ANNUAL DEBT REPORT
FISCAL YEAR 2017-18

SEPTEMBER 1, 2018

CITY OF PORTLAND, OREGON
Bureau of Revenue & Financial Services
Debt Management Division

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

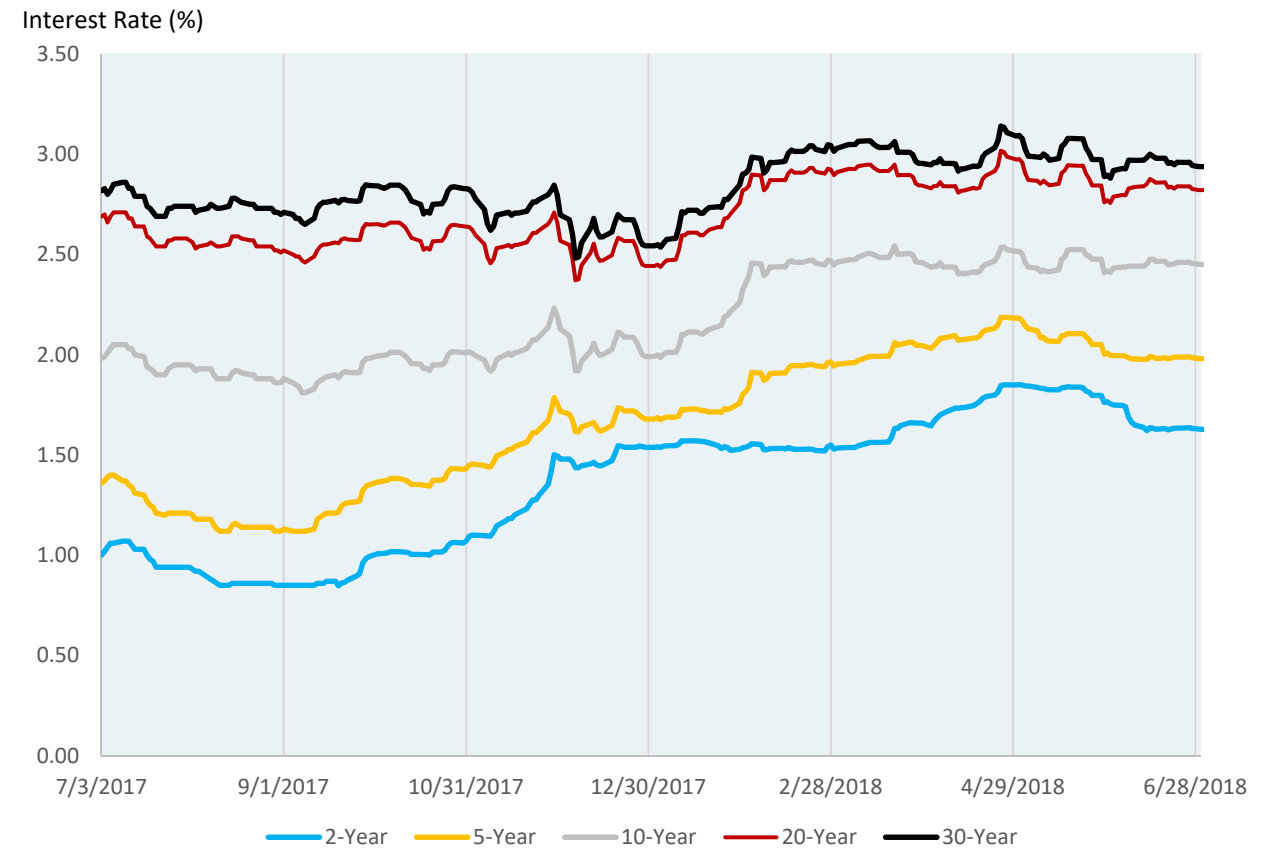
The City's Annual Debt Report has been independently prepared by the City's Debt Management Division. The Annual Debt Report has not been reviewed by the City's independent financial auditors and is not intended as a comprehensive credit analysis for use in making an investment decision. Expressions 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.

Fiscal Year 2017-18 in Review

Economic and Market Highlights

Interest rates on the City's short-term borrowings increased over FY 2017-18, while long-term rates ended largely unchanged. Figure 1 shows the trend in interest rates for Aaa-rated tax-exempt obligations for various maturities.

FIGURE 1: FY 2017-18 Benchmark Tax-Exempt Aaa Scale



Source: MSRB Electronic Municipal Market Access (EMMA) BVAL BVAL® AAA Municipal Curves

Short-term rates increased in response to Federal Reserve rate hikes, which bumped the federal funds target rate from 1.00 percent to 1.75 percent over the fiscal year. Additionally, the Tax Cuts and Jobs Act (TCJA) of 2017, passed in December 2017, lowered the federal tax rate for corporations from 35 percent to 21 percent. Banks responded by increasing variable interest rates on the City's short-term borrowings to compensate for the reduced benefit of holding tax-exempt securities.

TCJA also included provisions that eliminated state and local governments' ability to issue tax-exempt "advance refunding" bonds. As a result, the City was unable to take advantage of potential savings in

the second half of FY 2017-18 that could have been achieved with an advance refunding. The elimination of tax-exempt advance refunding has decreased the supply of new tax-exempt bond issues overall in the market, which has temporarily muted the effects of waning corporate-buyer demand due to lower corporate tax rates.

Debt Activity

Total Citywide debt outstanding (including urban renewal debt related to Prosper Portland) increased slightly by approximately 1.5 percent, or $48.5 million, in fiscal year 2017-18, as shown in Table 1.

TABLE 1: Fiscal Year 2017-18 Change in Total Debt Outstanding	
Outstanding Debt as of July 1, 2017	$3,236,695,758
Increases in Debt Outstanding:	
New Money Bonds Issued	223,275,000
Refunding Bonds Issued	8,815,000
Notes Issued	35,705,000
Line of Credit Draws	46,828,805
Total Increases in Debt Outstanding	$314,623,805
Reductions in Debt Outstanding:	
Bonds & Notes Matured	$193,594,726
Bonds Redeemed Prior to Maturity	3,480,000
Bonds Refunded	9,675,000
Cash Defeasance	58,060,000
Line of Credit Reductions/Misc.	1,295,402
Total Reductions	$266,105,128
Net Increase (Decrease) Outstanding Debt	$48,518,677
Outstanding Debt as of June 30, 2018	$3,285,214,435

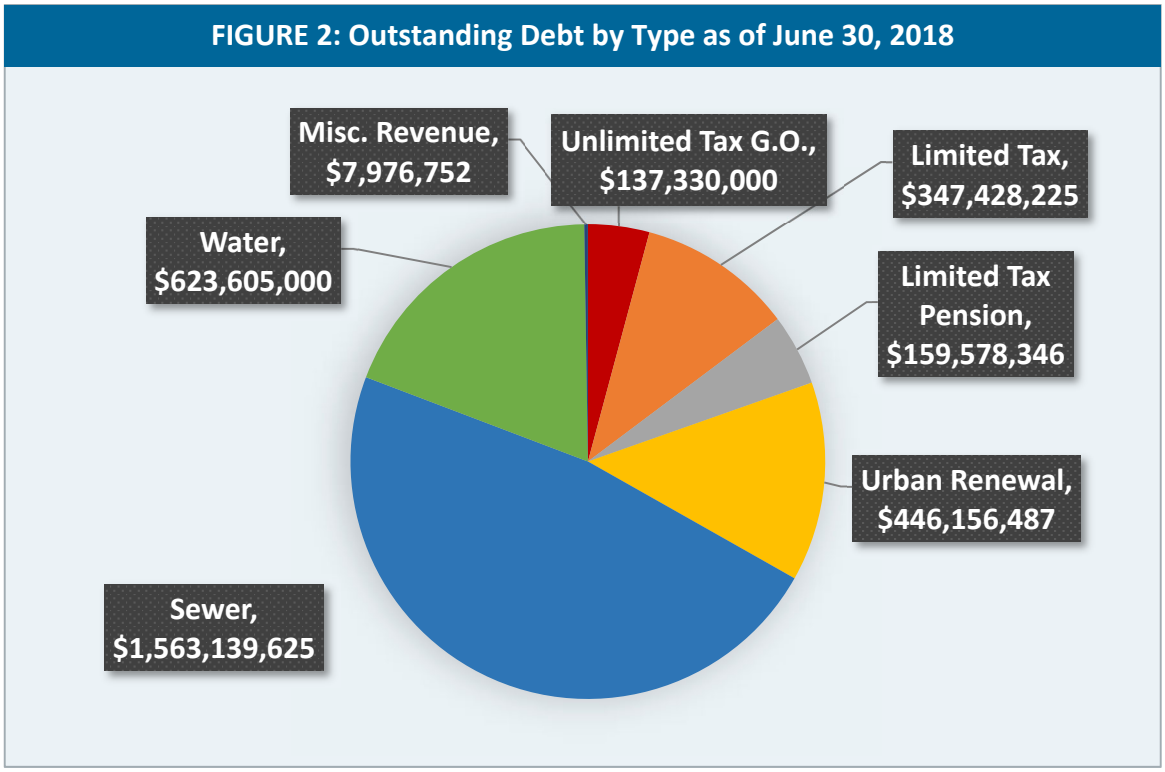
Debt issues include approximately $192 million for sewer system capital improvements, $23 million for parks improvements, and $8 million to repay an internal loan for the acquisition of the Ellington Apartments project, an affordable housing project primarily funded with proceeds of general obligation bonds. The City also refunded its 2008 general obligation emergency facilities bonds to achieve debt service savings.

TABLE 2: Debt Issuance in Fiscal Year 2017-18				
Long-Term Bond Issues	**Date of Issue**	**Final Maturity**	**Par Amount**	**Debt Type**
General Obligation Bonds, 2018 Series A (Parks System Improvements)	1/18/2018	2030	$23,445,000	Unlimited Tax
General Obligation Refunding Bonds, 2018 Series B (Emergency Facilities Projects)	4/19/2018	2028	$8,815,000	Unlimited Tax
Second Lien Sewer System Revenue Refunding Bonds, 2018 Series A	5/3/2018	2038	$191,930,000	Revenue
Limited Tax Revenue Bonds, 2018 Series A (Ellington Apartments Project)	6/28/2018	2029	$7,900,000	Full Faith & Credit
Short-Term Issues				
Tax Anticipation Notes, Series 2017 (FPD&R)	7/20/2017	6/27/2018	$35,705,000	Tax Anticipation Notes

The City's Debt Portfolio

Outstanding Debt by Type

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 79 percent of the City's total outstanding debt has no direct legal claim on resources of the City's General Fund.



Classification of Debt Secured by General Fund Resources

Debt secured by the City's General Fund is tracked either as "non-self-supporting" or "self-supporting," as shown in the City's Debt Statement presented in Table 3. Non-self-supporting bonds are generally paid from General Fund resources. 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.

Self-supporting 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 repayment of this debt.

As will be described later in this report, the City maintains and adheres to distinct policy provisions for its non-self-supporting and self-supporting debt.

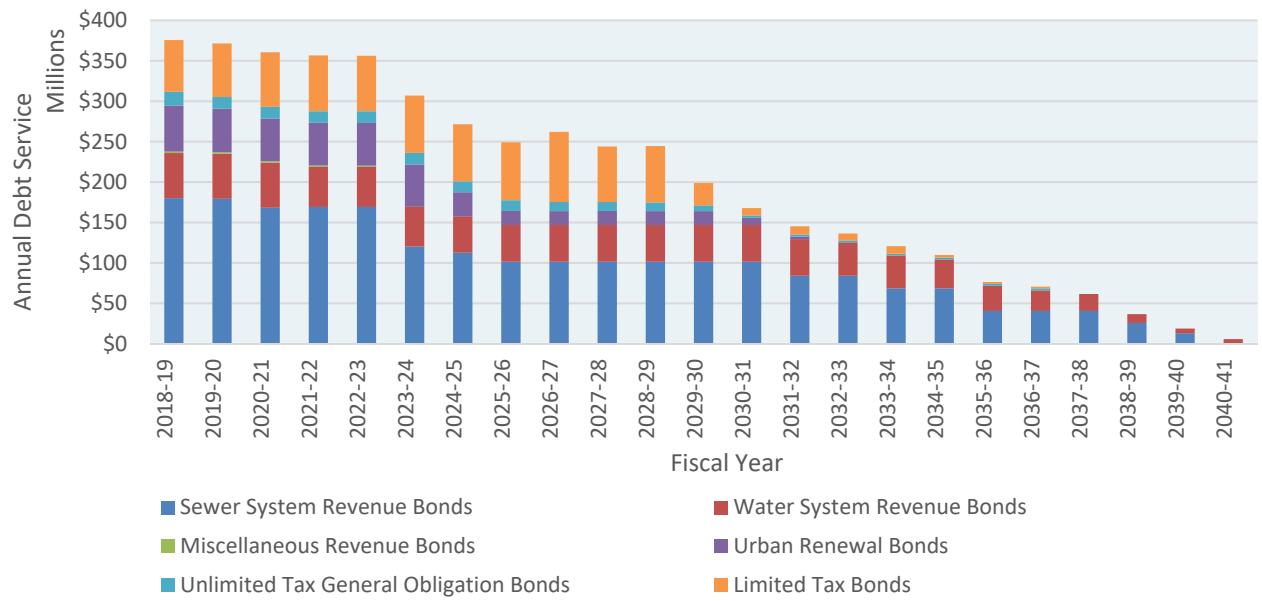
TABLE 3: Debt Statement as of June 30, 2018

Type of Obligation	Amount Outstanding
I. UNLIMITED TAX GENERAL OBLIGATION BONDS	
General Obligation Parks Bonds	$40,635,000
General Obligation Public Safety Bonds	47,450,000
General Obligation Emergency Facilities Bonds	15,195,000
General Obligation Housing Bonds	34,050,000
Total Unlimited Tax General Obligation Bonds	$137,330,000
II. BONDS PAID AND/OR SECURED BY THE GENERAL FUND	
A. Non-Self-Supporting	
Limited Tax Revenue Bonds	$37,240,000
Limited Tax Pension Obligation Revenue Bonds (General Fund share)	59,242,982
Limited Tax Housing Revenue Bonds	13,325,000
2016 River District (General Fund) Line of Credit	24,270,957
2017 Portland Building Line of Credit	34,546,842
Total Bonds Secured and Paid from the General Fund	$168,625,781
B. Self-Supporting	
Limited Tax Pension Obligation Revenue Bonds (Non-General Fund share)	$100,335,364
Limited Tax Revenue Bonds (Streetcar)	9,855,000
Limited Tax Revenue Bonds (Convention Center)	70,305,382
Limited Tax Revenue Bonds (Stadium Project)	13,153,000
Limited Tax Revenue Bonds (MLS Line Takeout)	12,000,000
Limited Tax Revenue Bonds (PMLRT)	29,930,000
Limited Tax Revenue Bonds (Sellwood Bridge)	38,340,000
Limited Tax Revenue Bonds (Sellwood II)	29,165,000
Limited Tax Improvement Bonds	28,660,000
State Loan (Levee IFA)	665,644
FPD&R TAN's	0
Lines of Credit:	
Urban Renewal (General Fund secured)	40,704,449
2015 Local Improvement Districts	5,971,400
Total Self-Supporting Bonds Secured by the General Fund	$379,085,238
III. REVENUE BONDS	
First Lien Sewer Revenue Bonds	$452,050,000
Second Lien Sewer Revenue Bonds	1,098,915,000
Sewer SRF Loans	12,174,625
First Lien Water Revenue Bonds	421,915,000
Second Lien Water Revenue Bonds	201,690,000
Urban Renewal Bonds	357,231,200
Urban Renewal Lines of Credit (Non-General Fund secured)	48,220,839
PBOT Parking Meter Lease	86,752
Gas Tax Revenue Bonds	7,890,000
Total Revenue Bonds	$2,600,173,416
TOTAL - ALL OUTSTANDING DEBT	$3,285,214,435

Debt Repayment

Figure 3 shows future debt service on outstanding debt. Most City debt is outstanding for no more than 20 years in conformance with the City's debt policy. 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.

FIGURE 3: Future Debt Service on Outstanding Long-Term Debt by Type of Bonds



Bond Ratings

The City is assigned a separate bond rating for each individual type of bond. All publicly-offered City bonds are rated by Moody's Investor's Service Inc. (Moody's). The City's sewer revenue bonds are additionally rated by Standard and Poor's Global Ratings (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.

In January 2018, Moody's announced an upgrade of the City's first and second lien sewer system revenue bonds to Aa1 and Aa2, respectively. The City requested and received ratings in conjunction with the issuance of general obligation bonds, second lien sewer system revenue bonds, limited tax revenue bonds, and tax anticipation notes. Table 4 shows ratings by credit type for all City outstanding debt and FY 2017-18 rating action, if any.

TABLE 4: Underlying Ratings for Outstanding Debt		
TYPE OF DEBT	**RATING (Moody's/S&P)**	**FY 2017-18 ACTION (Moody's/S&P)**
Tax Supported General Obligation Bonds	Aaa	Affirmed
Full Faith & Credit Obligations		Affirmed
Limited Tax Revenue Bonds	Aaa	
Limited Tax Housing Revenue Bonds	Aaa	
Limited Tax Pension Obligation Revenue Bonds	Aaa	
Limited Tax Improvement Bonds	Aaa	
Revenue Bonds		
First Lien Water System Revenue Bonds	Aaa	No Action
Second Lien Water System Revenue Bonds	Aa1	No Action
Gas Tax Revenue Bonds	Aa2	No Action
First Lien Sewer System Revenue Bonds	Aa1/AA	Upgraded/Affirmed
Second Lien Sewer System Revenue Bonds	Aa2/AA-	Upgraded/Affirmed
Urban Renewal and Redevelopment Bonds		No Action
Downtown Waterfront	Aa3	
South Park Blocks	Aa3	
Oregon Convention Center	Aa3	
Lents Town Center	A1	
North Macadam	A1	
River District	A1	
Central Eastside	A1	
Interstate Corridor	A1	
Tax Anticipation Notes	MIG1	Assigned

City Debt Policy

The City manages its debt issuance practices in conformance with 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 benchmarks, and other conditions and strategies related to the use of debt. The City is in compliance with all provisions of the debt policy. The full debt policy can be found on the City's website at: https://www.portlandoregon.gov/brfs/61902.

Debt Secured by Property Taxes and Other General Fund Resources

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 $256 million in property taxes to the City in fiscal year 2017-18. Property tax revenues are used to support a vast array of City programs including public safety, parks, and community development services. Other General Fund resources available to pay debt service include revenues from lodging taxes, licenses and permits, and charges for services.

As of June 30, 2018, approximately $685.0 million (20.9%) of the City's total outstanding debt is secured by general property taxes (excluding property taxes dedicated to urban renewal areas). Of this amount, $379.1 million is expected to be paid from revenue sources other than property taxes. The City issues three types of debt secured by General Fund resources including property taxes as shown below.

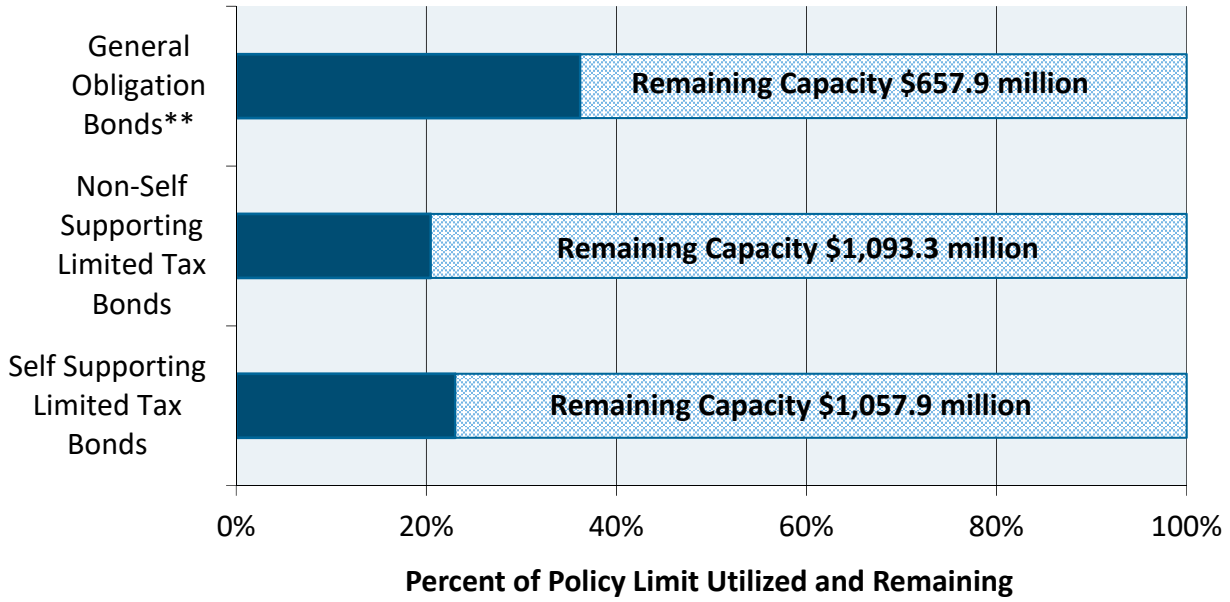
General Obligation (GO) Bonds	*Debt secured by and paid from a dedicated voter-approved property tax levy that can only be used to pay those specific bonds.*
Non-Self-Supporting Limited Tax Revenue Bonds	*Debt other than GO Bonds that is secured by and paid from General Fund resources including property taxes from the City's permanent rate levy. Unlike general obligation bonds, limited tax bonds do not authorize the City to levy a separate property tax to pay the bonds.*
Self-Supporting Limited Tax Revenue Bonds	*Debt other than GO Bonds that is secured by a legal claim on General Fund resources, but expected to be paid from specifically identified non-General Fund resources.*

Limits on Debt Supported by General Fund Resources

The City's debt policy imposes specific limits on the amount of General Fund-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 2017-18 taxable real market value is $137,482,640,578). 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 percent 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 percent of taxable real market value for general obligation bonds, 1.00 percent of taxable real market value for non-self-supporting limited tax bonds, and 1.00 percent of taxable real market value for self-

supporting limited tax bonds. Figure 4 presents the City's debt limits pertaining to property tax-secured debt, per the City's debt policy.

FIGURE 4: Policy Limits on General Fund-Secured Debt as a Percentage of Real Market Value*



* As of June 30, 2018. 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.

Benchmarks for Debt Secured by General Fund Resources

For comparison to municipal credit benchmarks, debt secured by property taxes is divided into two classifications: net direct debt and gross debt.

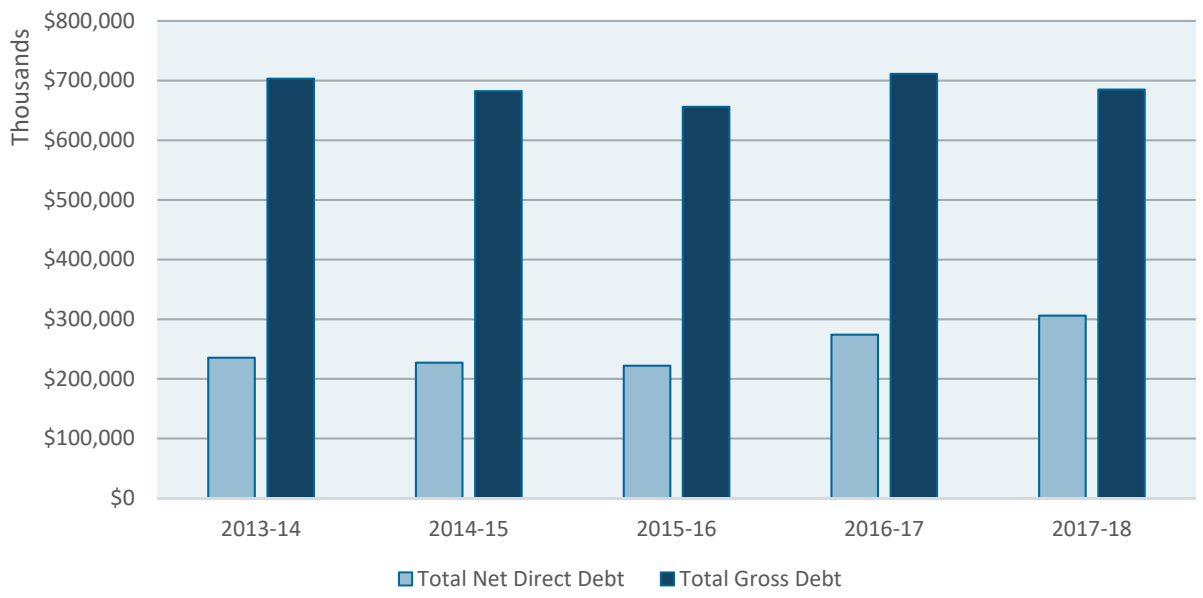
Net Direct Debt	*Debt secured by and paid directly by General Fund resources, including City property taxes.*
Gross Debt	*Net debt, plus debt secured by General Fund resources, but expected to be paid from dedicated revenues outside of the General Fund.*

For purposes of calculating outstanding net direct debt and gross debt, lines of credit and other short-term borrowing facilities are also included – including certain 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, such as amounts shown in Figure 3, for purposes of this report.

Net direct debt includes General Obligation Bonds, non-self-supporting Limited Tax Revenue Bonds and other obligations. As of June 30, 2018, total net direct debt was approximately $306 million and has increased modestly over the 2014-2018 five-year interval.

Gross debt includes net direct debt, plus self-supporting Limited Tax Revenue Bonds. Total gross debt was $685.0 million as of June 30, 2018. Figure 5 presents a five-year history of outstanding debt classified as net debt and gross debt.

FIGURE 5: Net Direct and Gross Debt (FY 2013-14 through FY 2017-18)



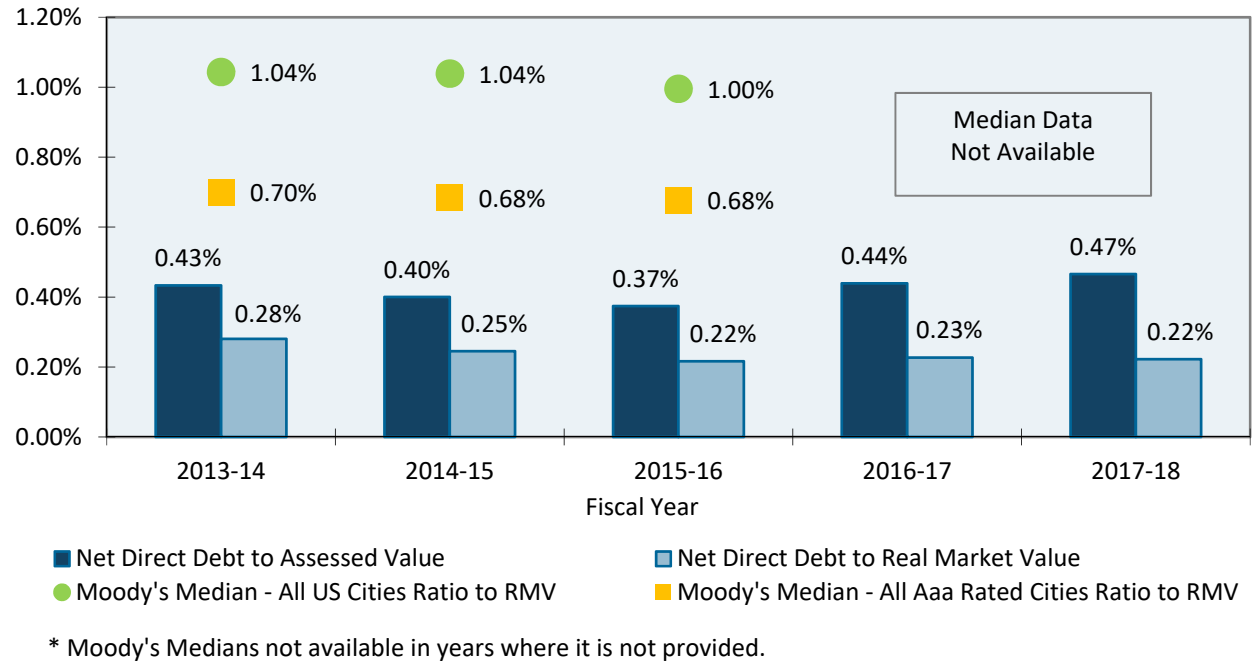
Historical and Comparative Analysis

The City uses national indicators, benchmarks and historical performance to monitor the levels of City debt. Many benchmarks were most recently presented in the *2016 Medians Report* (published in March 2018 by Moody's). 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.

Figure 6 shows the level of outstanding net direct 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 of net direct debt to real market value and assessed value have declined. According to the

Moody's *2016 Medians Report*, the median net debt-to-real-market-value ratio is 1.00 percent for all US cities and 0.68 percent for all Aaa-rated US cities. The City's ratio of 0.22 percent for fiscal year 2015-16 compares favorably to the benchmarks.

FIGURE 6: Net Direct Debt Comparison to Moody's Medians *



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

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 direct 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). As shown in Figure 7, net debt per capita has increased modestly, while gross debt per capita has been generally stable over the five-year period.

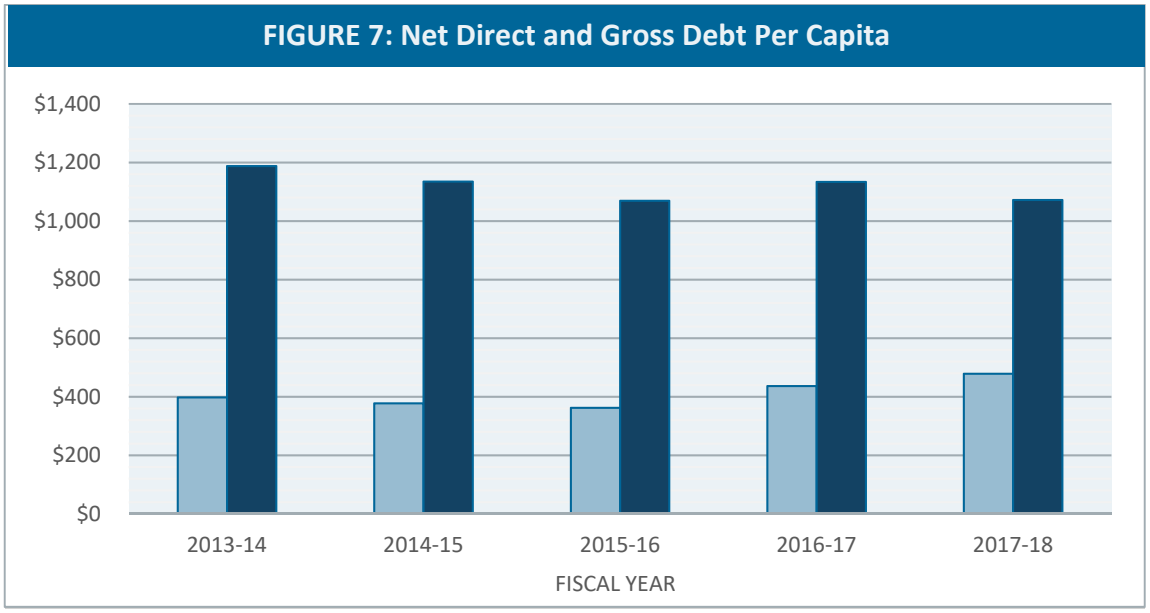


Table 5 presents gross and net direct debt per capita and as a percent of market and assessed value as of June 30, 2018. Also shown is net direct and overlapping debt per capita and as a percent of market and assessed value. Overlapping debt is the proportionate share of the debt of other local governments that fall within the City's geographic boundaries. The sum of net direct and overlapping debt is a measure of the full magnitude of debt for which Portland residents are ultimately responsible.

TABLE 5: Selected City of Portland Debt Ratios as of June 30, 2018

	Amount	Per Capita	% of Market Value	% of Assessed Value
Estimated Population as of July 1, 2017	639,100			
2017-18 Market Value (Measure 5)	$137,482,640,578	$215,119		
2017-18 Assessed Value	$65,686,657,350	$102,780	47.78%	
Gross Debt	$685,041,019	$1,072	0.50%	1.04%
Net Direct Debt	$305,955,781	$479	0.22%	0.47%
Net Overlapping Debt (as of 6/30/2018)	$1,827,419,871	$2,859	1.33%	2.78%
Net Direct and Overlapping Debt	$2,133,375,652	$3,338	1.55%	3.25%

Sewer and Water Revenue Bonds

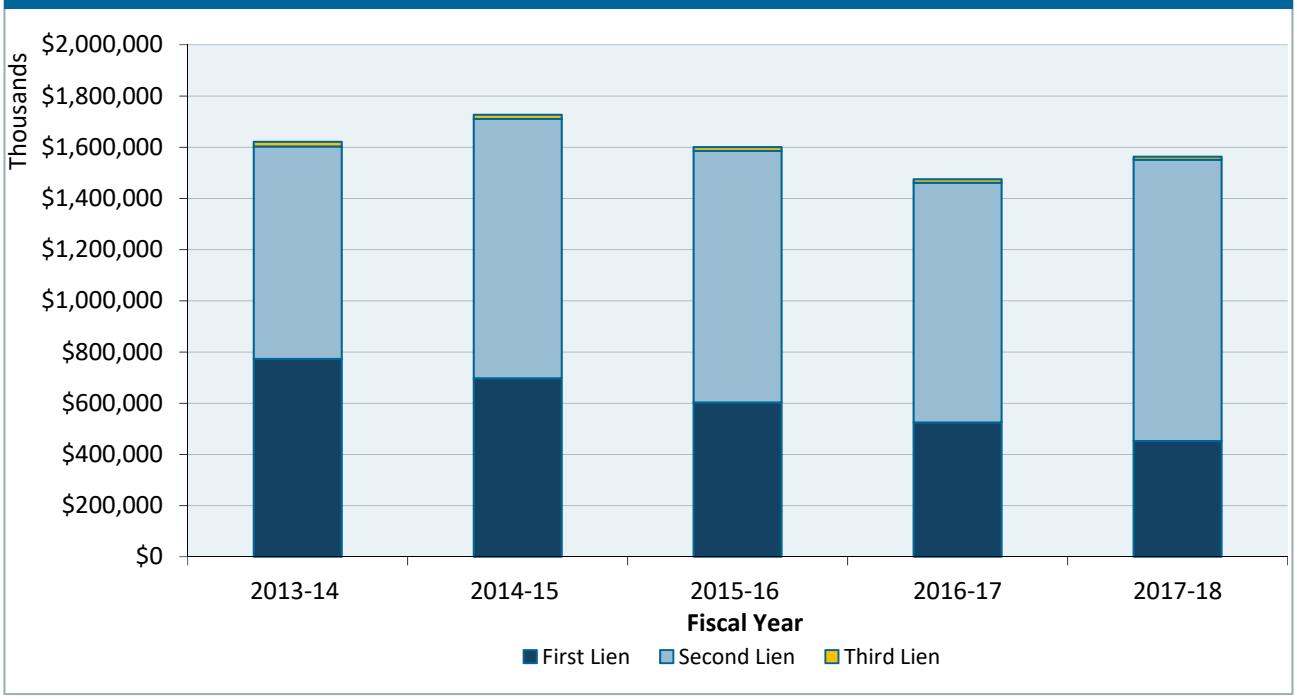
About Revenue Bonds

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.

Sewer System Revenue Bonds

Sewer System Revenue Bonds provide funding for a significant portion of the capital program of the Bureau of Environmental Services. 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 State of Oregon revolving fund loans that have a third lien on sewer system net revenues.

FIGURE 8: Five-Year History of Outstanding Sewer System Revenue Bonds



Security and Repayment

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. The Bureau of Environmental Services has established a rate stabilization fund that can be used to smooth rate increases while maintaining required debt service coverage levels.

The Bureau's planning standard for First Lien Bonds is to set rates such that Net Revenues (including transfers to and from the Rate Stabilization Fund) are at least 1.50 times the debt service on First Lien Bonds due in that fiscal year. The Bureau also maintains a planning standard for Second Lien Bonds that will result in Net Revenues (including transfers to and from the Rate Stabilization Fund) of at least 1.30 times Combined Annual Debt Service on First and Second Lien Bonds. Both targets are above legal covenants established for the bonds. These planning standards are more stringent than legally required debt service coverage ratios for First Lien Bonds and combined First and Second Lien Bonds of 1.20 times and 1.10 times, respectively. Tables 6 and 7 show the ratio of net revenues to debt service (referred to as "debt service coverage") for first and second lien sewer revenue bonds over the past five years based on "stabilized" net revenues. Debt service coverage has generally met or exceeded the Bureau's planning targets in all years.

TABLE 6: Sewer Revenue Bonds First Lien Debt Service Coverage (Stabilized)

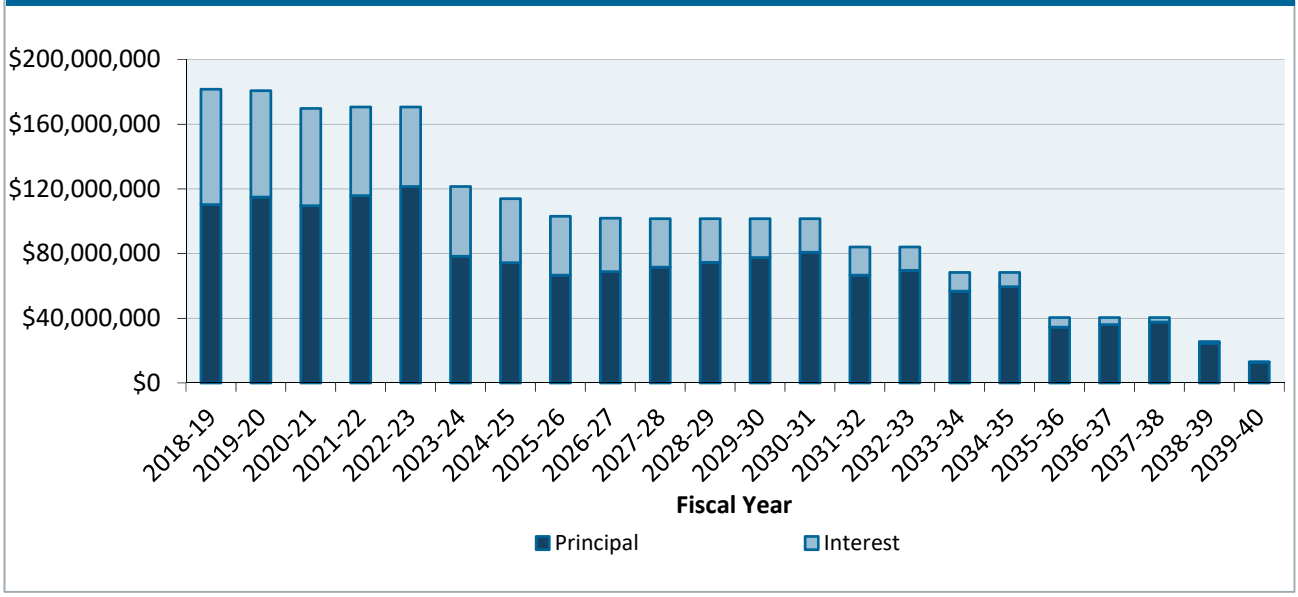
Fiscal Year Ending	Stabilized Net Revenues (000s)	First Lien Bond Debt Service	Debt Service Coverage
2014	$189,130	$97,786	1.93
2015	210,752	95,625	2.20
2016	223,332	97,500	2.29
2017	239,563	95,401	2.51
2018	253,224	96,179	2.63

TABLE 7: Sewer Revenue Bonds Combined 1st/2nd Debt Service Coverage (Stabilized)

Fiscal Year Ending	Stabilized Net Revenues (000s)	Combined 1st/2nd Lien Bond Debt Service	Debt Service Coverage
2014	$189,130	$146,589	1.29
2015	210,752	162,239	1.30
2016	223,332	171,465	1.30
2017	239,563	167,291	1.43
2018	253,224	168,889	1.50

Figure 9 presents the debt service requirements for outstanding sewer system revenue bonds. Sewer system revenue bonds for new projects generally are repaid within 20-25 years of their issue date. Approximately $565 million of outstanding debt is projected to be paid within the next five years.

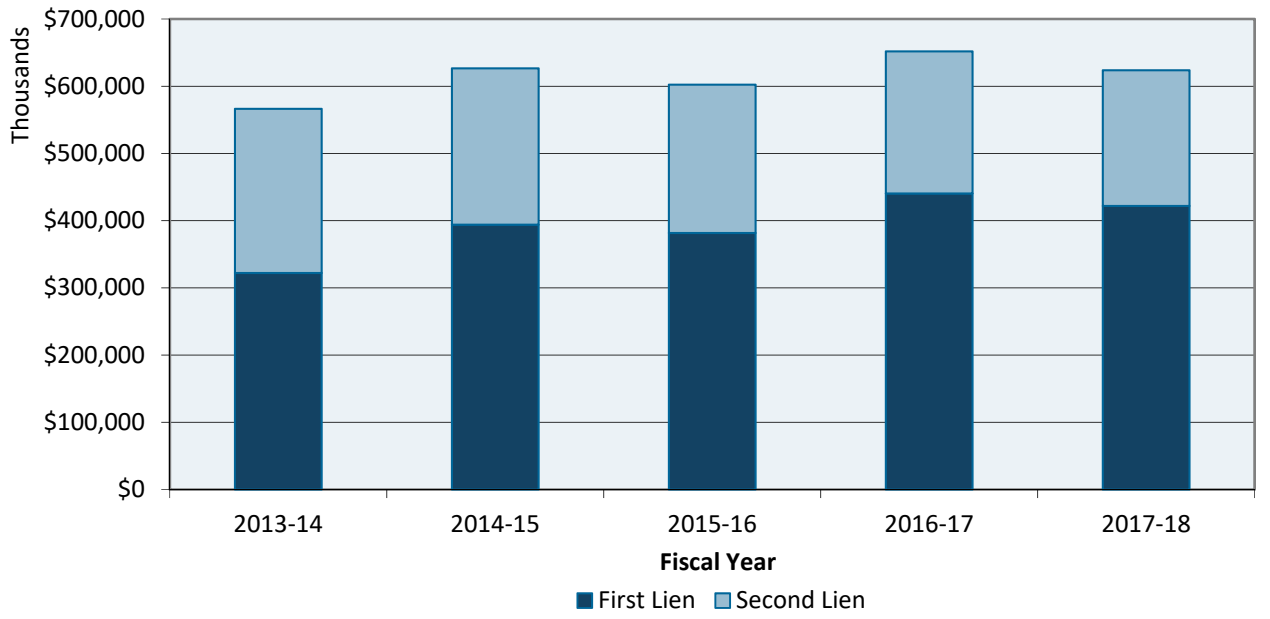
Figure 9: Sewer System Annual Debt Service Requirements



Water System Revenue Bonds

Water System Revenue Bonds provide funding for a significant portion of the City's Water System 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, system vulnerability needs, and aging infrastructure needs. The Bureau's FY 2018-19 financial plan projects a need to issue revenue bonds on average every 12 months through FY 2027-28. About $92 million in revenue bonds are next scheduled for sale in the fall of 2019 with over $500 million in total planned over the next five years. Major projects to be funded include the Willamette River Crossing, Washington Park reservoir improvement, a corrosion control treatment facility, and a water system filtration treatment facility.

FIGURE 10: Five-Year History of Outstanding Water System Revenue Bonds



Security and Repayment

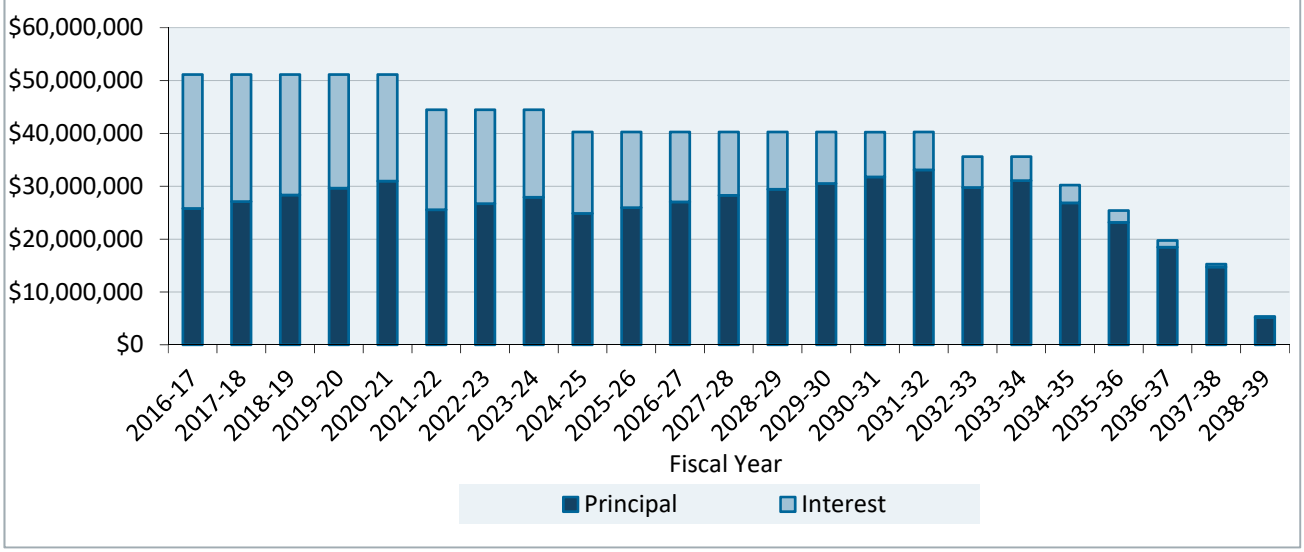
The Water Bureau charges fees to City residents and businesses for treatment and transmission of water. The Water Bureau's financial plans set water rates at levels that meet all legal covenants and planning targets to provide water system revenues sufficient to cover water system debt obligations. The Bureau's planning standard is to set rates such that Net Revenues provide at least 1.90 times debt service coverage on First Lien Bonds. Additionally, the Bureau maintains a planning standard that results in Stabilized Net Revenues (including transfers to and from the Rate Stabilization Fund) providing at least 1.75 times coverage on the Combined Annual Debt Service. These debt service coverage planning standards are more stringent than the legally required debt service coverage ratios for First Lien Bonds and combined First and Second Lien Bonds of 1.25 times and 1.10 times, respectively. Tables 8 and 9 show the ratio of net revenues to debt service 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.

TABLE 8: Water Revenue Bonds First Lien Debt Service Coverage			
Fiscal Year Ending	Net Revenues (000s)	First Lien Bond Debt Service (000s)	Debt Service Coverage
2014	$82,462	$26,415	3.12
2015	94,577	28,151	3.36
2016	85,686	28,804	2.97
2017	105,395	34,872	3.02
2018	119,057	36,988	3.22

TABLE 9: Water Revenue Bonds Combined 1st/2nd Lien Debt Service Coverage (Stabilized)			
Fiscal Year Ending	Stabilized Net Revenues (000s)	Combined 1st/2nd Bond Debt Service	Debt Service Coverage
2014	$82,890	$45,728	1.81
2015	92,077	50,206	1.83
2016	102,450	50,854	2.01
2017	102,395	53,644	1.91
2018	110,957	55,766	1.99

Figure 11 presents the debt service requirements for outstanding water system revenue bonds. Water system revenue bonds issued for new projects generally are repaid within 25 years of their issue date. Approximately $150 million of outstanding principal is projected to be paid within the next five years.

Figure 11: Water System Annual Debt Service Requirements



Urban Renewal and Redevelopment Bonds

About Urban Renewal and Redevelopment Bonds

Urban renewal debt is repaid from property taxes attributable to the increase in taxable 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. The City currently has sixteen urban renewal areas.

Ten of these urban renewal areas, as further described below, have issued long-term debt or short-term, interim debt. These urban renewal areas include "Option 3" urban renewal areas, "Standard Rate Plans," and "Reduced Rate Plans." Each type has different statutory requirements, including the source of tax revenue that may be collected and limitations on collections.

The remaining areas are small urban renewal areas formed 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 established in State or Oregon statutes. However, indebtedness for NPI urban renewal areas is solely from pay-as-you-go funding, as long-term or interim debt is not authorized for these areas.

Remaining Borrowing Capacity 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 10 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, 2018. The City expects that most districts will reach their maximum indebtedness borrowing capacity by their final date to issue debt.

Table 10: 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
Airport Way	Expired	$72,638,268	$53,000,000	$19,638,268	$0	$0
Central Eastside	August 2023	125,974,800	32,920,340	71,256,161	6,190,298	15,608,001
Downtown Waterfront	Expired	165,000,000	96,685,000	68,315,000	0	0
Oregon Convention Center	Expired	167,511,000	119,140,000	48,370,000	0	1,000 ***
South Park Blocks	Expired	143,619,000	77,810,000	34,225,000	0	31,584,000 ***
Lents Town Center	June 2020	245,000,000	36,890,000	120,962,777	15,903,672	71,243,551
River District	June 2021	489,500,000	106,269,306	299,015,000	32,117,166	52,098,528
North Macadam	June 2025	288,562,000	64,925,000	87,341,730	13,929,942	122,365,328
Interstate Corridor	At Max Indebt.	335,000,000	81,935,000	148,105,000	8,123,221	96,836,779
Gateway	June 2022	164,240,000	0	43,381,099	12,660,988	108,197,913
42nd Avenue NPI	At Max Indebt.	1,250,000	0	588,250	0	661,750
Cully Blvd. NPI	At Max Indebt.	1,250,000	0	662,830	0	587,170
Parkrose NPI	At Max Indebt.	1,250,000	0	483,029	0	766,971
Rosewood NPI	At Max Indebt.	1,250,000	0	516,633	0	733,367
Division-Midway NPI	At Max Indebt.	1,250,000	0	557,626	0	692,374
82nd Ave. & Division NPI	At Max Indebt.	1,250,000	0	376,827	0	873,173
Total		$2,204,545,068	$669,574,646	$943,795,228	$88,925,287	$502,249,907

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

** Includes overnight 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.

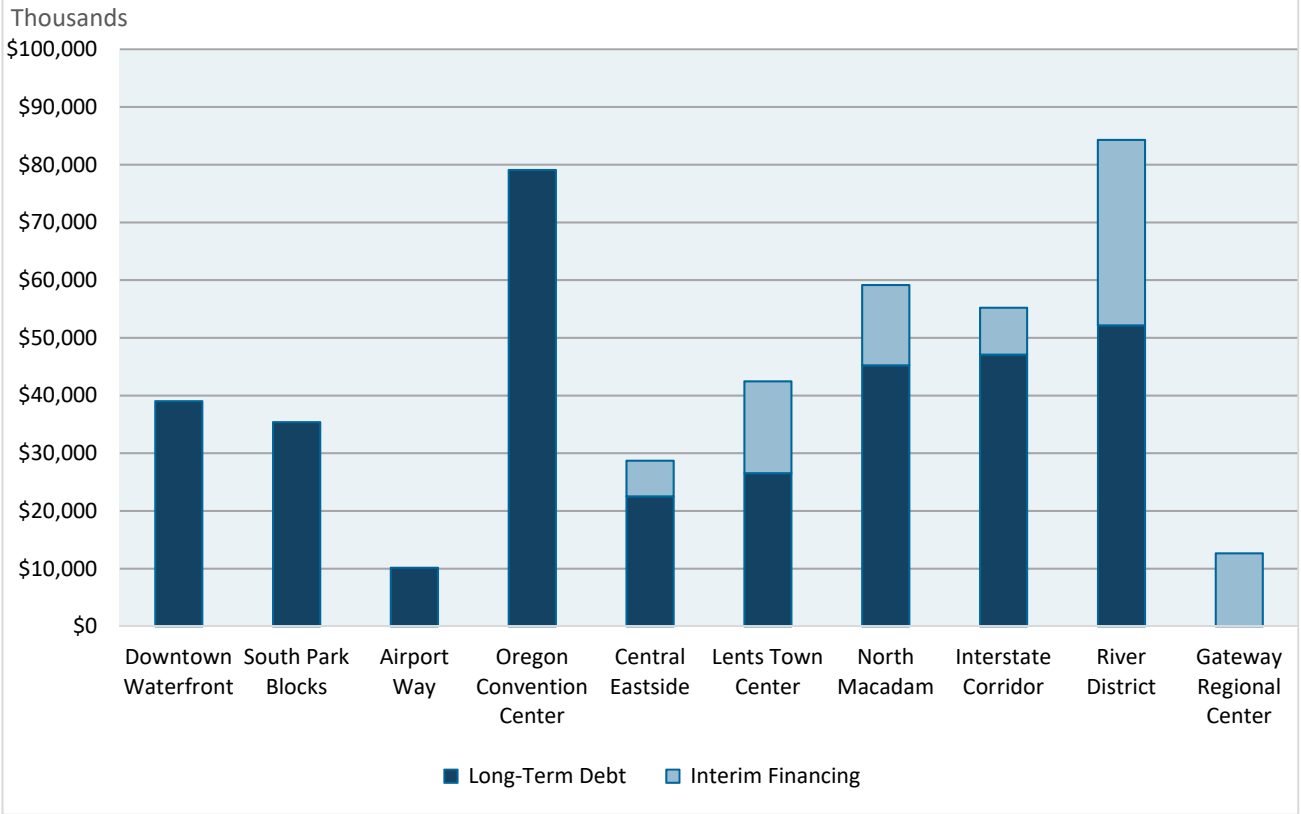
Interim Financing

The City generally uses interim financing (lines of credit) to initially fund urban renewal projects. 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. Certain lines of credit are secured solely by tax increment revenues and proceeds of long-term urban renewal and redevelopment bonds. Other 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. Of the total amount outstanding on the lines of credit as of June 30, 2018, $48.2 million is secured solely by tax increment revenues and $40.7 million is secured by tax increment revenues and the City's General Fund.

Outstanding Urban Renewal Debt

Total outstanding long-term debt for urban renewal areas as of June 30, 2018, was $357.2 million. At fiscal year-end, nine urban renewal areas had outstanding long-term debt as shown in Figure 12 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 2017-18.

FIGURE 12: Long-Term and Interim Urban Renewal Debt Outstanding as of June 30, 2018



Option 3 Urban Renewal Areas

The City has four Option 3 urban renewal areas: Airport Way, Downtown Waterfront, Oregon Convention Center, and South Park Blocks. 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 an urban renewal special levy collected Citywide. The urban renewal special levy is currently collected in an amount significantly below statutorily permitted levels. Availability of the special levy has historically resulted in higher credit ratings for Option 3 areas than for other types of urban renewal areas. 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.

Debt service coverage ratios for Option 3 urban renewal areas are based on the "maximum tax increment revenues," which is the sum of the fixed taxes on incremental assessed value and the statutorily allowed special levy. The maximum tax increment revenues ("MTIR") was established for each Option 3 urban renewal area with the passage of Measure 50, and, since that time, grows at the same rate as the incremental assessed value of the urban renewal area. The City's target debt service coverage ratio is for the maximum tax increment revenues to provide at least 150 percent of the maximum annual debt service ("MADS"). As of June 30, 2018, the maximum tax increment revenues exceeded the target debt service coverage ratio for all Option 3 areas, as shown in Table 11 below.

TABLE 11: Option 3 Urban Renewal Area Debt Service Coverage

Urban Renewal Area	Maximum Tax Increment Revenues (MTIR)	Maximum Annual Debt Service (MADS)	MTIR/MADS Ratio
Airport Way	$21,804,027	$5,189,541	420%
Downtown Waterfront	38,984,087	9,493,542	411%
Oregon Convention Center	33,575,414	16,850,790	199%
South Park Blocks	32,023,834	7,181,373	446%

Standard and Reduced Rate Plans

The City's active urban renewal areas are either "standard rate" plans or "reduced rate" plans. The primary difference between these plans is the consolidated tax rate used to calculate the tax increment revenues. For a standard rate plan, the tax rate consists of all permanent rates, the City's Fire and Police Disability and Retirement (FPD&R) levy, and all bond levies of taxing jurisdictions that overlap the urban renewal area. For reduced rate plans, only tax increment revenues generated by permanent rate levies, 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 seven reduced rate plans, including Central Eastside and the six NPI urban renewal areas. Of these, long-term bonds are outstanding only for only Central Eastside. None of these urban renewal areas has reached its maximum indebtedness limitation.

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. As shown in Table 12, the target coverage ratio was met for all districts in FY 2017-18.

TABLE 12: Standard and Reduced Rate Plan Debt Service Coverage

Urban Renewal Area	Tax Increment Revenues Imposed	Maximum Annual Debt Service	Debt Service Coverage
Central Eastside	$9,064,105	$2,405,863	377%
Interstate Corridor	35,213,331	5,929,281	594%
Lents Town Center	16,762,546	3,032,591	553%
North Macadam	20,665,475	4,965,650	416%
River District	38,901,101	7,618,858	511%

Build Portland

Urban renewal area plans have largely been completed and final bond issues are planned over the next five to seven years for most districts. Most urban renewal debt is estimated to be fully repaid over the next decade. As debt is repaid, the City has an opportunity to capture returned urban renewal property tax revenues for other purposes.

In the FY 2017-18 Proposed Budget, Mayor Wheeler announced a plan, known as "Build Portland," to commit City General Fund resources made available from returned assessed value from expired urban renewal areas to make critical reinvestments in core infrastructure. The City Council approved a plan for an initial $50 million investment over the next seven years from Build Portland resources, and will consider a longer-term plan of how forecasted General Fund resources can be used to fund Build Portland projects, with the goal of reinvesting $600 million in the City's asset base by 2040.

Appendix A
OUTSTANDING DEBT ISSUES as of JUNE 30, 2018

ISSUE	DATED DATE	FINAL MATURITY	AMOUNT ISSUED	AMOUNT OUTSTANDING
Tax Supported General Obligation Bonds				
G.O. Emergency Facilities Refunding Bonds, 2009 Series A	07/07/09	06/01/19	$14,560,000	$1,650,000
G.O. Public Safety Bonds, 2011 Series A	05/19/11	06/01/26	25,835,000	15,195,000
G.O. Public Safety and Emergency Facil. Ref. Bonds, 2014 Series A	03/27/14	06/15/29	29,795,000	22,890,000
G.O. Public Safety Bonds, 2015 Series A	06/02/15	06/15/29	17,145,000	14,095,000
G.O. Parks Bonds, 2015 Series C	07/30/15	06/15/28	23,850,000	17,190,000
G.O. Housing Bonds, 2017 Series A	05/18/17	06/15/37	35,085,000	34,050,000
G.O. Parks Bonds, 2018 Series A	01/18/18	06/15/30	23,445,000	23,445,000
G.O. Emergency Facilities Bonds, 2018 Series B	04/19/18	06/15/28	8,815,000	8,815,000
Total Outstanding General Obligation Bonds				**$137,330,000**
Full Faith & Credit Obligations/Limited Tax Revenue Bonds				
Non-Self Supporting				
Limited Tax Revenue Refunding Bonds, 2010 Series A (Ref 98B, 99B, 02A)	04/22/10	04/01/20	$7,745,000	$895,000
Limited Tax Revenue Bonds, 2011 Series B (Emerg. Coord. Ctr.)	12/15/11	06/01/26	$5,445,000	3,360,000
Limited Tax Revenue & Refunding Bonds, 2012 Series B (PTF & Ref LTRB04)	05/24/12	06/01/22	$21,865,000	5,850,000
Limited Tax Revenue Bonds, 2016 Series A (Green Bonds - Lighting Efficiency)	11/29/16	04/01/26	$16,220,000	13,150,000
Limited Tax Revenue & Refunding Bonds, 2017 Series A (Archives portion)	06/15/17	04/01/28	$6,085,000	6,085,000
Limited Tax Revenue Bonds, 2018 Series A (Ellington Apartments Project)	06/28/18	03/01/29	$7,900,000	7,900,000
Limited Tax Pension Obligaton Revenue Bonds, Series C	11/01/99	06/01/29	$56,001,996	49,933,964
Limited Tax Pension Obligaton Revenue Bonds, Series D	11/10/99	05/28/19	$27,843,525	4,659,150
Limited Tax Pension Obligaton Revenue Bonds, Series E	11/10/99	05/30/19	$27,843,525	4,649,869
Limited Tax Housing Revenue Bonds, 2005 Series A (Headwaters)	04/18/05	04/01/35	$10,480,000	7,875,000
Limited Tax Housing Revenue Bonds, 2005 Series B (Headwaters)	04/18/05	04/01/35	$1,260,000	955,000
Limited Tax Housing Revenue Bonds, 2005 Series D (HOB)	06/21/05	06/01/25	$6,975,000	4,495,000
Lines of Credit:				
2016 River District (General Fund)	05/18/16	06/30/21		24,270,957
2017 Portland Building Line	04/04/17	06/30/21		34,546,842
Subtotal Outstanding Non-Self Supporting Limited Tax Revenue Bonds				**$168,625,781**
Self Supporting				
Limited Tax Revenue Bonds, 2001 Series B (Conv. Center)	02/13/01	06/01/22	$18,058,888	$4,840,382
Limited Tax Revenue Refunding Bonds, 2009 Series A (Streetcar)	05/21/09	04/01/24	21,450,000	9,855,000
Limited Tax Revenue Refunding Bonds, 2011 Series A (Conv. Center)	10/06/11	06/01/30	67,015,000	65,465,000
Limited Tax Revenue Bonds, 2012 Series A (Jeld-Wen Field)	04/24/12	06/01/27	12,000,000	12,000,000
Limited Tax Revenue Bonds, 2012 Series C (PMLRT)	09/20/12	09/01/32	36,160,000	29,930,000
Limited Tax Revenue Ref. Bonds, Series 2013 (Stadium Project)	12/11/13	06/01/23	21,915,000	13,153,000
Limited Tax Revenue Bonds, 2014 Series A (Sellwood Bridge)	06/17/14	06/01/34	44,215,000	38,340,000
Limited Tax Revenue & Refunding Bonds, 2017 Series A (Sellwood portion)	06/15/17	04/01/37	29,165,000	29,165,000
Improvement District/Assessment Bonds				
Limited Tax Improvement Bonds, 2007 Series A	06/28/07	06/01/27	41,745,000	15,755,000
Limited Tax Improvement Bonds, 2010 Series A	04/29/10	06/01/30	22,305,000	8,935,000
Limited Tax Improvement Bonds, 2011 Series A	12/13/11	06/01/32	3,400,000	920,000
Limited Tax Improvement Bonds, 2014 Series A	06/26/14	06/01/34	7,385,000	3,050,000
FPD&R TANs	07/20/17	06/27/18	35,705,000	0
IFA Levee Loan	10/15/14	TBD		665,644
Lines of Credit:				
Urban Renewal	Various			40,704,449
2015 Local Improvement Districts	11/30/15	11/30/20		5,971,400
Limited Tax Pension Obligaton Revenue Bonds, Series C	11/01/99	06/01/29	94,846,350	84,569,382
Limited Tax Pension Obligaton Revenue Bonds, Series D	11/10/99	05/28/19	47,156,475	7,890,850
Limited Tax Pension Obligaton Revenue Bonds, Series E	11/10/99	05/30/19	47,156,475	7,875,131
Subtotal Outstanding Non-Self Supporting Limited Tax Revenue Bonds				**$379,085,238**
Total Outstanding Limited Tax Revenue Bonds				**$547,711,019**

Appendix A
OUTSTANDING DEBT ISSUES as of JUNE 30, 2018

ISSUE	DATED DATE	FINAL MATURITY	AMOUNT ISSUED	AMOUNT OUTSTANDING
Sewer System Revenue Bonds				
First Lien Bonds:				
2014 Series A Refunding	08/14/14	10/01/24	$86,165,000	$64,675,000
2015 Series A Refunding	08/27/15	06/01/31	329,805,000	231,580,000
2016 Series A Refunding	09/07/16	06/15/33	156,650,000	155,795,000
Second Lien Bonds:				
2010 Series A	08/19/10	03/01/35	407,850,000	317,010,000
2013 Series A Revenue & Refunding	09/17/13	08/01/38	210,965,000	185,410,000
2014 Series B	08/14/14	10/01/39	204,220,000	190,140,000
2015 Series B Refunding	08/27/15	06/01/31	63,300,000	52,875,000
2016 Series B Refunding	09/07/16	06/15/33	162,465,000	161,550,000
2018 Series A	05/03/18	05/01/38	191,930,000	191,930,000
Third Lien Bonds:				
Sewer SRF Loans	Various	Various	26,302,393	12,174,625
Total Outstanding Sewer System Revenue Bonds				**$1,563,139,625**
Water System Revenue Bonds				
First Lien Bonds:				
2010 Series A Revenue & Refunding	02/11/10	05/01/35	$73,440,000	$58,170,000
2011 Series A	03/22/11	05/01/36	$82,835,000	$68,185,000
2012 Series A	08/02/12	04/01/37	$76,510,000	$63,330,000
2014 Series A	12/16/14	05/01/39	$84,975,000	$75,385,000
2016 Series A	12/15/16	04/01/41	$168,525,000	$156,845,000
Second Lien Bonds:				
2013 Series A Revenue & Refunding	05/02/13	10/01/37	$253,635,000	$201,690,000
Total Outstanding Water System Revenue Bonds				**$623,605,000**
Urban Renewal and Redevelopment Bonds				
Airport Way				
2015 Series A Refunding	07/09/15	06/15/20	$24,987,200	$10,166,200
Convention Center				
2011 Series B	07/06/11	06/15/20	$29,685,000	$9,330,000
2012 Series A	05/17/12	06/15/25	$69,760,000	$69,760,000
Downtown Waterfront				
2008 Series A (Taxable)	04/22/08	06/15/24	$50,165,000	$29,495,000
2011 Series A	07/06/11	06/15/20	$30,370,000	$9,525,000
South Park Blocks				
2008 Series A (Taxable)	07/16/08	06/15/19	$34,580,000	$3,360,000
2008 Series B (Tax Exempt)	07/16/08	06/15/24	$32,020,000	$32,020,000
River District				
2012 Series A (Taxable)	07/10/12	06/15/26	$24,250,000	$14,560,000
2012 Series B (Tax-Exempt Governmental)	07/10/12	06/15/32	$34,140,000	$22,335,000
2012 Series C (Tax-Exempt Non-AMT Private Activity)	07/10/12	06/15/31	$15,275,000	$15,275,000
2016 Line of Credit	04/14/16	04/01/19		$32,117,166
Interstate Corridor				
2011 Series A (Taxable)	08/11/11	06/15/26	$28,890,000	$17,210,000
2011 Series B	08/11/11	06/15/31	$17,245,000	$17,245,000
2015 Series A Refunding	03/17/15	06/15/25	$17,155,000	$12,645,000
2016 Line of Credit	12/20/16	12/30/19		$100,000
Lents Town Center				
2010 Series A (Taxable)	06/24/10	06/15/24	$21,240,000	$10,910,000
2010 Series B	06/24/10	06/15/30	$15,650,000	$15,650,000
2016 Line of Credit				$15,803,672
North Macadam				
2010 Series A (Taxable)	09/23/10	06/15/22	$29,645,000	$9,940,000
2010 Series B	09/23/10	06/15/30	$35,280,000	$35,280,000
2016 Line of Credit				$100,000
Central Eastside				
2010 Series A (Taxable)	03/31/11	06/15/21	$10,205,000	$3,040,000
2010 Series B	03/31/11	06/15/31	$19,485,000	$19,485,000
Gateway				
2016 Line of Credit	03/31/11	06/15/21		$100,000
Total Outstanding Urban Renewal and Redevelopment Bonds				**$405,452,039**

Appendix A
OUTSTANDING DEBT ISSUES as of JUNE 30, 2018

ISSUE	DATED DATE	FINAL MATURITY	AMOUNT ISSUED	AMOUNT OUTSTANDING
Other Revenue Bonds/Misc Loans				
Gas Tax Revenue Bonds, 2011 Series A	11/22/11	02/01/23	$15,400,000	$7,890,000
PBOT Parking Meter Acquisition	12/20/12	12/20/18	$580,000	86,752
TOTAL OUTSTANDING DEBT AS OF JUNE 30, 2018				**$3,285,214,435**

Appendix B
GLOSSARY

Advance Refunding	*A refinancing of outstanding debt whereby the bond issue being refinanced (or "refunded") remains outstanding for more than 90 days after the issuance of the new "refunding" issue. Typically, proceeds of the new issue are placed in an escrow, which is sufficient to repay the refunded issue.*
Bond Rating	*An indicator of credit quality, assigned by an independent rating organization that monitors and reviews the City's ability to repay debt.*
Debt Ratios	*Comparative statistics showing the relationship between the issuer's outstanding debt and such factors as its tax base, population, or income. Such ratios are often used to determine credit quality, primarily general obligation bonds and other tax-supported debt.*
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.*
Debt Service Coverage	*The ratio of available revenues (revenues minus expenditures) to annual debt service, measuring the annual cash available to pay current debt obligations.*
Defeasance	*Termination of the rights and interest of bondholders, often occurring in connection with the refunding of outstanding bonds after provisions are made for future payment of all obligations related to the outstanding bonds.*
First Lien Bonds	*Bonds having the priority claim against pledged revenues superior to the claim against such pledged revenues or security of other obligations.*
Full Faith and Credit	*A term used in connection with general obligation or limited tax bonds to express the commitment of the issuer to repay the bonds from all legally available funds, including its legal powers to levy taxes or raise revenues.*
Gross Debt	*Net debt, plus debt secured by General Fund resources, but paid from dedicated revenues outside of the General Fund.*
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 debt service coverage, a calculation that demonstrates the availability of revenues above the required debt payment*
Maximum Tax Increment Revenues (MTIR)	*For urban renewal areas in existence on December 5, 1996 the amount of tax increment revenues that could be collected in the first year of Measure 50, if Measure 50 had nut passed, adjusted each subsequent year for changes in the urban renewal area Incremental Assessed Value.*
Net Direct Debt	*Debt secured by and paid directly by General Fund resources, including City property taxes.*

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.*
Overlapping Debt	*An issuer's proportionate share of the debt of other local governmental units that either overlap it (the issuer is located either wholly or partly within the geographic limits of the other units) or underlie it (the other units are located within the geographic limits of the issuer). The debt is generally apportioned based upon relative assessed values.*
Second Lien Bonds	*Bonds having the claim against pledged revenues subordinate to the claim against such pledged revenues or security of first lien bonds.*
Tax Increment Revenues	*Property taxes calculated within an urban renewal area based on the increase in assessed value above the assessed value at the time the area was formed.*

About the City's Debt Management Program

The City's Debt Management Division, housed within the Bureau of Revenue and Financial Services, manages the City's debt portfolio. Primary responsibilities of the Debt Management Division include:

- Providing advice to City bureaus and staff regarding capital markets and application of debt towards capital projects.
- Issuing bonds, lines of credits, and other financing tools, at the direction of City Council, for all City bureaus and Prosper Portland.
- Monitoring of City debt ratios and other financial indicators.
- Monitoring outstanding debt for opportunities to reduce City borrowing costs.
- Preparing Primary Disclosure for new bond offerings.
- Preparing 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 https://www.portlandoregon.gov/brfs/69869. 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 Debt Manager, Matt Gierach, at Matthew.Gierach@portlandoregon.gov.

City of Portland Oregon
Bureau of Revenue and Financial Services
Debt Management Division
1120 SW Fifth Avenue
Portland, Oregon 97204