

*In the opinion of Preston Gates & Ellis LLP, Bond Counsel, as of the date of issuance of the 1999 Series C Bonds, the 1999 Series C Bonds are not obligations described in section 103(a) of the Internal Revenue Code of 1986. In the opinion of Bond Counsel, interest on the 1999 Series C Bonds is exempt from Oregon personal income taxation. See "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS" herein.*

**\$150,848,345.70**  
**City of Portland, Oregon**  
**Limited Tax Pension Obligation Revenue Bonds**  
**1999 Series C**  
**(Federally Taxable)**

**DATED:** Current Interest Bonds, November 1, 1999  
 Capital Appreciation Bonds, Date of Delivery

**DUE:** June 1, as shown on the reverse hereof

The City of Portland, Oregon Limited Tax Pension Obligation Revenue Bonds, 1999 Series C (Federally Taxable) (the "1999 Series C Bonds") will be issued in fully registered book-entry form only, when issued, and will be registered in the name of Cede & Co., as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). Beneficial owners of the 1999 Series C Bonds will not receive physical certificates representing the 1999 Series C Bonds purchased, but will receive a credit balance on the books of the nominee of such owners. Principal of and premium, if any, and interest on the 1999 Series C Bonds will be paid by U.S. Bank Trust National Association, as paying agent (the "Paying Agent"), with respect to the 1999 Series C Bonds, to DTC, which, in turn, will remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the 1999 Series C Bonds as described herein. See "BOOK-ENTRY SYSTEM" herein.

**MATURITIES, AMOUNTS AND INTEREST RATES AS SHOWN ON THE REVERSE HEREOF**

The 1999 Series C Bonds will bear or accrue interest rates as set forth on the inside cover. The 1999 Series C Bonds maturing on June 1, 2007, through June 1, 2010, and on June 1, 2022, are being issued as current interest bonds (the "1999 Series C Current Interest Bonds"). The 1999 Series C Current Interest Bonds will be dated November 1, 1999. Interest on the 1999 Series C Current Interest Bonds will be payable semiannually on June 1 and December 1 of each year, beginning June 1, 2000.

The 1999 Series C Bonds maturing on June 1, 2023, through June 1, 2029, are being issued as Capital Appreciation Bonds (the "1999 Series C Capital Appreciation Bonds"). The 1999 Series C Capital Appreciation Bonds will be dated as of the date of delivery. The 1999 Series C Capital Appreciation Bonds are issuable in denominations such that the Accreted Value of each such 1999 Series C Capital Appreciation Bond on the stated maturity date thereof will be \$5000 or an integral multiple thereof and will represent the principal and interest accruing thereon from the date of delivery and compounded on December 1, 1999, and on each June 1 and December 1 thereafter. No payments are due to the owners of the 1999 Series C Capital Appreciation Bonds until the maturity dates of the respective 1999 Series C Capital Appreciation Bonds.

Proceeds of the 1999 Series C Bonds will be used to finance all or a portion of the estimated unfunded actuarial accrued liability (the "UAAL") of the City of Portland, Oregon (the "City") with the Oregon Public Employees Retirement System ("PERS") as of December 31, 1997, as more fully described herein, and to pay other costs related to financing the UAAL, including capitalized interest and costs of issuance. (See "PLAN OF FINANCE" and "USES OF PROCEEDS" herein.) The 1999 Series C Bonds are secured by the full faith and credit of the City. The City is obligated to pay these obligations from any taxes or other revenues available to the City which may legally be applied to pay them. The City is not authorized to levy additional taxes to pay these obligations. See "PAYMENT AND SECURITY" herein.

The scheduled payment of the principal of and interest on the 1999 Series C Current Interest Bonds maturing on June 1, 2007, through June 1, 2010, inclusive, and on the 1999 Series C Capital Appreciation Bonds maturing on June 1, 2023, through June 1, 2029, inclusive, when due will be guaranteed by an insurance policy to be issued concurrently with the delivery of the 1999 Series C Bonds by MBIA Insurance Corporation.



The 1999 Series C Bonds are subject to mandatory redemption prior to maturity. See "REDEMPTION OF THE BONDS" herein.

This cover page contains certain information for general reference only. It is not intended as a summary of this transaction. Potential investors must read the entire official statement, including the appendices hereto, to obtain information essential to the making of an informed investment decision. There are risks associated with the purchase of the 1999 Series C Bonds.

*The 1999 Series C Bonds are offered when, as and if issued by the City and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, to the final approving opinion of Preston Gates & Ellis LLP, Bond Counsel, Portland, Oregon, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their Counsel, Stoel Rives LLP. The City expects that the 1999 Series C Bonds will be available for delivery through the facilities of DTC in New York, New York on or about November 10, 1999.*

**Goldman, Sachs & Co.**

**J.P. Morgan & Co.**

**Salomon Smith Barney**

**Prudential Securities**

## **MATURITY SCHEDULES**

### **\$150,848,345.70 Limited Tax Pension Obligation Revenue Bonds, 1999 Series C (Federally Taxable)**

#### **\$111,165,000 1999 Series C Current Interest Bonds**

<u><b>Due June 1</b></u>	<u><b>Principal Amount</b></u>	<u><b>Interest Rate</b></u>	<u><b>Price or Yield</b></u>
2007†	\$2,570,000	7.27%	100
2008†	4,755,000	7.32%	100
2009†	5,990,000	7.37%	100
2010†	3,030,000	7.42%	100

\$94,820,000 7.701% Term Bond due June 1, 2022, Price 100 (not insured)

(Plus accrued interest from November 1, 1999)

#### **\$ 39,683,345.70 1999 Series C Capital Appreciation Bonds**

<u><b>Due June 1</b></u>	<u><b>Initial Principal Amount</b></u>	<u><b>Maturity Amount</b></u>	<u><b>Price Per \$5,000 Maturity</b></u>	<u><b>Approximate Yield To Maturity</b></u>
2023†	\$ 6,345,174.80	\$ 39,640,000	\$ 800.35	7.93%
2024†	6,105,422.50	41,225,000	740.50	7.93%
2025†	5,874,732.50	42,875,000	685.10	7.93%
2026†	5,652,228.40	44,590,000	633.80	7.93%
2027†	5,438,273.60	46,370,000	586.40	7.93%
2028†	5,232,955.00	48,230,000	542.50	7.93%
2029†	5,034,558.90	50,155,000	501.90	7.93%

† Insured by MBIA Insurance Corporation.

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

**Relating to  
\$150,848,345.70  
Limited Tax Pension Obligation Revenue Bonds  
1999 Series C  
(Federally Taxable)**

**CITY COUNCIL**

Vera Katz,  
Mayor and Commissioner of Finance and Administration

Jim Francesconi, Commissioner of Public Utilities  
Charlie Hales, Commissioner of Public Safety  
Dan Saltzman, Commissioner of Public Affairs  
Erik Sten, Commissioner of Public Works

**CITY OFFICIALS**

Gary Blackmer, City Auditor  
David E. Thurman, City Treasurer  
Jeffrey L. Rogers, City Attorney  
Timothy Grewe, Director, Office of Finance and Administration  
Kenneth L. Rust, Director, Bureau of Financial Management

**DEBT MANAGEMENT**

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

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

**BOND COUNSEL**

Preston Gates & Ellis LLP  
Portland, Oregon

This Official Statement has been designed to conform, where applicable, to the guidelines presented in Disclosure Guidelines for State and Local Government Securities, published by the Government Finance Officers Association in 1976 and revised in 1979, 1988 and 1991. This Official Statement also conforms to the Disclosure Guidelines recommended by the Oregon Municipal Debt Advisory Commission. The Official Statement DOES NOT constitute a recommendation, express or implied, to purchase or not to purchase these bonds or any other previous bonds of the City.

The date of this Official Statement is October 22, 1999.



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

This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the 1999 Series C Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. In making an investment decision, potential investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. **In connection with this offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the 1999 Series C Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued, and if discontinued, then recommenced, at any time.**

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

**Relating to**

**\$150,848,345.70  
LIMITED TAX PENSION OBLIGATION REVENUE BONDS  
1999 Series C  
(Federally Taxable)**

**INTRODUCTION**

This Official Statement sets forth certain information concerning the City of Portland, Oregon (the "City"), and its Limited Tax Pension Obligation Revenue Bonds, 1999 Series C (Federally Taxable) (the "1999 Series C Bonds"). The 1999 Series C Bonds will be issued in accordance with City Ordinance No. 173818 (the "Authorizing Ordinance") and the Uniform Revenue Bond Act (Oregon Revised Statutes 288.805 to 288.945) (the "Act"). Capitalized terms used in this Official Statement but not defined herein have the same meaning as those defined in the Authorizing Ordinance.

**DESCRIPTION OF THE 1999 SERIES C BONDS**

**GENERAL**

The City pledges its full faith and credit to pay the 1999 Series C Bonds. The 1999 Series C Bonds shall be limited tax revenue bonds of the City, and the City shall pay the 1999 Series C Bonds from its Available General Funds. The City's commitment to pay the 1999 Series C Bonds from Available General Funds does not create a lien on Available General Funds. The City is not authorized to levy additional taxes to pay the 1999 Series C Bonds.

The 1999 Series C Current Interest Bonds will be dated November 1, 1999, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest on the 1999 Series C Current Interest Bonds is payable on June 1, 2000, and semi-annually thereafter on June 1 and December 1 of each year, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The 1999 Series C Current Interest Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof.

The 1999 Series C Capital Appreciation Bonds will be issued at a substantial discount to their total maturity value with interest compounded semiannually at a fixed rate, which will be paid at their respective maturity date. The 1999 Series C Capital Appreciation Bonds will be dated and accrete in value from their original delivery date. Interest on the 1999 Series C Capital Appreciation Bonds will compound on each June 1 and December 1, commencing December 1, 1999, (each a "Compounding Date"), at the approximate respective rates set forth on the inside cover of this Official Statement (together with the principal thereof, the "Accreted Value"). The Accreted Value, as set forth in the Accreted Value Table attached hereto as Appendix B, is the total amount of principal and accrued interest represented by each 1999 Series C Capital Appreciation Bond determined for each Compounding Date. The Accreted Value with respect to any date other than a Compounding Date will be determined by interpolation on a straight-line basis. Such calculation shall be binding and conclusive as to the Accreted Value of the 1999 Series C Capital Appreciation Bonds. The 1999 Series C Capital Appreciation Bonds will be issued in fully registered form in denominations such that the Accreted Value of the 1999 Series C Capital Appreciation Bonds on the stated maturity date thereof will be \$5,000 and integral multiples thereof.

Each potential purchaser of a 1999 Series C Capital Appreciation Bond should consult with his or her tax or financial advisors as to whether the 1999 Series C Capital Appreciation Bonds are a suitable investment in light of such individual's personal financial

circumstances. See "CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PURCHASERS OF 1999 SERIES C CAPITAL APPRECIATION BONDS" below.

### **CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PURCHASERS OF THE 1999 SERIES C CAPITAL APPRECIATION BONDS**

THE 1999 SERIES C CAPITAL APPRECIATION BONDS ARE DESIGNED FOR INVESTORS WHO INTEND TO HOLD THEIR BONDS UNTIL MATURITY. IF SOLD PRIOR TO MATURITY, THE RESALE VALUE WILL DEPEND UPON MARKET CONDITIONS THEN PREVAILING. MOREOVER, CHANGES IN PREVAILING INTEREST RATES WILL AFFECT THE MARKET VALUE OF 1999 SERIES C CAPITAL APPRECIATION BONDS MORE DRAMATICALLY THAN CURRENT INTEREST BONDS. THE BROKERAGE AND OTHER COSTS OF SELLING 1999 SERIES C CAPITAL APPRECIATION BONDS OF MINIMAL DENOMINATIONS ARE LIKELY TO BE SIGNIFICANTLY HIGHER (AS A PERCENTAGE OF THE PRINCIPAL AMOUNT OF THE BOND) THAN THE COST OF SELLING SECURITIES OF LARGER DENOMINATIONS. THESE TRANSACTIONAL COSTS MAY, IN THE EVENT OF SUCH A SALE, SIGNIFICANTLY REDUCE OR ELIMINATE THE INVESTMENT RETURN TO THE HOLDER OF THE 1999 SERIES C CAPITAL APPRECIATION BOND. AN INVESTOR WHO ACQUIRES A 1999 SERIES C CAPITAL APPRECIATION BOND IN THE ORIGINAL OFFERING WILL, FOR FEDERAL INCOME TAX PURPOSES, GENERALLY BE TREATED AS RECEIVING ON EACH DAY FROM THE DATE OF ISSUANCE OF SUCH BOND TAXABLE INTEREST INCOME THAT IS ATTRIBUTABLE TO ORIGINAL ISSUE DISCOUNT IN AN AMOUNT DETERMINED PURSUANT TO THE ECONOMIC ACCRUAL METHOD REQUIRED BY THE INTERNAL REVENUE CODE EVEN THOUGH THE RELATED CASH PAYMENT WILL NOT BE RECEIVED UNTIL THE PAYMENT OF THE 1999 SERIES C CAPITAL APPRECIATION BOND. ACCORDINGLY, THE 1999 SERIES C CAPITAL APPRECIATION BONDS MAY NOT BE SUITABLE INVESTMENTS FOR ALL INDIVIDUALS. POTENTIAL PURCHASERS OF SUCH BONDS SHOULD CONSULT THEIR TAX AND FINANCIAL ADVISORS. IN ADDITION, ACTUAL PURCHASERS OF THE 1999 SERIES C CAPITAL APPRECIATION BONDS SHOULD CONSULT THEIR TAX AND FINANCIAL ADVISORS PRIOR TO SELLING SUCH BONDS BEFORE MATURITY. SEE "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS" and "ORIGINAL ISSUE DISCOUNT - TAXABLE BONDS" HEREIN.

### **AUTHORIZATION AND PURPOSE**

The 1999 Series C Bonds are being issued pursuant to the authority established in the Act, as amended, Ordinance No. 172956 approved by the City Council on December 23, 1998 (the "Intent Ordinance"), and the Authorizing Ordinance, which was approved by the City Council on October 6, 1999. (The Intent Ordinance and the Authorizing Ordinance are collectively referred to as the "Ordinance.") See Appendix A for a copy of the Authorizing Ordinance. The purpose of the bonds is to finance all or a portion of the City's unfunded actuarial accrued pension liability (the "UAAL") with the State of Oregon Public Employees Retirement System ("PERS") as of December 31, 1997, and to pay other costs related to the UAAL, including capitalized interest and costs of issuance. See "PLAN OF FINANCE" herein. The City's estimated UAAL as of December 31, 1997, was \$257.9 million. See "THE CITY'S PERS PENSION LIABILITY" herein.

### **SECURITY**

The City pledges its full faith and credit to pay the 1999 Series C Bonds. The 1999 Series C Bonds shall be limited tax revenue bonds of the City, and the City shall pay the 1999 Series C Bonds from its Available General Funds. The City's commitment to pay the 1999 Series C Bonds from Available General Funds does not create a lien on Available General Funds. The City is not authorized to levy additional taxes to pay the 1999 Series C Bonds. See Appendix A for a copy of the Authorizing Ordinance.

### **BOND INSURANCE**

The scheduled payment of the principal of and interest on the 1999 Series C Current Interest Bonds maturing on June 1, 2007, through June 1, 2010, inclusive, and on the 1999 Series C Capital Appreciation Bonds maturing on June 1, 2023, through June 1, 2029, inclusive, when due will be guaranteed by an insurance policy to be issued concurrently with the delivery of the 1999 Series C Bonds by MBIA Insurance Corporation.

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix F\_ for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or



by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 1999 Series C Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the 1999 Series C Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the 1999 Series C Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a 1999 Series C Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 1999 Series C Bonds or presentment of such other proof of ownership of the 1999 Series C Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 1999 Series C Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the 1999 Series C Bonds in any legal proceeding related to payment of insured amounts on the 1999 Series C Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such 1999 Series C Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1998, the Insurer had admitted assets of \$6.5 billion (audited), total liabilities of \$4.2 billion (audited), and total capital and surplus of \$2.3 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 1999, the Insurer had admitted assets of \$6.7 billion (unaudited), total liabilities of \$4.4 billion (unaudited), and total capital and surplus of \$2.3 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of the Company is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

#### **Year 2000 Readiness Disclosure**

The Company is actively managing a high-priority Year 2000 ("Y2K") program. The Company has established an independent Y2K testing lab in its Armonk headquarters, with a committee of business unit managers overseeing the project. The Company has a budget of \$1.13 million for its 1998-2000 Y2K efforts. Expenditures are proceeding as anticipated, and the Company does

not expect the project budget to materially exceed this amount. The Company has initiated a comprehensive Y2K plan that includes assessment, remediation, testing and contingency planning. This plan covers "mission-critical" internally developed systems, vendor software, hardware and certain third-party entities through which the Company conducts its business. Testing to date indicates that functions critical to the financial guarantee business, both domestic and international, were Y2K-ready as of December 31, 1998. Additional testing will continue throughout 1999.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa".

The rating of the Insurer should be evaluated independently. The rating reflects the rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above rating may be obtained only from the applicable rating agency.

The above rating is not a recommendation to buy, sell or hold the 1999 Series C Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency. Any downward revision or withdrawal of any of the above rating may have an adverse effect on the market price of the 1999 Series C Bonds. The Insurer does not guaranty the market price of the 1999 Series C Bonds nor does it guaranty that the rating on the 1999 Series C Bonds will not be revised or withdrawn.

## **REDEMPTION OF THE BONDS**

### **Optional Redemption**

The 1999 Series C Bonds are not subject to optional redemption prior to maturity.

### **Mandatory Redemption**

The 1999 Series C Current Interest Bonds maturing on June 1, 2022, are subject to mandatory redemption on June 1 in each of the years and in the principal amounts set forth in the following table, such redemption to be at a price equal to 100 percent of the principal amount to be redeemed plus accrued interest to the date fixed for redemption. The 1999 Series C Current Interest Bonds to be redeemed on each such date shall be selected by lot.

<b>Year</b>	<b>Principal Amount</b>
2020	\$27,935,000
2021	\$31,495,000
2022*	\$35,390,000

\* Final Maturity

## **FORM**

When issued, the 1999 Series C Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for 1999 Series C Bonds. Individual purchases may be made only in book-entry form. Purchasers will not receive certificates representing their interest in the 1999 Series C Bonds purchased. Except as provided in the Authorizing Ordinance, so long as Cede & Co. is the registered owner of the 1999 Series C Bonds, as nominee of DTC, references herein to "1999 Series C Bondholders" or to "Registered Owners" mean Cede & Co. and not the Beneficial Owners of the 1999 Series C Bonds. In this Official Statement, the term "Beneficial Owner" means the person for whom its DTC Participant acquires an interest in 1999 Series C Bonds.

So long as Cede & Co. is the registered owner of the 1999 Series C Bonds, the principal of or premium, if any, and interest on the 1999 Series C Bonds are payable by wire transfer by the Paying Agent to Cede & Co., as nominee for DTC which, in turn, is to remit such amounts to the Direct Participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY SYSTEM" in Appendix G.

The timely payment of the principal of or premium, if any, or interest on the 1999 Series C Bonds will depend in large part upon the effective functioning of the City's, the Paying Agent's, and DTC's computer applications and systems for processing data before, on and after January 1, 2000. There can be no assurance that any of such computer applications and systems will function with accuracy. See "YEAR 2000 COMPLIANCE" and "BOOK-ENTRY SYSTEM" herein.

## **PAYMENT OF THE 1999 SERIES C BONDS WHILE IN BOOK-ENTRY SYSTEM**

So long as the 1999 Series C Bonds are subject to the Book-Entry System, all payments of the principal of and interest on the 1999 Series C Bonds shall be remitted by the Paying Agent, currently U.S. Bank Trust National Association, directly to DTC. DTC, in turn, will be required to distribute such payments to DTC Participants, and the DTC Participants will be responsible for ultimate distribution of such payments to the Beneficial Owners of the 1999 Series C Bonds. The City has no responsibility for the distribution of any payments on the 1999 Series C Bonds by DTC to any DTC Participant or by any DTC Participant to any Beneficial Owner, and shall have no liability whatsoever in the event of any failure by DTC or a DTC Participant to make any such distribution. See "BOOK-ENTRY SYSTEM" in Appendix G.

## **PLAN OF FINANCE**

As described below in "THE CITY'S PERS PENSION LIABILITY," the most recent official estimate of the City's UAAL is \$257.9 million. It is the City's intent to transfer funds of not more than this amount to PERS prior to the end of calendar year 1999. The source of funds will be bond proceeds from the 1999 Series C Bonds and from a subsequent issue, the Limited Tax Pension Obligation Revenue Bonds, 1999 Series D and 1999 Series E (the "1999 Series D/E Bonds"). Proceeds of the 1999 Series C Bonds are expected to address approximately half of the UAAL. The City's current plan of finance calls for the sale of the 1999 Series D/E Bonds in early November to fund the other half of the UAAL. Depending on market conditions, the 1999 Series D/E Bonds may be sold as variable or fixed rate securities or as some combination of the two.

## **ESTIMATED SOURCES AND USES OF BOND PROCEEDS**

Proceeds of the 1999 Series C Bonds will be used to finance a portion of the estimated UAAL of the City. See "THE CITY'S PERS PENSION LIABILITY" herein. Proceeds will also be used to pay other costs associated with the UAAL, including capitalized interest and costs of issuance. The anticipated uses of proceeds are itemized in the following table.

**Table 1**  
**CITY OF PORTLAND, OREGON**  
**Estimated Sources and Uses of Bond Proceeds**

### **SOURCES:**

Par amount of bonds	\$150,848,345.70
Accrued interest	<u>212,582.06</u>

<b>TOTAL SOURCES</b>	<b><u>\$151,060,927.76</u></b>
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### **USES:**

Transfer to PERS (1)	\$130,774,362.60
Deposit to capitalized interest account	18,253,074.57
Underwriters' discount	993,072.93
Insurance premium	637,000.00
Costs of issuance	190,835.60
Accrued interest	<u>212,582.06</u>

<b>TOTAL USES</b>	<b><u>\$151,060,927.76</u></b>
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### Notes:

- (1) Funds will be held in an interest bearing account by the City from closing until they are transferred to PERS, which will be no later than December 31, 1999.

Source: City of Portland.

The following table presents the debt service on the 1999 Series C Bonds.

**Table 2**  
**CITY OF PORTLAND, OREGON**  
**Scheduled Debt Service on the 1999 Series C Bonds**

<b>Fiscal Year Ending June 30<sup>th</sup></b>	<b>Principal</b>	<b>Interest</b>	<b>Compounded Interest</b>	<b>Total</b>
2000		\$ 4,960,247.95		\$ 4,960,247.95
2001		8,503,282.20		8,503,282.20
2002		8,503,282.20		8,503,282.20
2003		8,503,282.20		8,503,282.20
2004		8,503,282.20		8,503,282.20
2005		8,503,282.20		8,503,282.20
2006		8,503,282.20		8,503,282.20
2007	\$ 2,570,000.00	8,503,282.20		11,073,282.20
2008	4,755,000.00	8,316,443.20		13,071,443.20
2009	5,990,000.00	7,968,377.20		13,958,377.20
2010	3,030,000.00	7,526,914.20		10,556,914.20
2011		7,302,088.20		7,302,088.20
2012		7,302,088.20		7,302,088.20
2013		7,302,088.20		7,302,088.20
2014		7,302,088.20		7,302,088.20
2015		7,302,088.20		7,302,088.20
2016		7,302,088.20		7,302,088.20
2017		7,302,088.20		7,302,088.20
2018		7,302,088.20		7,302,088.20
2019		7,302,088.20		7,302,088.20
2020	27,935,000.00	7,302,088.20		35,237,088.20
2021	31,495,000.00	5,150,813.86		36,645,813.86
2022	35,390,000.00	2,725,383.90		38,115,383.90
2023	6,345,174.80		\$ 33,294,825.20	39,640,000.00
2024	6,105,422.50		35,119,577.50	41,225,000.00
2025	5,874,732.50		37,000,267.50	42,875,000.00
2026	5,652,228.40		38,937,771.60	44,590,000.00
2027	5,438,273.60		40,931,726.40	46,370,000.00
2028	5,232,955.00		42,997,045.00	48,230,000.00
2029	5,034,558.90		45,120,441.10	50,155,000.00
<b>Total</b>	<b>\$150,848,345.70</b>	<b>\$169,192,037.71</b>	<b>\$273,401,654.30</b>	<b>\$593,442,037.71</b>

Source: City of Portland.

## THE CITY'S PERS PENSION LIABILITY

The State of Oregon PERS was created to enable public employers in Oregon to provide retirement benefits to employees as part of their compensation package. PERS has administered benefits since 1946. Almost 900 public employers participate, including all state agencies and public school districts in Oregon. The majority of cities, counties, and other political subdivisions also participate. Active PERS membership totaled 147,448 employees on June 30, 1998, including 59,578 school employees, 40,271 state employees, and 47,599 employees of other political subdivisions. There were 37,946 inactive accounts (i.e., members who have left covered employment but have not withdrawn their accounts). Members or beneficiaries receiving monthly benefits totaled 75,326.

Substantially all City employees other than most fire and police personnel (see "SUPPLEMENTAL INFORMATION -- Financial Operations") are participants in PERS after six months of employment. As of December 31, 1997, PERS' most recent actuarial valuation date, there were 3,624 active members currently employed by the City that contributed to PERS.

PERS uses three methods to calculate retirement benefits: Full Formula, Money Match, and Formula Plus Annuity. The method for which an employee is eligible and which produces the highest amount is used to determine his or her monthly retirement benefit. The Full Formula method is a defined benefit pension plan. "Money Match" (described below) is a form of defined contribution plan. The Formula Plus Annuity method is a hybrid defined benefit plan and defined contribution plan, and is only available for employees making contributions prior to August 21, 1981. Employees and employers both contribute to a PERS account. The rate of employee contribution, which is established by law, is six percent of covered compensation. This contribution is paid by the City in conformance with City policy. The rate of the employer contribution is set periodically by PERS based on actuarial valuations.

In October 1998, the City was notified by PERS of revised employer contribution rates adopted by the PERS Board. These revised contribution rates were the result of PERS' regular two-year actuarial update, and are based on actuarial values as of December 31, 1997. Based on this update, the City's UAAL with PERS (i.e., the difference between the present value of benefit obligations for City employees and existing assets available for those benefits) increased to \$257.9 million. This amount is nearly double the liability calculated by PERS as of December 31, 1995. In the absence of other funding arrangements, the UAAL is amortized by PERS at an interest rate of 8 percent over thirty years, and is collected by PERS through an increase in the employer contribution rate.

Reasons for the increase in the City's UAAL include the following:

- **Taxation of retirement benefits.** Historically, PERS pension income has been exempt from State of Oregon income taxation. Following a 1989 ruling by the U.S. Supreme Court that States cannot tax federal and state retirees differently, the 1991 Oregon Legislature made PERS benefits subject to state income tax. The Oregon Supreme Court ruled that benefits for service after the date of the law (September 29, 1991) could be taxed, but benefits for service performed before that date could be taxed only if a "remedy" was provided. To compensate for Oregon personal income taxation, the 1995 Legislature passed HB 3349, which provided a maximum 9.89 percent benefit increase on benefits earned before October 1991. The total cost of the Legislature's action is approximately \$1.3 billion for all PERS employers, including \$311 million to be paid in refunds to PERS retirees who had been taxed and about \$1 billion in extra benefits to offset state taxes over the next 30 years. Beginning in Fiscal Year ("FY") 1999-2000, PERS will pass these costs on to employers. Approximately \$42 million of the City's UAAL is attributable to these costs.
- **Retirement and investment options.** Permitted investment options for employer and employee pension contributions, combined with options available to calculate an employee's retirement benefit, have also contributed to the higher UAAL. As described above, PERS selects the method for which an employee is eligible and which produces the highest amount to determine the retirement benefit. In recent years, strong investment performance has resulted in more employees retiring under an option known as "Money Match." Under Money Match, an employee's account balance is matched by an equal amount from the employer. Employees may opt to have contributions made on their behalf invested in a "regular" account which is invested in a mix of equities (no more than 60 percent), bonds, real estate and other interest bearing certificates. Alternatively, they may choose to have up to 75 percent of their contributions placed in a variable account for which 100 percent of its assets are invested in U.S. equities. Employer contributions may only be invested in the regular account. Earnings for the variable account have been significantly higher on average than earnings in the regular account and the rate of return for employer accounts has not kept pace with employee accounts. This mismatch in investment returns has created a shortfall in employer accounts. The City is currently attempting to make changes in the way employer contributions may be invested through the legislative process and by working directly with PERS.

- **Calculation of segmented service liabilities.** Approximately \$40 million of the increase in UAAL relates to the allocation of pension liabilities for Fire District 10 (the "District") employees. Before being incorporated into the City in 1985, the District provided service to areas that have subsequently been annexed by the City and by other jurisdictions. In computing the City's UAAL, PERS assigned the full responsibility for meeting pension obligations of these employees to the City. The City contends that this portion of the City's UAAL should be allocated to jurisdictions served by the District in proportion to the level of service received over time and is working with PERS to make appropriate adjustments to the UAAL. The City estimates that its UAAL attributable to the District could be reduced to an amount between \$15 and \$25 million.

PERS provided the City with various options for addressing its UAAL. One option would have required the City to increase its employer contribution rate to 17.4% of covered compensation, effective July 1, 1999. This rate would finance the City's UAAL over 30 years plus pay the current year accrued pension liability. Another option would set a contribution rate of 10.48% in FY 1999-2000, and then would increase the contribution rate to 17.8% over a thirty-year amortization period beginning July 1, 2000.

The City has elected a 10.48% contribution rate for FY 1999-2000, and is issuing the 1999 Series C Bonds to contribute an amount equal to the City's UAAL as of December 31, 1997. Based on financial analysis undertaken by the City, this option represents the most cost effective approach for addressing the UAAL. The City's employer contribution rate would then be set at 8.56%, a fully funded rate according to PERS, beginning July 1, 2000. The City expects that interest earnings differentials related to the Money Match option and the method used by PERS to credit interest earnings to employer and employee accounts in 1998 have increased the UAAL since the actuarial valuation undertaken as of December 31, 1997. The employer contribution rate may be higher in the future as a result.

The City is currently engaged in discussions intended to make changes to the PERS system in order to mitigate future problems in funding pension obligations. Despite the failure of recent legislative efforts to make the required changes, the City, other PERS employers, and the PERS Board of Directors are evaluating administrative rule changes that would correct practices that have contributed to the City's UAAL.

The proceeds of the 1999 Series C Bonds, together with the proceeds of any 1999 Series D/E Bonds, will be turned over to PERS to eliminate the City's UAAL based on the most recent official estimate provided by PERS (December 31, 1997). See "PLAN OF FINANCE" herein. However, the City makes no representation that the issuance of the 1999 Series C Bonds or the 1999 Series D/E Bonds will fully fund the City's pension liability currently or over the long run. The City's employer contribution rate is subject to future adjustment based on factors such as the results of subsequent actuarial valuations, the outcome of discussions with PERS regarding certain issues (such as the treatment of District employees and investment of employer contributions under the Money Match option described above), crediting of interest earnings to employer and employee accounts, changes in benefits awarded by PERS, and legislative changes.

Debt service is expected to be paid from contributions by City bureaus with PERS-covered employees. Each bureau will be allocated a share of the annual debt service of the 1999 Series C Bonds in proportion to its contribution to PERS in the most recent fiscal year for which actual results are available. These allocations will be incorporated into the City's annual budget. Using this approach, it is expected that approximately 40% of the debt service will be allocable to the General Fund, and the remainder will be paid from the City's various enterprise and special revenue funds and the Portland Development Commission. See "ANNUAL DISCLOSURE INFORMATION -- Payment of Debt Service on the 1999 Series C Bonds."

## ANNUAL DISCLOSURE INFORMATION

*In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City will provide annually the information presented on pages 9 to 20 to all NRMSIRs and SIDs, if any.*

*(See Appendix E, "Continuing Disclosure Certificate" herein.)*

### **BASIS OF ACCOUNTING**

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

### **FISCAL YEAR**

July 1 to June 30.

### **AUDITS**

The Oregon Municipal Audit Law (ORS 297.405 to 297.555 and 297.990) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy. City audits for fiscal years ending June 30, 1977 through 1995 were performed by Coopers & Lybrand. The City's audits for FY 1995-96 through FY 1997-98 were performed by KPMG Peat Marwick LLP. A complete copy of the City's FY 1997-98 audit is available from the City's Debt Manager at the City of Portland, 1221 SW 4<sup>th</sup> Ave., Room 120, Portland, Oregon, 97204. Audited financial statements also are available on the City's website at [www.ci.portland.or.us/accounting/financials](http://www.ci.portland.or.us/accounting/financials).

### **PAYMENT OF DEBT SERVICE ON THE 1999 SERIES C BONDS**

To protect the City's general fund and the creditworthiness of existing and future full faith and credit obligations of the City, the City has covenanted to require each bureau which supports the costs of its operations from fees, charges, and revenues (other than general fund revenues), to budget and to pay that bureau's fairly allocated share of the costs of debt service on the 1999 Series C Bonds from those fees, charges and revenues. Amounts allocated to the bureaus, when paid, will be included in the City's Available General Funds.

Principal of and interest on the 1999 Series C Bonds is expected to be paid from contributions of each City bureau with PERS-covered employees and the Portland Development Commission. Each bureau will be assigned a share of the debt service payments for each fiscal year in proportion to its annual contribution to PERS during the most recent fiscal year for which actual results are known. For debt service payments expected to be made in FY 2000-01, debt service payments will be allocated on the basis of PERS contributions made in FY 1998-99. The table below shows the anticipated share of debt service that will be allocated and budgeted by fund for FY 2000-01. Future annual disclosure filings will report the amount of debt service paid by each bureau and the Portland Development Commission during the fiscal year most recently ended.

**Table 3**  
**CITY OF PORTLAND, OREGON**  
**Anticipated Allocation of FY 2000-01 Debt Service Payments for 1999 Series C Bonds**

<b>GENERAL FUND BUREAU ALLOCATIONS</b>		<b>NON-GENERAL FUND BUREAU ALLOCATIONS</b>	
Parks	7.64%	Transportation	18.40%
Police	7.60%	Water	13.58%
Finance & Administration	5.08%	Environmental Services	13.08%
Fire	4.61%	Buildings	4.78%
Community Development	4.48%	Portland Development Commission	2.75%
Emergency Communication	3.29%	Fleet Operating	1.91%
Attorney	1.49%	Golf	0.82%
Auditor	1.42%	Facilities Services	0.81%
Buildings	1.27%	Communication Services	0.81%
Mayor/Commissioners	1.24%	Printing/Distribution	0.65%
Licenses	0.90%	Parks Construction	0.46%
Purchases	0.66%	Refuse Disposal	0.25%
General Services	0.43%	Portland International Raceway	0.16%
Street Light Operating	0.22%	Hydroelectric Power	0.10%
Government Relations	0.14%	Environmental Remediation	0.01%
<b>TOTAL</b>	<b>40.49%</b>	<b>TOTAL</b>	<b>59.51%</b>

#### **GENERAL FUND**

Financial operations of the City that are not accounted for in any other fund are shown in the general fund (the "General Fund"). Principal sources of revenue are property taxes, licenses and permits, billings for interfund services, and state shared revenues. Primary expenditures in the General Fund are made for police protection, fire protection and maintenance of park facilities. The following tables present a Statement of Revenues, Expenditures and Changes in Fund Balance and Balance Sheet for the General Fund for the past five fiscal years.



**Table 4**  
**CITY OF PORTLAND, OREGON**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Generally Accepted Accounting Principles Basis**  
**for Fiscal Year Ended June 30**

	<b>FY 1994-95</b>	<b>FY 1995-96</b>	<b>FY 1996-97</b>	<b>FY 1997-98</b>	<b>FY 1998-99 (unaudited)</b>
<b>Revenues</b>					
Taxes	\$122,563,026	\$131,261,621	\$140,125,559	\$130,301,916	\$136,115,333
Intergovernmental revenues	12,326,528	12,771,482	13,543,038	14,647,660	15,176,715
Licenses and permits	67,274,349	73,643,427	77,440,914	83,776,795	86,724,688
Charges for services	38,834,073	40,027,506	42,893,488	46,776,361	51,107,163
Interest and miscellaneous revenues	10,316,756	10,014,139	10,357,574	10,287,811	12,282,453
<b>Total Revenues</b>	<b>\$251,314,732</b>	<b>\$267,718,175</b>	<b>\$284,360,573</b>	<b>\$285,790,543</b>	<b>\$301,406,352</b>
<b>Expenditures</b>					
Planning/community development	\$4,921,882	\$6,003,930	\$7,417,710	\$7,798,084	\$8,568,794
Citizen/community services	6,646,060	8,213,819	8,611,734	9,075,706	10,921,078
Public safety	147,460,193	150,476,687	153,944,795	155,201,807	164,350,530
Support services/legis./administrative	39,629,267	49,305,477	59,268,550	53,049,394	59,784,135
Parks/recreation/cultural	28,963,673	29,302,957	32,422,619	31,709,166	34,772,736
Capital outlay	4,786,078	5,671,108	6,340,024	8,205,853	9,448,312
<b>Total Expenditures</b>	<b>\$232,407,153</b>	<b>\$248,973,978</b>	<b>\$268,005,432</b>	<b>\$265,040,010</b>	<b>\$287,845,585</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$18,907,579</b>	<b>\$18,744,197</b>	<b>\$16,355,141</b>	<b>\$20,750,533</b>	<b>\$13,560,767</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from bond and note sales	--	--	--	--	--
Operating transfers in	4,934,062	7,932,738	8,416,345	12,152,289	14,173,345
Operating transfers out	(12,430,384)	(23,717,174)	(17,349,439)	(27,922,952)	(39,915,016)
<b>Total Other Sources (Uses)</b>	<b>(\$7,496,322)</b>	<b>(\$15,784,436)</b>	<b>(\$8,933,094)</b>	<b>(\$15,770,663)</b>	<b>(\$25,741,671)</b>
<b>Revenues Over (Under) Expenditures and Other Sources (Uses)</b>	<b>\$11,411,257</b>	<b>\$2,959,761</b>	<b>\$7,422,047</b>	<b>\$4,979,870</b>	<b>(\$12,180,904)<sup>1</sup></b>
<b>Fund Balance, Beginning of Year</b>	<b>\$40,884,744</b>	<b>\$52,350,037</b>	<b>\$55,349,662</b>	<b>\$62,772,466</b>	<b>\$67,729,991</b>
Change in inventory	53,310	39,832	(13,308)	(22,345)	30,651
Residual equity transfer	726	32	14,065	--	--
<b>Fund Balances, End of Year</b>	<b>\$52,350,037</b>	<b>\$55,349,662</b>	<b>\$62,772,466</b>	<b>\$67,729,991</b>	<b>\$55,579,738</b>

**Notes:**

- (1) Expenditures exceeded revenues in FY 1998-99 due to a planned use of excess fund balance for one-time expenditures. The level of General Fund Reserve continues to be maintained at 10% of the General Fund Budget, as required by City policy.

**Source:** Derived from City of Portland audited annual financial statements. Information for FY 1998-99 is unaudited.

**Table 5**  
**CITY OF PORTLAND, OREGON**  
**General Fund**  
**Consecutive Balance Sheets**  
**For Fiscal Year Ending June 30**

	<b>FY 1994-95</b>	<b>FY 1995-96</b>	<b>FY 1996-97</b>	<b>FY 1997-98</b>	<b>FY 1998-99 (unaudited)</b>
<b>ASSETS:</b>					
Cash and investments	\$62,310,622	\$61,169,067	\$74,078,913	\$78,429,699	\$64,310,622
Receivables:					
Property taxes	8,554,176	8,448,859	8,630,468	7,954,768	8,075,460
Accounts, interest and advances	3,556,405	3,776,247	3,115,726	4,066,730	5,016,574
Assessments	5,000	2,000	1,000	1,000	1,000
Internal	--	3,260,000	--	--	--
Contracts	--	--	--	--	--
Due from other funds	1,514,492	2,986,460	2,820,601	4,684,477	4,456,093
Inventories	325,077	364,909	351,601	329,256	359,907
<b>Total Assets</b>	<b>\$76,265,772</b>	<b>\$80,007,542</b>	<b>\$88,998,309</b>	<b>\$95,465,930</b>	<b>\$82,219,656</b>
<b>LIABILITIES:</b>					
Warrants, accounts payable and accrued liabilities	\$4,675,207	\$4,498,998	\$4,718,360	\$5,287,408	\$5,255,255
Deferred revenue	18,709,260	19,756,799	21,105,400	22,046,448	20,644,552
Due to other funds	531,268	402,083	402,083	402,083	740,111
<b>Total Liabilities</b>	<b>\$23,915,735</b>	<b>\$24,657,880</b>	<b>\$26,225,843</b>	<b>\$27,735,939</b>	<b>\$26,639,918</b>
<b>FUND BALANCE:</b>					
Reserved for petty cash	\$18,630	\$18,880	\$18,880	\$18,880	\$20,880
Reserved for inventories	325,077	364,909	351,601	329,256	359,907
Unreserved	52,006,330	54,965,873	62,401,985	67,381,855	55,198,951
<b>Total Fund Balance</b>	<b>\$52,350,037</b>	<b>\$55,349,662</b>	<b>\$62,772,466</b>	<b>\$67,729,991</b>	<b>\$55,579,738</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$76,265,772</b>	<b>\$80,007,542</b>	<b>\$88,998,309</b>	<b>\$95,465,930</b>	<b>\$82,219,656</b>

Source: Derived from City of Portland audited annual financial statements. Information for FY 1998-99 is unaudited.

## **OUTSTANDING LONG TERM DEBT**

The City issues a variety of debt types for the purpose of carrying out its capital financing activities. These various debt types are shown in the table titled "Long-Term Debt Statement." Outstanding debt amounts are as of September 1, 1999.

### **Unlimited Tax General Obligation Bonds**

#### Tax Supported General Obligation Bonds

The City has \$79.5 million of outstanding tax-supported general obligation bonds. These bonds were originally issued for the purpose of funding stadium improvements, construction of a performing arts center, park system improvements, and emergency facilities. The City is authorized to levy an unlimited ad valorem tax to pay these bonds.

#### Self-Supporting General Obligation Water Bonds

The City has approximately \$45.4 million of outstanding self-supporting general obligation water bonds. While the City has the authority to levy an unlimited ad valorem tax to pay these bonds, the City has chosen to pay these bonds entirely from revenues of the water system.

### **Bonds Paid and/or Secured by the General Fund**

These obligations are secured by the full faith and credit of the City. The City is obligated to pay these obligations from any taxes or other revenues available to the City which may legally be applied to pay them. The City is not authorized to levy additional taxes to pay these obligations.

#### Non Self-Supporting General Fund Obligations

*Limited Tax Revenue Bonds/Full Faith and Credit Obligations.* The City has approximately \$64.6 million of outstanding limited tax revenue bonds (not including the 1999 Series C Bonds) which are paid primarily from General Fund resources. The City has issued limited tax revenue bonds to satisfy a variety of capital financing requirements. Additionally, the City has approximately \$35.9 million of outstanding full faith and credit obligations that also are paid in whole or in part from resources of the City's General Fund. These obligations have funded a variety of capital projects including building improvements and renovations, equipment acquisition and other miscellaneous projects.

#### Self-Supporting General Fund Obligations

*Urban Renewal Bonds.* The City has approximately \$56.3 million of outstanding urban renewal bonds which are secured by tax increment revenues but which received General Fund support within the last five years. Historically, these bonds were paid from tax increment revenues; however, due to the approval of a tax limitation measure (Measure 5), the City did not levy its available tax increment authority between FY 1991-92 and 1994-95 in order to avoid compression. Debt service on outstanding bonds during this period was paid primarily from accumulated reserves. In FY 1995-96, debt service on the urban renewal bonds was paid from a combination of General Fund resources and a small tax increment levy. Since FY 1996-97, growth in the City's assessed valuation has been sufficient to enable the City to levy and collect sufficient tax increment revenues to fully pay the debt service on outstanding urban renewal bonds. Based on forecasts of assessed value growth and the available tax increment, the City expects to pay the debt service on its outstanding urban renewal bonds from tax increment revenue for the foreseeable future.

*Limited Tax Improvement Bonds.* The City has \$21.4 million of outstanding limited tax improvement bonds. These bonds are issued for the purpose of financing local improvement projects. These bonds are expected to be fully self-supporting from assessment payments received from property owners benefiting from the improvement projects. In addition, the City has pledged its full faith and credit to pay the bonds, and the bonds are payable from all legally available revenues, taxes and other funds of the City.

*Arena Limited Tax Revenue Bonds.* The City has \$13.2 million of Arena Limited Tax Revenue Bonds outstanding, the proceeds of which were used to finance certain public improvements relating to the Oregon Arena Project. These limited tax revenue

bonds are ultimately secured by the City's General Fund. However, the City expects to pay the debt service on these bonds from revenues received from the Oregon Arena Project.

*Arena Limited Tax Bonds.* The City has \$9.4 million of Arena Limited Tax Bonds outstanding, the proceeds of which were used to finance certain public improvements relating to the Oregon Arena Project. These bonds are ultimately secured by the City's General Fund and by a subordinate pledge of available City parking meter revenues. However, the City expects to pay the debt service on these bonds from revenues received from the Oregon Arena Project.

*Limited Tax Revenue Bonds (Central City Streetcar Project).* The City has \$29.2 million of outstanding limited tax revenue bonds for the Central City Streetcar Project. These bonds are ultimately secured by the City's General Fund, but the City expects to pay the debt service on these bonds with revenues from the City's parking facilities and meters.

*Other Obligations.* The City has made a limited, subject-to-appropriation, pledge of its General Fund to restore reserve fund balances on three conduit housing revenue bond issues. The original par amount of these issues is \$25.165 million, of which \$25.025 million remains outstanding.

*Additional Obligations.* The City has the right to issue additional obligations that are secured by its full faith and credit and are payable from the Available General Funds.

### **Revenue Bonds**

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

### **Urban Renewal Bonds (Not General Fund Supported)**

In November 1996, the City issued \$46.8 million of urban renewal bonds for the South Park Blocks, Central Eastside and the Oregon Convention Center urban renewal areas. As of September 1, 1999, approximately \$6.2 million of the bonds remain outstanding for these urban renewal areas. These bonds are paid from tax increment revenues generated from the respective urban renewal areas. No additional City revenues are pledged to the repayment of these bonds.

### **Assessment Bonds**

The City has sold special assessment bonds to the Oregon Department of Environmental Quality to finance certain local sewer improvement projects in Mid-Multnomah County. These bonds are currently outstanding in the amount of \$9.4 million. The bonds are secured solely by the assessment payments received from benefiting property owners as well as a subordinate pledge of revenues of the City's sewer system.

**Table 6**  
**CITY OF PORTLAND, OREGON**  
**Long-Term Debt Statement**  
**As of September 1, 1999**

Type of Debt	Amount Outstanding
<b>I. UNLIMITED TAX GENERAL OBLIGATION BONDS</b>	
A. Tax Supported	
General Obligation Parks Bonds	\$52,485,000
General Obligation Emergency Facilities Bonds	\$24,500,000
General Obligation Refunding Bonds	<u>2,470,000</u>
<b>Total Tax Supported G.O. Bonds</b>	<u>\$79,455,000</u>
B. Self Supporting	
General Obligation Water Bonds	<u>\$45,444,852</u>
<b>Total Self-Supporting G.O. Bonds</b>	<u>\$45,444,852</u>
<b>II. BONDS PAID AND/OR SECURED BY THE GENERAL FUND</b>	
A. Non Self-Supporting	
Full Faith and Credit Obligations/Limited Tax Revenue Bonds(1)	\$100,475,468
Short-Term Lines of Credit	<u>9,573,312</u>
<b>Total Bonds Secured and Paid from the General Fund</b>	<u>\$110,048,780</u>
B. Self-Supporting	
Urban Renewal Bonds(2)	\$56,303,378
Limited Tax Revenue Bonds (Central City Streetcar)	29,160,000
Limited Tax Improvement Bonds	21,420,000
4th and Yamhill Parking Notes	4,300,000
Arena Limited Tax Revenue Bonds	13,205,000
Arena Limited Tax Bonds	<u>9,370,000</u>
<b>Total Self-Supporting Bonds Secured by the General Fund</b>	<u>\$133,758,378</u>
<b>III. REVENUE BONDS</b>	
Sewer Revenue Bonds	\$643,040,000
Water Revenue Bonds	67,320,000
Special Assessment Bonds	9,430,000
Parking Revenue Bonds	9,420,000
Golf Revenue Bonds	830,000
Environmental Remediation Revenue Bonds	2,235,000
Hydroelectric Revenue Bonds	34,160,000
Urban Renewal Bonds (Not General Fund Supported)	6,201,500
Arena Gas Tax Revenue Bonds	12,653,102
Gas Tax Revenue Bonds	<u>8,925,000</u>
<b>Total Revenue Bonds</b>	<u>\$794,214,602</u>
<b>TOTAL - ALL OUTSTANDING LONG-TERM DEBT</b>	<u><u>\$1,162,921,613</u></u>

Notes:

(1) Does not include the 1999 Series C Bonds.

(2) In FY 1995-96, debt service on outstanding urban renewal bonds was paid substantially from General Fund revenues. In Fiscal Years 1996-97 through 1998-99, the City paid outstanding urban renewal bonds from tax increment revenues rather than the General Fund and expects to do the same for the foreseeable future.

Source: City of Portland.

## CITY GENERAL OBLIGATION DEBT

The following tables set forth the outstanding direct general obligation debt of the City incurred for capital purposes, the overlapping debt among various taxing districts in the City, and the City's general obligation capital debt ratios.

**Table 7**  
**CITY OF PORTLAND, OREGON**  
**General Obligation Capital Debt Ratios**  
**As of September 1, 1999**

	Amount	Per Capita	Percent of Real Market Valuation	Percent of Assessed Valuation
July 1, 1998 Population	509,610	--	--	--
1998-99 Real Market Value	\$39,286,626,000	\$77,092	--	--
1998-99 Assessed Value	\$30,732,514,000	\$60,306	78.23%	--
Gross Bonded Debt (1)	\$412,592,011	\$810	1.05%	1.34%
Net Direct Debt (2)	\$79,455,000	\$156	0.20%	0.26%
Net Overlapping Debt	\$634,065,032	\$1,244	1.61%	2.06%
Net Direct and Overlapping Debt	\$713,520,032	\$1,400	1.82%	2.32%
FY 1999-00 General Fund Debt Service as a Percent of FY 1999-00 General Fund Budget (3)	3.5%			

Notes:

- (1) Includes City's outstanding general obligation bonds, full faith and credit obligations, limited tax improvement bonds, limited tax revenue bonds, and urban renewal bonds. Does not include the 1999 Series C Bonds.
- (2) Includes only general obligation bonds paid from a separate, unlimited ad valorem tax. Does not include self-supporting general obligation bonds or bonds paid and/or secured by the City's General Fund.
- (3) Debt service amount includes all non-self supporting bonds paid and/or secured by the General Fund.

Source: City of Portland.

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

Fiscal Year Ending June 30th	Paid from General Fund		Self-Supporting Bonds Secured by General Fund					TOTAL
	Full Faith and Credit Obligations/ Limited Tax Revenue Bonds (1)	Subtotal: Bonds Paid from General Fund	Improvement Bonds (2)	Arena Limited Tax/ Limited Tax Revenue Bonds (3)	Limited Tax Revenue Bonds - Streetcar (4)	Urban Renewal Bonds (5)	Subtotal: Self- Supporting Bonds	
2000	\$12,135,552	\$12,135,552	\$2,966,778	\$2,366,728	\$1,603,288	\$8,875,938	\$15,812,730	\$27,948,282
2001	12,010,474	12,010,474	2,436,343	2,374,658	1,702,413	8,874,780	\$15,388,193	27,398,666
2002	11,827,324	11,827,324	1,990,788	2,373,150	1,797,213	8,871,203	\$15,032,353	26,859,677
2003	10,961,774	10,961,774	1,832,000	2,372,485	1,897,613	8,876,880	\$14,978,978	25,940,751
2004	10,218,186	10,218,186	1,262,345	2,372,015	2,003,213	8,875,178	\$14,512,750	24,730,936
2005	10,224,506	10,224,506	788,720	2,371,670	2,093,613	8,877,840	\$14,131,843	24,356,349
2006	8,714,394	8,714,394	788,720	2,376,203	2,089,213	9,382,783	\$14,636,918	23,351,311
2007	8,712,649	8,712,649	788,720	2,369,930	2,093,613	8,201,093	\$13,453,355	22,166,004
2008	8,714,809	8,714,809	788,720	2,372,560	2,096,413	8,212,153	\$13,469,845	22,184,654
2009	6,086,319	6,086,319	3,228,720	2,373,998	2,086,400	3,865,613	\$11,554,730	17,641,049
2010	5,636,343	5,636,343	686,240	2,377,543	2,093,900	2,191,481	\$7,349,164	12,985,506
2011	5,630,824	5,630,824	686,240	2,373,355	2,087,963		\$5,147,558	10,778,381
2012	5,571,176	5,571,176	686,240	2,376,550	2,090,275		\$5,153,065	10,724,241
2013	5,572,293	5,572,293	686,240	2,372,790	2,088,975		\$5,148,005	10,720,298
2014	4,996,410	4,996,410	2,451,240	2,369,755	2,093,938		\$6,914,933	11,911,343
2015	4,995,670	4,995,670	2,194,753	2,376,460	2,096,125		\$6,667,338	11,663,008
2016	4,993,420	4,993,420	3,505,228	2,369,053	2,093,900		\$7,968,180	12,961,600
2017	2,579,090	2,579,090	333,450		2,088,825		\$2,422,275	5,001,365
2018	2,572,290	2,572,290	3,393,450		2,090,900		\$5,484,350	8,056,640
2019			3,964,275		2,089,650		\$6,053,925	6,053,925
2020					2,095,075		\$2,095,075	2,095,075
2021					2,086,700		\$2,086,700	2,086,700
2022					2,095,000		\$2,095,000	2,095,000
2023					2,094,500		\$2,094,500	2,094,500
2024					2,089,500		\$2,089,500	2,089,500
<b>Total</b>	<b>\$142,153,502</b>	<b>\$142,153,502</b>	<b>\$35,459,208</b>	<b>\$40,338,900</b>	<b>\$50,838,213</b>	<b>\$85,104,939</b>	<b>\$211,741,259</b>	<b>\$353,894,761</b>

**Notes:**

- (1) Does not include Limited Tax Pension Obligation Revenue Bonds, 1999 Series C.
- (2) Actual debt service may be substantially different from schedule above due to optional and mandatory redemption provisions.
- (3) Bonds are expected to be paid from Arena Project revenues.
- (4) Bonds are expected to be paid from parking facility and meter revenues.
- (5) Bonds are expected to be paid from tax increment revenues.

**Source:** City of Portland.

## CASH FLOW BORROWINGS

The City may borrow for General Fund operating purposes through the issuance of short-term tax anticipation notes ("TANs"). State law limits the amount of TANs that a political subdivision may sell annually to no more than 80% of the amount of the annual tax levy, and all TANs must be retired prior to the end of the fiscal year in which they were issued. On June 22, 1999, the City issued \$10,950,000 of TANs to fund cash flow deficits in the Fire and Police Disability and Retirement Fund. These notes will be retired on June 29, 2000.

## SHORT-TERM BORROWINGS

The City has issued short-term notes and lines of credit for a variety of purposes including interim construction financing of local improvement districts and other capital projects. The notes are paid primarily from bond proceeds sold at completion of the construction projects. The City currently has approximately \$14 million outstanding on the lines of credit.

In FY 1998-99, the City received authorization to undertake short-term financings for its urban renewal districts in the form of bond anticipation notes and a line of credit. These obligations are secured by tax increment revenues and the General Fund, although the City expects to repay these obligations with tax increment revenues. In June 1999, the City issued \$22.985 million of bond anticipation notes ("BANs") and borrowed \$20.9 million through a line of credit. The City expects to issue BANs in November 1999 to currently refund the BANs due on December 15, 1999.

## CONDUIT FINANCING

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

## CONCURRENT DEBT ISSUES

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

**Table 9**  
**CITY OF PORTLAND, OREGON**  
**Presently Anticipated Future Debt Issues**

<b>Purpose</b>	<b>Estimated Amount</b>	<b>Estimated Issue Date</b>	<b>Type of Issue</b>
Various improvements	\$19 million	October 1999	Limited tax revenue bonds
Refunding of 1999 Series A BANs	\$23 million	November 1999	Full faith and credit BANs
Finance unfunded pension liability (Proposed 1999 Series D/E Bonds)	\$150 million	November 1999	Limited tax pension obligation revenue bonds
Water facility improvements	\$35 million	February 2000	Water revenue bonds
Convention Center urban renewal	\$35 million	Spring 2000	Tax increment bonds
Airport Way urban renewal	\$43 million	Spring 2000	Tax increment bonds

Source: City of Portland, Office of Finance and Administration.



**Table 10**  
**CITY OF PORTLAND, OREGON**  
**Assessed Value and Real Market Value (\$ 000s)**

<b>Assessed Value</b>					
<b>Fiscal Year Ending June 30th</b>	<b>Inside Multnomah County</b>	<b>Outside Multnomah County</b>	<b>Urban Renewal Incremental Value</b>	<b>Total Assessed Value</b>	<b>Percent Change</b>
1988	\$14,418,234	\$57,089	\$476,025	\$14,951,348	---
1989	14,430,090	54,944	533,704	15,018,738	0.50%
1990	14,673,679	56,809	594,118	15,324,606	2.00%
1991	15,873,503	59,068	674,292	16,606,863	8.40%
1992	18,330,344	79,583	928,096	19,338,023	16.50%
1993	20,091,976	88,154	1,065,141	21,245,271	9.90%
1994	21,599,964	90,912	1,074,359	22,765,235	7.20%
1995	24,940,673	98,128	1,182,072	26,220,874	15.20%
1996	28,201,782	109,452	1,447,255	29,758,489	13.50%
1997	31,311,065	127,896	1,777,108	33,216,069	11.60%
1998 <sup>1</sup>	26,413,250	111,212	1,764,211	28,288,673	(14.80%)
1999	28,615,024	128,750	1,988,740	30,732,514	8.64%

<b>Real Market Value <sup>1</sup></b>					
<b>Fiscal Year Ending June 30th</b>	<b>Inside Multnomah County</b>	<b>Outside Multnomah County</b>	<b>Urban Renewal Incremental Value</b>	<b>Total Real Market Value</b>	<b>Percent Change</b>
1998 <sup>1</sup>	\$34,374,483	\$147,783	\$2,231,355	\$36,753,621	10.65%
1999	36,598,114	165,783	2,522,729	39,286,626	6.89%

**Notes:**

- (1) Under the provisions of Ballot Measure 50, beginning with FY 1997-98, real market value and assessed value are no longer the same. Measure 50 rolled back the assessed valuation of each property for tax year 1997-98 to its 1995-96 real market value, less ten percent. The Measure further limits any increase in assessed value to three percent for tax years after 1997-98, except for property that is substantially improved, rezoned, or subdivided, or property which ceases to qualify for a property tax exemption. This property will be assigned a new assessed value equal to the assessed value of comparable property in the area. See "Property Tax and Valuation Information" herein.

**Sources:** Multnomah County Department of Assessment and Taxation; Multnomah County Tax Supervising and Conservation Commission.

**Table 11**  
**CITY OF PORTLAND, OREGON**  
**Consolidated Tax Rate: Fiscal Year 1998-99**  
**Levy Code 001<sup>1</sup>**

<b><u>Taxing District</u></b>	<b><u>Permanent and Local Option Tax Rate Per \$1000 A.V.</u></b>	<b><u>General Obligation Debt Tax Rate Per \$1000 A.V.</u></b>	<b><u>Total Tax Rate Per \$1000 A.V.</u></b>
<b>CITY OF PORTLAND</b>	\$6.6251 <sup>2</sup>	\$0.2020	\$6.8271
Portland Urban Renewal	.3997	0.0000	0.3997
Port of Portland	.0700	0.0080	0.0780
Metro	.0966	0.2678	0.3644
Multnomah County	4.9374	0.4549	5.3923
Tri-County Metropolitan Trans. Dist.	0.0000	0.1527	0.1527
 Subtotal - General Government	 \$12.1288	 \$1.0854	 \$13.2142
 Portland School District	 \$5.3122	 \$1.0063	 \$6.3185
Portland Community College	0.2828	0.0687	0.3515
Multnomah Co. Education Service District	0.4576	0.0000	0.4576
 Subtotal - Schools	 \$6.0526	 \$1.0750	 \$7.1276
 Totals	 \$18.1814	 \$2.1604	 \$20.3418

**Notes:**

- (1) Levy Code 001 includes approximately 78% of the total assessed value of the City.  
(2) Includes the City's FPD&R pension levy.

**Source:** Multnomah County Tax Supervising and Conservation Commission.

***End of Annual Disclosure Information***

## **SUPPLEMENTAL INFORMATION**

### **CITY INDEBTEDNESS**

#### **Debt Management Policy**

In April 1984, the City Council adopted Resolution No. 33661, which places centralized responsibility for Debt Management in the Office of Finance and Administration and establishes standards and procedures for the issuance of debt. The policy includes more restrictive limits on City debt issuance than required by State law. In the fall of 1995, this policy was updated and expanded to include current and future debt practices. Among the general provisions included in the debt policy are types of debt that may be issued and limitations on their use, selection of finance professionals, methods of sale, structure and term of City indebtedness, issuance of conduit debt, and refunding outstanding debt. The updated policy was adopted by the City Council in October 1995.

#### **Debt History**

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

#### **Debt Limitation**

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

**Table 12**  
**CITY OF PORTLAND, OREGON**  
**Overlapping Debt**  
**As of September 1, 1999**

<b>Overlapping District</b>	<b>1997-98</b>	<b>Percent Overlap</b>	<b>Overlapping Debt</b>	
	<b>Real Market Value (\$000)</b>		<b>Gross Bonded Debt</b>	<b>Net Direct Debt</b>
Portland School District 1	\$29,401,822	96.6%	\$310,427,541	\$310,427,541
Multnomah County	42,500,463	80.9%	93,203,289	93,203,289
Metro	86,745,139	39.8%	78,603,815	78,603,815
Tri-Metropolitan Transport District	87,197,241	39.6%	62,265,117	62,265,117
Parkrose School District 3	2,203,034	97.8%	30,882,658	30,882,658
Portland Community College	66,300,555	43.0%	20,590,390	20,590,390
David Douglas School District 40	2,250,180	99.8%	16,854,024	16,854,024
Port of Portland	96,221,705	35.9%	7,178,309	7,178,309
Reynolds School District 7	3,335,731	21.3%	5,897,630	5,897,630
Centennial School District 28J	1,583,401	52.9%	5,274,471	5,274,471
North Clackamas County School District 12	6,121,199	0.7%	792,591	792,591
Mt. Hood Community College	15,242,773	39.1%	789,852	789,852
Beaverton School District 48J	13,824,458	0.3%	594,565	594,565
Riverdale School District 51J	379,664	3.1%	347,765	347,765
Washington County	28,683,081	0.3%	225,823	219,335
Tigard School District 23J	5,419,874	0.1%	86,063	86,063
Tualatin Valley Water Dist. (Wolf Creek Bond)	9,312,558	0.3%	24,455	24,455
Clackamas Community College	18,323,727	0.2%	18,435	18,435
Tualatin Valley Water (Metzger Bond)	1,860,292	0.3%	8,780	8,780
Lake Oswego School District 7J	4,275,734	0.0%	2,839	2,839
Tualatin Hills Park & Rec. District	12,438,457	0.0%	1,681	1,681
Clackamas County	25,038,161	0.3%	1,427	1,427
<b>Totals</b>			<b>\$634,071,520</b>	<b>\$634,065,032</b>

Notes:

- (1) Gross Bonded Debt includes all bonds backed by a general obligation pledge, including Bancroft general obligation improvement bonds and other self-supporting bonds.
- (2) Net Direct Debt includes all tax-supported bonds. Bancroft general obligation improvement bonds and other self-supporting bonds are excluded.

Source: Municipal Debt Advisory Commission, Oregon State Treasury.

## FINANCIAL OPERATIONS

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

## Budgeting Process

The City prepares annual budgets for each bureau in accordance with provisions of the Oregon Local Budget Law, which provides standard procedures for the preparation, presentation, administration, and appraisal of budgets. While the City must

legally adopt an annual budget each fiscal year in accordance with Oregon Local Budget Law, it also prepares a biennial budget consistent with five-year financial plans. City policy requires all budgetary decisions to be balanced and sustainable over the biennial budget period and the five-year planning period. During the development and adoption of the biennial budget, the emphasis is on decisions made in the first year. Year-one allocations are incorporated into the year-one adopted budget. Year-two allocation decisions are not legally binding until adoption of the year-two budget.

Every year between the months of October and February, each bureau within the City prepares a proposed budget. Budget proposals are reviewed by the City's Office of Finance and Administration prior to the development of the Mayor's Proposed Budget. The Mayor's Proposed Budget is presented to the full City Council sitting as the Budget Committee (a requirement of Local Budget Law) who may amend and ultimately vote to approve the Budget. Public input and comment on the budget is solicited throughout the process.

The Approved Budget is sent to elected officials, the City Council, and the Tax Supervising Conservation Commission (the "TSCC"), an independent board appointed by the governor to review the budgets of all legal entities within Multnomah County. The TSCC reviews the Budget and conducts a public hearing with the City Council in attendance, normally between mid-May and mid-June. Final approval of the budget is through a majority vote of the City Council. This is scheduled to occur in late June, as close as practical to the beginning of the fiscal year.

### **Insurance**

The City is self-funded and administered in the areas of comprehensive general, fleet liability and worker's compensation insurance. The State of Oregon protects public bodies by disallowing claim payments greater than (i) \$50,000 to any claimant for any number of claims for damage to or destruction of property, including consequential damages, arising out of a single accident or occurrence; (ii) \$200,000 to any claimant for all other claims arising out of a single accident or occurrence; (iii) \$500,000 for any number of claims arising out of a single accident or occurrence.

The City purchases insurance coverage for several other types of risk including all-risk property insurance, boiler and machinery insurance, and marine hull and machinery insurance. Performance bond coverage is provided for all City officials and employees. All sewage treatment and pumping facilities are insured for loss through purchased insurance coverage. Collection systems and interceptor sewer lines are not insured but are repaired and replaced as required through the maintenance program of the Bureau of Environmental Services.

### **Pension Plans**

City employees, other than most fire and police personnel, are participants in PERS after six months of employment. (See "THE CITY'S PERS PENSION LIABILITY" herein.) Most of the fire and police personnel are covered under the City of Portland Fire and Police Disability and Retirement Fund (the "Fund"). The Fund is financed from a special property tax levy of not less than \$1.00 or more than \$2.80 per \$1,000 of real market value of property in the City. The FY 1998-99 levy of \$58,870,357 for pension purposes requires a tax rate of \$2.0481 per \$1,000 of assessed property value (or approximately \$1.60 per \$1,000 of real market property value). As of June 30, 1998, the unfunded actuarial liability of the Fund was \$912,611,124 based on estimates provided by the Fund actuary.

In November 1989, the voters of the City agreed to amend the Fire and Police Disability and Retirement Plan to bring its provisions in line with PERS. Under State law, plans must be "equal to or better than" PERS. Basic retirement benefit changes involved reducing vesting from 25 years to 5 years, elimination of employee contributions, and elimination of termination of benefits to a surviving spouse that remarries. Disability benefits were modernized to add covered conditions such as AIDS and Hepatitis B, vocational rehabilitation, wage offsets for outside earnings, and reduction of benefits when conditions become medically stationary and a person is capable of other employment. Calculation of disability pay was also changed from 100% of salary for the first year, 100% of First Class Patrol or Firefighter for the next 3 years and 60% of First Class pay thereafter, to 75% of salary until medically stable and capable of other employment.

## **PROPERTY TAX AND VALUATION INFORMATION**

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

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

### **SECTION 11**

Section 11 of the Oregon Constitution granted all local governments which levied property taxes for operations in fiscal year 1997-1998 a permanent tax rate which was based on the taxing authority of those governments before Ballot Measure 50 was adopted. Permanent tax rates cannot be increased. The City's permanent tax rate is \$4.5819/\$1,000 of Assessed Value.

Section 11 provides that property which was subject to ad valorem taxation in FY 1997-1998 will have an Assessed Value in that fiscal year which is equal to 90 percent of its 1995-96 estimated market value.

Section 11 limits annual increases in Assessed Value to three percent for fiscal years after 1997-98, unless the property changes because it is substantially improved, rezoned, subdivided, annexed, or ceases to qualify for a property tax exemption.

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

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

Local governments that have permanent tax rates cannot increase those rates. Local governments (including schools and community colleges) can, however, obtain the authority to levy "local option taxes" (see below).

Section 11 limits property tax collections by limiting increases in Assessed Value, by preventing increases in permanent tax rates, and through its voter participation requirements (see below).

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

- Some urban renewal districts which were in existence when Measure 50 was adopted to impose taxes throughout the boundaries of their creating city or county. The City has five urban renewal districts with this taxing authority.
- The City of Portland to impose a levy to pay its fire and police pension and disability obligations. The City has the authority to levy up to \$2.80/\$1,000 of Real Market Value under this exemption. For FY 1998-99, the City levied \$2.0481/\$1,000 of Assessed Value for its Fire and Police Disability and Retirement Fund. This tax rate is equivalent to a rate of approximately \$1.60/\$1,000 of Real Market Value.
- Local governments to impose taxes to pay general obligation bonds (see below).

### **SECTION 11B**

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

Section 11b divides taxes imposed upon property into two categories: "non-school taxes" which fund the operations of local governments other than schools; and "school taxes" which fund operations of the public school system and community colleges.

Section 11b limits rates for combined non-school taxes to \$10 per \$1,000 of Real Market Value, and rates for school taxes to \$5 per \$1,000 of Real Market Value.

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

Taxes levied to pay general obligation bonds for capital construction and improvements as defined by Measure 5 and Measure 50 are not subject to the rate limits of Section 11b.

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

## **LOCAL OPTION TAXES**

Local governments (including community colleges and school districts) may obtain voter approval to impose local option taxes. Local option taxes are limited to a maximum of ten years for capital purposes, and a maximum of five years for operating purposes. Legislation was passed in the 1999 Session which allows school districts to use local option levies beginning October 23, 1999.

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

Currently the City has no local option levies.

## **VOTER PARTICIPATION**

New local option levies, taxes to pay general obligation bonds (other than refunding bonds), and permanent rate limits for governments that have not previously levied operating taxes must be approved at an election that meets the voter participation requirements established by Section 11. Section 11 requires those taxes to be approved by a majority of the voters voting on the question either: (i) at a general election in an even numbered year, or (ii) at any other election in which not less than fifty percent (50%) of the registered voters eligible to vote on the question cast a ballot.

In many localities in Oregon, including the City, it is unusual for more than fifty percent of registered voters to cast ballots at an election other than a general election in an even numbered year.

## **GENERAL OBLIGATION BONDS**

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

1. general obligation bonds authorized by a provision of the Oregon Constitution (this applies to State of Oregon general obligation bonds);
2. general obligation bonds issued on or before November 6, 1990;
3. general obligation bonds which were approved by a majority of voters after November 6, 1990 and before December 5, 1996, which are issued to finance capital construction or capital improvements;
4. general obligation bonds which were approved after December 5, 1996, which are issued to finance capital construction or capital improvements, and which met the voter participation requirements described above; and
5. obligations issued to refund the general obligation bonds described in the preceding four subparagraphs.

The 1999 Series C Bonds are not general obligation bonds and any taxes the City levies to pay the 1999 Series C Bonds will be subject to the limits of Sections 11 and 11b.

## COLLECTION

The county tax collector extends authorized levies, computes tax rates, bills and collects all taxes and makes periodic remittances of collections to tax levying units. County tax collectors are charged with calculating public school and local government taxes separately, calculating any tax rate reductions to comply with tax limitation law, and developing percentage distribution schedules. The tax collector then reports to each taxing district within five days the amount of taxes imposed.

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

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

A Senior Citizen Property Tax Deferral Program (1963) allows homeowners to defer taxes until death or sale of the home. Qualifications include a minimum age of 62 and household income under \$19,500 for claims filed after January 1, 1991; \$18,500 if filed during 1990; or \$17,500 if filed prior to January 1, 1990. Taxes are paid by the State, which obtains a lien on the property and accrues interest at 6 percent. The following table presents property tax collections for the last ten years.

**Table 13**  
**CITY OF PORTLAND, OREGON**  
**Tax Collection Record**  
**for the Last Ten Years<sup>1</sup>**

<b>Fiscal Year</b>	<b>Real Market Valuation (000)<sup>2</sup></b>	<b>Percent Change</b>	<b>Total Levy (000)<sup>3</sup></b>	<b>Percent Change</b>	<b>Collected Yr. of Levy</b>	<b>Collected As of 6/30/99</b>
1989-90	\$15,324,606	2.0%	\$147,824	19.2%	92.24%	99.99%
1990-91	16,606,863	8.4%	162,601	10.0%	92.41%	99.99%
1991-92	19,338,023	16.5%	141,841	-12.8%	91.56%	99.95%
1992-93	21,245,271	9.9%	134,217	-5.4%	93.24%	99.98%
1993-94	22,765,235	7.1%	143,477	6.9%	95.33%	99.95%
1994-95	26,220,874	15.2%	162,261	13.1%	96.37%	99.96%
1995-96	29,758,489	13.5%	182,497	12.5%	94.76%	99.78%
1996-97	33,216,069	11.6%	208,823	14.4%	96.75%	99.30%
1997-98	36,753,621	10.7%	213,823	2.4%	95.87%	98.55%
1998-99	39,286,626	6.9%	228,449	6.8%	96.87%	96.87%

**Notes:**

- (1) Tax collection information is for Multnomah County, which represents approximately 99% of tax base.
- (2) Includes value for urban renewal.
- (3) Includes urban renewal levy.

**Sources:** City of Portland and Multnomah County Office of Assessment and Taxation.



## MAJOR TAXPAYERS

The following table lists the ten largest taxpayer accounts within the City of Portland.

**Table 14**  
**CITY OF PORTLAND, OREGON**  
**Principal Property Taxpayers<sup>1</sup>**  
**1998-99 Real Market Value**

<b>Taxpayer Account</b>	<b>Type of Business</b>	<b>Property Real Market Value</b>	<b>Percent of Total City RMV</b>
Total City Real Market Value		\$39,286,626,000	
U .S. West Communications	Communications	404,941,781	1.03%
Pacificorp (PP&L)	Energy	173,599,300	0.44%
Portland General Electric	Energy	159,046,800	0.40%
Alaska Airlines, Inc.	Airline	127,188,000	0.32%
United Airlines, Inc.	Airline	114,845,000	0.29%
Delta Airlines, Inc.	Airline	91,756,000	0.23%
SI-Lloyd Associates (Lloyd Center)	Real estate	91,605,760	0.23%
Oregon Arena Corporation	Oregon Arena (Rose Garden)	85,202,610	0.22%
Wacker Siltronic Corp.	Silicon wafer manufacturing	77,321,370	0.20%
National Biscuit Co.	Food processing	73,679,100	0.19%
U.S. Bancorp	Banking	69,908,590	0.18%
Atochem North America Inc.	Chemical manufacturing	60,578,670	0.15%
Southwest Airlines	Airline	58,268,000	0.15%
AT&T Corporation	Communications	57,776,240	0.15%
		<u>\$1,645,717,221</u>	<u>4.19%</u>

Notes:

(1) Values based on individual accounts of listed taxpayers; taxpayers may have more than one account.

Source: Multnomah County Department of Assessment and Taxation.

## CITY ECONOMIC CHARACTERISTICS

The City, with an estimated July 1, 1998, population of 509,610, comprises an area of approximately 135 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, the City is the center of commerce, industry, transportation, finance and services for an immediate metropolitan area with a population of more than 1.4 million. The City is the county seat of Multnomah County. It is the largest city in Oregon and the second largest city in the Pacific Northwest.

The Portland Standard Metropolitan Statistical Area consisted of Multnomah, Clackamas and Washington counties in Oregon, and Clark County in Washington until the 1980 Census, when Clark County was eliminated from the area and Yamhill County added, making it the Portland Primary Metropolitan Statistical Area ("PMSA"). In 1994, the PMSA became the Portland-Vancouver PMSA and now includes Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon, and Clark County in Washington. Metropolitan statistical areas are based on commuting patterns within a metropolitan area, and are used primarily for labor, employment and unemployment statistics. The current Portland PMSA population is 1.77 million persons.

### POPULATION

The population for the City peaked in the 1970s, declined slightly early in the next decade, and increased each year since 1984.

Population projections are available from Portland State University Center for Population Research at the state and county levels only. According to the latest report, by 2010, Multnomah County will have a population of 684,320, an increase of 6.6% over 1998. Metro, the Portland area regional governmental agency, published the Region 2040 Growth Plan that projects population, employment and land use needs to 2040. According to Metro, by 2040, the City is estimated to have a population of 596,003, and Multnomah County, 796,924.

**Table 15**  
**CITY OF PORTLAND, OREGON**  
**Population Estimate For the Last Ten Years**

Year	City of Portland	Percent Change	Multnomah County	Percent Change	Portland Metro Area <sup>1</sup>	Percent Change
1989	432,175	0.6%	581,000	1.8%	1,202,200	1.9%
1990	440,000	1.8%	583,500	0.4%	1,241,600	3.3%
1991	453,065	3.0%	600,000	2.8%	1,285,100	3.5%
1992	458,275	1.1%	605,000	0.8%	1,308,700	1.8%
1993	471,325	2.8%	615,000	1.7%	1,338,900	2.3%
1994	495,090	5.0%	620,000	0.8%	1,357,800	1.4%
1995	497,600	0.5%	626,500	1.0%	1,379,700	1.6%
1996	503,000	1.1%	636,000	1.5%	1,403,200	1.7%
1997	508,500	1.1%	639,000	0.5%	1,420,900	1.3%
1998	509,610	0.2%	641,900	0.5%	1,445,000	1.7%

Notes:

(1) Includes Multnomah, Clackamas, Washington and Yamhill counties.

Source: Portland State University Center for Population Research.

**Table 16**  
**CITY OF PORTLAND, OREGON**  
**Selected Economic Indicators for the City of Portland from the 1990 Census**

<b>Population</b>	
1990 census	437,316
<b>Housing</b>	
Owner occupied units	47.56%
Median value of owner occupied	\$59,200
Housing units built 1980 & after	6.59%
<b>Education</b>	
High school graduate or higher	82.9%
Bachelor's degree or higher	25.9%
<b>Employment</b>	
Employed	93.83%
Unemployed (% of local labor force)	6.17%
Executive, administrative, management, & professional	29.23%
<b>Income</b>	
Median household income	\$25,592
Per capita income <sup>1</sup>	\$17,120
Households with income \$50,000 or over	17.42%
Persons below the poverty level	14.50%

Notes:

- (1) Data differs from data in the Table 17 because the Bureau of Census calculates these figures differently from the Bureau of Economic Analysis.

Source: U.S. Bureau of Census.

## INCOME

The following table shows personal income and per capita income for the Portland PMSA, compared to similar data for the State of Oregon and the United States. The compounded annual rate of change in total personal income for the Portland PMSA (1990-1997) was 7.63% and 6.72% for the State of Oregon. The compound annual rate of change in per capita income for the Portland PMSA was 5.21% in per capita income from 1990 to 1997, compared with 4.83% for the State of Oregon and 4.46% for the nation as a whole over the same time period.

**Table 17**  
**CITY OF PORTLAND, OREGON**  
**Total Personal Income and Per Capita Income**  
**Portland PMSA, Oregon, and the United States**  
**1990 to 1998**

Year	Personal Income (Millions)			Per Capita Income		
	Portland PMSA <sup>1</sup>	State of Oregon	U.S. Total	Portland PMSA <sup>1</sup>	State of Oregon	U.S. Total
1990	29,292	49,161	4,655,420	19,188	17,199	18,635
1991	31,118	51,874	4,841,078	19,809	17,768	19,201
1992	33,522	55,762	5,260,922	20,867	18,727	20,631
1993	36,081	59,640	5,507,622	21,897	19,619	21,365
1994	38,758	63,667	5,774,806	23,046	20,575	22,180
1995	41,933	67,908	6,059,091	24,489	21,618	23,059
1996	45,559	73,156	6,408,103	25,970	22,894	24,164
1997	49,019	77,519	6,770,650	27,388	23,920	25,288
1998	NA	81,310	7,158,176	NA	24,775	26,482

Notes:

- (1) Data for the PMSA includes Multnomah, Clackamas, Washington and Yamhill counties in Oregon, plus Columbia County in Oregon and Clark County in Washington.
- (2) PMSA data for 1998 will released in May, 2000.

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

## LABOR FORCE AND UNEMPLOYMENT

The following table shows the average annual civilian labor force, employment level and unemployment level for the Portland PMSA. The unemployment rate for the Portland PMSA has been lower than the State of Oregon unemployment rate since 1982, and has been below the U.S. rate for the last ten years.

**Table 18**  
**CITY OF PORTLAND, OREGON**  
**Portland-Vancouver PMSA Labor Force and Unemployment Rates**  
**(000)**

<b>Portland PMSA</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Civilian Labor Force	815.0	838.7	854.3	874.5	907.1	936.5	958.6	1,001.9	1,025.7	1,048.8
Employment	776.3	803.2	812.4	818.4	852.8	896.2	923.0	956.5	981.6	1,004.8
Unemployment	38.7	35.5	41.9	56.1	54.3	40.3	35.6	45.4	44.1	44.8
Unemployment Rates										
Portland PMSA	4.7%	4.2%	4.9%	6.4%	6.0%	4.3%	3.7%	4.5%	4.3%	4.3%
State of Oregon	5.7%	5.5%	6.0%	7.3%	7.2%	5.4%	4.8%	5.9%	5.8%	5.6%
United States	5.3%	5.5%	6.7%	7.4%	6.8%	6.1%	5.6%	5.4%	4.9%	4.5%

**Notes:**

- (1) Between 1984 and 1992, the PMSA included Yamhill County and excluded Clark County. Beginning in 1993, the Portland-Vancouver PMSA includes Multnomah, Clackamas, Washington, Yamhill and Columbia counties in Oregon, and Clark County in Washington.
- (2) Civilian labor force includes employed and unemployed persons sixteen years and older, by place of residence. Data has been adjusted for multiple job holding and commuting.
- (3) Civilian labor force employment includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers and labor disputants.

Source: State of Oregon, Department of Human Resources, Employment Division.

**EMPLOYMENT BY INDUSTRY**

The Portland metropolitan area has demonstrated considerable economic diversity. The City is the service center for a large and diverse manufacturing area that has shown substantial growth since the 1980's. Because of the area's reliance on the City for related economic service activities, the manufacturing base of the surrounding area has a meaningful impact on the City's economy.

The State of Oregon's economy is largely based on farming and high-tech manufacturing with high-tech manufacturing accounting for more than half of the state's total exports. The lumber and wood products industry accounts for about 20.6% of the State's manufacturing employment and 3.2% of total non-agricultural employment. On the other hand, the metropolitan area's focus on manufacturing employment is largely based in the metals, instruments, machinery and electrical equipment sectors. The lumber and wood products industry accounts for only 5.8% of the Portland metropolitan area's manufacturing employment and 0.9% of total non-agricultural employment.

Service industries account for 27.8% of the total non-manufacturing employment in the metropolitan area, followed by wholesale and retail trade industries, which account for 24.8%.

**Table 19**  
**CITY OF PORTLAND, OREGON**  
**Portland-Vancouver PMSA Non-Agricultural Wage and Salary Employment**  
**(000)**

<b>Industry</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1998 % of Total</b>
<b>Non-Ag. Employment</b>	<b>699.5</b>	<b>728.3</b>	<b>730.8</b>	<b>745.0</b>	<b>766.7</b>	<b>802.1</b>	<b>839.6</b>	<b>879.0</b>	<b>916.7</b>	<b>938.6</b>	<b>100.0%</b>
<b>Manufacturing</b>	<b>121.3</b>	<b>124.0</b>	<b>122.2</b>	<b>121.1</b>	<b>124.1</b>	<b>129.9</b>	<b>137.2</b>	<b>142.0</b>	<b>147.3</b>	<b>148.9</b>	<b>15.9%</b>
Durable goods	85.2	86.7	84.6	82.8	84.9	89.4	95.8	100.9	106.6	109.0	11.6%
Lumber & wood prod.	11.0	10.3	9.2	8.6	8.7	8.7	8.7	8.7	8.9	8.7	0.9%
Other durable goods	74.2	76.4	75.4	74.2	76.4	80.8	87.1	92.2	77.9	79.7	8.5%
Nondurable goods	36.1	37.4	37.6	38.2	39.2	40.5	41.3	41.1	40.7	39.9	4.3%
Food products	9.3	10.0	9.9	9.8	9.8	9.9	10.2	10.3	9.9	9.5	1.0%
Other non-dur. goods	26.8	27.4	27.7	28.4	29.5	30.6	31.1	30.8	30.8	30.4	3.2%
<b>Nonmanufacturing</b>	<b>578.2</b>	<b>604.3</b>	<b>608.6</b>	<b>624.0</b>	<b>642.6</b>	<b>672.2</b>	<b>702.4</b>	<b>737.0</b>	<b>770.7</b>	<b>789.7</b>	<b>84.1%</b>
Construction and mining	32.5	36.8	35.5	34.1	34.7	39.6	45.4	52.1	55.1	55.3	5.9%
Trans., comm. & util.	41.8	43.2	43.6	44.0	44.3	45.6	48.4	50.8	52.4	53.9	5.7%
Trade	180.2	185.1	185.7	188.1	193.2	203.6	210.8	218.3	227.7	233.2	24.8%
Finance, ins. & real est.	53.4	55.7	57.9	59.9	59.3	61.5	60.2	63.6	66.7	67.4	7.2%
Services	173.7	183.7	183.6	191.9	203.3	213.0	227.5	238.6	252.5	261.3	27.8%
Government	96.5	99.8	102.3	106.0	106.9	108.1	110.1	113.6	114.8	118.4	12.6%

Source: State of Oregon, Department of Human Resources, Employment Division.

**Table 20**  
**CITY OF PORTLAND, OREGON**  
**Major Employers in the Portland Metropolitan Area**

<b>Employer</b>	<b>Product or Service</b>	<b>1999 Estimated Employment</b>
<b>Manufacturing Employers</b>		
Intel Corporation	Semiconductor integrated circuits	11,000
Freightliner Corporation	Heavy duty trucks	5,000
Tektronix, Inc.	Electronic instruments	4,000
Hewlett-Packard Co.	Computer printers	3,000
Nike, Inc.	Sports shoes and apparel	2,850
Precision Castparts Corporation	Steel castings	2,120
Boeing of Portland	Aircraft frame structures	2,000
Fort James (formerly James River Corporation)	Pulp & paper, packaging	1,300
SEH America	Silicon wafers	1,700
Burns Brothers Inc.	Travel/fuel stops and safety traction devices	1,600
Wacker Siltronic Corporation	Silicon semiconductor materials	1,500
Epson Portland Inc.	Computer printers	1,350
Gunderson Inc.	Railroad freight cars	1,200
Oregonian Publishing Co.	Newspaper & commercial printing	1,170
Sequent Computer Systems	Supermini computer systems	1,142
Jantzen Inc.	Sportswear	1,020
Mentor Graphics	CAE software & hardware	1,010
<b>Non-Manufacturing Employers</b>		
Fred Meyer, Inc. (Krogers, Inc.)	Grocery & retail variety chain	10,130
Providence Health Care System	Hospitals & clinics	8,938
Legacy Health System	Hospital & health services	6,731
U.S. Bancorp	Bank & holding company	4,909
Kaiser Permanente	Hospitals & clinics	4,287
Wells Fargo & Co.	Bank	4,000
Safeway Stores	Grocery chain	4,000
Meier & Frank Co.	Department stores	3,500
U.S. West Communications	Communications utility	3,440
United Parcel Service	Small package transport	3,100
Southwest Washington Medical Ctr.	Health care	2,617
Albertson's	Retail grocery chain	2,500
Rite Aid Corp.	Retail drug stores	2,300
Regency Blue Cross & Blue Shield	Medical insurance	2,105
Shari's Management Corp.	Restaurant chain	2,000
Consolidated Freightways	Transportation	2,000
Portland General Corp.	Electric utility	1,853
Horizon Air	Airline	1,800
Nordstrom	Retail specialty stores	1,700
Bank of America Oregon	Full commercial banking services	1,594
McDonalds Corporation	Fast food franchise	1,500
PacifiCorp	Electricity, mining & telecommunications	1,421
Target Stores	Retail chain	1,400
Double Tree Motels	Hotel/motel chain	1,400
Westwind Group dba Burger King	Restaurants	1,300
JC Penney Co.	Department stores	1,300
Delta Air Lines, Inc.	Airline	1,250
Standard Insurance Co.	Insurance	1,219

**Table 20 (continued)**  
**CITY OF PORTLAND, OREGON**  
**Major Employers in the Portland Metropolitan Area**

<b>Employer</b>	<b>Product or Service</b>	<b>1999 Estimated Employment</b>
<b>Non-Manufacturing Employers (continued)</b>		
Dynamics Research Corporation	Information management system	1,200
Northwest Natural	Natural gas transportation and distribution	1,200
Adventist Medical Center	Hospital services	1,200
Reliance MetalCenter	Industrial Supplies	1,200
Sears, Roebuck & Co.	Retail department store	1,153
Costco Inc.	Wholesale membership warehouse	1,100
GTE Northwest	Telecommunications services	1,099
Tuality Healthcare	Health care	1,008
Home Depot	Home improvement	1,000
<b>Public Employers</b>		
U.S. Government	Government	17,600
State of Oregon	Government	8,400
Oregon Health Sciences University	Health care & education	9,600
Portland Public Schools	Education	6,200
City of Portland	Government	5,172
Multnomah County	Government	4,270
Washington County	Government	4,000
Portland State University	Education	3,500
Beaverton School District	Education	2,982
State of Washington	Government	2,900
Vancouver School District	Education	2,800
Bonneville Power Administration	Power generation & transmission utility	2,795
Portland Community College	Education	2,400
Tri Met	Transportation	2,321
Evergreen School District	Education	2,204
Hillsboro School District	Education	2,000

Source: Oregon Employment Department, Portland Chamber of Commerce, the *Business Journal* and NW Resources.

## **ECONOMIC DEVELOPMENT**

The Portland Metropolitan Area is divided into three main counties. Multnomah County encompasses the cities of Portland, Gresham, Troutdale, Fairview and Wood Village. Washington County contains Beaverton, Tigard, Tualatin and Hillsboro. Clackamas County includes Milwaukie, Oregon City, Lake Oswego, West Linn and other southern areas. As a major transportation hub of the Pacific Coast with water, land and air connections, Multnomah and Washington Counties serve expanding international markets and have experienced considerable growth.

During 1998, projects totaling approximately 2.3 million square feet of commercial real estate were constructed following a record-breaking 7 million square feet in 1997. Another 2 million square feet is presently under construction. The average selling price of a home in metropolitan Portland in 1998 was \$181,000 according to the Portland Metropolitan Area Multiple Listing Service.

There are approximately 293 industrial and business parks located in the Portland metropolitan area; 82 of these parks are located within the City. Major locations of industrial and business parks in the City are the Columbia Corridor along the Columbia River from Hayden Island on the west past the PDX to the east and along the Willamette River in northwest and north Portland areas.



The Portland metropolitan area is home to the following Fortune 500 Corporations: Fred Meyer Inc. (recently purchased by Kroger Inc.), Intel Corporation, NIKE Inc., PacifiCorp and Willamette Industries.

Current activities showing retail, commercial and industrial change in Portland and the Portland-Vancouver Metropolitan Statistical Area are reflected in the following building and economic development projects.

### **Office and Commercial within Downtown Portland**

Total office vacancy rate in the metropolitan area office market is currently estimated at approximately 8.3 percent and the Portland metropolitan industrial vacancy rate at approximately 6.5 percent. Among the largest developments are two new class A office buildings and an addition to the Downtown Retail Core. TMT Development Company began construction in the spring of 1997 on the \$90 million 28-story Fox Tower that will have lower level retail space, eight levels of parking, a 10-screen theatre and 18 floors of office space. The ODS Tower, a \$45 million, 395,000-square-foot office building is now in the completion stage with space currently available for lease. The expansion at Pioneer Place currently under construction includes a seven-plex theatre at Southwest Fourth as well as new retail space. The project is expected to be completed and operational by March 2000.

The new \$129 million Mark O. Hatfield United States Courthouse, designed to accommodate growth of federal courts through 2020, was completed in late 1997.

Impac Hotel Development opened a 20-story 252-room Marriott Hotel in 1999, adjacent to a recently completed 70,000-square-foot parking and retail project. Westin Hotels and Resorts has completed development of a \$25-30 million, 200-room boutique hotel. West Coast Hotels is in process of development of the 162-room, \$14 million Paramount Hotel, with completion due in 1999. The old Multnomah Hotel has recently been renovated into a 276-unit Embassy Suites Hotel that opened in fall 1997. ITT Sheraton plans to convert a 13-story building in downtown Portland to a 16-story Sheraton hotel. When completed in 1999, the hotel will be 176,375 square feet, including 266 guestrooms and 5,800 square feet of meeting space. The Hilton Hotel expects to add 321 rooms, meeting space and a fitness center at a location adjacent to the current hotel with an expected completion date of June 2002.

Recent developments on the riverfront area include Pacific Gas Transmission Company's eight-story, \$21 million office building and parking structure in River Place. River Place is a mixed-use development on 73 acres along the west bank of the Willamette River, with apartments, restaurants, shops and office space. A \$15 million project with 182 apartments and townhouses was recently completed on 2.7 acres south of River Place. Proposed along Southwest Macadam Avenue is the \$14 million Avalon Hotel with 116 rooms and an 80-slip marina as well as the extension of Waterfront Park and a large swath of industrial land just north of the Marquam Bridge to North Macadam (a 130-acre district). The North Macadam District, which is being considered for designation as an urban renewal district by the City, is the last large piece of undeveloped land close to the downtown area. Proposed development plans call for as many as 3,000 homes and 10,000 jobs with a greenway, housing, office, retail and hotel development to be located in the district.

### **The Pearl, Old Town and River Districts**

As a result of Urban Growth Boundaries set in 1973 and in an effort to revitalize the urban core, the Portland Development Commission has encouraged many projects in the changing Pearl, Old Town and River Districts.

The Lovejoy Extension Ramp has been demolished at a cost of \$919,000 to make way for a large series of mixed-use and residential projects. A walkway is being built to connect Old Town with River District. The Tri-Met "Fareless Square" has been expanded to include most of downtown including the Pearl District and part of Northwest Portland and a trolley system, the Central City Street Car project, that spans to N.W. 23<sup>rd</sup> will connect the downtown with the area. The trolley terminus will be located at Good Samaritan Hospital and at Portland State University between NW 10<sup>th</sup> and 11<sup>th</sup> Avenues. The project will be paid through a combination of local, federal monies, and bonds secured by City parking revenues.

In the Pearl District, Gerding/Edlen Development purchased the former Blitz Weinhard Brewery, a five-block complex adjoining Burnside Street for \$20 million. The firm expects to redevelop the property into a mixed-use retail, commercial and housing complex. The brewery property is near a building being redeveloped for Wieden & Kennedy in the Pearl District as its international headquarters. Gerding/Edlen Development is redeveloping the Historic Cold Storage building for Wieden & Kennedy. Wieden & Kennedy is an advertising agency which works for Nike, Diet Coke, Alta Vista, Homegrocer.com and others. This \$20 million renovation is expected to be complete in 1999. Gerding/Edlen Development also purchased the seven-story Meier & Frank storage building located nearby.

The Port of Portland has several large projects under development. In Old Town is a new administrative office building on NW First Avenue. The building is located on 1.2 acres of land adjacent to the NW Natural building and future Classical Chinese Garden. The seven-story building includes 103,000 square feet of office space, two above-grade parking levels and retail space on the ground level. The cost for the land purchase and improvements totaled more than \$20 million.

Groundbreaking occurred on June 7, 1999 for the Classical Chinese Garden that is being built at Northwest Third Avenue and Everett in the City of Portland's Old Town. The project, in planning for many years, is expected to open in 2000 and will be only the second such garden in North America.

The River District, a 100-acre site squared by Naito Parkway and Freeway 405, the Willamette River and Glisan, was formerly used for railroad and industrial operations. Improvements in the area are expected to cost over \$870 million over the next 20 years. Mixed-use projects which will be developed include 5,500 housing units, mostly rentals, and 2 million square feet of commercial space. On 7.5 acres southeast of Union Station, the second phase of a multi-family housing project is nearly complete. GSL Properties has finished more than 158 low-income housing units, and began leasing some of the 392 under development. The project will total 550 housing units when finished and is expected to cost \$50 million. The City expects that \$150 million in public funds will be invested in the projects, with over \$700 million from private funds. Just north of the Yards at Union Station is the \$8 million Food Innovation Center, a joint project of Oregon State University's Agricultural Experiment Station and the Oregon Department of Agriculture. The center is expected to include two buildings: the recently completed two-story, 33,000-square-foot Food Innovation Center and a proposed five-story, 100,000-square-foot Oregon Agricultural Center owned by the H. Naito Corporation.

Hoyt Street Properties ("HSP") completed a \$31 million project of two six-story mixed use buildings with 10,000 square feet of retail space plus 123 condominium units and 134 parking spaces in fall 1998. Many other Hoyt Street projects are under way. Eventually HSP parcels will have 2,000 to 3,000 new condominiums on 34 acres in the District.

#### **North and Northwest Portland**

The Port of Portland constructed a \$50 million mineral bulk facility on a 60- to 65-acre site at the Port of Portland's Terminal 5. When it became operational in the spring of 1997, the facility began exporting potash fertilizer to overseas markets. The Port plans to invest \$25 million on improvements to Terminal 6 over the next few years, which will be the first phase of a long-term \$60 million expansion plan. The Port of Portland in collaboration with the City began work in the spring of 1998 on a \$1.58 million roadway construction project to improve the south entrance to Rivergate Industrial Park.

Wacker Siltronic Corporation completed a \$250 million plant expansion in the summer of 1996. The facility quadrupled the company's capacity to produce silicon wafers. The firm also invested \$40 million in upgrading the existing plant. Wacker, which employs about 1,200 workers, received a property tax exemption of approximately \$10.8 million over five years, through the City's enterprise zone program.

Freightliner, the largest heavy-truck builder in North America, is planning a \$93 million expansion of its Swan Island complex, including a new 350,000-square-foot corporate headquarters and refurbished assembly lines. The City Council approved a \$6.8 million tax break for Freightliner Corp. for the project. The expansion is expected to add approximately 400 new jobs when completed.

#### **Southwest Portland**

Hoffman Construction has constructed a new Planning and Permit Center for the City at 1900 S.W. Fourth Avenue adjoining a two-level Portland State University building. The \$28.7 million project accommodates five city bureaus including, planning, buildings, licenses, housing and community development under one roof. The Multnomah County Central Library's \$26 million renovation was completed in April 1997. The Portland City Hall recently completed a \$28 million renovation. The Multnomah County Library is currently renovating 13 of its branches throughout the county. The renovation plan is expected to cost approximately \$24.1 million when completed, will build three new buildings, open two new branches and renovate ten existing branches. All branches will also receive improvements to the telecommunications systems in addition to the 16,000 square feet of space to be added to the county system.

In Goose Hollow, adjoining the downtown area to the west, Baugh Construction completed construction on a 45,000-square-foot addition and renovation of the Multnomah Athletic Club on S.W. Salmon Street in September 1999.

Two blocks straddling Southwest Jefferson Street between 10<sup>th</sup> and 11<sup>th</sup> Avenues are being considered for development efforts that may result in construction starting sometime in 2000. The Portland Development Commission is actively recruiting a development team for the Jefferson block to construct maximum high-density, market-rate condominiums and retail space. Across Jefferson on the Safeway/YWCA block, a superblock is being considered which would consist of two standard city blocks and accommodate a Safeway doubled in size, an expanded YWCA, and add four additional levels of low income housing above the YWCA creating a nine-story building.

The City Council approved a project headed by Portland Family Entertainment ("PFE") to renovate Civic Stadium and secure a Triple-A baseball team and an A League soccer team. Under the twenty-year agreement PFE would operate the stadium and the City would contribute approximately 90 percent of the \$37 million renovation costs.

The Department of Veterans Affairs Medical Center recently completed a new \$32 million, 96,000-square-foot expansion of its current Portland facility. The new building is now the largest cancer research facility in the Portland metropolitan area. Oregon Health Sciences University has begun construction on a new neurological sciences center. The project is expected to be complete in 2000.

### **Eastside Development**

Construction of the new Rose Garden Arena was completed in 1995, which features two professional sports teams, the National Basketball Association Portland Trail Blazers and the Western Hockey League Portland Winterhawks. The Arena, located adjacent to the Memorial Coliseum and three blocks from the Oregon Convention Center, was developed and financed through a business partnership between the City and the Oregon Arena Corporation. An eastside river park is currently under development with a 1,200-foot-long floating walkway beneath the Burnside Bridge now complete. When completed in about 2006, the Eastbank Riverfront Park will stretch from the Rose Quarter to the Oregon Museum of Science and Industry ("OMSI"), with links to Tom McCall Waterfront Park, the River District in Northwest Portland, the Oregon Convention Center and trails to Southeast Portland.

The City announced an \$85 million plan to pay for the proposed expansion of the Oregon Convention Center. Funding for an additional 165,000 square feet of new Convention Center space would come from the City, the Metropolitan Exposition-Recreation Commission, and a \$75 million bond package backed by the City. Revenues to retire the bonds would be generated over a 20-year period through 2.5 percent increases in lodging and car-rental taxes in Multnomah County. Once the approval process is complete, construction could begin in 2000 and the expanded building completed by the spring of 2002.

The City has approved a master plan for a retail and commercial park along the Willamette River on the eastside across from downtown. The project will be phased and will redevelop 27 blocks along the riverbank. A developer is developing three office buildings with a total of 300,000 square feet of space and 1,050 parking spaces on PGE-owned land south of OMSI in the central eastside industrial area. The first phase, a 45,000-square-foot headquarters building for KPTV has been completed.

Multnomah County purchased the former US Bank building located at 501 S.E. Hawthorne for \$25 million to house the County's administrative offices. The building was renamed the Multnomah Building. The County expects to invest \$5 million in renovation of the facility, to make tenant improvements and to pay for moving costs. The move will consolidate County staff and elected officials currently working in 7 locations throughout the County. County occupancy accomplished through phases is expected to be completed by February 2000.

A \$40 million, 17-story, 350,000-square-foot office building called the Liberty Center was completed in late 1997 in the Lloyd Center district. A 600-space parking garage is planned across the street. The \$25 million renovation and expansion of the Holiday Inn, near the Oregon Convention Center is now complete. A new Marriott Courtyard has been built several blocks to the north.

Renovation of the Eastport Plaza mall was recently completed; a Wal-Mart store is the anchor store and was completed in the fall of 1997. Century Theaters opened a new 16-screen theater in the Eastport Plaza. Opus Northwest LLC is developing a new industrial park at the former Foster/I-205 drive-in theater. Opus completed construction on the first phase at the end of 1998 with buildings ready for occupancy early in 1999. The 259,000-square-foot \$13.2 million project features office, light manufacturing and high-cube distribution space in two buildings. The park is expected to be the future home of employers with 260 to 350 workers.

Irvington Place, a six-story, mixed-used building located on NE Broadway, was completed during the summer of 1998. The \$7 million building features condominiums, retail space, and parking. Safeway Inc. recently completed a complete rebuild of its store directly across the street.

Twin 16-story towers are planned for development south of Holladay Park. The East Tower will have 230,000 square feet of office space and the West Tower will include a seven-story parking structure with 600 parking spaces and 152 housing units above. The project also includes 10,000-square-feet of retail space at street level and a public plaza connecting the two buildings. Construction is expected to begin in the near future on a 29-story, 179-unit condominium building called Cascadia Tower on N.E. Grand Avenue. Cascadia Tower will also include 10,000-square-feet of retail space on Holladay Street.

Center Commons, located in a former ODOT location on NE 60<sup>th</sup> and Glisan, is a \$30 million project that will include a five-story-172-unit senior facility (Center Square), a four-story-60-unit Center Village, a five-story-56-unit market rate Center Station Apartments and a three-story-26-unit station townhouses. Of the 314 residential units, 258 are considered affordable housing. Seventy-five percent of the housing will be affordable to citizens living at 60 percent below the medium income. Completion is expected in fall of 2000.

SM Andersen Co. completed a 194,000-square-foot warehouse, the final phase of Anchor Park on Swan Island, in summer 1998. The structure, along with another 118,000-square-foot warehouse and a 40,000-square-foot office-flex building is owned and operated by Rosan Inc.

Adidas America Inc. announced in December 1998 that it will move its more than 500 employees from Beaverton to the former Bess Kaiser Medical Center in North Portland. The athletic footwear and apparel maker has agreed to lease the entire 215,000-square-foot building and will soon launch a \$25 million renovation of the facility at 5055 N. Greeley Ave. The company began demolition of the structure's interior in 1999 and expects to move in by September 2000. Adidas America, a subsidiary of German-based Adidas Salomon AG, is negotiating with Portland for an "enterprise zone" tax break.

*Enterprise Community* - U.S. Department of Housing and Urban Development has designated 15 census tracts in inner north and northeast Portland, the Columbia Corridor and commercial downtown as the Portland Enterprise Community. The designation provides \$3 million of grant funding and \$20 million public bonding capacity for business development projects.

The Portland City Council adopted the Lents Town Center Urban Renewal Plan in September 1998. The plan for the southeast Portland area presented by the Portland Development Commission, will cost an estimated \$75 million over 15 years and includes neighborhood and commercial revitalization, projected transportation access and flow improvements, development of public parks, plazas, community centers and open space and development of a variety of affordable housing options.

### **The Columbia Corridor**

The Rivergate Industrial Park is a 3,000-acre area owned by the Port of Portland in north Portland. In addition to Rivergate's access to the river and Portland Airport, the area qualifies local businesses for participation in the Enterprise Zone and related tax incentives. The purpose of the City's Enterprise Zone is to stimulate business investment in north and northeast Portland. In an attempt to hire and retrain Enterprise Zone residents for quality jobs, the Portland Development Commission has set up this program to reward businesses that provide local jobs. Businesses who participate can make use of a property tax exemption from new taxes generated during the first three to five years of a non-retail business investment in the Enterprise Zone. The boundaries of the Enterprise Zone include north and northeast Portland residential, commercial and industrial land west of Interstate 205 and north of Broadway Street.

Food processor Pasco Corporation developed a new 63,000-square-foot, \$20 million dough factory in the Rivergate area. Oregon Steel Mills, Inc. built a \$180 million expansion to double the capacity of its mill in the Rivergate area, in 1996.

In 1997 Spieker Properties completed a third distribution center bringing total square footage to 589,750 for the three centers. Total investment for the centers is more than \$15 million. Albertson's Inc. completed addition of 170,000 square feet to its Oregon/Washington distribution center in the summer of 1997. Columbia Sportswear recently completed an addition of 240,000 square feet to its location following the purchase of an adjoining 19.4 acres from the Port of Portland in December of 1997.

The Australian based ANI America expanded two of its subsidiaries, investing a total of \$55 million for two plants. The first project for Helser Machine Works, producer of rock-crushing machinery, was completed in March 1998 and consists of a new 70,000-square-foot manufacturing facility. The other subsidiary, Welded Tube Company of America, maker of structural

tubing, broke ground on a 181,000-square-foot manufacturing facility in September 1997 that is expected to be completed and operational in 1999. Oregon Metal Slitters, Inc., finished building a \$7 million, 100,000-square-foot plant that produces flat rolled steel.

Opus Northwest LLC completed construction on a 104,000-square-foot distribution and manufacturing facility in November 1997. Northwest Tire Factory completed a \$2.1 expansion of its Rivergate distribution center in October 1997. Portland French Bakery completed construction on a \$4 million, 53,000-square-foot bakery in November 1997.

Burlington Northern Santa Fe Railroad ("BNSF") recently completed several rail bridges and added 14,000 feet of track costing more than \$15 million. The projects done in part with the Port of Portland yield a new entrance from the BNSF and Union Pacific main line to North and South Rivergate. The projects increase flexibility and capacity to Rivergate and Terminal 4.

A \$50 million renovation of Jantzen Beach Shopping Center was completed in 1996; the old enclosed mall was replaced by a 730,000-square-foot center housing several major discount retailers. Fulton Provision Co., a wholesaler of meat products, completed construction of a \$5 million food processing plant in northeast Portland in April 1997. Contractors Inc. completed a \$2.3 million sports complex including five softball fields at East Delta Park in May 1997.

The City annexed the Airport Way industrial area in the early 1980s and established the Airport Way Urban Renewal Area east of the airport in 1986. The Area includes 2,880 acres close to the airport, freeways, and nearby residential areas. Much of the area surrounding the airport is not zoned for industrial use, making land zoned for industry scarce. Few large tracts of developable industrial land within the metropolitan area remain.

Three projects at the Portland International Airport's ("PDX") AirTrans Center have recently been completed. A \$15 million, 130,000-square-foot operations center for Horizon Air Inc.; a 102,000-square-foot cargo building for Federal Express; and a 30,000-square-foot cargo building for Emery Worldwide. The Portland International Center, a business park at the airport, is the new location for three offices of the U.S. Customs Service. Due to heightened activity and congestion in this high traffic area the airlines and cargo carriers serving PDX have approved a \$7.2 million project to construct an engine test/noise reduction enclosure at PDX. The new facility is designed to significantly reduce aircraft noise impacting neighborhoods near PDX. Construction on the enclosure is scheduled to begin in 1999.

The \$46.5 million Hampton Inn Motel was completed in 1996 near the airport. John James plans to develop a 230,000-square-foot industrial park along Airport Way, and completed a 172-room Embassy Suites hotel on the same property.

Alderwood Corporate Center completed construction of its 314,000-square-foot Phase II project and Phase III which added an additional 300,000 square feet of warehouse space. Equity Development Inc. and P&C Construction Inc. recently completed a \$9.5 million Class A office building along Airport Way.

Construction of the \$125 million light rail link ("Air Max") to PDX began early in 1999. Federal approval has been issued for an airline passenger surcharge by airlines located at PDX for partial funding. Primary funders are the Port of Portland, Tri-Met, the Portland Development Commission and Cascade Station. Cascade Station includes 210 acres of proposed development on Port property south of Airport Way between I-205 and Northeast 82nd Avenue. The company will build hotels, office buildings and a theater complex on 120 acres of the project and initial construction costs estimated at \$180 million. A Bechtel subsidiary, Bechtel Infrastructures, will build the entire light-rail line as well as streets in Cascade Station.

## UTILITIES

Portland General Electric Company and Pacific Power & Light provide electric service, and NW Natural distributes natural gas. Telephone services are provided by US West Communications and, in some areas, General Telephone of the Northwest.

## AGRICULTURE

Because the City is the primary urban center in the state, agriculture is not a major industry in the greater metropolitan area. Multnomah County encompasses the smallest land area (457 square miles) and the largest population among counties in Oregon. Even so, the metro area accounted for more than 23% of the state's agricultural sales and harvested acres. Clackamas County ranked second and Washington and Yamhill counties, also included in the metro area, ranked fifth and sixth respectively in total amount of agricultural sales among all Oregon counties.

The projected gross 1998 farming income in Multnomah County, as estimated by the Oregon State University Extension Service, was \$58,133,000, consisting of \$56,254,000 from crops and \$1,879,000 from livestock and their products.

## **TRANSPORTATION AND DISTRIBUTION**

The City is a leading warehousing and distribution center for the Pacific Northwest, serving a market area of approximately seven million people. The City's location at the head of deep-water navigation on the Columbia River system gives it substantial geographic and, therefore, economic advantages for the shipment of freight. The Columbia River ship channel is maintained at a depth of 40 feet from the Portland Harbor to the Pacific Ocean 110 miles downstream. The City is a regular port of call for 16 regularly scheduled major steamship lines serving major world trade routes. Seven Oregon and Washington port districts have joined to fund a five-year, \$6 million study of the feasibility of deepening the shipping channel of the Columbia River from 40 feet to 43 feet, in order to accommodate today's larger vessels. Primary cargoes include containers, automobiles, grain, and mineral bulks.

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

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

The Port of Portland is a port district encompassing Multnomah, Clackamas and Washington counties. The district provides an extensive array of public facilities including marine terminals and cargo-handling facilities, grain storage and handling facilities, ship dry dock and repair facilities, industrial properties, PDX and satellite general aviation airports at Troutdale fifteen miles east of Portland, at Hillsboro west of Portland in Washington County, and at Mulino south and east of Portland in Clackamas County. The Port's 982-foot floating dry dock at the Swan Island Ship Repair Yard is the largest in the Americas and the third largest in the world. In 1994, the Port approved a \$60 million, ten-year plan to build out Terminal 6, which will expand its capacity to handle container units and larger ships. At present, Terminal 6 comprises 122 acres, has three berths with seven gantry cranes, and features uncongested yard space with rail, truck and barge access. In addition, the Port has recently completed a \$12 million investment in rail infrastructure improvements made during the past two years.

In tonnage of total waterborne commerce, the Port is currently ranked as the third largest volume port on the West Coast, after Long Beach and Los Angeles. Exports include wheat and barley, potash, beef pulp pellets, baled hay, forest products (logs, lumber, plywood and wood chips), paper and newsprint, scrap metal, soda ash and aluminum products. The Port of Portland is the largest wheat export port in the United States. Imports include cement, ore (limestone, iron ore and alumina), iron and steel products, petroleum products, crude salt, autos and trucks. Total waterborne tonnage moving through the Port increased by 5.6% in 1998, with a total of over 11.3 million short tons of cargo. Approximately 34% of that tonnage was grain. The total revenue generated by waterborne commerce including imports and exports was \$12.5 billion in 1998. During 1998, aviation and marine activities generated \$156.1 million in operating revenues.

The Port of Portland submitted an updated 20-year Transportation Improvement Plan ("TIP") to Metro and the Oregon Department of Transportation for inclusion in the Regional Transportation Plan and for funding and construction consideration through the state and metropolitan fund allocation processes. The Port's plan identifies the need for 57 road, rail, transit and waterway improvement projects, estimated to cost \$771 million, to address business and passenger access to markets through Port gateways, and to improve infrastructure for the movement of freight in the region. Some of the projects in the plan, such as those located within Port facilities, are primarily the Port's responsibility. However, many of the projects are on systems owned and operated by other governments or private rail carriers. The Port's plan lists 10 priority projects, which are in various stages of funding commitment from the partners. The projects (not in priority order) include: a light rail extension to PDX; highway and some rail improvements on connectors to Lombard, 82<sup>nd</sup> Avenue/I-205, I-205/Airport Way; South Rivergate, Going Street; North Marine Drive and I-5; channel deepening; Hayden Island bridge; and Airport Way and Rivergate "Intelligent Transportation Systems".

PDX handled 13 million passengers in 1998, a 1.6% increase over 1997; and 267,788 short tons of air cargo in 1998, also an increase of 1.6% over 1997. Nineteen passenger airlines and fourteen cargo airlines operate out of the airport. Major airlines

include American, Canadian, Continental, Delta, Northwest, Southwest, TWA, and United; national airlines include Alaska, America West, and Hawaiian; regional airlines include Air BC, Horizon, Harbor Air, Regional, Sky West, Casino Express, Reno Air, and United Express. The airport, one of the fastest growing international airports in the nation, has undergone extensive expansion over the past four years, including construction of \$100 million in new terminal facilities which were the first phase of an \$800 million plan for ten years of parking, road and terminal improvements. These improvements will include the south terminal expansion project, a 2,700-space addition to the existing parking garage, a new 250-foot air traffic control tower (funded by the Federal Aviation Administration), and the widening of the roadway in front of the ticket lobby from four lanes to eight lanes. Toward the end of the ten years, plans call for a second terminal building to be built east of the existing terminal and connected with it by a long concourse, and light rail stations will be added to each terminal building.

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

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

The Oregon Department of Transportation is starting a \$100 million renovation plan for highways and bridges in the metropolitan area. Major projects include a 26-mile corridor of Interstate 5 between Wilsonville and the Interstate Bridge over four years and painting and rehabilitation of the northbound Interstate 5 bridge over 18 months. Interstates 84 and 205 are scheduled to receive new asphalt surfaces during the next four years. A complete renovation of the Hawthorne Bridge was completed 1999 and other bridges are scheduled for extensive rehabilitation and repair during the next few years including the Ross Island, St. Johns, Oregon City Arch, Interstate and Boones bridges.

In the City, numerous street-related projects are under construction including projects for downtown office buildings and commercial development, combined sewer overflow pipe installation, retaining walls to minimize drainage problems, resurfacing, arterial connection and street rehabilitation.

The Tri-County Metropolitan Transportation District ("Tri-Met"), the regional public transit agency, provides bus service through the region. Tri-Met's light rail system ("MAX") began operation in the fall of 1986 with the opening of the 15-mile line between downtown Portland and the City of Gresham to the east. Construction of a 12-mile, \$913-million extension of the light rail line west into Washington County began in May 1993. Completed in 1998, the Westside extension extends the line out to the cities of Beaverton and Hillsboro. This project was funded by federal transportation funds, the Oregon State Lottery, a \$125 million bond measure and \$21 million pledged by local governments. Construction of an extension of the light rail line to the PDX has begun. (See "CITY ECONOMIC CHARACTERISTICS— ECONOMIC DEVELOPMENT—The Columbia Corridor.")

Planning is underway for a north spur of the light rail system to run along the east side of the Willamette River from the Rose Garden to the Portland Metropolitan Exposition Center. Estimated costs are about \$350 million, including \$240 million in federal dollars in that corridor. Local sources being discussed include \$55 million in Metro regional money, \$25 million from Tri-Met, and \$30 million from the City of Portland. The project would not require an increase in property taxes.

Construction is now in process on a new commuter trolley, the Central City Streetcar project, which connects the downtown area with the Pearl District and Northwest Portland. Transportation on the trolley will be free to riders and included in the "Fareless Square" program.

## **TOURISM, RECREATION AND CULTURAL ATTRACTIONS**

Portland is Oregon's largest city and the center of business and transportation routes in the state. Therefore, the City accommodates a large share of Oregon's tourist and business visitors. The City is a destination for many tourists who are drawn to its diverse cultural and recreational facilities. These include the Oregon Symphony and associated musical organizations, Portland Civic Theater, Oregon Ballet, Portland Opera, Portland Art Museum, Oregon Historical Society Museum, Children's Museum, Oregon Museum of Science and Industry, Western Forestry Center, Japanese Gardens, International Rose Test Gardens, and the Oregon Zoo and Zoological Gardens. The metropolitan area includes more than 40 other local theater and

performance art companies and ten additional gardens of special interest. Portland is the home of Forest Park, the largest urban park in the United States with a total of more than 5,000 acres.

Professional sports teams, the Portland Trail Blazers basketball team and the Portland Winterhawks hockey team, play at the recently constructed Rose Garden Arena complex and the Memorial Coliseum. The City has been awarded a conditional Women's National Basketball franchise ("WNBA") with play expected to begin in June 2000. The City is also home to the Portland Forest Dragons arena football team and the Portland Pythons indoor soccer team. The City has recently adopted a \$37 million plan to renovate Civic Stadium and entered into an agreement with Portland Family Entertainment to operate the facility. The stadium is an active venue for minor league baseball, an expected A League soccer franchise, concerts and other large community events.

A prime tourist attraction for the City, which is known as the City of Roses, is the three-week long Portland Rose Festival held each year in June. More than two million participants take part in the Festival annually. The festival includes prominent car races and the two-day Rose Festival Air Show that is rated as one of the top five air shows in the nation and routinely attracts a quarter million spectators.

According to the Portland Oregon Visitor's Association ("POVA"), an estimated 265,541 convention delegates visited the City in 1998, attending meetings and exhibits in the Oregon Convention Center, the Memorial Coliseum, and other facilities. These visitors represented expenditures of approximately \$165 million in the metropolitan area.

POVA lists approximately 80 hotels and motels within the City, with a total of 10,689 units. Another 75 hotels and motels are located in the metropolitan area including Vancouver and Clark County, with a total of 6,824 units. Occupancy rates ran at 72.7% for 1997, the most recent year for which statistics are available, compared with a national average of 73.6%. Developers are in process of building an additional 1,105 rooms in the City. These construction activities include several large projects in the downtown and airport areas. (See "ECONOMIC DEVELOPMENT" herein.)

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

## **HIGHER EDUCATION**

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

Portland State University ("PSU"), one of the three large universities in the Oregon State System of Higher Education, is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland. PSU offers baccalaureate and masters degrees in over 32 areas, doctoral degrees in six fields, and certificates in nine areas. Enrollment, as of fall 1998, was 15,230. PSU is noted for the development of programs specifically designed to meet the needs of the urban center. The City has approved PSU's plans for major changes to the campus, creating a 29-block university district, with gateways, more green spaces, a transit plaza, and several new academic and student housing buildings. The first two projects, estimated at \$60 million, are under construction and include a 100,000-square-foot academic building that will include retail space and a transit stop; and an elementary school and family facility that is planned jointly with the Portland Public School District. In addition, PSU is studying the design feasibility of several mixed-use projects.

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

Portland is the location of Oregon Health Sciences University ("OHSU"), located on 116 acres in the hills west of downtown. OHSU offers academic programs in dentistry, medicine and nursing, as well as continuing education, child development and rehabilitation, clinical training certificates, internships and fellowships. Combined enrollment, which includes students, resident and fellows in the fall of 1998, was 1,846. OHSU not only is dedicated to the education of health professionals, but also is a leader in biomedical research, receiving nearly \$100 million in grants for research annually. OHSU is also dedicated to public service and to patient care through the University Hospital, the Oregon Poison Center, the School of Dentistry and the recently constructed Doernbecher Children's Hospital. These facilities, with the University Clinics, the School of Medicine's Specialty Centers and the Child Development and Rehabilitation Center served over 140,000 patients in 1998.



OHSU operates out of 37 major buildings on the Marquam Hill Campus with approximately 4 million square feet of space. The University also operates more than 10 additional primary care and specialty care clinics throughout the area. Several building projects are now underway or have been completed on the campus, including a \$29 million Neurosensory Research Center; a \$29 million Center for Ambulatory Research and Education; and a \$25 million C Wing addition to University Hospital South, completed in early 1996; and a \$3 million major utility upgrade at University Hospital South. Two projects recently completed include the new \$60 million Doernbecher Children's Hospital, and the relocation of the emergency room, a \$5.5 million project.

Independent colleges in the City include Lewis & Clark College, the University of Portland, Reed College, and Marylhurst University, and three smaller church-affiliated schools, Warner Pacific College, Concordia University, and Columbia Christian College. The Western States Chiropractic College and East West College of the Healing Arts are also located in the City. Community colleges serving the Portland area include Portland Community College, which operates educational centers at several locations throughout the City, in neighboring Washington County, and in Columbia County to the north; Mt. Hood Community College in Gresham, east of Portland; and Clackamas Community College at Oregon City in Clackamas County. The Division of Continuing Education of the State System of Higher Education offers a diversified program for adult education in the City, principally through evening classes but also through correspondence classes and other services.

## **PUBLIC FACILITIES**

### **Water**

Portland's 102-square-mile Bull Run Watershed, located in the foothills of the Cascades west of Mt. Hood, is the primary source of water for the Portland metropolitan region. Water is gravity-fed to the City and surrounding areas through three conduits. These conduits are 25 miles long and have a carrying capacity of 210 million gallons per day. The City installed a groundwater backup system on the Columbia River south shore. The system pumps groundwater into the Powell Butte reservoir, where it is blended with Bull Run surface water. The well field is designed to supply 90 million gallons per day. Portland's storage reservoir capacity in the Bull Run is 16.8 billion gallons; 10.2 billion is available without filtration. Current usage from the Portland water system averages 95 million gallons a day in the winter (November to June) and 160 million gallons a day during the average peak season summer months (July to October). Current projects include pre-design work on the construction of a new conduit as part of the gravity water feed system and the feasibility of enclosing several open reservoirs.

The City, along with Metro and 25 other metropolitan area cities and water districts, participates in the Regional Water Providers Consortium. The Consortium works together through a voluntary intergovernmental agreement to coordinate and implement the Regional Water Supply Plan and to address water supply and resource management issues affecting the region. The City provides technical planning and administrative staff to the Consortium through the City's Water Bureau through an intergovernmental agreement.

### **Sewer and Wastewater**

Approximately one-third of the 96,200 acres within the City Urban Services Boundary and approximately 60% of the City's population is served by combined sanitary and stormwater sewers. During rainstorms the collection system exceeds the capacity of the interceptor system that conveys sewage to the Columbia Boulevard treatment plant, resulting in overflows of untreated sewage directly into the Willamette River and the Columbia Slough. Under an agreement between the City and the Oregon Department of Environmental Quality, the City is undertaking the Combined Sewer Overflow program to remedy this situation. Costs are estimated at more than \$1 billion to be invested over 20 years, including a \$400 million treatment plant to be built near the Willamette River. Major construction is now underway and the specific projects are expected to meet regulatory compliance dates in 2001, 2007 and 2011.

## **OTHER ECONOMIC FACTORS**

The following table shows various economic indices for the City over the past ten years.

**Table 21**  
**CITY OF PORTLAND, OREGON**  
**Various Economic Indices**  
**for Fiscal Years Ended June 30**

<b>Fiscal Year</b>	<b>Retail Sales (\$000)</b>	<b>Commercial Const.</b>		<b>Residential Const.</b>		<b>Total Construction</b>		<b>Bank Deposits (\$000)</b>
		<b>No. of Permits</b>	<b>Value</b>	<b>No. of Permits</b>	<b>Value</b>	<b>No. of Permits</b>	<b>Value</b>	
1989	\$10,964,049	3,134	\$351,209,442	3,013	\$101,901,769	6,147	\$453,111,211	Not available
1990	12,139,866	3,230	294,157,779	2,795	141,957,418	6,025	436,115,197	6,662,366
1991	12,679,335	3,120	394,944,741	2,898	134,086,901	6,018	529,031,642	Not available
1992	13,914,356	3,242	233,574,653	3,329	111,153,551	6,571	344,728,204	9,087,891
1993	15,362,788	3,230	255,190,445	3,424	100,321,321	6,654	355,511,766	10,917,713
1994	16,601,340	3,300	424,277,673	4,125	182,599,809	7,425	606,877,482	9,234,510
1995	17,434,431	3,286	387,755,191	3,822	113,779,784	7,108	501,534,975	10,899,814
1996	18,826,688	3,069	497,058,470	4,011	132,248,762	7,080	629,307,232	11,133,967
1997	20,049,925	3,378	690,910,816	4,343	157,497,045	7,721	848,407,861	14,281,503
1998	N.A.	3,760	725,276,267	4,186	175,239,479	7,946	900,515,746	12,942,646

**Sources:**

**Retail Sales:**

Sales and Marketing Management, Survey of Buying Power.

**Building:**

City of Portland, Bureau of Buildings. Data is collected on a fiscal year basis and includes new construction and alterations. In July 1986 the City's Permit Center consolidated with the East County Permit Center operated by Multnomah County. Permit data shown is for the City of Portland *only*.

**Bank Deposits:**

State of Oregon, Division of Finance and Corporate Securities.

## THE INITIATIVE PROCESS

The Oregon Constitution, Article IV, Section 1, reserves to the people of the state the initiative and referendum power, pursuant to which measures designed to amend the state Constitution or enact legislation can be placed on the statewide general election ballot for consideration by the voters. "Referendum" generally means measures referred to the electors by a legislative body such as the State Legislative Assembly or the governing body of a district, city, county or other political subdivision. "Initiative" generally means a measure placed before the voters as a result of a petition circulated by one or more private citizens.

Any person may file a proposed initiative with the Oregon Secretary of State's office. The Oregon Attorney General is required by law to draft a proposed ballot title for the initiative. Public comment on the draft ballot title is then solicited by the Secretary of State. After considering any public comments submitted, the Attorney General will either certify the draft ballot title or revise the draft ballot title. Any elector that submitted written comments who is dissatisfied with the ballot title certified by the Attorney General may petition the Oregon Supreme Court seeking a revision of the certified ballot title.

Once the ballot title has been certified and the Secretary of State has authorized the petitioners, the proponents of the initiative may start gathering the initiative petition signatures necessary to place the proposed initiative on the ballot. To be placed on a general election ballot, the proponents of a proposed initiative must submit to the Secretary of State initiative petitions signed by a number of qualified voters equal to a percentage of the total number of votes cast for all candidates for governor at a gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 1998 general election, the requirements were eight percent (97,681 signatures) for a constitutional measure and six percent (73,261 signatures) for a statutory initiative. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

The initiative petition must be filed with the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signatures is being paid, the signature sheet must contain a notice of such payment.

### RECENT INITIATIVE ACTIVITY

Over the past decade, Oregon has witnessed increasing activity in the number of initiative petitions that have qualified for the statewide general election. According to the Elections Division of the Oregon Secretary of State, the number of initiative petitions that have qualified for the ballot and the number that have passed in the general elections in recent years are as follows:

<u>Year of General Election</u>	<u>Number of Initiatives Placed on Ballot</u>	<u>Number of Initiatives that Passed</u>
1988	5	3
1990	8	3
1992	7	0
1994	16	9
1996	16	4
1998	10	6

### FUTURE INITIATIVE MEASURES

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

## **CERTAIN FEDERAL INCOME TAX CONSIDERATIONS**

### **GENERAL**

The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the 1999 Series C Bonds. It is based in part on an opinion of Preston Gates & Ellis LLP, Bond Counsel, and on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published revenue rulings and court decisions currently in effect, all of which are subject to change. Because the federal income tax rules relating to the purchase, ownership and disposition of taxable obligations such as the 1999 Series C Bonds are complex and are subject to modification, investors should consult their own tax advisors before determining whether to purchase 1999 Series C Bonds.

The following discussion is applicable to investors other than those investors who are subject to special provisions of the Code, such as life insurance companies, tax-exempt organizations, foreign taxpayers and taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code. This summary is further limited to investors who will hold the 1999 Series C Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. **INVESTORS WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 1999 SERIES C BONDS IN THEIR PARTICULAR CIRCUMSTANCES BEFORE DETERMINING WHETHER TO PURCHASE 1999 SERIES C BONDS.**

### **PERIODIC INTEREST PAYMENTS AND ORIGINAL ISSUE DISCOUNT**

On the date of issue, Preston Gates & Ellis LLP, Bond Counsel, will render an opinion that the 1999 Series C Bonds are not obligations described in section 103(a) of the Code. Accordingly, the stated interest paid on the 1999 Series C Bonds or original issue discount, if any, accruing on the 1999 Series C Bonds will be included in "gross income" within the meaning of section 61 of the Code of the owners and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to the owner thereof.

### **DISPOSITION OF THE 1999 SERIES C BONDS**

An owner will recognize gain or loss on the redemption, sale or exchange of a 1999 Series C Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the 1999 Series C Bond. Generally, the owner's tax basis in the 1999 Series C Bond will be the owner's initial cost. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the 1999 Series C Bond has been held for more than one year.

Under current law, purchasers of the 1999 Series C Bonds who do not purchase the 1999 Series C Bonds in the initial public offering at the initial public offering price (a "subsequent purchaser") will generally be required, on the disposition of a 1999 Series C Bond, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount". Market discount is the amount by which the price paid for a 1999 Series C Bond by a subsequent purchaser is less than the 1999 Series C Bond's "stated redemption price at maturity" (or, in the case of a 1999 Series C Bond issued at an original issue discount, if any, the 1999 Series C Bond's "revised issue price"). In such instances, section 1277 of the Code also may apply so as to defer the deductibility of all or a portion of the interest incurred by a subsequent purchaser with respect to amounts borrowed to acquire a 1999 Series C Bond with market discount.

### **REQUIRED REPORTING TO THE INTERNAL REVENUE SERVICE**

Subject to certain exceptions, interest payments made to the owners with respect to the 1999 Series C Bonds will be reported to the Internal Revenue Service. Such information will be filed each year with the Internal Revenue Service on Form 1099 which will reflect the name, address and taxpayer identification number of the registered owner. A copy of Form 1099 will be sent to each registered owner of a 1999 Series C Bond for federal income tax reporting purposes.

## **OTHER FEDERAL INCOME TAX CONSEQUENCES**

The Code requires debt obligations, such as the 1999 Series C Bonds, to be issued in registered form and denies certain tax benefits to the issuer and the holders of obligations failing this requirement. The City shall issue the 1999 Series C Bonds in registered form.

Interest paid to an owner of a 1999 Series C Bond ordinarily will not be subject to withholding of federal income tax if such owner is a United States person. A United States person, however, will be subject to withholding of such tax at a rate of 20% (31% for taxable years beginning after December 31, 1992) under certain circumstances. This withholding generally applies if the owner of a 1999 Series C Bond (i) fails to furnish to the issuer such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the issuer an incorrect TIN, (iii) fails to properly report interest, dividends or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the issuer or such owner's broker with a certified statement, signed under penalty or perjury, that the TIN provided to the issuer is correct and that such owner is not subject to backup withholding.

## **STATE TAXATION**

Interest on the 1999 Series C Bonds is exempt from present personal income taxation by the State of Oregon.

## **STATE AND LOCAL TAXES AND FOREIGN PERSONS**

Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the 1999 Series C Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

## **DEFEASANCE OF BONDS**

Section 1.G of the Authorizing Ordinance provides that the City shall be obligated to pay any 1999 Series C Bonds which are defeased solely from the money and Government Obligations which are deposited with an escrow agent pursuant to Section 1.G. of the Authorizing Ordinance. 1999 Series C Bonds shall be deemed defeased if the City:

- a. irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of 1999 Series C Bonds which are to be defeased and irrevocably instructs the independent trustee or escrow agent to apply the deposited amounts to pay the defeased 1999 Series C Bonds; and,
- b. files with the escrow agent or trustee an opinion or report from a Qualified Consultant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased 1999 Series C Bonds when due.

The Authorizing Ordinance also provides that the defeasance proceedings may specify whether the defeased 1999 Series C Bonds shall be payable solely from the money and Government Obligations which are deposited with the escrow agent, or shall be payable primarily from the money and Government Obligations which are deposited with the escrow agent pursuant to the Authorizing Ordinance and secondarily from the Available General Funds of the City. If 1999 Series C Bonds are defeased, the City shall not be obligated to comply with any of its covenants or duties specified in the Authorizing Ordinance or the 1999 Series C Bonds, except payment of the 1999 Series C Bonds.

Holders of the 1999 Series C Bonds should be aware that the deposit by the City of monies or Government Obligations with an escrow agent to defease a 1999 Series C Bond (or Bonds) pursuant to the terms of the Authorizing Ordinance could result in the recognition by the holder of such 1999 Series C Bond (or Bonds) of taxable income (or loss), without any corresponding receipt of monies by the holder. In addition, for federal income tax purposes, the character and time of receipt of payments on the 1999 Series C Bonds subsequent to any such defeasance also could be affected. Holders are advised to consult with their own tax advisors with respect to the tax consequences resulting from such events.

## ORIGINAL ISSUE DISCOUNT - TAXABLE BONDS

This discussion relates to owners who acquire the 1999 Series C Bonds in the initial offering at the initial offering price and that price is less than the principal amount thereof. In general, certain amounts treated as original issue discount will constitute ordinary income to the owners of the 1999 Series C Bonds accruing periodically consistent with the special accounting rules set forth in sections 1271-1273 and 1275 of the Code. The Paying Agent/Registrar on behalf of the Issuer will report annually to the Service and the registered owners of the 1999 Series C Bonds with respect to the original issue discount accruing on the 1999 Series C Bonds.

Certain of the 1999 Series C Bonds will be issued with "original issue discount" within the meaning of section 1273(a) of the Code, as set forth on the cover page hereof. In general, such original issue discount will equal the difference between the maturity amount of the 1999 Series C Bonds and the issue price. Owners of the 1999 Series C Bonds will be required to include original issue discount in their gross income for federal income purposes as it accrues under a method that takes into account the compounding of interest, in advance of receipt of the cash attributable to such income.

The amount of the original issue discount required to be included in the owner's income in any taxable year will be computed in accordance with section 1272 of the Code. Under section 1272 of the Code, the amount of original issue discount that is deemed to accrue during any period is determined by using a constant interest method that takes into account the semiannual compounding of interest. The owner of a bond issued with original issue discount must include in gross income, for all days during the owners' taxable year on which the bond was held, the sum of the "daily portions," as defined below, of such original issue discount. In the case of an owner who acquired the 1999 Series C Bonds in the original offering, the daily portion of original issue discount is equal to the total original issue discount allocable to the accrual period divided by the number of days in the accrual period. The amount of original issue discount allocable to the accrual period (other than a short first accrual period or a final period, if any) is determined by multiplying the original yield to maturity of the 1999 Series C Bond, determined on the basis of compounding at the end of such accrual period, by the "adjusted issue price" of the 1999 Series C Bond at the beginning of such period. The adjusted issue price of the 1999 Series C Bond at the beginning of such period is the issue price of the 1999 Series C Bond increased by the aggregate amount of original issue discount with respect to the 1999 Series C Bond that accrued in all prior accrual periods and reduced by the portion of such original owners basis in the 1999 Series C Bond (as described below) which is allocable to the payments made on the 1999 Series C Bond, if any, in all prior such periods. The original issue discount accruing during such period then will be allocated ratably to each day during the period to determine the daily portion of the original issue discount for that day.

Subsequent purchasers of a 1999 Series C Bond at cost less than its principal amount will also be required to include in gross income for each day during which such owner holds the 1999 Series C Bond the daily portion of original issue discount with respect to the 1999 Series C Bond, but reduced, if the cost of the 1999 Series C Bond to such purchaser exceeds the sum of its issue price and the aggregate amount of original issue discount that accrued thereon to the purchase date, by an amount equal to the product of such daily portion and a constant fraction equal to such excess divided by the sum of the daily portion of original issue discount on the 1999 Series C Bond for all days during the period beginning on the day after the date of purchase and ending on the maturity date of the 1999 Series C Bond.

If a 1999 Series C Bond is sold or retired, the seller will recognize gain or loss equal to the difference between the amount realized on the sale or retirement and his adjusted basis in the 1999 Series C Bond. Such adjusted basis generally will equal the cost of the 1999 Series C Bond to the seller, increased by any original issue discount included in the seller's gross income with respect to the 1999 Series C Bond, and reduced by the portion of the adjusted basis of the 1999 Series C Bond allocable to payments, if any, on the 1999 Series C Bond previously received by the seller and by any amortized premium.

The purchaser of a 1999 Series C Bond, who purchases the 1999 Series C Bond at a cost greater than its then-principal amount will be considered to have purchased the 1999 Series C Bond at a premium. Under section 171 of the Code, an owner of the 1999 Series C Bond may elect to amortize the bond premium on the basis of the taxpayer's yield to maturity determined by using the owner's basis of the 1999 Series C Bond and compounding at the close of each accrual period. If the amount payable on an earlier call date is used in determining the amortizable bond premium attributable to any accrual period before the earlier call date, then such 1999 Series C Bond shall be treated as maturing on such date for the amount so payable. Owners of 1999 Series C Bonds purchased at a premium are advised to consult their own tax advisors.

## **ERISA CONSIDERATIONS**

ERISA imposes certain requirements on employee plans subject to ERISA ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including but not limited to, the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The fiduciary of the Plan that proposes to purchase and hold any 1999 Series C Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person and (iii) the transfer to, or use by or for the benefit of, a party in interest or a disqualified person, of any Plan assets. Depending on the identity of the Plan fiduciary making the decision to acquire or hold 1999 Series C Bonds on behalf of a Plan, Prohibited Transaction Class Exemption ("PTCE") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 95-60 (relating to investments by an insurance company general account), PTCE 96-23 (relating to transactions directed by an in-house professional asset manager) or PTCE 90-1 (relating to investments by insurance company pooled separate accounts) (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code.

By its acceptance of a 1999 Series C Bond, each Purchaser will be deemed to have represented and warranted that either (i) no Plan assets have been used to purchase such 1999 Series C Bond, or (ii) the City is not a party in interest with respect to any Plan assets used to purchase such 1999 Series C Bond, or (iii) the purchase and holding of such 1999 Series C Bond is exempt from the prohibited transaction restrictions of ERISA and the Code pursuant to an administrative class exemption.

**Each Plan fiduciary (and each fiduciary for a governmental or church plan subject to the rules similar to those imposed on Plans under ERISA) should consult with its legal advisor concerning an investment in any of the 1999 Series C Bonds.**

## **RATING**

The 1999 Series C Current Interest Bonds maturing on June 1, 2007, through June 1, 2010, inclusive, and the 1999 Series C Capital Appreciation Bonds maturing on June 1, 2023, through June 1, 2029, inclusive, have been rated "Aaa" by Moody's Investor Service ("Moody's") with the understanding that upon delivery of the 1999 Series C Bonds, an insurance policy will be issued by MBIA Insurance Corporation. The term bond maturing on June 1, 2022, is not insured, and is rated Aa2 by Moody's. An explanation of the significance of such rating may be obtained from Moody's. There can be no assurance that any rating assigned to the 1999 Series C Bonds will not be revised at a later date.

## **UNDERWRITING**

The 1999 Series C Bonds are to be purchased by the Underwriters from the City at an aggregate purchase price of \$149,855,272.77 plus accrued interest thereon from the date of the 1999 Series C Bonds to the date of delivery. After the initial public offering, the public offering prices may be varied from time to time.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the 1999 Series C Bonds by the City are subject to the approving opinion of Preston Gates & Ellis LLP, Portland, Oregon, Bond Counsel. Certain legal matters will be passed on for the Underwriters by Stoel Rives LLP. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 1999 Series C Bonds, the Ordinance, and the authority to issue the 1999 Series C Bonds, and the treatment of 1999 Series C Bond interest under federal and state tax laws is accurate. All other representations of law and factual statements

contained in this Official Statement, including but not limited to all financial and statistical information and representations contained herein, have not been reviewed or approved by Bond Counsel.

## **LITIGATION**

There is no litigation pending or threatened against the City which impair the City's ability to make principal and interest payments on the 1999 Series C Bonds when due. There is no litigation pending or threatened against the City which would materially and adversely affect the financial condition of the City.

## **YEAR 2000 COMPLIANCE**

The City of Portland makes extensive use of computer technology, and has been taking active steps to eliminate potential Year 2000 issues for a number of years. By 1996, a formal, City-wide, Year 2000 Project office was established and staffed to conduct an extensive review and assessment of computer and other information technology hardware and software for possible Year 2000 issues within all operating units of the City government. During 1996 and early 1997, an inventory was undertaken of all City information technology, including business software applications, mainframe computers and networks, desktop hardware and software, and office equipment such as fax and copier machines, printers, telephones, pagers, video equipment and the like. Information was collected about the then known Year 2000 status of software and equipment, probable risks of actual failure due to Year 2000 causes, and the impact on public services in the event such failures actually occurred. This data formed the basis for defining strategies for verifying, analyzing and testing systems and equipment. In addition to making required changes to systems, City bureaus have been preparing contingency plans so that operations can continue in the event not all problems are located or resolved correctly.

Individual City operating bureaus are responsible for the information technology and systems upon which they rely. The central Year 2000 Project team works to assist all City organizations in remaining focused on resolving remaining Year 2000 issues. In addition, it handles research on topics common to all organizations (such as analysis of fax and copier machines, desktop hardware and software, etc.), and acts as the contact point with vendors, suppliers and critical business partners. The central Year 2000 Project team also reports status, progress and issues regularly to the Mayor and City Council, and responds to inquiries from businesses, the media and the public.

The City's first comprehensive Year 2000 status report was issued in March of 1997 and has been updated and re-issued regularly since. The latest version is dated October 1, 1999. Based on reviews, inquiry and remediation activities thus far, the City does not believe the Year 2000 problem will result in a material adverse change in its business condition (financial or otherwise), operations, properties, or prospects, or ability to meet its financial obligations, including repayment of the principal and interest on the 1999 Series C Bonds when due. It should be noted, however, that as the City continues its investigation of and corrections to systems, equipment and processes, other issues may be discovered, or the status of current issues may change.

Nevertheless, the City has no control over the Year 2000 remediation efforts of external third parties. It is possible, therefore, that even if the City were fully Year 2000 ready, and even if the City were to pay all of its financial obligations on time, the non-compliance of external third parties involved in the transfer of interest and principal payments (such as brokerage firms, trustees and book-entry facilitators) could adversely affect the timeliness and/or the amount of payments to the ultimate recipients. See "BOOK-ENTRY SYSTEM" in Appendix G.

The U. S. Bank Trust National Association is the City's current fiscal agent and will act as Paying Agent on the 1999 Series C Bonds. U.S. Bank has informed the City that it has allocated financial, technical and staffing resources to the Year 2000 problem and is on schedule for Year 2000 compliance, with evaluation, replacement and renovation of critical systems virtually complete. U.S. Bank is currently working with DTC to validate and demonstrate Year 2000 compliance, and with its critical vendors and service providers to assess their Year 2000 readiness. U.S. Bank has developed contingency plans and business continuation plans to deal with the remote possibility that significant operational problems may arise.

The latest information about U.S. Bancorp's Year 2000 project can be obtained from its Web site, <http://www.usbank.com>.



## **CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT**

At the time of the original delivery of the 1999 Series C Bonds, the City will deliver a certificate to the Underwriters to the effect that the City has examined this Official Statement and the financial and other data concerning the City contained herein and that, to the best of the City's knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 1999 Series C Bonds, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, in light of the circumstances under which the statements were made, and (ii) between the date of this Official Statement and the date of delivery of the 1999 Series C Bonds, there has been no material change in the affairs (financial or otherwise), financial condition or results of operations of the City except as set forth in this Official Statement.

## **MISCELLANEOUS**

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete, and reference should be made to said laws for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the Underwriters or owners of any of the 1999 Series C Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or its agencies, since the date hereof.

## **CONTINUING DISCLOSURE**

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix E for the benefit of the 1999 Series C Bond holders.

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

## **CONCLUDING STATEMENT**

This Official Statement has been deemed final by the City for purposes of Rule 15c2-12 of the Securities and Exchange Commission as of its date of initial distribution in preliminary form and such distribution was authorized by the City. The undersigned certifies that to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 1999 Series C Bonds, does not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the 1999 Series C Bonds there has been no material change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in or contemplated by this Official Statement.

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

## **CITY OF PORTLAND, OREGON**

By /s/ Eric H. Johansen  
Debt Manager  
Office of Finance and Administration



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**APPENDIX A**  
**AUTHORIZING ORDINANCE**

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# Ordinance Number 173818

## \* Authorize Limited Tax Pension Obligation Revenue Bonds (Ordinance)

The City of Portland ordains:

### Section 1. The Council finds:

1. The City passed Ordinance No. 172956 on December 23, 1998, authorizing the issuance of up to \$325,000,000 of bonds under the Uniform Revenue Bond Act to finance the estimated unfunded accrued actuarial liability of the City to the Oregon Public Employees Retirement System. Notice of the authorization was published as required by Oregon's Uniform Revenue Bond Act (ORS 288.805 to 288.945).
2. The Uniform Revenue Bond Act permits the city to issue the bonds unless, within 60 days after the notice is published, five percent or more of the City's electors file a petition to refer the question of issuing the bonds to the City's voters. More than sixty days have passed since the publication of the notice of authorization, and the City has not received petitions to refer the revenue bonds described in that notice to a vote of the people. The City is now authorized to issue the bonds described in Ordinance No. 172956.
3. The City passes this ordinance to establish the terms under which it will issue up to \$325,000,000 of its Limited Tax Pension Obligation Revenue Bonds pursuant to Ordinance No. 172956.

NOW, THEREFORE, the Council directs:

#### A. Definitions.

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

"Available General Funds" means "revenues," as defined in the Uniform Revenue Bond Act, which are legally available to pay the Bonds and not prohibited for such use under the charter and ordinances of the City and Oregon laws, and includes all taxes and other legally available general funds of the City.

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

"Bonds" means the series of City's Limited Tax Pension Obligation Revenue Bonds which are authorized by Section 1.H of this Ordinance.

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

"City" means the City of Portland, Oregon.

"Debt Manager" means the Debt Manager of the City, the Director of the Bureau of Financial Management of the City, the Director of the Office of Finance and Administration, or the person designated by the Director of the Office of Finance and Administration to act as Debt Manager under this Ordinance.

"DTC" means the Depository Trust Company of New York, the initial securities depository for the Bonds.

"Event of Default" refers to an Event of Default listed in Section 1.D.10 of this Ordinance.

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

"Ordinance" means this ordinance, including any changes made by Supplemental Ordinances.

## Ordinance Number 173818

“Outstanding” refers to all Bonds except Bonds which have been paid, canceled, or defeased pursuant to Section 1.F. of this Ordinance, and Bonds which have matured but have not been presented for payment, but for the payment of which adequate money has been transferred to the Paying Agent.

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

“Paying Agent” means the Paying Agent for the Bonds, which, at the time of enactment of this Ordinance, is U.S. Bank Trust National Association or its successor.

“Payment Date” means a date on which Bond principal or interest are due, whether at maturity or prior redemption.

“UAAL” means the estimated unfunded accrued actuarial liability of the City to the Oregon Public Employees Retirement System.

“Qualified Consultant” means an independent auditor, an independent financial advisor, or similar independent professional consultant of recognized standing and having experience and expertise in the verification of defeasance escrows.

“Supplemental Ordinance” means any ordinance amending or supplementing the Ordinance, which is passed in accordance with Section 1.D.

### B. Security for Bonds.

1. The City hereby pledges its full faith and credit to pay the Bonds. The Bonds shall be limited tax revenue bonds of the City, and the City shall pay the Bonds from its Available General Funds. The City commitment to pay the Bonds from Available General Funds does not create a lien on Available General Funds. The City is not authorized to levy additional taxes to pay the Bonds.
2. The City covenants that it shall promptly cause all Bond principal, premium, if any, and interest to be paid as they become due in accordance with the Bonds and this Ordinance.
3. To protect the City’s general fund and the creditworthiness of existing and future full faith and credit obligations of the City, the City covenants to require each bureau which supports the costs of its operations from fees, charges and revenues (other than general fund revenues), to budget for and pay that bureau’s fairly allocated share of the costs of Bond debt service from those fees, charges and revenues.
4. This Ordinance shall constitute a contract with the Owners of the Bonds.

### C. Additional Bonds.

The City reserves the right, without limitation, to issue additional bonds which are secured by the City’s full faith and credit, and which are payable from its Available General Funds.

### D. Amendment of Ordinance.

1. The City may enact a Supplemental Ordinance to amend this Ordinance without the consent of any Owner for any one or more of the following purposes:
2. To cure any ambiguity or formal defect or omission in this Ordinance;
3. To add to the covenants and agreements of the City in this Ordinance other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Ordinance as theretofore in effect;
4. To confirm, as further assurance, any security interest or pledge created under this Ordinance or any Supplemental Ordinance;

## Ordinance Number 173818

5. To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.
6. This Ordinance may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected Bonds then Outstanding. However, no amendment shall be valid which:
7. Extends the maturity of any Bonds, reduces the rate of interest on any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds, without the consent of all affected Owners; or
8. Reduces the percent of Owners required to approve Supplemental Ordinances.
9. Default and Remedies.
10. The occurrence of one or more of the following shall constitute an Event of Default under this Ordinance:
11. Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been called for redemption);
12. Failure by the City to observe and perform any other covenant, condition or agreement which this Ordinance requires the City to observe or perform for the benefit of Owners, which failure continues for a period of 60 days after written notice to the City by the Owners of ten percent or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this paragraph 12; or,
13. The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for all or a substantial portion of the Available General Funds.
14. The Owners of ten percent or more of the principal amount of Bonds then Outstanding may, on behalf of all Owners, waive any Event of Default and its consequences except an Event of Default described in Section 1.D.11
15. Upon the occurrence and continuance of any Event of Default the Owners of ten percent or more of the principal amount of affected Bonds then Outstanding may, on behalf of all Owners, take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Ordinance or in aid of the exercise of any power granted in this Ordinance or for the enforcement of any other legal or equitable right vested in the Owners by this Ordinance or by law. Provided, however, that under no circumstances shall the Bonds be subject to acceleration.
16. No remedy in this Ordinance conferred upon or reserved to Owners is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Ordinance or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by this Ordinance or by law.

## Ordinance Number 173818

### E. Ownership of Bonds.

For purposes of determining the percentage of Owners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Ordinance:

1. the initial purchaser of the Bonds may be treated as the Owner of the Bonds at the time the Bonds are delivered in exchange for payment.
2. after the Bonds are delivered, the person listed as the registered owner of a Bond in the Bond register maintained by Paying Agent shall be treated as the Owner of that Bond.
3. the Owners of Bonds which pay interest only at maturity, and mature more than one year after they are issued shall be treated as Owners of an aggregate principal amount equal to the accreted value of those Bonds as of the date the Registrar sends out notice of requesting consent, waiver or other action as provided herein.
4. the Owners of Bonds which pay interest periodically or mature in one year or less after they are issued shall be treated as Owners of an aggregate principal amount equal to the stated principal amount of the Bonds they own.

### F. Defeasance.

1. The City may defease Bonds if the City:
  - (a) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of Bonds which are to be defeased and irrevocably instructs the independent trustee or escrow agent to apply the deposited amounts to pay the defeased Bonds; and,
  - (b) files with the escrow agent or trustee an opinion or report from a Qualified Consultant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due.
2. The defeasance proceedings may specify whether the defeased Bonds shall be payable solely from the money and Government Obligations which are deposited in escrow pursuant to Section 1.F.1, or shall be payable primarily from the money and Government Obligations which are deposited in escrow pursuant to this Section 1.F.1 and secondarily from the Available General Funds of the City. If Bonds are defeased, the City shall not be obligated to comply with any of its covenants or duties specified in this Ordinance or the Bonds, except payment of the Bonds.

### G. Rules of Construction.

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

1. References to section numbers shall be construed as references to sections of this Ordinance.
2. References to one gender shall include all genders.
3. References to the singular include the plural, and references to the plural include the singular.

### H. The Bonds.

1. Authorization. The City hereby authorizes the sale and delivery of the Bonds in accordance with this Ordinance to finance the UAAL and costs related to financing and paying the UAAL, including capitalized



## Ordinance Number 173818

interest. The aggregate principal amount of the Bonds shall not exceed Three Hundred Twenty-Five Million Dollars (\$325,000,000), and the Bonds shall mature over a period of not more than 31 years.

2. Delegation. The Debt Manager may, on behalf of the City:
  - (a) participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for the Bonds;
  - (b) provide that the Bonds may be issued in one or more series, may bear interest at a fixed rates or variable rates, and may pay deferred interest;
  - (c) establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, and other terms of the Bonds;
  - (d) either publish a notice of sale, receive bids and award the sale of the Bonds to the bidder complying with the notice and offering the most favorable terms to the City, or select one or more underwriters and negotiate the sale of the Bonds with those underwriters;
  - (e) undertake to provide continuing disclosure for the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
  - (f) apply for and purchase municipal bond insurance, interest rate caps, collars or other forms of credit enhancements for the Bonds, enter into agreements with the providers of credit enhancement, and execute and deliver related documents; and
  - (g) enter into agreements with bond trustees, remarketing agents and other professionals and service providers;
  - (h) obtain a letter of credit or other liquidity facilities for the bonds, agree to pay the provider of the facility its fees, charges and interest on any draws on the facilities, and pledge the City's full faith and credit to such payments;
  - (i) execute any documents and take any other action in connection with the Bonds which the Debt Manager finds will be advantageous to the City.
3. Form. The Bonds shall be in substantially the form attached hereto as Exhibit A, with such changes as may be approved by the Debt Manager. The Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.
4. The Bonds may bear interest which is includable in gross income under the Internal Revenue Code of 1986, as amended.
5. Book Entry System for Bonds. The Bonds shall be initially issued in BEO form and shall be governed by this Section 1.H.5. While Bonds are in BEO form no physical Bonds shall be provided to Owners. The Debt Manager has executed and delivered a blanket Letter of Representations to DTC. While the Bonds are in BEO form, registration and transfer of beneficial interests in the Bonds shall be governed by that letter and the Operational Arrangements of DTC, as they may be amended from time to time, as provided in the blanket issuer letter of representations. So long as Bonds are in BEO form:
  - (a) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners. Bond payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of Bonds or of any other action premised on such notice.

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- (b) The City may discontinue maintaining the Bonds in the BEO form at any time. The City shall discontinue maintaining the Bonds in BEO form if DTC determines not to continue to act as securities depository for the Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
  - (c) If the City discontinues maintaining the Bonds in book-entry only form, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 1.H.7. below, regarding registration, transfer and exchange of Bonds shall apply.
  - (d) While the Bonds are in BEO form, the City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
    - (i) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the Bonds;
    - (ii) the delivery to any participant or correspondent or any other person of any notice with respect to the Bonds, including any notice of prepayment;
    - (iii) the selection by DTC of the beneficial interest in Bonds to be redeemed prior to maturity; or
    - (iv) the payment to any participant, correspondent, or any other person other than the registered owner of the Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the Bonds.
  - (e) The City shall pay or cause to be paid all principal, premium and interest on the Bonds only to or upon the order of the owner, as shown in the registration books maintained by the Paying Agent, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.
  - (f) The provisions of this Section 1.H.5. may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for bonds issued in book-entry only form.
6. Redemption of Bonds.
- (a) The Bonds shall be subject to redemption on the terms established by Debt Manager. The City reserves the right to purchase Bonds in the open market.
  - (b) If any Bonds are subject to mandatory redemption, the City may credit against the mandatory redemption requirement any Bonds of the same maturity which the City has previously purchased or which the City has previously redeemed pursuant to any optional redemption provision.
  - (c) So long as Bonds are in book-entry only form, the Paying Agent shall notify DTC of any early redemption not less than 30 days prior to the date fixed for redemption (unless DTC consents to a shorter period), and shall provide such information in connection therewith as required by a letter of representation submitted to DTC in connection with the issuance of the Bonds.
  - (d) During any period in which the Bonds are not in book-entry only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first

## Ordinance Number 173818

class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. The City shall notify the Paying Agent of any intended redemption not less than 45 days prior to the redemption date (unless the Paying Agent consents to a shorter period). All such official notices of redemption shall be dated and shall state:

- (i) the redemption date,
- (ii) the redemption price,
- (iii) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (iv) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (v) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.

### 7. Authentication, Registration and Transfer.

- (a) No Bond shall be entitled to any right or benefit under this Ordinance unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all Bonds to be delivered at closing, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Ordinance.
- (b) The ownership of all Bonds shall be entered in the Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.
- (c) While the Bonds are in book-entry only form, the Paying Agent shall transfer Bond principal and interest payments in the manner required by DTC.
- (d) If the Bonds cease to be in book-entry only form, the Paying Agent shall mail each interest payment on the interest Payment Date (or the next Business Day if the Payment Date is not a Business Day) to the name and address of the Owners as they appear on the Bond register as of the Record Date. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.
- (e) Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different denominations, and Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
  - (i) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent and
  - (ii) the Bonds to be exchanged or transferred.
- (f) The Paying Agent shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next following Payment Date; however, such Bonds shall be exchanged or transferred promptly following that Payment Date.

## **Ordinance Number 173818**

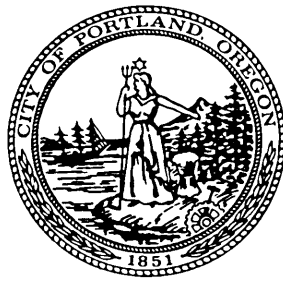
- (g) The Paying Agent shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Owner's name is listed on the Bond register.
- (h) For purposes of this Section 1.H.7, Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 1.H.7(e), above.
- (i) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 2. Declaration of Emergency. The Council declares that an emergency exists in order that the proceeds of the Bonds may available as soon as possible and applied to their intended use. Therefore, this Ordinance shall be in force and effect from and after its passage by the Council.

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**APPENDIX B**  
**ACCRETED VALUE TABLE**

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**CITY of PORTLAND, OREGON**  
**Limited Tax Pension Obligation Bonds, 1999 Series C**

**Accreted Value (per \$5,000 of Maturity Value)**

<b>Maturity Date</b>	<b>June 1, 2023</b>	<b>June 1, 2024</b>	<b>June 1, 2025</b>	<b>June 1, 2026</b>	<b>June 1, 2027</b>	<b>June 1, 2028</b>	<b>June 1, 2029</b>
<b>Approximate Yield to Maturity</b>	<b>7.93%</b>	<b>7.93%</b>	<b>7.93%</b>	<b>7.93%</b>	<b>7.93%</b>	<b>7.93%</b>	<b>7.93%</b>
11/10/1999	800.35	740.50	685.10	633.80	586.40	542.50	501.90
12/01/1999	804.00	743.85	688.20	636.70	589.05	545.00	504.20
06/01/2000	835.90	773.35	715.50	661.95	612.40	566.60	524.20
12/01/2000	869.05	804.00	743.85	688.20	636.70	589.05	545.00
06/01/2001	903.50	835.90	773.35	715.50	661.95	612.40	566.60
12/01/2001	939.30	869.05	804.00	743.85	688.20	636.70	589.05
06/01/2002	976.55	903.50	835.90	773.35	715.50	661.95	612.40
12/01/2002	1,015.30	939.30	869.05	804.00	743.85	688.20	636.70
06/01/2003	1,055.55	976.55	903.50	835.90	773.35	715.50	661.95
12/01/2003	1,097.40	1,015.30	939.30	869.05	804.00	743.85	688.20
06/01/2004	1,140.90	1,055.55	976.55	903.50	835.90	773.35	715.50
12/01/2004	1,186.15	1,097.40	1,015.30	939.30	869.05	804.00	743.85
06/01/2005	1,233.15	1,140.90	1,055.55	976.55	903.50	835.90	773.35
12/01/2005	1,282.05	1,186.15	1,097.40	1,015.30	939.30	869.05	804.00
06/01/2006	1,332.90	1,233.15	1,140.90	1,055.55	976.55	903.50	835.90
12/01/2006	1,385.75	1,282.05	1,186.15	1,097.40	1,015.30	939.30	869.05
06/01/2007	1,440.70	1,332.90	1,233.15	1,140.90	1,055.55	976.55	903.50
12/01/2007	1,497.80	1,385.75	1,282.05	1,186.15	1,097.40	1,015.30	939.30
06/01/2008	1,557.20	1,440.70	1,332.90	1,233.15	1,140.90	1,055.55	976.55
12/01/2008	1,618.95	1,497.80	1,385.75	1,282.05	1,186.15	1,097.40	1,015.30
06/01/2009	1,683.15	1,557.20	1,440.70	1,332.90	1,233.15	1,140.90	1,055.55
12/01/2009	1,749.90	1,618.95	1,497.80	1,385.75	1,282.05	1,186.15	1,097.40
06/01/2010	1,819.25	1,683.15	1,557.20	1,440.70	1,332.90	1,233.15	1,140.90
12/01/2010	1,891.40	1,749.90	1,618.95	1,497.80	1,385.75	1,282.05	1,186.15
06/01/2011	1,966.40	1,819.25	1,683.15	1,557.20	1,440.70	1,332.90	1,233.15
12/01/2011	2,044.35	1,891.40	1,749.90	1,618.95	1,497.80	1,385.75	1,282.05
06/01/2012	2,125.45	1,966.40	1,819.25	1,683.15	1,557.20	1,440.70	1,332.90
12/01/2012	2,209.70	2,044.35	1,891.40	1,749.90	1,618.95	1,497.80	1,385.75
06/01/2013	2,297.30	2,125.45	1,966.40	1,819.25	1,683.15	1,557.20	1,440.70
12/01/2013	2,388.40	2,209.70	2,044.35	1,891.40	1,749.90	1,618.95	1,497.80
06/01/2014	2,483.10	2,297.30	2,125.45	1,966.40	1,819.25	1,683.15	1,557.20
12/01/2014	2,581.55	2,388.40	2,209.70	2,044.35	1,891.40	1,749.90	1,618.95
06/01/2015	2,683.95	2,483.10	2,297.30	2,125.45	1,966.40	1,819.25	1,683.15
12/01/2015	2,790.35	2,581.55	2,388.40	2,209.70	2,044.35	1,891.40	1,749.90
06/01/2016	2,901.00	2,683.95	2,483.10	2,297.30	2,125.45	1,966.40	1,819.25
12/01/2016	3,016.00	2,790.35	2,581.55	2,388.40	2,209.70	2,044.35	1,891.40
06/01/2017	3,135.60	2,901.00	2,683.95	2,483.10	2,297.30	2,125.45	1,966.40
12/01/2017	3,259.95	3,016.00	2,790.35	2,581.55	2,388.40	2,209.70	2,044.35
06/01/2018	3,389.20	3,135.60	2,901.00	2,683.95	2,483.10	2,297.30	2,125.45
12/01/2018	3,523.55	3,259.95	3,016.00	2,790.35	2,581.55	2,388.40	2,209.70
06/01/2019	3,663.30	3,389.20	3,135.60	2,901.00	2,683.95	2,483.10	2,297.30
12/01/2019	3,808.55	3,523.55	3,259.95	3,016.00	2,790.35	2,581.55	2,388.40
06/01/2020	3,959.55	3,663.30	3,389.20	3,135.60	2,901.00	2,683.95	2,483.10
12/01/2020	4,116.55	3,808.55	3,523.55	3,259.95	3,016.00	2,790.35	2,581.55
06/01/2021	4,279.75	3,959.55	3,663.30	3,389.20	3,135.60	2,901.00	2,683.95
12/01/2021	4,449.45	4,116.55	3,808.55	3,523.55	3,259.95	3,016.00	2,790.35
06/01/2022	4,625.85	4,279.75	3,959.55	3,663.30	3,389.20	3,135.60	2,901.00
12/01/2022	4,809.30	4,449.45	4,116.55	3,808.55	3,523.55	3,259.95	3,016.00
06/01/2023	5,000.00	4,625.85	4,279.75	3,959.55	3,663.30	3,389.20	3,135.60
12/01/2023		4,809.30	4,449.45	4,116.55	3,808.55	3,523.55	3,259.95
06/01/2024		5,000.00	4,625.85	4,279.75	3,959.55	3,663.30	3,389.20
12/01/2024			4,809.30	4,449.45	4,116.55	3,808.55	3,523.55
06/01/2025			5,000.00	4,625.85	4,279.75	3,959.55	3,663.30
12/01/2025				4,809.30	4,449.45	4,116.55	3,808.55
06/01/2026				5,000.00	4,625.85	4,279.75	3,959.55
12/01/2026					4,809.30	4,449.45	4,116.55
06/01/2027					5,000.00	4,625.85	4,279.75
12/01/2027						4,809.30	4,449.45
06/01/2028						5,000.00	4,625.85
12/01/2028							4,809.30
06/01/2029							5,000.00

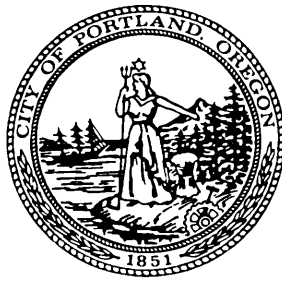




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**APPENDIX C**  
**AUDITED FINANCIAL STATEMENTS**

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**CITY OF PORTLAND**  
OFFICE OF FINANCE AND ADMINISTRATION

Vera Katz, Mayor  
Timothy Grewe, Director

Bureau of Financial Management  
Kenneth L. Rust, Acting Director  
1120 S.W. Fifth Avenue, Rm. 1250  
Portland, Oregon 97204  
(503) 823-5288  
FAX (503) 823-5384  
TDD 823-6868

October 5, 1999

Honorable Mayor and Council  
City of Portland, Oregon  
Portland, Oregon

A Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund of the City of Portland, Oregon are attached. This financial information is provided for the fiscal years ended June 30, 1994 through June 30, 1998.

An independent examination was conducted by Coopers and Lybrand for fiscal years 1994 and 1995 and by KPMG Peat Marwick LLP for fiscal years 1996 through 1998. These examinations resulted in unqualified opinions, which attests to the fair presentation of such fiscal details. Therefore, it can be concluded that the attached financial statements present fairly the financial position, results of operations, and changes in financial position.

Additionally, the City of Portland has been awarded the Certificate of Achievement for Excellence in Financial Reporting for each of the years noted above. This national award recognizes conformance with the highest standard for accounting and financial reporting for state and local government. Said award gives added assurance that the information disclosed in the aforementioned statements are appropriate and complete.

Respectfully,

Lena H. Ellis  
City Accounting Manager



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

	<b>FY 1993-94</b>	<b>FY 1994-95</b>	<b>FY 1995-96</b>	<b>FY 1996-97</b>	<b>FY 1997-98</b>
<b>Revenues</b>					
Taxes	\$106,282,639	\$122,563,026	\$131,261,621	\$140,125,559	\$130,301,916
Intergovernmental revenues	16,263,056	12,326,528	12,771,482	13,543,038	14,647,660
Licenses and permits	57,157,699	67,274,349	73,643,427	77,440,914	83,776,795
Charges for services	36,775,506	38,834,073	40,027,506	42,893,488	46,776,361
Miscellaneous revenues, primarily interest	6,942,092	10,316,756	10,014,139	10,357,574	10,287,811
<b>Total Revenues</b>	<b>223,420,992</b>	<b>251,314,732</b>	<b>267,718,175</b>	<b>284,360,573</b>	<b>285,790,543</b>
<b>Expenditures</b>					
Planning/community development	4,345,165	4,921,882	6,003,930	7,417,710	7,798,084
Citizen/community services	6,117,570	6,646,060	8,213,819	8,611,734	9,075,706
Public safety	133,906,080	147,460,193	150,476,687	153,944,795	155,201,807
Support services/legis./administrative	38,104,630	39,629,267	49,305,477	59,268,550	53,049,394
Parks/recreation/cultural	27,770,414	28,963,673	29,302,957	32,422,619	31,709,166
Capital outlay	4,527,342	4,786,078	5,671,108	6,340,024	8,205,853
<b>Total Expenditures</b>	<b>214,771,201</b>	<b>232,407,153</b>	<b>248,973,978</b>	<b>268,005,432</b>	<b>265,040,010</b>
<b>Revenues Over (Under) Expenditures</b>	<b>8,649,791</b>	<b>18,907,579</b>	<b>18,744,197</b>	<b>16,355,141</b>	<b>20,750,533</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from bond and note sales	2,789,048	--	--	--	--
Operating transfers in	2,476,468	4,934,062	7,932,738	8,416,345	12,152,289
Operating transfers out	(11,514,922)	(12,430,384)	(23,717,174)	(17,349,439)	(27,922,952)
<b>Total Other Sources (Uses)</b>	<b>(6,249,406)</b>	<b>(7,496,322)</b>	<b>(15,784,436)</b>	<b>(8,933,094)</b>	<b>(15,770,663)</b>
<b>Revenues Over (Under) Expenditures And Other Sources (Uses)</b>	<b>2,400,385</b>	<b>11,411,257</b>	<b>2,959,761</b>	<b>7,422,047</b>	<b>4,979,870</b>
<b>Fund Balance, Beginning of Year</b>	<b>38,609,868</b>	<b>40,884,744</b>	<b>52,350,037</b>	<b>55,349,662</b>	<b>62,772,466</b>
Change in inventory	(125,509)	53,310	39,832	(13,308)	(22,345)
Residual equity transfer	--	726	32	14,065	--
<b>Fund Balances, End of Year</b>	<b>\$40,884,744</b>	<b>\$52,350,037</b>	<b>\$55,349,662</b>	<b>\$62,772,466</b>	<b>\$67,729,991</b>

Source: Derived from the City's audited financial statements.

**CITY OF PORTLAND, OREGON**  
**General Fund**  
**Consecutive Balance Sheets**  
**for Fiscal Years Ended June 30**

	<b>FY 1993-94</b>	<b>FY 1994-95</b>	<b>FY 1995-96</b>	<b>FY 1996-97</b>	<b>FY 1997-98</b>
<b>Assets</b>					
Cash and investments	\$46,475,774	\$62,310,622	\$61,169,067	\$74,078,913	\$78,429,699
Receivables:					
Property taxes	9,980,384	8,554,176	8,448,859	8,630,468	7,954,768
Accounts, interest and advances	3,712,867	3,556,405	3,776,247	3,115,726	4,066,730
Assessments	--	5,000	2,000	1,000	1,000
Internal	--	--	3,260,000	--	--
Contracts	2,382	--	--	--	--
Due from other funds	1,346,720	1,514,492	2,986,460	2,820,601	4,684,477
Inventories	271,767	325,077	364,909	351,601	329,256
<b>Total Assets</b>	<b>\$61,789,894</b>	<b>\$76,265,772</b>	<b>\$80,007,542</b>	<b>\$88,998,309</b>	<b>\$95,465,930</b>
<b>Liabilities</b>					
Warrants, accounts payable and accrued liabilities	\$3,579,575	\$4,675,207	\$4,498,998	\$4,718,360	\$5,287,408
Deferred revenue	16,840,722	18,709,260	19,756,799	21,105,400	22,046,448
Due to other funds	484,853	531,268	402,083	402,083	402,083
<b>Total Liabilities</b>	<b>20,905,150</b>	<b>23,915,735</b>	<b>24,657,880</b>	<b>26,225,843</b>	<b>27,735,939</b>
<b>Fund Balance</b>					
Reserved for petty cash	19,055	18,630	18,880	18,880	18,880
Reserved for inventories	271,767	325,077	364,909	351,601	329,256
Unreserved	40,593,922	52,006,330	54,965,873	62,401,985	67,381,855
<b>Total Fund Balance</b>	<b>40,884,744</b>	<b>52,350,037</b>	<b>55,349,662</b>	<b>62,772,466</b>	<b>67,729,991</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$61,789,894</b>	<b>\$76,265,772</b>	<b>\$80,007,542</b>	<b>\$88,998,309</b>	<b>\$95,465,930</b>

Source: Derived from the City's audited financial statements.

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**APPENDIX D**  
**LEGAL OPINION**

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November 10, 1999

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

Goldman, Sachs & Co.  
555 California Street, Suite 4500  
San Francisco, California 94104

Subject: \$150,848,345.70 City of Portland, Oregon Limited Tax Pension Obligation Revenue Bonds, 1999 Series C (Federally Taxable)

We have acted as bond counsel in connection with the issuance by the City of Portland, in Multnomah, Washington and Clackamas Counties, Oregon (the "City") of its Limited Tax Pension Obligation Revenue Bonds, 1999 Series C (Federally Taxable) (the "Bonds").

The Bonds are issued pursuant to the provisions of Oregon Revised Statutes Section ORS 288.805 to 288.945 and have been authorized by Ordinance No. 173818 of the City adopted on October 6, 1999 (the "Ordinance").

We have examined the law, a duly certified transcript of proceedings of the City, prepared in part by us, relating to the issuance and sale of the Bonds, and other documents which we deem necessary to render this opinion.

We have relied on the certified proceedings and other certifications of public officials regarding questions of fact material to our opinion and have not undertaken to verify the same by independent investigation.

We have reviewed the official statement only to confirm that the portions of it describing the Bonds, the Ordinance, the authority to issue the Bonds and the treatment of Bond interest under federal and state tax laws is accurate. We have not reviewed or approved the other representations of law and factual statements contained in the official statement including but not limited to all financial and statistical information and representations.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon and the Charter and Ordinance of the City, and constitute valid and legally binding obligations of the City which are enforceable against the City in accordance with their terms.
2. The Bonds are limited tax revenue bonds of the City. The Bonds are payable from the Available General Funds of the City, as defined in the Ordinance, and the City has pledged its full faith and credit to pay the Bonds. The City is not authorized to levy additional taxes to pay the Bonds.
3. The Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986 (the "Code") and, accordingly, interest on the Bonds is not excludable from gross income under Section 103(a) of the Code.
4. The interest on the Bonds is exempt from State of Oregon personal income taxes.
5. The City has not designated the Bonds as qualified tax-exempt obligations pursuant to Section 265(b)(3) of the Code.

6. The Bonds are exempt from registration under the federal Securities Act of 1933.

Certain maturities of the Bonds will be issued with "original issue discount" within the meaning of section 1273(a) of the Code. In general, such original issue discount will equal the difference between the maturity amount of such Bonds and their issue price. Owners of the Bonds will be required to include original issue discount in their gross income for federal income purposes as it accrues under a method that takes into account the compounding of interest, in advance of receipt of the cash attributable to such income.

Except as stated herein, we express no opinion regarding any federal, state or local tax consequences arising with respect to ownership of the Bonds. Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral tax consequences.

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

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

Respectfully submitted,

PRESTON GATES & ELLIS LLP  
Lawyers

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**APPENDIX E**  
**CONTINUING DISCLOSURE CERTIFICATE**

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## CONTINUING DISCLOSURE CERTIFICATE

**\$150,848,345.70**

**City of Portland, Oregon  
Limited Tax Pension Obligation Revenue Bonds  
1999 Series C (Federally Taxable)**

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of Portland, Oregon (the "City") in connection with the issuance of the City's Limited Tax Pension Obligation Revenue Bonds, 1999 Series C (Federally Taxable) (the "Bonds").

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

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

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

"Bondowners" means the registered owners of the Bonds, as shown on the bond register maintained by the Paying Agent for the Bonds, and any Beneficial Owners.

"Commission" means the Securities and Exchange Commission.

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

"NRMSIR" means a nationally recognized municipal securities information repository.

"Official Statement" means the final official statement for the Bonds dated October 22, 1999.

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

"SID" means a state information depository for the State of Oregon (if one is created).

**Section 3**      Financial Information. The City agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing no later than March 1, 2000 for the fiscal year ended June 30, 1999):

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

B.      To the extent not included in those annual financial statements, information generally of the type included in the official statement for the Bonds under the heading "Annual Disclosure Information."

The information described in paragraphs A and B, above, shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the NRMSIR, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

The City agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of its failure to provide the annual financial information described in this Section 3 on or prior to the date set forth in the preceding paragraph.

Section 4      Material Events. The City agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to the rights of Bondowners;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds; and
11. Rating changes.

Section 5      Termination/Modification. The City's obligations to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This Certificate, or any provision hereof, shall be null and void if the City (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (b) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this Certificate.

Section 6      Amendment. Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

A. If the amendment or waiver relates to the provisions of Sections 3 or 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City with respect to the Bonds, or the type of business conducted;

B. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment or waiver either (i) is approved by the Bondowners or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners.

In the event of any amendment or waiver of a provision of this Certificate, the City shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 4 hereof, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7 Bondowner's Remedies Under This Certificate. The right of any Bondowner to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds hereunder. Bondowners may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed a default or an event of default under the Ordinance authorizing issuance of the Bonds or the Bonds, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Certificate in the event of any failure of the Issuer to comply with this Certificate shall be an action to compel performance.

Section 8 Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of this 10th day of November, 1999.

**City of Portland, Oregon**

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Eric H. Johansen, Debt Manager





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**APPENDIX F**  
**BOND INSURANCE POLICY –**  
**MBIA INSURANCE CORPORATION**

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## FINANCIAL GUARANTY INSURANCE POLICY

**MBIA Insurance Corporation**  
**Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

\_\_\_\_\_  
President

Attest: \_\_\_\_\_

\_\_\_\_\_  
Assistant Secretary



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## **APPENDIX G**

### **BOOK-ENTRY SYSTEM**

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## BOOK-ENTRY SYSTEM

DTC will act as securities depository for the 1999 Series C Bonds. The 1999 Series C Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered bond certificate will be issued for each maturity of the 1999 Series C Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 1999 Series C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1999 Series C Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1999 Series C Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 1999 Series C Bonds, except in the event that use of the book-entry system for the 1999 Series C Bonds is discontinued.

To facilitate subsequent transfers, all 1999 Series C Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 1999 Series C Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 1999 Series C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to Cede & Co. If less than all of the 1999 Series C Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 1999 Series C Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 1999 Series C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 1999 Series C Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to bondholders, book-entry deliveries, and settlement of trades within DTC, continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be complete within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to, issuers and their agents, as well as third-party vendors from whom DTC licenses software and hardware, and third-party vendors on whom DTC relies for information or the provision of services, including telecommunications and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third-party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

DTC may discontinue providing its services as securities depository with respect to the 1999 Series C Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.





