# ANNUAL DISCLOSURE INFORMATION

## Pertaining to

# City of Portland, Oregon

**$21,240,000**

**Lents Town Center**
**Urban Renewal and Redevelopment Bonds**
**2010 Series A (Federally Taxable)**
**Dated June 24, 2010**

**$15,650,000**

**Lents Town Center**
**Urban Renewal and Redevelopment Bonds**
**2010 Series B (Tax Exempt)**
**Dated June 24, 2010**

**February 15, 2013**

# MATURITY SCHEDULES

**$21,240,000**
**Lents Town Center**
**Urban Renewal and Redevelopment Bonds**
**2010 Series A (Federally Taxable)**

| Due June 15 | Principal Amount | Interest Rate | CUSIP No. 736746 |
|---|---|---|---|
| 2013 | $1,190,000 | 3.776% | UB2 |
| 2014 | 1,235,000 | 4.253 | UC0 |
| 2015 | 1,290,000 | 4.553 | UD8 |

$7,570,000 5.784% 2010 Series A Term Bonds due June 15, 2020;
CUSIP Number 736746UE6

$7,625,000 6.284% 2010 Series A Term Bonds due June 15, 2024;
CUSIP Number 736746UF3

**$15,650,000**
**Lents Town Center**
**Urban Renewal and Redevelopment Bonds**
**2010 Series B (Tax Exempt)**

| Due June 15 | Principal Amount | Interest Rate | CUSIP No. 736746 |
|---|---|---|---|
| 2024 | $220,000 | 4.25% | UG1 |
| 2025 | 2,275,000 | 5.00 | UH9 |
| 2026 | 950,000 | 4.50 | UJ5 |
| 2026 | 1,440,000 | 5.00 | UK2 |
| 2027 | 2,500,000 | 5.00 | UL0 |
| 2028 | 1,450,000 | 4.75 | UM8 |
| 2028 | 1,175,000 | 5.00 | UN6 |
| 2029 | 2,755,000 | 4.75 | UP1 |
| 2030 | 2,885,000 | 5.00 | UQ9 |

# ANNUAL DISCLOSURE INFORMATION

**Pertaining to:**

**$21,240,000**
**City of Portland, Oregon**
**Lents Town Center Urban Renewal and Redevelopment Bonds,**
**2010 Series A (Federally Taxable)**
**Dated June 24, 2010**

**$15,650,000**
**City of Portland, Oregon**
**Lents Town Center Urban Renewal and Redevelopment Bonds,**
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**Dated June 24, 2010**

**Information Updated as of February 15, 2013**

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# INFORMATION PERTAINING TO LENTS TOWN CENTER TAX INCREMENT REVENUES

## HISTORICAL TRENDS IN REAL MARKET VALUES AND ASSESSED VALUES

The table below presents a five-year history of Real Market Value and Assessed Value in the Area. In FY 2009-10, a large increase in Area property value was due to the effects of a Plan amendment, which added acreage to the Area and increased the Frozen Base Assessed Value from $640,177,922 to $736,224,033. The higher FY 2012-13 utility value is largely attributable to CenturyLink, which added about $5.1 million of Real Market Value and Assessed Value.

**Table 1**
**CITY OF PORTLAND, OREGON**
**Lents Town Center Urban Renewal Area**
**HISTORICAL TRENDS IN REAL MARKET AND ASSESSED VALUES**
**BY PROPERTY TYPE**
**(FY 2008-09 through FY 2012-13)**

| | REAL MARKET VALUE | | | | |
|---|---|---|---|---|---|
| Property Type | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Real | $2,235,369,320 | $2,356,204,050 | $2,259,314,860 | $2,042,216,150 | $1,983,393,240 |
| Personal | 32,283,387 | 47,086,895 | 42,469,923 | 40,212,101 | 41,397,108 |
| Machinery/Equip. (1) | 0 | 0 | 0 | 0 | 5,263,480 |
| Manufactured | 2,696,490 | 2,951,250 | 2,761,790 | 2,669,210 | 2,261,010 |
| Utility | 21,429,430 | 21,178,750 | 22,475,378 | 23,382,741 | 28,506,133 |
| Total | $2,291,778,627 | $2,427,420,945 | $2,327,021,951 | $2,108,480,202 | $2,060,820,971 |
| % Change | 8.9% | 5.9% | -4.1% | -9.4% | -2.3% |

| | ASSESSED VALUE | | | | |
|---|---|---|---|---|---|
| Property Type | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Real | $985,187,230 | $1,123,500,740 | $1,152,518,860 | $1,187,469,910 | $1,205,668,060 |
| Personal | 31,957,777 | 46,706,145 | 41,625,034 | 39,256,230 | 40,329,320 |
| Machinery/Equip. (1) | 0 | 0 | 0 | 0 | 5,263,480 |
| Manufactured | 2,585,590 | 2,789,020 | 2,296,360 | 2,225,740 | 1,846,820 |
| Utility | 21,429,430 | 21,178,750 | 22,238,900 | 23,044,140 | 28,358,200 |
| Total | $1,041,160,027 | $1,194,174,655 | $1,218,679,154 | $1,251,996,020 | $1,281,465,880 |
| % Change | 4.2% | 14.7% | 2.1% | 2.7% | 2.4% |
| Incremental AV | $400,982,105 | $457,950,622 | $482,455,121 | $515,771,987 | $545,241,847 |
| % Change | 11.8% | 14.2% | 5.4% | 6.9% | 5.7% |

Notes:

(1) Senate Bill 1529, which became effective in June 2012, required the Oregon Department of Revenue to establish a separate class for real property machinery and equipment effective with tax year 2012-13.

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

The table below shows Assessed Value ("AV") from FY 2003-04 through FY 2012-13.

**Table 2**
**CITY OF PORTLAND, OREGON**
**Lents Town Center Urban Renewal Area**
**HISTORICAL ASSESSED VALUE**
**(FY 2003-04 through FY 2012-13)**

| Fiscal Year | Frozen Base | Incremental Value | % Change Incremental AV | Total Assessed Value | % Change Total AV |
|---|---|---|---|---|---|
| 2003-04 | $620,720,135 | $208,029,051 | 15.8% | $828,749,186 | 3.6% |
| 2004-05 (1) | 640,177,922 | 243,212,853 | 16.9% | 883,390,775 | 6.6% |
| 2005-06 | 640,177,922 | 275,822,211 | 13.4% | 916,000,133 | 3.7% |
| 2006-07 | 640,177,922 | 312,317,448 | 13.2% | 952,495,370 | 4.0% |
| 2007-08 | 640,177,922 | 358,801,970 | 14.9% | 998,979,892 | 4.9% |
| 2008-09 | 640,177,922 | 400,982,105 | 11.8% | 1,041,160,027 | 4.2% |
| 2009-10 (2) | 736,224,033 | 457,950,622 | 14.2% | 1,194,174,655 | 14.7% |
| 2010-11 | 736,224,033 | 482,455,121 | 5.4% | 1,218,679,154 | 2.1% |
| 2011-12 | 736,224,033 | 515,771,987 | 6.9% | 1,251,996,020 | 2.7% |
| 2012-13 | 736,224,033 | 545,241,847 | 5.7% | 1,281,465,880 | 2.4% |

Notes:

(1) Frozen Base value was revised by Multnomah County Assessor in FY 2004-05 to correct for omissions of property included in the Plan.
(2) Reflects effect of First Amendment to the Lents Town Center Plan, adopted by the City Council on June 25, 2008 and recorded by Multnomah County on July 2, 2008, which added $96,046,111 to the Frozen Base of the Area.

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

## Property Types and Values

The Assessed Value for new construction and changed property is calculated by multiplying the Real Market Value of the property by the ratio of the Assessed Values to the Real Market Values of comparable properties in a county (the "Changed Property Ratio"). This produces an Assessed Value for new construction and changed property that approximates the Assessed Value of comparable existing properties in an area. The following table presents a five-year history of Changed Property Ratios for Multnomah County for various property classifications. Increases in the changed property ratios for commercial and industrial property in FY 2012-13 are due in part to legislation requiring separate classifications for machinery and equipment, centrally assessed industrial property, and locally-assessed industrial and commercial property combined.

**Table 3**
**CITY OF PORTLAND, OREGON**
**History of Changed Property Ratios by Property Type**
**(Multnomah County)**

| Fiscal Year Ending June 30 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|
| Residential | 0.5046 | 0.5515 | 0.6040 | 0.6931 | 0.7279 |
| Commercial | 0.4345 | 0.4425 | 0.4549 | 0.4883 | 0.5413 |
| Industrial | 0.7649 | 0.7754 | 0.8750 | 0.8376 | 1.0000 |
| Multi-Family | 0.5500 | 0.5461 | 0.5420 | 0.5644 | 0.5998 |
| Recreational | 0.6223 | 0.6381 | 0.6565 | 0.7087 | 0.6979 |
| Machinery and Equipment (1) | N/A | N/A | N/A | N/A | 1.0000 |
| Miscellaneous | 0.7455 | 0.6961 | 0.6863 | 0.6724 | 0.6601 |
| Personal Property | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |

Notes:

(1) Senate Bill 1529, which became effective in June 2012, required the Oregon Department of Revenue to establish a separate class for real property machinery and equipment effective with tax year 2012-13.

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

The following table shows Assessed Value, Real Market Value and Assessed/Real Market Property Ratios for types of property in the Area. Note that for purposes of collecting Divide the Taxes Revenues, property taxes are levied on all property types shown in the table.

**Table 4**
**CITY OF PORTLAND, OREGON**
**Lents Town Center Urban Renewal Area**
**ASSESSED AND REAL MARKET VALUE BY PROPERTY TYPE (1)**
**(FY 2012-13)**

| Property Class | Assessed Value | % of Total | Real Market Value | AV/Real Market Value Ratio |
|---|---|---|---|---|
| **Real Property** | | | | |
| Residential Property | $816,899,870 | 63.7% | $1,004,230,950 | 81.3% |
| Commercial/Industrial (County Assessed) | 306,419,410 | 23.9% | 830,637,930 | 36.9% |
| Industrial (State Assessed) | 1,687,090 | 0.1% | 1,687,090 | 100.0% |
| Multiple Family Housing | 75,993,660 | 5.9% | 123,815,490 | 61.4% |
| Other | 748,300 | 0.1% | 18,817,820 | 4.0% |
| Subtotal | 1,201,748,330 | 93.7% | 1,979,189,280 | |
| **Personal Property** | 40,329,320 | 3.1% | 41,397,108 | 97.4% |
| **Machinery/Equipment (2)** | 5,263,480 | 0.4% | 5,263,480 | 100.0% |
| **Manufactured Structures** | | | | |
| Real Property | 3,919,730 | 0.3% | 4,203,960 | 93.2% |
| Personal Property | 1,846,820 | 0.1% | 2,261,010 | 81.7% |
| **Utilities** | 28,358,200 | 2.2% | 28,506,133 | 99.5% |
| **TOTAL** | $1,281,465,880 | 99.6% | $2,060,820,971 | |

Notes:

(1) In FY 2012-13, Multnomah County reported property values for commercial and County-assessed industrial properties as a combined value and reported industrial property assessed by the State of Oregon separately. In prior Annual Disclosure documents, the County-assessed and State-assessed industrial property values have been combined, and commercial property value has been reported separately.

(2) Senate Bill 1529, which became effective in June 2012, required the Oregon Department of Revenue to establish a separate class for real property machinery and equipment effective with tax year 2012-13.

Source: Table 7a – TAXABLE ASSESSED VALUE AND REAL MARKET VALUE BY PROPERTY CLASS, Tax Year 2012-13, Lents Town Center Urban Renewal District, Multnomah County Division of Assessment, Recording and Taxation.

The following table shows the Assessed Value and Real Market Value ratios by ratio category for all property types in the Area. Properties with low AV/RMV ratios have substantial room to grow at the three percent limit established by the Oregon Constitution. Approximately 31 percent of properties have AV/RMV ratios below 70 percent as of FY 2012-13.

**Table 5**
**CITY OF PORTLAND, OREGON**
**Lents Town Center Urban Renewal Area**
**ASSESSED TO REAL MARKET VALUE RATIOS**
**(FY 2012-13)**

| AV/RMV Ratio | Assessed Value | Percent of Total | Cumulative Percent of Total |
|---|---|---|---|
| Under 30% | $19,048,637 | 1.5% | 1.5% |
| 30 - 39% | 31,329,260 | 2.4% | 3.9% |
| 40 - 49% | 111,372,810 | 8.7% | 12.6% |
| 50 - 59% | 107,015,360 | 8.4% | 21.0% |
| 60 - 69% | 128,141,740 | 10.0% | 31.0% |
| 70 - 79% | 134,980,720 | 10.5% | 41.5% |
| 80 - 89% | 247,009,410 | 19.3% | 60.8% |
| 90 - 99% | 209,433,580 | 16.3% | 77.1% |
| 100% | 293,134,363 | 22.9% | 100.0% |
| TOTAL | $1,281,465,880 | 100.0% | |

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

**Principal Taxpayers**

The principal property taxpayers in the Area are listed in the following table.

**Table 6**
**CITY OF PORTLAND, OREGON**
**Lents Town Center Urban Renewal Area**
**PRINCIPAL PROPERTY TAXPAYERS**

| Company Name | Type of Business/Use | 2012-13 Assessed Value | Percent of Total Assessed Value |
|---|---|---|---|
| Total Lents Town Center | | $1,281,465,880 | |
| | | | |
| Eastport Plaza Shopping Center | Retail | 34,081,840 | 2.7% |
| Wal-Mart Real Estate Business | Retail | 13,804,970 | 1.1% |
| Portland General Electric | Energy | 12,966,290 | 1.0% |
| Powell Street Limited Partnership | Retail | 12,832,570 | 1.0% |
| IIT Foster CC LLC | Retail (warehouse) | 10,466,410 | 0.8% |
| Fred Meyer Stores, Inc. | Retail/grocery | 9,174,111 | 0.7% |
| Union Retirement Association | Senior facility | 6,700,790 | 0.5% |
| CenturyLink | Communication | 5,160,900 | 0.4% |
| Western Graphics (US) Inc. | Printer | 4,202,210 | 0.3% |
| Stonebrdige Apartments Co. | Multi-family housing | 4,090,270 | 0.3% |
| | | $113,480,361 | 8.8% |

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

## OTHER FACTORS AFFECTING TAX COLLECTIONS

### Property Tax Rates

The Divide the Taxes Revenues are calculated by multiplying the Incremental Assessed Value of the Area by the consolidated billing tax rate, which is the sum of the tax rates of taxing districts that overlap the Area, excluding the rate for the urban renewal special levy. The following tables show the consolidated billing tax rate for the past five years, and the breakdown of tax rates attributable to each Levy Code Area making up the Area for FY 2012-13. A Levy Code Area consists of a set of properties for which the consolidated billing tax rate is comprised of the tax rates of a unique mix of taxing jurisdictions. For FY 2012-13, Levy Code Area 703 represented approximately 71 percent of the Area's Incremental Assessed Value, Levy Code Area 705 represented 29 percent of Incremental Assessed Value, and Levy Code Area 704 represented less than one percent of Incremental Assessed Value.

**Table 7**
**CITY OF PORTLAND, OREGON**
**Lents Town Center Urban Renewal Area**
**CONSOLIDATED TAX RATE BY LEVY CODE AREA**

| Fiscal Year Ending June 30 | 703 | 704 | 705 |
|---|---|---|---|
| 2009 | $20.9113 | $21.2563 | $21.2449 |
| 2010 | 21.5375 | 21.5142 | 21.3734 |
| 2011 | 21.4806 | 21.3801 | 21.2359 |
| 2012 | 21.9959 | 21.1233 | 21.0169 |
| 2013 | 22.2011 | 21.3166 | 21.1432 |

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

**Divide the Taxes Revenue Reductions Due to Measure 5 Compression**

Divide the Taxes Revenues may be reduced by Measure 5 compression effects or delinquencies in tax collections. In FY 2012-13, Measure 5's $10/$1,000 tax rate cap was the primary factor in reducing the Divide the Taxes Revenues in the Area to $10,524,133 from the authorized amount of $11,926,588, or by about 11.8 percent, as shown in the table below.

**Table 8**
**CITY OF PORTLAND, OREGON**
**Lents Town Center Urban Renewal Area**
**EFFECTS OF COMPRESSION ON DIVIDE THE TAXES REVENUES**

| Year | Divide the Taxes Revenue To Raise (1) | Divide the Taxes Revenues Imposed (2) | Losses Due Compression and Other Factors |
|---|---|---|---|
| 2003-04 | $4,545,623 | $4,206,727 | 7.5% |
| 2004-05 | 5,269,377 | 4,930,327 | 6.4% |
| 2005-06 | 5,531,912 | 5,250,789 | 5.1% |
| 2006-07 | 6,347,973 | 6,078,977 | 4.2% |
| 2007-08 | 7,740,123 | 7,376,110 | 4.7% |
| 2008-09 | 8,428,047 | 8,056,078 | 4.4% |
| 2009-10 | 9,839,373 | 9,344,988 | 5.0% |
| 2010-11 | 10,324,952 | 9,685,618 | 6.2% |
| 2011-12 | 11,181,492 | 10,098,006 | 9.7% |
| 2012-13 | 11,926,588 | 10,524,133 | 11.8% |

Notes:

(1) Prior to Measure 5 Compression.
(2) After Measure 5 Compression but before losses due to delinquencies and discounts.

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

**Divide the Taxes Revenue Reductions Due to Delinquencies**

Property tax collections are also reduced by delinquencies and discounts. The following table shows property tax collections over the past ten fiscal years. In recent years, taxes collected in the year in which they were levied have generally exceeded 95 percent. Note that, under current State law, tax collections at the county level are pooled, and each taxing jurisdiction (including urban renewal areas) receives a *pro rata* distribution of county-wide collections. This practice has the effect of spreading delinquent payments county-wide.

**Table 9**
**CITY OF PORTLAND, OREGON**
**Tax Collection Record for the Last Ten Years (1)**

| Fiscal Year | Total Levy (000) (2) | Collected Yr. of Levy (3) | Collected as of 12/31/2012 (3) |
|---|---|---|---|
| 2003-04 | $324,374 | 96.92% | 99.99% |
| 2004-05 | 333,044 | 97.11% | 99.99% |
| 2005-06 | 346,053 | 97.20% | 99.99% |
| 2006-07 | 363,073 | 97.29% | 99.98% |
| 2007-08 | 394,492 | 97.07% | 99.97% |
| 2008-09 | 397,822 | 96.43% | 99.93% |
| 2009-10 | 436,246 | 96.85% | 99.15% |
| 2010-11 | 445,239 | 97.22% | 98.76% |
| 2011-12 | 445,044 | 96.89% | 97.99% |
| 2012-13 | 452,453 | 89.42% (4) | 89.42% |

Notes:

(1) Tax collection information is for Multnomah County, which represents approximately 99.5% of the City's Assessed Value. Small portions of Washington and Clackamas Counties are also included in the City's Assessed Value.

(2) Includes urban renewal special levy and levy amounts allocated to urban renewal divide the taxes. Levy amounts shown are after Measure 5 compression. Also includes miscellaneous taxes, penalties, and corrections included in the fiscal year property tax receivable.

(3) Collections are calculated as payments received less adjustments for cancellation of taxes and allowed discounts, plus taxes added to tax roll due to omissions and corrections. Discounts currently represent the largest adjustment to the tax levy. Discounts associated with the 2011-12 tax levy represented about 2.5% of that year's levy. Discounts effectively reduce the amount of a fiscal year's levy remaining to be collected in future years.

(4) Partial year collection.

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

## HISTORICAL TAX INCREMENT REVENUES, DEBT SERVICE AND OUTSTANDING DEBT

The following table shows historical collections of Divide the Taxes Revenues in the Lents Town Center Urban Renewal Area Debt Redemption Fund (the Tax Increment Fund). There was no Parity Indebtedness outstanding through FY 2008-09.

**Table 10**
**CITY OF PORTLAND, OREGON**
**Lents Town Center Urban Renewal Area**
**HISTORICAL TAX INCREMENT REVENUE COLLECTIONS**
(Actual Results Reported on a Budgetary Basis)

| | FY 2007-08 | FY 2008-09 | FY 2009-10 | FY 2010-11 | FY 2011-12 |
|---|---|---|---|---|---|
| **Tax Increment Revenues** | | | | | |
| Tax Collections (Current Year) | $6,996,153 | $7,556,971 | $8,849,998 | $9,171,402 | $9,510,177 |
| Tax Collections (Prior Years) | 120,165 | 144,357 | 200,645 | 207,886 | 203,205 |
| Investment Earnings | 76,584 | 54,543 | 33,720 | 39,123 | 45,523 |
| TOTAL | $7,192,902 | $7,755,871 | $9,084,363 | $9,418,411 | $9,758,905 |
| **Annual Debt Service** | | | | | |
| Parity Indebtedness | $0 | $0 | $0 | $3,031,655 | $3,030,028 |
| TOTAL | $0 | $0 | $0 | $3,031,655 | $3,030,028 |

Notes:

(1) Property taxes collected from prior year delinquencies.

Source: City of Portland.

The following table presents a summary of historical property values, consolidated tax rates, current year Divide the Taxes collections and Annual Debt Service on the Bonds. There were no Bonds prior to the issuance of the City's Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A and 2010 Series B issued in June 2010.

**Table 11**
**CITY OF PORTLAND, OREGON**
**Lents Town Center Urban Renewal Area**
**SUMMARY OF LENTS TOWN CENTER PROPERTY VALUE, TAX INCREMENT REVENUE COLLECTIONS, AND DEBT SERVICE**

| **Fiscal Year** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-12** |
|---|---|---|---|---|---|
| **Real Market Value** | $2,104,857,377 | $2,291,778,627 | $2,427,420,945 | $2,327,021,951 | $2,108,480,202 |
| **Assessed Value:** | | | | | |
| Frozen Base | $640,177,922 | $640,177,922 | $736,224,033 | $736,224,033 | $736,224,033 |
| Incremental Assessed Value | 358,801,970 | 400,982,105 | 457,950,622 | 482,455,121 | 515,771,987 |
| Total Assessed Value | $998,979,892 | $1,041,160,027 | $1,194,174,655 | $1,218,679,154 | $1,251,996,020 |
| **Consolidated Tax Rate (1)** | $21.5721 | $21.0185 | $21.4857 | 21.4009 | 21.6791 |
| **Taxes to be Raised** | $7,740,123 | $8,428,047 | $9,839,373 | $10,324,952 | $11,181,492 |
| Less Compression | (364,014) | (371,969) | (494,386) | (639,334) | (1,083,486) |
| **Taxes Imposed** | 7,376,110 | 8,056,078 | 9,344,988 | 9,685,618 | 10,098,006 |
| Less Delinquencies/ Discounts | (379,957) | (499,107) | (494,990) | (514,216) | (587,828) |
| **Net Divide the Taxes** | $6,996,153 | $7,556,971 | $8,849,998 | $9,171,402 | $9,510,178 |
| **Debt Service:** | | | | | |
| 2010 Series A (Taxable) | $0 | $0 | $0 | $2,285,208 | $2,264,440 |
| 2010 Series B (Tax Exempt) | 0 | 0 | 0 | 746,448 | 765,588 |
| Total | $0 | $0 | $0 | $3,031,655 | $3,030,028 |
| Debt Service Coverage (x) | N.A. | N.A. | N.A. | 3.03 | 3.14 |

Notes:

(1) Blended rate for three Levy Code Areas making up the Area.

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

## OUTSTANDING INDEBTEDNESS

The following table presents debt outstanding for the Lents Town Center Urban Renewal Area as of February 15, 2013.

**Table 12**
**CITY OF PORTLAND, OREGON**
**Lents Town Center Urban Renewal Area**
**OUTSTANDING LONG-TERM DEBT AS OF FEBRUARY 15, 2013**

| Issue Name | Dated Date | Maturity Date | Amount Issued | Amount Outstanding |
|---|---|---|---|---|
| Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A | 6/24/2010 | 6/15/2024 | $21,240,000 | $18,910,000 |
| Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series B | 6/24/2010 | 6/15/2030 | $15,650,000 | $15,650,000 |
| Total | | | $36,890,000 | $34,560,000 |

Source: City of Portland.

As of February 15, 2013, the City had no outstanding principal on a line of credit established to provide interim financing for projects in the Lents Town Center Urban Renewal Area. The line has an available balance of $25,800,000, which expires in December 2013.

# CITY FINANCIAL AND OPERATING INFORMATION

## BASIS OF ACCOUNTING

The governmental fund types, expendable trust funds and agency funds are maintained on the modified accrual basis of accounting. The accounting practices of the City and the Portland Development Commission (the "Commission") conform to generally accepted accounting principles.

## FISCAL YEAR

July 1 to June 30.

## AUDITS

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy. Moss Adams LLP has performed auditing services for FY 2002-03 through FY 2011-12.

A complete copy of the City's FY 2011-12 audit is available on the City's web site at http://www.portlandoregon.gov/bfs/60673. The City's web site is listed for reference only, and is not part of this Annual Disclosure document. Audited financial results for the Tax Increment Fund are found in the Appendix.

## FINANCIAL REPORTING AND BUDGETING

### Financial Reporting

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

### Budget Process

The City prepares annual budgets for all its bureaus and funds in accordance with provisions of Oregon Local Budget Law. The law provides standard procedures for the preparation, presentation, administration, and public notice for public sector budgets. At the outset of the process, the Mayor or the full City Council reviews overall goals, establishes priorities, and provides direction to bureaus. The Council conducts an extensive public information process to obtain direct public input on City service priorities, and most bureaus include key stakeholders in developing their budget requests. In addition to this public outreach process, the City created the Portland Utilities Review Board (the "PURB") in 1994. The PURB, an appointed body of nine interested citizens who provide independent and representative customer review of water, sewer, stormwater, and solid waste financial plans and rates, operates in an advisory capacity to Council.

A five-year General Fund financial forecast, which serves as the basis for determining resources available for budgeting, is also provided to the City Council along with budget requests. Major City bureaus generally prepare and submit five-year financial plans and Capital Improvement Plans.

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

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

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

## INSURANCE

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

The City estimates liability for incurred losses for reported and unreported claims for workers' compensation, general and fleet liability and employee medical coverage (included in accrued self insurance claims in the combined statement of net assets). Workers' compensation, general and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City's Risk Management Services and independent actuarial studies. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. Estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine present value of the liability. For fiscal year ended June 30, 2013, the expected rate of return used was 0.35 percent. For fiscal year ending June 30, 2014 and subsequent years, the expected rate of return used was 0.50 percent. The Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

The City provides insurance coverage deemed as adequate, appropriate, and actuarially sound. It meets all the City's anticipated settlements, obligations and outstanding liabilities. Current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess liability coverage insurance policy covers individual claims in excess of $1,000,000 to policy limits and an excess workers' compensation coverage insurance policy covers claims in excess of $850,000 for occurrences after July 1, 2012. The City purchases commercial insurance for claims in excess of coverage provided by the self-insurance fund. The City's limits of coverage on the excess liability policy is $10 million per claim above the $1 million self-insurance retention for covered torts occurring after November 12, 2012.

### Personal Injury and Death Claim

Under ORS 30.272, the liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed $600,000 for causes of action arising on or after July 1, 2012, and before July 1, 2013. This cap increases incrementally through June 30, 2015, to $666,700. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increases to $1,200,000 for causes of action arising on or after July 1, 2012, and before July 1, 2013, and incrementally to $1,333,300 through June 30, 2015.

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

### Property Damage or Destruction Claim

Under ORS 30.273, the liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2012, and before July 1, 2013, are as follows: (a) $104,300 for any single claimant and (b) $521,400 to all claimants. These liability limits are adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.273. The adjustment may not exceed three percent for any year.

## PENSION PLANS

### General

Substantially all City employees (other than most fire and police personnel), after six months of employment, are participants in three retirement pension benefit programs under the State of Oregon Public Employees Retirement System ("PERS" or the "System") – Tier 1, Tier 2, or the Oregon Public Service Retirement Plan ("OPSRP").

The Tier 1 and Tier 2 pension programs (the "T1/T2 Pension Programs") are defined benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Retirement benefits for T1/T2 Pension Program members are based on final average salary and length of service and are calculated under a full formula method, formula plus annuity method, or money match (defined contribution) method if a greater benefit results.

Public employees hired on or after August 29, 2003, become part of OPSRP, unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund the Individual Account Program ("IAP") under the separate defined contribution program. Beginning January 1, 2004, active members of the T1/T2 Pension Program became members of the IAP under OPSRP and their employee contributions were directed to the member's IAP account and will be part of a separate defined contribution program.

Oregon statutes require an actuarial valuation of the System by a competent actuary at least once every two years. Under current practice, actuarial valuations are performed annually, but only valuations as of the end of each odd-numbered year are used to determine contribution rates that employers will be required to pay to fund the obligations of T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account Plan ("RHIA"). See "POST-EMPLOYMENT RETIREMENT BENEFITS" below.

In October 2010, the PERS actuary released the City's 2009 actuarial valuation report (the "2009 City Report"), which includes the City's share of the System's actuarial accrued liabilities and assets as of December 31, 2009 and provides the City's employer contribution rates that are currently in effect (effective from July 1, 2011 through June 30, 2013). In October 2012, Milliman ("Milliman"), the current PERS actuary, released an actuarial valuation for the City as of December 31, 2011 (the "2011 City Report"), which included the City's share of the System's actuarial accrued liability as of December 31, 2011 and provides the City's employer contribution rates effective July 1, 2013 through June 30, 2015.

### Employer Asset Valuation and Liabilities

An employer's share of PERS's UAL is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

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

The table below is a summary of principal valuation results from the 2009 City Report and the 2011 City Report.

**Table 13**
**CITY OF PORTLAND, OREGON**
**Valuation Results for 2009 and 2011**
**(as of December 31)**

| | 2009 | 2011 |
|---|---|---|
| Allocated Pooled T1/T2 UAL/ (surplus) | $178,802,989 | $260,088,620 |
| Allocated Pooled OPSRP UAL/ (surplus) | 3,216,137 | 5,178,569 |
| Net unfunded pension actuarial accrued liability/(surplus) | $182,019,126 | $265,267,189 |

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/09 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/11 Valuation Report prepared by Milliman.

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 20 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

The funded status of the System and the City, as reported by Milliman, changes over time depending on the market performance of the securities that the Oregon Public Employees Retirement Fund (the "OPERF") is invested, future changes in compensation and benefits of covered employees, any additional lump sum deposits made by employers, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS. No assurance can be given that the unfunded actuarial liability of PERS and of the City will not materially increase.

**Employer Contribution Rates**

Employer contribution rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including known and anticipated investment performance of the OPERF. The City's current employer contribution rates are based on the 2009 City Report. These rates became effective on July 1, 2011 and are effective through June 30, 2013.

In January 2010, the PERS Board adopted a revised implementation of the rate collar limiting increases in employer contribution rates from biennium to biennium (the "Rate Collar"). Under normal conditions, the Rate Collar is the greater of three percent of payroll or 20 percent of the current base rate. If the funded status of the SLGRP is below 80 percent, the Rate Collar increases by 0.3 percent for every percentage point under the 80 percent funded level until it reaches six percent at the 70 percent funded level. According to the actuarial valuation for the System as of December 31, 2009, the SLGRP was 77 percent funded, resulting in a Rate Collar of 3.9 percent. The Rate Collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with RHIA and the Retiree Health Insurance Premium Account ("RHIPA"). Because the 2011-2013 employer contribution rates were reduced by the Rate Collar, further rate increases are deferred to future biennia, including the 2013-2015 biennium. Moreover, in the actuarial valuation report for the System as of December 31, 2011, Milliman stated that the SLGRP has a calculated contribution rate, prior to application of the Rate Collar, which will exceed the maximum rate allowed by the Rate Collar. The Rate Collar will reduce the SLGRP's contribution rates for the 2013-2015 biennium by 2.2 percent. If all actuarial assumptions are met in 2012 and 2013, that deferred increase will be reflected in contribution rates for the 2015-2017 biennium.

The table below shows the City's current employer contribution rates based on the 2009 City Report and the employer contribution rates identified in the 2011 City Report.

**Table 14**
**CITY OF PORTLAND, OREGON**
**Current Employer Contribution Rates and Advisory Rates**
**(Percentage of Covered Payroll)**

| | Current Rates 2011-2013 | | | Future Rates 2013-15 | | |
|---|---|---|---|---|---|---|
| | **T1/T2** | **OPSRP General** | **OPSRP P&F** | **T1/T2** | **OPSRP General** | **OPSRP P&F** |
| Total net pension contribution rate | 8.71% | 7.19% | 9.90% | 13.15% | 11.43% | 14.16% |

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/09 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/11 Valuation Report prepared by Milliman.

For FY 2011-12, one percent of covered payroll for the three pension benefit programs was approximately: $1,810,161 for T1/T2 Pension Programs; $940,323 for OPSRP general services; and $228,934 for OPSRP police and fire. The City's contribution rates may increase or decrease due to a variety of factors, including the investment performance of the OPERF, the use of reserves, further changes to system valuation methodology and assumptions and decisions by the PERS Board and changes in benefits resulting from legislative modifications.

T1/T2 Pension Programs employees and OPSRP employees are required by state statute to contribute six percent of their annual salary to the respective programs. Employers are allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to make the employee contribution. An employer also may elect via written employment policy or agreement to make additional employer contributions to its employees' IAP accounts in an amount that can range from not less than one percent of salary to no more than six percent of salary and must be a whole percentage. Employers may make this policy or agreement for specific groups of their employees. The City has elected to make an optional contribution to the IAP accounts of public safety employees hired after January 1, 2007 of an additional three percent of their annual salary. The rates reported in Table 14 above do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City.

In addition to the City's employer rate, each City bureau is required to make a contribution to pay debt service on outstanding Limited Tax Pension Obligation Revenue Bonds originally issued in FY 1999-2000 to fund the City's share of the unfunded actuarial liabilities of PERS as of December 31, 1997.

**Fire and Police Disability and Retirement Fund**

The following discussion pertains to the City's Fire and Police Disability and Retirement ("FPDR") Fund. Most of the fire and police sworn personnel are covered under the FPDR Plan. The FPDR Plan consists of three tiers, two of which are now closed to new employees. FPDR One, the original plan, and FPDR Two, in which most active fire and police personnel participate, are single-employer, defined-benefit plans administered by the FPDR Board. FPDR Three participants are part of OPSRP for retirement benefits and are under the FPDR Plan for disability and death benefits. For information regarding OPSRP and the employee and employer contribution rates for OPSRP see "PENSION PLANS – General," above. The authority for the FPDR Plan's vesting and benefit provisions is contained in the Charter of the City. A ballot measure approved by voters November 6, 2012 changed the eligibility for membership in the FPDR Plan of fire and police personnel from generally upon employment to after six months of continuous sworn employment. The FPDR Plan provides for service connected disability benefits at 75 percent of salary, reduced by 50 percent of any wages earned in other employment with a 25 percent of salary minimum, for the first year of disability and 25 to 75 percent of salary in later years, depending on medical status and ability to obtain other employment. The FPDR Plan also provides for non-service connected disability benefits at reduced rates of base pay.

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

Plan as constituted prior to July 1, 1990 (now called FPDR One) or become subject to the new FPDR Two provisions after June 30, 1990.

On November 7, 2006, voters in the City of Portland passed a measure that created the FPDR Three tier and changed the retirement plan benefits of new members to OPSRP. The FPDR levy pays the employee and employer portions of the OPSRP contribution. This move is expected to increase property taxes for 35 years. Performance audits have been implemented to assess the implementation of the FPDR Plan reforms. The initial and follow-up disability program audits have been performed, and a pension program audit was completed in January 2010.

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

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

The FPDR Plan is funded by a special property tax levy which cannot exceed two and eight-tenth mils on each dollar of valuation of property ($2.80 per $1,000 of real market value) not exempt from such levy. In the event that funding for the FPDR Plan is less than the required payment of benefits to be made in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the special property tax levy in the succeeding year. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the two and eight-tenth mills limit, other City funds would be required to make up the difference. The FY 2012-13 levy of $123,564,952 required a tax rate of $2.6080 per $1,000 of assessed property value, or approximately $1.5466 per $1,000 of gross real market value.

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

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

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

**OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB")**

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

**PERS Program**

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may also receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to $60 per month towards the cost of their health insurance premiums under the RHIA program. RHIA's assets and liabilities are pooled on a system-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled covered payroll. According to the 2009 City Report, the City's allocated share of the RHIA program's UAL is $10,603,769 as of December 31, 2009, and according to the 2010 City Report, the City's allocated share of the RHIA program's UAL is $11,064,746 as of December 31, 2010.

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

**Health Insurance Continuation Option**

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

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

For FY 2011-12, the annual required contribution (the "ARC") of the employer to be recognized as the annual employer OPEB cost was $9,395,189. For fiscal year ended June 30, 2012, the City benefits paid on behalf of retirees exceeded the premiums they paid by $3,694,083. The City elected to not pre-fund the FY 2011-12 employer's annual required contribution to the plan (ARC) of $9,395,189. The amount unfunded in FY 2011-12 is $32,415,855, which is the OPEB obligation from the beginning of the fiscal year, plus the ARC for FY 2011-12, less payments made in relation to the FY 2011-12 ARC. The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and ARC, but will monitor its OPEB liability and assess whether a different approach is needed in future years.

## LITIGATION

No litigation is pending or threatened which would, if successfully prosecuted against the City or the Commission, materially and adversely affect the outstanding bonds or the Tax Increment Revenues.

# APPENDIX
# AUDITED FINANCIAL STATEMENTS

## INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2008, 2009, 2010, 2011 and 2012. Copies of these financial statements containing the reports of the independent certified public accountants are available on the City's website at:

http://www.portlandoregon.gov/bfs/26053

The following pages in this Appendix are excerpted from the City's Comprehensive Annual Financial Reports of the City for Fiscal Years ending June 30, 2008 through June 30, 2012. The Notes that follow the tabular data have been prepared by the City and have not been reviewed by the independent auditor.

**A CONSENT OF THE INDEPENDENT AUDITOR WAS NOT REQUESTED. THE AUDITOR WAS NOT REQUESTED TO PERFORM AND HAS NOT PERFORMED ANY SERVICE IN CONNECTION WITH THIS DISCLOSURE DOCUMENT AND IS THEREFORE NOT ASSOCIATED WITH THIS DISCLOSURE DOCUMENT.**

**CITY OF PORTLAND, OREGON**
**Lents Town Center Urban Renewal Area Debt Redemption Fund**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**
**Generally Accepted Accounting Principles Basis**

| | FY 2007-08 | FY 2008-09 | FY 2009-10 | FY 2010-11 | FY 2011-12 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Taxes | $7,116,318 | $7,701,328 | $9,050,644 | $9,379,288 | $9,713,382 |
| Investment earnings | 76,765 | 54,711 | 23,384 | 62,650 | 42,531 |
| Total Revenues | 7,193,083 | 7,756,039 | 9,074,028 | 9,441,938 | 9,755,913 |
| **Expenditures** | | | | | |
| Debt Service: | | | | | |
| Principal | 6,790,000 | 7,560,000 | -- | 1,175,000 | 1,155,000 |
| Interest | 458,365 | 164,501 | 111,753 | 1,856,843 | 1,875,247 |
| Total Expenditures | 7,248,365 | 7,724,501 | 111,753 | 3,031,843 | 3,030,247 |
| Revenues Over (Under) Expenditures | (55,282) | 31,538 | 31,538 | 6,410,095 | 6,725,666 |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers in | -- | -- | -- | -- | -- |
| Transfers out | -- | -- | (8,000,000) | (6,450,000) | (7,519,895) |
| Bonds and notes issued | -- | -- | 24,750,000 | -- | -- |
| Bonds and notes premium | -- | -- | -- | -- | -- |
| Payments to refunded loan and bond escrow agents | -- | -- | 21,718,022 | -- | -- |
| Total other financing sources (uses) | -- | -- | (4,967,408) | (6,450,000) | (7,519,895) |
| Net change in fund balances | (55,282) | 31,538 | 3,994,867 | (39,905) | (794,229) |
| **Fund Balance (Beginning of Year)** | 197,932 | 142,650 | 174,188 | 4,169,055 | 4,129,150 |
| **Fund Balance (End of Year)** | $142,650 | $174,188 | $4,169,055 | $4,129,150 | $3,334,921 |

Source: City of Portland audited financial statements.

**CITY OF PORTLAND, OREGON**
**Lents Town Center Urban Renewal Area Debt Redemption Fund**
**CONSECUTIVE BALANCE SHEETS (1)**
**As of June 30**

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Restricted: | | | | | |
| Cash and investments | $33,253 | $36,104 | $4,003,197 | $3,953,616 | $3,151,800 |
| Receivables: | | | | | |
| Property taxes | 362,791 | 486,244 | 532,754 | 521,186 | 643,902 |
| Accrued interest receivable | 4,226 | 5,098 | 9,518 | 28,430 | 28,313 |
| **Total Assets** | $400,270 | $527,446 | $4,545,469 | $4,503,232 | $3,824,015 |
| **Liabilities** | | | | | |
| Liabilities payable from restricted assets: | | | | | |
| Deferred revenue | $257,620 | $353,258 | $376,414 | $374,082 | $489,094 |
| **Total Liabilities** | 257,620 | 353,258 | 376,414 | 374,082 | 489,094 |
| **Fund Balance:** | | | | | |
| Reserved for debt service | 142,650 | -- | -- | -- | -- |
| Unreserved | -- | 174,188 | 4,169,055 | -- | -- |
| Restricted | -- | -- | -- | 4,129,150 | 3,334,921 |
| Total fund balances | 142,650 | 174,188 | 4,169,055 | 4,129,150 | 3,334,921 |
| Total liabilities and fund balance | $400,270 | $527,446 | $4,545,469 | $4,503,232 | $3,824,015 |

Notes:

(1) In year ending June 30, 2008, no distinction was made as to whether assets were "restricted" or "unrestricted" or whether liabilities were payable from "restricted" assets or "unrestricted" assets. These designations first appear in the CAFR for FY 2008-09. For comparative purposes, assets and liabilities in FY 2007-08 are shown as restricted even though such designation was not made in the CAFRs for this year.

Source: City of Portland audited financial statements.