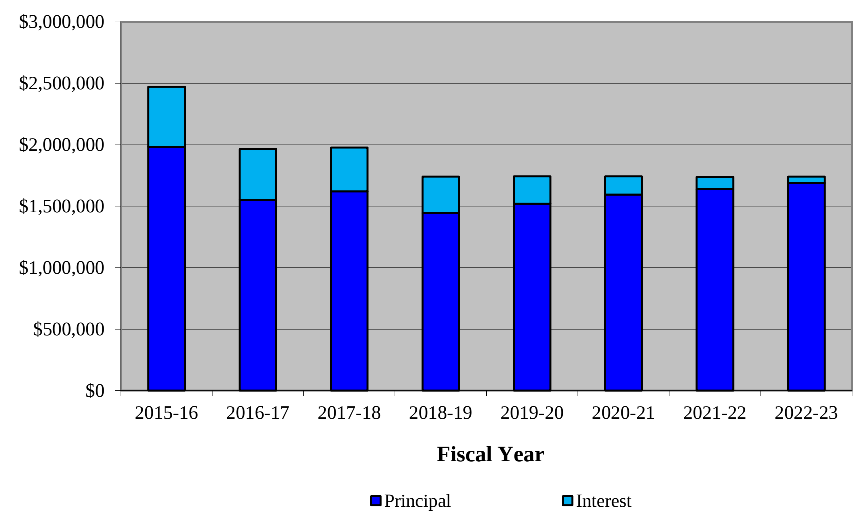
Gas Tax Revenues

Gas tax revenues include taxes and fees charged for motor fuel purchases and vehicle registration within the City. The Bureau of Transportation receives an allocated share of gas tax revenues from the State and Multnomah 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 urban renewal areas, as further described below, have issued long-term debt or interim debt. Eight urban renewal areas - Willamette Industrial, the Education Urban Renewal Plan and the six small urban renewal areas described in the following paragraph - have not 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 urban renewal area acreage and assessed values are counted against the City's combined urban renewal limitations identified in Table 11. However, NPI urban renewal areas 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

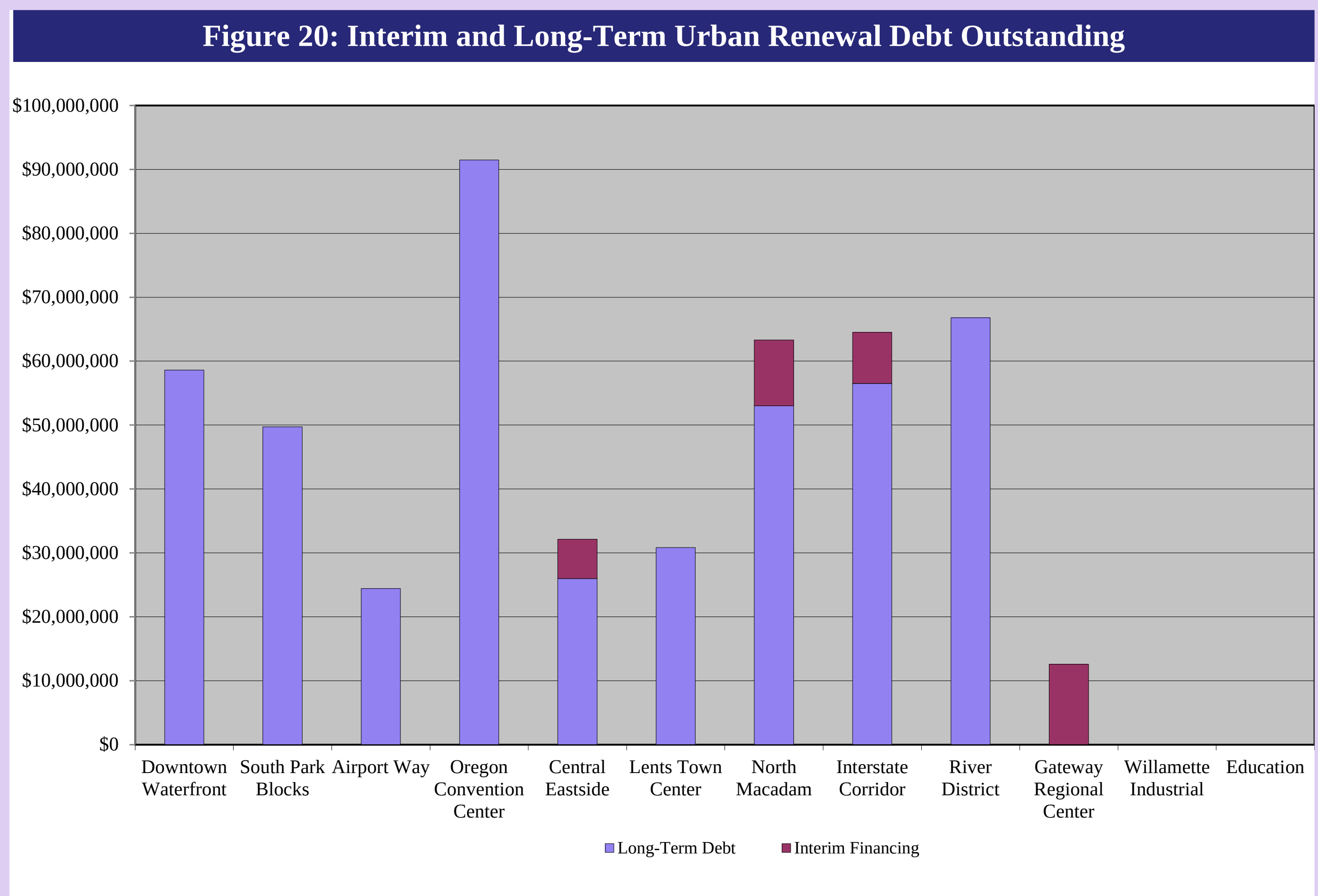
Short-Term (Interim) Urban Renewal Debt

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 2014-15, there were no material draws on the lines of credit. Tax increment revenues of the North Macadam urban renewal area were used to pay down principal of approximately $5.7 million resulting in a reduction of the combined balance on outstanding urban renewal lines of credit to $37.0 million as of June 30, 2015.

Long-Term Urban Renewal Debt

Total outstanding long-term debt for urban renewal areas as of June 30, 2015, was $457,420,000. At fiscal year-end, nine urban renewal areas had outstanding long-term debt as shown in Figure 20 below. Long-term urban renewal debt is secured by and paid solely from tax increment revenues generated by an urban renewal area. In fiscal year 2014-15, the City issued Interstate Corridor refunding bonds to refund the outstanding balance of 2004 Interstate Corridor bonds. The refunding resulted in a net present value reduction to future debt service payments of approximately $2.6 million. No new long-term urban renewal bonds were issued in fiscal year 2014-15.

In July 2015 (subsequent to fiscal year 2014-15), the City refunded $24.4 million in Airport Way urban renewal bonds to lower interest rates, resulting in a net present value reduction to future debt service payments of approximately $2.0 million. The results of this refunding will be reflected in future Annual Debt Reports.



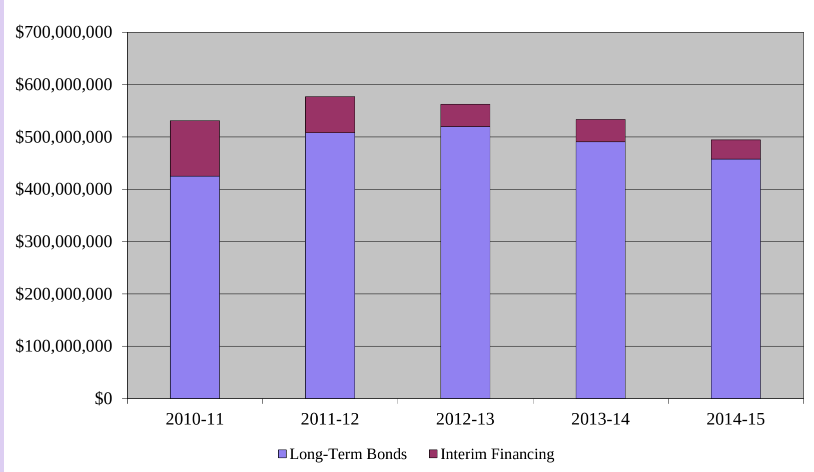
Du Jour Borrowing	*A one day borrowing that makes tax increment collections legally available to be spent on projects in an urban renewal area without issuance of long-term debt.*

In addition to interim and long-term urban renewal debt, the City uses du jour borrowings to provide eligible funds to urban renewal areas. 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 area, as described in the following section describing urban renewal limitations.

Outstanding Urban Renewal Debt Summary

At the end of fiscal year 2014-15, the combined amount of outstanding interim and long-term urban renewal debt was $494.5 million. Since fiscal year 2010-11, total outstanding urban renewal debt has decreased approximately 6.9%. Outstanding interim debt, which is secured by both the City's general fund and tax increment revenues, decreased by 13.2% in fiscal year 2014-15 as a result of principal payments from tax increment revenues in the North Macadam urban renewal area. Other than the North Macadam principal payments, the balance on the lines of credit remained largely the same as a result of du jour borrowings being sufficient to meet funding requirements.

Figure 21: Total Urban Renewal Debt Outstanding



2015 Urban Renewal Plan Amendments

From time to time the City and the Portland Development Commission make modifications to urban renewal plans via Council authorized Plan Amendments. In April 2015, City Council authorized a package of plan amendments that will impact future urban renewal borrowing plans. The affected urban renewal areas are River District, Central Eastside, North Macadam, Airport Way, Willamette Industrial, and Education.

The effective date of the Plan Amendments is July 1, 2015, and therefore the impacts are not reflected in the data in this report which is dated June 30, 2015. However, a note regarding the amendment has been added to the urban renewal area-specific summary information herein for each affected urban renewal area. The results of the Plan Amendments will be reflected in the fiscal year 2015-16 Annual Debt Report.

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. Table 11, below, indicates the City's compliance within these statutory limitations as of June 30, 2015.

Table 11: Urban Renewal Size Capacity *		
	Acreage	**Assessed Value**
City of Portland Total	92,768	$48,067,669,054
Urban Renewal Areas	13,226	$5,518,368,426
Maximum Allowed	15.00%	15.00%
% Used	14.26%	11.48%
Capacity Remaining	689	$1,691,781,932

* Does not reflect impact of 2015 Urban Renewal Plan Amendments.

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. Table 12 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, 2015. The amounts exclude impacts of the 2015 Urban Renewal Plan Amendments which are effective July 1, 2015.

Table 12: Unused 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	Unused 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	0	1,000	***
Central Eastside	August 2018	104,979,000	32,920,340	54,511,161	6,186,639	11,360,860	
Lents Town Center	June 2020	245,000,000	36,890,000	88,962,777	0	119,147,223	
North Macadam	June 2020	288,562,000	64,925,000	58,341,730	10,277,680	155,017,590	
Interstate Corridor	At Max Indebt.	335,000,000	81,935,000	84,205,000	8,017,000	160,843,000	
River District	June 2021	489,500,000	106,269,306	219,915,000	0	163,315,694	
Gateway	June 2022	164,240,000	0	28,481,099	12,552,386	123,206,515	
Willamette Industrial	December 2024	200,000,000	0	5,754,930	0	194,245,070	
Education District	At Max Indebt.	169,000,000	0	2,727,094	0	166,272,906	
42nd Avenue NPI	At Max Indebt.	1,250,000	0	143,750	0	1,106,250	
Cully Blvd. NPI	At Max Indebt.	1,250,000	0	193,637	0	1,056,363	
Parkrose NPI	At Max Indebt.	1,250,000	0	37,592	0	1,212,408	
Rosewood NPI	At Max Indebt.	1,250,000	0	123,799	0	1,126,201	
Division-Midway NPI	At Max Indebt.	1,250,000	0	157,716	0	1,092,284	
82nd Ave. & Division NPI	At Max Indebt.	1,250,000	0	56,266	0	1,193,734	
Total		$2,552,549,268	$669,574,646	$714,159,819	$37,033,705	$1,131,781,098	

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

** Includes du jour borrowings, disbursements to NPI urban renewal areas, net premium/discount on long-term bond issues, and payment of interim borrowings from available tax increment revenues.

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

Fiscal Year 2014-15 Highlights

Fiscal year 2014-15 had only one long-term urban renewal bond refunding transaction, no new issuances, and no line of credit draws.

New Issuance

None.

Bond Refinancings:

Refunded Series	Refunded Bond Principal	New Bond Principal	Total Savings	NPV Savings ($)	NPV Savings (%)
Interstate Corridor Urban Renewal and Redevelopment Bonds, 2004 Series A	$21,045,000	$17,155,000	$4,988,587	$2,561,646	13.01%

Rating Actions

Moody's upgraded Interstate Corridor and Central Eastside urban renewal bonds to A1 from A2 in January 2015.

Option 3 Urban Renewal Areas

Option 3 Urban Renewal Areas *A specific type of urban renewal area established by statutory changes in 1997 that collect a fixed dollar amount of property tax revenues from the incremental assessed value of the urban renewal area plus an allocated portion of a citywide special property tax 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 urban renewal areas have either reached their final date to issue debt or reached their maximum indebtedness limit.

Tax Collections

Option 3 urban renewal areas 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 Table 13 below.

Table 13: Summary of Option 3 Urban Renewal Area 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	$1,086,924,214	$121,636,850	$2,540,000	$965,287,364
Downtown Waterfront	55,674,313	1,008,259,957	332,313,262	7,710,000	675,946,695
Oregon Convention Center	214,100,689	830,451,071	247,136,829	5,740,000	583,314,242
South Park Blocks	305,692,884	806,476,673	243,955,002	5,660,000	562,521,671

* Before Measure 5 compression. Includes special levy plus taxes from incremental assessed value.

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.

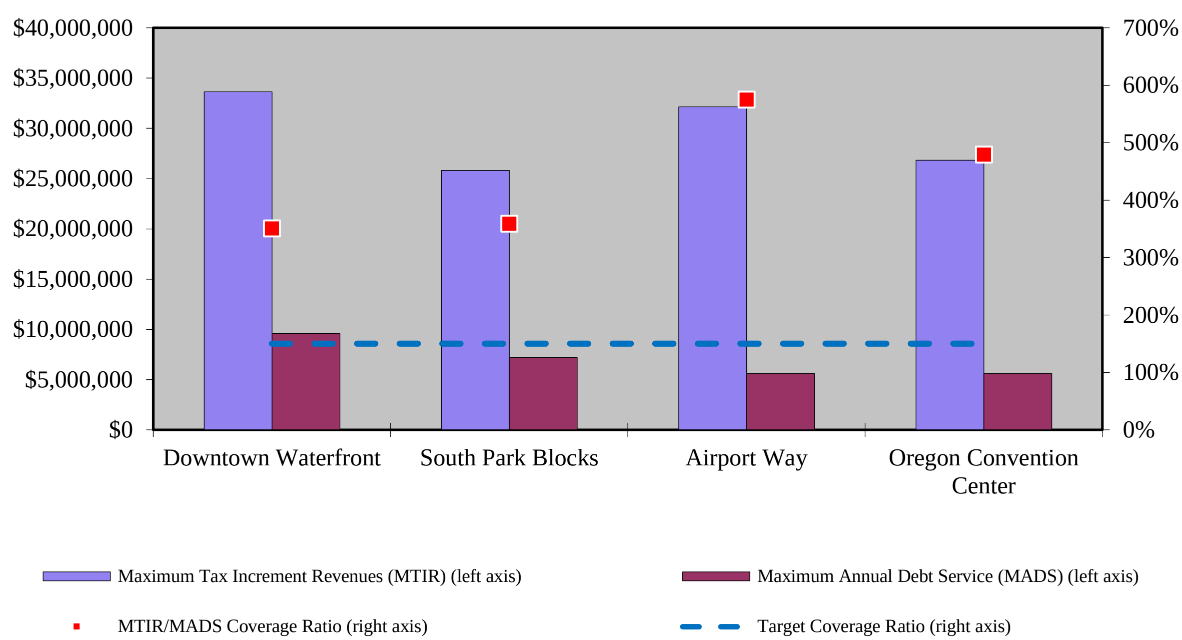
Security

For planning purposes, the City's target coverage ratio standard for Option 3 urban renewal areas 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 urban renewal area. In fiscal year 2014-15, the maximum tax increment revenues significantly exceeded the maximum annual debt service, providing a minimum of 351% coverage of maximum annual debt service (Downtown Waterfront) and a maximum of 575% 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 Option 3 urban renewal areas 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 Urban Renewal Area Debt Service Coverage



Standard and Reduced Rate Plan Urban Renewal Areas

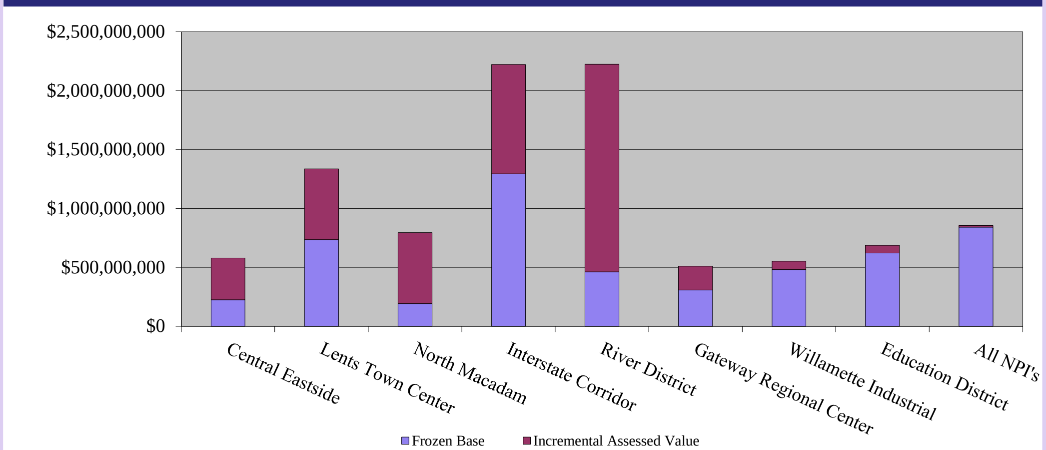
Overview

The majority of the City's urban renewal areas are either "standard rate" plans or "reduced rate" plans. The primary difference between these plans is the tax rate used to calculate the tax increment revenues. For a standard rate plan, the tax rate consists of all permanent rates, certain local option levies, the City's 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 urban renewal areas, except Gateway. The City has three reduced rate plans, Central Eastside, Willamette Industrial and the Education urban renewal area, and six NPI urban renewal areas, with long-term bonds outstanding for only Central Eastside. None of these urban renewal areas has reached its maximum indebtedness limitation.

Tax Collections

In 2009, state legislation required River District and urban renewal areas 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 urban renewal area. For fiscal year 2014-15, the amount of shared revenues to the overlapping tax districts generated from the River District urban renewal area was $9,166,690. The Education urban renewal area and the NPI urban renewal areas were formed after January 1, 2010, but have not shared revenues through June 30, 2015. All of the City's other reduced rate plan and standard rate plan urban renewal areas receive tax increment revenues on the full value of the incremental assessed value. Figure 23 below provides the incremental assessed value for the reduced rate and standard rate plan urban renewal areas.

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

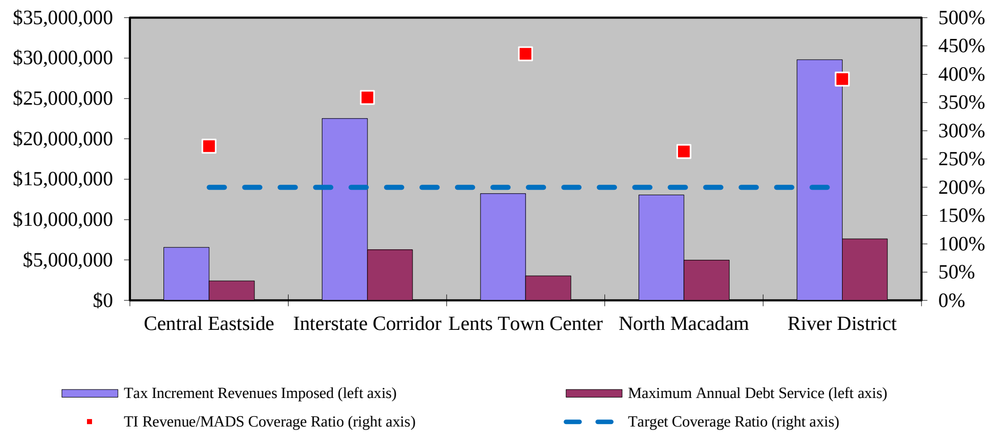


Security

For planning purposes, the City's target coverage ratio standard for all reduced rate plan and standard rate urban renewal areas 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 Rate Plan Debt Service Coverage



Downtown Waterfront

Urban Renewal Area Bonds

Urban Renewal Area Summary

Year of Formation:	1974
Type:	Option 3
Final Year to Issue Debt:	2008 (Expired)
Remaining Max. Indebtedness:	None
Area:	233 acres
Frozen AV Base:	$55,674,313
FY2014-15 AV:	$1,063,934,270
Incremental AV Used:	$332,313,262
Est. FY2014-15 Tax Collections:	$9,959,715

Fiscal Year 2014-15 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	$36,320,000
2011 Series A	7/6/2011	6/15/2020	30,370,000	22,300,000
Total Long-Term Debt			$80,535,000	$58,620,000
Interim debt				$0

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

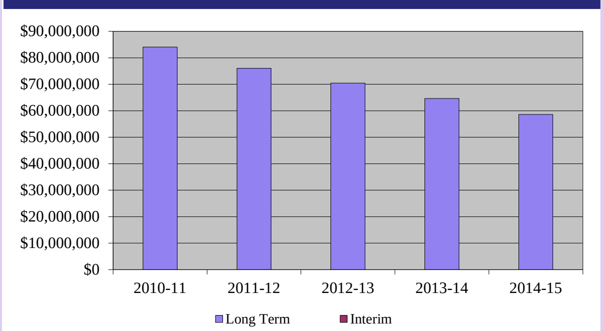
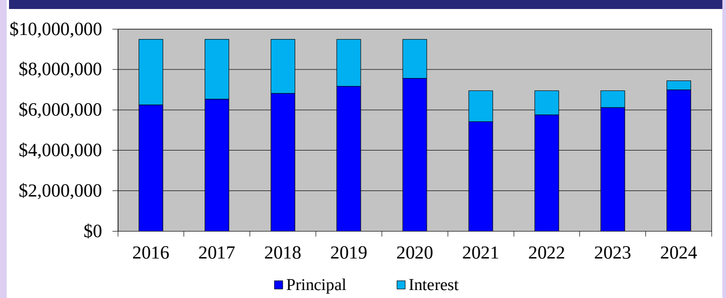


Figure 26: Total Annual Debt Service Requirements-- Downtown Waterfront Urban Renewal Bonds



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 3.47%. The maximum tax increment revenues averaged 322% of maximum annual debt service over the same five year period.

South Park Blocks
Urban Renewal Area Bonds

Urban Renewal Area Summary

Year of Formation:	1985
Type:	Option 3
Final Year to Issue Debt:	2008 (Expired)
Remaining Max. Indebtedness:	$31,584,000
Area:	98 acres
Frozen Base:	$305,692,884
FY2014-15 AV:	$1,112,169,557
Incremental AV Used:	$243,955,002
Est. FY2014-15 Tax Collections:	$7,534,085

Fiscal Year 2014-15 Highlights

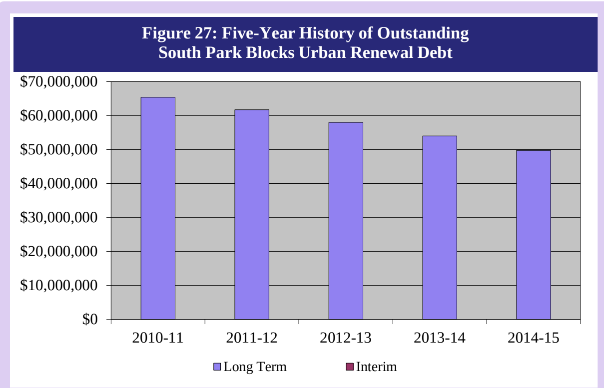
Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	None

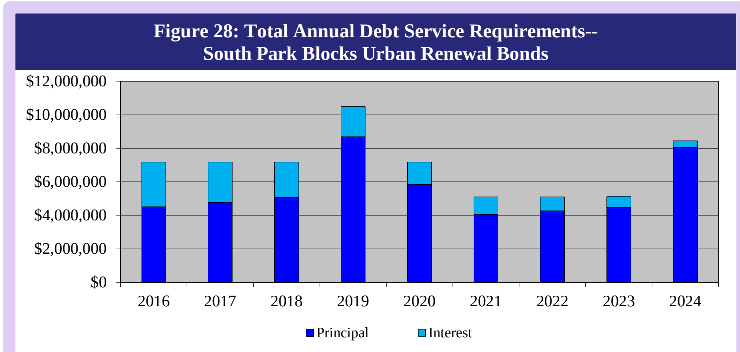
Bond Rating

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	$17,720,000
2008 Series B	7/16/2008	6/15/2024	32,020,000	32,020,000
Total Long-Term Debt			$66,600,000	$49,740,000
Interim debt				$0





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 1.12% including the impact of the reduction. The maximum tax increment revenues averaged 377% of the maximum annual debt service over the same five year period.

Airport Way

Urban Renewal Area Bonds

Urban Renewal Area Summary

Year of Formation:	1986
Type:	Option 3
Final Year to Issue Debt:	2011 (Expired)
Remaining Max. Indebtedness:	None
Area:	1,841 acres
Frozen AV Base:	$124,710,301
FY2014-15 AV:	$1,211,634,515
Incremental AV Used:	$121,636,850
Est. FY2014-15 Tax Collections:	$5,807,837

Fiscal Year 2014-15 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	See "Plan Amendment" below

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	$24,430,000
Interim debt				$0

* The 2005 Series A bonds were refunded in July 2015 (fiscal year 2015-16), resulting in a reduction of approximately $400k to annual debt service. Results of this refunding will be reflected in the fiscal year 2015-16 Annual Debt Report.

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

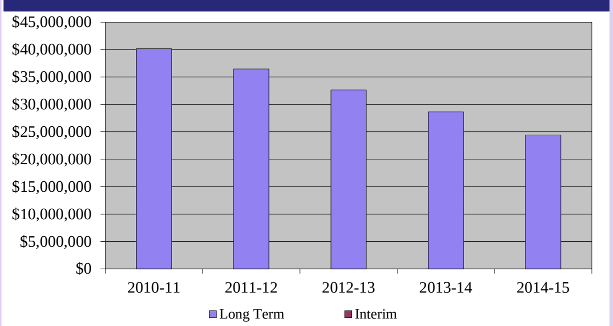
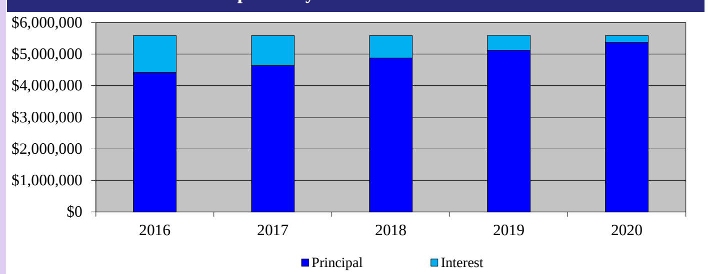


Figure 30: Total Annual Debt Service Requirements--Airport Way Urban Renewal Bonds



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 0.93% while the maximum tax increment revenues averaged 554% of the maximum annual debt service over the same five year period.

Plan Amendment

On April 1, 2015, Council approved a plan amendment which will reduce the size of the Airport Way urban renewal plan area by approximately 970.5 acres to 870.9 acres and decrease assessed value. Airport Way is an Option 3 urban renewal area which collects a portion of the special levy, and as a result, the plan amendment will have no impact on tax increment revenues. It is expected that the plan area's MTIR will continue to exceed MADS by more than the minimum 2.0x debt service coverage target collected to pay debt service going forward.

Oregon Convention Center

Urban Renewal Area Bonds

Urban Renewal Area Summary

Year of Formation:	1989
Type:	Option 3
Final Year to Issue Debt:	2013 (Expired)
Remaining Max. Indebtedness:	$1,000
Area:	410 acres
Frozen AV Base:	$214,100,689
FY2014-15 AV:	$1,044,551,760
Incremental AV Used:	$247,136,829
Est. FY2014-15 Tax Collections:	$8,342,368

Fiscal Year 2014-15 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	$21,730,000
2012 Series A	5/17/2012	6/15/2025	69,760,000	69,760,000
Total Long-Term Debt			$99,445,000	$91,490,000
Interim debt				$0

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

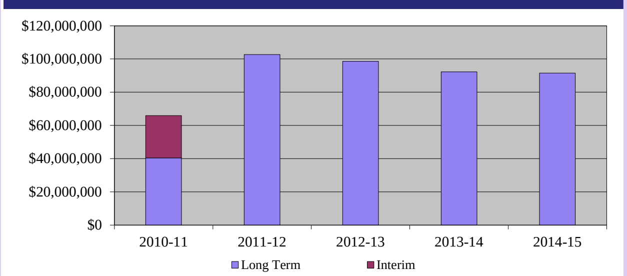
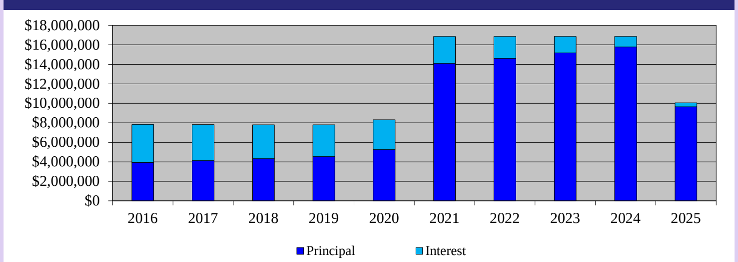


Figure 32: Total Annual Debt Service Requirements-- Oregon Convention Center Urban Renewal Bonds



Security

Oregon Convention Center has reached its expiration date and no additional tax increment bonds may be issued. Incremental assessed value increased over the past five years at an average rate of approximately 0.7% as a result of a plan amendment in fiscal year 2010-11 which removed property from the tax rolls beginning in fiscal year 2012-13. The maximum tax increment revenues averaged 470% of the maximum annual debt service over the same five year period.

Central Eastside

Urban Renewal Area Bonds

Urban Renewal Area Summary

Year of Formation:	1986
Type:	Reduced Rate Plan
Final Year to Issue Debt:	2018
Remaining Max. Indebtedness:	$11,360,860
Area:	692 acres
Frozen AV Base:	$224,626,739
FY2014-15 AV:	$597,522,686
Incremental AV Used:	$372,895,947
Est. FY2014-15 Tax Collections:	$6,239,519

Fiscal Year 2014-15 Highlights

Debt Issued:	None
Rating Actions:	Upgraded to A1
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $3,000,000 See “Plan Amendment” below.

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	$6,485,000
2011 Series B	3/31/2011	6/15/2031	19,485,000	19,485,000
Total Long-Term Debt			$29,690,000	$25,970,000
Interim debt				$6,186,639

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

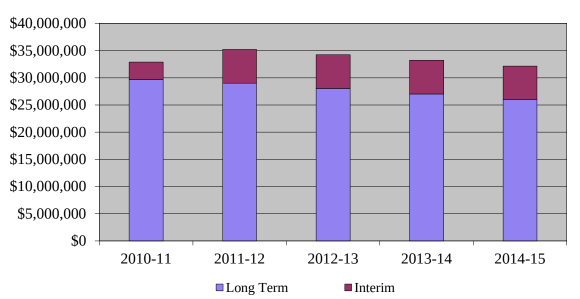
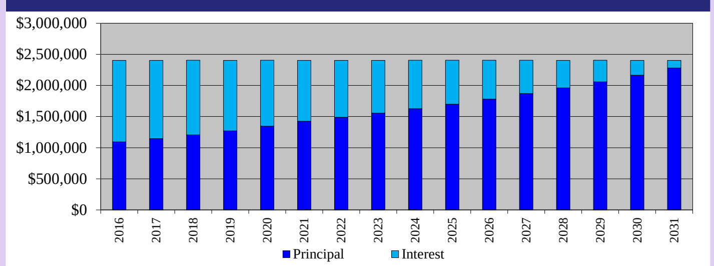


Figure 34: Total Annual Debt Service Requirements--Central Eastside Urban Renewal Bonds



Security

The growth in incremental assessed value over the past five years averaged about 2.80% while tax increment revenues as a percent of maximum annual debt service grew from 227% in fiscal year 2010-11 to 273% in fiscal 2014-15.

Plan Amendment

On April 1, 2015, Council approved a plan amendment that will increase the size of the Central Eastside urban renewal plan area by 16.2 acres to 708.5 acres, increase the assessed value, increase maximum indebtedness by 20% to $126 million, and extend the final date to issue long-term debt by five years to August 26, 2023. The plan amendment, which will not be effective until fiscal year 2015-16, is expected to provide additional tax increment revenues beginning in fiscal year 2016-17. The expanded urban renewal area is expected to increase capacity for the issuance of future debt secured by Central Eastside tax increment revenues.

Lents Town Center
Urban Renewal Area Bonds

Urban Renewal Area Summary

Year of Formation:	1998
Type:	Standard Rate Plan
Final Year to Issue Debt:	2020
Remaining Max. Indebtedness:	$119,147,223
Area:	2,846 acres
Frozen AV Base:	$736,224,033
FY2014-15 AV:	$1,387,070,348
Incremental AV Used:	$650,846,315
Est. FY2014-15 Tax Collections:	$12,583,057

Fiscal Year 2014-15 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $9,000,000

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	$15,195,000
2010 Series B	6/24/2010	6/15/2030	15,650,000	15,650,000
Total Long-Term Debt			$36,890,000	$30,845,000
Interim debt				$0

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

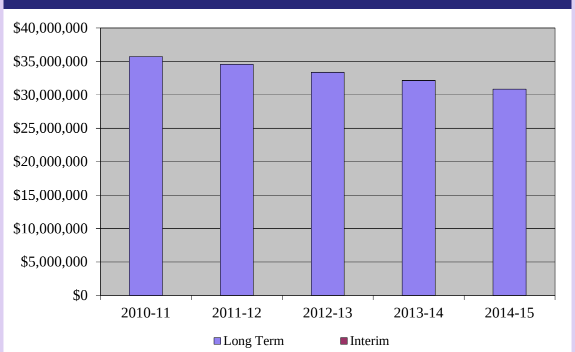
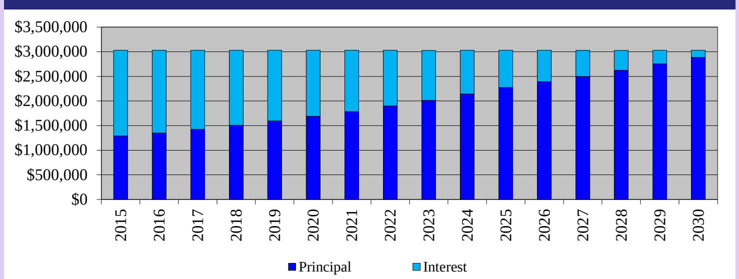


Figure 36: Total Annual Debt Service Requirements-- Lents Town Center Urban Renewal Bonds



Security

The growth in incremental assessed value over the past five years averaged approximately 7.30% while the maximum tax increment revenues averaged 378% of the maximum annual debt service over the same five year period.

North Macadam
Urban Renewal Area Bonds

Urban Renewal Area Summary

Year of Formation:	1999
Type:	Standard Rate Plan
Final Year to Issue Debt:	2020
Remaining Max. Indebtedness:	$155,017,590
Area:	402 acres
Frozen Base:	$192,609,397
FY2014-15 AV:	$818,734,100
Incremental AV Used:	$626,124,703
Est. FY2014-15 Tax Collections:	$12,424,874

Fiscal Year 2014-15 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $3,255,000 See "Plan Amendment" below

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	$17,745,000
2010 Series B	9/23/2010	6/15/2030	35,280,000	35,280,000
Total Long-Term Debt			$64,925,000	$53,025,000
Interim debt				$10,266,680

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

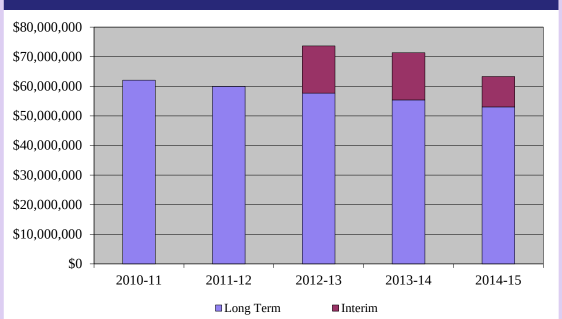
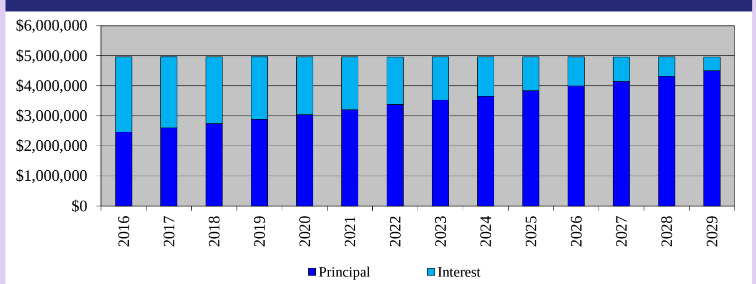


Figure 38: Total Annual Debt Service Requirements-- North Macadam Urban Renewal Bonds



Security

The growth in incremental assessed value over the past five years averaged approximately 1.54% while tax increment revenues as a percent of maximum annual debt service decreased from 265% in fiscal year 2010-11 to 263% in fiscal year 2014-15 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.

Plan Amendment

On April 1, 2015, Council approved a plan amendment that will increase the size of the North Macadam urban renewal plan area by 45.1 acres to 447.1 acres, increase assessed value, and extend the final date to issue long-term debt by five years to June 30, 2025. The plan amendment, which will not be effective until fiscal year 2015-16, is expected to provide additional tax increment revenues beginning in fiscal year 2016-17. The expanded urban renewal area is expected to increase capacity for the issuance of future debt secured by North Macadam tax increment revenues.

Interstate Corridor

Urban Renewal Area Bonds

Urban Renewal Area Summary

Year of Formation:	2000
Type:	Standard Rate Plan
Final Year to Issue Debt:	at Max Indebt.
Remaining Max. Indebtedness:	$160,843,000
Area:	3,990 acres
Frozen AV Base:	$1,293,389,062
FY2014-15 AV:	$2,368,869,140
Incremental AV Used:	$1,075,480,078
Est. FY2014-15 Tax Collections:	$21,419,217

Fiscal Year 2014-15 Highlights

Debt Issued:	None
Rating Actions:	Upgraded to A1
Refinancing Activity:	$17.2 million refunding bonds to refinance 2004 Series A bonds
Other Activities:	Du Jour Borrowing $11,500,000

Bond Rating

A1 (Moody's)

Debt Outstanding

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
2011 Series A (Taxable)	8/11/2011	6/15/2026	$28,890,000	$22,370,000
2011 Series B	8/11/2011	6/15/2031	17,245,000	17,245,000
2015 Series A Refunding	3/17/2015	6/15/2025	17,155,000	16,880,000
Total Long-Term Debt			$63,290,000	$56,495,000
Interim debt				$8,017,000

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

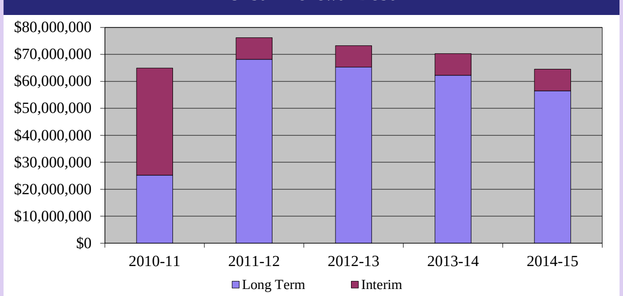
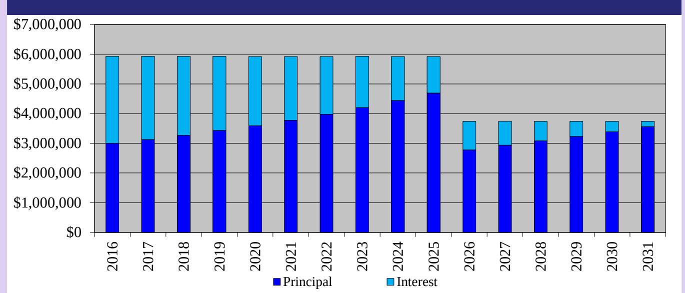


Figure 40: Total Annual Debt Service Requirements--Interstate Corridor Urban Renewal Bonds



Security

The growth in incremental assessed value over the past five years averaged approximately 12.29% which includes plan amendments that added property to the urban renewal area which increased value in fiscal year 2012-13. Tax increment revenues averaged 341% of the maximum annual debt service over the same five year period.

River District

Urban Renewal Area Bonds

Urban Renewal Area Summary

Year of Formation:	1998
Type:	Standard Rate Plan
Final Year to Issue Debt:	2021
Remaining Max. Indebtedness:	$163,115,694
Area:	351 acres
Frozen Base:	$461,577,974
FY2014-15 AV:	$2,281,476,271
Incremental AV Used:	$1,424,799,374
Est. FY2014-15 Tax Collections:	$28,351,412

Fiscal Year 2014-15 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $21,500,000 See “Plan Amendment” below
Shared Revenues:	$9,166,690

Bond Rating

A1(Moody’s)

Debt Outstanding

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
2012 Series A (Taxable)	7/10/2012	6/15/2026	$24,250,000	$19,680,000
2012 Series B	7/10/2012	6/15/2032	34,140,000	31,850,000
2012 Series C (TE Non-AMT)	7/10/2012	6/15/2031	15,275,000	15,275,000
Total Long-Term Debt			$73,665,000	$66,805,000
Interim debt				$0

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

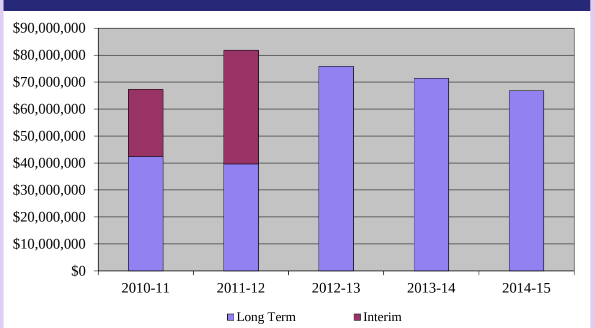
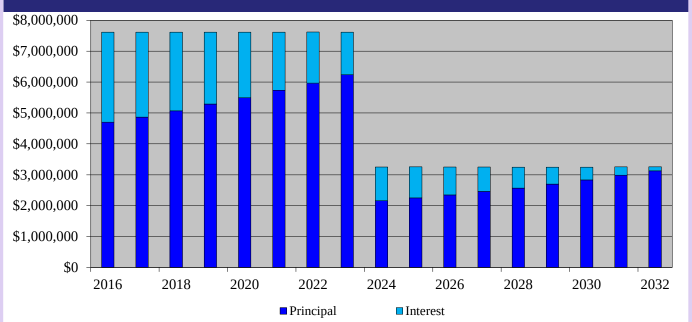


Figure 42: Total Annual Debt Service Requirements-- River District Urban Renewal Bonds



Security

The growth in incremental assessed value over the past five years averaged approximately 5.23% which includes a plan amendment that added property to the urban renewal area in fiscal year 2010-11. Tax increment revenues averaged 506% of the maximum annual debt service over the same five year period.

Plan Amendment

On April 1, 2015, Council approved a plan amendment that will reduce the size of the River District urban renewal plan area by approximately 36.4 acres to 314.8 acres and decrease assessed value. The plan amendment, which will not be effective until fiscal year 2015-16, is expected to provide lower tax increment revenues beginning in fiscal year 2016-17. In order to achieve the effect of the plan amendment in fiscal year 2015-16, the City has requested a reduced amount of tax increment revenue in fiscal year 2015-16. It is expected that the plan area’s MTIR will exceed MADS by more than the minimum debt service coverage requirements going forward.

Gateway Regional Center

Urban Renewal Area Bonds

Urban Renewal Area Summary

Year of Formation:	2001
Type:	Standard Rate Plan
Final Year to Issue Debt:	2022
Remaining Max. Indebtedness:	$123,206,515
Area:	659 acres
Frozen Base:	$307,174,681
FY2014-15 AV:	$520,598,630
Incremental AV Used:	$213,423,949
Est. FY2014-15 Tax Collections:	$3,846,590

Debt Outstanding

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

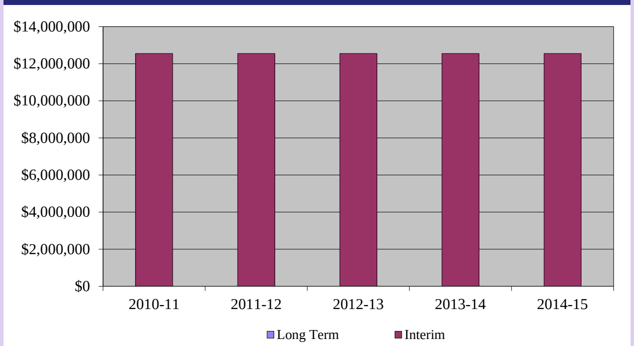
Fiscal Year 2014-15 Highlights

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

Bond Rating

None

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 7.77%. Gateway has no long-term debt outstanding.

Willamette Industrial

Urban Renewal Area Bonds

Urban Renewal Area Summary

Year of Formation:	2004
Type:	Reduced Rate Plan
Final Year to Issue Debt:	at Max Indebt.
Remaining Max. Indebtedness:	$194,245,070
Area:	755 acres
Frozen Base:	$481,443,135
FY2014-15 AV:	$420,090,790
Incremental AV Used:	None
Est. FY2014-15 Tax Collections:	None

Debt Outstanding

Long-Term Bonds:	None
Interim:	None

Fiscal Year 2014-15 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $258,930 See “Plan Amendment” Below

Bond Rating

None

Plan Amendment

On April 1, 2015, Council approved a plan amendment that will cease collections of tax increment revenues in the Willamette Industrial urban renewal area effective July 1, 2015. Council also chose to collect zero Willamette Industrial urban renewal area tax increment revenues in fiscal year 2014-15.

Education

Urban Renewal Area Bonds

Urban Renewal Area Summary

Year of Formation:	2012
Type:	Reduced Rate Plan
Final Year to Issue Debt:	2041
Remaining Max. Indebtedness:	$166,272,906
Area:	144 acres
Frozen Base:	$622,437,726
FY2014-15 AV:	$726,103,316
Incremental AV Used:	$103,665,590
Est. FY2014-15 Tax Collections:	$1,689,691

Debt Outstanding

Long-Term Bonds:	None
Interim:	None

Fiscal Year 2014-15 Highlights

Debt Issued:	None
Rating Actions:	None
Refinancing Activity:	None
Other Activities:	Du Jour Borrowing $1,707,094 See “Plan Amendment” Below

Bond Rating

None

Plan Amendment

On April 1, 2015, Council approved a plan amendment that will terminate the Education urban renewal area effective July 1, 2015. Fiscal year 2014-15 will be the final year of collections of Education urban renewal area tax increment revenues.

CONCLUSION

Overall, total outstanding City debt increased in fiscal year 2014-15 as a result of borrowing for planned capital improvements. All new City debt was issued in conjunction with capital expenditures that were programmed and budgeted, continuing a long-standing City policy of not issuing long-term debt for short-term operational needs. The City made timely payment of over $223 million in principal, plus associated interest, this fiscal year.

The City continues to manage within its financial resources and without reliance on unplanned debt issuance. Consistent with significant budgetary improvement in recent years, metrics related to debt issuance have remained within healthy, historical norms. Future capital investment challenges remain; however, future debt payments – including borrowings anticipated in fiscal year 2015-16 – 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 Treasurer, Jennifer Cooperman at jennifer.cooperman@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 Financial 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 Treasurer, Jennifer Cooperman at jennifer.cooperman@portlandoregon.gov.

CITY OF PORTLAND, OREGON

1851