PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 17, 2026

NEW ISSUE – NEGOTIATED **BOOK-ENTRY ONLY**

$585,630,000*
CITY OF PORTLAND, OREGON
Second Lien Water System Revenue and Refunding Bonds 2026 Series A (Green Bonds)

BASE CUSIP: 736754

DATED: Date of Delivery **DUE:** April 1, as shown on inside cover

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

Rating	Moody's Ratings: Aa2; S&P Global Ratings: AA+
Tax Status	In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2026 Series A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2026 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the 2026 Series A Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In the opinion of Bond Counsel, interest on the 2026 Series A Bonds is exempt from Oregon personal income tax under existing law. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.
Security	The 2026 Series A Bonds are special obligations of the City of Portland, Oregon (the "City"), that are secured by a second lien on, and payable solely from, the Net Revenues of the City's Water System and amounts required to be deposited in the Second Lien Bond Account. The lien of the pledge that secures the 2026 Series A Bonds is subordinate to the lien on the Net Revenues that secures the First Lien Bonds that the City has issued, and may issue in the future, under the Master First Lien Bond Declaration. The 2026 Series A Bonds are not secured by the Second Lien Revenue Bond Reserve Account or any subaccount therein. The 2026 Series A Bonds do not constitute general obligations of the City, and neither the full faith and credit nor the taxing power of the City is pledged for the payment of the principal of, premium (if any), or interest on the 2026 Series A Bonds. No recourse may be had against any funds or assets of the City (other than the Net Revenues of the Water System, the Second Lien Bond Account) to enforce payment of any amounts owing under or with respect to the 2026 Series A Bonds. See "PROVISIONS OF THE 2026 SERIES A BONDS" herein.
Purpose	The 2026 Series A Bonds are being issued to (1) finance a portion of the costs of the Capital Improvement Plan for the Water System; and (2) refund all or a portion of the City's outstanding First Lien Water System Revenue and Refunding Bonds, 2016 Series A, all as more fully described herein. Proceeds of the 2026 Series A Bonds will also fund issuance costs.
Green Bonds	The 2026 Series A Bonds have been designated as "Green Bonds." Kestrel has provided an independent external review and opinion that the 2026 Series A Bonds conform with the four core components of the International Capital Market Association Green Bond Principles and therefore qualify for Green Bonds designation. See "DESIGNATION OF BONDS AS GREEN BONDS" herein and Appendix J for more information.
Interest Payment Dates	April 1 and October 1, commencing April 1, 2027.
Principal Payment Dates	April 1, as shown on inside cover.
Denominations	$5,000 and any integral multiple thereof.
Redemption	The Bonds are subject to optional redemption prior to maturity as described herein. See "THE 2026 SERIES A BONDS—REDEMPTION OF THE 2026 SERIES A BONDS – Optional Redemption of the 2026 Series A Bonds" herein.
Closing	It is expected that delivery of the 2026 Series A Bonds will be made on or about September 9, 2026.
Book Entry System	The Depository Trust Company, New York, New York.
Bond Counsel	Hawkins Delafield & Wood LLP, Portland, Oregon.
Paying Agent	U.S. Bank Trust Company, National Association.
Underwriters	The 2026 Series A Bonds are offered when, as, and if issued and received by the Underwriters, subject to the final approving opinion by Hawkins, Delafield & Wood LLP, Portland, Oregon, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Portland Oregon.

BofA Securities **Siebert Williams Shank**

J.P. Morgan **Morgan Stanley** **Raymond James** **Wells Fargo Securities**

* Preliminary, subject to change.

MATURITY SCHEDULE

CITY OF PORTLAND, OREGON

$585,630,000[*]
Second Lien Water System
Revenue and Refunding Bonds, 2026 Series A
(Green Bonds)

Due April 1	Principal Amount[*]	Interest Rate	Yield	Price	CUSIP No.[Ψ] 736754
2027	36,730,000	%	%		
2028	9,485,000				
2029	9,955,000				
2030	9,455,000				
2031	12,505,000				
2032	15,565,000				
2033	7,755,000				
2034	8,145,000				
2035	3,970,000				
2036	8,000,000				
2037	11,025,000				
2038	15,560,000				
2039	24,835,000				
2040	30,660,000				
2041	32,195,000				
2042	34,005,000				
2043	35,705,000				
2044	-				
2045	1,960,000				
2046	2,060,000				

$61,545,000[*] Term Bond maturing April 1, 2051[*]
Yield ______%, Price ______ (CUSIP No. 736754___[Ψ])

$92,740,000[*] Term Bond maturing April 1, 2056[*]
Yield ______%, Price ______ (CUSIP No. 736754___[Ψ])

$121,775,000[*] Term Bond maturing April 1, 2059[*]
Yield ______%, Price ______ (CUSIP No. 736754___[Ψ])

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[*] Preliminary, subject to change.
[Ψ] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriters, or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2026 Series A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or the procurement of secondary market portfolio insurance or other similar enhancement by investors.

OFFICIAL STATEMENT
OF THE
CITY OF PORTLAND, OREGON
Relating to

$585,630,000*
Second Lien Water System Revenue and Refunding Bonds
2026 Series A
(Green Bonds)

CITY COUNCIL

Mayor

Keith Wilson, Mayor

District 1 Councilors	**District 2 Councilors**
Jamie Dunphy, Council President	Sameer Kanal
Candace Avalos	Elana Pirtle-Guiney
Loretta Smith	Dan Ryan

District 3 Councilors	**District 4 Councilors**
Tiffany Koyama Lane	Olivia Clark, Council Vice President
Angelita Morillo	Mitch Green
Steve Novick	Eric Zimmerman

CITY OFFICIALS

Raymond C. Lee III, City Administrator
Tracy Warren, Deputy City Administrator of City Operations
Priya Dhanapal, Deputy City Administrator of Public Works
Donnie Oliveira, Deputy City Administrator of Community and Economic Development
Vacant, Deputy City Administrator of Public Safety(1)
Jonas Biery, Chief Financial Officer

Robert L. Taylor, City Attorney
Simone Rede, City Auditor

PORTLAND WATER BUREAU

Dr. Ting Lu, Public Utilities Director
Cecelia Huynh, Director of Finance and Support Services
Julia Thompson, Director of Business Services
Kimberly Gupta, Director of Operations
Charles Smith, Director of Maintenance & Construction
Muriel Gueissaz-Teufel, Interim Chief Engineer
Sarah Murphy Santner, Director of Resource Protection and Planning
Carrie Popenuk, Director of Customer Service

BOND COUNSEL	**MUNICIPAL ADVISOR**
Hawkins Delafield & Wood LLP	PFM Financial Advisors LLC
Portland, Oregon	Portland, Oregon

FINANCIAL FEASIBILITY CONSULTANT

Amawalk Consulting Group LLC
New York, New York

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* Preliminary, subject to change.
(1) This position is currently vacant and is directly managed by the City Administrator until that position is filled.

CITY OF PORTLAND, OREGON

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Information Concerning the Official Statement

No dealer, broker, salesperson or other person has been authorized by 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.

This Preliminary Official Statement has been "deemed final" as of its date by the City, except for the omission of offering prices, interest rates, selling commissions, aggregate principal amount, principal amount per maturity, delivery dates and other terms of the 2026 Series A Bonds depending on such matters, in accordance with Rule 15c2-12(b)(i) under the Securities Exchange Act of 1934, as amended.

This Official Statement speaks only as of its date, and the information contained herein is subject to change without notice. Certain statements contained in this Official Statement are projections, forecasts and other statements about future events. These statements ("Forward Looking Statements") are not statements of historical facts and no assurance can be given that the results shown in these Forward Looking Statements will be achieved. Any such Forward Looking Statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, public health emergencies, changes in social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, seismic events and various other events, conditions and circumstances, many of which are beyond the control of the City. See "FORWARD LOOKING STATEMENTS." All estimates set forth herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates are correct. So far as any statements herein involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and are not representations of fact.

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 2026 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The 2026 Series A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon a specific exemption contained in such act, nor have the 2026 Series A Bonds been registered under the securities laws of any state.

In making an investment decision, potential investors must rely on their own examination of the City, the Water System, 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Any references to any website mentioned in this Official Statement are not hyperlinks and do not incorporate such websites by reference. The City maintains a website. However, the information presented on such website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2026 Series A Bonds.

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OFFICIAL STATEMENT
OF THE
CITY OF PORTLAND, OREGON
RELATED TO

$585,630,000*[*]
Second Lien Water System
Revenue and Refunding Bonds
2026 Series A
(Green Bonds)

INTRODUCTION

The purpose of this Official Statement is to set forth certain information concerning the City of Portland, Oregon (the "City"), the City's Water System (as defined in the Master Second Lien Bond Declaration) and the City's Second Lien Water System Revenue and Refunding Bonds, 2026 Series A (Green Bonds) (the "2026 Series A Bonds"), dated as of their date of delivery, which is expected to be September 9, 2026 (the "Date of Delivery").

The 2026 Series A Bonds will be issued pursuant to the authority conferred by Oregon Revised Statutes ("ORS") Sections 287A.150 and 287A.360 to 287A.380. The 2026 Series A Bonds will also be issued in accordance with City Ordinance No. 192177 enacted by the City Council on May 20, 2026 (the "Ordinance"), which authorizes the issuance of the 2026 Series A Bonds and delegates authority to certain City officers (the "Authorized Officers") to establish the specific terms and conditions of the 2026 Series A Bonds and to execute and deliver the Seventh Supplemental Bond Declaration (the "Seventh Supplemental Bond Declaration") pursuant to the Master Second Lien Water System Revenue Bond Declaration dated as of May 2, 2013, as supplemented and amended (the "Master Second Lien Bond Declaration" and together with the Seventh Supplemental Bond Declaration, the "Second Lien Bond Declaration"). The Master Second Lien Bond Declaration memorializes terms under which the City may issue obligations that have a second lien on the Net Revenues of the Water System (referred to as the "Second Lien Bonds") as more fully described herein. An Authorized Officer will execute and deliver the Seventh Supplemental Bond Declaration on behalf of the City, which describes specific terms of the 2026 Series A Bonds, including the interest rates, payment, and redemption provisions.

The 2026 Series A Bonds are special obligations of the City that are secured by a second lien on, and are payable solely from, the Net Revenues and amounts deposited in the Second Lien Bond Account, as provided in the Second Lien Bond Declaration. The lien of the pledge that secures the 2026 Series A Bonds is subordinate to the lien on the First Lien Bonds (as defined in the Master Second Lien Bond Declaration) that the City has issued and may issue in the future, under the Master First Lien Water System Revenue Bond Declaration dated as of December 15, 2016, as it has been and may be amended from time to time (the "First Lien Bond Declaration"). See "PROVISIONS OF THE 2026 SERIES A BONDS" herein.

The body of this Official Statement briefly summarizes many of the provisions of the Second Lien Bond Declaration and does not purport to be complete. Reference is made to the Master Second Lien Bond Declaration found in APPENDIX A, and the form of Seventh Supplemental Bond Declaration found in APPENDIX B for full and complete details of their proposed contents. Capitalized terms that are used but not defined in the body of this Official Statement have the meanings defined for those terms in the Second Lien Bond Declaration.

In connection with the City's issuance of the 2026 Series A Bonds, the City has engaged Amawalk Consulting Group LLC (the "Consultant") to provide an independent analysis of the Portland Water Bureau's financial forecast for the period of FY 2026-27 through FY 2031-32. The letter and report of the Consultant (the "Report") are included in this Official Statement as APPENDIX I. See also "FINANCIAL PROJECTIONS—Report of the Consultant" and "FINANCIAL FEASIBILITY CONSULTANT" herein. Based on its analysis, the Consultant believes the forecast is reasonable as of the

[*] Preliminary, subject to change.

date of the Report. The Report is dated as of August 17, 2026. It is part of this Official Statement and should be read in its entirety.

Kestrel 360, Inc. (“Kestrel”) has determined that the 2026 Series A Bonds are in conformance with the four core components of the International Capital Market Association Green Bond Principles, as described in Kestrel’s “Second Party Opinion,” which is attached hereto as APPENDIX J. See “DESIGNATION OF 2026 SERIES A BONDS AS GREEN BONDS” and APPENDIX J – “GREEN BONDS SECOND PARTY OPINION” herein.

The 2026 Series A Bonds do not constitute general obligations of the City, and neither the full faith and credit nor the taxing power of the City is pledged for the payment of the principal of, premium (if any), or interest on the 2026 Series A Bonds. No recourse may be had against any funds or assets of the City to enforce payment of any amounts owing under or with respect to the 2026 Series A Bonds except the amounts specifically pledged to pay the 2026 Series A Bonds in the Second Lien Bond Declaration.

THE 2026 SERIES A BONDS

DESCRIPTION

The 2026 Series A Bonds will be issued in registered Book Entry Only (“BEO”) form, without coupons, in denominations of $5,000 or integral multiples thereof. The 2026 Series A Bonds, when executed and delivered, 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”). While the 2026 Series A Bonds are in BEO form, principal of and interest on the 2026 Series A Bonds will be paid through DTC. See “BEO SYSTEM,” found in APPENDIX H.

The 2026 Series A Bonds are valid and binding obligations of the City. The 2026 Series A Bonds are payable solely from the Net Revenues of the Water System that are available for deposit in the Second Lien Bond Account pursuant to the Second Lien Bond Declaration. See “PROVISIONS OF THE 2026 SERIES A BONDS” herein.

PURPOSE

The 2026 Series A Bonds are being issued to (1) finance a portion of the costs of the Capital Improvement Plan for the Water System; and (2) refund all or a portion of the City’s outstanding First Lien Water System Revenue and Refunding Bonds, 2016 Series A. See “CAPITAL IMPROVEMENT PLAN” and “THE 2026 SERIES A BONDS—Refunding Plan” herein. Proceeds of the 2026 Series A Bonds will also be used to pay costs of issuance.

FORM

The 2026 Series A Bonds will be issued in fully-registered form without coupons in denominations of $5,000 or integral multiples thereof. The 2026 Series A Bonds will be issued subject to the BEO System of registration, transfer and payment operated by DTC, and will be subject in all respects to the rules, regulations and agreements pertaining to such BEO System. Purchasers of the 2026 Series A Bonds who are the Beneficial Owners thereof, as defined in APPENDIX H herein, will not receive certificates evidencing their ownership interests in the 2026 Series A Bonds. While Cede & Co. is the registered Owner of the 2026 Series A Bonds (in such capacity, the “Owner”) as nominee of DTC, it shall be treated in all respects as the sole Owner of the 2026 Series A Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2026 Series A Bonds) all rights as Owner, including but not limited to the right to give consents, the right to receive notices (including notices of redemption), and other rights conferred on owners of the 2026 Series A Bonds under the Second Lien Bond Declaration or applicable law. So long as the 2026 Series A Bonds are subject to the BEO System, all registrations and transfers of beneficial ownership of the 2026 Series A Bonds will be made only through the BEO System. See APPENDIX H, herein, for a discussion of the BEO System.

MATURITY AND PAYMENT

The 2026 Series A Bonds mature on April 1 of the years and in the aggregate principal amounts set forth on the inside cover page of this Official Statement and will bear interest from the Date of Delivery. Accrued and unpaid interest on the 2026 Series A Bonds will be due and payable semiannually on April 1 and October 1 of each year, commencing April 1, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. One fully-registered bond certificate will be issued for each maturity of the 2026 Series A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

So long as the 2026 Series A Bonds are subject to the BEO System, all payments of the principal of and interest on the 2026 Series A Bonds shall be remitted by the Registrar and Paying Agent, currently U.S. Bank Trust Company, National Association (the "Paying Agent"), 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 2026 Series A Bonds. The City has no responsibility for the distribution of any payments on the 2026 Series A 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 "BEO SYSTEM" in APPENDIX H herein.

REDEMPTION OF THE 2026 SERIES A BONDS[*]

Optional Redemption of the 2026 Series A Bonds

2026 Series A Bonds – The 2026 Series A Bonds maturing on or after April 1, 2037, are subject to redemption prior to maturity at the option of the City on January 1, 2036 and on any date thereafter, in whole or in part, according to DTC's procedures or by lot, at the respective redemption prices set forth in the following table (expressed as percentages of principal amounts of the 2026 Series A Bonds to be redeemed), plus interest accrued to the date fixed for redemption.

Redemption Period	Redemption Price
January 1, 2036 to March 31, 2036	100.50%
April 1, 2036 and thereafter	100.00

Mandatory Redemption of the 2026 Series A Bonds

The 2026 Series A Bonds maturing on April 1 in the years 2051[*], 2056[*], and 2059[*] are subject to mandatory redemption (in such manner as the Paying Agent and DTC will determine or by lot by the Paying Agent) on April 1 of the following years in the following principal amounts, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

Term Bond 4/1/2051[*]		Term Bond 4/1/2056[*]		Term Bond 4/1/2059[*]	
Date	Redemption Amount	Date	Redemption Amount	Date	Redemption Amount
4/1/2047	$9,830,000	4/1/2052	$16,100,000	4/1/2057	$30,870,000
4/1/2048	11,025,000	4/1/2053	17,290,000	4/1/2058	41,245,000
4/1/2049	12,270,000	4/1/2054	18,515,000	4/1/2059[†]	49,660,000
4/1/2050	13,550,000	4/1/2055	19,750,000		
4/1/2051[†]	14,870,000	4/1/2056[†]	21,085,000		

[†] Final maturity.

Any term bond of the 2026 Series A Bonds subject to optional redemption and redeemed in part will have the principal amount redeemed within the respective mandatory redemption dates selected by the City.

Notice of Redemption

So long as the BEO System remains in effect with respect to the 2026 Series A Bonds, and unless DTC consents to a shorter period, the Paying Agent shall provide not less than 20 days nor more than 60 days' notice of redemption, and shall provide such information in connection therewith as required by the letter of representations submitted to DTC in connection with the issuance of the 2026 Series A Bonds.

[*] Preliminary, subject to change.

It shall be the sole responsibility of DTC to give all notices of redemption to DTC Participants, and the DTC Participants, in turn, shall be responsible for giving such notices to the Beneficial Owners. Neither the City nor the Paying Agent will be responsible for giving any notice of redemption to any Beneficial Owner or any DTC Participant, nor shall the City or the Paying Agent be liable for any failure of DTC or any DTC Participant to give any such notice as described above. Interest on any 2026 Series A Bond or 2026 Series A Bonds called for redemption shall cease on the redemption date designated in the notice.

Conditional Notice of Redemption

Any notice of optional redemption given for the 2026 Series A Bonds may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such 2026 Series A Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected owners of the 2026 Series A Bonds as promptly as practicable.

Effect of Notice of Redemption

Official notice of redemption having been given (other than conditional notices of optional redemption as described above), the 2026 Series A Bonds or portions of the 2026 Series A Bonds to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless the City fails to pay the redemption price) such 2026 Series A Bonds or portion of 2026 Series A Bonds shall cease to bear interest.

REFUNDING PLAN

Subject to market conditions, to achieve debt service savings, the City intends to apply a portion of the proceeds of the 2026 Series A Bonds to redeem all or a portion of the City's outstanding First Lien Water System Revenue and Refunding Bonds, 2016 Series A listed in the table below (the "Refunding Candidates") on the Date of Delivery.

Table 1 below shows the Refunding Candidates that may be paid or refunded under the Refunding Plan. The Refunding Candidates that are refunded with proceeds of the 2026 Series A Bonds are referred to herein as the "Refunded Bonds."

Table 1
CITY OF PORTLAND, OREGON
Refunding Candidates(1)

Series	CUSIP No. 736754	Maturity	Principal Amount	Redemption Date	Redemption Price
2016A	PA4	4/1/2027	$6,555,000	09/09/2026	100.0
	PB2	4/1/2028	6,820,000	09/09/2026	100.0
	PC0	4/1/2029	7,090,000	09/09/2026	100.0
	PD8	4/1/2030	7,375,000	09/09/2026	100.0
	PE6	4/1/2031	7,665,000	09/09/2026	100.0
	PF3	4/1/2032	7,975,000	09/09/2026	100.0
	PG1	4/1/2033	8,290,000	09/09/2026	100.0
	PH9	4/1/2034	8,625,000	09/09/2026	100.0
	PJ5	4/1/2035	4,270,000	09/09/2026	100.0
	PK2	4/1/2036	4,440,000	09/09/2026	100.0
	PL0	4/1/2037	4,620,000	09/09/2026	100.0
	PM8	4/1/2038	4,805,000	09/09/2026	100.0
	PN6	4/1/2039	4,995,000	09/09/2026	100.0
	PP1	4/1/2040	5,195,000	09/09/2026	100.0
	PQ9	4/1/2041	5,405,000	09/09/2026	100.0
			$94,125,000		

(1) Preliminary, subject to change. See Table 16, "Outstanding Water System Revenue Bonds" for a description of the City's outstanding First Lien Bonds and Second Lien Bonds, including the Refunding Candidates.

Source: City of Portland

ESTIMATED SOURCES AND USES OF 2026 SERIES A BOND PROCEEDS

The anticipated sources and uses of proceeds from the 2026 Series A Bonds are itemized in the following table.

Table 2
CITY OF PORTLAND, OREGON
Estimated Sources and Uses of 2026 Series A Bond Proceeds[(1)]

SOURCES OF FUNDS	
Par amount of bonds	
Net original issue premium/(discount)	
Total sources of funds	
USES OF FUNDS	
Deposit to construction fund	
Redemption of Refunded Bonds	
Underwriters' discount	
Issuance cost[(2)]	
Total uses of funds	

(1) Table to be completed in the final Official Statement.
(2) Includes fees related to the paying agent, municipal advisor, rating agencies, bond and disclosure counsel, feasibility consultant, second-party opinion, printing costs and other costs of issuing the 2026 Series A Bonds.

Source: City of Portland

DEBT SERVICE ON THE 2026 SERIES A BONDS

Table 3 presents the debt service on the 2026 Series A Bonds. Table 4 presents annual debt service on all outstanding First and Second Lien Bonds and the 2026 Series A Bonds.

Table 3
CITY OF PORTLAND, OREGON
2026 Series A Bonds – Annual Debt Service Requirements

Fiscal Year	2026 Series A Bonds		
Ending June 30	Principal[1]	Interest[2]	Total[2]
2027	$36,730,000		
2028	9,485,000		
2029	9,955,000		
2030	9,455,000		
2031	12,505,000		
2032	15,565,000		
2033	7,755,000		
2034	8,145,000		
2035	3,970,000		
2036	8,000,000		
2037	11,025,000		
2038	15,560,000		
2039	24,835,000		
2040	30,660,000		
2041	32,195,000		
2042	34,005,000		
2043	35,705,000		
2044	-		
2045	1,960,000		
2046	2,060,000		
2047	9,830,000		
2048	11,025,000		
2049	12,270,000		
2050	13,550,000		
2051	14,870,000		
2052	16,100,000		
2053	17,290,000		
2054	18,515,000		
2055	19,750,000		
2056	21,085,000		
2057	30,870,000		
2058	41,245,000		
2059	49,660,000		
Total	$585,630,000		

(1) Preliminary, subject to change.
(2) To be completed in the Final Official Statement.
Source: City of Portland

Table 4
CITY OF PORTLAND, OREGON
Annual Debt Service Requirements – First and Second Lien Bonds(1)(2)

Fiscal Year Ending June 30	Outstanding First Lien Bonds(2)	Outstanding Second Lien Bonds(3)	Outstanding Second Lien 2021 WIFIA Bond(4)	Total Outstanding Bonds	Less: Refunded Bonds(5)	Plus: 2026 Series A Bonds(5)	Total Debt Service(5)
2027	$14,318,000	$41,279,725	-	55,597,725			
2028	14,320,550	41,280,725	-	55,601,275			
2029	14,321,500	41,282,725	-	55,604,225			
2030	14,325,150	41,277,725	-	55,602,875			
2031	14,315,650	41,262,975	-	55,578,625			
2032	14,317,800	39,245,725	-	53,563,525			
2033	14,315,300	34,607,725	14,325,845	63,248,870			
2034	14,317,450	34,601,175	14,325,845	63,244,470			
2035	9,618,200	34,602,125	14,325,845	58,546,170			
2036	9,620,200	30,765,525	14,325,845	54,711,570			
2037	9,619,600	28,145,625	14,325,845	52,091,070			
2038	5,621,000	28,156,425	14,325,845	48,103,270			
2039	5,618,800	19,660,875	14,325,845	39,605,520			
2040	5,619,000	15,072,925	14,325,845	35,017,770			
2041	5,621,200	15,070,225	14,325,845	35,017,270			
2042	-	15,069,775	14,325,845	29,395,620			
2043	-	15,070,575	14,325,845	29,396,420			
2044	-	15,066,925	54,030,428	69,097,353			
2045	-	7,232,925	54,023,269	61,256,194			
2046	-	7,235,556	54,015,975	61,251,531			
2047	-	-	53,621,365	53,621,365			
2048	-	-	52,997,762	52,997,762			
2049	-	-	52,392,248	52,392,248			
2050	-	-	51,810,861	51,810,861			
2051	-	-	51,255,406	51,255,406			
2052	-	-	50,843,664	50,843,664			
2053	-	-	50,524,869	50,524,869			
2054	-	-	50,233,769	50,233,769			
2055	-	-	49,995,726	49,995,726			
2056	-	-	49,724,354	49,724,354			
2057	-	-	41,782,676	41,782,676			
2058	-	-	33,838,651	33,838,651			
2059	-	-	28,207,861	28,207,861			
2060	-	-	27,977,322	27,977,322			
2061	-	-	27,742,509	27,742,509			
2062	-	-	27,504,024	27,504,024			
2063	-	-	27,261,264	27,261,264			
Total	$165,889,400	$545,987,981	$1,047,368,303	$1,759,245,684			

(1) Totals may not foot due to rounding. Preliminary; subject to change.
(2) Includes debt service on Refunding Candidates. See "THE 2026 SERIES A BONDS—Refunding Plan" herein. See also Table 16, "Outstanding Water System Revenue Bonds" for a discussion of the City's outstanding First Lien Bonds and Second Lien Bonds.
(3) Excludes semi-annual interest and quarterly 30bps (per annum) commitment fee related to the City's 2025 Non-Revolving Credit Agreement Note dated as of May 9, 2025 (the "2025 Junior Lien Note"), which currently has a $0 balance and $263.5 million available commitment. After the issuance of the 2026 Series A Bonds, the City anticipates cancelling the non-revolving credit facility.
(4) Includes debt service for the $669.0 million outstanding balance of the $726.6 million 2021 WIFIA Bond as of August 15, 2026. See "WATER SYSTEM OPERATING AND FINANCIAL INFORMATION—Other Financial Information – WIFIA Bonds" herein.
(5) To be completed in the Final Official Statement.
Source: City of Portland

PROVISIONS OF THE 2026 SERIES A BONDS

This section describes key provisions of the Second Lien Bond Declaration.

SPECIAL OBLIGATION; PLEDGE OF NET REVENUES

The 2026 Series A Bonds are special obligations of the City that are secured by a second lien on, and payable solely from, the Net Revenues of the City's Water System and amounts deposited in the Second Lien Bond Account. In the Second Lien Bond Declaration, the City has pledged the Net Revenues of the Water System that are available for deposit in the Second Lien Bond Account to pay the 2026 Series A Bonds. The liens of the pledges that secure the 2026 Series A Bonds are subordinate to the liens that secure the First Lien Bonds, but shall otherwise be superior to all other claims and liens except liens and claims for the payment of Operating Expenses. Net Revenues do not include all revenues of the City related to the Water System. See APPENDIX A and the definitions of "Gross Revenues," "Operating Expenses," and "Net Revenues" for a detailed statement of the components of Net Revenues.

The 2026 Series A Bonds do not constitute general obligations of the City, and neither the full faith and credit nor the taxing power of the City is pledged for the payment of the principal of, premium (if any) or interest on the 2026 Series A Bonds. No recourse may be had against any funds or assets of the City (other than the Net Revenues of the Water System) to enforce payment of any amounts owing under or with respect to the 2026 Series A Bonds.

See the definition of "Annual Second Lien Bond Debt Service" in APPENDIX A for the rules that apply to calculating Annual Second Lien Bond Debt Service for different types of Second Lien Bonds, including Federal Subsidy Obligations, Variable Rate Obligations, Balloon Payments, and Parity Second Lien Obligations subject to a Parity Agreement for Exchange of Interest Rates.

Under ORS 287A.310, if a municipality is authorized by statute or municipal charter to pledge its revenues, the pledge is valid and binding from the time the pledge is made, the revenues so pledged are immediately subject to the lien of such pledge without physical delivery, filing or other act, and the lien of such pledge is superior to all other claims and liens of any kind whatsoever. The ORS pursuant to which the 2026 Series A Bonds are being issued authorize such a pledge.

SECOND LIEN BOND RATE COVENANT

The City covenants for the benefit of the Owners of the Second Lien Bonds, including the 2026 Series A Bonds, that it will establish and maintain rates and charges in connection with the operation of the Water System that are sufficient to permit the City to pay all Operating Expenses and all lawful charges against the Net Revenues; to make all transfers required by the Master Second Lien Bond Declaration to the Second Lien Bond Account, the Second Lien Bond Reserve Account, and the Junior Lien Obligations Account; and to pay any franchise fees or similar charges imposed by the City on the Water System or its operations.

Additionally, the City covenants for the benefit of the Owners of all Second Lien Bonds:

1. that it shall charge rates and fees in connection with the operation of the Water System which, when combined with other Gross Revenues, are adequate to generate Net Revenues each Fiscal Year at least equal to one hundred percent (100.00%) of Combined Annual Debt Service due in that Fiscal Year; and

2. that it shall charge rates and fees in connection with the operation of the Water System which, when combined with other Gross Revenues, are adequate to generate Stabilized Net Revenues (which includes adjustments for deposits to and withdrawals from the Rate Stabilization Account) each Fiscal Year that are at least equal to one hundred ten percent (110.00%) of Combined Annual Debt Service due in that Fiscal Year.

The Master Second Lien Bond Declaration defines "Combined Annual Debt Service" to mean the sum of the Annual First Lien Debt Service plus the Annual Second Lien Bond Debt Service.

The Master Second Lien Bond Declaration describes how the tests in 1. and 2. above are met in connection with the use of Balloon Indebtedness, Variable Rate Obligations, Capital Charges, certain leases, and Second Lien Bonds that are eligible for Federal Subsidies. See Sections 5.2 through 5.6 in the Master Second Lien Bond Declaration in APPENDIX A.

The City shall determine whether it complied with the rate covenants for each Fiscal Year not later than 90 days after the beginning of the subsequent Fiscal Year based on the financial information available to the City at the time, and compliance with the rate covenants shall be determined based on that financial information. It shall not constitute an Event of Default if the City fails to comply with the rate covenants as long as, within 180 days after the beginning of the subsequent Fiscal Year, the City implements the recommendations of a Qualified Consultant that is engaged by the City to deliver written recommendations for a schedule of rates and charges or other actions which the Qualified Consultant reasonably projects will allow the City to comply with the rate covenants for the remainder of the Fiscal Year in which the recommendations are delivered to the City (with calculations of Operating Expenses for the partial year made on an annualized basis).

FUNDS AND ACCOUNTS

The City covenants to deposit the Gross Revenues in the Water Enterprise Fund.

The Master First Lien Bond Declaration establishes the following accounts in the Water Enterprise Fund:

- ***Revenue Bond Account****:* Amounts in this account may be used only to pay First Lien Bonds.

- ***Revenue Bond Reserve Account****:* This account is divided into subaccounts for different Series of First Lien Bonds. Amounts in each subaccount may be used only to pay the Series of First Lien Bonds secured by that subaccount, and only if amounts in the Revenue Bond Account and Net Revenues available in the Water Enterprise Fund are insufficient to pay that Series. The City may elect to secure any Series of Bonds issued after September 1, 2016, with any subaccount in the Revenue Bond Reserve Account, but only if the Supplemental Declaration for that Series of Bonds requires the City to fund that subaccount at the "Reserve Requirement."

- ***Subordinate Obligations Account****:* Amounts in this account may be used to pay Subordinate Obligations and are required to be used to pay First Lien Bonds if amounts in the Revenue Bond Account and Revenue Bond Reserve Account are not sufficient.

- ***Charter General Obligation Bond Account****:* Amounts in this account may be used to pay general obligation bonds of the City issued to finance the Water System pursuant to Section 11-103 of the City Charter. The City has no current plans to issue general obligation bonds under the authority provided by the City Charter and no such bonds are currently outstanding.

- ***Capital Renewal Account****:* Amounts in the Capital Renewal Account may be used solely to pay for capital costs of the Water System, including costs of repairing, replacing, improving and expanding the Water System.

The Master Second Lien Bond Declaration establishes the following accounts in the Subordinate Obligations Account of the Water Enterprise Fund:

- ***Second Lien Bond Account****:* Amounts in the Second Lien Bond Account shall be used only to pay principal of, premium and interest on, or to defease Second Lien Bonds.

- ***Second Lien Bond Reserve Account****:* Amounts credited to the Second Lien Bond Reserve Account shall be used only to secure Second Lien Bonds. The City may create one or more subaccounts in the Second Lien Bond Reserve Account to secure one or more Series of Second Lien Bonds and covenant to make deposits into any subaccounts it creates. However, the City is not obligated to create any subaccounts in the Second Lien Bond Reserve Account and is not obligated to secure any Series of Second Lien Bonds with a subaccount in the Second Lien Bond Reserve Account. **The 2026 Series A Bonds are not secured by the Second Lien Bond Reserve Account or any subaccount therein.** See "PROVISIONS OF THE 2026 SERIES A BONDS—Second Lien Bond Reserve Account" below.

- ***Junior Lien Obligations Account****:* Amounts in this account may be used to pay Junior Lien Obligations, if any. See "PROVISIONS OF THE 2026 SERIES A BONDS—Other Obligations - Junior Lien Obligations" herein.

- ***Rate Stabilization Account****:* As long as Second Lien Bonds are Outstanding, Net Revenues may be transferred to the Rate Stabilization Account at the option of the City as permitted by the Master Second Lien Bond Declaration and may be withdrawn at any time and used for any purpose for which the Gross Revenues may be used. (See "PROVISIONS OF THE 2026 SERIES A BONDS—Rate Stabilization Account" below.)

APPLICATION OF GROSS REVENUES

As long as any Second Lien Bonds, including the 2026 Series A Bonds, remain issued and outstanding, the Second Lien Bond Declaration provides that Gross Revenues shall be used solely to pay the following amounts in the following order of priority:

- To pay Operating Expenses of the Water System which are then due;
- To make all transfers required by the Master First Lien Bond Declaration, including to pay debt service on First Lien Bonds, to fund required debt service reserves for First Lien Bonds, and to pay any rebates or penalties for the First Lien Bonds;
- To make transfers of Net Revenues to the Second Lien Bond Account in an amount sufficient (with amounts available in the Second Lien Bond Account) to pay in full all Second Lien Bond principal, interest and premium, if any, which is due as required by the Master Second Lien Bond Declaration;
- On the first day of each month following a Valuation Date on which the balance in a subaccount of the Second Lien Bond Reserve Account is determined to be less than its Reserve Requirement, to transfer to that subaccount of the Second Lien Bond Reserve Account the amount of Net Revenues required by the provisions creating that subaccount in the Second Lien Bond Reserve Account;
- If the City reserves the right to fund the Reserve Requirement for a subaccount in the Second Lien Bond Reserve Account in installments, to make transfers of Net Revenues required in the amounts and on the schedule specified in proceedings authorizing the Second Lien Bonds that are secured by that subaccount;
- To pay any rebates or penalties for Second Lien Bonds when due to be paid to the United States pursuant to Section 148 of the Code;
- To make payments to the Junior Lien Obligations Account as specified in any proceedings authorizing Junior Lien Obligations;
- To transfer to the Charter General Obligation Bond Account an amount sufficient to pay all principal, interest and premium, if any, due on City general obligation bonds issued pursuant to Section 11-103 of the City Charter as specified in the Master First Lien Bond Declaration and the Master Second Lien Bond Declaration;
- To pay any franchise fees, utility license fees, and similar charges imposed by the City on the Water System or its operations; and
- While First Lien Bonds are Outstanding, to make transfers of Net Revenues to the Capital Renewal Account in the amounts described in the Master First Lien Bond Declaration.

After all transfers and payments having a higher priority under this section have been made, Net Revenues may be applied for any other lawful purpose, including transfers to the Rate Stabilization Account. See "PROVISIONS OF THE 2026 SERIES A BONDS—Rate Stabilization Account" herein.

RATE STABILIZATION ACCOUNT

Under the Master Second Lien Bond Declaration, the City has established the Rate Stabilization Account. Amounts credited to the Rate Stabilization Account may be withdrawn at any time and used for any purpose for which the Gross Revenues may be used. Deposits to the Rate Stabilization Account for a Fiscal Year shall decrease Stabilized Net Revenues for that Fiscal Year and withdrawals from the Rate Stabilization Account in a Fiscal Year shall increase Stabilized Net Revenues for that Fiscal Year. The City may adjust deposits to and withdrawals from the Rate Stabilization Account for a Fiscal Year at any time prior to the date on which the audit for that Fiscal Year is finalized. It is the intent of the City to use such deposits and withdrawals to mitigate year-to-year volatility in Water System rates and revenue. See "FINANCIAL POLICIES AND PLANNING STANDARDS—Financial Operations Policies – Rate Stabilization Account" herein.

SECOND LIEN BOND RESERVE ACCOUNT

Creation of Subaccounts and Establishment of the Reserve Requirement

The City has created the Second Lien Bond Reserve Account and may create one or more subaccounts in the Second Lien Bond Reserve Account to secure one or more Series of Second Lien Bonds. The City is not obligated to create any subaccounts in the Second Lien Bond Reserve Account, and is not obligated to secure any Series of Second Lien Bonds with a subaccount in the Second Lien Bond Reserve Account.

When a subaccount in the Second Lien Bond Reserve Account is created, the City shall determine whether the subaccount will secure one or more Series of Second Lien Bonds. If the City creates a subaccount in the Second Lien Bond Reserve Account, the City shall, when it issues the first Series of Second Lien Bonds that is secured by that subaccount: a) establish the Reserve Requirement for that subaccount; b) pledge amounts credited to that subaccount to pay the Bonds that are secured by that subaccount; c) determine if the Reserve Requirement for that subaccount may be funded with Reserve Sureties; and d) determine the requirements for those Reserve Sureties, and the valuation and replenishment provisions that apply to that subaccount.

No Subaccounts in the Second Lien Bond Reserve Account for the 2026 Series A Bonds

The City has elected <u>not</u> to create subaccounts in the Second Lien Bond Reserve Account to secure the 2026 Series A Bonds.

Funding Status of Subaccounts of the Second Lien Bond Reserve Account

The City only has one series of Second Lien Bonds that are secured by the Second Lien Bond Reserve Account, as described below. The 2026 Series A Bonds are not secured by the Second Lien Bond Reserve Account or any subaccount therein, and this subsection is presented for informational purposes only.

The City created the 2021 Bonds Reserve Subaccount in the Second Lien Bond Reserve Account, which secures the Second Lien Water System Revenue and Refunding Bonds, 2021 Series B (the "2021 Series B Bonds"). The 2021 Bonds Reserve Subaccount is fully funded as of the Date of Delivery with a Surety Bond issued by Build America Mutual Assurance Company, which is rated "AA" by S&P Global Ratings, in the amount of $11,398,320. See APPENDIX A and the definition of "Reserve Requirement." The 2021 Series B Bonds fully mature on May 1, 2046.

FIRST LIEN BOND RESERVE ACCOUNT

The City has two series of First Lien Bonds outstanding - its First Lien Water System Revenue and Refunding Bonds, 2016 Series A and First Lien Water System Revenue Refunding Bonds, 2022 Series A. Neither of these First Lien Bonds are secured by a subaccount in the Revenue Bond Reserve Account.

SECOND LIEN PARITY OBLIGATIONS

The City may issue Parity Second Lien Obligations to provide funds for any purpose relating to the Water System, but only if no Event of Default under the Master Second Lien Bond Declaration or any Supplemental Declaration has occurred and is continuing; the City has made all transfers required by the Master First Lien Bond Declaration and the Master Second Lien Bond Declaration; and there has been filed with the City *<u>either</u>*:

1. A certificate of the Debt Manager stating that:

    a. the Net Revenues (adjusted as provided below) for the Base Period were not less than one hundred percent (100.00%) of Maximum Combined Annual Debt Service on all then Outstanding First Lien Bonds and Second Lien Bonds, calculated as of the date the Parity Second Lien Obligations are issued and with the proposed Parity Second Lien Obligations treated as Outstanding; and

    b. the Stabilized Net Revenues (adjusted as provided below) for the Base Period were not less than one hundred ten percent (110.00%) of Maximum Combined Annual Debt Service on all then Outstanding First Lien Bonds and Second Lien Bonds, calculated as of the date the Parity Second Lien Obligations are issued and with the proposed Parity Second Lien Obligations treated as outstanding; or

2. A certificate of a Qualified Consultant:

    a. stating the amount of the Adjusted Net Revenues computed as provided below and the Adjusted Stabilized Net Revenues as provided below for each of the four Fiscal Years after the last Fiscal Year for which interest on the Parity Second Lien Obligations is, or is expected to be, capitalized, or, if interest will not be capitalized, for each of the four Fiscal Years after the proposed Parity Second Lien Obligations are issued;

    b. concluding that the respective amounts of Adjusted Net Revenues in each of the Fiscal Years described in 2.a. above are at least equal to one hundred percent (100.00%) of the Combined Annual Debt Service for each of those respective Fiscal Years on all Outstanding First Lien Bonds and Second Lien Bonds, with the proposed Parity Second Lien Obligations treated as Outstanding;

    c. concluding that the respective amounts of Adjusted Stabilized Net Revenues in each of the Fiscal Years described in 2.a. are at least equal to one hundred ten percent (110.00%) of the Combined Annual Debt Service for each of those respective Fiscal Years on all Outstanding First Lien Bonds and Second Lien Bonds, with the proposed Parity Second Lien Obligations treated as Outstanding;

    d. stating the projected amount of the Adjusted Net Revenues and the Adjusted Stabilized Net Revenues for the fifth Fiscal Year after the last Fiscal Year for which interest on the Parity Second Lien Obligations is, or is expected to be, capitalized, or, if interest will not be capitalized, the fifth Fiscal Year after the Parity Second Lien Obligations are issued;

    e. concluding that this amount of Adjusted Net Revenues described in 2.d. above is at least equal to one hundred percent (100.00%) of the Maximum Combined Annual Debt Service, calculated for the period beginning with that fifth Fiscal Year on all then Outstanding First Lien Bonds and Second Lien Bonds, with the proposed Parity Second Lien Obligations treated as Outstanding; and

    f. concluding that this amount of Adjusted Stabilized Net Revenues described in 2.d. above is at least equal to one hundred ten percent (110.00%) of the Maximum Combined Annual Debt Service, calculated for the period beginning with that fifth Fiscal Year on all then Outstanding First Lien Bonds and Second Lien Bonds, with the proposed Parity Second Lien Obligations treated as Outstanding.

The Master Second Lien Bond Declaration defines "Stabilized Net Revenues" to mean the Gross Revenues for a Fiscal Year, plus the withdrawals from the Rate Stabilization Account for that Fiscal Year, minus the Operating Expenses for that Fiscal Year and minus transfers to the Rate Stabilization Account for that Fiscal Year. See "PROVISIONS OF THE 2026 SERIES A BONDS—Rate Stabilization Account" herein.

Net Revenues and Stabilized Net Revenues may be adjusted for the purposes described in paragraph 1 above by adding any Net Revenues the Debt Manager calculates the City would have had during the Base Period because of increases in Water System rates, fees and charges which have been adopted by the City on or before the date the Parity Second Lien Obligations are issued.

For the purposes described in paragraph 2. above, Adjusted Net Revenues shall be computed by adjusting the Net Revenues for the Base Period in any of the ways described in Section 6.3 of the Master Second Lien Bond Declaration. Adjusted Stabilized Net Revenues shall be computed by adjusting the Net Revenues for the Base Period in any of the ways described in Section 6.4 of the Master Second Lien Bond Declaration.

The Master Second Lien Bond Declaration describes how the tests in 1. and 2. above are met in connection with the use of Federal Subsidy Obligations, Balloon Payments and Variable Rate Obligations. See Sections 6.6 through 6.8 in the Master Second Lien Bond Declaration in APPENDIX A.

The City may issue Parity Second Lien Obligations to refund Outstanding Second Lien Bonds or First Lien Bonds without complying with the foregoing requirements if the Annual Second Lien Debt Service on the refunding Parity Second Lien Obligations does not exceed the Annual First Lien Debt Service on the refunded First Lien Bonds (calculated as if the refunded First Lien Bonds were Second Lien Bonds) or the Annual Second Lien Debt Service on the refunded Second Lien Bonds in any Fiscal Year by more than $5,000.

An Agreement for Exchange of Interest Rates may be a Parity Agreement for Exchange of Interest Rates and a Parity Second Lien Obligation if the obligation to make City Payments under the Agreement for Exchange of Interest Rates qualifies as a Parity Second Lien Obligation under the Master Second Lien Bond Declaration, after the Reciprocal Payments under the Agreement for Exchange of Interest Rates are applied to reduce Combined Annual Debt Service. Any Parity Agreement for Exchange of Interest Rates shall clearly state that it is a Parity Agreement for Exchange of Interest Rates and has qualified as a Parity Second Lien Obligation under the Master Second Lien Bond Declaration. In addition, the City may replace a Parity Agreement for Exchange of Interest Rates with another Parity Agreement for Exchange of Interest Rates without qualifying the replacement Agreement for Exchange of Interest Rates if the replacement does not increase the Combined Annual Debt Service in any Fiscal Year by more than $5,000.

All Parity Second Lien Obligations issued in accordance with the requirements of the Master Second Lien Bond Declaration shall have a lien on the Net Revenues which is equal to the lien of all other Outstanding Second Lien Bonds.

OTHER OBLIGATIONS

First Lien Bonds

While the City is permitted to issue First Lien Bonds as outlined below, it does not plan to issue First Lien Bonds. See "FINANCIAL PROJECTIONS" herein. The City covenants for the benefit of the Owners of all First Lien Bonds that it shall charge rates and fees in connection with the operation of the Water System which, when combined with other Gross Revenues, are adequate to generate Net Revenues each Fiscal Year at least equal to 1.25 times Annual Debt Service on First Lien Bonds due in that Fiscal Year.

The Master First Lien Bond Declaration permits the City to issue First Lien Bonds to provide funds for any purpose relating to the Water System, but only if no Event of Default has occurred and is continuing, there is no deficiency in the Revenue Bond Account, the balance in the Revenue Bond Reserve Account is at least equal to the Reserve Requirement, and there has been filed with the City either:

1. A certificate of the Director stating that Net Revenues (adjusted by the Director as provided below) for the Base Period were not less than one hundred twenty-five percent (125%) of the average Annual Debt Service on all Outstanding First Lien Bonds, with the proposed First Lien Bonds treated as Outstanding; or,

2. A certificate or opinion of a Qualified Consultant stating that the Adjusted Net Revenues (computed as provided below) are at least one hundred twenty-five percent (125%) of the average Annual Debt Service on all Outstanding First Lien Bonds, with the proposed First Lien Bonds treated as Outstanding.

Net Revenues may be adjusted by the Debt Manager by adding any Net Revenues the Debt Manager calculates the City would have had during the Base Period because of increases in Water System rates, fees and charges which took effect after the beginning of the Base Period. However, no adjustment shall be made for these increases unless they have been approved by the Council prior to delivery of the proposed First Lien Bonds and are required to take effect no later than sixty days after the delivery of the proposed First Lien Bonds.

The Qualified Consultant may compute Adjusted Net Revenues by adjusting the Net Revenues for the Base Period in any of the following ways:

1. If the First Lien Bonds are being issued for the purpose of acquiring operating Water System utility properties having an earnings record, the Qualified Consultant may estimate the effect on the Net Revenues for the Base Period if the

Water System utility properties had been part of the Water System during the Base Period. The estimate shall be based on the operating experience and records of the City and any available financial records relating to the Water System utility properties which will be acquired.

2. To reflect any changes in rates and charges that have been adopted by the City Council and which:

    a. Are in effect on the date of sale and delivery of the First Lien Bonds; or

    b. Are to go into effect not later than twelve months after such date, and were not in effect during the entire Base Period.

3. To reflect any customers added to the Water System after the beginning of the Base Period and prior to the date of the Qualified Consultant's certificate;

4. If extensions of or additions to the Water System are in the process of construction on the date of the Qualified Consultant's certificate, or if the proceeds of the First Lien Bonds being issued are to be used to acquire or construct extensions of or additions to the Water System, to reflect any additional Net Revenues not included in the preceding paragraphs that will be derived from such additions and extensions (after deducting the estimated increase in operating and maintenance expenses resulting from such additions and extensions).

The City may issue First Lien Bonds to refund Outstanding First Lien Bonds without complying with the foregoing requirements if the refunded First Lien Bonds are defeased on the date of delivery of the refunding First Lien Bonds and if the Annual Debt Service on the refunding First Lien Bonds does not exceed the Annual Debt Service on the refunded First Lien Bonds in any Fiscal Year by more than $5,000.

All First Lien Bonds issued in accordance with the requirement of the Master First Lien Bond Declaration shall have a lien on the Net Revenues which is equal to the lien of all other Outstanding First Lien Bonds.

Junior Lien Obligations

The City may issue obligations that have a lien on Net Revenues which is subordinate to the lien of the First Lien Bonds and the Second Lien Bonds ("Junior Lien Obligations"). The Junior Lien Obligations are payable solely from amounts permitted to be deposited in the Junior Lien Obligations Account and must state clearly that they are secured by a lien on or pledge of the Net Revenues which is subordinate to the lien on, and pledge of, the Net Revenues for the First Lien Bonds and the Second Lien Bonds. The City's 2025 Junior Lien Note is a Junior Lien Obligation. See "WATER SYSTEM OPERATING AND FINANCIAL INFORMATION—Other Financial Information – Outstanding Water System Debt" herein.

OTHER COVENANTS

The City covenants it will:

1. Promptly cause the principal, premium, if any, and interest on the First Lien Bonds and the Second Lien Bonds to be paid as they become due in accordance with the provisions of the Master First Lien Bond Declaration, the Master Second Lien Bond Declaration, and any Supplemental Declaration;

2. Maintain complete books and records relating to the operation of the Water System and all City funds and accounts in accordance with generally accepted accounting principles, and to have such books and records audited annually at the end of each Fiscal Year, and an audit report made available for the inspection of First Lien Bond Owners and Second Lien Bond Owners.

3. For the benefit of First Lien Bond Owners, not issue First Lien Bonds or other obligations having a claim superior to the claim of the First Lien Bonds upon the Net Revenues.

4. For the benefit of Second Lien Bond Owners, not issue obligations which have a lien on the Net Revenues that is superior to the lien of the Second Lien Bonds except for the First Lien Bonds and obligations to pay Operating Expenses.

5. For the benefit of Second Lien Bond Owners, not amend the Master First Lien Bond Declaration unless the City finds that the amendments will not materially and adversely affect the rights of the Owners of Second Lien Bonds; however, this covenant shall not be construed to limit the ability of the City to issue First Lien Bonds pursuant to the Master First Lien Bond Declaration.

6. Promptly deposit the Gross Revenues into the funds and accounts as required by the Master First Lien Bond Declaration and the Master Second Lien Bond Declaration.

7. Operate the Water System in a safe, sound, efficient and economic manner in compliance with all health, safety and environmental laws, regulatory body rules, regulatory body orders and court orders applicable to the City's operation and ownership of the Water System.

8. Cause the Water System to be maintained, preserved, reconstructed, expanded and kept in good repair, working order and condition, and cause to be made all necessary or proper repairs, replacements and renewals so that at all times the operation of the Water System shall be properly and advantageously conducted.

9. Not enter into any new agreement to provide Water System products or services at a discount from published rate schedules or to provide free Water System products or services (except in case of fire suppression and emergencies).

10. Maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties, and that it will apply the net proceeds of insurance against accident or destruction of the Water System to repair or rebuild the damaged or destroyed Water System, or to the redemption of the First Lien Bonds and to the extent available after such payment, to the payment or redemption of the Second Lien Bonds on a pro rata basis. Insurance described in this paragraph shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or in the form of self-insurance by the City.

11. Not sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Water System except as specifically permitted by the Master First Lien Bond Declaration and the Master Second Lien Bond Declaration.

The City's Water Infrastructure Finance and Innovation Act ("WIFIA") Bond, 2021 Series A (Second Lien Water System Revenue Bond) (the "2021 WIFIA Bond") and its WIFIA Bond, 2024 Series B (Second Lien Water System Revenue Bond) (the "2024 WIFIA Bond" and together with the 2021 WIFIA Bond, the "WIFIA Bonds") and associated loan agreements impose certain additional requirements that supplement the provisions of the Master Second Lien Bond Declaration while the WIFIA Bonds are outstanding, including limiting the City from:

1. issuing First Lien Bonds to finance the same projects financed with the WIFIA Bonds, which are Second Lien Bonds (i.e., the Bull Run Treatment Projects, as described under "CAPITAL IMPROVEMENT PLAN – CAPITAL PROGRAMS AND PROJECTS – Major Capital Projects" herein);

2. issuing Parity Second Lien Obligations unless the City provides the lender with a certificate stating that the Net Revenues (adjusted as provided in Section 6.2 of the Master Declaration) for the Base Period were not less than one hundred ten percent (110%) of Maximum Combined Annual Debt Service on all then Outstanding First Lien Bonds and Second Lien Bonds, calculated on the date the Parity Second Lien Obligations are issued with the proposed Parity Second Lien Obligations treated as Outstanding (with certain exceptions, including for refunding bonds);

3. issuing First Lien Bonds and Second Lien Bonds with a variable rate, if such incurrence would cause the principal amount of all Outstanding First Lien Bonds and Second Lien Bonds with a variable rate to exceed 25% of the principal amount of all Outstanding First Lien Bonds and Second Lien Bonds at that time, with exceptions for certain interim financings;

4. entering into certain swap or hedging transactions without United States Environmental Protection Agency consent; and

5. using Gross Revenues, other assets of the Water System, or any funds in any accounts held under the bond documents, for purposes other than ownership, operation or maintenance of the Water System.

See “WATER SYSTEM OPERATING AND FINANCIAL INFORMATION—Other Financial Information – WIFIA Bonds” for more information regarding the WIFIA Bonds.

DESIGNATION OF 2026 SERIES A BONDS AS GREEN BONDS

The information under this Section “Designation of 2026 Series A Bonds as Green Bonds” has been provided by Kestrel. Neither the City nor the Underwriters make any representation regarding the accuracy or completeness thereof, or for the absence of material changes in such information subsequent to the date hereof.

GREEN BONDS DESIGNATION

Per the International Capital Market Association (ICMA), Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bond Principles. The four core components are: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; and 4. Reporting.

Kestrel has determined that the 2026 Series A Bonds are in conformance with the four core components of the ICMA Green Bond Principles, as described in Kestrel’s ‘Second Party Opinion’, which is attached hereto as APPENDIX J.

INDEPENDENT SECOND PARTY OPINION ON GREEN BONDS DESIGNATION AND DISCLAIMER

For over 24 years, Kestrel has been consulting in sustainable finance. Kestrel is an Approved Verifier accredited by the Climate Bonds Initiative and a market leader for Second Party Opinions in US public finance. Kestrel reviews corporate and public finance transactions for alignment with ICMA Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines; the IFC Guidelines for Blue Finance; and the Climate Bonds Initiative Standards and criteria. Municipal bonds are benchmarked with Kestrel Sustainability Intelligence™.

The Second Party Opinion issued by Kestrel does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the bonds. Second Party Opinions provided by Kestrel are not a recommendation to any person to purchase, hold, or sell the bonds and designations do not address the market price or suitability of these bonds for a particular investor and do not and are not in any way intended to address the likelihood of timely payment of interest or principal when due.

In issuing the Second Party Opinion, Kestrel has assumed and relied upon the accuracy and completeness of the information made publicly available by the City or that was otherwise made available to Kestrel.

THE WATER SYSTEM

The City owns, operates and maintains the Water System, and the Water System is managed by the Portland Water Bureau (the “Bureau” or the “Water Bureau”). This section provides a general overview of the Water System and a description of the City’s two active water sources; the treatment, transmission, storage, and distribution systems; hydroelectric power generation; and other topics related to water supply, planning, and operations.

GENERAL INFORMATION

The City has supplied domestic drinking water to residents of the Portland area for more than 125 years and is the largest supplier of domestic water in Oregon. Currently, almost one fifth of the State’s population—about 840,000 people within a 225-square-mile service area—receive water from the City through wholesale or retail sales. (See Figure 1.) The City delivered about 31.9 billion gallons (“BG”) of water to its customers in Fiscal Year (“FY”) 2025-26. On an average basis over the last five fiscal years, the City has delivered about 90 million gallons per day (“MGD”). On peak days, the City may deliver as much as 150 million gallons (“MG”) and has the capacity to deliver over 200 MGD.

The City has two active sources of water supply: (1) the Bull Run Watershed, a surface water supply that is the primary source of water supply; and (2) the Columbia South Shore Well Field, a secondary supply of groundwater.

Figure 1. The City Water System Supply and Distribution Areas

The City's Water System customers are a mix of direct retail customers (within the City of Portland) and wholesale customers comprised of certain nearby cities, special districts and private water companies (see Figure 2 – Portland Water System Service Area). Historically, the City sold about 60% of its water as retail sales to individual accounts and approximately 40% on a wholesale basis and Water System revenues were largely derived from retail sales (approximately 90% of water sales revenues). Effective July 1, 2026, the mix of customer types and water delivery has changed, as some of the largest wholesale customers, including Tualatin Valley Water District ("TVWD"), Rockwood Water People's Utility District ("Rockwood Water PUD"), the City of Gresham, and Lusted Water District have developed their own water systems. As a result, the mix of retail and wholesale water sales and water supplied is expected to change beginning July 1, 2026. See "WATER SYSTEM CUSTOMERS, DEMAND, RATES AND BILLING" herein.

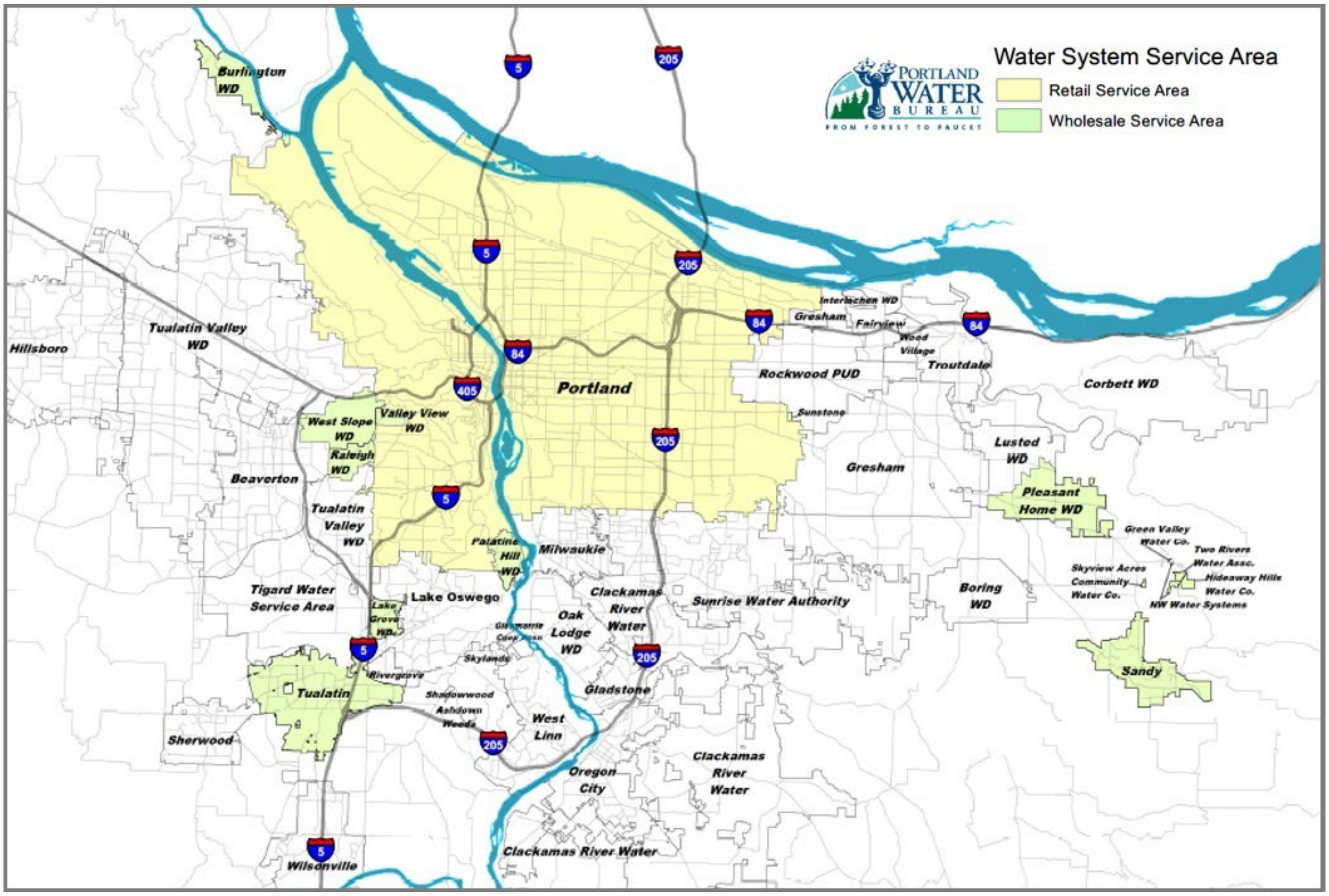


Figure 2. Portland Water System Retail and Wholesale Service Areas

SUMMARY OF KEY FEATURES

The following table summarizes key features of the Water System.

Table 5
CITY OF PORTLAND, OREGON
Water System Statistics (June 30, 2026)[(1)]

Total Water Delivered in FY 2025-26	33.4 billion gallons
Watershed Managed Storage Capacity	16.8 billion gallons
Normal Useable Storage Capacity	9.9 billion gallons
Number of Active Groundwater Wells	25
Nominal Groundwater Active Well Field Capacity	101 million gallons per day
Number of Conduits	3
Miles of Conduit Pipe	59.1
Miles of Intertie Conduit Pipe	2.5
Maximum Watershed Transmission Capacity	225 million gallons per day
Number of In-Town Terminal Storage Reservoirs	6
Number of Active Standpipes and Tanks	43
Total In-Town Storage Capacity	193.4 million gallons
Miles of Transmission and Distribution Pipe	2,252
Number of Active Pump Stations	36
Number of Active Pumps	120
Number of Accounts	196,700
- Single Family Residential	160,100
- Multi-Family Residential	15,800
- Commercial and Industrial	20,200
- Commercial Mixed Use[(2)]	600
- Wholesale[(3)]	17
Number of Fire Hydrants	14,916
Number of Valves (excl. pressure regulator or pump station)	60,065
Number of Drinking Fountains	128

(1) Numbers are approximate.
(2) Beginning with FY 2024-25, the City began tracking active accounts for commercial and residential mixed use buildings as a separate account class.
(3) Although the City had 15 wholesale customers as of July 1, 2026, there are 17 accounts listed because some wholesale customers have more than one account. The number of wholesale customers changed as of July 1, 2026. See "WATER SYSTEM CUSTOMERS, DEMAND, RATES AND BILLING" herein.

Source: City of Portland

SOURCES OF SUPPLY

The Bull Run Watershed

The City's primary drinking water source is the 65,000-acre Bull Run Watershed (the "Watershed"), which lies 26 miles east of Portland in the Mt. Hood National Forest. The water supply drainage in Figure 3 indicates the area within a hydrologic boundary that contains all lands that drain into Bull Run Lake and the two Bull Run water supply reservoirs. Precipitation that falls within this boundary is the primary source of water that contributes to the water supply used for drinking water customers, hydroelectric production, and to fulfill downstream flow and temperature obligations in the lower Bull Run River. Watershed supply drainage elevations range from 750 to 4,700 feet above sea level. (See Figure 3 – The Watershed Management Unit, Water Supply Drainage, and Closure Area.)

The Bull Run Watershed Management Unit (the "Watershed Management Unit")—the 94,196-acre administrative boundary that encompasses the Watershed—is located within the Mt. Hood National Forest and is administered primarily by the United States Forest Service ("USFS") with two small portions totaling 646 acres administered by the U.S. Bureau of Land Management (the "BLM"). The City owns the remaining four percent of the land area of the Watershed Management Unit. The City and the USFS have joint management responsibilities for the Watershed Management Unit under the statutory authority of United States Public Law ("P.L.") 95-200. This law also clarified that the primary purpose of the Watershed Management Unit is to provide a source of high-quality water for the City and its wholesale customers. Since the enactment of P.L. 95-200, three major administrative and legislative directives were issued and have significantly enhanced federal water quality protection for the Watershed:

- the 1994 Northwest Forest Plan established standards and guidelines for protecting threatened and endangered terrestrial species dependent on old-growth forest conditions, including the northern spotted owl, and protection for aquatic habitat such as rivers and streams. The USFS is working on a plan amendment to incorporate changes in economic, social, environmental, and cultural conditions such as incorporating climate change and providing meaningful tribal engagement;

- the 1996 Oregon Resources Conservation Act, an amendment to P.L. 95-200, eliminated tree cutting within the Watershed water supply drainage area except when necessary for the protection or enhancement of the water or hydroelectric systems; and

- the 2001 Little Sandy Protection Act, an amendment to P.L. 95-200, expanded the Watershed Management Unit boundary by 2,550 acres, including 646 acres of BLM lands, and extended tree-cutting prohibitions to the entire 94,196-acre unit.

In addition to these federal protections, City Code protections were established in February 2010 for City-owned lands within the Watershed Management Unit. The City Code implements the same tree-cutting restrictions as those in place under federal law and prohibits any future development on City lands within the Watershed unless it is related to providing drinking water. The combined area protected by City Code and the federal law is the "Watershed Closure Area," as shown in Figure 3. Further, in November 2019, voters approved a ballot measure to amend the City Charter to include these Watershed protections in the City Charter. City Code was updated in 2020 to implement the Charter amendment, including additional environmental and cultural resources protection measures so that land owned by the City in the Watershed Closure Area is protected in a similar manner to the adjacent national forest land in the Watershed Management Unit.

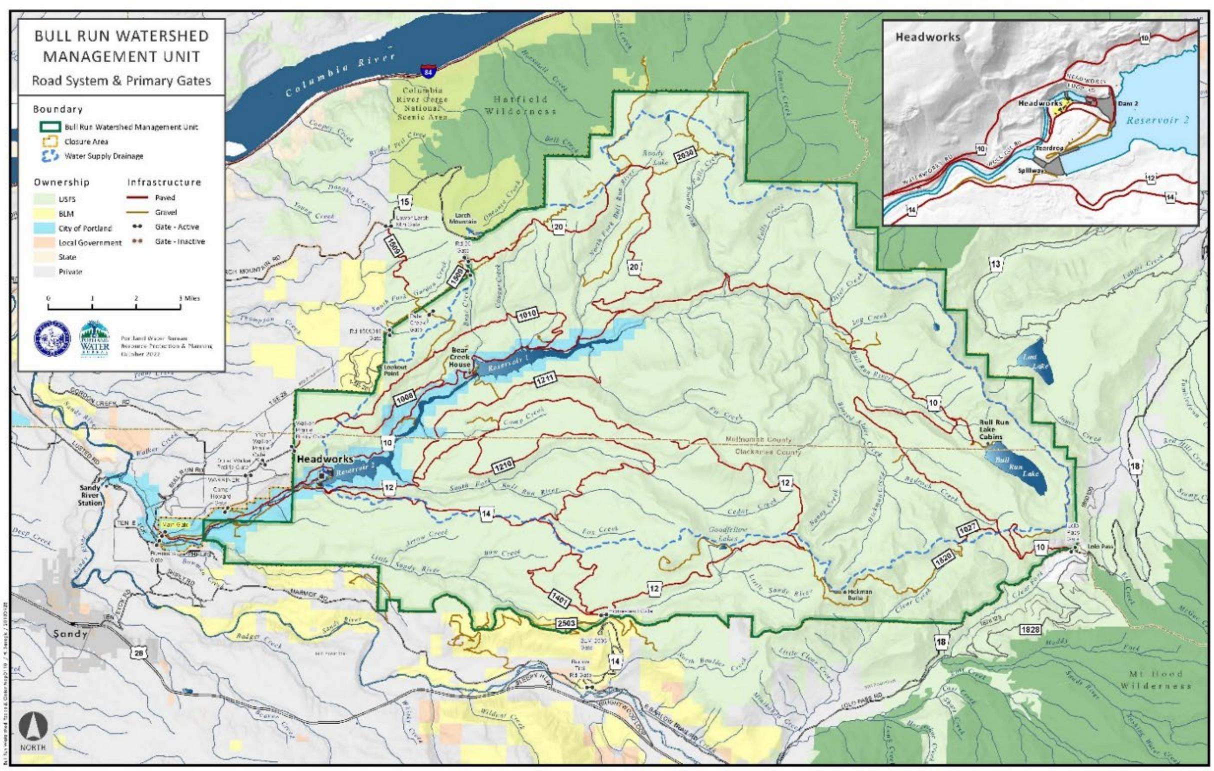


Figure 3. The Watershed Management Unit, Water Supply Drainage, and Closure Area
Note: Figure 3 shows Watershed Closure Area boundaries, which became effective on November 8, 2014.

The Bull Run River is a distinctively productive water source that begins at Bull Run Lake and flows west to the two Bull Run Water supply reservoirs. Bull Run Lake, a natural lake located at the headwaters of the Bull Run River near the eastern boundary of the Watershed, is the highest-elevation water body in the Watershed. The Watershed averages about 135 inches of rain per year. Portland, in comparison, averages about 37 inches of rain per year. At the end or "mouth" of the Bull Run River, the average annual runoff is about 180 BG.

Within the Watershed, Reservoirs 1 and 2 store a total of 16.8 BG. This total capacity represents about 179 days of current average water demand. The reservoirs are full most of the year except for the summer months when customer demand for water is often at its highest. The City manages the reservoirs to remain above a baseline storage level of approximately 6.9 BG to minimize water quality impacts to the overall Water System. The City could draw the Bull Run Reservoirs down below the baseline storage threshold; however, because the Bull Run system is not currently filtered, extensive reservoir drawdown poses an increased risk of exceeding federal turbidity standards. Additionally, depending on the time of year, drawing reservoirs down below the baseline storage threshold could impact the City's ability to store cold water to meet the requirements of its Bull Run Habitat Conservation Plan. Through regular monitoring and planning, the City supplements the Watershed supply with groundwater from the Columbia South Shore Well Field from time to time as necessary. See "THE WATER SYSTEM—Sources of Supply – The Columbia South Shore and Powell Valley Well Fields" herein.

Bull Run Lake is a limited part of the Bureau's contingency resources for supply planning. Provisions of a 30-year USFS easement, originally signed in 1997 and renewed in 2025, and associated mitigation and monitoring agreement, restrict the timing of water releases and require mitigation to protect habitat affected by releases from Bull Run Lake. The capacity of Bull Run Lake varies from year to year, depending on weather and water release operations. The City may not start a release any earlier than July 15 and there are limitations regarding how low the lake level can decline.

<u>Bull Run Co-Management with the United States Forest Service</u>

The USFS and the City have a joint management agreement describing the roles and responsibilities of each with respect to land management, resource protection, operations, and maintenance within the Watershed Management Unit. The Bull Run Watershed Management Unit Agreement provides clarity for the respective roles and expectations of the City and the USFS for work planning, budgeting, and staffing. Currently, the City has assumed responsibility for the maintenance of the remaining road system. In addition, the Bull Run Watershed Management Unit Report is co-published annually by the USFS and the City to describe the work plan of the of each party within the Watershed Management Unit.

The City Council voted on July 31, 2019 to authorize completion of a land exchange with the USFS. The federal land exchange was completed in December 2022. The land exchange resulted in City ownership of all lands immediately surrounding the two water-storage reservoirs, the conduit right-of-way and related road network, as well as all the land area included in the Federal Energy Regulatory Commission (the "FERC") license boundary. See "—Bull Run Watershed Hydroelectric Power Generation" herein for more information regarding the FERC license. In exchange, the City transferred to the USFS scattered land parcels it owns that are located farther away from the reservoirs. This land exchange allows the City to own contiguous parcels of property where City facilities and regular operations are located. The land exchange also provides the City with increased regulatory certainty on permitting issues associated with water storage and transmission in the Watershed.

The City coordinates with the USFS and the Oregon Department of Forestry to ensure that the Watershed remains a top priority for wildland fire protection in the region. A joint fire management plan is updated regularly among the entities. The City works closely with its State and federal counterparts to support their lead role in detection and suppression efforts. The City reports on the status of fire-protection readiness and any fires detected in its Annual Watershed Control Program Report to the Oregon Health Authority (the "OHA") for each water year (which runs October 1 through September 30).

The Columbia South Shore and Powell Valley Well Fields

<u>The Columbia South Shore Well Field</u>

The Columbia South Shore Well Field (the "CSS Well Field"), completed in the 1980s, is the City's secondary source of water supply and the second-largest developed water supply in Oregon after the Watershed. This groundwater supply provides both a means to augment the Watershed source during the peak summer season and an emergency backup water source, should the Watershed supply be interrupted due to a weather-related or other event. See "THE WATER SYSTEM—System and Supply Planning and Operations – Water Supply Operations" herein. The City currently operates the CSS Well

Field each summer to identify maintenance needs and ensure that groundwater equipment is operational. Over the period from 2014 to 2025, the CSS Well Field has been operated thirteen times for supply augmentation and related maintenance operations, and eight times as emergency backup supply.

The CSS Well Field, which includes 25 active wells, is located along the Columbia River east of the Portland International Airport and taps into the regional Portland Basin aquifer system, which covers approximately 900 square miles of Washington and Oregon. The City's active CSS Well Field production wells have an initial total capacity of approximately 91 MGD and a long-term (i.e. 90-day) total capacity of approximately 67 MGD. In addition to the production capacity already developed, the City has an estimated additional 195 MGD of undeveloped water rights capacity in the CSS Well Field. Water rights in Oregon are administered by the Oregon Water Resources Department ("OWRD") and users annually report their pumping to this agency. OWRD is responsible for monitoring groundwater conditions and regulating the exercise of groundwater rights to ensure resources are used sustainably. Groundwater rights are administered on a "first in time, first in right" basis, meaning that the oldest rights are granted priority if an aquifer is deemed to have insufficient capacity for all users. The City's primary groundwater rights are the largest in the Portland Basin and senior to most other groundwater rights in the Oregon portion of the basin. Users in Washington, who are not subject to OWRD authority, also use groundwater from these same shared aquifers but under a separate Washington-administered water rights system. In 2009, the OWRD granted final orders for extensions to the City's four primary water rights in the CSS Well Field to 2085. The neighboring City of Gresham and Rockwood Water PUD formed the Cascade Groundwater Alliance to expand their groundwater supply system, which also taps into the Portland Basin aquifer system. The expansion was completed in early 2026. The City of Gresham and Rockwood Water PUD switched to their expanded groundwater supply system in April 2026 and are no longer wholesale water customers of the City. See "WATER SYSTEM CUSTOMERS, DEMAND, RATES AND BILLING—Wholesale Water Customers" herein. The City will continue to monitor groundwater conditions with the increased groundwater use by Gresham and Rockwood Water PUD as part of its monitoring of aquifer conditions and changing groundwater use patterns more broadly. The City coordinates with approximately a dozen other municipal groundwater users in the Portland Basin to help ensure the shared aquifers are protected and as described above, the City's primary groundwater rights are senior to most other groundwater rights in the Oregon portion of the basin.

Approximately 65 percent of the CSS Well Field supply capacity comes from deep aquifers that are naturally protected from shallow near-surface contamination by formation layers up to several hundred feet thick called confining units. Groundwater in the CSS Well Field is recharged mainly from precipitation that falls in the Portland Basin, a 900 square-mile geologic area along the Columbia River ranging from the Cascades in the east to the Tualatin Mountains in the west. This basin has multiple aquifers that contribute to the CSS Well Field. An additional 35 percent of the well field supply comes from a highly productive shallower aquifer that is located mainly beneath a regional park. The aquifers that supply the CSS Well Field are actively protected from degradation by human activity, as described in "REGULATORY ENVIRONMENT – ENVIRONMENTAL REGULATIONS AND COMPLIANCE PLANS – CSS Well Field Compliance." Groundwater produced from the CSS Well Field is treated with sodium hypochlorite and aqueous ammonia for disinfection and can be adjusted for pH as well. Aquifer levels decline locally during typical CSS Well Field groundwater use and recover close to pre-pumping levels within approximately one month of groundwater production ending. Longer duration and higher volume pumping events can result in longer recovery periods.

See also "REGULATORY ENVIRONMENT—Environmental Regulations and Compliance Plans – CSS Well Field Compliance" for information regarding CSS Well Field groundwater monitoring and regulatory compliance.

Non-Active Undeveloped Water Source: Powell Valley Well Field

The Powell Valley Well Field, acquired by the City in 2005 from Powell Valley Road Water District ("PVRWD"), is located immediately northwest of Powell Butte. The Powell Valley Well Field includes six wells in two aquifers with a total production capacity of 8 MGD. The City acquired approximately 11,000 PVRWD retail customer accounts that were connected to the City's distribution system. The City currently has ample water supply from the Watershed and the CSS Well Field to serve its customers and does not need to utilize these wells. The Powell Valley wells tap shallow aquifers, making them relatively more susceptible to contamination than the deep CSS Well Field. These wells are currently designated as an emergency supply source. Since acquiring the Powell Valley Well Field, the City has not used the wells as a source of supply and does not anticipate developing additional groundwater supply in Powell Valley.

TREATMENT, TRANSMISSION, STORAGE, AND DISTRIBUTION

Treatment. The City's current treatment of its Watershed primary surface water supply includes chlorine disinfection of raw water immediately downstream of the water intake at the Headworks facility at Dam 2 (the "Headworks facility"). Water leaving the Headworks facility is continuously monitored for chlorine levels. Aqueous ammonia is added to the water 10 conduit miles downstream at the Lusted Hill Treatment Facility to form chloramines. The Lusted Hill Treatment Facility also includes corrosion control treatment to comply with the EPA's Lead and Copper Rule by adding soda ash and carbon dioxide. Water from the City's secondary source, the CSS Well Field, is treated to match the water quality of the Bull Run supply as closely as possible, using chlorine and aqueous ammonia, along with pH adjustment with sodium hydroxide, as needed.

Due to the detection of the microscopic parasite *Cryptosporidium* in the raw water intake of the Watershed, the City is in the process of constructing a filtration facility and associated pipelines for its primary drinking water supply, and completed construction of improved corrosion control treatment in 2022 (collectively, the "Bull Run Treatment Projects"). These projects are intended to augment treatment for compliance with the Long Term 2 Enhanced Surface Water Treatment Rule (the "LT2 Rule") and to meet the Lead and Copper Rule both promulgated by the United States Environmental Protection Agency (the "EPA"). See "REGULATORY ENVIRONMENT—Current and Emerging Regulatory Issues - Long Term 2 Enhanced Surface Water Treatment Rule" and "– Lead and Copper Rule," and "CAPITAL IMPROVEMENT PLAN—Capital Programs and Projects – Major Capital Projects" herein for further discussion of these projects.

Transmission. Watershed water flows by gravity from the Headworks facility at Dam 2 through three large-diameter conduits. The conduits carry water first to the Lusted Hill Treatment Facility then to two 50-MG terminal storage reservoirs on Powell Butte in east Portland.

Between the Watershed and Powell Butte, there are three intertie connections on the conduits. These interties provide the capability of remotely redirecting flows and limiting the quantity of water discharged in case of an emergency such as a break, leak, or shutdown of a conduit. In 2011, the City increased resiliency by strengthening the bridges that carry the three conduits and enclosing previously exposed sections in tunnels or underground casings and continues to reduce vulnerability through strengthening and armoring trestle supports. These improvements reduce the risks from potential landslides or floods and ensure that the conduits can carry enough supply to meet current demands. Operation of the conduits is modified each season to produce the best possible water quality.

Storage. Treated water storage facilities consist of six large terminal storage reservoirs and 43 smaller standpipes and tanks. Reservoir 3 at Washington Park was brought online in 2021, while the 7 million gallon 160th Avenue Tank was taken out of service, for a net increase in total treated water storage capacity from 189 million gallons to 193.4 million gallons. Water flows from the Powell Butte Reservoirs to the other terminal storage reservoirs through large-diameter mains or directly through the Washington County Supply Line. There are no uncovered finished drinking water reservoirs within City limits. Six active Willamette River crossing locations (seven pipes including the Washington County Supply Line) supply the City's customers west of the Willamette River. Most supply delivery is accomplished through gravity feed from the conduits and terminal reservoirs; however, pumping facilities are used to supply high-elevation areas of the City's service area and to provide groundwater from the CSS Well Field.

Distribution. The transmission and distribution system is primarily constructed of cast iron, ductile iron, and steel piping with more than 90 percent of the system in good condition with an expected remaining life before replacement of 50 to 200 years, depending on pipe materials and environmental conditions. Fire hydrants on the distribution network allow firefighters to connect to and pump water if needed. Meters at all customer connections record water flow. The City also owns and maintains drinking fountains located throughout Portland.

The City's supply and distribution system is constantly monitored by staff and controlled at the Water Control Center located at the City's Interstate Operations and Maintenance Facility with backup locations at the CSS Well Field, Lusted Hill Treatment Facility and the Headworks facility. The original computer-based Supervisory Control and Data Acquisition System ("SCADA") was completed in 1991 to provide monitoring and control for City facilities from a central location. The City is currently upgrading the SCADA servers operating system and hardware to stay in compliance with patching/cybersecurity requirements. The upgrade is anticipated to be completed by March 2027. See APPENDIX D, "CITY OPERATING AND FINANCIAL INFORMATION - Cybersecurity" herein for more information regarding the City's cybersecurity and operational safeguards.

SYSTEM AND SUPPLY PLANNING AND OPERATIONS

System Planning

The Bureau is responsible for the Water System's planning and operations. Major objectives of the Bureau are to make good investment decisions, manage risks, and minimize the total life-cycle costs of Water System assets. The Bureau's Asset Management Program supports the goal of ensuring the longest possible useful asset lives as well as the most practical replacement strategies. The underlying principle of asset management is to combine operating data, engineering knowledge, economic analyses, and business guidance to support strategic system investments. The Asset Management Program staff collect information about the Water System assets and provide recommendations to improve investment in maintenance resources and capital projects. The Asset Management Planning Group provides the Bureau with a framework for strategically analyzing and addressing risks, provides formal project evaluations and program benefits and costs to support decision-making, recommends operational improvements that result in greater efficiencies, and supports intelligent business systems. Asset Management Program staff have completed asset management plans for assets throughout the Water System. Through asset management, the Bureau has been able to improve its ability to focus on critical assets and select the most effective mix of maintenance, repair, renewal, or replacement.

In 2019, the Bureau completed a five-year Strategic Plan to address Water System risks, and proposed solutions to a range of pressing issues, including water service affordability, climate change impacts, workforce and service equity, regional emergency preparedness and resilience, and a need for deeper community relationships. The Bureau has worked to implement the Strategic Plan to address or mitigate the risks identified.

The Bureau has a number of long-range plans to address resilience, climate mitigation and adaptation, rehabilitation and long-term regulatory requirements of the Water System. See "—Adaptive Supply Planning" below, "—Resilience to Natural Disasters – Water System Potential Risks, Preparation and Resiliency" below, and "REGULATORY ENVIRONMENT—Environmental Regulations and Compliance Plans" herein for additional information about these plans.

The City is also part of the Regional Water Providers Consortium (the "Consortium"). The Consortium provides leadership in the planning, management, stewardship, and resilience of drinking water in the Portland metropolitan region. Consortium members collaborate on water conservation and emergency preparedness media messaging to the public. The Consortium currently includes 26 water providers in Multnomah, Washington, Clackamas and Columbia Counties. The Consortium is jointly financed and operates under an annually approved work plan and budget administered by the City through a staffing intergovernmental agreement.

Adaptive Supply Planning

In 2021 the Bureau completed a 20-year Supply System Master Plan ("SSMP") to inform investments in the City's supply system. This SSMP incorporated a range of future water supply scenarios that the Bureau can prepare for, including key uncertainties related to climate change, demographics and water demand, financial and economic conditions and infrastructure and supply reliability.

The SSMP also established a roadmap to implement an ongoing adaptive supply planning process to enable the Bureau to make the right investments at the right time to prioritize supply system reliability, preserve options and avoid stranded assets. The key to the Bureau's adaptive planning is monitoring how supply system conditions change over time and determining if adaptive supply actions are needed to meet changing water supply and demand needs. Adaptive actions may include increased groundwater capacity/treatment, enhanced conservation, and seismic resilience upgrades. This adaptive approach enables the Bureau to be nimble and flexible to ensure long-term supply reliability.

Since 2021 the Bureau has regularly convened interdisciplinary internal teams of operational, resource protection, engineering, financial, customer service and equity staff to monitor supply risks and understand changing climate, hydrologic, water quality, asset, financial, water demand, and other conditions in the supply system. Supply stakeholders have convened in regular annual workshops to report-out on supply trends, discuss supply system investment priorities, and evaluate if new adaptive supply actions are warranted based on current conditions. This work also informs the Bureau's annual budget and capital planning processes. See "CAPITAL IMPROVEMENT PLAN—The Capital Planning Process" herein.

Also, as part of the 2021 SSMP, the Bureau conducted a long-range 30-year supply and demand forecast and committed to updating this forecast at regular five-year intervals to account for changing climatic, hydrologic, and socio-economic conditions. The most recent update was completed in 2026 using a suite of climate, hydrologic, reservoir and demand models to project a range of future supply conditions. The new demand model incorporates a range of population, economic/rate, price, housing demographics, climate, and efficiency variables to provide several future forecasted projections. The Bureau regularly monitors and incorporates new information for its long-range supply and demand forecasting on a regular basis. See "THE WATER SYSTEM—Resilience to Natural Disasters, Climate Change, Public Health Emergencies, and Cybersecurity Incidents – Water System Potential Risks, Preparation and Resiliency" herein.

In 2026, the Bureau launched a distribution-system adaptive planning effort to ensure robust long-term planning and decision-support under uncertainty for distribution assets and infrastructure. This work complements the supply-side planning by helping the utility navigate uncertainty, preserve flexibility, and strengthen the resilience of the distribution system.

Water Supply Operations

For most of the year, the City meets 100% of customers' water demands from the Watershed. However, storm events can increase water turbidity and render the Watershed temporarily unusable. In such cases, the City has the ability to switch sources and use groundwater as a redundant backup water supply. Over the past ten years, only two such storm events causing increased water turbidity have occurred, including one in November 2022 and one in December 2025. Additionally, in March 2017, *Cryptosporidium* detection in drinking water from the Watershed was sufficiently high to cause the City to switch to groundwater supply for about one month; the City was able to resume use of drinking water from the Watershed after the *Cryptosporidium* concentration dissipated. See "REGULATORY ENVIRONMENT—Current and Emerging Regulatory Issues – Long Term 2 Enhanced Surface Water Treatment Rule" herein).

During the peak summer season (typically mid-June through mid-September), the City can rely on the CSS Well Field groundwater source as augmentation if necessary. A cross-functional Bureau team prepares a seasonal Water Supply Augmentation and Contingency Plan (Seasonal Supply Plan) that includes contingency planning for both the Watershed and the CSS Well Field supplies for the upcoming season. The plan includes triggers and implementation criteria under different forecast scenarios as well as a pre-agreed list of supply-augmentation and demand-reduction options. The Bureau has needed groundwater to augment summer supply approximately every other year since 1985, when the City began using the CSS Well Field as a drinking water source, with the CSS Well Field supplying an average of approximately two billion gallons over approximately two months of summer operation.

In late winter and early spring of each year, the Bureau evaluates information available about the upcoming summer peak demand season. Throughout the peak summer season, the Bureau regularly reviews current conditions and continuously updates operational strategies based on available water supply, weather predictions, past and projected water demands, and other factors. The Bureau monitors precipitation, snowpack, and streamflow, and evaluates current and projected water demands. Additionally, the Bureau models the need for and timing of groundwater pumping. The groundwater model uses historic weather and streamflow data to construct a set of groundwater pumping curves that are compared to actual groundwater drawdown as it progresses. The recommended groundwater pump rates are designed to keep the Watershed reservoirs above required baseline storage levels while minimizing the volume of pumped groundwater and maintaining a relatively constant pumping rate throughout the drawdown season.

The City is equipped to continue normal uninterrupted water service during a widespread power outage. Water flows by gravity from the Watershed to Powell Butte and to most of the distribution system. Backup generators can maintain current treatment processes for several days. Within the distribution system, the City stores water in amounts appropriate for the current needs, which include demand levels, fire use, and emergency needs. Permanent or mobile power generators and/or water pumpers are available as backups for the pump stations (most of which are located on Portland's west side) and for the Water Control Center.

BULL RUN WATERSHED HYDROELECTRIC POWER GENERATION

The City owns two hydroelectric powerhouses in the Watershed. The powerhouses are part of the Portland Hydroelectric Project (the "PHP"). The PHP facilities and its associated revenues and expenses are accounted for under a separate fund structure within the City. However, since the Water System benefits from the PHP because it assists with meeting operational needs, the Water System expects to contribute to the expenses related to the renewal of the FERC license, as described below. **The PHP's funds and revenues are excluded from the Water System and its associated accounting under the Master First Lien Bond Declaration and the Master Second Lien Bond Declaration; payment of FERC renewal expenses or**

any other expenses of the PHP by the Water System would be made with Net Revenues of the Water System after other priorities of transfers and payments.

The PHP's facilities consist of a powerhouse with a 24-megawatt (36,000 horsepower) turbine/generator below Dam 1, a powerhouse with a 12-megawatt (16,000 horsepower) turbine generator below Dam 2, and 10 miles of power transmission lines to connect the powerhouses with the Portland General Electric ("PGE") system grid. Under the current power purchase agreement with Portland General Electric, an investor-owned utility, the City is responsible for all operations and maintenance of these facilities. Constructed between 1979 and 1982, the two powerhouses are physically operated and maintained on contract by personnel of Energy Northwest, a public power joint operating agency. The total annual power generation from these facilities has averaged about 85,500 megawatt-hours over the last 35 years of operation but varies from year to year based on the actual amount and distribution of rain and snowmelt filling the reservoirs in the Watershed and the conditions of the Powerhouse equipment.

The PHP's powerhouses are operated under a license from FERC, under permits from the Oregon Water Resources Department, and under a certification from the Oregon Department of Environmental Quality ("ODEQ") that PHP operations comply with Section 401 of the Clean Water Act ("CWA"). The PHP's FERC license boundary encompasses the two powerhouses, the transmission lines, Dam 1, Dam 2, and their respective reservoirs. The current 50-year FERC license for hydropower facilities will expire in 2029. A Notice of Intent and a Pre-Application Document was filed with FERC in December 2023 to initiate relicensing. The Application for license renewal is expected to be submitted to FERC by February 28, 2027. The license renewal request will be for a term of a minimum of 40 years. See "THE WATER SYSTEM—Sources of Supply – The Bull Run Watershed – Bull Run Co-Management with the United States Forest Service" herein. The City views the risk of non-renewal to be very low, but failure to renew would result in large capital investments by the Water System to replace the functionality, capacity and reliability that the PHP provides for Water System operational compliance with certain regulatory requirements, including the Clean Water Act and Endangered Species Act. Therefore, the Bureau's projections included herein assume the Water Fund incurs $4 million in such expenses related to renewing the FERC license. See "FINANCIAL PROJECTIONS" herein.

The current power purchase agreement with PGE began January 1, 2018 and expires at the end of calendar year 2032. Under this agreement Portland General Electric purchases all power generated. The City may be obligated to make payments to PGE under this agreement, but such payments are not secured by or payable from Water System funds, including the Gross Revenues. The 10 miles of transmission line is maintained through a separate contract with Portland General Electric Distribution Services. Transmission lines are surveyed annually to minimize fire risk exposure. Scheduling and dispatch operations are contracted through the Eugene Water and Electric Board, a municipal utility.

RESILIENCE TO NATURAL DISASTERS, CLIMATE CHANGE, PUBLIC HEALTH EMERGENCIES, AND CYBERSECURITY INCIDENTS

Potential Risks

Portland may be subject to the effects of seismic activity, fires, windstorms, extreme heatwaves, floods, regional volcanic activity, landslides, public health emergencies, cybersecurity incidents, or other disasters caused or exacerbated by any number of factors including climate change, terrorism, or human error. Such events could result in substantial damage to both property and infrastructure within the City, which could impact the City and Water System customers generally, as well as the Water System infrastructure and operations. As such, this section discusses both general risks to the City and its residents and particular risks to the Water System. The City cannot predict the potential effect of all such events on Net Revenues, or the likelihood of such events. However, the City does conduct climate modeling and seismic analysis with experts to understand these risks.

Seismic Risk. Portland is located in an area of seismic activity. The scientific consensus is that Portland and the Pacific Northwest region are subject to periodic earthquakes along the Cascadia Subduction Zone, a boundary where two large tectonic plates converge, that runs offshore from Northern California to British Columbia. According to the State Office of Emergency Management, scientists predict that there is about a 37 percent chance that a megathrust earthquake of 7.1 or more magnitude will occur in the next 50 years somewhere along the subduction zone. The last major earthquake in this zone occurred in 1700 and has an estimated recurrence interval of 400 to 600 years. Such an earthquake, depending upon the location of its epicenter and depth, may cause widespread damage to structures and infrastructure in western Oregon, including Portland, and in coastal areas inundated by a possible accompanying tsunami. It is likely the infrastructure damage would be sufficient to disrupt transportation, communication, water and sewer systems (including the City's Water System), power and gas delivery and fuel supplies for weeks to months for much of western Oregon. This kind of regional disaster is unprecedented and could result in a significant permanent loss of population and business.

A significant seismic event also poses risks to specific energy infrastructure located within the City, including the Critical Energy Infrastructure ("CEI") Hub located in northwest Portland. The CEI Hub is a six-mile stretch of industrial development along the western shore of the Willamette River that also runs adjacent to the City's 5,200 acre Forest Park. More than 90 percent of all liquid fuel used in Oregon is stored at facilities in the CEI Hub. This includes the gas and diesel supply for the Portland metro area, as well as all of the jet fuel for the Portland International Airport.

Approximately 45,000 people live or work near the CEI Hub. According to a 2023 report prepared by Portland State University, an uncontained severe fire as a result of a seismic event (or other fire) poses risk to infrastructure within the CEI Hub, which could result in large explosions, release of toxic gases to the surrounding area, and potentially fuel spills into the Willamette River. Additional information on the City's and partner agency response is described in "Citywide Disaster Preparedness and Mitigation" below.

Portland is also subject to seismic activity caused by local faults that stretch the length of Portland. Each of these crustal faults is estimated to be capable of generating moderately large earthquakes in magnitudes of up to 6.8. Such activity may also result in significant damage to structures and infrastructure in the City, including the Water System.

Fire Risk. The Pacific Northwest, which encompasses Portland, has ecological characteristics that make the region prone to fire risk. Portland's geography includes several sites that contain significant amounts of contiguous trees and vegetation that include or abut structures.

One of the sites with fire risk is the City's Forest Park, a 5,200 acre park consisting of forested land and the largest urban forest in the country, which is managed by Portland Parks and Recreation ("PP&R"), a City bureau. Forest Park is located in northwest Portland, along the eastern slope of the Tualatin Mountains. West and Northwest of Forest Park consists of more sparse residential areas and rural land. To the southwest of Forest Park, more dense Portland neighborhoods include Bonny Slope, Barnes Heights and West Haven-Sylvan. To the southeast resides the City's Washington Park and neighborhoods including Willamette Heights and Kings Heights. Finally, the east and northeast abutting properties along the Willamette River consist mostly of industrial properties, including the CEI Hub. Above-ground electric power transmission lines run through portions of Forest Park, including along the CEI Hub and east/west through the northern half of the park. Accordingly, wild and/or human-caused fires within Portland have the potential to cause material damage to property and require significant expenditures in response to a major wildfire event.

Flood Risk. Portland is located at the intersection of the Columbia and Willamette Rivers. The City's boundaries largely reside within the watersheds of five primary surface waters, including the Willamette River, Columbia Slough, Johnson Creek, Tryon Creek and Fanno Creek. Accordingly, areas of the City that are within the floodplains that abut surface waters are at greater risk of flooding that may result in economic damage. Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Maps for Portland define the 100-year and 500-year floodplains, meaning that in any year, there is a 1 percent or 0.2 percent chance, respectively, of a riverine flood occurring in those areas. Currently, 5,060 acres of land in Portland are mapped in 100-year floodplains, totaling 5.4 percent of the City's area; more than one-third of this floodplain area is undeveloped open space. The most recent major flood was in 1996 when the Willamette River crested at 28.55 feet in Portland and nearly exceeded the downtown Portland harbor wall. While this 1996 flood was considered to be approximately the modeled 100-year flood, areas beyond the 500-year flood zone were also inundated, highlighting the uncertainty around FEMA mapped flood risk.

Volcanic Risk. Portland is located west of the Cascade Range, an 800-mile-long chain of volcanoes that spans from northern California to southern British Columbia. The four volcanoes closest to Portland include Mt. Adams, Mt. Hood, Mt. Jefferson and Mt. St. Helens, which most recently erupted in 1980. The Bull Run Watershed is located in the Mt. Hood National Forest, approximately 10 miles from the peak of Mt. Hood. The greatest volcanic threat to Portland are downwind ash clouds that can travel several miles. Significant ash fall could damage infrastructure facilities of the City (including the Water System) and other utility providers, as well negatively impact transportation routes, likely leading to economic losses in the region.

Public Health Emergencies. The City is subject to unpredictable potential occurrences of global, national or regional health risks or disease outbreaks. For example, the COVID-19 pandemic had adverse effects on City and Bureau operations and Water System financial performance. The City cannot predict: (i) the duration or extent of any potential public health emergency; (ii) what short or long-term effects the response to such events may have on Net Revenues; (iii) to what extent such events may disrupt the local, State of Oregon ("State"), national or global economy, manufacturing or supply chain, and if any such disruption may adversely impact City-related construction, the cost, sources of funds, schedule or implementation of the CIP, or other City operations; or (iv) whether any of the foregoing may have a material adverse effect on the finances or operations of the City, the Bureau or the Water System.

Future public health emergency events outside the City's control may further reduce demand for Water System services, which in turn could cause declines in Net Revenues.

Cybersecurity. The City, like other large public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's information technology systems to misappropriate assets or information or to cause operational disruption and damage. See APPENDIX D, "CITY OPERATING AND FINANCIAL INFORMATION - Cybersecurity" herein for further information regarding the City's cybersecurity risk and risk management.

Citywide Disaster Preparedness and Mitigation

General Response. The City has made efforts to prepare for such events. The City's Bureau of Emergency Management is responsible for coordinating Citywide plans that prepare for, mitigate, respond to, and recover from any emergency. Hazard risk assessments and detailed hazard maps are used to inform the City's comprehensive plan, zoning, and guidance documents. Hazard maps and data also inform public and private projects that reduce vulnerabilities in hazard-prone areas of Portland.

The City's Mitigation Action Plan ("MAP"), was most recently updated and accepted by FEMA in July 2022, then adopted by the City Council in November 2022. The MAP addresses nine main hazards of concern, including risk of earthquake, flood, wildfire and wildfire smoke, landslide, extreme heat, drought, winter storms, volcanic activity, and windstorms, as well as several compounding factors relevant to adverse impacts from natural hazards. The MAP identifies mitigation actions to reduce losses from natural hazards. A State and federally approved natural hazard mitigation plan such as the MAP is required for the City to be eligible for many types of federal pre- and post-disaster mitigation funding. To remain in compliance, a federally approved plan must undergo a comprehensive update every five years.

The City also has response plans for emergencies and disasters, including the Basic Emergency Operations Plan, which provides the basis for decision-making during an emergency and its immediate aftermath, as well as functionally-specific plans to address evacuation, debris management, damage assessment, public alerts and warnings, and communication.

The City is a member of the Regional Disaster Preparedness Organization, a partnership of government agencies, non-governmental organizations, and private sector stakeholders in the Portland region working together to increase regional disaster resilience.

The City also has a Climate Emergency Workplan to eliminate carbon emissions by 2050 and make Portlanders more resilient and prepared for the day-to-day impacts of climate change, such as excessive heat, wildfire smoke, power outages, and flooding, and especially communities of color and those most at-risk and vulnerable to impacts of climate change.

Response to Seismic Risk. The City continues to develop its seismic preparedness and response capabilities through local partnerships and additional risk analysis under the framework established by its 2012 Earthquake Response Plan.

In 2020, the City partnered with Multnomah County to commission a study of the CEI Hub in Northwest Portland. This study characterizes and quantifies the anticipated damages from the CEI Hub in the event of the Cascadia Subduction Zone earthquake. The City also participated in a 2023 study prepared by Portland State University for Multnomah County Emergency Management to look at the risks of earthquake-induced hazardous materials releases for a subset of hazardous material sites. In 2025, the City, through its Bureau of Planning and Sustainability, initiated the "CEI Hub Policy Project" to update land use policies to (1) further regulate bulk liquid fuel facilities and (2) support making the existing facilities safer. The project will also support convening local, state and federal agencies to strengthen coordination needs to improve risk mitigation and response efforts among various agencies regulating the CEI Hub.

The City continues to be involved with follow-up activities that address the CEI Hub risk, including assisting in the 2022 passage of Oregon Senate Bill SB 1567: Fuel Storage Seismic Vulnerability, which gives the ODEQ the authority to require fuel storage facilities to assess their seismic vulnerability and implement risk mitigation plans. In addition, Oregon HB 4100 was enacted during 2026, requiring fuel terminal operators to provide financial assurance on potential spill-related liabilities, including spill response, remediation and damages up to $300 million.

Subsequently, ODEQ created the Fuel Tank Seismic Stability program to protect public health, life safety and environmental safety against fires and release of fuel products. Per a July 2025 status report of the ODEQ, the Fuel Tank Seismic Stability program is currently approving facility vulnerability assessment reports and will subsequently approve 10-year required implementation plans to require existing private fuel facilities to upgrade their infrastructure and address risks identified in previously completed seismic vulnerability assessments. In the meantime, City land use code revisions, in effect since 2022, have limited the addition of new fuel capacity facilities.

In 2025, the City, through the Bureau of Planning and Sustainability, initiated the "CEI Hub Policy Project" to update land use policies to (1) further regulate bulk liquid fuel facilities and (2) support making the existing facilities safer. The project will also support convening local, state and federal agencies to strengthen coordination needs to improve risk mitigation and response efforts among various agencies regulating the CEI Hub.

Response to Fire Risk. Given the increased frequency of large wildfires in the western U.S., the City and local partners, including Multnomah County, the State, and federal agencies and utilities, coordinated to update the county-wide Community Wildfire Protection Plan, finalized in October 2023. The Community Wildfire Protection Plan is a non regulatory mitigation action plan that identifies risks and mitigation strategies to reduce the negative impact of local wildfire and smoke events.

The City continues to develop its mitigation efforts around fire risk to both natural areas and built assets. In 2025, Portland Fire & Rescue created a new dedicated wildland strategic planning manager position tasked with improving citywide wildfire preparedness, including in and around the City's Forest Park and natural areas. Mitigation efforts in Forest Park include networks of fire access roads and an accessible water service line within the center of the park. In addition, Portland Parks & Recreation and Portland Fire & Rescue have been jointly working towards vegetation management within the City's identified Wildfire Hazard Zone.

Response to Riverine Flood Risk. The City has prepared special plans to address floods, including the Flood Response Plan adopted in 2018. This plan is intended to provide a consistent and flexible framework for the City, regional partners, and private entities to work in a coordinated manner for effective incident management. The City and partners also maintain and exercise detailed operating procedures for responding to localized floods risks, such as along Johnson Creek and in the Columbia River/Columbia Slough leveed areas.

The City periodically updates City Code related to development to ensure properties within Portland are eligible for the National Flood Insurance Program ("NFIP"). In July 2025, a City Code amendment ordinance incorporated changes required by FEMA in July of 2024 within the July 31, 2025 compliance deadline. FEMA's July 2024 letter directed all participating NFIP jurisdictions in Oregon to implement a list of Pre-Implementation Compliance Measures ("PICM") while FEMA continues to work on long-term Endangered Species Act ("ESA") measures to avoid potential impacts on endangered and threatened fish species. The areas that will be subject to the PICM are mostly industrial. The large majority of properties in the three industrial zones are located along the Columbia River, Lower Columbia Slough, and North Reach of the Willamette River. The PICM amendments are likely to increase the costs of development, but that additional cost will vary depending on site characteristics.

The City mitigates flood risk through its (1) participation in the FEMA Community Rating System ("CRS"), (2) improved flood risk modeling for the purposes of Portland's Flood Insurance Study and Rate Maps, and (3) support of modernizing the 27-mile Columbia River levee system.

Portland's participation in the FEMA CRS program reduces flood risk by incentivizing City flood mitigation actions that go beyond minimum NFIP requirements. Actions include higher regulatory standards, accurate enforcement of regulations that protect property and people, floodplain property acquisition and restoration, robust emergency management preparedness, and more. The City's Class 5 CRS status puts Portland at a higher CRS standing than most communities nationwide.

The City is working with its partners, including the US Army Corps of Engineers and FEMA, to update Portland's Flood Insurance Study and Rate Maps along the lower Willamette River through downtown Portland using newer data and modeling methods, which are more accurate than historical FEMA methods and risk maps. In October 2024, the City also completed an update to a Floodplain Resilience Plan that will ultimately lead to updated development code near Portland's rivers and streams and the strengthening wildlife protections in nearby habitat areas.

Property along the Columbia River is protected from flooding by a dam system and a levee system. The 27-mile levee system along the Columbia River is managed by the Urban Flood Safety & Water Quality District (the "UFSWQD"). The UFSWQD is working with the U.S. Army Corps of Engineers to modernize the levee system to meet current FEMA accreditation standards. The UFSWQD imposes an intergovernmental flood safety benefit fee on cities and unincorporated areas within the UFSWQD boundaries. The City's portion of this flood safety benefit fee is approximately $5 million and is currently funded from a "flood safety benefit fee" (the "Flood Safety Benefit Fee") that is incorporated in the City's combined utility bill for drinking water, sewer & stormwater, along with a transportation utility fee that takes effect January 1, 2027 (the "Transportation Utility Fee"). The funding plan for improving the levee system also includes a combination of general obligation bonds issued by UFSWQD, $150 million of which were authorized by voters in May 2024, and matching funds provided by the US Army Corps of Engineers. The City and UFSWQD also maintain and exercise detailed operating procedures for responding to certain localized risks, such as flooding along Johnson Creek and in the Columbia River/Columbia Slough leveed areas.

Response to Cybersecurity Risk. To reduce and mitigate the risk of business operations impact and/or damage from cybersecurity incidents, the City has invested in multiple forms of cybersecurity and operational safeguards as described under APPENDIX D, "CITY OPERATING AND FINANCIAL INFORMATION – Cybersecurity."

Water System Potential Risks, Preparation and Resiliency

The Bureau has a long history of anticipating and preparing for a range of risks and emergencies, including taking actions to evaluate and mitigate climate change impacts and insulate the Water System against future seismic events and fire risk.

Emergency Management and Cybersecurity. The Bureau actively maintains an Emergency Management Program. In connection with this program, the Bureau has an Emergency Operations Center (the "EOC") located in the City's Emergency Coordination Center (the "ECC") to help ensure a timely response to a severe or catastrophic event. The ECC is operated by the City's Bureau of Emergency Management and is activated during citywide emergencies to coordinate response and recovery activities. The Bureau has approximately 85 staff members trained as emergency responders who participate in annual emergency response exercises.

The Bureau's SCADA system, which monitors and controls the transmission and distribution system, has a fully redundant remote facility in case of failure at the Interstate Operations and Maintenance Facility, CSS Well Field, Lusted Hill, and Headworks facilities. Cybersecurity threats pose significant risks to critical infrastructure throughout the United States and safeguarding the integrity of the Water System remains one of the City's and the Bureau's highest priorities. In partnership with the City's Information Security team and federal partners such as the U.S. Cybersecurity and Infrastructure Security Agency and the Federal Bureau of Investigation, the Bureau's Supervisory Control and Data Acquisition Team continually assesses cybersecurity vulnerabilities to ensure the resiliency and reliability of Water System operations. The City and Bureau employ comprehensive measures to protect against evolving digital threats. In addition, the Bureau maintains complete backup servers and mapping at the EOC. The EOC has been activated for emergency responses including the COVID-19 pandemic, ice storms, and Camp Creek Fire, which is described further below. See also "TREATMENT, TRANSMISSION, STORAGE, AND DISTRIBUTION – Distribution" and APPENDIX D, "CITY OPERATING AND FINANCIAL INFORMATION – Cybersecurity" for more information.

Climate Change Physical Risk and Response. The Water System is subject to climate risk as it pertains to effects on water supply, water quality, infrastructure and human capital. Potential future adverse impacts depend on the rate of air temperature increase, variability of seasonal precipitation rates, water temperature from hotter weather, and weather severity. These impacts cannot be predicted with certainty, but the Bureau has been a sophisticated user of climate data and tools and implements state-of-the art climate modeling to factor climate impacts into long-term water supply planning as described below. The Bureau has elevated climate change as a strategic organizational risk in its previous Strategic Plan, and as a priority in its Net Zero Strategy, discussed further below, and integrates climate change adaptation and mitigation into multiple utility functions and operations. Planning and preparing for a range of system-wide climate risks and supporting efficient and clean energy usage are expected to help the City maintain a resilient Water System that is well adapted to changing conditions

Water Supply Risks. The Bureau is planning for a range of supply-related climate risks to the Water System. The Watershed is a rain dominated system, meaning the seasonal dry period that governs reservoir management is defined by the timing of the end of spring rain showers (beginning of seasonal supply management) and return of fall rains (end of active management period). While not snow-dependent, snow may play a role in helping sustain streamflows through the summer season in certain years. The Bureau has kept records of historical climate and hydrologic trends for over 120 years. These trends include the following observations:

- Decreasing summer (July, August, September) streamflows in Watershed tributaries over the last approximately 50 years. This trend coincides with some observed decreases in summer precipitation as well as observed increases in air temperature during the same period which likely increases evapotranspiration rates.

- Increasing water temperatures in Watershed tributaries during summer months.

- Increasing Watershed air temperature over the last 100 years. Winter and summer have the highest seasonal rates of rising air temperatures.

- No clear trends in snowpack are evident using traditional snow metrics (snow accumulation onset timing, snowmelt timing, and maximum snow water equivalent), but it is possible a longer period of record may show more obvious trends as the Bureau's snow measurement data began in the 1980s. The Bureau will continue to monitor snow trends.

The Bureau has been studying the impacts of climate change for over 30 years and has developed sophisticated in-house modeling capabilities with climate science experts to evaluate and assess impacts on the water supply. The Bureau conducts internal water supply-modeling as part of its Adaptive Supply Planning and utilizes a customized hydrologic model (PRMS) and state-of-the art locally downscaled climate models from the Couple Model Intercomparison Project 6 to generate future streamflows through the end of the 21st century. The Bureau inputs these future flow projections into its reservoir drawdown model, along with updated water demand forecasts, to provide a range of climate-informed projections for Watershed reservoir storage and drawdown. The modeling projects a shift in the hydrograph (seasonal streamflow pattern) for the Watershed from a mixed snow-rain Watershed to a rain-dominant Watershed over the next several decades, with higher peak winter flows and lower spring and summer flows. This hydrographic shift is consistent with what is projected for the region in multiple state and national climate assessments, including the previous National Climate Assessments, and the Seventh Oregon Climate Assessment (2025) released by the Oregon Climate Change Research Institute. Furthermore, the Bureau's supply modeling indicates that climate change may increase the occurrence of drought conditions, early reservoir drawdowns and supply stress years in the future due to lower inflows into the Watershed reservoirs and increasing hot weather. However, recent changes to demand projections due to a reduction in wholesale customer demand partially offset the increased risks of climate change induced drought on the supply source.

Water Supply Adaptation Strategies. Despite projected water supply impacts from climate change, several factors position the City's Water System to be more resilient to drought and other supply stressors compared to other regional water resources:

- Firstly, Watershed reservoirs refill every year—annual water yield of the Watershed far exceeds the storage capacity of the reservoirs; thus mitigating the impacts of multi-year drought.

- Secondly, Portland's retail water demand has decreased due to changing land use and increased water efficiency. Further, as noted above, the total System demand is expected to decrease in FY 2026-27 due to the three largest wholesale customers developing independent supplies. See "WATER SYSTEM CUSTOMERS, DEMAND, RATES AND BILLING—Wholesale Water Customers" herein.

- Thirdly, previous investment in the CSS Well Field and the City's ability to expand well field capacity incrementally over time provides a robust supplemental supply in drought conditions and makes the CSS Well Field a critical tool in the climate resiliency of the Water System. The CSS Well Field supply is also not as directly impacted by climate change as the Watershed given the depth of the regional aquifers and regular seasonal recharge from precipitation.

These factors collectively mean the Bureau anticipates sufficient water supplies for the foreseeable future, despite climate stressors on the system.

The Bureau has invested in dedicated staffing for Adaptive Planning and climate resilience, and has developed technological tools to study, monitor, and plan for the anticipated impacts of a warmer climate for thirty years, working in collaboration with climate science experts, federal agencies, and other larger water utilities. The Bureau is a national leader in climate adaptation as a founding member and former Chair of Water Utility Climate Alliance ("WUCA"), a national consortium of twelve large U.S. water providers collectively serving 50 million drinking water customers. WUCA works to develop leading-edge climate science and adaptation solutions for water utility climate resiliency, planning, and decision-making. WUCA agencies, including the Bureau, are sought out as experts on water sector climate adaptation and have partnered closely with scientists and federal agencies including the National Oceanic and Atmospheric Administration ("NOAA"), the National Aeronautics and Space Administration ("NASA") and EPA. Engagement in WUCA has also enabled the Bureau to learn and adopt Scenario and Adaptive Planning techniques used by peer utilities to robustly plan for climate and other uncertainties (see "THE WATER SYSTEM—System and Supply Planning and Operations – Adaptive Supply Planning"). The Bureau therefore maintains a strong rigor of scientific knowledge and expertise to enable adaptation.

Water Quality Risks. Warming water temperature is one of the main water quality risks for the Water System. The Bureau has conducted water temperature modeling that factors in future air temperature rises using an in-house two-dimensional hydrodynamic water quality model and has evaluated how reservoir temperatures may change. Warmer temperatures can increase the risk of water quality impacts in the distribution system. Warmer temperatures may also make it more challenging to manage flow and water temperature commitments for Endangered Species Act ("ESA") listed species under the Bureau's Habitat Conservation Plan (the "HCP"). Additionally, the Bureau has modeled how changing storm and weather patterns over the region in the future could lead to heavier atmospheric river rainfall during fall and winter months. These events can lead to higher streamflows and the risk of elevated turbidity levels.

Water Quality Adaptation Strategies. The Bureau's water quality and regulatory compliance program mitigates the aforementioned risk to drinking water quality and habitat commitments and makes the water system more resilient and safer for customers and vulnerable communities. The Bureau's HCP takes into account reasonably predicted climate changes and factors in changed climate conditions. Further, the Bull Run Treatment Projects will provide several water quality resilience benefits. See "CAPITAL IMPROVEMENT PLAN—Capital Programs and Projects – Major Capital Projects – Bull Run Treatment Projects" herein for further discussion of the Bull Run Treatment Projects. The Bull Run Treatment Projects are expected to reduce the risk of post-fire or storm impacts to the water supply, such as elevated turbidity levels, and remove sediment, organic material, and other potential contaminants from the water, providing consistent high-quality drinking water and making the water system more reliable.

Infrastructure and Built Asset Impacts. The Water System's infrastructure is not directly exposed to sea level rise, hurricanes or coastal flooding, but is vulnerable to extreme heat, extreme cold, and ice events, riverine and urban flooding, landslides and wildfires. The City experienced a record-breaking heat dome event in June 2021. The scientists evaluated the heat event was 150 times more likely due to climate change. The Bureau has conducted climate modeling studies of future extreme heat risk that project the Water System service area will see an increase in high heat days above the 90°-105°F range in the coming decades. This work has shown that critical assets like water pumping equipment, electrical and mechanical assets (especially those in unconditioned facilities with high operating temperatures) are vulnerable to heatwaves. Increasing exposure to elevated temperatures can shorten asset lifespans and in some cases may cause asset failures. Additionally, portions of the Water System's assets, specifically certain CSS Well Field operations, reside within the flood plain that is protected by the 27-mile levee system along the Columbia River. Flooding that breaches the levee could result in outages of electrical equipment and damage to facilities resulting in the inability to pump from the well field. However, such flooding is most likely to occur during winter months when ground water augmentation would not be necessary.

Infrastructure Adaptation Strategies. The Bureau closely evaluates infrastructure investments and operational management options that maximize flexibility and reduce the risk of asset failure from extreme weather and climate. The Bureau implements a sophisticated Asset Management program to extend useful asset lives and implement the most practical replacement strategies (see "THE WATER SYSTEM—System and Supply Planning and Operations – System Planning"). In addition the Bureau has integrated climate-smart design practices into its engineering planning and design processes. Engineer project managers assess a range of climate risks for specific infrastructure projects, and evaluate potential adaptation and mitigation options to enhance the project or infrastructure resilience to relevant climate risks, as well as decrease project carbon emissions and energy usage. Further, the Bureau's Adaptive Supply Planning process is focused on making the right supply investments at the right time to prioritize supply system reliability, preserve options and avoid stranded assets – this includes adapting to changing climate conditions and stressors (see "THE WATER SYSTEM—System and Supply Planning and Operations – Adaptive Supply Planning"). With specific regard to heat events, the Bureau implements multiple heat adaptation strategies to decrease exposure to heat events, including monitoring internal pump station facility temperatures during heat waves, using passive cooling system like louvres and fans for unconditioned spaces, and designing pump motor insulation and electronic equipment for higher operating temperatures. With regard to ice and cold events, the Bureau's Operations and Maintenance and Construction group responds to main breaks and emergency events to decrease outage time during these events. With regard to flooding events, the Columbia River levee system is currently being modernized by the UFSWQD, to allow the levee system to meet current FEMA accreditation standards, as described above in "RESILIENCE TO NATURAL DISASTERS, CLIMATE CHANGE, AND DISEASE OUTBREAK - Citywide Disaster Preparedness and Mitigation – Response to Columbia River Flood Risk." The City utility bill will, as of July 1, 2026, include a Flood Safety Benefit Fee for the first time. This fee will fund flood safety infrastructure managed by the UFSWQD to help prevent flooding along the Columbia River and a measure of resilience for the CSS Well Field.

Workforce and Personnel Impacts. The Bureau's climate modeling of future extreme heat risk projects that the Heat Index, an important indicator of heat exposure for outdoor workers, is expected to increase. Under these conditions, outdoor workers are at higher risk to heat related illnesses and accidents, and the risk of workplace accidents and injuries would be expected to increase in the absence of additional health and safety measures. Additional concerns for the Bureau's outdoor workforce include an increasing incidence of wildfire smoke events and smoke waves from regional wildfires during summer months – this can lead to harmful air quality as measured by the Air Quality Index ("AQI"). Employees with existing health vulnerabilities can be disproportionally impacted by both heat and wildfire smoke events.

Workforce Adaptation Strategies. The Bureau's advanced climate work and knowledge allowed the Bureau to respond proactively in adopting standard operating heat and wildfire smoke protocols internally for protecting workers before the City or State came out with heat and smoke regulations following regional extreme heat dome and wildfire events in 2020 and 2021. The Bureau has been implementing these State-mandated OSHA heat-illness prevention and wildfire smoke rules over the last several years. These include providing required trainings for all employees to raise awareness of the risks and provide knowledge on how to reduce exposure, as well as implementing specific measures like mandatory rest and shade breaks and providing NIOSH masks for wildfire smoke when the Heat Index or AQI reach different levels.

Fire Risk. The Watershed is located in a region that is at high risk for fire. Additionally, transmission lines run through the Watershed that further contribute to fire risk. See "THE WATER SYSTEM—Bull Run Watershed Hydroelectric Power Generation" herein.

On July 15, 2026, smoke was detected by fire detection camera systems and a suspected lightning-caused wild fire was confirmed near Thompson Creek at the border of the Bull Run Watershed Management Unit. Upon investigation by USFS fire personnel, fire was limited to a single tree with an approximate 15-foot radius of smoldering forest duff and was deemed to be low risk for further expansion. The fire was contained by the following day. On July 18, 2026, the fire was extinguished without further incident.

On August 24, 2023, a lightning strike sparked a wildfire, known as the "Camp Creek Fire." The Camp Creek Fire was approximately 1.3 miles from Reservoir 1 and approximately 1.9 miles from the City's Headworks treatment facility. Protection measures were undertaken for structure and asset protection during the fire as precaution measures in the event the fire grew toward the Headworks treatment facility. The City monitored for potential impacts to water quality throughout the fire event. On December 6, 2023, the USFS declared the fire to be 100% contained. The Camp Creek Fire ultimately covered 2,055 acres in the Watershed, or approximately 3.14% of the Watershed.

While these fires demonstrate that fire presents a risk to the Bureau's primary drinking water source, both the natural conditions of the Watershed and longstanding efforts on the part of the Bureau, the Mt. Hood National Forest and partner jurisdictions significantly reduce the likelihood of an extreme fire in the area. The Watershed receives high amounts of annual precipitation and typically stays wet even during the summer dry season, reducing the potential for large fire spread. Lightning strikes also tend to be rare during the fire season. Additionally, the Bureau, the City and its partners have taken steps to mitigate the risks of fire to the Watershed, as discussed below.

Fire Adaptation Strategies. To the extent that future dryer summer conditions may increase the risk of seasonal wildfire incidence and severity, the Bureau is involved in several actions to both plan for and mitigate the impacts to the Water System, including:

- The City coordinates with the USFS and the Oregon Department of Forestry to ensure that the Watershed remains a top priority for wildland fire protection in the region. A joint fire management plan is updated regularly among the entities. The City works closely with its State and federal counterparts to support their lead role in detection and suppression efforts. Further, the City and the USFS maintain a watershed closure to ensure that risks of human-caused wildfire starts, which pose the largest wildfire risk, are reduced for the protected watershed. See also "THE WATER SYSTEM—Sources of Supply – The Bull Run Watershed – Bull Run Co-Management with the United States Forest Service" herein;

- The Bureau has partnered with the USFS Rocky Mountain Research Station, the University of Idaho and University of Washington to develop and utilize models and tools to assess various wildfire scenarios in the Watershed, their potential impacts to water quality, particularly erosion, and the potential effectiveness of various strategies to reduce post-fire impacts on water quality;

- Watershed-wide fire prevention measures have been implemented to reduce the risk of human-caused ignitions. These measures include restricted public access, prohibition of commercial timber harvest and associated slash pile burning, and restrictions on maintenance and construction activities in accordance with weather conditions;

- The Bureau has standard operating protocol to limit exposure and provide adequate personal protection equipment for front-line staff to protect against the effects of severe air quality degradation from regional wildfire smoke;

- The CSS Well Field provides significant Water System resilience by providing a secondary water source to meet base demands and provide supply augmentation in the event of a fire-caused shutdown or reduction in supply from the Watershed. The Bureau has prioritized CSS Well Field planning and coordination in its Strategic Plan and Adaptive Supply Planning efforts to ensure the continued availability and reliability of groundwater for these purposes;

- The distribution power lines into and out of the watershed are included in PGE's Public Safety Power Shut-off program. The City is continuing to work with PGE on transmission as described in "BULL RUN WATERSHED HYDROELECTRIC POWER GENERATION" herein;

- In 2026, the Bureau was successful in collaborating with the Bureau of Planning and Sustainability to update City code to allow for the creation of defensible space around critical water infrastructure. This policy change is expected to allow the utility to better prepare its infrastructure in areas of the City vulnerable to wildfire to be more resilient to those risks; and

- Starting in 2029, the Bull Run Treatment Projects are expected to enhance the City's ability to address the water quality impacts of fires and significantly decrease the risk and duration of Watershed shutdowns following a fire in the Watershed.

Carbon Transition. The City has a climate emergency declaration and Climate Emergency Workplan to eliminate carbon emissions by 2050. As a City agency, the Bureau has implemented multiple climate mitigation measures for over 15 years to prepare for the carbon transition and take advantage of new technologies, including improving energy efficiency of equipment and facilities, installing and generating on-site solar and micro-hydro renewable energy, and electrifying and reducing fleet vehicle emissions. In 2024, the Bureau developed a Net Zero Strategy endorsed by the Bureau leadership team to eliminate its greenhouse gas emissions by 2050, including ongoing and new strategies for strategic energy management, energy savings audits and improvements, water loss reduction measures, additional onsite and offsite solar and micro-hydro generation, fleet vehicle electrification, and natural gas phaseouts at some Bureau facilities. These carbon transition strategies will also consider resilience measures needed to maintain water systems at all times in the event of grid electric outages.

Since 2007 the Bureau has disclosed its greenhouse gas inventory in regular carbon footprint reports that are made publicly available on its website. The Bureau uses The Climate Registry General Reporting Protocol ("GRP") to quantify greenhouse gas emissions, most recently GRP Version 3.0. In 2024, the Bureau shifted to a public emissions dashboard to disclose its annual energy and fuel use and greenhouse gas emissions.

The EPA estimates that an average of 2,069 kWh of electricity per million gallon is used to provide drinking water in the United States. As disclosed in its carbon footprint reports, the Bureau's electricity use per gallon of water has always been lower than this national average due to the gravity-fed nature of the Water System and the fact that the Bureau has not used energy intensive treatment processes to date.

Response to Seismic Risk. The Bureau completed the 2017 Seismic Study in order to respond and prepare for a Cascadia Subduction Zone earthquake. The 2017 Seismic Study is in response to the Oregon Resilience Plan that seeks improvements in the man-made environment within the next 50 years to help communities and the State prepare for the major seismic event that may occur in the near future. This study identified a number of seismic improvements to improve the resiliency of the Water System. The proposed seismic improvements included the completed Washington Park Reservoirs. The Bureau is currently working to update the Seismic Implementation Plan over a 40-year period.

ORGANIZATION AND STAFF OF THE PORTLAND WATER BUREAU

BUREAU ORGANIZATION

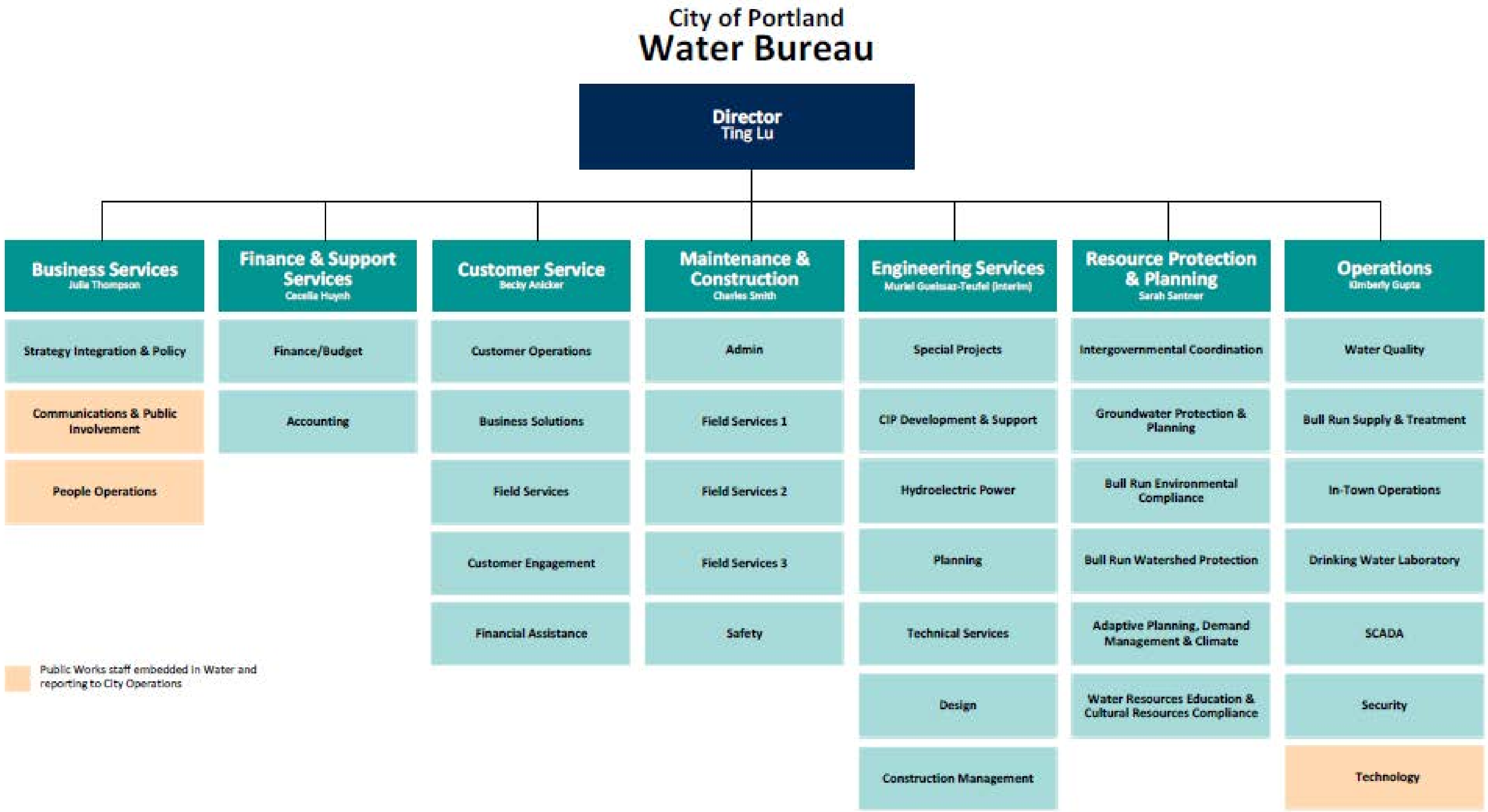
In August 2024, the City started exploring the integration of its water, sewer, and stormwater services into a One Water model. See "One Water Initiative" below. This initiative brought changes to how these services are managed and delivered. The changes include having a Public Utilities Director lead both the Portland Water Bureau and the City's Bureau of Environmental Services ("BES"), which is responsible for the operations of the City's Sewer and Stormwater Systems. The Public Utilities Director reports to the Deputy City Administrator of Public Works, and the Deputy City Administrator of Public Works reports to the City Administrator, who reports to the Mayor. See "—City Governance" below for more information.

The Bureau's FY 2026-27 Adopted Budget includes 552 full-time positions and two part-time positions, and is managed by a ten-person Management Team led by the Public Utilities Director. The Bureau's Management Team is composed of the Public Utilities Director, seven Work Group Directors, a Strategy Integration & Policy Manager, and a Communications Manager. The Bureau's internal management structure combines the efforts of the Director's Office and seven work groups including Business Services, Finance and Support Services, Customer Services, Maintenance and Construction, Engineering, Resource Protection and Planning, and Operations. Roles related to business services, communications, and equity are to undergo change in FY 2026-27 as a result of the City's core services realignment, which is centralizing shared support functions for efficiencies and improving consistencies with embedded employees to support bureaus. At times, consultants are used for specific projects that require expertise or staffing beyond the Bureau's capability. Certain administrative and support functions are provided by other City departments and bureaus on a reimbursable basis.

The 552 full-time positions and two part-time positions of the Bureau are distributed as shown below. Of these employees, 453 Bureau employees are members of a union; specifically, 277 are members of the American Federation of State, County and Municipal Employees (AFSCME 189), 87 are members of the Professional and Technical Employees Local 17, 56 are members of the City of Portland Professional Workers (CPPW), and 33 are members of the District Council of Trade Unions (DCTU). See APPENDIX D, "CITY FINANCIAL AND OPERATING INFORMATION–Labor Relations" for more information regarding these unions and the City's labor relations generally, and "FINANCIAL PROJECTIONS – RISKS RELATED TO PROJECTIONS AND FORECASTS" for a discussion of risks related to collective bargaining.

- Business Services - 8
- Finance and Support Services – 18 positions
- Customer Services – 101 positions
- Maintenance and Construction – 153 positions
- Engineering – 102 positions, 1 part-time
- Resource Protection and Planning – 28 positions
- Operations – 142 positions, 1 part-time

The chart on the following page shows the Bureau's organization for the FY 2026-27 Adopted Budget.



Source: City of Portland FY 2026-27 Adopted Budget

One Water Initiative

A task force, composed of leadership from the Portland Water Bureau (the "Bureau") and Bureau of Environmental Servies ("BES"), collaborated with a team of consultants to assess how the City could build upon collaborative and integrated work and explore a unified water, sewer and stormwater model referred to as the "One Water" model as a way to enhance and provide more efficient delivery of services to the community, while also maintaining the integrity of the City's Water Fund and Sewage Disposal Fund that secure the City's Water System Revenue Bonds and Sewer System Revenue Bonds, respectively. The approach continues to be in its early stages of implementation and is currently focused on integrating a shared executive leadership team.

The following are recommendations from the task force:

- Develop a One Water Leadership Team;
- Implement effective change management processes within the Public Works Service Area (the "PWSA");
- Develop a unified PWSA strategic plan;
- Prioritize collaboration as a core organization norm;
- Develop integrated infrastructure management, including a unified Capital Improvement Plan;
- Assess water, wastewater, and stormwater systems for climate resiliency and other significant threats;
- Coordinate communications across the service area;
- Focus on equitable workforce development;
- Continue coordination with ongoing natural resource service delivery work;
- Focus on rate affordability, building on ongoing efforts;
- Leverage equitable service delivery for economic development; and
- Focus on climate action and resiliency as a Citywide priority.

DIRECTOR'S OFFICE AND WORK GROUPS

Public Utility Director's Office

The Public Utility Director's Office provides overarching policy planning, executive leadership, strategic direction, and operational oversight for both the Bureau and the BES. The Director's Office is responsible for enterprise-wide strategic initiatives, long-range utility planning, inter-bureau alignment, legislative and regulatory affairs, and formal intergovernmental liaison with the Mayor, City Administrator's Office, Deputy City Administrators, and City Council.

Work Groups

The **Business Services Group** is undergoing a transition as part of the City's realignment of core business services. In FY 2026-27, the Bureau's teams providing human resources management, public information, equity services and more are being transitioned to a centralized oversight structure, with embedded employees to provide service continuity for the Bureau. Bureau-wide performance management and other business process improvement services will remain for the time being, and will support the setting of new service level agreements between centralized services and the Bureau.

The **Finance and Support Services Group** provides financial planning, rate-setting, budgeting, accounting, payroll, auditing, financial-analyses, property management, and fiscal-monitoring functions for the Bureau. It also provides clerical support for Bureau staff. This group manages the interfaces to City financial and personnel systems, and other Bureau-specific software systems.

The **Customer Services Group** is responsible for managing billing, customer accounts, answering customer inquiries, processing customer payments, reading meters, quality assurance and providing water service inspections. This group is responsible for the repair, maintenance and replacement of meters. This group is also responsible for and manages the Customer Information & Billing System which includes providing customer self-service portals and payment options.

The **Maintenance and Construction Group** is responsible for repair, operation, and maintenance of the distribution system. Installation, operation, and maintenance functions related to mains, services, valves, hydrants, and leak-detection are performed by this group. This work includes direct services and related support for control valves, carpentry, purchasing and stores operation, and loss-control programs. This group manages the Bureau's two apprentice programs. The emergency crew provides response for outside normal work hour requirements, including main breaks and other emergency responses.

The **Engineering Group** is responsible for planning, design, and construction of the Water System. Engineering staff are responsible for developing and managing the Bureau's CIP, providing asset management expertise, developing facility standards, emergency management, and managing contracts. In addition, this group serves as customer liaison for new service installation, drafting (including geographic information system mapping), surveying, inspecting, and maintaining records on supply and distribution system improvements. Administrative oversight of the hydroelectric power function is conducted within this group.

The **Resource Protection and Planning Group** is responsible for coordination with federal, State and local partners to plan for and protect the quality of both of Portland's drinking water sources, environmental and cultural resources regulatory compliance, adaptive planning and climate programs, non-rate revenue strategy, and governmental relations. Responsibilities include addressing legislative and regulatory issues and performing research, comprehensive planning on major issues, supply and demand analysis, wildfire prevention, risk assessment and planning, oversight for Portland Clean Energy Fund funds, and coordination of the Regional Water Providers Consortium. This Bureau work group is also responsible for management of the Bull Run Water Supply Habitat Conservation Plan, the relicensing of its two dams on the Bull Run with FERC, Water Management and Conservation Plan, water rights, water-efficiency and water-loss programs, water resource education programs, cultural resources programs, and invasive species mitigation.

The **Operations Group** is responsible for the operation and maintenance of water storage and supply, treatment and transmission from the Watershed and the CSS Well Field. This group operates and maintains the dams, conduits, terminal storage reservoirs, tanks, pump stations, water treatment facilities, pressure regulators, an accredited laboratory, and the Water Control Center. Staff responsibilities include water quality monitoring, regulatory compliance, laboratory services, system analysis, SCADA, reliability centered maintenance, security, and addressing water quality customer complaints.

MANAGEMENT PERSONNEL

The following are brief biographies of key management personnel.

Raymond C. Lee, III, City Administrator, was appointed effective December 29, 2025. Prior to joining the City, Mr. Lee was city manager of Greeley, Colorado, where he managed 1,600 employees and an annual budget of $515 million. His tenure in Greeley included launching housing and homelessness solutions programs and working on significant development projects. Before joining Greeley, Lee spent ten years with the City of Dallas, Texas in a progression of leadership roles and later served as public works director for the City of Amarillo, Texas, where he oversaw drainage utility, fleet services, solid waste, street services, traffic engineering, and traffic operations. Lee earned a master's degree in public administration from the University of Kansas and a bachelor's degree in public administration from Henderson State University in Arkansas. He has completed executive leadership programs at Harvard University's Senior Executives in State and Local Government Program, Yale University's Fostering Inclusion and Diversity Program, and Brown University's Leader as Coach Program, and multiple executive certificates from Cornell University in Labor Relations and Financial Management.

Jonas Biery, Chief Financial Officer, has served in his current position since 2024. Mr. Biery guides the City's work to manage money transparently, responsibly and sustainably. Before this role, Mr. Biery spent four years serving as Vice President at D.A. Davidson & Co. as a public finance banker and municipal advisor to local governments. He has over 20 years of multi-faceted experience in the government and public finance sector. From 2011 to 2020, Mr. Biery worked for the City of Portland – first as the City's Debt Manager and later as Business Services Manager for the City's Bureau of Environmental Services. Mr. Biery is currently a board member for the State of Oregon's Infrastructure Finance Authority. He previously served on the Government Finance Officers Association Committee on Governmental Debt Management and the Municipal Securities Rulemaking Board's Compliance Advisory Group. Mr. Biery graduated from Portland State University with a BA and an MBA.

Priya Dhanapal, Deputy City Administrator for Public Works, provides leadership and oversight on the Public Works Service Area, which includes the Water Bureau, BES, Bureau of Transportation, and Parks and Recreation. Ms. Dhanapal joined the City of Portland on July 1, 2024. Ms. Dhanapal served as the Public Works Deputy Director for Clark County Washington, where she provided strategic oversight to various divisions, including Clean Water, Parks, and Lands, Fleet Services, Emergency Management, Community Engagement & Inclusion and Business Services. Ms. Dhanapal's career in public works began with wastewater recycling research for NASA, followed by helping engineer the first permanent direct potable reuse implementation in the United States. Noteworthy achievements in her career include leading the implementation of the innovative Beaverton Purple Pipe program, a pioneering initiative in the West Coast. Additionally, she led and implemented a multi-million-dollar potable water infrastructure program that was transformative to Beaverton's water system. A licensed professional engineer in Oregon, Dhanapal holds a Master of Science in Civil/Environmental Engineering from Texas Tech University, complemented by additional degrees in Biological Sciences and Chemical Engineering.

Dr. Ting Lu, Public Utilities Director, provides oversight and strategic direction for both the Bureau and BES. Previously, Dr. Lu served as the Interim Director at BES. Prior to joining the City, Dr. Lu served in various positions at Clean Water Services, Black & Veatch and Metropolitan Sewer District of Greater Cincinnati. Dr. Lu received her Ph.D. at the University of Cincinnati and is a licensed professional engineer. An active industry leader, she serves on the Board of Directors for the Tualatin Riverkeepers and co-chairs the Climate & Resilience Committee for the National Association of Clean Water Agencies. She has published over 100 articles/presentations on utility management, smart infrastructure, and watershed resilience.

Julia Thompson, Director of Business Services, is responsible for developing and monitoring the strategic plan, process improvement, change management, Bureau-wide employee engagement, workforce development, and internal communications. Ms. Thompson joined the Bureau in 2022. Prior to joining the Bureau, she worked as a consultant with a variety of public, private, and non-profit sector clients doing organizational development, strategic planning, employee engagement, executive communications, and management consulting and training. Ms. Thompson also previously worked at the City of Portland's Bureau of Planning and Sustainability for 11 years. She holds a Master of Public Administration from Portland State University, and Bachelor of Arts in Communications from Evergreen State College.

Cecelia Huynh, Director of Finance and Support Services, is responsible for overall management of financial planning, budgeting, rate setting, accounting, and support services. Ms. Huynh has been working in the Bureau since 1990. She joined the Finance and Support Services Group in 2002 as the Budget Manager, served as the Finance Manager beginning in 2008, and was appointed as Director of Finance and Support Services in 2012. Ms. Huynh has a Bachelor of Science degree in Finance and Management from Portland State University in Portland, Oregon.

Carrie Popenuk, Director of Customer Service, is responsible for the overall management of customer services including account services, billing and collection, quality assurance, meter reading, meter maintenance and repair, and data processing. Ms. Popenuk brings three decades of experience in water customer service, where she has served in progressive roles including phone representative, lead, supervisor, and manager.

Charles Smith, Director of Maintenance and Construction, is responsible for overall management of maintenance, construction and support functions, including repair and maintenance of the distribution system, maintenance management system, purchasing and stores operation, fleet, and apprentice programs. Mr. Smith joined the Bureau in 1999 as a Maintenance and Construction field employee before moving into a management role in 2005. Mr. Smith then served as the group's deputy director before becoming the Interim Director in 2025.

Muriel Gueissaz-Teufel, PE, Interim Chief Engineer and Director of Engineering, is responsible for overall management of engineering, its support functions, and administration of the capital improvement plan including planning, design, and construction. Ms. Gueissaz-Teufel currently serves as the interim Chief Engineer for the Water Bureau. Ms. Gueissaz-Teufel is a senior public-sector infrastructure leader with over 27 years of experience planning, governing, and delivering complex wastewater and stormwater capital programs in the Pacific Northwest both in consulting and in the public sector. Ms. Gueissaz-Teufel is a Professional Engineer in the State of Oregon holding a Bachelors and Master's Degrees in Chemical Engineering. She also is board certified by the Academy of Environmental Engineers in Water Supply and Wastewater, as well as a certified Design-Build Professional from the Design Build Institute of America.

Sarah Murphy Santner, Director of Resource Protection and Planning, is responsible for overall management of resource protection and planning, including coordination with federal, state and local partners on source protection efforts for the Bureau's drinking water sources, long-term planning and policy development work, and compliance with environmental regulations. Ms. Santner joined the bureau in 2004, coming from the US Army Corps of Engineers, where she led community engagement efforts for environmental restoration and compliance projects. Prior to her work at the Corps, Ms. Santner served in multiple roles at the Columbia Slough Watershed Council. Ms. Santner's work at the Bureau started with her oversight of the community engagement for the Bull Run Water Supply Habitat Conservation Plan. She then moved into management of water conservation, curtailment, water loss, and the Bureau's affordability efforts. Ms. Santner holds a BS in Environmental Management and International Development from Cornell University.

Kimberly Gupta, PE, Director of Operations, is responsible for management of operations and maintenance of surface and groundwater supplies, including treatment, transmission, storage, distribution, pump stations and tanks, system analysis, and the SCADA system. She joined the Bureau in 2010. Ms. Gupta has over 20 years of experience in the drinking water industry working for large utilities on projects related to drinking water treatment, distribution system optimization, regulatory compliance, and emerging contaminants. Ms. Gupta has a Master of Science degree in Civil/Environmental Engineering from the University of Nevada, Reno, and is a registered professional Civil Engineer in both Oregon and California. She is a certified water distribution and treatment operator in Oregon, holding D4 and T4 certifications, and serves as the Bureau's Direct Responsible Charge, which is the lead Water System operational contact for the OHA. Ms. Gupta is also an active member of the American Water Works Association and serves as a Commissioner on the National Blue Ribbon Commission for Onsite Non-Potable Water Systems.

BUREAU PROGRAMS

The Bureau's work is organized within seven Bureau programs:

- **Supply Program** – Providing high-quality water in quantities that customers desire is one of the most important elements of the Water Bureau's mission. The Supply Program supports activities related to supplying water for all of the Bureau's retail and wholesale customers. This includes projects and programs for the primary Watershed supply, the secondary groundwater supply at the CSS Well Field, and the backup Powell Valley Well Field. The Bureau embeds climate change analysis, scenario, and adaptive planning into the supply program.

- **Treatment Program** – The Treatment Program contributes to the Bureau's ability to reliably deliver high-quality water that meets or exceeds customer and regulatory standards. The Bureau applies treatment appropriate for a large public water system with unfiltered surface water and groundwater sources. The Treatment Program currently provides for the application of chlorine, ammonia, soda ash, carbon dioxide, and sodium hydroxide, and for the associated regulatory and process-control monitoring and reporting. The Treatment Program is currently being enhanced with filtration under the Bull Run Treatment Projects. See "REGULATORY ENVIRONMENT—Current and Emerging Regulatory Issues – Long Term 2 Enhanced Surface Water Treatment Rule" and "CAPITAL IMPROVEMENT PLAN—Capital Programs and Projects – Major Capital Projects" herein.

- **Transmission and Terminal Storage Program** – The Water System relies on the natural force of gravity to deliver and store water derived from the Watershed, the primary water source of the Water System. The Transmission and Terminal Storage Program includes the large pipes that convey water by gravity to the large terminal storage reservoirs. This program includes the pipelines related to the Bull Run Treatment Projects. See "REGULATORY ENVIRONMENT—Current and Emerging Regulatory Issues – Long Term 2 Enhanced Surface Water Treatment Rule" herein and "– Major Capital Projects" below. Major terminal storage currently includes Powell Butte, Washington Park, Kelly Butte Reservoirs as well as the Sam Jackson 2, and Mayfair tanks.

- **Distribution Program** – The Distribution system is the circulatory system of approximately 2,250 miles of pipe in Portland that provide connections for retail and wholesale customers. Distribution system elements convey water from the large terminal storage facilities and control and monitor storage and flow in the system 24 hours a day. Tanks and pump stations store, release, and move water and contribute to providing the appropriate water pressure for customers and fighting fires. Meters in the system record water flows for operations and usage for billing purposes. Hydrants provide connections for fighting fires, and valves control water flows for maintenance or emergencies. The repair, rehabilitation, and replacement of elements of the distribution system are also covered in this program. This program also includes operation and maintenance of drinking fountains.

- **Regulatory Compliance Program** – The Regulatory Compliance Program provides for both the quality of the water that customers drink and the Bureau's ability to meet environmental regulations. Regulatory Compliance Program staff ensures that water from both supply sources meets or exceeds all federal and State water quality requirements for drinking water, including the many regulations of the Safe Drinking Water Act (the "SDWA"). Regulatory Compliance staff ensure compliance with other regulatory standards, the ESA and CWA, and permits that regulate the proper disposal of dechlorinated water. Regulatory Compliance staff also implement monitoring programs and reporting related to the regulations.

- **Customer Service Program** – The Customer Service Program encompasses the Bureau's water efficiency programs, water quality communications, security, grounds, emergency management and preparedness programs as well as its direct customer service functions. The Bureau's call center staff answer questions and provide resources for people with questions about water, sewer, and stormwater services. Meter readers and inspectors document reads and other property and meter conditions at customers' homes and businesses and may interact with customers directly. Customer Service includes billing and collection for water, sewer, and stormwater services and assistance for qualifying low-income water customers. The financial assistance program includes two tiers of bill discounts based on income qualification for single-family customers, and a discount for multifamily properties enrolled in the City's Non-Profit Low-Income Housing Limited Tax Exemption program.

- **Administration and Support** – The Administration and Support Program is undergoing a transition as part of the City's realignment of core business services. In FY 2026-27, the Bureau's teams providing human resources management, data management and technology, public information, equity services and other administrative support services will be transitioned to a centralized oversight structure, with embedded employees to provide service continuity for the Bureau. Many services are expected to stay at the Bureau to ensure that the needs of the other programs are met and that City-wide information and services are provided as needed for the most effective operations of the other six Bureau programs.

CITY GOVERNANCE

Overview

In November 2022, Portland voters approved Ballot Measure 26-228, which made changes to the City Charter addressing the structure of City government and the process for electing City officials. These changes include:

- Allowing voters to rank candidates in order of preference, using ranked-choice voting,
- Establishing four geographic districts, with three City Council members elected to represent each district, expanding the City Council to a total of 12 members, and
- Transitioning to a Mayor-Council form of government, under which the City Council performs legislative and quasi-judicial functions, while the Mayor oversees City services with an appointed City Administrator. This includes transitioning day-to-day oversight of bureaus to the Mayor, with the City Council focused on setting policy and engaging with the community, and a professional City Administrator who is supported by Deputy City Administrators ("DCAs").

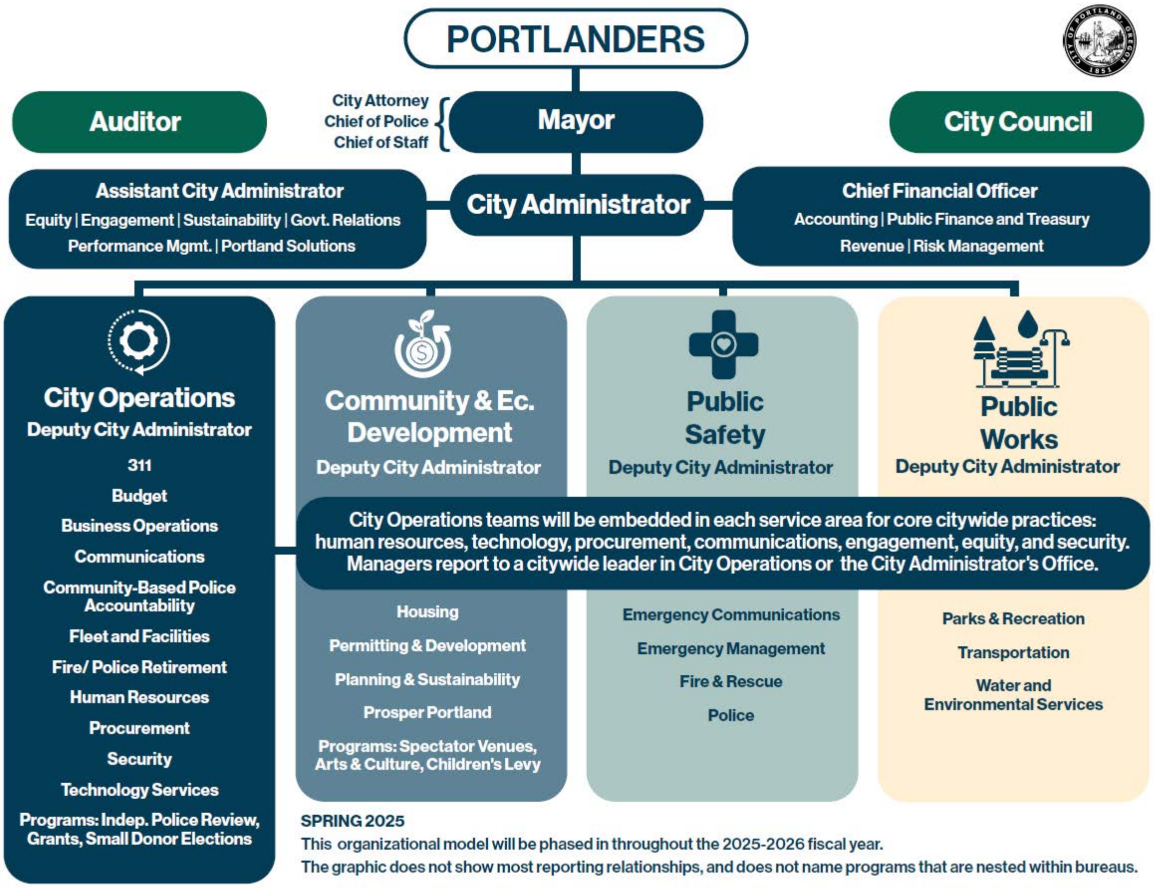
On November 5, 2024, the first election with ranked-choice voting and geographic districts occurred. The Mayor and 12 City Council members took office effective January 1, 2025. The Mayor and half of the City Council (two of the four districts) ran for four-year terms; the City Auditor and the other half of the City Council ran for initial two-year terms.

Organizational Structure

Organized by service areas, the new model establishes key leadership positions and realigns core services to operate efficiently and effectively. The organizational structure includes the following key elements:

- A City Administrator's Office and executive leadership team, including four DCAs, an Equity Office, a Sustainability Officer and an Assistant City Administrator. Together, individuals in these positions are responsible for leading and coordinating operations across the City to improve delivery of internal and external services, developing and implementing a Citywide vision and priorities and continuing to grow a shared culture across the organization. The City Administrator's Office also includes the Office of the Chief Financial Officer, Office of Equity and Human Rights, Community and Civic Life, Performance Management, the Office of Government Relations and the Portland Solutions (i.e. centralized program hub to address our community's most pressing homelessness and livability challenges) workgroup to provide greater Citywide coordination of policies and programming.
- The Chief Financial Officer position (which was previously the Deputy City Administrator of Budget and Finance) reports to the City Administrator while continuing to oversee core financial services: Accounting, Public Finance and Treasury, Revenue, and Risk. This provides a more direct line of contact with the Mayor and City Council while the City develops its budget and manages its financial responsibilities.
- Four service areas, each led by a DCA, group bureaus or programs as shown in Figure 1 below. The Public Safety service area DCA position is currently vacant and is directly managed by the City Administrator until that position is filled.
    1. City Operations
    2. Community and Economic Development
    3. Public Safety
    4. Public Works

Figure 1
Adopted City Organizational Structure
as of July 2025



PUBLIC INVOLVEMENT

In response to public concerns about the capital program and rate-making process, on June 10, 2015, the City Council approved Ordinance Number 187174 to create the Public Utility Board (the "PUB"), a public oversight panel that replaces prior public bodies (the Portland Utility Review Board and budget advisory committees) for the Portland Water Bureau and Bureau of Environmental Services ("BES"),, which manages the City's sewer system. The PUB advises City Council regarding operations of the two utility bureaus, including development of bureau budgets and financial plans, capital spending, rate setting and other topics. The PUB has 11 voting members and three ex-officio members. One voting member of the PUB is a current employee in a represented bargaining unit with the Water Bureau or BES. Members are appointed by the Mayor and confirmed by the City Council.

REGULATORY ENVIRONMENT

OVERVIEW

As a public water system, the City's provision of drinking water is federally regulated predominantly under the SDWA through the EPA. In Oregon, the EPA has delegated administration and enforcement of the SDWA regulations to the OHA Drinking Water Services. The OHA also establishes and enforces its own regulations for public water systems under Chapter 333 of the Oregon Administrative Rules. As previously described, the City's primary water source, the Watershed, is located primarily on USFS national forest system land. As previously discussed in "WATER SYSTEM – Sources of Supply," the Watershed Management Unit is co-managed by the USFS and the City under P.L. 95-200 and other relevant laws and regulations that are applicable to federal lands.

Federal environmental statutes that affect Water System operation include the CWA and the ESA. In Oregon, the EPA has delegated the authority to administer and enforce CWA issues to ODEQ. Issues related to the ESA are administered and enforced by two federal agencies, the U.S. Fish and Wildlife Service and the National Marine Fisheries Service.

Federal regulation of the safety and operations of the Watershed dams is under the jurisdiction of FERC. See "THE WATER SYSTEM—Bull Run Watershed Hydroelectric Power Generation" herein.

THE SAFE DRINKING WATER ACT

In 1974, Congress initially adopted comprehensive legislation for drinking water supplies in the SDWA. Since then, the original legislation has been significantly revised and expanded twice, first in 1986 and again in 1996. Regulations, called rules, arising from this legislation address a range of health concerns and issues including (but not limited to) chemical and microbial contaminants, operator certification, disinfection and treatment practices, source water protection, and consumer information requirements. The first wave of new regulations resulting from the 1996 amendments to the SDWA are largely in place at this time, but the EPA anticipates an ongoing process to fully realize the intent of Congress in the 1996 revisions. The Water System is in compliance, or on a compliance schedule, with all currently enacted regulations under the SDWA as well as those imposed by the OHA.

The Total Coliform Rule ("TCR"), one of several regulations under the SDWA requires monitoring for coliform bacteria, which serve as an early warning system for detecting conditions favorable to waterborne pathogens. Under the State-approved coliform monitoring plan, the Bureau collects and analyzes no less than 240 samples per month for coliform bacteria.

CURRENT AND EMERGING REGULATORY ISSUES

Portland's water meets or exceeds the many regulatory standards in place to protect public health. The rules enacted as a result of amendments to the SDWA have required that the City invest in programs and infrastructure to comply.

Long Term 2 Enhanced Surface Water Treatment Rule

In January 2006, the EPA issued the LT2 Rule, which is the most recent Surface Water Treatment Rule established by the EPA. The purpose of the EPA LT2 Rule is to "reduce illness linked with the contaminant *Cryptosporidium* and other disease-causing microorganisms in drinking water." The regulations articulated in the LT2 Rule affect both the Treatment and Transmission and Terminal Storage programs.

Requirements for Cryptosporidium Treatment. The LT2 Rule requires water systems using surface water as a source, such as the Water System, to provide treatment to remove or inactivate *Cryptosporidium,* which is resistant to chlorine and other disinfectants. A provision of the SDWA enables water systems to request variances to such treatment requirements if the system can demonstrate that due to the nature of its raw water source the required treatment is not necessary to protect public health. The City made a request for an LT2 Rule treatment variance to the OHA in June 2011. The OHA granted the City's variance request in March 2012 based on the data the Water Bureau provided demonstrating the low risk from *Cryptosporidium*, the legal protections for the Watershed, and the level of Watershed controls provided by the current management agreements and policies. Portland was the only water system nationally granted a treatment variance from this regulation. The variance went into effect on April 1, 2012, and was in effect until December 2017, when a new compliance agreement with OHA was put in place.

The City entered into a Bilateral Compliance Agreement (the "BCA") with OHA in December 2017, which established a 10-year compliance schedule to build and begin operating a filtration water treatment facility to remove *Cryptosporidium* from the Watershed drinking water supply, which is referred to herein as the "Bull Run Treatment Projects." The BCA largely established the timeline for placing in service a filtration facility meeting all surface water and *Cryptosporidium* treatment requirements no later than September 30, 2027 and enhanced Watershed monitoring and reporting of *Cryptosporidium*.

On December 12, 2018, the City Council adopted Resolution 37402 to accept the Bureau's preferred alternatives for the filtration facility, including a capacity range of 145 MGD to 160 MGD; a facility location at Bureau-owned land on Carpenter Lane in east Multnomah County; and a preferred filtration technology of granular media filtration.

On November 27, 2019, the City Council adopted Resolution 37460 setting priority values, expectations and the recommended option to guide the design and implementation of the Bull Run Treatment. The recommended option included target capacity of 145 MGD; conventional treatment including flocculation, sedimentation, and filtration; ozone; clearwell sized for operational flexibility; and two pipelines into and out of the filtration facility.

On October 31, 2022, the City submitted the Bull Run Treatment Projects design and construction plans to the OHA, meeting the compliance milestone under the BCA. The basis of design report for the filtration portion of the Bull Run Treatment Projects described the scope of the facility that would be designed and constructed. As part of the scope of development, the Bureau evaluated the impacts of the new sources being developed by wholesale customers and reduced the peak capacity of the Bull Run Treatment Projects to 135 MGD.

In June 2023, the Bureau estimated the funding needs for the Bull Run Treatment Projects to increase by 24 percent from the 2022 $1.483 billion funding plan to $1.834 billion due to several factors, including high construction cost escalation, limited labor market, and bid competition. In an effort to manage costs, the Bureau planned to implement construction of the filtration facility and filtration pipelines in two phases, which received City Council approval, to award two Guaranteed Maximum Price ("GMP") contracts for each project.

In April 2024, the City Council authorized the acceptance of the second GMP contract for the filtration facility and pipelines, and further increased the total funding plan to $2.134 billion. The cost increase was caused by the same factors that contributed to increased costs in 2023, and also the impacts of schedule compression. The updated cost estimate had a high confidence level with designs and construction bids completed. The site work of the Bull Run Filtration Projects started in June 2024. However, subsequent events related to land use approval temporarily stopped site work, as described further below.

Land Use Approval. In November and December 2023, the Bureau received land use approval with conditions from both Clackamas County and Multnomah County on the permanent improvements required for the projects. As anticipated, the land use decisions in Clackamas and Multnomah Counties were appealed to the Oregon State Land Use Board of Appeals ("LUBA"). The appeal in Clackamas County was withdrawn in April 2024 and the decision is final.

In January 2025, LUBA issued a land use decision of "remand" back to Multnomah County. In its decision, LUBA remanded one Multnomah County permit item related to the definition of the term "natural resources" in Multnomah County code. As a result, the original Multnomah County conditional land use decision was no longer effective. The Bull Run Treatment Projects were temporarily halted during the remand that began on February 13, 2025. The Water Bureau continued non-construction activities during the remand to advance the project where able and continued to work with the contractor to evaluate opportunities to minimize schedule impacts. Activities related to security and permit compliance continued during the remand to ensure the site remained safe, secure, and in compliance with obtained permits.

The City provided formal notice of the remand and the potential delays to meeting the BCA timelines to the OHA.

In June 2025, Multnomah County posted the land use hearings officer's decision on the remand, reapproving the land use permits of the Portland Water Bureau's drinking water filtration facility and pipelines in East Multnomah County. The decision considers natural resources and concludes that the project will "not adversely affect any category of natural resources"- and therefore can proceed. This decision has resulted in the recommencement of construction. The reapproval of the land use permits was appealed to LUBA. On February 11, 2026, LUBA issued its decision affirming Multnomah County's reapproved land use permits on the remand. The LUBA decision is final, and no further appeal was filed prior to the appeal deadline.

The pause on construction from the remand impacted the project costs and schedule. The Bureau has updated its Capital Improvement Plan and included in its FY 2026-27 Adopted Budget an increase of $450 million to the Bull Run Treatment Projects, for a total cost of $2.58 billion with a high confidence level. The total cost includes $101 million of contingency. The additional costs are expected to be funded through the issuance of additional Water System Revenue Bonds. Additionally, OHA approved the Bureau's request of a 2-year extension to complete the project. OHA has amended the BCA to extend the compliance date by two years to September 30, 2029.

Current Status. The Bull Run Treatment Projects costs are approximately $963 million through June 30, 2026, including indirect costs and the completed Improved Corrosion Control Treatment facility. The remaining Bull Run Treatment Projects, including the filtration facility and the pipelines are approximately 36 percent complete. The City and the construction contractors have agreed on the contractual terms for land use delay allocations, including the specific cost amounts. These agreed upon costs fit within the project's existing budget, and the formal documentation is now being finalized. The program's management has been strengthened by adding owner's representatives to help maintain proactive control over costs, schedules, and risks. Additional project oversight and reporting measures are also being put in place. These include a Project Delivery Advisory Team ("PDAT") has been created to advise the project team on construction management. The PDAT includes members with extensive expertise on large infrastructure projects and members from PUB. PDAT has assessed construction management structures, updated the risk register and is now looking forward at project communications and operational readiness. The project team is implementing recommendations as they are presented. An Independent Financial Oversight Panel is expected to be set up in the Fall of 2026 to provide additional project financial controls, cost management, and project delivery practices. Monthly reporting on construction cost and overall project updates is provided to the PUB and City Council. The project is expected to be completed in September 2029.

Lead and Copper Rule

In 1991, EPA published the Lead and Copper Rule (the "LCR") to control lead and copper in drinking water. As a result, in 1997, the City installed partial treatment at the Lusted Hill Treatment Facility to control corrosion by increasing the pH of the water and met the requirements of the LCR with the Lead Hazard Reduction Program (the "LHRP"). The LHRP was a comprehensive lead education, outreach, testing and remediation program comprised of four components:

- Corrosion Control Treatment;
- Lead in Water Education and Testing;
- Education and Outreach for all sources of lead exposure; and
- Lead paint remediation

Improved Corrosion Control Treatment. As a result of exceeding the action level for lead, in 2014, the Bureau initiated a corrosion control study to identify ways to reduce lead in water levels at customer taps. On November 4, 2016, OHA approved the schedule to install improved corrosion control treatment no later than April 2022 (referred to herein as the "Corrosion Control Treatment Facility Project"). The Corrosion Control Treatment Facility Project was completed in April 2022.

Lead Testing. Lead in drinking water in the Portland area is primarily a result of household plumbing materials, especially in homes built or plumbed between 1970 and 1985 with copper pipes and lead solder. As described further below, a recent inventory of service lines conducted utilizing a combination of physical inspections, review of historical records, and the application of an OHA approved statistical approach, confirmed the Bureau's representation that there are no lead water service lines in the Water System.

The LCR requires water systems to monitor drinking water at customer taps in a representative set of homes (homes known to contain lead in plumbing). For lead concentrations exceeding an action level of 15 ppb or copper concentration exceeding an action level of 1.3 parts per million in more than 10 percent of customer taps sampled in the representative set of homes, a system must undertake a number of additional actions to notify and educate the public.

On December 22, 2023, OHA deemed the Corrosion Control Treatment Facility Project as Optimized Corrosion Control Treatment under the LCR after completing two demonstration rounds of testing for lead in drinking water and associated water quality parameters in the distribution system, bringing the City in full compliance. As a result of the designation, the City qualifies for reduced monitoring for lead in water of once-per-year at 50 homes. An updated joint monitoring plan with seven wholesale customers is in place to perform sampling annually (between June – September) at more than 50 homes within the Water System's service area. Sampling under the previous plan was done every six months at more than 100 homes. Using Optimized Corrosion Control Treatment has further reduced lead levels since 2023. The City also anticipates additional reductions of lead in drinking water due to improved water quality when the Bull Run Treatment Projects are completed in 2029.

On a national level, the EPA has implemented revisions to the LCR to improve public health protection by recently making substantive changes and to streamline the existing rule requirements. On January 15, 2021, the Lead and Copper Rule Revisions ("LCRR") were published in the Federal Register. The final LCRR effective date was December 16, 2021, with a compliance deadline of October 16, 2024. In December 2024, the EPA finalized the Lead and Copper Rule Improvements ("LCRI") to strengthen key elements of the LCRR. The two biggest changes in the rules are requiring all systems to complete a lead service line inventory and remove all lead service lines within 10 years, and lowering the Action Level for lead from 15 parts per billion ("ppb") to 10 ppb.

OHA's guidance to complete a lead service line inventory includes using a statistical approach and physically verifying a subset of service lines of unknown material rather than inspecting every unknown service line. The Bureau utilized this approach, per OHA rules and guidance, to complete the service line inventory. The completed inventory inspected 390 water service lines smaller than 2 inches that were installed prior the State lead ban (1985) and before various local plumbing code revisions which prohibited lead plumbing. The completed inventory confirmed all service lines in the Water System were non-lead and was submitted to OHA before the regulatory deadline of October 16, 2024.

Unregulated Contaminant Monitoring Rule and Perfluoroalkyl and Polyfluoroalkyl Substances Rule

The Bureau is monitoring drinking water trends across the country to stay informed of new water quality issues. Under the Unregulated Contaminant Monitoring Rule (the "UCMR"), the EPA requires the City and approximately 6,000 other water utilities across the country to collect data for unregulated substances every five years. The City has participated in all five rounds of UCMR monitoring and also provides results to customers in the Water System's Annual Drinking Water Quality Report when these substances are detected. The fifth Unregulated Contaminant Monitoring Rule ("UCMR 5") required sample collection for 30 chemical contaminants — 29 Perfluoroalkyl and Polyfluoroalkyl Substances ("PFAS") and lithium — between 2023 and 2025 using analytical methods developed by the EPA and consensus organizations. The City sampled for UCMR 5 in 2024-2025. All samples were non-detect.

In April 2024, the EPA published a final drinking water regulation for six types of PFAS, which is set to go into effect in 2027. Maximum Contaminant Limits ("MCL") were set for four PFAS chemicals and an MCL Hazard Limit was set for a mixture of two or more of four PFAS chemicals. It is anticipated that the EPA will rescind the MCLs for all but two of the PFAS chemicals (PFOS and PFOA). The Watershed is at extremely low risk for PFAS and no detections have ever occurred for that source. The protected CSS Well Field is near known sources of PFAS, which are ubiquitous in urban areas. The Bureau has selectively sampled for PFAS in 30 CSS monitoring wells as part of a source identification and protection strategy. The monitoring wells sampled are mainly in areas expected to be at higher risk for detection and are therefore expected to detect PFAS more frequently. As a result of this testing, some PFAS substances have been detected at low levels in 16 PWB monitoring wells, but never in any production wells used to provide drinking water. PFAS were also detected at low levels in two Powell Valley wells which the Bureau has not used, and does not intend to use, for water supply. PFAS monitoring results are used to inform the actions of the existing Groundwater Protection Program and Remediation Partnership Agreement with ODEQ, which provide an effective platform for addressing source water risk in the CSSWF from PFAS and other emerging contaminants. See "ENVIRONMENTAL REGULATIONS AND COMPLIANCE PLANS – CSS Well Field Compliance" below and "THE WATER SYSTEM—Sources of Supply – The Columbia South Shore and Powell Valley Well Fields" herein.

Other Contaminants

In addition, the Bureau has closely tracked emerging research as well as news about cyanotoxins, radon, and legionella in drinking water. The Watershed has never had a cyanobacterial bloom, water system exposure to radon is very low, and the distribution system is low risk for legionella growth given the cold temperatures and use of chloramine disinfectant. The Bureau monitored for legionella in the distribution system from December 2021 to April 2024. Legionella was not detected in any samples.

ENVIRONMENTAL REGULATIONS AND COMPLIANCE PLANS

The City is also subject to environmental regulations and statutes administered by a variety of State and federal agencies. The CWA addresses discharges into the nation's waterways. The CWA is administered and enforced in Oregon by the ODEQ. The ESA addresses activities that have the potential to threaten species listed as endangered or threatened by two federal oversight agencies, the U.S. Fish and Wildlife Service and the National Marine Fisheries Service.

Bull Run Water Supply Habitat Conservation Plan

The Bureau's 2009 Bull Run Water Supply Habitat Conservation Plan (the "Bull Run HCP") describes the City's obligations to improve fish habitat as a condition of operating the Watershed water supply system. The Bull Run HCP was approved, and an Incidental Take Permit was issued by the National Marine Fisheries Services (NMFS) in April 2009. The Bull Run HCP's package of 49 conservation measures and regulatory commitments provides reasonable certainty for the Bureau to operate its water supply facilities in the Watershed in compliance with the federal ESA through 2059.

The Bull Run HCP also includes measures to address the City's obligations to manage water temperature under related CWA requirements as administered by ODEQ. The City operates under a Temperature Management Plan, included in the HCP and approved by ODEQ, to meet requirements of the Sandy Basin Temperature Total Maximum Daily Load ("TMDL"). The TMDL defines water temperature standards and temperature criteria that management agencies are required to meet, including those for the lower Bull Run River. Due to a 2013 court decision, ODEQ is required to replace the Sandy Subbasin Temperature TMDL. The Sandy River Basin TMDL was replaced with the Lower Columbia–Sandy Subbasin TMDL for temperature by ODEQ and approved by the EPA in 2024. Per ODEQ's requirements, the Bureau expects to submit a lower Bull Run River TMDL implementation plan to ODEQ for approval by November 2026. Once approved by ODEQ, the implementation plan will update and replace the existing Temperature Management Plan.

The City continues to meet all terms and conditions of every HCP conservation measure except for some downstream temperature targets. The City continues to implement all HCP conservation measures and work with ODEQ to assess options to improve temperature management performance. Operating and capital expense are included in the financial forecast. The City reports on progress of the Bull Run HCP implementation annually to NMFS and to ODEQ.

CSS Well Field Compliance

The CSS Well Field is subject to ongoing monitoring and consistently surpasses all health-based quality standards for drinking water set by State and federal regulations. Results of ongoing monitoring are summarized in the annual Drinking Water Quality Report.

The City has an active Groundwater Protection Program which is certified by the ODEQ as addressing State requirements for protecting this groundwater resource. The program has been in place since 1987. The current Groundwater Protection Program was developed cooperatively with the adjacent cities of Fairview and Gresham, along with input from local residents and representatives of commercial and industrial businesses located within the protection zone. The protection program includes regulations on the use, handling, storage and transport of certain chemicals; educational outreach; technical assistance; a mandatory reporting and inspection program for businesses; and recommended best-management practices for spill control and storm water management. This program's overall goal is to protect groundwater resources by preventing chemical spills that could seep into the ground and adversely affect groundwater quality.

The City operates an extensive groundwater monitoring program with about 100 monitoring wells to protect the CSS Well Field. City staff conduct ongoing routine monitoring of groundwater levels and water quality in multiple aquifers throughout the well field and adjacent areas. The City also uses a state-of-the-art groundwater flow model to simulate and predict groundwater flow in multiple aquifers under static and pumping conditions. To further ensure that the City's wells continue to produce high-quality drinking water into the future, the City works cooperatively with the ODEQ to identify, assess, and clean up soil and groundwater contamination sites in and near the CSS Well Field. Although a few groundwater contamination sites are present in and near the well field, none of the City's active production wells are affected. By agreement, the ODEQ prioritizes the assessment and clean-up of sites in the CSS Well Field to minimize potential risks.

Water Management and Conservation Plan

The Bureau completed its first Water Management and Conservation Plan ("WMCP") in 2000, with an update in 2010 and in 2020. The WMCP, with updates every 10 years is required by the Oregon Water Resources Department to maintain access to undeveloped portions of the City's groundwater rights, as needed. The purpose of a WMCP is to be a guide to the development and implementation of water management and conservation programs and policies to ensure sustainable use of water resources. As part of the Bureau's WMCP, there is a commitment to implement a baseline of water efficiency programs, including reducing water loss and maintaining a curtailment plan. The City is required to update the plan every ten years and complete a benchmark report at the five-year mark.

Portland Harbor Sediments

In December 2000, Portland Harbor, a 10-mile industrial stretch of the Lower Willamette River outside of Portland's urban center, was listed by the EPA as a federal Superfund site. The Superfund program was established under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (as amended). Because the City owns land and operates facilities within the Portland Harbor Investigation area, the City may be liable for a portion of the cleanup and restoration activities, as well as costs for restoration of natural resources. The Bureau's FY 2026-27 Adopted Budget includes expenditures for the Portland Harbor Superfund of $75,000 to address needs for the Remedy Design phase of the project. See "LITIGATION" herein.

WATER SYSTEM CUSTOMERS, DEMAND, RATES AND BILLING

OVERVIEW

The City has both retail and wholesale water customers. Historically, retail use constituted about 60 percent of all water use in a given year, which represented approximately 90 percent of the City's annual water sale revenues; wholesale water use made up the remaining 40 percent, which represented approximately 10 percent of the City's annual water sale revenues. As described in more detail below, the allocation has changed under new wholesale agreements effective July 1, 2026. In FY 2026-27, annual water sales to wholesale customers are expected to account for about 3.5 percent of annual water sales revenues and 14 percent of all water use. See "—Wholesale Water Customers" below.

RETAIL WATER CUSTOMERS

As of June 30, 2026, the City has approximately 196,700 metered retail accounts. These include accounts for single-family and multi-family residential, commercial, industrial, institutional, and mixed-use accounts. In total, retail metered accounts represent more than half of the population in the Portland tri-county area across Multnomah, Washington, and Clackamas Counties.

Table 6
CITY OF PORTLAND, OREGON
Water System
Historical Number of Accounts

Fiscal Year Ending June 30	2021-22	2022-23	2024-25	2024-25	2025-26
TOTAL RETAIL CUSTOMERS(1)	187,700	194,400	195,100	196,300	196,700
WHOLESALE CUSTOMERS					
Tualatin Valley Water District(2)	60,738	61,827	61,255	61,021	61,855
Rockwood Water PUD(2)	13,762	13,764	13,812	13,804	13,842
Gresham, City of(2)	17,513	17,513	18,155	18,345	18,525
Tualatin, City of	7,056	7,056	7,227	7,391	7,488
West Slope Water District	3,444	3,252	3,123	3,260	3,155
Raleigh Water District	1,022	1,022	1,022	1,022	1,023
Palatine Hill Water District	611	611	611	611	615
Sandy, City of	4,079	4,171	4,177	4,188	4,245
Lake Grove Water District	1,373	1,380	1,356	1,360	1,367
Valley View Water District	409	383	385	385	383
Pleasant Home Water District	553	553	555	555	555
Lusted Water District	412	412	404	404	401
Burlington Water District	123	116	119	119	119
Six private water companies(3)	229	230	233	233	233
Total Wholesale Customers	111,324	112,290	112,434	112,698	113,806
Grand Total	299,024	306,690	307,534	308,998	310,506

(1) Total retail customers rounded to nearest hundred customers.
(2) Customer is among wholesale customers with wholesale agreements that expired on June 30, 2026, and developed alternative sources of water supply. See "—Wholesale Water Customers—Current Status of Wholesale Agreements" herein.
(3) Six private water companies include NW Water Systems LLC (formerly GNR Water District), Green Valley Water Company, Hideaway Hills Water Company, Sunstone Water LLC (formerly Lorna Domestic Water LLC), Skyview Acres Water Company, and Two Rivers Water Association.

Note: Totals may not foot due to rounding.
Source: City of Portland

Based on preliminary unaudited FY 2025-26 results, approximately 46 percent of retail water sales revenues was from single-family residential customers, 17 percent was from multi-family residential customers, 6 percent was from mixed-use customers, and the remaining 31 percent was from commercial, industrial, and institutional customers. As of June 30, 2026, residential accounts made up 89 percent of the approximately 196,700 retail water accounts. Commercial and mixed-use accounts total approximately 20,800 service accounts (including approximately 4,700 fire line water accounts).

Table 7 shows the top ten retail users and revenues for FY 2025-26 (preliminary, unaudited).

Table 7
CITY OF PORTLAND, OREGON
Water System
Major Retail Users for FY 2025-26

Retail Commercial Users	Annual Usage (ccf)(1)	% of Annual Usage (ccf)(1) to Total Retail Customers	Revenue	% of Total Water Sales Revenue(2)
City of Portland, Bureau of Parks	400,929	1.7%	$3,130,780	1.1%
Siltronic Corp.	307,414	1.3	2,503,234	0.9
Oregon Health and Science University	248,205	1.1	2,105,474	0.7
Port of Portland	186,332	0.8	1,651,348	0.6
Precision Castparts, Inc.	182,295	0.8	1,498,869	0.5
Darigold, Inc.	148,857	0.6	1,220,404	0.4
Portland Public Schools	113,607	0.5	1,222,017	0.4
Housing Authority of Portland	106,439	0.5	905,003	0.3
Vigor Industrial, LLC	94,761	0.4	778,165	0.3
Carollo Engineers, P.C.(3)	89,919	0.4	95,902	0.0
TOTAL:	**1,878,758**	**8.0%**	**$15,111,194**	**5.3%**

(1) "ccf" means centum cubic feet or 100 cubic feet.
(2) Based on total FY 2025-26 water sales revenues as provided in Table 16, "Historical Operating Results" herein.
(3) In FY 2025-26, Carollo Engineers purchases untreated water exclusively from the Columbia South Shore Well Field at approximately one-seventh of the retail commodity rate.

Note: Totals may not foot due to rounding.
Source: City of Portland

WHOLESALE WATER CUSTOMERS

Historically, wholesale use constituted approximately 10 percent of the City's annual water sale revenues, which represented about 40 percent of all water use in a given year. This allocation changed under new wholesale agreements effective July 1, 2026, as described below. The City currently provides water on a wholesale contract basis to 15 water purveyors, which include cities, water districts, and private water companies. In FY 2026-27, annual water sales to wholesale customers are expected to account for about 3.5 percent of annual water sales revenues and 14 percent of all water use. As of July 1, 2026, wholesale customers pay based on their use of the system in accordance with contract terms. The City incorporated the reduction of wholesale water sales revenues into its financial planning and adjusted its retail water rates such that Net Revenues are projected to meet planned debt service coverage targets. See "FINANCIAL POLICIES AND PLANNING STANDARDS—Policies and Plans Governing Bond Issues."

Prior to July 1, 2026, the City's wholesale water agreements included guaranteed supply and payment provisions. In exchange for the City's guarantee of a predetermined water supply to each wholesale customer, the wholesale customers agreed to pay for those annual quantities on a take-or-pay basis during the contract period. However, those wholesale water agreements expired on June 30, 2026 and the City entered into new agreements with certain wholesale customers that contain a different payment structure, as described below. Additionally, TVWD, Rockwood Water PUD, the City of Gresham ("Gresham"), and Lusted Water District, who have historically relied on the City for a large portion of their water supply, have developed (or are in the process of developing) an alternative water supply source and therefore did not renew their wholesale water agreements or renewed the agreements for a shorter term, as described further below.

Effective July 1, 2026, the City entered into new wholesale water agreements with nine wholesale customers for 30-year terms and with six small water companies for five-year terms with automatic renewals. Under the new agreements, wholesale customers are not subject to guaranteed purchase quantities requirements and will only pay for water supplied. Both TVWD and Lusted Water District have short-term (9-12 month) agreements to continue to purchase wholesale water in FY 2026-27 under the new wholesale water structure. Additional provisions of the new agreements are described in "RATES AND RATE SETTING" herein. Additionally, the City is in discussions with TVWD, Rockwood, Gresham, and Lusted Water District to develop new agreements where the City continues to provide water supply under potential backup scenarios.

Table 8
CITY OF PORTLAND, OREGON
Water System
Projected Revenues for Wholesale Customers, FY 2026-27

Wholesale Customer	Earliest Date for Contract Termination	Projected FY 2026-27 Demand (thousand ccf)	FY 2026-27 Rate[(1)]	Projected FY 2026-27 Revenue	% of Total Wholesale Revenue
Tualatin Valley Water District	N/A[(2)]	5,471	$2.480	$13,567,058	59%
Tualatin, City of	6/30/2056	2,166	2.410	5,219,136	23
West Slope Water District	6/30/2056	580	2.558	1,484,233	6
Raleigh Water District	6/30/2056	255	2.733	697,394	3
Palatine Hill Water District	6/30/2056	176	3.322	585,135	3
Lake Grove Water District	6/30/2056	200	2.126	425,147	2
Valley View Water District	6/30/2056	77	3.117	238,818	1
Sandy, City of	6/30/2056	178	1.148	204,440	<1
Pleasant Home Water District	6/30/2056	78	2.334	182,208	<1
Lusted Water District	N/A[(3)]	68	2.148	146,064	<1
Burlington Water District	6/30/2056	19	2.720	50,429	<1
Six private water companies[(4)]	6/30/2031	19	2.181	41,504	<1
Total		9,286		$22,841,566	100%

(1) Wholesale rates are calculated using methodologies that differ from inside-City retail rates and generally do not include distribution.
(2) TVWD requested to purchase water from the City through March 2027 under a short-term water sales agreement.
(3) Lusted Water District requested to purchase water from the City through June 2027 under a short-term water sales agreement.
(4) The six private water companies, which include NW Water Systems LLC (formerly GNR Water District), Green Valley Water Company, Hideaway Hills Water Company, Sunstone Water LLC (formerly Lorna Domestic Water LLC), Skyview Acres Water Company, and Two Rivers Water Association and all signed a 5-year contract beginning July 1, 2026 and ending June 30, 2031.

Note: Totals may not foot due to rounding.
Source: City of Portland

RETAIL AND WHOLESALE DEMAND

Retail consumption has averaged 23.5 million ccf over the last five fiscal years. In recent years, the overall water demand has declined. While the reduction in retail demand in FY 2020-21 was primarily attributable to COVID-19 impacts, the historic trending reduction in demand is a well-documented trend for water utilities across the country due to plumbing code changes, more efficient customer behaviors, and land use changes. Retail water demand decreased slightly from 23.5 million ccf in FY 2024-25 to 23.4 million ccf in FY 2025-26 as planned. In addition, on April 1, 2026, two wholesale customers, Rockwood Water PUD and the City of Gresham, switched to their primary source of water. The Bureau has aligned its annual demand projections within this historical trend, as reflected in Table 21 "Water Operating Fund Forecast Sources and Uses of Funds" and Table 22 "Forecast Operating Results" in "FINANCIAL PROJECTIONS" herein.

Table 9
CITY OF PORTLAND, OREGON
Water System
Historical Consumption (ccf)

Fiscal Year Ending June 30	2021-22	2022-23	2023-24	2024-25	2025-26
TOTAL RETAIL CUSTOMERS[1]	23,600,000	23,600,000	23,700,000	23,500,000	23,400,000
WHOLESALE CUSTOMERS					
Tualatin Valley Water District[2]	7,658,198	7,386,111	7,293,225	7,952,918	7,852,570
Rockwood Water PUD[2]	3,165,390	3,140,322	3,221,158	3,209,321	2,263,829
City of Tualatin	2,071,900	2,278,881	2,160,461	2,077,299	2,135,145
City of Gresham[2]	2,703,938	2,825,115	2,832,024	2,847,332	2,002,765
West Slope Water District	565,778	616,557	554,201	546,592	539,276
Raleigh Water District	233,424	263,738	244,814	245,115	253,494
Lake Grove Water District	190,666	202,670	212,563	204,344	214,479
Palatine Hill Water District	157,039	185,720	166,201	172,323	172,458
City of Sandy	247,990	149,586	127,815	116,823	95,159
Pleasant Home Water District	74,110	87,695	77,515	75,940	75,915
Valley View Water District	57,508	82,303	65,366	66,885	68,346
Lusted Water District[2][3]	78,982	73,812	67,383	64,889	58,262
Burlington Water District	13,557	15,569	31,578	14,787	13,812
Six private water companies[4]	19,211	21,246	19,231	18,199	18,168
Total Wholesale Customers	17,237,691	17,329,325	17,073,535	17,612,767	15,763,678
Grand Total	40,837,691	40,929,325	40,773,535	41,112,767	39,163,678

(1) Total retail customer consumption rounded to nearest 100,000 ccf.
(2) Customer is among wholesale customers with wholesale agreements that expired on June 30, 2026, and is pursuing alternative sources of water supply. See "—Wholesale Water Customers" herein.
(3) Customer entered into a new short-term agreement as of July 1, 2026. See "—Wholesale Water Customers" herein.
(4) Six private water companies include NW Water Systems LLC (formerly GNR Water District), Green Valley Water Company, Hideaway Hills Water Company, Sunstone Water LLC (formerly Lorna Domestic Water LLC), Skyview Acres Water Company, and Two Rivers Water Association.

Note: Totals may not foot due to rounding.
Source: City of Portland

RATES AND RATE SETTING

Section 11-105 of the City Charter authorizes the City Council to fix rates and charges for connection to and use of the Water System. Water user fees and connection charges are formally reviewed every year by the Bureau. Rates required to support proposed activities for the next year are submitted by the City Administrator to the City Council for review and approval. The rate setting process is completed separately from the formal adoption of the Citywide budget, but has historically been done in tandem with it as part of the budget process. The City Council adopted FY 2026-27 water, sewer and stormwater rates and related charges on May 27, 2026 and the FY 2026-27 Citywide budget was adopted on June 17, 2026. See APPENDIX D, "CITY OPERATING AND FINANCIAL INFORMATION" herein and APPENDIX D, "CITY OPERATING AND FINANCIAL INFORMATION–Financial Reporting and Budgeting ¬ Budget Process."

Rates and charges for water services are established annually based, in part, upon cost of service principles and methodologies recommended by the American Water Works Association (the "AWWA"). Under the prior wholesale agreements, the process used by the Bureau followed the Commodity Demand method promulgated by the AWWA. For the new wholesale agreements, a new wholesale rate model was developed for the Bureau by FCS Group that follows the Base-Extra Capacity method promulgated by the AWWA. Under the new approach, the Water System costs are allocated to wholesale customers based on their total volume of use and peak usage, as well as the use of the System. For rate setting purposes, each wholesale customer's annual purchase quantity, seasonal and maximum-day peak-demand quantities will be based on a rolling five-year historical average. Costs are allocated to each wholesale customer based on these various demand amounts and on the Water System assets that the respective wholesale customers use. Wholesale customers will be billed at the annually calculated rate and as approved by the City Council for actual water delivered.

Generally, retail rates are established based on the financial requirements of the Water System after accounting for wholesale revenues.

Table 10 and Table 11 summarize the City's historical rates and monthly water bills for various customers as well as a comparison of typical residential monthly water bills for various systems within the State and the nation.

Table 10
CITY OF PORTLAND, OREGON
Water System
Historical Water Rates and Charges

Fiscal Year Ending June 30	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
WATER USAGE RATES						
Retail Volume Rate (per ccf)(1)	\$6.029	\$6.493	\$7.006	\$7.559	\$8.171	\$8.833
BASE CHARGE (Monthly Rate)(2)						
Quarterly Read Customer	\$18.24	\$19.64	\$21.19	\$22.86	\$24.71	\$26.72
Monthly Read Customer	\$54.71	\$58.92	\$63.57	\$68.59	\$74.14	\$80.15
MONTHLY WATER BILLS (based on usage indicated below)						
Residential (5ccf)(3)	\$48.39	\$52.11	\$56.22	\$60.66	\$65.57	\$70.89
Medium Commercial (100 ccf)(3)	\$657.61	\$708.22	\$764.17	\$824.49	\$891.24	\$963.45
Large Commercial (20,000 ccf)(3)	\$120,635	\$129,919	\$140,184	\$151,249	\$163,494	\$176,740
Low-Income Residential (5 ccf)(4)	\$24.20	\$26.06	\$28.11	\$30.33	\$32.78	\$35.44
Extremely Low-Income Residential (5 ccf)(5)	\$9.69	\$10.43	\$11.24	\$12.13	\$13.11	\$14.18
Year-to-Year Percentage Increase of Typical Single-Family Monthly Bill(6)	7.8%	7.7%	7.9%	7.9%	8.1%	8.1%

(1) Applies to substantially all retail customers.
(2) The base charge is a fixed amount per bill; customers billed quarterly pay the same fixed charge as customers billed monthly.
(3) Residential and some smaller commercial customers are charged the Quarterly Read Customer Base Charge. Most commercial customers are charged the Monthly Read Customer Base Charge.
(4) The low-income discount amount is approximately 50 percent of a 5 ccf bill. This discount is for single-family residential customers that receive less than 60 percent of the median family income of the Portland-Vancouver-Hillsboro, OR-WA metropolitan statistical areas as provided by the U.S. Department of Housing and Urban Development.
(5) The extremely low-income discount amount is approximately 80 percent of a 5 ccf bill. This discount is available for single-family residential customers that receive less than 30 percent of the median family income of the Portland-Vancouver-Hillsboro, OR-WA metropolitan statistical area as provided by the U.S. Department of Housing and Urban Development.
(6) Percentage increase reflects the rate increase effective in that fiscal year as approved by City Council in the prior fiscal year.

Source: City of Portland

Table 11
CITY OF PORTLAND, OREGON
Water System
Comparison of Typical Residential Monthly Water Bills as of July 1, 2026(1)

Regional

WATER UTILITY	Typical Residential
Tualatin Valley Water District, OR	$104.04
Portland, OR(2)	**70.89**
West Slope Water District, OR	70.70
Gresham, City of	66.31
Clackamas River Water, OR	64.78
Tigard, City of	63.85
Tualatin, City of	59.28
Hillsboro, City of	56.22
Portland, OR (Tier-1 Discount)(2)	**35.45**
Portland, OR (Tier-2 Discount)(2)	**14.18**

National

WATER UTILITY	Typical Residential
San Francisco, CA	$86.07
Bellevue, WA	79.79
Portland, OR(2)	**70.89**
Sacramento, CA (unmetered)	66.95
Tacoma, WA	52.81
Kansas City, MO	52.48
Atlanta, GA	50.77
Seattle, WA (Winter)	48.70
Portland, OR (Tier-1 Discount)(2)	**35.45**
Portland, OR (Tier-2 Discount)(2)	**14.18**

(1) Calculations are based on rates in effect as published by each service provider as of July 1, 2026, and typical usage identified by each respective water provider for a 30-day period. Water providers are selected based on providing both Water and Sewer/Stormwater services, similar to the City.

(2) The City's rates are effective July 1, 2026, through June 30, 2027. This information may differ from that provided in APPENDIX I, "LETTER & REPORT OF THE FINANCIAL FEASIBILITY CONSULTANT" as this table presents information reflecting typical or average demand identified for each water provider for the period noted, whereas the water bill information in APPENDIX I reflects fixed monthly water usage for all water providers. Average monthly bill for City of Portland single-family residential customers assumes an average water usage of approximately 5.0 ccf. The City's Water, Sewer, and Stormwater Financial Assistance program provides approximately a 50 percent and 80 percent discount for Tier 1 and Tier 2 bill discounts, respectively, as discussed under " – Billings and Collections – Financial Assistance Programs" below.

Source: City of Portland

Bill affordability. The City provides one utility bill for water, sewer, and stormwater service. For FY 2026-27, the typical single-family residential bill that includes a volumetric water usage charge and base charge is $70.89, assuming 5 ccf usage; $44.17 for water usage, and a monthly base charge of $26.72 (paid quarterly). On a combined basis, the average monthly bill for water, sewer, and stormwater services is approximately $170.49, which is 2.28 percent of single-member median household income ("MHI") and 1.59 percent of four-member MHI, as shown below in Table 12, "Typical Combined Sewer, Stormwater and Water Charges."

Effective July 1, 2026, the Flood Safety Benefit Fee was added on the City utility bill pursuant to Ordinance 192113. This new fee, estimated at approximately $1.20 per month for a single-family household, funds the City's required payments to the UFSWQD which manages regional flood safety infrastructures including the operations and maintenance of levees, pump stations, and drainage systems. See "THE WATER SYSTEM—Resilience to Natural Disasters, Climate Change, Public Health Emergencies and Cybersecurity Incidents" herein.

In addition, beginning January 2027, it is expected that the Transportation Utility Fee will be incorporated into the utility bill, in accordance with Ordinance 192171. The Transportation Utility Fee is structured as a monthly utility service fee designed to recover a portion of the costs required for basic operations, maintenance, and safety improvements, of the City's transportation system. It is estimated that the Transportation Utility Fee will be approximately $12 per month for a single-family household.

The Flood Safety Benefit Fee and Transportation Utility Fee are not related to water, sewer, and stormwater charges, and accordingly, are not included in Table 12 below. However, it is notable that the City's low-income assistance program not only extends to water, sewer, and stormwater charges but also to these other fees included in the City's utility bill.

As detailed in Table 12 and in "—Billings and Collections – Financial Assistance Programs" below, the City's financial assistance programs significantly reduce the portion of household income required for City utility services for eligible retail customers.

Table 12
CITY OF PORTLAND, OREGON
Typical Combined Sewer, Stormwater and Water Charges
For Single-Family Residential Monthly Customers[1]

	Monthly Bill Amount ($)			**Annualized Percent of 2026 Median Household Income One-Person Household[2]**			**Annualized Percent of 2026 Median Household Income Four-Person Household[3]**		
	Single-Family	With Tier-1 Discount	With Tier-2 Discount	Single-Family	With Tier-1 Discount	With Tier-2 Discount	Single-Family	With Tier-1 Discount	With Tier-2 Discount
Sewer and Stormwater[4]	$99.60	$50.11	$20.41	1.33%	0.67%	0.27%	0.93%	0.47%	0.19%
Water[5]	$70.89	$35.45	$14.18	0.95%	0.47%	0.19%	0.66%	0.33%	0.13%
Total	**$170.49**	**$85.56**	**$34.59**	**2.28%**	**1.14%**	**0.46%**	**1.59%**	**0.80%**	**0.32%**

(1) For rates effective during FY 2026-27. Typical monthly single-family bills for sewer and stormwater services are calculated by BES and average monthly bills for water services are calculated by the Bureau. Households making 60% or less of the MHI qualify for the Tier-1 Discount and households making 30% or less of the MHI qualify for the Tier-2 Discount. See "—Billings and Collections – Financial Assistance Programs" below.
(2) One-person household MHI for Portland-Vancouver-Hillsboro, OR-WA MSA is $89,800 for 2026, as provided by the U.S. Department of Housing and Urban Development ("HUD") via datasets from www.huduser.gov.
(3) Four-person household MHI for Portland-Vancouver-Hillsboro, OR-WA MSA is $128,300 for 2026, as provided by HUD via datasets from www.huduser.gov.
(4) Assumes 4.07 ccf winter average monthly water use and 2,400 square feet of impervious surface area. Includes monthly Portland Harbor Superfund charge which is $0.62 per month for a typical single-family bill.
(5) Includes both water service volumetric charge (assuming 5 ccf monthly water use) and base charge. A typical single-family residential water service customer pays water base charges quarterly. Monthly water charge statistic assumes base charge is prorated monthly.

Source: City of Portland

SYSTEM DEVELOPMENT CHARGES

A System Development Charge ("SDC") is levied by the City for each new water service connected to the Water System inside the City boundaries. The City's SDC is in accordance with ORS 223.297-314, and is a reimbursement fee based on the estimated replacement cost of existing water facilities, less depreciation. The amount charged is dependent on the size of the service with larger services paying a greater amount based on the capacity of the meter. Services dedicated to fire flow and temporary construction services do not pay an SDC. Preliminary, unaudited FY 2025-26 SDC revenues was $1.1 million, which constitutes well below a half percent of the Water System's overall revenues due to temporary exemption of SDCs for new housing developments. SDCs are included as Capital Charges pursuant to the Master Second Lien Bond Declaration.

Table 13
CITY OF PORTLAND, OREGON
Water System
FY 2026-27 SDC Charge by Meter/Service Size

Size of Meter/Service	Charge
5/8”	$5,483
3/4”	8,224
1”	13,707
1-1/2”	27,414
2”	43,867
3”	82,246
4”	137,078
6”	274,162
8”	438,654
10”	788,484

Source: City of Portland

In FY 1999-00, City Council approved an Affordable Housing SDC Fee Waiver. For any new qualified residential construction that meets certain affordability requirements, the entire SDC can be waived for a 5/8” metered service. If a 3/4” metered service is requested, only the SDC dollar amount for the 5/8” metered service is waived. In FY 2025-26, the Bureau waived slightly over $900,000 of SDCs under Affordable Housing SDC Fee Waivers.

In July 2025, the City Council approved an ordinance that temporarily exempts certain newly created housing units from SDCs for permits issued between August 15, 2025 and September 30, 2028. This SDC exemption is separate from the Affordable Housing SDC Fee Waiver described above. This SDC exemption is intended to spur market rate housing investment in furtherance of the State policy goal of 5,000 new housing units in the City. The Bureau waived approximately $2.4 million of SDCs attributable to the Water System under this program in FY 2025-26 based on preliminary, unaudited financials. The loss of these SDC revenues is made up through water retail rates and charges.

In April 2023, City Council approved a code amendment to expand the term of certain SDC deferrals for up to 24 months and removed interest charges typically included in SDC deferrals. Eligible development projects include those with any residential units, regardless of project value, provided that the building permit application was received by June 30, 2025. The program expired on June 30, 2025 and the City anticipates deferred payments will continue to be received through August 2027.

BILLINGS AND COLLECTIONS

The Bureau provides billing and collection for water, sewer, and stormwater services as well as the Flood Safety Benefit Fee on behalf of the City. Pursuant to Ordinance 192171 enacted April 2026, the Bureau will also provide billing and collection for the Transportation Utility Fee beginning January 1, 2027. The City uses the Cayenta Utilities customer information and billing system, purchased in April 2006, to serve customers of the Bureau as well as BES, the Portland Bureau of Transportation, and the City. On average the billing system has major upgrades about every two years, with in-version updates more frequently. The most recent upgrade was in Fall 2025. Billing for most retail water customers is on a quarterly cycle; however, certain qualified retail customers may elect to receive a monthly statement. In addition, approximately 8,600 large retail commercial accounts, multi-family users, and wholesale purveyors are billed on a monthly basis.

Most water bills are collected with the payment for sewer and stormwater service. When a bill for water, sewer, or stormwater service or other fees become delinquent (21 days after billing), a reminder notice with accompanying fee is sent on day 35. Additional notices with fees are sent through day 56, after the initial billing. After 56 days, water services are shut off if the bill is unpaid or the account does not have an active payment arrangement.

The current threshold for both COMM and RESSF account shut-off, which went to effect in July 2023, is set for past due balance of $300 or more. At the beginning of FY 2023-24, accounts that receive discounted bills through the water/sewer financial assistance program also became subject to shut-off. As of October 2025, small unit (2-4) Residential Multi-Family accounts are shut off for balances of $2,000 or more, with a manual review process. The Bureau expects to implement an automated process in the coming months for those accounts, and to lower the threshold to $1,000 initially and then to $300 to align with other account classes.

In July 2026, the City implemented the minimum bill. Customers will now pay no less than 50 percent of the applicable base charge for their billing cycle.

Financial Assistance Programs. A financial assistance program for water, sewer, and stormwater services is available to retail residential in-City customers with gross monthly household incomes at or below 60 percent of the greater of the Portland area median family income ("Tier 1"). A greater discount is provided to households at or below 30 percent of the State median family income ("Tier 2"). Almost 10,800 customers were enrolled in the program at the end of FY 2025-26. The Bureau administered over $12.2 million in discounts, including $5.1 million for water discounts and $7.1 million for sewer discounts in FY 2025-26 based on preliminary, unaudited financial results. For FY 2026-27, financial assistance includes a flat quarterly bill discount of $106.30 in Tier 1 and $170.10 in Tier 2 for water, $148.47 in Tier 1 and $237.57 in Tier 2 for sewer, crisis assistance vouchers (maximum of $500 per year, including $167 for water and $333 for sewer), in-home plumbing repair assistance for owner-occupied properties, and free conservation devices, and a rebate program for ENERGY STAR washing machines.

In addition, a Utility Safety Net Program is available to ratepayers as a last resort to prevent shutoff of service should they experience a significant change in household income due to employment, medical, or other emergencies.

On July 1, 2023, the City launched a new financial assistance program, Regulated Affordable Multifamily Assistance Program ("RAMP") replacing the Home Forward's (formerly the Housing Authority of Portland) Short-Term Rent Assistance program. RAMP is a partnership between the Bureau, BES, and the Portland Housing Bureau to provide a bill discount to multi-family properties that are approved for the Non-Profit Low Income Housing Limited Tax Exemption ("NPLTE") program. Nonprofit organizations that provide housing to low-income persons are eligible to apply under the NPLTE program. There are currently 258 multifamily buildings enrolled in RAMP, serving 12,576 units. The RAMP discount provided in FY 2025-26 based on preliminary, unaudited financials was $0.8 million for water services and $4.0 million for sewer services.

In addition, the Bureau conducted a Smart Discount Program Pilot to explore machine learning algorithms to analyze various factors and data to proactively identify eligible customers for financial assistance, thereby eliminating the application process. At this time, the Bureau will not proceed with eliminating the application process; however, it is exploring options to pivot the Smart Discount Program to provide predictive analysis to improve financial assistance decision making and better manage payment behavior and incentives.

See APPENDIX I, "LETTER & REPORT OF THE FINANCIAL FEASIBILITY CONSULTANT" herein for a description of how the Bureau's affordability programs compare to other regional and national water utility providers.

CAPITAL IMPROVEMENT PLAN

The Bureau is responsible for the Water System's operation, maintenance and capital construction. Capital improvements to the Water System include additions, replacements, improvements, and capital equipment that facilitate the Bureau's various programs, including Supply, Treatment, Transmission and Terminal Storage, Distribution, Regulatory Compliance, Customer Service, and Administration and Support.

Funding for capital improvements is achieved through a combination of rate revenues, proceeds from borrowings (including the WIFIA Bonds), capital revenues for services provided to third parties, SDCs, and interest earnings. The size and timing of future bond issues is determined through analysis of projected capital requirements and Water System financial resources.

THE CAPITAL PLANNING PROCESS

The Bureau focuses its efforts on improving Water System reliability and resiliency as well as compliance with drinking water and environmental regulations. Ensuring Water System reliability includes addressing risks of assets with high consequences of failure, replacing aging and obsolete pipes and equipment, and making Water System adjustments to improve operations. The capital improvement plan (the "CIP") is the implementation plan for Water System improvements. It is updated annually and is the budget and policy tool for the Bureau and City Council to direct capital work. The CIP identifies major projects, project budgets, phasing of components, and the relationship among capital projects.

Capital projects provide investments in the Water System to modernize aging water infrastructure, support neighborhoods and business centers, and meet long-term regional growth and economic development. The CIP also includes projects necessary to comply with regulations for drinking water quality to protect human health, to replace high-risk infrastructure, and invest in resiliency and reliability. Water System construction projects meet the environmental requirements of City, State, and federal regulations.

The Water System's capital planning process is guided by the City's 2035 Comprehensive Plan with most project proposals identified through long-range planning studies such as the 2007 Distribution System Master Plan (a revision is planned for 2027), and the 2021 Supply System Master Plan. The 2035 Comprehensive Plan guides future development and infrastructure projects to prepare for and respond to population and job growth. It includes standards for maintaining and developing Water System resources to ensure reliability, adequacy of supply, and water quality. The projects in the Bureau's CIP provide for maintenance of the City's Water System and development of new facilities in a proactive, strategic, and cost-effective manner that is aligned with the City's 2035 Comprehensive Plan.

Finally, more granular project proposals are identified through asset-specific analyses of systems, service areas, or groups of assets in Asset Management Plans for the 23 classes of systems identified. The Bureau has an active and long-standing Asset Management Planning Section to collect information about Water System assets and provide recommendations to improve the investment in capital projects, among other goals. The Bureau's decisionmakers weigh individual projects against wider Bureau issues, risks, and requirements. If projects are recommended to move forward, planning staff conduct detailed studies. The Bureau performs benefit-cost analysis and risk assessment in line with industry standard practices to identify and weigh project alternatives.

Project initiation and planning includes several decision-making points. For major projects, an initial project justification report, the Project Validation Report Part 1, includes reviewing risks based on consequence and likelihood of failure, regulatory requirement and other project drivers such as end of useful life, identifying potential high-level alternatives, and performing initial business case analysis to determine if a project is justified. If the justification is approved by the Bureau's senior management, a project undergoes a more detailed evaluation in the Project Validation Report Part 2, which includes development of alternatives, including no action, benefit-cost analysis, life cycle and triple-bottom line costs, and risk assessment to weigh proposed solutions and select the best alternative. The Bureau selects and ranks capital projects with consideration for the magnitude and necessity of each project.

Beginning in 2015, the PUB has provided oversight of financial plans, capital improvements, annual budget development, and rate-setting for the City's water, sewer and stormwater services. The City-wide budget review process provides opportunity for members of the community to give feedback on the budget. In addition, projects that have measurable impact on neighborhoods or require City, State, or federal permitting also include a period of public outreach and involvement.

See also “THE WATER SYSTEM—System and Supply Planning and Operations – System Planning” herein for information regarding Water System planning and operations.

CAPITAL PROGRAMS AND PROJECTS

The capital improvements are summarized within the following seven Bureau programs with key projects identified:

- **Supply:** This program includes projects to replace, improve and/or rehabilitate roads and culverts to comply with federal regulations, dams to ensure public safety and comply with FERC, aging and obsolete equipment, groundwater wells pumps and motors, and groundwater facilities. The Bureau’s Adaptive Supply Planning work informs supply-related CIP project investments.

- **Treatment:** Projects in this program provide needed regulatory and reliability improvements at the water intake as well as surface and groundwater treatment facilities. It includes approximately $1.11 billion for the Bull Run Treatment Projects, as summarized below. For additional discussion about the Bull Run Treatment Projects, see “REGULATORY ENVIRONMENT—Current and Emerging Regulatory Issues – Long Term 2 Enhanced Surface Water Treatment Rule” herein and “– Major Capital Projects” below.

- **Transmission and Terminal Storage:** This program includes assets that convey water from water supply facilities terminal reservoirs and the wholesale connection systems. Assets in this program include the large conduits, transmission mains and the terminal reservoirs at Powell Butte, Kelly Butte, and Washington Park as well as Sam Jackson and Mayfair tanks. See “REGULATORY ENVIRONMENT—Current and Emerging Regulatory Issues – Long Term 2 Enhanced Surface Water Treatment Rule” herein and “– Major Capital Projects” below. Approximately $339 million is included for pipelines related to the Bull Run Treatment Projects. Also included is approximately $17 million for other conduit and transmission main projects.

- **Distribution:** Approximately $335 million of the CIP is for improvements to the distribution system. Of that amount, about $210 million is to be used for direct water line replacement projects, including replacement of the oldest or most deteriorated portions of the distribution system and projects initiated by City divisions and other entities outside the Bureau. Approximately $40 million is to improve the reliability of pump stations and tanks and $26 million is to replace/outfit vehicle and equipment. Slightly over $60 million is for services, meters, hydrants, and fountain improvements.

- **Regulatory Compliance:** No capital programs or projects are planned through FY 2031-32. This program may include improvements to comply with federal regulations such as the CWA and the ESA. See “REGULATORY ENVIRONMENT” herein.

- **Customer Service:** Approximately $31 million of the CIP is to implement advanced metering infrastructure. The project is estimated to be $90 million. The project cost will be shared with BES.

- **Administration and Support:** This program includes a variety of security and accessibility improvement projects as well as space renovation and modernization projects such as Bureau owned-buildings renovations, modernization, and security improvements.

Major Capital Projects

The following paragraphs summarize the CIP’s major projects during the FY 2026-27 through FY 2031-32 forecast period.

Bull Run Treatment Projects

As described herein, the estimated total cost for the Bull Run Treatment Projects is $2.58 billion. See "REGULATORY ENVIRONMENT – Current and Emerging Regulatory Issues – Long Term 2 Enhanced Surface Water Treatment Rule" herein. The Bull Run Treatment Projects are expected to largely be financed with a combination of $2.39 billion of Second Lien Bonds (including the WIFIA Bonds) and $190.0 million of cash derived from water revenues. For additional information, see "WATER SYSTEM OPERATING AND FINANCIAL INFORMATION—Other Financial Information –WIFIA Bonds" and "FINANCIAL PROJECTIONS" herein.

Advanced Metering Infrastructure

The Bureau, in partnership with the Bureau of Environmental Service, is leading a project to implement advanced metering infrastructure and a new online and mobile customer self-service platform. The Advanced Metering Infrastructure Project involves replacing or upgrading existing manual water meters with digital meters and implementing new technology systems to automate collection of consumption data from meters. The project also includes consolidating online customer services that are currently provided using four separate systems into a new accessible, multi-lingual online and mobile customer engagement portal. The total budget is $93.6 million and is shared with BES with an anticipated completion in 2030.

CAPITAL IMPROVEMENT PLAN RESOURCES AND REQUIREMENTS

Capital costs during the forecast period are contained within seven programs, as summarized in Table 14. The Bureau's direct capital requirement forecast for the Water System totals $1.88 billion during the six-year period of FY 2026-27 through FY 2031-32. See Table 20, "Water Construction Fund Sources and Uses of Funds" herein for the projected sources and uses of funds during the Forecast Period.

Spending plans are subject to change as the CIP is updated annually.

Table 14
CITY OF PORTLAND, OREGON
Water System
Forecast Direct Capital Requirements(1)(2)

Fiscal Year Ending June 30	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Total
(In thousands of dollars)							
BUREAU PROGRAM(2)							
Supply	$9,893	$5,135	$4,821	$5,880	$7,147	$8,427	$41,303
Treatment	402,283	397,165	266,039	38,778	8,758	353	1,113,377
Transmission & Terminal Storage	101,665	76,759	71,599	60,937	42,076	3,154	356,190
Distribution	53,430	50,814	53,643	55,752	59,786	61,490	334,915
Support	1,277	1,018	481	350	770	1,416	5,312
Customer Service	19,707	9,712	624	654	54	54	30,805
TOTAL	$588,255	$540,603	$397,207	$162,350	$118,592	$74,894	$1,881,902

(1) Based on the updated FY 2026-27 Adopted Budget and will not be updated in the final Official Statement. All amounts stated in 2026 dollars and are unadjusted for cost inflation factors. The Bureau assumes operational and capital cost inflation as described in "FINANCIAL PROJECTIONS."
(2) Forecast direct capital requirements do not include expensed capital studies which typically range $1 – 2 million per year or capitalized Bureau indirect costs that are attributed to the Water Bureau's capital program.
Note: Totals may not foot due to rounding.
Source: City of Portland

FINANCIAL POLICIES AND PLANNING STANDARDS

FIVE-YEAR FINANCIAL PLAN

The Bureau prepares a five-year financial plan each year pursuant to the City's policies. The financial plan includes operating and capital expenditures and expected water rates for each year of the five-year forecast period. The financial plan reflects the financial implications of the Bureau's spending priorities and service levels.

Key policy objectives in developing the Bureau's financial plan include:

- Providing for sufficient annual funding of operation, maintenance, and capital programs approved by City Council;
- Providing rates and charges to customers that are equitably based on generally accepted cost-of-service principles and as directed by City Council;
- Achieving a balance among financial health, operational effectiveness, infrastructure condition, effective management, rate affordability, and a skilled and experienced workforce;
- Optimizing capital financing strategies; and
- Ensuring the maintenance of appropriate and adequate cash balances (operating fund, construction fund, and rate-stabilization account) consistent with bond covenants and industry standards.

FINANCIAL OPERATIONS POLICIES

Operating and Construction Cash Reserves

The Bureau plans for a minimum fiscal year-end operating cash reserve equivalent to one-fourth of the fiscal year's operating expenses. The Bureau also plans for a minimum fiscal year-end construction cash reserve of $7.5 million or one-half of annual debt-financed capital expenditures, whichever is less. Bond sales are scheduled when the balance in the Construction Fund approaches this level.

Rate Stabilization Account

In connection with the inaugural issuance of Second Lien Bonds in 2006, the City established a Rate Stabilization Account within the Water Operating Fund to smooth rate increases over the financial planning period and beyond. This smoothing is one of the Bureau's key financial planning objectives and is aimed at maintaining financial stability and predictability. It also helps ensure that debt-service coverage meets planning standards. See "FINANCIAL POLICIES AND PLANNING STANDARDS—Policies and Plans Governing Bond Issues" below. The City began funding the Rate Stabilization Account beginning in FY 2006-07, and plans to maintain a minimum balance that supports at least 270 days cash on hand of operating expenses (including Utility License Fees). The available cash used in calculating the days cash on hand includes the Rate Stabilization Account, operating cash reserve, and construction cash up to the fiscal year's water sales revenues transfers from the Water Operating Fund to the Water Construction Fund to support routine capital improvements. The Rate Stabilization Account balance also serves as an available reserve for unforeseen requirements. The current forecast includes both contributions to and draws from the Rate Stabilization Account during the Forecast Period. The long-range forecasts include contributions to the Rate Stabilization Account to build up and maintain the aforementioned cash on hand standard. The preliminary and unaudited balance of the Rate Stabilization Account as of June 30, 2026 was $131.6 million. See "FINANCIAL PROJECTIONS—Use of Rate Stabilization Account" and Table 19 herein.

POLICIES AND PLANS GOVERNING BOND ISSUES

Since 1993, the City has regularly funded a portion of its CIP through the issuance of revenue bonds. Though not required by bond covenants, the Bureau's planning standard is to set rates such that Net Revenues provide at least 1.90

times debt service coverage on First Lien Bonds under the definitions of the Master First Lien Water Revenue Bond Declaration. Additionally, the Bureau will maintain a planning standard that results in Stabilized Net Revenues providing at least 1.75 times coverage on the Combined Annual Debt Service for both First and Second Lien Bonds under the definition of the Master Second Lien Water Revenue Bond Declaration. These standards exceed the debt service coverage required by the bond covenants contained in the respective master declarations.

WATER SYSTEM OPERATING AND FINANCIAL INFORMATION

OVERVIEW

This section provides financial and operating information specifically related to the Water System. Certain operating and financial information for the City as a whole is found in APPENDIX D, "CITY OPERATING AND FINANCIAL INFORMATION." Complete copies of the City's audited financial statements are available on the EMMA system for municipal securities disclosure established by the MSRB and accessible at http://emma.msrb.org.

FUND ACCOUNTING SYSTEM

For budgetary, legal and planning purposes, the Water System financial reporting is organized into three separate funds, as described below. For financial reporting purposes within the City's audited financial statements, these funds' activities are combined within the Water Fund. Excerpts of the City's audited financial statements, including statements of (1) Net Position, (2) Revenues, Expenditures, changes in Net Position, and (3) Cash Flows for the Water Fund are presented in APPENDIX C attached hereto.

Water Operating Fund. This fund serves as the operating fund of the Bureau and, with the exception of debt service, all expenditures are made from this fund for operation, maintenance and capital assets of the Water System. Receipts from the sale of water are the primary source of revenue for the Water Operating Fund. The cash flow in this fund determines the need for rate increases. The Rate Stabilization Account is a sub-fund within the Water Operating Fund.

Water Construction Fund. By City Charter stipulation, this fund is the recipient of proceeds from bond sales and System Development Charges ("SDCs"). Other sources of revenue include reimbursements for capital expenditures, such as main extensions and service installations and sale of assets. Also, a portion of the water sales revenues is transferred to this fund to finance routine system repair and replacement. The Water Construction Fund reimburses the Water Operating Fund for capital asset requirements including capitalized overhead, capitalized interest, and the cost of issuing bonds.

Water Bond Sinking Fund. This fund provides for the repayment of bonded debt and interest, and maintains the water revenue bond debt service reserves as required. However, there are currently no cash-funded water revenue bond debt service reserves. See "PROVISIONS OF THE 2026 SERIES A BONDS—Second Lien Bond Reserve Account" and "—First Lien Bond Reserve Account" herein. The source of revenue to pay debt service from the Water Bond Sinking Fund is a transfer from the Water Operating Fund.

These three funds enable the City to segregate resources for specific uses and ensure those uses are consistent with daily operating needs. Maintenance of the fiscal integrity of each fund is a key objective of the City's Water System financial planning and analysis efforts. The fund structure provides for the accounting and control of expenditures and differs from the account structure described in the Master First Lien Bond Declaration and the Master Second Lien Bond Declaration. The accounts described in the Master First Lien Bond Declaration and the Master Second Lien Bond Declaration have been established to identify priority claims on Water System revenues and are accounted for separately.

HISTORICAL OPERATING RESULTS

The City has collected Water System revenues sufficient to provide for all operating expenses, to pay debt service, and to meet debt service coverage requirements on its outstanding Water System revenue bonds. In addition to meeting these requirements, the City provides cash financing of its capital improvement program by setting current rates and charges at a level sufficient to meet planned debt service coverage targets.

The table below titled "Historical Operating Results" shows historical results of the City's financial operations. Between FY 2020-21 and FY 2024-25, Gross Revenues grew at a compound annual rate of 7.6 percent. Gross Revenues increased primarily due to billing rates changes for water sales. Total Operating Expenses during the five-year period grew at a compound annual rate of 15.7 percent. The higher compound annual rate of Total Operating Expenses as compared to that of Gross Revenues was largely driven by $39.3 million of uncapitalizable Bull Run Treatment Projects costs which includes costs incurred during the project's remand period between January 2025 and June 2025. See "CAPITAL

IMPROVEMENT PLAN—Capital Programs and Projects – Major Capital Projects" herein for further discussion of the Bull Run Treatment Projects. The compounded annual growth rate excluding the $39.3 million of uncapitalizable Bull Run Treatment Projects is 7.9 percent.

Between FY 2020-21 and FY 2024-25, Net Revenues have provided between 2.09 times and 2.57 times debt service coverage (not including Utility License Fees (as defined herein)) on combined First Lien Bonds and Second Lien Bonds. The City contributed $76.6 million to the Rate Stabilization Account between FY 2020-21 and FY 2022-23. Stabilized Net Revenues provided 2.34 times coverage (not including Utility License Fees) on the combined annual debt service for combined First and Second Lien Bonds in FY 2024-25.

Preliminary Unaudited FY 2025-26 Year End Financial Results

The following financial information is unaudited and represents the City's most recent financial information. Preliminary FY 2025-26 Total Gross Revenues were $317.7 million, an increase of $21.8 million from FY 2024-25 primarily due to the annual billing rates changes for water sales. Preliminary FY 2025-26 Total Operating Expenses is $138.3 million, which included approximately $26 million in one-time non-capitalizable costs. The one-time costs were comprised of approximately $16 million of non-capitalizable costs associated with the Bull Run Treatment Project and a $10 million non-cash expense associated with a capital asset write-off Stabilized Net Revenues are estimated to provide 3.60 times coverage (not including the City's Utility License Fees applicable to the Water System) on the annual debt service for combined First and Second Lien Bonds in FY 2025-26.

Table 15
CITY OF PORTLAND, OREGON
Water System
Historical Operating Results

Fiscal Year Ending June 30	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26[1]
(In thousands of dollars)						
GROSS REVENUES[2][3]						
Operating Revenues						
Water Sales	$196,836	$209,090	$230,774	$245,306	$264,208	$287,328
Other Service Charges/Miscellaneous	5,106	6,320	9,815	11,394	11,864	9,697
Total Operating Revenues	201,943	215,410	240,589	256,699	276,072	297,025
Capital Charges	16,240	14,981	15,353	13,172	11,054[7]	10,248
Interest Earnings	2,224	1,947	5,232	7,912	8,199	8,774
Cash Transfers In -						
General Fund and Other	228	1,390	737	1,703	574	1,644
TOTAL GROSS REVENUES	$220,635	$233,728	$261,910	$279,486	$295,900	$317,691
OPERATING EXPENSES[2][3]						
Operation and Maintenance	$107,143	$114,654	$121,694	$138,288	$180,624	$159,842
City Utility License Fee[4]	-8,647	-9,425	-10,164	-10,953	-11,725	-12,707
Capitalized Overhead[5]	-19,770	-16,971	-17,927	-21,828	-23,075	-24,869
Cash Transfers Out -						
General Fund Overhead	4,986	5,300	6,839	8,095	8,852	9,731
Other[6]	5,919	5,705	5,574	6,657	6,147	6,321
TOTAL OPERATING EXPENSES	$89,631	$99,262	$106,017	$120,259	$160,823	$138,319
NET REVENUES	$131,005	$134,466	$155,894	$159,227	$135,077	$179,372
Less: Transfers to Rate Stabilization Account	-12,000	-24,600	-40,000	0	0	0
Plus: Transfers from Rate Stabilization Account	0	0	0	0	0	20,500
STABILIZED NET REVENUES	$119,005	$109,866	$115,894	$159,227	$135,077	$199,872
DEBT SERVICE FOR COVERAGE						
First Lien Bonds	$33,291	$20,151	$19,670	$19,676	$17,452	$14,315
Second Lien Bonds	$29,327	$38,887	$42,336	$42,336	$40,237	$41,277
TOTAL DEBT SERVICE	$62,618	$59,038	$62,006	$62,011	$57,689	$55,592
DEBT SERVICE COVERAGE						
NET REVENUES						
First Lien Bonds	3.94	6.67	7.93	8.09	7.74	12.53
First and Second Lien Bonds	2.09	2.28	2.51	2.57	2.34	3.23
With City Utility License Fee[7]	*1.95*	*2.12*	*2.35*	*2.39*	*2.14*	*3.00*
STABILIZED NET REVENUES						
First and Second Lien Bonds	1.90	1.86	1.87	2.57	2.34	3.60
With City Utility License Fee[7]	*1.76*	*1.70*	*1.71*	*2.39*	*2.14*	*3.37*

(1) Amounts are preliminary and unaudited and will not be updated in the final Official Statement.
(2) As defined in the Master First Lien Bond Declaration. Does not reflect adjustments to Second Lien Bond calculations as defined in the Master Second Lien Bond Declaration.
(3) Operating Expenses exclude depreciation, amortization, and utility license fees (5% of dollar value of retail water sales) in conformance with the definitions of Operating Expenses within the Master First Lien Bond Declaration and Master Second Lien Bond Declaration. Operating expenses include the Bureau's share of debt service for the City's pension obligation bonds and Post-Employment Retirement Benefits. See "CITY OPERATING AND FINANCIAL INFORMATION—Pension Plans – Pension Obligation Bonds" and "—OTHER POST-EMPLOYMENT BENEFITS (OPEB)" in APPENDIX D.
(4) The City-imposed utility license fee (the "Utility License Fee") is a five percent tax on gross revenues of utilities operating and earning revenue with in the City, which includes the Bureau. Under the definitions of the governing master bond declarations, the Utility License Fee is excluded from the definition of Operating Expenses for purposes of calculating Net Revenues securing the City's Water System Revenue Bonds.
(5) Comprised of Bureau administrative and support costs attributed and capitalized to the Water System Capital Improvement Plan as indirect costs.
(6) Amounts are primarily comprised of the Water Bureau's portion of the City's Pension Obligation Bonds, which fully mature in FY 2028-29.
(7) Reflects debt service coverage with City Utility License Fee added back into Operating Expenses to provide depiction of actual financial performance outside of the definitions of the Master Second Lien Revenue Bond Declaration.
(8) Decline in Capital Charges primarily due to decreased development activity and City's SDC deferral program. See "WATER CUSTOMERS, DEMAND, RATES AND BILLING – System Development Charges" herein.

Note: Totals may not foot due to rounding.
Source: City of Portland

OTHER FINANCIAL INFORMATION

Outstanding Water System Debt

The following table shows outstanding Water System revenue bonds as of the Date of Delivery.

Table 16
CITY OF PORTLAND, OREGON
Water System
Outstanding Water System Revenue Bonds
As of the Date of Delivery

Issue	Dated	Final Maturity	Original Par Amount	Amount Outstanding
First Lien Water System Revenue Bonds				
2016 Series A	12/15/16	04/01/41	$168,525,000	$94,125,000
Less: Refunding Candidates[1]				(94,125,000)
2022 Series A	04/07/22	04/01/37	42,645,000	34,080,000
Subtotal			$211,170,000	$34,080,000
Second Lien Water System Revenue Bonds				
2019 Series A	10/22/19	05/01/44	$112,005,000	$92,645,000
2020 Series A	02/03/20	05/01/35	39,800,000	27,250,000
WIFIA Bond, 2021 Series A[2]	02/02/21	09/01/62	726,600,000	668,980,432
2021 Series B	05/25/21	05/01/46	171,075,000	142,940,000
2024 Series A	07/23/24	05/01/39	153,645,000	141,910,000
WIFIA Bond, 2024 Series B[3]	10/31/24	09/01/62	318,990,000	0
2026 Series A[4]	09/09/26	09/09/26	585,630,000	585,630,000
Subtotal			$2,107,745,000	$1,659,355,432
Junior Lien Obligations				
2025 Junior Lien Note[5]	05/09/25	05/09/28	$350,000,000	$0
Subtotal			$350,000,000	$0
TOTAL			$2,668,915,000	$1,693,435,432

(1) Assumes all maturities of the Refunding Candidates are redeemed with proceeds of the 2026 Series A Bonds on the Date of Delivery. See "THE 2026 SERIES A BONDS—Refunding Plan" and "—Estimated Sources and Uses of 2026 Series A Bond Proceeds" herein. Refunding of all or a portion of the Refunding Candidates is subject to market conditions and City discretion. Preliminary, subject to change.

(2) Amount outstanding is as of June 30, 2026. The 2021 WIFIA Bond is a draw-down bond issued to the EPA for the Bull Run Treatment projects. The 2021 WIFIA Bond will mature on September 1, 2062, or the payment date immediately preceding the date that is 35 years following the substantial completion date of the project, whichever is earlier. Amount outstanding does not include approximately $4.1 million of interest capitalized under the terms of the loan agreement. See "—WIFIA Bonds" below for more information regarding the 2021 WIFIA Bond.

(3) Amount outstanding is as of June 30, 2026. The 2024 WIFIA Bond is a draw-down bond issued to the EPA for the Bull Run Treatment projects. The 2024 WIFIA Bond will mature on September 1, 2062, or the payment date immediately preceding the date that is 35 years following the substantial completion date of the project, whichever is earlier. See "—WIFIA Bonds" below for more information regarding the 2024 WIFIA Bond.

(4) This issue. Preliminary, subject to change.

(5) The City entered into a non-revolving credit facility with Bank of America to fund Bull Run Treatment Project costs during the conditional land use construction permit's remand period, which made the 2021 WIFIA Bond and 2024 WIFIA Bond unavailable. The City made draws totaling $86 million and subsequently refunded the balance with the 2021 WIFIA Bond after the conditional land use construction permit was reapproved. The remaining available balance on the 2025 Junior Lien Note is $263.5 million. After the issuance of the 2026 Series A Bonds, the City anticipates cancelling the non-revolving credit facility.

Source: City of Portland

WIFIA Bonds

The City has issued two draw-down bonds, the 2021 WIFIA Bond and the 2024 WIFIA Bond, to the EPA under the WIFIA bond program, which are governed by the terms of their respective loan agreements. The WIFIA program allows for the funding of up to 49 percent of total estimated project costs or up to 80 percent of total actual project costs. The WIFIA Bonds include an interest rate at the Treasury rate equivalent to the weighted average maturity of the loan as of their respective closing dates. The WIFIA Bonds are funded incrementally through periodic draws (reimbursements) and allow for the deferral of interest payments until September 2032; however interest accrues and is capitalized to the principal balance every six months until the WIFIA Bonds convert to current interest bonds. The payment deferral offered by the WIFIA program moderates debt service increases and water rates.

On February 2, 2021, the City issued its 2021 WIFIA Bond pursuant to a loan agreement between the City and the EPA. The loan agreement allows for draws to be used for eligible costs of the Bull Run Treatment project or payment of interim financings used to finance eligible project costs. The 2021 WIFIA Bond is a non-revolving draw-down bond in a principal amount of up to $726,600,000. The 2021 WIFIA Bond bears interest at a fixed rate of 1.89%, with interest payments deferred until the 2021 WIFIA Bond is converted to a current interest bond on the approximate conversion date of March 1, 2032. At that time, interest will be payable on March 1 and September 1, beginning September 1, 2032. The 2021 WIFIA Bond principal amortizes beginning September 1, 2043, and will mature on September 1, 2062 or the payment date immediately preceding the date that is 35 years following the substantial completion date of the project, whichever is earlier.

On October 31, 2024, the City issued its 2024 Series B WIFIA Bond (the "2024 WIFIA Bond") pursuant to a loan agreement between the City and the EPA. Consistent with the 2021 WIFIA Bond's loan agreement, 2024 WIFIA Bond's loan agreement allows for draws to be used for eligible costs of Bull Run Treatment projects or payment of interim financings used to finance eligible project costs. The 2024 WIFIA Bond is a non-revolving draw-down bond in a principal amount of up to $318,990,000. The WIFIA Bond bears interest at a fixed rate of 4.49%, with interest payments deferred until the 2024 WIFIA Bond is converted to a current interest bond on the approximate conversion date of March 1, 2032. At that time, interest will be payable on March 1 and September 1, beginning September 1, 2032. The 2024 WIFIA Bond principal amortizes beginning September 1, 2032, and will mature on September 1, 2062, or the payment date immediately preceding the date that is 35 years following the substantial completion date of the project, whichever is earlier.

See "PROVISIONS OF THE 2026 SERIES A BONDS—Other Covenants" herein for information regarding certain covenants that apply while the WIFIA Bonds are outstanding.

The tables below describe amounts the City has drawn and is authorized to draw under the 2021 WIFIA Bond and the 2024 WIFIA Bond. As of August 15, 2026, the City had drawn $668,980,432 under the 2021 WIFIA Bond (excluding capitalized interest) and $0 under the 2024 WIFIA Bond.

Table 17
CITY OF PORTLAND, OREGON
Water System
Authorized Draw-Down Scheduled on 2021 WIFIA Bond

Disbursement Period	Federal Fiscal Year	Available Total Draws(1)	Actual Draws Disbursed	Cumulative Disbursements	Remaining Available Draws in Disbursement Period
02/02/2021 – 09/30/2021	2021	$52,200,000	-	-	$52,200,000
10/01/2021 – 09/30/2022	2022	$94,200,000	-	-	94,200,000
10/01/2022 – 09/30/2023	2023	$126,700,000	-	-	126,700,000
10/01/2023 – 09/30/2024	2024	$299,400,000	$113,678,276	$113,678,276	185,721,724
10/01/2024 – 09/30/2025	2025	$521,900,000	252,879,475	366,557,751	155,342,249
10/01/2025 – 09/30/2026	2026	$676,300,000	302,422,680	668,980,432(2)	7,319,568
10/01/2026 – 09/30/2027	2027	$720,700,000	-	-	51,719,568
10/01/2027 – 09/30/2028	2028	$726,200,000	-	-	57,219,568
10/01/2028 – 09/30/2029	2029	$726,600,000	-	-	57,619,568

(1) Available draws for Project costs and excludes capitalized interest.
(2) As of August 15, 2026
Source: City of Portland

Table 18
CITY OF PORTLAND, OREGON
Water System
Authorized Draw-Down Scheduled on 2024 WIFIA Bond

Disbursement Period	Federal Fiscal Year	Available Total Draws(1)	Actual Amounts Disbursed	Cumulative Disbursements	Remaining Available Draws
10/01/2025 – 09/30/2026	2026	$106,330,000	-	-	$106,330,000
10/01/2026 – 09/30/2027	2027	$318,990,000	-	-	$318,990,000

(1) Available draws for Project costs and excludes capitalized interest.
Source: City of Portland

FINANCIAL PROJECTIONS

KEY FORECAST ASSUMPTIONS

Financial projections for the Water System through FY 2031-32 are shown in the following five tables.

Key assumptions underlying the expenditure forecast include:

- Annual inflation for operating and capital requirements of 6.6% for FY 2027-28, and between 3.9% and 6.3% annually for the remaining forecast period.

- Capitalized bureau indirect costs attributed to the Water System Capital Improvement Plan are assumed to be reduced by approximately 25%. See Table 15 – "Water System - Historical Operating Results," specifically "Capitalized Overhead" for historical levels of these capitalized costs.

- The Bureau's cost related to the City's outstanding pension obligation bonds rises from $6.3 million in FY 2026-27 to $6.6 million in FY 2027-28, and to a final payment of $6.8 million in FY 2028-29, for a total of $19.7 million over the forecast period.

- Pension system contribution rate averages 30.3% of salary in FY 2026-27 which rises to 35.3% in FY 2027-28, and rises again to 40.3% in FY 2029-30, and remains at 40.3% through FY 2031-32. See "CITY OPERATING AND FINANCIAL INFORMATION—Pension Plans" in APPENDIX D.

- Costs related to compliance with the LT2 Rule including regular monitoring, capital projects and future operating costs are included. For a discussion about the Bull Run Treatment Projects that may affect the forecasted rates, see "REGULATORY ENVIRONMENT—Current and Emerging Regulatory Issues – Long Term 2 Enhanced Surface Water Treatment Rule" and "CAPITAL IMPROVEMENT PLAN—Capital Programs and Projects – Major Capital Projects" herein.

- Ongoing operation and maintenance costs related to capital improvement projects.

Key assumptions underlying the revenue forecast include:

- The Bureau forecasts the retail demand for FY 2026-27 to be 23.4 million ccf, with a 0.25% decline annually thereafter.

- Wholesale water sales are based on the 30-year contract terms for nine wholesale customers and 5-year terms with automatic renewals for six small water companies. Wholesale revenues are forecasted at $22.8 million in FY 2026-27 including $13.7 million estimated one-time revenue from TVWD and Lusted Water District with short-term agreements with the City. See "WATER SYSTEM CUSTOMERS, DEMAND, RATES AND BILLING—Wholesale Water Customers" herein.

- Projected rate increases will be adopted annually by City Council, as shown in Table 23.

- User charges are projected to increase, as described in "FINANCIAL PROJECTIONS—Forecast Rates and Charges" herein.

- System Development Charge revenues are projected to remain at $1.0 million from FY 2026-27 through FY 2027-28 due to a temporary SDC exemption in effect through September 30, 2028 to spur housing development. See "WATER SYSTEM CUSTOMERS, DEMAND, RATES AND BILLING—System Development Charges" herein.

- Bad debt expenses are assumed to be 1% of water sales revenue annually.

Assumptions underlying the debt forecast include:

- Only Second Lien Bonds will be issued to fund capital program requirements (i.e. no First Lien Bonds are issued).

- Additional water revenue bonds with approximately 30-year terms totaling $1.34 billion are anticipated to be issued through FY 2031-32. This amount excludes $51.8 million in available future draws and capitalized interest on the 2021 WIFIA Bond and $319.0 million in available future draws and capitalized interest on the 2024 WIFIA Bond as of August 15, 2026. A 5.50% true interest cost is assumed for the bonds expected to be issued in FY 2026-27, a 5.75% true interest cost in FY 2027-28 and FY 2028-29, and a 6.00% true interest cost for each subsequent issue. These bonds are assumed to be issued without a debt service reserve.

Fiscal Year	Amount
2026-27	$525,000,000
2027-28	441,245,000
2028-29	136,385,000
2029-30	208,170,000
2030-31	0
2031-32	26,805,000
TOTAL	$1,337,605,000

- Draws on the $726.2 million 2021 WIFIA Bond which began in FY 2023-24, will continue through FY 2028-29. Draws are assumed to be made pursuant to the authorized draw-down schedule for the 2021 WIFIA Bond, as described in Table 17, "Authorized Draw-Down Scheduled on 2021 WIFIA Bond" herein. Additionally, draws on the 2024 WIFIA Bond of $319.0 million are assumed to be made pursuant to the authorized draw-down schedule for the 2024 WIFIA Bond, as described in Table 18, "Authorized Draw-Down Schedule on 2024 WIFIA Bond" herein. See "WATER SYSTEM OPERATING AND FINANCIAL INFORMATION—Other Financial Information – Outstanding Water System Debt" and "–WIFIA Bonds" herein.

- After a step-up in debt service during Fiscal Year 2026-27, annual debt service is projected to increase annually at an average rate of 9.4% through Fiscal Year 2032-33, which is the first fiscal year with WIFIA Bond debt service and one year outside the forecast period. Taking into account existing debt service, projected issuance of bonds, and future draws on WIFIA Bonds described above, Water System Revenue Bond annual debt service is projected to increase from $55.6 million in Fiscal Year 2025-26 to $168.0 million in Fiscal Year 2032-33 through Fiscal Year 2058-59.

- Any potential bond refundings, including the issuance of the 2026 Series A Bonds to achieve the Refunding Plan, are excluded from the forecast.

The projections in this document are based on a range of assumptions that the City believes to be reasonable. Because of the nature of projections, including variability in assumptions, economic conditions and changes in the regulatory environment, the City cannot guarantee those results. Potential investors should not rely on the projections as statements of fact. Such projections are subject to change and will change, from time to time. As a result, projected results may not be realized and actual results could be significantly higher or lower than projected. Neither the City nor the Consultant is obligated to update, or otherwise revise, the financial projections or the specific portions presented to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even if any or all of the assumptions are shown to be in error.

RISKS RELATED TO PROJECTIONS AND FORECASTS

Because of the nature of projections and forecasts, including variability in assumptions, economic conditions and changes in the regulations to the water industry, the City cannot guarantee the projections and forecasts included in this Official Statement. As discussed in this Official Statement, the City faces multiple risks and uncertainties that could affect the Bureau's projections and forecasts, including but not limited to:

- City Council approval of future rate requests of the Water System, including consolidated billing impacts of water system rates and rate requests (see "WATER SYSTEM CUSTOMERS, DEMAND, RATES AND BILLING—Rates and Rate Setting");

- Decreased water demand and collections of account balances going forward (see "WATER SYSTEM CUSTOMERS, DEMAND, RATES AND BILLING");

- natural disasters, climate change, disease outbreak and other adverse events (see "THE WATER SYSTEM—Resilience to Natural Disasters, Climate Change, Public Health Emergencies, and Cybersecurity Incidents");

- CIP cost increases or delays related to the Bull Run Treatment Projects, CIP cost increases related to increased regulatory requirements, high inflation, increased seismic requirements, and supply chain disruptions (see "REGULATORY ENVIRONMENT" and "CAPITAL IMPROVEMENT PLAN");

- environmental remediation liability (see "REGULATORY ENVIRONMENT—Environmental Regulations and Compliance Plans – Portland Harbor Sediments" and "LITIGATION");
- potential operating cost increases above forecast assumptions and/or work stoppages as a result of collective bargaining by the Bureau and City with its represented employees (see APPENDIX D, "CITY OPERATING AND FINANCIAL INFORMATION – Labor Relations"); and
- risks related to cybersecurity (see APPENDIX D, "CITY OPERATING AND FINANCIAL INFORMATION – Cybersecurity").

See also APPENDIX I, "LETTER & REPORT OF THE FINANCIAL FEASIBILITY CONSULTANT" herein for factors that may affect the projections and forecasts.

This list is not exclusive and the Bureau's forecasts and projections may be impacted by factors that are not described here. Potential investors of the 2026 Series A Bonds should not rely on the projections or forecasts as statements of fact. They are subject to change and will change, from time to time.

USE OF RATE STABILIZATION ACCOUNT

The City established a Rate Stabilization Account (the "RSA") to smooth rate increases while ensuring that coverage meets planning standards. See "PROVISIONS OF THE 2026 SERIES A BONDS—Rate Stabilization Account" and "FINANCIAL POLICIES AND PLANNING STANDARDS—Financial Operations Policies – Rate Stabilization Account" herein. The following table shows projected ending balances in the RSA.

Table 19
CITY OF PORTLAND, OREGON
Water System
Historical and Projected Rate Stabilization Account
Ending Balance(1)

Fiscal Year End	Ending Balance
2020-21	$87,471,636
2021-22	112,071,636
2022-23	152,071,636
2023-24	152,071,636
2024-25	152,071,636
2025-26 (unaudited)	131,571,636
2026-27(2)	157,171,636
2027-28(2)	155,271,636
2028-29(2)	137,471,636
2029-30(2)	122,171,636
2030-31(2)	136,871,636
2031-32(2)	165,071,636

(1) The RSA serves as a contingency for unforeseen expenditures, and to build account balance for the purpose of smoothing rate increases and to build up and maintain at least 270 days cash on hand, as described under "FINANCIAL POLICIES AND PLANNING STANDARDS." Balances reflect transfers to and from the Water Operating Fund.
(2) Forecasted amount is based on the updated FY 2026-27 Adopted Budget and will not be updated in the final Official Statement.
Source: Portland Water Bureau

FORECAST REVENUES AND EXPENDITURES

Forecast sources and uses of the Water Operating Fund for FY 2026-27 through FY 2031-32 are shown in Table 20 and sources and uses of the Water Construction Fund for the same period are shown in Table 21.

Table 22 shows forecast results of the Water System's financial operations for FY 2026-27 through FY 2031-32, including trends in revenues, expenses, debt service coverage, and fund balance.

The principal resources available to the Water Operating Fund are service charges and fees. FY 2026-27 water rates and charges were approved by City Council in May 2026, representing an average effective retail rate increase of 8.1% from FY 2025-26 amounts. The average effective retail rate for the forecast period of FY 2027-28 through FY 2030-31 is estimated at 9.8% annually and 6.2% thereafter (as depicted in Table 23). All future rate increases are subject to City Council approval. As shown in the following tables, Water Operating Fund total receipts are estimated to fluctuate over the period FY 2026-27 to FY 2031-32. This fluctuation is primarily driven by the reimbursement of capital expenditures from the Construction Fund related to the Bull Run Treatment Projects. No significant change in the number of retail customer accounts served by the Water System is expected. Retail demand for FY 2026-27 is projected to be 23.4 million ccf. Planned retail water demand for FY 2027-28 is 23.3 million ccf, declining by 0.25% annually thereafter for the remainder of the forecast period.

The Bureau projects Water Operating Fund expenditures to fluctuate over the FY 2026-27 through FY 2031-32 forecast period largely due to capital outlays related to the Bull Run Treatment Projects. Capital outlays are reimbursed by the Water Construction Fund. Total operation and maintenance expenses are projected to increase from $142.1 million to $198.0 million over the same interval, representing a compound annual growth increase of 6.8%. Increases to operation and maintenance expenses include the additional anticipated filtration plant operating costs beginning in FY 2028-29. In addition to operation and maintenance expenses, Water Operating Fund requirements include debt service payments (transfers to the Water Bond Sinking Fund), cash transfers to the Water Construction Fund allocating a portion of water sales revenue to support CIP spending, cash transfers to the General Fund to pay for General Fund Overhead (i.e. internal charges for certain centralized City administrative and support services), Utility License Fees, and the Bureau's share of pension obligation bond debt. See APPENDIX D, "CITY OPERATING AND FINANCIAL INFORMATION."

Table 21 shows Water Construction Fund Sources and Uses of Funds for the Forecast Period. Resources supporting all related capital construction and indirect capital costs are comprised of cash financed capital funding from rate revenues of $445.5 million, capital charges of $87.1 million, interest income of $40.2 million, and proceeds from borrowings of $1.66 billion.

As shown in Table 22 sufficient Net Revenues are projected to meet and pay debt service on revenue bonds, including planned future issues. Net Revenues over the FY 2026-27 through FY 2031-32, as forecasted, provide from 1.72 to 2.04 times debt service coverage on Combined Annual Debt Service for First Lien Bonds and Second Lien Bonds. Stabilized Net Revenues are forecasted to provide no less than 1.75 times coverage on Combined Annual Debt Service for First and Second Lien Bonds during this same forecast period.

Table 20
CITY OF PORTLAND, OREGON
Water System
Water Operating Fund
Forecast Sources and Uses of Funds[1]

Fiscal Year Ending June 30	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
(In thousands of dollars)						
BEGINNING BALANCE (Cash)[2]	$68,638	$65,628	$53,832	$40,056	$42,420	$91,455
RECEIPTS						
Water Sales	$299,736	$313,644	$345,551	$380,513	$416,095	$453,716
Interagency Receipts	5,363	4,644	4,855	4,399	4,570	4,858
Transfers from Construction Fund	622,255	611,488	474,573	219,388	171,983	125,552
Interest Income	7,887	8,105	7,256	6,420	7,374	8,864
Other Miscellaneous Receipts	3,997	4,260	4,427	4,692	4,875	5,182
TOTAL RECEIPTS	939,238	942,142	836,662	615,411	604,896	598,172
Transfer from Rate Stabilization Account	$0	$1,900	$17,800	$15,300	$0	$0
TOTAL SOURCES OF FUNDS	$1,007,876	$1,009,671	$908,294	$670,767	$647,317	$689,627
EXPENDITURES						
Operation and Maintenance	$142,136	$149,718	$161,855	$178,843	$186,462	$197,960
Transfers to Construction Fund	53,930	75,835	100,710	89,255	29,405	96,380
Direct Capital Costs[3]	589,755	577,168	438,922	189,907	142,586	95,119
General Fund Overhead	11,928	12,715	13,211	14,003	14,549	15,466
Utility License Fee	13,725	15,015	16,452	18,027	19,754	21,009
Pension Obligation Bond Debt[4]	6,297	6,550	6,811	0	0	0
Transfer to Water Bond Sinking Fund	98,876	118,837	130,277	138,311	148,405	156,569
TOTAL EXPENDITURES	916,648	955,838	868,239	628,347	541,162	582,503
Transfer to Rate Stabilization Account	25,600	0	0	0	14,700	28,200
ENDING BALANCE[2]	65,628	53,832	40,056	42,420	91,455	78,924
TOTAL USES OF FUNDS	$1,007,876	$1,009,671	$908,294	$670,767	$647,317	$689,627

(1) Forecast based on the updated FY 2026-27 Adopted Budget and will not be updated in the final Official Statement.
(2) Excludes projected amounts in Rate Stabilization Account, as shown in Table 19.
(3) Includes increases related to costs associated with Bull Run Treatment Projects and other projects under the Capital Improvement Plan. See "—Key Forecast Assumptions" and "CAPITAL IMPROVEMENT PLAN" above.
(4) See APPENDIX D, "CITY OPERATING AND FINANCIAL INFORMATION — Pension Plans: Oregon Public Employees Retirement System – Pension Obligation Bonds." Debt service paid by the Bureau on its share of pension obligation bond debt is treated as an Operating Expense.

Note: Totals may not foot due to rounding.
Source: City of Portland

Table 21
CITY OF PORTLAND, OREGON
Water System
Water Construction Fund
Forecast Sources and Uses of Funds[1]

Fiscal Year Ending June 30	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
(In thousands of dollars)						
BEGINNING BALANCE (cash)	$16,360	$137,598	$251,700	$35,861	$134,247	$10,621
RECEIPTS						
Capital Charges	$11,636	$12,564	$15,209	$15,407	$15,834	$16,486
Bond Proceeds[2]	664,870	626,035	136,385	208,170	0	26,805
Transfer from Water Fund	53,930	75,835	100,710	89,255	29,405	96,380
Interest Income	13,058	11,156	6,431	4,941	3,118	1,462
TOTAL RECEIPTS	743,494	725,590	258,735	317,773	48,357	141,133
TOTAL SOURCES OF FUNDS	$759,853	$863,188	$510,435	$353,635	$182,604	$151,754
EXPENDITURES						
Capital Reimbursement to Water Operating Fund	$622,255	$611,488	$474,573	$219,388	$171,983	$125,552
TOTAL EXPENDITURES	622,255	611,488	474,573	219,388	171,983	125,552
ENDING BALANCE	137,598	251,700	35,861	134,247	10,621	26,202
TOTAL USES OF FUNDS	$759,853	$863,188	$510,435	$353,635	$182,604	$151,754

(1) Forecast based on the updated FY 2026-27 Adopted Budget and will not be updated in the final Official Statement.
(2) Includes draws on the 2021 WIFIA Bond and the 2024 WIFIA Bond and proceeds from future second lien water revenue bonds. See "WATER SYSTEM OPERATING AND FINANCIAL INFORMATION—Other Financial Information" herein.

Note: Totals may not foot due to rounding.
Source: City of Portland

Table 22
CITY OF PORTLAND, OREGON
Water System
Forecast Operating Results[1]

Fiscal Year	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
(In thousands of dollars)						
GROSS REVENUES						
Operating Revenues						
Water Sales	$299,736	$313,644	$345,551	$380,513	$416,095	$453,716
Other Service Charges/Miscellaneous	9,360	8,904	9,282	9,091	9,445	10,040
Total Operating Revenues	309,096	322,549	354,833	389,603	425,540	463,756
Capital Charges	11,036	11,924	14,544	14,703	15,102	15,708
Interest Earnings	20,945	19,261	13,687	11,361	10,492	10,326
Cash Transfers In -						
General Fund and Other	1,101	872	936	244	254	270
TOTAL GROSS REVENUES	$342,178	$354,606	$384,000	$415,912	$451,388	$490,059
OPERATING EXPENSES[2]						
Operation and Maintenance	$141,911	$149,558	$161,679	$178,660	$186,268	$197,756
Capitalized Overhead[3]	-20,000	-21,320	-22,151	-23,481	-24,396	-25,933
Cash Transfers Out -						
General Fund Overhead	11,928	12,715	13,211	14,003	14,549	15,466
Other[4]	6,522	6,710	6,988	183	195	203
TOTAL OPERATING EXPENSES	$140,361	$147,662	$159,726	$169,366	$176,615	$187,492
NET REVENUES	$201,816	$206,944	$224,274	$246,546	$274,773	$302,567
Less: Transfers to Rate Stabilization Account	-25,600	0	0	0	-14,700	-28,200
Plus: Transfers from Rate Stabilization Account	0	1,900	17,800	15,300	0	0
STABILIZED NET REVENUES	$176,216	$208,844	$242,074	$261,846	$260,073	$274,367
DEBT SERVICE FOR COVERAGE						
First Lien Bonds[5]	$14,318	$14,321	$14,322	$14,325	$14,316	$14,318
Second Lien Bonds[6]	$84,558	$104,517	$115,960	$123,984	$134,087	$142,254
TOTAL DEBT SERVICE	$98,876	$118,837	$130,281	$138,309	$148,403	$156,572
DEBT SERVICE COVERAGE						
NET REVENUES						
First Lien Bonds	14.10	14.45	15.66	17.21	19.19	21.13
First and Second Lien Bonds	2.04	1.74	1.72	1.78	1.85	1.93
STABILIZED NET REVENUES						
First and Second Lien Bonds	1.78	1.76	1.86	1.89	1.75	1.75
MAXIMUM ANNUAL DEBT SERVICE[7]	$98,876	$143,128	$151,552	$166,631	$166,631	$168,181
First and Second Lien Bonds	2.04	1.45	1.48	1.48	1.65	1.80
PROJECTED FUND BALANCE[8]						
Operating Fund	$65,628	$53,832	$40,056	$42,420	$91,455	$78,924
Rate Stabilization Account	157,172	155,272	137,472	122,172	136,872	165,072
Construction Fund	137,598	251,700	35,861	134,247	10,621	26,202
TOTAL	$360,398	$460,804	$213,389	$298,839	$238,948	$270,198

Table continued on following page

(1) Forecast based on the updated FY 2026-27 Adopted Budget and will not be updated in the final Official Statement.
(2) Excludes depreciation, amortization, and utility license fees (5% of dollar value of retail water sales) in conformance with the definitions of Operating Expenses within the Master First Lien Bond Declaration and Master Second Lien Bond Declaration. Operating expenses include the Bureau's share of debt service for the City's pension obligation bonds and Post-Employment Retirement Benefits. See "CITY OPERATING AND FINANCIAL INFORMATION—Pension Plans – Pension Obligation Bonds" and "—OTHER POST-EMPLOYMENT BENEFITS (OPEB)" in APPENDIX D.\
(3) Comprised of Bureau administrative and support costs attributed and capitalized to the Water System Capital Improvement Plan as indirect costs.
(4) Amounts are largely comprised of the Water Bureau's share of debt service for the City's pension obligation bonds, which have their final maturity in FY 2028-29.
(5) Includes debt service on outstanding First Lien Bonds. The City does not plan to issue additional First Lien Bonds. Amounts do not include the impact of refunding the Refunded Bonds, and the Official Statement will not be updated to reflect the impact of refunding the Refunded Bonds.
(6) Includes estimated debt service on future Second Lien Bond issues as described under "Financial Projections – Key Forecast Assumptions" above. The impact of refunding the Refunded Bonds is not included, and the Official Statement will not be updated to reflect the impact of refunding the Refunded Bonds.
(7) Amount stated for each fiscal year is the Maximum Combined Annual Debt Service, as defined in the Master Second Lien Water Revenue Bond Declaration, assuming the Second Lien Bond issues described in footnote (5) above. Debt service coverage ratio calculation uses Net Revenues as the numerator.
(8) Forecast balances in each respective fund/account at fiscal year-end.

Source: City of Portland

FORECAST RATES AND CHARGES

To generate the operating revenues in the Bureau's financial forecast, the City will need to increase its user charges. The City assesses both a volumetric usage charge and a fixed base charge.

The following table presents the prior rates for FY 2024-25 and FY 2025-26, current rates for FY 2026-27, and projected rates for FY 2027-28 through FY 2031-32 that generate the required revenues under the current forecast. These rates are based on the revenue requirements from the Bureau's financial plan and the cost allocation methodology of its cost-of-service rate model. The average volumetric charge for retail users is forecasted to increase from $8.833 per ccf in FY 2026-27 to $13.636 per ccf by FY 2031-32. A monthly base charge is imposed on water services connected directly to the Water System. Such base charge is in addition to the rates charged for water usage. The fixed base charge accounts for approximately 23% of the Bureau's user charge revenues. The total fixed monthly base charge for quarterly billed customers is projected to increase from $26.72 per month in FY 2026-27 to $41.24 per month by FY 2031-32. The typical 5 ccf single residential family monthly water bill is projected to increase from $70.89 in FY 2026-27 to $109.42 in FY 2031-32. All future annual rate increases are subject to annual City Council approval. See "RISKS RELATED TO PROJECTIONS AND FORECASTS" above.

Table 23
CITY OF PORTLAND, OREGON
Water System
Historical, Current and Forecast Water Rates and Water Bills[(1)]

Fiscal Year Ending June 30	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
WATER USAGE RATES								
Retail Volume Rate (per ccf)[(2)]	$7.559	$8.171	$8.833	$9.699	$10.650	$11.694	$12.840	$13.636
BASE CHARGE								
Quarterly Read Customer per Month	$22.86	$24.71	$26.72	$29.33	$32.21	$35.36	$38.83	$41.24
Monthly Read Customer	68.59	74.14	80.16	88.00	96.62	106.09	116.49	123.71
MONTHLY WATER BILLS								
Residential (5 ccf)	$60.66	$65.57	$70.89	$77.83	$85.46	$93.83	$103.03	$109.42
Medium Commercial (100 ccf)	824.49	891.24	963.45	1,057.90	1,161.62	1,275.49	1,400.49	1,487.31
Large Commercial (20,000 ccf)	151,249	163,494	176,740	194,068	213,097	233,986	256,916	272,844
Low Income Residential (5 ccf)[(3)]	30.33	32.78	35.44	38.91	42.73	46.91	51.51	54.71
Extremely Low Income Residential (5 ccf)[(3)]	12.13	13.11	14.18	15.56	17.09	18.76	20.60	21.88
Retail Effective Rate Changes		8.10%	8.10%	9.80%	9.80%	9.80%	9.80%	6.20%

(1) FY 2026-27 rates are current rates. Rates shown for future years are based on projections under the updated FY 2026-27 Adopted Budget. Future year rates beginning with FY 2027-28 and beyond are subject to City Council review and approval.
(2) Applies to substantially all in-city retail customers.
(3) Bills for low income residential customers and extremely low income residential customers include discounts on water usage and the base charge.
Source: City of Portland

REPORT OF THE CONSULTANT

The Report of the Consultant is included in this Official Statement as APPENDIX I. It is part of this Official Statement and potential purchasers of 2026 Series A Bonds should read the Report in its entirety.

The Consultant has provided an independent analysis of the Bureau's forecasted financial performance over the period from FY 2025-26 through FY 2031-32. Based on this analysis, the Consultant has offered the conclusions and opinions shown below. Capitalized terms used below but not defined in this Official Statement shall have the meanings assigned to them in the Report.

- The Bureau has historically made significant investments in its Water System. Ongoing work through completion for the Bull Run Treatment Projects as well as other System improvements in each year are expected to require $1,882 million[(1)] in further investments during FY 2026-27 through FY 2031-32. As described in the POS, the Bull Run Treatment Projects are mandated by the regulatory agencies; all other investments are based on the Bureau's determination of System needs during the Forecast Period.

- The estimated costs of the Bull Run Treatment Projects have increased by approximately $450 million since the date of issuance of the City's Second Lien Water System Revenue and Refunding Bonds, 2024 Series A. The increase reflects the total cost of the pause in construction in February 2025, schedule impacts from the pause, realized risks such as unforeseen site conditions, allowances for identified risks, and contingencies for remaining construction work. See the POS for the 2026 Series A Bonds for additional information regarding the background and costs of the Bull Run Treatment Projects.

(1) Reflects estimated direct costs and excludes capitalized indirect Bureau costs. Amount is stated in 2026 dollars, unadjusted for inflation.

- The Financial Forecast utilizes multiple funding sources for capital improvements, combining the proceeds of: revenue bonds issued by the City, substantial loans provided by the Federal government and revenue generated by rates and charges. The Bureau has prudently secured a long-term loan and related bond (the "2021 WIFIA Bond")(2) pursuant to the Water Infrastructure Finance and Innovation Act of 2014 ("WIFIA"), a federal credit program administered by United States Environmental Protection Agency ("USEPA"), to fund a portion of the projected costs of the Bull Run Treatment Projects, up to a not-to-exceed principal amount of $726.6 million. The Bureau applied for and received a second long-term loan and related bond (the "2024 WIFIA Bond")(3) in the amount of $319.0 million.

- The outstanding debt of the System will increase significantly over the Forecast Period and the repayment of the debt will require further increases in water rates. The Financial Forecast incorporates the adopted rate increase of 8.1% in FY 2026-27, and anticipates increases of 9.8% per year in each year for FY 2027-28 through FY 2030-31 and 6.2% in FY 2031-32. These increases will be required to meet the anticipated cost of providing service which includes: the operation and maintenance of the System, debt service, the annual cash contributions toward the capital investments noted above and other obligations.

- The City Council is responsible for setting water rates and has historically shown a strong willingness to increase such rates to support the financial performance metrics of the Water System. The Financial Forecast assumes the continued support of the City Council in raising water rates as projected to meet the financial needs of the System.

- A Rate Stabilization Account ("RSA") is maintained by the Bureau for the following purposes: to provide liquidity and reserves for unforeseen requirements, to ensure that debt service coverage meets Bureau objectives, and to provide a source of funds to smooth projected increases in rates. The anticipated cost of service requirements and resulting rate increases take into consideration expected contributions to and withdrawals from the RSA. The RSA balance is forecasted to be $131.6 million at the beginning of FY 2026-27 and $165.1 million at the end of FY 2031-32.

- The cumulative increase in projected water rates is significant and necessary over the Forecast Period. The typical monthly household bill is projected to increase from $70.89 in FY 2026-27 to $109.42 in FY 2031-32, assuming an average household consumption of 500 cubic feet of water or 3,740 gallons for each 30-day period. Further increases in rates are expected to be needed after the Forecast Period to repay the 2021 WIFIA Bond and the 2024 WIFIA Bond, to pay debt service on other water revenue bonds of the City, and to meet other revenue requirements of the Water System.

- The water rates and charges of the Bureau for single-family customers are currently higher than the average of other national and regional utilities as reflected in a survey conducted by Amawalk (see the accompanying Report). The MHI of the City is greater than the United States average. Relative to MHI, the single-family residential charges of the Bureau are currently higher than the average of other national and regional utilities but within accepted guidelines for affordability. The Bureau utilizes its well-established and robust affordability programs to assist low income customers in paying their bills. Two levels of assistance are provided for single family residential customers: Households making 60% or less of the MHI qualify for the Tier-1 Discount and households making 30% or less of the MHI qualify for the Tier-2 Discount: at the first tier the current monthly water bill is about $35; at the second tier, the current monthly water bill is about $14. The annual revenue reduction attributable to the affordability assistance to eligible water customers is relatively modest and is assumed to increase proportionally to future increases in rates.

- BES is responsible for the operations of the City's Sewer System. The combined water, sewer and stormwater rates and charges of the Bureau and BES for single family customers are also currently higher than the average

(2) The 2021 WIFIA Bond has a final maturity of the earlier of September 1, 2062, or the payment date immediately preceding the date that is 33 years after substantial completion of the Bull Run Treatment Projects. The 2021 WIFIA Bond has an interest rate of 1.89%; see the POS and accompanying Report for additional information.

(3) The 2024 WIFIA Bond has a final maturity of the earlier of September 1, 2062, or the payment date immediately preceding the date that is 33 years after substantial completion of the Bull Run Treatment Projects. The 2024 WIFIA Bond has an interest rate of 4.49%; see the POS and accompanying Report for additional information.

of other national and regional utilities but again within accepted guidelines for affordability. BES also offers significant assistance to low-income customers in paying their bills.

- The Bureau is expected to comply with the rate covenant and to exceed the debt service coverage requirements of the Master First Lien Bond Declaration and Master Second Lien Bond Declaration, taking into account the proposed issuance of the 2026 Series A Bonds, the issuance of additional bonds through FY 2031-32, the effects of projected rate increases, and the expected deposits and drawdown of funds in the Rate Stabilization Account and assumptions regarding financial performance.

- The Financial Forecast of the Bureau is set forth in the section and corresponding tables presented in "FINANCIAL PROJECTIONS" herein and is based on management's current expectations. The Consultant has reviewed the Financial Forecast including the underlying assumptions and believes that the forecast is reasonable as of the date of the Report. The Financial Forecast is subject to a number of factors, uncertainties and risks which could cause actual results to differ materially from those presented. Potential risks are identified in the Official Statement and the Report; there are no assurances that all risks have been identified and considered.

See APPENDIX I herein for a copy of the Report.

The projections in this Official Statement, including the Report, are based on a range of assumptions that the City believes to be reasonable. Because of the nature of projections, including variability in assumptions, economic conditions, changes in the regulatory environment, and other risks described in this Official Statement, the City cannot guarantee those results. Potential investors should not rely on the projections as statements of fact. Such projections are subject to change and will change, from time to time. As a result, projected results may not be realized and actual results could be significantly higher or lower than projected. Neither the City nor the Consultant are obligated to update, or otherwise revise, the financial projections or the specific portions presented to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error.

THE INITIATIVE PROCESS

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State the initiative power to amend the State constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed initiative measures are submitted that do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

FUTURE STATE-WIDE INITIATIVE MEASURES

The next election at which citizen initiatives may be placed on the statewide ballot will be in November 2026.

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 on a ballot for voter approval, or if placed on a ballot, will be approved by voters.

The Oregon Secretary of State's office maintains a list of all initiative petitions that have been submitted to that office. The office can be reached by telephone at (503) 986-1518.

LOCAL INITIATIVES

Article IV, Section 1 and Article XI, Section 2 of the Oregon Constitution and State statutes grant the voters in the City the initiative power to amend the City Charter or City ordinances, and to refer City ordinances. A petition to refer a City measure must be signed by 6% of the registered voters in the City. A petition to initiate a City measure must be signed by 9% of the registered voters in the City. No initiative or referendum petitions are currently being circulated that would limit the financial powers of the City. The City Council or a Charter Commission may also refer measures directly to voters. Under current law, local initiative and referendum elections may be held only in March, May, September, and November, unless the City Council calls for a special election due to public interest in prompt resolution.

TAX MATTERS

CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2026 Series A Bonds in order that interest on the 2026 Series A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2026 Series A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2026 Series A Bonds to become included in gross income for federal income tax purposes retroactive to their respective issue dates, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2026 Series A Bonds from gross income under Section 103 of the Code.

CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2026 Series A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a 2026

Series A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2026 Series A Bonds.

Prospective owners of the 2026 Series A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S-corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the 2026 Series A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

OPINION OF BOND COUNSEL

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2026 Series A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2026 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the 2026 Series A Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the 2026 Series A Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2026 Series A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the 2026 Series A Bonds is exempt from State of Oregon personal income tax.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the 2026 Series A Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the 2026 Series A Bonds.

ORIGINAL ISSUE DISCOUNT

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a 2026 Series A Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a 2026 Series A Bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the 2026 Series A Bonds. In general, the issue price for each maturity of 2026 Series A Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any 2026 Series A Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the 2026 Series A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such 2026 Series A Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

BOND PREMIUM

In general, if an owner acquires a 2026 Series A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2026 Series A Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that 2026 Series A Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2026 Series A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2026 Series A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2026 Series A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

MISCELLANEOUS

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2026 Series A Bonds under federal or state law or otherwise prevent beneficial owners of the 2026 Series A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2026 Series A Bonds.

Prospective purchasers of the 2026 Series A Bonds should consult their own tax advisors regarding the foregoing matters.

RATINGS

The 2026 Series A Bonds have been rated "Aa2" by Moody's Ratings ("Moody's") and "AA+" by S&P Global Ratings ("S&P"). Such ratings reflects only the view of that organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Ratings, 250 Greenwich Street, New York, New York, 10007; S&P Global Ratings, 55 Water Street, New York, New York, 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the 2026 Series A Bonds.

UNDERWRITING

BofA Securities, Inc. (the "Representative), on its behalf and on behalf of Siebert Williams Shank & Co., LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Raymond James & Associates, Inc., and Wells Fargo Bank, National Association, BofA Securities, Inc. (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase all of the 2026 Series A Bonds, if any are to be purchased, at a price of $__________________ (which is equal to the aggregate principal amount of the 2026 Series A Bonds of $________________, less Underwriters' Discount of $____________), [plus/less] an original issue [premium/discount] of $______, pursuant to a bond purchase agreement between the City and the Representative (the "Bond Purchase Agreement").

The obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriters reserve the right to join with dealers and other underwriters in offering the 2026 Series A Bonds to the public. The Underwriters may offer and sell the 2026 Series A Bonds to certain dealers (including dealers depositing the 2026 Series A Bonds to investment trusts) and others at prices lower than the public offering prices stated on the inside front cover page hereof. The Underwriters may change the public offering prices from time to time.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

BofA Securities, Inc. has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the 2026 Series A Bonds.

J.P. Morgan Securities LLC ("JPMS") has entered into negotiated dealer agreements with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each dealer agreement, each of CS&Co. and LPL may purchase 2026 Series A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2026 Series A Bonds that such firm sells.

Morgan Stanley & Co. LLC, one of the Underwriters of the 2026 Series A Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley

Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2026 Series A Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), one of the underwriters of the 2026 Series A Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the 2026 Series A Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2026 Series A Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2026 Series A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

FORWARD LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement and its appendices, the words "estimate," "forecast," "intend," "expect," "projected," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Such risks and uncertainties include, among others, public health emergencies, such as the COVID-19 pandemic, changes in social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, seismic events and various other events, conditions and circumstances, many of which are beyond the control of the City. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

FINANCIAL FEASIBILITY CONSULTANT

The Letter and Report of the City's Financial Feasibility Consultant, included in APPENDIX I, has been prepared by Amawalk Consulting Group, LLC, New York, New York and is included in the Official Statement in reliance upon the expertise of such firm as consultants knowledgeable with respect to the financial structure and management and operation of water systems.

MUNICIPAL ADVISOR

The City has retained PFM Financial Advisors LLC ("PFM") to serve as its municipal advisor in conjunction with the issuance of the 2026 Series A Bonds. PFM has not audited, authenticated or otherwise verified the information set forth in this Official Statement with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty, or other representation is made by PFM respecting the accuracy and completeness of this Official Statement.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2026 Series A Bonds by the City are subject to the approving opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel, substantially in the form attached hereto as APPENDIX F. Hawkins Delafield & Wood LLP, Portland, Oregon, is also serving as Disclosure Counsel to the City in relation to this Official Statement. Certain other legal matters have been passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Underwriters' Counsel.

LITIGATION

NO LITIGATION CHALLENGING THE 2026 SERIES A BONDS

No litigation is pending against the City or, to the knowledge of the officers of the City charged with issuing the 2026 Series A Bonds, threatened in any court or other tribunal of competent jurisdiction, state or federal, in any way (1) restraining or enjoining the issuance, sale, or delivery of the 2026 Series A Bonds, (2) questioning or affecting the validity of the 2026 Series A Bonds or (3) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution, or delivery of the 2026 Series A Bonds.

LITIGATION GENERALLY

Members of the public and advocacy groups from time to time assert that they intend to file a legal action against the City challenging certain programs, laws or actions that the City, its officers or bureaus have taken. Because the City cannot be certain as to whether such actions will actually be filed, the legal assertions that may be made in a potential action or the remedy sought in terms of the amount of damages or performance requested of the City, the City includes as threatened litigation only situations in which the City is engaged in active settlement negotiations with a person or group in order to pre-empt filing of a lawsuit.

The City discloses only pending or threatened litigation that the City has determined may have a materially adverse impact on the financial position of the Bureau or the Water System. The current level of materiality involves litigation where the damages or performance sought has a reasonable probability of imposing liability of $5 million or more against the Bureau or the Water System. Except as noted in the following paragraphs, there is no litigation pending or threatened against the City which would materially and adversely affect the financial condition of the Bureau or the Water System.

Portland Harbor Superfund Site. In 2000, Portland Harbor, a 10-mile industrial stretch of the Willamette River outside of the City's urban center, was listed by the Environmental Protection Agency ("EPA") as a Superfund site.

The U.S. EPA notified the City that it may have liability for releases of contaminants in the Willamette River. The City is participating in an out-of-court settlement process to allocate cleanup costs among the more than 100 responsible parties. The EPA's estimated total remedial action costs in the 2017 Record of Decision (the "ROD") of $1.07 billion is dated and assumed to be low. The total cleanup costs may exceed $5 billion. Responsible parties must fund the remedial action, as well as fund preliminary actions such as additional investigations, remedial design, and agency oversight. EPA asked potentially responsible parties ("PRPs") to step forward to perform components of the ROD or risk an enforcement action. Numerous parties, including the City, entered into Administrative Settlements and Orders on Consent with EPA to perform remedial design. As of June 30, 2025, the City's accrued liability for these remedial design costs is $3.7 million with $2.8 million budgeted for FY 2025-26.

The City cannot currently predict what liability it may have as a result of the ROD. The preliminary report of the out-of-court settlement process was released in June 2026. The report is the first step in determining the City's liability for Portland Harbor. The next step is a mediation among the PRPs. It will take years of negotiations with other PRPs to be able to accurately predict what additional liability the City has as a result of the ROD. The City will continue to defend against a significant allocation of liability to the City for cleanup.

On November 18, 2024, EPA sent the City and 60 other PRPs a Special Notice Letter that requires all recipients to engage in settlement negotiations with EPA to develop a good faith offer to perform the required cleanup. The City is participating in these settlement negotiations concurrently with its participation in the out-of-court settlement process. EPA expects the settlement negotiations to conclude no later than March 2027.

To preserve claims against PRPs not part of the settlement, the City and several other parties filed suit in U.S. District Court for the District of Oregon (*Arkema Inc. vs. Anderson Roofing Co. Inc.*). Defendants counterclaimed against all plaintiffs. That litigation has been stayed since 2010 pending the outcome of the settlement.

In 2017, the Yakama Nation filed suit in U.S. District Court for the District of Oregon against the City and more than 20 other entities seeking compensation for natural resource damages. Most of the damages sought are not quantified. That litigation, the Confederated Tribes and Bands of Yakama Nation vs. Air Liquide America Corp., has also been stayed consistent with the Arkema litigation.

CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of the 2026 Series A 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 this Official Statement, both as of its date and as of the Date of Delivery, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided, however, the City makes no representation regarding information in this Official Statement related to the purchasers of the 2026 Series A Bonds, the Municipal Advisor, the Underwriters, Kestrel, the Financial Feasibilty Consultant, DTC, the book-entry system or information under the headings "KEY FINANCIAL PROJECTIONS – Report of the Consultant," "FINANCIAL FEASIBILITY CONSULTANT," or "DESIGNATION OF 2026 SERIES A BONDS AS GREEN BONDS," or APPENDIX I, "LETTER & REPORT OF THE FINANCIAL FEASIBILITY CONSULTANT" or APPENDIX J, "GREEN BONDS SECOND PARTY OPINION" attached hereto.

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 2026 Series A 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 Continuing Disclosure Certificate substantially in the form attached hereto as APPENDIX G for the benefit of the 2026 Series A Bond holders.

Except as provided herein, in the previous five years, the City believes it has complied in all material respects with any previous continuing disclosure undertakings executed in connection with the Rule. The City has failed to provide certain financial information related to continuing disclosure undertakings executed in connection with multifamily housing revenue bonds issued by Home Forward, formerly the Housing Authority of Portland, for which the City executed subject-to-annual-appropriation contingent loan agreements in support of those bonds. The City has incorporated the filing of such information for the applicable Home Forward bonds into its post-issuance policies and procedures in order to maintain compliance with these continuing disclosure undertakings. The City failed to timely file its audited financial statements for FY 2018-19 in connection with a CUSIP related to its General Obligation Refunding Bonds, 2019 Series A (Public Safety Projects – Tax-Exempt). The City also failed to timely file required operating data for FY 2018-19 in connection with a CUSIP related to its Limited Tax Pension Obligation Revenue Bonds, 1999 Series C (Federally Taxable). The City subsequently filed such information on January 10, 2022.

In January 2023, the City failed to timely file an event notice related to a rating upgrade on two CUSIPs related to Urban Renewal and Redevelopment Bonds. The City subsequently filed such information for one of those CUSIPs on

February 27, 2023, while the other CUSIP was fully redeemed prior to the City recognizing its failure to file an event notice.

In April 2023, the City failed to timely file an event notice related to its Gateway Regional Center Urban Renewal Area Short Term Subordinate Urban Renewal and Redevelopment Bond, 2023 Series A, which was issued in the principal amount of $3,850,000, pursuant to a bond purchase agreement with Bank of America, N.A., on April 26, 2023. The borrowing was fully repaid on April 27, 2023.

In May 2023, the City's paying agent failed to timely file an event notice related to defeasance of certain outstanding maturities of its Sewer System Revenue and Refunding Bonds, 2013 Series A (the "2013 Sewer Bonds") as was required pursuant to the associated escrow deposit agreement. The paying agent subsequently filed a notice of defeasance of the 2013 Sewer Bonds on behalf of the City on June 23, 2023. The execution and delivery of this Official Statement has been duly approved by the City.

The City failed to timely file its audited financial statements for FY 2024-25 in connection with one CUSIP related to the July 15, 2026 maturity of the Home Forward, Multifamily Housing Refunding Revenue Bonds, 2016 (Lovejoy Station Apartments). The City discovered the failure to file after the bond matured.

CITY OF PORTLAND, OREGON

By:__________________________________
Chief Financial Officer

CITY OF PORTLAND, OREGON

By:__________________________________
Deputy City Administrator
of Public Works

APPENDIX A
MASTER SECOND LIEN WATER SYSTEM REVENUE BOND DECLARATION

CITY OF PORTLAND, OREGON

1851

Master Second Lien Water System Revenue Bond Declaration

City of Portland, Oregon

Executed by the Debt Manager of the City of Portland, Oregon

As of the 2nd day of May, 2013

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Master Second Lien Water System Revenue Bond Declaration

THIS MASTER SECOND LIEN WATER SYSTEM REVENUE BOND DECLARATION is executed as of May 2, 2013, by the Debt Manager of the City of Portland, Oregon pursuant to the authority granted to the Debt Manager by City Ordinance No. 185916 to establish the terms under which the City may issue obligations that are secured by a second lien on the Net Revenues of the City's Water System.

Section 1. Recitals.

The City recites:

1.1. The City has previously issued revenue bonds that are secured by a first lien on the net revenues of the City's Water System under City Ordinance 174241, as amended, and revenue bonds that are secured by a second lien on the net revenues of the City's Water System under a master declaration that is dated as of September 21, 2006 (the "2006 Second Lien Declaration.

1.2. The City enacted Ordinance No. 185916 on March 6, 2013, authorizing the City to issue revenue bonds that are secured by the revenues of the Water System: to refund all second lien bonds that are currently outstanding under the 2006 Second Lien Declaration; to refund outstanding first lien bonds to obtain debt service savings, to provide up to $161,500,000 of proceeds for water system projects; and, to provide additional amounts to fund reserves and pay costs related to the bonds (collectively, the "Project").

1.3. The City is issuing its 2013 Series A Bonds on the date of this Master Second Lien Water System Revenue Bond Declaration to finance the Project. The 2013 Series A Bonds are being issued pursuant to the First Supplemental Bond Declaration.

1.4. This Master Second Lien Water System Revenue Bond Declaration replaces the 2006 Second Lien Declaration and establishes the basic provisions that apply to the 2013 Series A Bonds and to obligations the City subsequently issues that are secured by a second lien on the Net Revenues of the Water System.

Section 2. Definitions

Unless the context clearly requires otherwise, capitalized terms that are used in this Master Declaration and are defined in this Section 2 shall have the meanings defined for those terms in this Section 2, and capitalized terms that are used in this Master Declaration but are not defined in this Section 2 shall have the meanings defined for those terms in the First Lien Bond Ordinance.

"2013 Series A Bonds" means the City's Second Lien Water System Revenue Bonds, 2013 Series A issued pursuant to the First Supplemental Bond Declaration.

"Adjusted Net Revenues" means the Net Revenues, adjusted for purposes of Section 6.1 as provided in Section 6.3.

"Adjusted Stabilized Net Revenues" means the Net Revenues, adjusted for purposes of Section 6.1 as provided in Section 6.4.

"Agreement for Exchange of Interest Rates" means a swap, cap, floor, collar or similar transaction which includes a written contract between the City and a Reciprocal Payor under which the City is obligated to make one or more City Payments in exchange for the Reciprocal Payor's obligation to pay one or more Reciprocal Payments, and which provides that:

(a) the Reciprocal Payments are to be deposited directly into the Second Lien Bond Account; and,

(b) the City is not required to fulfill its obligations under the contract if: (i) the Reciprocal Payor fails to make any Reciprocal Payment; or (ii) the Reciprocal Payor fails to comply with its financial status covenants.

"Annual First Lien Bond Debt Service" means the "Annual Debt Service" determined under the First Lien Bond Ordinance, as that ordinance may be amended from time to time.

"Annual Second Lien Bond Debt Service" "means sum of:(1) the amounts of any transfers to the Second Lien Bond Reserve Account that are described in Section 3.1.D and Section 3.1.E; plus (2) the amount of principal and interest required to be paid in that Fiscal Year on all Outstanding Second Lien Bonds, calculated as follows:

(a) Interest which is to be paid from Second Lien Bond proceeds shall be subtracted;

(b) City Payments to be made in the Fiscal Year under a Parity Agreement for Exchange of Interest Rates shall increase Annual Second Lien Bond Debt Service, and Reciprocal Payments to be received in the Fiscal Year under a Parity Agreement for Exchange of Interest Rates shall reduce Annual Second Lien Bond Debt Service;

(c) Second Lien Bonds which are subject to scheduled, noncontingent redemption or tender shall be deemed to mature on the dates and in the amounts which are subject to mandatory redemption or tender, and only the amount scheduled to be outstanding on the final maturity date shall be treated as maturing on that date;

(d) Second Lien Bonds which are subject to contingent redemption or tender shall be treated as maturing on their stated maturity dates;

(e) Variable Rate Obligations bear interest from the date of computation until maturity at their Estimated Average Interest Rate; and,

(f) Each Balloon Payment shall be assumed to be paid according to its Balloon Debt Service Requirement; and,

(g) Federal Subsidies shall be subtracted from the interest due on Federal Subsidy Obligations that are Second Lien Obligations as provided in Sections 5.4 and 6.6.

"Audit" means the audit required by ORS 297.425.

"Auditor" means a person authorized by the State Board of Accountancy to conduct municipal audits pursuant to ORS 297.670.

"Balloon Debt Service Requirement" means the Committed Debt Service Requirement for a Balloon Payment or, if the City has not entered into a firm commitment to sell Second Lien Bonds or other obligations to refund that Balloon Payment, the Estimated Debt Service Requirement for that Balloon Payment.

"Balloon Payment" means any principal payment for a Series of Second Lien Bonds which comprises more than twenty-five percent of the original principal amount of that Series, but only if that principal payment is designated as a Balloon Payment in the closing documents for the Series.

"Base Period" means any twelve consecutive months selected by the City or Qualified Consultant out of the most recent twenty-four months preceding the delivery of a Series of Parity Second Lien Obligations.

"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.

"Bond Buyer 20 Bond Index" means the 20-Bond GO Index published by The Bond Buyer. However, if that index ceases to be available, "Bond Buyer 20 Bond Index" means an index reasonably selected by the City which is widely available to dealers in municipal securities, and which measures the interest rate of high quality, long-term, fixed rate municipal securities.

"Bond Counsel" means a law firm having knowledge and expertise in the field of municipal law and whose opinions are generally accepted by purchasers of municipal bonds.

"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.

"Capital Charge Borrowing" means a borrowing that is secured by Capital Charges, such as a City local improvement district bond issue, for which the City has made an election, in accordance with Section 5.6, to treat the Capital Charge Proceeds as a Gross Revenue.

"Capital Charge Proceeds" means the net proceeds of Capital Charge Borrowings. For purposes of this definition, "net proceeds" means the proceeds of the Capital Charge Borrowings available to be deposited in the Water Enterprise Fund and used as Gross Revenues, after payment of costs of issuance, credit enhancement fees, accrued and capitalized interest, and similar costs, and funding of reserves.

"Capital Charge Revenues" means all Capital Charges except Committed Capital Charges.

"Capital Charges" means all system development charges, assessments for local improvements and similar charges which have been imposed on persons or property to recover capital related costs of the Water System, and which are deposited in the Water Enterprise Fund.

"City" means the City of Portland, Multnomah, Washington and Clackamas Counties, Oregon, a municipal corporation of the State of Oregon.

"City Council" means the City Council of the City, or its successors.

"City Payment" means any scheduled payment required to be made by or on behalf of the City under an Agreement for Exchange of Interest Rates which is either fixed in amount or is determined according to a formula set forth in the Agreement for Exchange of Interest Rates.

"Closing" means the date on which a Series of Bonds is delivered in exchange for payment.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated thereunder.

"Combined Annual Debt Service" means the sum of the Annual First Lien Debt Service plus the Annual Second Lien Bond Debt Service.

"Committed Capital Charges" means Capital Charges which are pledged or otherwise committed to pay Capital Charge Borrowings. For purposes of this definition, merely pledging Net Revenues to secure a borrowing or committing Net Revenues to pay a borrowing will not cause Capital Charges to become Committed Capital Charges.

"Committed Debt Service Requirement" means the schedule of principal and interest payments for a Series of Second Lien Bonds or other obligations which refund a Balloon Payment, as shown in the documents evidencing the City's firm commitment to sell that Series. A "firm commitment to sell" means a bond purchase agreement or similar document which obligates the City to sell, and obligates a purchaser to purchase, the Series of refunding Second Lien Bonds or other obligations, subject only to the conditions which customarily are included in such documents.

"Construction Fund" means the Water Construction Fund in the Water Enterprise Fund, which the City has created to hold proceeds of bonds and other revenues related to capital improvements.

"Credit Facility" means a letter of credit, a municipal bond insurance policy, a surety bond, standby bond purchase agreement or other credit enhancement device which is obtained by the City to secure Second Lien Bonds, and which is issued or provided by a Credit Provider whose long-term debt obligations or claims-paying ability (as appropriate) are rated, at the time the Credit Facility is issued, one of the two highest rating categories by a Rating Agency that rated the Second Lien Bonds secured by the Credit Facility.

"Credit Provider" means a person or entity providing a Credit Facility.

"Debt Manager" means the Debt Manager of the City, the City Treasurer, the Chief Financial Officer of the Bureau of Financial Services, the Chief Administrative Officer of the Office of Management and Finance, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under this Master Declaration.

"Defeasance Obligations" means (i) direct, noncallable obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury and principal-only and interest-only strips that are issued by the U.S. Treasury); or (ii) noncallable obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; or (iii) any of the noncallable obligations of the following agencies:

(a) Senior, unsubordinated Federal Home Loan Mortgage Corp. (FHLMC) debt obligations;

(b) Senior, unsubordinated Federal Home Loan Banks (FHL Banks) consolidated debt obligations;

(c) Senior, unsubordinated Federal National Mortgage Association (FNMA) debt obligations;

(d) Senior, unsubordinated Farm Credit System consolidated system wide bonds and notes;

(e) Senior, unsubordinated Resolution Funding Corp. (REFCORP) debt obligations, including strips by the Federal Reserve Bank of New York; and,

(f) Financing Corp (FICO) debt obligations.

"DTC" means The Depository Trust Company or any other qualified securities depository designated by the City as its successor.

"Estimated Average Interest Rate" means the interest rate that Variable Rate Obligations are assumed to bear. "Estimated Average Interest Rate" shall be calculated as provide in Sections 5.2 and 6.8.

"Estimated Debt Service Requirement" means the schedule of principal and interest payments for a hypothetical Series of Second Lien Bonds that refunds a Balloon Payment that is prepared by the Debt Manager and that meets the requirements of Section 5.3.

"Event of Default" means any event specified in Section 10.2 of this Master Declaration.

"Federal Subsidy" means a debt service subsidy payment that the City is entitled to receive from the United States for Federal Subsidy Obligations.

"Federal Subsidy Obligations" means First Lien Bonds or Second Lien Bonds for which the City is eligible to receive Federal Subsidies that are similar to the interest subsidies that were available for Build America Bonds.

"First Lien Bond Account" means the "Revenue Bond Account" in the Water Enterprise Fund that is established in the First Lien Bond Ordinance to pay First Lien Bonds.

"First Lien Bond Ordinance" means City Ordinance 174241, as it has been amended and may be amended from time to time in accordance with its terms and Section 9.4 of this Master Declaration. City Ordinance 174241 describes the terms under which the First Lien Bonds may be issued.

"First Lien Bond Reserve Account" means the "Revenue Bond Reserve Account" in the Water Enterprise Fund that is established in the First Lien Bond Ordinance to hold reserves for the First Lien Bonds.

"First Lien Bonds" refers to obligations that are defined as "Bonds" in the First Lien Bond Ordinance.

"First Supplemental Bond Declaration" means the First Supplemental Bond Declaration that is dated the same date as this Master Declaration, and that specifies the terms of the 2013 Series A Bonds.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by State Law.

"Gross Revenues" means all revenues, fees and charges resulting from the operation of the Water System, including Capital Charge Revenues and Capital Charge Proceeds, revenues from product sales and interest earnings on Gross Revenues in the Water Enterprise Fund. However, the term "Gross Revenues" shall not include:

(a) The interest income or other earnings derived from the investment of the Rebate Fund or any escrow fund established for the defeasance or refunding of outstanding indebtedness of the City;

(b) Committed Capital Charges;

(c) Any gifts, grants, donations or other moneys received by the City from any State or Federal Agency or other person if such moneys are restricted by law or the grantor to uses inconsistent with the payment of Second Lien Bonds;

(d) The proceeds of any borrowing (other than Capital Charge Proceeds);

(e) The proceeds derived from the sales of assets pursuant to Section 9.9 of this Master Declaration;

(f) Any ad valorem or other taxes imposed by the City (except charges or payments for Water System services which become "taxes" within the meaning of Article XI, Section 11b of the Oregon Constitution only because they are imposed on property);

(g) Any income, fees, charges, receipts, profits or other moneys derived by the City from its ownership or operation of any Separate Utility System; and

(h) Federal Subsidies.

"Interest Payment Date" means any date on which Second Lien Bond interest is scheduled to be paid, and any date on which Second Lien Bonds are called for redemption.

"Junior Lien Obligations" means obligations having a lien on the Net Revenues which is subordinate to the lien of the Second Lien Bonds. Restrictions on Junior Lien Obligations are described in Section 7.

"Junior Lien Obligations Account" means the Junior Lien Obligations Account of the Water Enterprise Fund which is described in Section 4.4.

"Master Declaration" means this Master Second Lien Water System Revenue Bond Declaration, including any amendments made pursuant to Section 11.

"Maximum Annual Second Lien Bond Debt Service" means the greatest amount of Annual Second Lien Bond Debt Service that will be due in any Fiscal Year, beginning with the remainder of the Fiscal Year for which the calculation is made, and ending with the last Fiscal Year in which Outstanding Second Lien Bonds are scheduled to be paid.

"Maximum Combined Annual Debt Service" means the greatest amount of Combined Annual Debt Service that will be due in any Fiscal Year, beginning with the Fiscal Year for which the calculation is made, and ending with the last Fiscal Year in which Outstanding Second Lien Bonds are scheduled to be paid.

"Net Revenues" means the Gross Revenues less the Operating Expenses.

"Operating Expenses" means all costs which are properly treated as expenses of operating and maintaining the Water System under generally accepted accounting principles, lease payments that are treated as Operating Expenses pursuant to Section 5.5 and the portion of City pension bond debt service that is allocable to the Water System. However, Operating Expenses do not include:

(a) Any rebates or penalties paid from Gross Revenues under Section 148 of the Code;

(b) Payments of judgments against the City and payments for the settlement of litigation;

(c) Depreciation and amortization of property values or losses, implicit subsidies in connection with other post employment benefits and any other non-cash expenses;

(d) All amounts eligible to be treated for accounting purposes as payments for capital expenditures, and all amounts that were expected, at the time they were spent, to be treated for accounting purposes as payments for capital expenditures but were not so treated because of subsequent changes in circumstances (such as expenditures for a project that was being constructed to satisfy regulatory requirements of a state or a federal agency, but were not so treated because the city subsequently obtained a variance allowing the city to terminate the project);

(e) Interest and other debt service payments, paying agent fees, broker-dealer fees and similar charges for the maintenance of borrowings;

(f) The expenses of owning, operating or maintaining any Separate Utility System;

(g) Expenditures made from grant monies regardless of whether such grant funds are dedicated to a specific purpose or available for the general operation, maintenance and repair or replacement of the Water System;

(h) Extraordinary non-recurring expenses of the Water System;

(i) Expenditures allocable to any other funding source which does not constitute Gross Revenues of the Water System; or,

(j) Franchise fees and similar charges imposed by the City on the Water System or its operations.

"ORS" means the Oregon Revised Statutes.

"Outstanding" refers to: (1) all First Lien Bonds except First Lien Bonds that have been defeased pursuant to the defeasance provisions in the First Lien Bond Documents and First Lien Bonds that have matured and not been presented for payment (provided sufficient funds to pay those First Lien Bonds have been transferred to the paying agent for those First Lien Bonds); and, (2) all Second Lien Bonds except Second Lien Bonds that have been defeased pursuant to Section 12 of this Master Declaration, and Second Lien Bonds which have matured and not been presented for payment (provided sufficient funds to pay those Second Lien Bonds have been transferred to the Paying Agent).

"Owner" or "Second Lien Bond Owner" means a registered owner of a Second Lien Bond.

"Parity Agreement for Exchange of Interest Rates" means an Agreement for Exchange of Interest Rates which qualifies as a Parity Second Lien Obligation in accordance with Section 6.6.

"Parity Second Lien Obligation" means any obligation issued after the 2013 Series A Bonds that is secured by a second lien on the Net Revenues and is issued in compliance with Section 6, including any Parity Agreement for Exchange of Interest Rates.

"Payment Date" means a Principal Payment Date or an Interest Payment Date.

"Permitted Investments" means any investments which the City is permitted to make under the laws of the State.

"Principal Payment Date" means any date on which any Second Lien Bonds are scheduled to be retired, whether by virtue of their maturity or by mandatory sinking fund redemption prior to maturity, and the redemption date of any Second Lien Bonds which have been called for redemption.

"Project" means any purpose for which Gross Revenues may be spent.

"Qualified Consultant" means an independent engineer, an independent auditor, an independent financial advisor, or similar independent professional consultant of recognized standing and having experience and expertise in the area for which such person or firm is retained by the City for purposes of performing activities specified in this Master Declaration or any Supplemental Declaration.

"Rate Stabilization Account" means the Rate Stabilization Account described in Section 4.5 of this Master Declaration.

"Rating Agency" means Fitch Investors Service, Inc., Moody's Investors Service, Standard & Poor's Corporation, or any other nationally recognized financial rating agency which has rated Outstanding Second Lien Bonds or a Credit Facility at the request of the City.

"Reciprocal Payment" means scheduled payment to be made to, or for the benefit of, the City under an Agreement for Exchange of Interest Rates by or on behalf of the Reciprocal Payor, which is either fixed in amount or is determined according to a formula set forth in the Agreement for Exchange of Interest Rates.

"Reciprocal Payor" means a party to an Agreement for Exchange of Interest Rates (other than the City) that is obligated to make one or more Reciprocal Payments thereunder, and which is rated in one of the top three rating categories by at least one Rating Agency for its obligations under the Agreement for Exchange of Interest Rates.

"Record Date" means a date after which the Paying Agent is not required to take into account transfers of ownership of Second Lien Bonds that are not in BEO form. Unless otherwise provided in the proceedings for a Series of Second Lien Bonds, the Record Date shall be the fifteenth (15th) day of the month preceding the month in which an Interest Payment Date is due, whether or not a Business Day.

"Registrar" means the registrar and paying agent for the Second Lien Bonds, which is U.S. Bank Trust National Association on the date of this Master Declaration.

"Reserve Requirement" means a set of rules for funding a subaccount in the Second Lien Bond Reserve Account as those rules may be described in a Supplemental Declaration for Second Lien Bonds.

"Reserve Surety" means a surety or other agreement to provide funds to the City to pay Second Lien Bonds that are secured by a particular subaccount in the Second Lien Bond Reserve Account, if amounts in the Second Lien Bond Account are not sufficient to pay those Second Lien Bonds.

"Second Lien Bond Account" means the Second Lien Bond Account described in Section 4.2 of this Master Declaration.

"Second Lien Bond Reserve Account" means the Second Lien Bond Reserve Account in the Sinking Fund described in Section 4.3 of this Master Declaration.

"Second Lien Bonds" means the 2013 Series A Bonds and any Parity Second Lien Obligations.

"Separate Utility System" means any utility property which is declared by the City Council to constitute a system which is distinct from the Water System in accordance with Section 8.

"Series," refers to all Second Lien Bonds authorized by a single ordinance or declaration and delivered in exchange for payment on the same date, regardless of variations in maturity, interest rate or other provisions, unless the closing documents for the Second Lien Bonds provide otherwise.

"SIFMA Index" means the Securities Industry and Financial Markets Association ™ Municipal Swap. Index available on the Municipal Market Monitor (TM3) provided by Thomson Reuters, or its successor. However, if that index ceases to be available, "SIFMA Index" means an index reasonably selected by the City which is widely available to dealers in municipal securities, and which measures the interest rate of municipal securities that bear interest at short term or variable rates.

"Sinking Fund" means the Water Bond Sinking Fund in the Water Enterprise Fund, which the City has created to provide for the repayment of bonded debt and the interest on bonded debt.

"Stabilized Net Revenues" means the Gross Revenues for a Fiscal Year, plus the withdrawals from the Rate Stabilization Account for that Fiscal Year, minus the Operating Expenses for that Fiscal Year and minus transfers to the Rate Stabilization Account for that Fiscal Year.

"State" means the State of Oregon.

"Subordinate Obligations Account" means the account of that name that is established in the Water Enterprise Fund by the First Lien Bond Ordinance to pay obligations that have a lien on Net Revenues that is subordinate to the lien of the First Lien Bonds.

"Supplemental Declaration" means any declaration, resolution or other document which supplements or amends this Master Declaration, entered into by the City in compliance with Section 11.

"Valuation Date" means a date on which the City is obligated to value amounts credited to a subaccount in the Second Lien Bond Reserve Account. The Valuation Date for the First Subaccount is the First Subaccount Valuation Date.

"Variable Rate Obligations" means any Second Lien Bonds issued with a variable, adjustable, convertible, or other similar interest rate which changes prior to the final maturity date of the Second Lien Bonds, and any City Payments or Reciprocal Payments under a Parity Agreement for Exchange of Interest Rates for which the interest portion of the payment is based on a rate that changes during the term of the Agreement for Exchange of Interest Rates.

"Water Enterprise Fund" means the collection of funds and accounts used by the City to hold the Gross Revenues and the proceeds of Second Lien Bonds. The Water Enterprise Fund currently includes the Water Operating Fund, the Construction Fund, and the Sinking Fund.

"Water System" means all utility property now or hereafter used by the City to supply water within or without the corporate limits of the City. However, the Water System does not include: (a) the hydroelectric turbines and related facilities on the Bull Run River on the date of this Master Declaration and any improvements to those turbines and facilities, and (b) any Separate Utility System.

Section 3. Deposit, Pledge and Use of Gross Revenues

3.1. All Gross Revenues shall be deposited to and maintained in the Water Enterprise Fund, and shall be used only as described in this Section 3as long as any Second Lien Bonds remain Outstanding. The City shall apply Gross Revenues in the Water Enterprise Fund on or before the following dates for the following purposes in the following order of priority:

A. The City may at any time pay Operating Expenses that are then due;

B. On the dates specified in the documents for the First Lien Bonds, the City shall make all transfers required by those documents to pay debt service on First Lien Bonds, to fund required debt service reserves for First Lien Bonds, and to pay any rebates or penalties for First Lien Bonds that are required to be paid under the documents for the First Lien Bonds;

C. Not later than each date on which the City is required to transfer Second Lien Bond payments to the Paying Agent or to Owners of Second Lien Bonds, the City shall transfer Net Revenues to the Second Lien Bond Account an amount sufficient (with amounts available in the Second Lien Bond Account) to pay in full all Second Lien Bond principal, interest and premium, if any, which is due to be paid on that Payment Date;

D. On the first day of each month following each Valuation Date on which the balance in a subaccount of the Second Lien Bond Reserve Account is determined to be less than its Reserve Requirement, the City shall transfer Net Revenues to that subaccount in the amounts required by the provisions creating that subaccount;

E. If the City reserves the right to fund the Reserve Requirement for a subaccount in the Second Lien Bond Reserve Account in installments, the City shall transfer Net Revenues in the amounts and on the schedule specified in proceedings authorizing the Second Lien Bonds that are secured by that subaccount;

F. On the day on which any rebates or penalties for Second Lien Bonds are due to be paid to the United States pursuant to Section 148 of the Code, the City shall apply Net Revenues to pay the amounts due to the United States;

G. On the dates specified in any proceedings authorizing Junior Lien Obligations, the City shall transfer to the Junior Lien Obligations Account the Net Revenues required by those proceedings;

H. One Business Day prior to any principal or interest payment date on City general obligation bonds issued pursuant to Section 11-103 of the City Charter, the City shall transfer to the Charter General Obligation Bond Account an amount sufficient to pay all principal, interest and premium, if any, due on those general obligation bonds on that payment date;

I. After all transfers and payments having a higher priority under this Section 3 have been made, the City shall apply Net Revenues to any franchise fees, utility license fees and similar charges imposed by the City on the Water System or its operations.

J. While First Lien Bonds are Outstanding, not later than the last day of each Fiscal Year the City shall transfer Net Revenues to the Capital Renewal Account in the amounts described in Section 1.B.1.i of the First Lien Bond Ordinance.

K. On any date, the City may transfer Net Revenues to the Rate Stabilization Account or spend Net Revenues for any other lawful purpose, but only if all deposits and payments having a higher priority under this Section 3have been made.

3.2. Whenever Federal Subsidies for Second Lien Bonds are received by the City, the City shall (if then permitted by the First Lien Bond Ordinance) deposit such Federal Subsidies in the Second Lien Bond Account to pay principal, interest, and premium, if any, on Second Lien Bonds. If the Second Lien Bond Account already contains amounts sufficient to pay the principal, interest, and premium, if any, that is due to be paid on the next Payment Date, the City shall nevertheless deposit those Federal Subsidies in the Second Lien Bond Account, but shall release an equal amount of Net Revenues that were previously deposited in the Second Lien Bond Account, and apply the released Net Revenues as provided in Section 3.1.D through Section 3.1.K.

3.3. The City hereby pledges the Net Revenues to the payment of principal of, premium (if any) and interest on all Second Lien Bonds. Pursuant to ORS 287A.310, this pledge of the Net Revenues shall be valid and binding from the time of the adoption of this Master Declaration. The Net Revenues so pledged and hereafter received by the City shall immediately be subject to the lien of such pledge without any physical delivery or further act. The lien of this pledge shall be subordinate to the lien on the revenues of the Water System that secures the First Lien Bonds, but shall otherwise be superior to all other claims and liens except liens and claims for the payment of Operating Expenses. The City covenants and agrees to take such action as is necessary from time to time to perfect or otherwise preserve the priority of the pledge.

3.4. The City hereby pledges the Federal Subsidies for Second Lien Bonds to the payment of principal of, premium (if any) and interest on all Second Lien Bonds. Pursuant to ORS 287A.310, this pledge of the Federal Subsidies for Second Lien Bonds shall be valid and binding from the time of the adoption of this Master Declaration. The Federal Subsidies so pledged and hereafter received by the City shall immediately be subject to the lien of such pledge without any physical delivery or further act. To the extent required by the First Lien Bond Ordinance, the lien of this pledge shall be subordinate to the lien on the Gross Revenues that secures the First Lien Bonds, but shall otherwise be superior to all other claims and liens except liens and claims for the payment of Operating Expenses. The City covenants and agrees to take such action as is necessary from time to time to perfect or otherwise preserve the priority of the pledge.

3.5. The City reserves the right to pledge the Net Revenues available for transfer to a subaccount in the Second Lien Bond Reserve Account to pay amounts due under any Reserve Surety for Second Lien Bonds that are secured by that subaccount.

Section 4. Second Lien Bond Funds and Accounts

4.1. **Required Accounts**. So long as Second Lien Bonds are Outstanding, the City shall maintain the Second Lien Bond Account, the Second Lien Bond Reserve Account, the Junior Lien Obligations Account, and the Rate Stabilization Account as discrete accounts in the Subordinate Obligations Account of the Water Enterprise Fund. Unless the City restructures the funds and accounts in the Water Enterprise Fund, the Second Lien Bond Account, the Second Lien Bond Reserve Account and the Junior Lien Obligations Account shall be maintained in the Sinking Fund and the Rate Stabilization Account shall be maintained in the Water Operating Fund.

4.2. **Second Lien Bond Account.** The Second Lien Bond Account shall be held by the City. Until all Second Lien Bonds are paid or defeased, amounts in the Second Lien Bond Account shall be used only to pay or defease Second Lien Bonds.

A. After the transfer described in Section 3.1.C, if the balance in the Second Lien Bond Account is less than the amount of Second Lien Bond principal, premium and interest that is due on that Payment Date, the City shall credit to the Second Lien Bond Account an amount equal to the deficiency from Net Revenues in the Junior Lien Obligations Account.

B. If, after the credit described in Section 4.2(A), the amounts available to pay Second Lien Bond Account is not sufficient to pay all amounts due on the Second Lien Bond Payment Date, the City shall allocate the available amounts:

(i) First, to pay Second Lien Bond interest, and *pro rata* based on the amount of interest due on each Second Lien Bond if the available amount is not sufficient to pay all Second Lien Bond interest that is due on that Payment Date; and,

(ii) Second, to pay Second Lien Bond principal and premium that is due on that Payment Date, and *pro rata* based on the amount of principal and premium due on each Second Lien Bond if the available amount is not sufficient to pay all Second Lien Bond principal and premium that is due on that Payment Date.

C. If, after the allocation described in Section 4.2.B, there is not enough to pay all principal, interest and premium that is due on that Payment Date on Second Lien Bonds that are secured by subaccounts in the Second Lien Bond Reserve Account, the City shall apply any amounts available in those subaccounts, but only to pay the principal, interest and premium on the Second Lien Bonds that are secured by those subaccounts.

D. The City shall transfer sufficient amounts from the Second Lien Bond Account to the Registrar in time to permit the Registrar to pay Second Lien Bond principal, interest and premium (if any) when due.

E. Amounts in the Second Lien Bond Account shall be invested only in Permitted Investments.

4.3. **Second Lien Bond Reserve Account.**

A. The Second Lien Bond Reserve Account shall be held by the City. The City may create one or more subaccounts in the Second Lien Bond Reserve Account to secure Series of Second Lien Bonds, and may covenant to make deposits into any subaccounts it creates; however, the City is not obligated to create any subaccounts in the Second Lien Bond Reserve Account, and is not obligated to secure any Series of Second Lien Bonds with a subaccount in the Second Lien Bond Reserve Account.

B. If the City creates a subaccount in the Second Lien Bond Reserve Account, the City shall, when it issues the first Series of Second Lien Bonds that is secured by that subaccount:

(a) determine whether the subaccount will secure one or more Series of Second Lien Bonds; (b) establish the Reserve Requirement for that subaccount; (c) pledge amounts credited to that subaccount to pay the Bonds that are secured by that subaccount; (d) determine if the Reserve Requirement for that subaccount may be funded with Reserve Sureties and the requirements for those Reserve Sureties; (e) determine the valuation and replenishment provisions that apply to that subaccount.

C. The City shall not create any subaccounts in the Second Lien Bond Reserve Account for any purpose except securing Second Lien Bonds in accordance with this Master Declaration.

4.4. **Junior Lien Obligations Account.** If the City issues Junior Lien Obligations, the City shall create and maintain the Junior Lien Obligations Account as long as the Junior Lien Obligations are outstanding. The Junior Lien Obligations Account may be divided into subaccounts, and the City may establish priorities for funding the subaccounts in the Junior Lien Obligations Subaccount. Net Revenues shall be deposited into the Junior Lien Obligations Account only as permitted by Section 3.1.G. Earnings on the Junior Lien Obligations Account shall be credited as provided in the proceedings authorizing the Junior Lien Obligations.

4.5. **Rate Stabilization Account.** The City shall establish and maintain the Rate Stabilization Account as long as Second Lien Bonds are Outstanding. Net Revenues may be transferred to the Rate Stabilization Account at the option of the City as permitted by Section 3.1.K. Money in the Rate Stabilization Account may be withdrawn at any time and used for any purpose for which the Gross Revenues may be used. Deposits to the Rate Stabilization Account for a Fiscal Year shall decrease Stabilized Net Revenues for that Fiscal Year and withdrawals from the Rate Stabilization Account shall increase Stabilized Net Revenues for that Fiscal Year. The City may adjust deposits to and withdrawals from the Rate Stabilization Account for a Fiscal Year at any time prior to the date on which the audit for that Fiscal Year is finalized. Earnings on the Rate Stabilization Account shall be credited to the Water Operating Fund.

Section 5. Rate Covenant; Operating Leases; Treatment of Capital Charges.

5.1. Rate Covenants.

A. The City covenants for the benefit of the Owners that it will establish and maintain rates and charges in connection with the operation of the Water System which are sufficient to permit the City to pay all Operating Expenses and all lawful charges against the Net Revenues, and to make all transfers required by this Master Declaration to the Second Lien Bond Account, the Second Lien Bond Reserve Account and the Junior Lien Obligations Account, and to pay any franchise fees or similar charges imposed by the City on the Water System or its operations.

B. The City covenants for the benefit of the Owners of all Second Lien Bonds that it shall charge rates and fees in connection with the operation of the Water System which, when combined with other Gross Revenues, are adequate to generate Stabilized Net Revenues each Fiscal Year at least equal to one hundred ten percent (110.00%) of Combined Annual Debt Service due in that Fiscal Year.

C. The City covenants for the benefit of the Owners of all Second Lien Bonds that it shall charge rates and fees in connection with the operation of the Water System which, when combined with other Gross Revenues, are adequate to generate Net Revenues each Fiscal Year at least equal to one hundred percent (100%) of Combined Annual Debt Service due in that Fiscal Year.

D. The City shall determine whether it complied with Sections 5.1.B and 5.1.C for each Fiscal Year not later than ninety (90) days after the beginning of the subsequent Fiscal Year, based on the financial information available to the City at that time. Compliance with Sections 5.1.B and 5.1.C shall be determined based on that financial information. A failure to comply with Sections 5.1.B and 5.1.C shall not constitute an Event of Default if:

(i) within 120 days after the beginning of the subsequent Fiscal Year, the City engages the services of a Qualified Consultant;

(ii) within 150 days after the beginning of the subsequent Fiscal Year the Qualified Consultant recommends changes to the rates and charges for the Water System, or other actions in connection with the Water System, that the Qualified Consultant reasonably projects will allow the City to comply with Sections 5.1.B and 5.1.C for the remainder of the Fiscal Year in which the recommendations are delivered to the City (with calculations of Operating Expenses for the partial year calculated on an annualized basis); and,

(iii) within 180 days after the beginning of the subsequent Fiscal Year, the City implements the recommendations of the Qualified Consultant.

5.2. **Treatment of Variable Rate Obligations.** For purposes of calculating Combined Annual Debt Service for the rate covenants in Sections 5.1.B and 5.1.C, the Estimated Average Interest Rate for Variable Rate Obligations shall be the average SIFMA Index for the 52 week period that ends on or immediately before April 1 of the Fiscal Year that precedes the Fiscal Year in which that Estimated Average Interest Rate is used, expressed as an annualized interest rate, plus fifty basis points (0.50%). For example: The City will determine the Estimated Average Interest Rate as of April 1, 2013, and that Estimated Average Rate shall be used to set the rates that are collected in the Fiscal Year 2013-2014 (the Fiscal Year that begins July 1, 2013) for all Variable Rate Obligations that are Outstanding during that Fiscal Year. At the beginning of Fiscal Year 2014-2015, the City will determine whether it complied with the rate covenants in Fiscal Year 2013-2014. The City will be deemed to have complied with the rate covenants in Fiscal Year 2013-2014 if the City collected Net Revenues that meet or exceed the requirements of Sections 5.1.B and 5.1.C, using the Estimated Average Interest Rate calculated as of April 1, 2013.

5.3. Treatment of Balloon Indebtedness.

A. For purposes of calculating Combined Annual Debt Service for the rate covenants in Sections 5.1.B and 5.1.C, for each Balloon Payment that is Outstanding on May 1 of any Fiscal Year the Debt Manager shall prepare a schedule of principal and interest payments for a hypothetical Series of Second Lien Bonds that refunds that Balloon Payment in accordance with Section 5.3.B. The Debt Manager shall prepare that schedule as of that first day of May, and that schedule shall be used to determine compliance with the rate covenants in Sections 5.1.B and 5.1.C for the following Fiscal Year.

B. Each hypothetical Series of refunding Second Lien Bonds shall be assumed to be paid in equal annual installments of principal and interest sufficient to amortize the principal amount of the Balloon Payment over the term selected by the Debt Manager; however, the Debt Manager shall not select a term that exceeds the lesser of twenty-five (25) years from the date the Balloon Payment is originally scheduled to be paid or the City's estimate of the remaining weighted average useful life (expressed in years and rounded to the next highest integer) of the assets which are financed with the Balloon Payment. The annual installments shall be assumed to be due on the anniversaries of the date the Balloon Payment is originally scheduled to be paid, with the first installment due on the first anniversary of the date the Balloon Payment is scheduled to be paid. The hypothetical Series of refunding Second Lien Bonds shall be assumed to bear interest at the Debt Manager's estimate of the average rate that a Series of Second Lien Bonds would bear if it is amortized as provided in this Section 5.3.B and is sold at the time the applicable schedule is prepared.

5.4. **Treatment of Federal Subsidy Obligations.** When calculating Combined Annual Debt Service for the rate covenants in Sections 5.1.B and 5.1.C, the City shall subtract from interest to be paid on Federal Subsidy Obligations the Federal Subsidies on the Federal Subsidy Obligations that the City reasonably expects, at the beginning of the Fiscal Year, to receive during that Fiscal Year.

5.5. **Treatment of Certain Leases When Calculating Operating Expenses.** The City may enter into operating leases and capital leases for assets relating to the Water System. Payments due under operating leases shall be treated as Operating Expenses. The City may elect to treat payments due under capital leases as Operating Expenses only if the capital leases have a term of ten years or less, and the total amount of lease payments under capital leases which are treated as Operating Expenses in a fiscal year does not exceed ten percent of the Operating Expenses for the prior Fiscal Year. For purposes of the preceding sentence "ten percent of the Operating Expenses for the prior Fiscal Year" shall be calculated by excluding from Operating Expenses all capital lease payments that were treated as Operating Expenses in that prior Fiscal Year.

5.6. Treatment of Capital Charges When Calculating Gross Revenues.

A. The City may elect to treat Capital Charges in two ways: the Capital Charges may be treated as Gross Revenues; or, the City may exclude the Capital Charges from Gross

Revenues, borrow money and issue obligations which are secured by those charges, and treat the net proceeds of the borrowing as Gross Revenues. Capital Charges which are treated as Gross Revenues are defined as "Capital Charge Revenues;" Capital Charges which are committed to pay obligations, the proceeds of which are treated as a Gross Revenue, are defined as "Committed Capital Charges;" the net proceeds of those obligations which are treated as Gross Revenues are defined as "Capital Charge Proceeds;" and the obligations which produce Capital Charge Proceeds are defined as "Capital Charge Borrowings." Capital Charge Revenues and the net proceeds of Capital Charge Borrowings shall be deposited in the Water Enterprise Fund.

B. An election to treat an issue of obligations as a Capital Charge Borrowing may be made in the proceedings authorizing issuance of the Capital Charge Borrowing; if it is not so made, it will be deemed made by the manner in which the proceeds of the obligations are treated when determining compliance with Sections 5.1.B and 5.1.C for the first Fiscal Year after the Capital Charge Borrowings are issued. This election may be changed only if the City demonstrates that the change would not have caused the City to fail to meet the requirements of Sections 5.1.B and 5.1.C, in any fiscal year prior to the fiscal year in which the change is made, if the change had been made on the date the obligations were issued.

Section 6. Parity Second Lien Obligations

6.1. **Basic Test.** The City may issue Parity Second Lien Obligations to provide funds for any purpose relating to the Water System, but only if:

A. No Event of Default under this Master Declaration or any Supplemental Declaration has occurred and is continuing;

B. At the time of the issuance of the Parity Second Lien Obligations the City has made all transfers described in Sections 3.1.B, 3.1.C, 3.1.D, 3.1.E and 3.1.F that are required to have been made by that time;

C. There shall have been filed with the City either:

(i) a certificate of the Debt Manager:

(a) stating that the Net Revenues (adjusted as provided in Section 6.2) for the Base Period were not less than one hundred percent (100.00%) of Maximum Combined Annual Debt Service on all then Outstanding First Lien Bonds and Second Lien Bonds, calculated as of the date the Parity Second Lien Obligations are issued and with the proposed Parity Second Lien Obligations treated as Outstanding; and

(b) stating that the Stabilized Net Revenues (adjusted as provided in Section 6.2) for the Base Period were not less than one hundred ten percent (110.00%) of Maximum Combined Annual Debt Service on all then Outstanding First Lien Bonds and Second Lien Bonds, calculated as of the date the Parity Second Lien Obligations are issued and with the proposed Parity Second Lien Obligations treated as Outstanding; or

(ii) a certificate or opinion of a Qualified Consultant:

(a) stating the amount of the Adjusted Net Revenues computed as provided in Section 6.3 below and the Adjusted Stabilized Net Revenues computed as provided in 6.4 below for each of the four Fiscal Years after the last Fiscal Year for which interest on the Parity Second Lien Obligations is, or is expected to be, capitalized, or, if interest will not be capitalized, for each of the four Fiscal Years after the proposed Parity Second Lien Obligations are issued;

(b) concluding that the respective amounts of Adjusted Net Revenues in each of the Fiscal Years described in Section 6.1.C(ii)(a) are at least equal to one hundred percent (100.00%) of the Combined Annual Debt Service for each of those respective Fiscal Years on all Outstanding First Lien Bonds and Second Lien Bonds, with the proposed Parity Second Lien Obligations treated as Outstanding;

(c) concluding that the respective amounts of Adjusted Stabilized Net Revenues in each of the Fiscal Years described in Section 6.1.C(ii)(a) are at least equal to one hundred ten percent (110.00%) of the Combined Annual Debt Service for each of those respective Fiscal Years on all Outstanding First Lien Bonds and Second Lien Bonds, with the proposed Parity Second Lien Obligations treated as Outstanding;

(d) stating the projected amount of the Adjusted Net Revenues computed as provided in Section 6.3 below and the Adjusted Stabilized Net Revenues computed as provided in 6.4 below for the fifth Fiscal Year after the last Fiscal Year for which interest on the Parity Second Lien Obligations is, or is expected to be, capitalized, or, if interest will not be capitalized, the fifth Fiscal Year after the Parity Second Lien Obligations are issued;

(e) concluding that this amount of Adjusted Net Revenues described in Section 6.1.C(ii)(d) is at least equal to one hundred percent (100.00%) of the Maximum Combined Annual Debt Service, calculated for the period beginning with that fifth Fiscal Year on all then Outstanding First Lien Bonds and Second Lien Bonds, with the proposed Parity Second Lien Obligations treated as Outstanding; and,

(f) concluding that this amount of Adjusted Stabilized Net Revenues described in Section 6.1.C(ii)(d) is at least equal to one hundred ten percent (110.00%) of the Maximum Combined Annual Debt Service, calculated for the period beginning with that fifth Fiscal Year on all then

Outstanding First Lien Bonds and Second Lien Bonds, with the proposed Parity Second Lien Obligations treated as Outstanding.

6.2. **Adjustments for Historical Test.** Net Revenues and Stabilized Net Revenues may be adjusted by the City for purposes of Section 6.1.C(i) by adding any Net Revenues the Debt Manager calculates the City would have had during the Base Period because of increases in Water System rates, fees and charges which have been adopted by the City on or before the date the Parity Second Lien Obligations are issued.

6.3. **Adjusted Net Revenues.** The Qualified Consultant may determine the Adjusted Net Revenues for purposes of Section 6.1.C(ii) by adjusting the Net Revenues for the Base Period in any of the following ways:

A. If the Second Lien Bonds are being issued for the purpose of acquiring operating Water System utility properties having an earnings record, the Qualified Consultant may adjust the Net Revenues to reflect the Qualified Consultant's estimate of the effect on the Net Revenues for the Base Period if the Water System utility properties that are being acquired had been part of the Water System during the Base Period. The estimate shall be based on the operating experience and records of the City and any available financial and records relating to the Water System utility properties which will be acquired;

B. The Qualified Consultant may adjust the Net Revenues to reflect any changes in rates and charges which the Qualified Consultant determines are reasonable;

C. The Qualified Consultant may adjust the Net Revenues to reflect any customers added to the Water System after the beginning of the Base Period and prior to the date of the Qualified Consultant's certificate; and

D. If extensions of or additions to the Water System are in the process of construction on the date of the Qualified Consultant's certificate, or if the proceeds of the Second Lien Bonds being issued are to be used to acquire or construct extensions of or additions to the Water System, the Qualified Consultant may adjust the Net Revenues to reflect any additional Net Revenues not included in the preceding paragraphs that will be derived from such additions and extensions (after deducting the estimated increase in operating and maintenance expenses resulting from such additions and extensions).

6.4. **Adjusted Stabilized Net Revenues.** The Qualified Consultant may determine the Adjusted Stabilized Net Revenues for purposes of Section 6.1.C(ii) by adjusting the Net Revenues for the Base Period in the following ways:

A. The Qualified Consultant may adjust the Net Revenues for the Base Period in any of the ways described in Section 6.3.

B. The Qualified Consultant may adjust the Net Revenues for the Base Period to eliminate the effect of any transfers to the Rate Stabilization Account that were made during the Base Period.

C. The Qualified Consultant may adjust the Net Revenues to reflect any withdrawals from the Rate Stabilization Account that the Qualified Consultant estimates it would be reasonable for the City to make during any of the Fiscal Years described in Section 6.1.C(ii).

6.5. Exceptions.

A. The City may issue Parity Second Lien Obligations to refund Outstanding First Lien Bonds without complying with Section 6.1 if Annual Second Lien Debt Service on the refunding Parity Second Lien Obligations does not exceed the Annual First Lien Debt Service on the refunded First Lien Bonds by more than $5,000 in any Fiscal Year, calculated for the remainder of the Fiscal Year in which the refunding Parity Second Lien Obligations are issued and in all subsequent Fiscal Years in which the refunding Parity Second Lien Obligations are scheduled to be Outstanding.

B. The City may issue Parity Second Lien Obligations to refund Outstanding Second Lien Bonds without complying with Section 6.1 if the Annual Second Lien Debt Service on the refunding Parity Second Lien Obligations does not exceed Annual Second Lien Debt Service on the refunded Second Lien Bonds by more than $5,000 in any Fiscal Year, calculated for the remainder of the Fiscal Year in which the refunding Parity Second Lien Obligations are issued and in all subsequent Fiscal Years in which the refunding Parity Second Lien Obligations are scheduled to be Outstanding.

C. The City may issue Parity Second Lien Obligations to refund Balloon Payments and Variable Rate Obligations without complying with Section 6.1.

6.6. **Treatment of Federal Subsidies.** When calculating Combined Annual Debt Service for the tests for issuing Parity Second Lien Obligations in this Section 6, the City shall subtract from the scheduled payments of interest on Federal Subsidy Obligations the amount of Federal Subsidies that the City reasonably expects, at the time the Parity Second Lien Obligations are issued, to receive.

6.7. **Treatment of Balloon Payments.** Whenever a Balloon Payment will be Outstanding on the date a Series of Parity Second Lien Obligations is issued, the Debt Manager shall prepare a schedule of principal and interest payments for a hypothetical Series of Second Lien Bonds that refunds each Outstanding Balloon Payment in accordance with this Section 5.3.B. The Debt Manager shall prepare that schedule as of the date the Parity Second Lien Obligations are sold, and that schedule shall be used to determine compliance with the tests for Parity Second Lien Obligations in this Section 6.

6.8. **Treatment of Variable Rate Obligations.** For purposes of calculating Annual Second Lien Bond Debt Service and Combined Annual Debt Service for the tests for issuing Parity Second Lien Obligations in this Section 6:

A. Unless Section 6.8.B applies, the Estimated Average Interest Rate for any Series of Variable Rate Obligations means the average of the weekly Bond Buyer 20 Bond Index for the 52 week period that ends on or immediately before the last day of the month that precedes the month in which the Parity Second Lien Obligations are sold, expressed as an annualized interest rate; or,

B. For any Series of Variable Rate Bonds that have been outstanding for at least 52 weeks at the end of the period described in Section 6.8.A, if the actual, annualized rate on that Series during that 52 week period is greater than the average, annualized rate described in Section 6.8.A, the Estimated Average Interest Rate for that Series means the average of the actual rates on that Series during that 52 week period, expressed as an annualized interest rate.

6.9. **Agreements for Exchange of Interest Rates.** An Agreement for Exchange of Interest Rates may be a Parity Agreement for Exchange of Interest Rates and a Parity Second Lien Obligation if the obligation to make City Payments under the Agreement for Exchange of Interest Rates qualifies as a Parity Second Lien Obligation under Section 6.1, after the Reciprocal Payments under the Agreement for Exchange of Interest Rates are applied to reduce Combined Annual Debt Service. Any Parity Agreement for Exchange of Interest Rates shall clearly state that it is a Parity Agreement for Exchange of Interest Rates and has qualified as a Parity Second Lien Obligation under Section 6.1 of this Master Declaration. In addition, the City may replace a Parity Agreement for Exchange of Interest Rates with another Parity Agreement for Exchange of Interest Rates without qualifying the replacement Agreement for Exchange of Interest Rates under Section 6.1 if the replacement does not increase the Combined Annual Debt Service in any Fiscal Year by more than $5,000.

6.10. **Lien on Net Revenues.** All Parity Second Lien Obligations issued in accordance with this Section 6 shall have a lien on the Net Revenues which is equal to the lien of all other Outstanding Second Lien Bonds.

Section 7. Junior Lien Obligations

The City may issue Junior Lien Obligations only if:

7.1. The Junior Lien Obligations are payable solely from amounts permitted to be deposited in the Junior Lien Obligations Account pursuant to Section 3.1.G;

7.2. The Junior Lien Obligations state clearly that they are secured by a lien on or pledge of the Net Revenues which is subordinate to the lien on, and pledge of, the Net Revenues for the Second Lien Bonds.

Section 8. Separate Utility System

The City may declare property which the City owns and is part of the Water System (but has a value of less than five percent of the Water System at the time of the declaration), and property which the City has not yet acquired but would otherwise become part of the Water System, to be part of a Separate Utility System. The City may pay costs of acquiring, operating and maintaining Separate Utility Systems from Net Revenues, but only if, at the time of payment, the

City has made all transfers described in Sections 3.1.B, 3.1.C, 3.1.D, 3.1.E and 3.1.F that are required to have been made by that time. The City may issue obligations which are secured by the revenues produced by the Separate Utility System, and may pledge the Separate Utility System revenues to pay those obligations. In addition, the City may issue Junior Lien Obligations to pay for costs of a Separate Utility System, and may pledge the revenues of the Separate Utility System to pay the Junior Lien Obligations.

Section 9. General Covenants

The City hereby covenants and agrees with the Owners of all Outstanding Second Lien Bonds as follows:

9.1. The City shall promptly cause the principal, premium, if any, and interest on the Second Lien Bonds to be paid as they become due in accordance with the provisions of this Master Declaration and any Supplemental Declaration.

9.2. The City shall maintain complete books and records relating to the operation of the Water System and all City funds and accounts in accordance with generally accepted accounting principles, shall cause such books and records to be audited annually at the end of each Fiscal Year, and shall have an audit report prepared by the Auditor and made available for the inspection of Second Lien Bond Owners.

9.3. The City shall not issue obligations which have a lien on the Net Revenues that is superior to the lien of the Second Lien Bonds except for First Lien Bonds and obligations to pay Operating Expenses.

9.4. The City shall not amend the First Lien Bond Ordinance unless the City finds that the amendments will not materially and adversely affect the rights of the Owners of Second Lien Bonds. This covenant shall not be construed to limit the City's right to issue First Lien Bonds pursuant to the provisions of the First Lien Bond Ordinance or to prevent the City from incorporating the amendments described in Section 6 of the City's Bond Declaration for the City's First Lien Water System Revenue Bond, 2012 Series A that is dated as of August 2, 2012.

9.5. The City shall promptly deposit the Gross Revenues and other amounts described in this Master Declaration into the funds and accounts specified in this Master Declaration.

9.6. The City shall cause the Water System to be operated at all times in a safe, sound, efficient and economic manner in compliance with all health, safety and environmental laws, regulatory body rules, regulatory body orders and court orders applicable to the City's operation and ownership of the Water System, and shall cause the Water System to be maintained, preserved, reconstructed, expanded and kept, with all appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time cause to be made, without undue deferral, all necessary or proper repairs, replacements and renewals so that at all times the operation of the Water System shall be properly and advantageously conducted.

9.7. The City shall not enter into any agreement to provide Water System products or services at a discount from published rate schedules, and that it will not provide free Water System products or services except for fire suppression, in case of emergencies.

9.8. The City shall at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties.

A. The net proceeds of insurance against accident to or destruction of the Water System shall be used to repair or rebuild the damaged or destroyed Water System, and to the extent not so applied, will be applied to the payment or redemption of the First Lien Bonds, and to the extent available after such payment, to the payment or redemption of the Second Lien Bonds pro rata;

B. Insurance described in Section 9.8 shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or in the form of self-insurance by the City. The City shall establish such fund or funds or reserves which it deems are necessary to provide for its share of any such self-insurance;

9.9. The City shall not, nor shall it permit others to, sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Water System except:

A. The City may dispose of all or substantially all of the Water System, only if the City pays all Second Lien Bonds or defeases them pursuant to Section 12.

B. Except as provided in Section 9.9.C, the City will not dispose of any part of the Water System in excess of ten percent (10.0%) of the value of the Water System in service unless prior to such disposition either:

(i) There has been filed with the City a certificate of a Qualified Consultant stating that such disposition will not impair the ability of the City to comply with the rate covenants contained in Section 5.1 of this Master Declaration; or

(ii) Provision is made for the payment, redemption or other defeasance of a principal amount of Second Lien Bonds equal to the greater of the following amounts:

(a) An amount which will be in the same proportion to the net principal amount of Second Lien Bonds then Outstanding (defined as the total principal amount of Second Lien Bonds then Outstanding less the amount of cash and investments in the Sinking Fund) that the Gross Revenues attributable to the part of the Water System sold or disposed of for the 12 preceding months bears to the total Gross Revenues for such period; or

(b) An amount which will be in the same proportion to the net principal amount of Second Lien Bonds then Outstanding that the book value of the part of the Water System sold or disposed of bears to the book value of the Water System immediately prior to such sale or disposition.

C. The City may dispose of any portion of the Water System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for use in the operation of the Water System.

9.10. If the ownership of property that is part of the Water System and that has a value of more than ten percent of the value of the Water System is transferred from the City through the operation of law, then unless the City finds that the transfer will not impair the ability of the City to comply with the rate covenants contained in Section 5.1 of this Master Declaration, the City shall either reconstruct or replace such transferred portion using any proceeds of the transfer or apply the proceeds of the transfer to redeem or defease First Lien Bonds or Second Lien Bonds.

Section 10. Events of Default and Remedies

10.1. Continuous Operation Essential. The City Council of the City hereby finds and determines that the continuous operation of the Water System and the collection, deposit and disbursement of the Net Revenues in the manner provided in this Master Declaration and in any Supplemental Declaration are essential to the payment and security of the Second Lien Bonds, and the failure or refusal of the City to perform the covenants and obligations contained in this Master Declaration or any such Supplemental Declaration will endanger the necessary continuous operation of the Water System and the application of the Net Revenues to the operation of the Water System and the payment of the Second Lien Bonds.

10.2. Events of Default. The following shall constitute "Events of Default":

A. If the City shall fail to pay any Second Lien Bond principal or interest when due, either at maturity, upon exercise of a right of tender, by proceedings for redemption or otherwise;

B. Except as provided in Section 5.1.D and 10.2.F, if the City shall default in the observance and performance of any other of its covenants, conditions and agreements in this Master Declaration, if such default continues for thirty (30) days after the City receives a written notice, specifying the Event of Default and demanding the cure of such default, from a Credit Provider, a committee of Second Lien Bond Owners or from the Owners of not less than 20% in aggregate principal amount of the Second Lien Bonds Outstanding;

C. If the City shall sell, transfer, assign or convey properties constituting the Water System in violation of Section 9.9.A;

D. If an order, judgment or decree shall be entered by any court of competent jurisdiction:

(i) Appointing a receiver, trustee or liquidator for the City or the whole or any part of the Water System;

(ii) Approving a petition filed against the City seeking the bankruptcy, arrangement or reorganization of the City under any applicable law of the United States or the State; or

(iii) Assuming custody or control of the City or of the whole or any part of the Water System under the provisions of any other law for the relief or aid of debtors and such order, judgment or decree shall not be vacated or set aside or stayed (or, in case custody or control is assumed by said order, such custody or control shall not be otherwise terminated) within sixty (60) days from the date of the entry of such order, judgment or decree; or

E. If the City shall:

(i) Admit in writing its inability to pay its debts generally as they become due;

(ii) File a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law;

(iii) Consent to the appointment of a receiver of the whole or any part of the Water System; or

(iv) Consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the City or of the whole or any part of the Water System.

F. Exception. It shall not constitute an Event of Default under Section 10.2.B if the default cannot practicably be remedied within thirty (30) days after the City receives notice of the default, so long as the City promptly commences reasonable action to remedy the default after the notice is received, and continues reasonable action to remedy the default until the default is remedied.

G. Remedies. If an Event of Default occurs, any Second Lien Bond Owner may exercise any remedy available at law or in equity. However, the Second Lien Bonds shall not be subject to acceleration.

H. Books of City Open to Inspection.

(i) The City covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the City and all other records relating to the Water System shall at all reasonable times be subject to the inspection and use of the Second Lien Bond Owners Committee and any persons holding at least twenty percent (20%) of the principal amount of Outstanding Second Lien Bonds and their respective agents and attorneys.

(ii) The City covenants that if the Event of Default shall happen and shall not have been remedied, the City will continue to account, as a trustee of an express trust, for all Net Revenues and other moneys, securities and funds pledged under this Master Declaration.

I. Waivers of Event of Default.

(i) No delay or omission of any Second Lien Bond Owner to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or to be an acquiescence therein; and every power and remedy given by this Section 10 to the Second Lien Bond Owners may be exercised from time to time and as often as may be deemed expedient by the Second Lien Bond Owners.

(ii) The owners of not less than fifty percent (50%) in principal amount of the affected Second Lien Bonds that are at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the owners of all of affected Second Lien Bonds, waive any past default under this Master Declaration with respect to such Second Lien Bonds and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any of the Second Lien Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

J. Remedies Granted in Master Declaration Not Exclusive.

No remedy by the terms of this Master Declaration conferred upon or reserved to the Second Lien Bond Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Master Declaration or existing at law or in equity or by statute on or after the date of adoption of this Master Declaration.

Section 11. Amendment of Master Declaration

11.1. This Master Declaration may be amended by Supplemental Declaration without the consent of any Second Lien Bond Owners for any one or more of the following purposes:

A. To cure any ambiguity or formal defect or omission in this Master Declaration;

B. To add to the covenants and agreements of the City in this Master Declaration, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Master Declaration as theretofore in effect;

C. To authorize issuance of Second Lien Bonds or Junior Lien Obligations;

D. To authorize Parity Agreement for Exchange of Interest Rates, and specify the rights and duties of the parties to a Parity Agreement for Exchange of Interest Rates;

E. To modify, amend or supplement this Master Declaration or any Supplemental Declaration to qualify this Master Declaration under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of any Second Lien Bonds for sale under the securities laws of any of the states of the United States of America;

F. To confirm, as further assurance, any security interest or pledge created under this Master Declaration or any Supplemental Declaration;

G. To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the owners of any Outstanding Second Lien Bonds;

H. So long as a Credit Facility (other than a Reserve Surety) is in full force and effect with respect to the Second Lien Bonds affected by such Supplemental Declaration, to make any other change which is consented to in writing by the issuer of such Credit Facility other than any change which:

(i) Would result in a downgrading or withdrawal of the rating then assigned to the affected Second Lien Bonds by the Rating Agencies;

(ii) Changes the maturity (except as permitted herein), the Interest Payment Dates, interest rates, redemption and purchase provisions, and provisions regarding notices of redemption and purchase applicable to the affected Second Lien Bonds or diminishes the security afforded by such Credit Facility;

(iii) Materially and adversely affects the rights and security afforded to the Owners of any Outstanding Second Lien Bonds not secured by such Credit Facility; or

I. To modify any of the provisions of this Master Declaration or any Supplemental Declaration in any other respect whatever, as long as the modification shall take effect only after all affected and then Outstanding Second Lien Bonds cease to be Outstanding.

11.2. This Master Declaration may be amended for any other purpose only upon consent of Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Second Lien Bonds outstanding; provided, however, that no amendment shall be valid without the consent of the Owners of 100 percent (100%) of the affected Second Lien Bonds outstanding if the amendment:

A. Extends the maturity of any Second Lien Bond, reduces the rate of interest upon any Second Lien Bond, extends the time of payment of interest on any Second Lien Bond, reduces the amount of principal payable on any Second Lien Bond, or reduces any premium payable on any Second Lien Bond; or

B. Reduces the percent of Second Lien Bond Owners required to approve Supplemental Declarations.

11.3. For purposes of Section 11.2, and subject to Section 11.4, the initial purchaser of a series of Second Lien Bonds may be treated as the Owner of that Series at the time that series of Second Lien Bonds is delivered in exchange for payment.

11.4. Except as otherwise expressly provided below in this Section 11.4 or in a Supplemental Declaration, as long as a Credit Facility (other than a Reserve Surety) securing all or a portion of any Outstanding Second Lien Bonds is in effect, the issuer of the Credit Facility may act on behalf of the Owners of all Second Lien Bonds that are secured by the Credit Facility for the purposes of consenting to any action taken by the City under this Master Declaration and for all other purposes except payment of Second Lien Bond principal, interest and premium, if any.

A. The Credit Provider for a Credit Facility shall not be deemed to be the Owner of a Second Lien Bond for purposes of executing and delivering with respect to any such Supplemental Declaration or of any amendment, change or modification of this Master Declaration that:

(i) Changes the maturity (except as expressly permitted herein), the Interest Payment Dates, interest rates, redemption and purchase provisions, and provisions regarding notices of redemption and purchase applicable to the affected Second Lien Bonds or diminishes the security afforded by such Credit Facility; or

(ii) Reduces the percentage or otherwise affects the classes of affected Second Lien Bonds, the consent of the Second Lien Bond Owners of which is required to effect any such modification or amendment.

B. The Credit Provider for a Credit Facility that secures Second Lien Bonds shall not be entitled to exercise any rights under Section 11.4 during any period when:

(i) The Credit Facility to which the Credit Provider is a party is not in full force and effect;

(ii) The Credit Provider has filed a petition or otherwise sought relief under any federal or state bankruptcy or similar law;

(iii) The Credit Provider has for any reason have failed or refused to honor a proper demand for payment under the Credit Facility;

(iv) An order or decree has been entered with the consent or acquiescence of the Credit Provider, appointing a receiver or receivers for the assets of the Credit Provider; or

(v) An order or decree has been entered without the consent or acquiescence of the Credit Provider, appointing a receiver or receivers for the assets of the Credit Provider, and the order or decree has not been vacated or discharged or stayed within ninety (90) days after its entry.

C. For purposes of determining the percentage of Second Lien Bond Owners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Master Declaration, the Owners of Second Lien Bonds which pay interest only at maturity, and mature more than one year after they are issued shall be treated as Owners of Second Lien Bonds in an aggregate principal amount equal to the accreted value of such Second Lien Bonds as of the date the Registrar sends out notice of requesting consent, waiver or other action as provided herein.

Section 12. Defeasance

The provisions of this Section 12 apply to all Series of Second Lien Bonds unless the Supplemental Declaration for a Series specifically provides different defeasance provisions for that Series.

12.1. The City may defease and deem all or any portion of the Outstanding Second Lien Bonds to be paid by irrevocably depositing in irrevocable escrow with an independent trustee or escrow agent (1) cash or (2) non-callable Defeasance Obligations in amounts calculated to be sufficient, without reinvestment, to pay the defeased Second Lien Bonds.

12.2. If Second Lien Bonds are defeased under this Section 12, all obligations of the City with respect to those defeased Second Lien Bonds shall cease and terminate, except for the obligation of the City, the escrow agent and the Registrar to pay the defeased Second Lien Bonds from the amounts deposited in escrow, and the obligation of the Registrar to continue to transfer Second Lien Bonds as provided in this Master Declaration.

Section 13. BEO System.

13.1. The provisions of this Section 13 apply to all Series of Second Lien Bonds unless the Supplemental Declaration for a Series specifically provides different provisions for that Series.

13.2. The Bonds shall be initially issued as a BEO security issue with no Second Lien Bonds being made available to the Owners upon the execution and delivery of the letter of representations among the Paying Agent, DTC and the City. Ownership of the Bonds shall be recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries on the DTC BEO system. The Second Lien Bonds shall be initially issued in the form of separate single fully registered typewritten Second Lien Bonds for each maturity of the Second Lien Bonds (the "Global Bonds") in substantially the form attached hereto as Exhibit A with such changes as the City Official may approve. Each Global Bond shall be registered in the name of CEDE & CO. as nominee (the "Nominee") of DTC (DTC and any other qualified securities depository designated by the City as a successor to DTC, collectively the "Depository") as the "Registered Owner", and such Global Bonds shall be lodged with the Depository until early redemption or maturity of the Second Lien Bond issue. The Paying Agent shall remit payment for the maturing principal and interest on the Second Lien Bonds to the Owner for distribution by the Nominee for the benefit of the owners (the "Beneficial Owner") by recorded entry on the books of the Depository participants and correspondents. While the Second Lien Bonds are in BEO form, the Second Lien Bonds will be available in denominations of $5,000 or any integral multiple thereof within a maturity.

13.3. In the event the Depository determines not to continue to act as securities depository for the Second Lien Bonds, or the City determines that the Depository shall no longer so act, then the City will discontinue the BEO system with the Depository. If the City fails to designate another qualified securities depository to replace the Depository or elects to discontinue use of a BEO system, the Second Lien Bonds shall no longer be a BEO issue but shall be registered in the registration books maintained by the Paying Agent in the name of the Owner as appearing on the Second Lien Bond register and thereafter in the name or names of the Owners of the Second Lien Bonds transferring or exchanging Second Lien Bonds.

13.4. While the Second Lien Bonds are in BEO form, the City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of the Depository or to any Registered Owner on behalf of which such participants or correspondents act as agent for the Owner with respect to:

A. The accuracy of the records of the Depository, the Nominee or any participant or correspondent with respect to any ownership interest in the Second Lien Bonds;

B. The delivery to any participant or correspondent or any other person, other than an Owner as shown in the registration books maintained by the Paying Agent, of any notice with respect to the Second Lien Bonds, including any notice of prepayment;

C. The selection by the Depository of the beneficial interest in Second Lien Bonds to be redeemed prior to maturity; or

D. The payment to any participant, correspondent, or any other person other than the owner of the Second Lien Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal of or interest on the Second Lien Bonds.

13.5. Notwithstanding the BEO system, the City may treat and consider the Owner in whose name each Second Lien Bond is registered in the registration books maintained by the Paying Agent as the Owner and absolute owner of such Second Lien Bond for the purpose of payment of principal and interest with respect to such Second Lien Bond, or for the purpose of giving notices of redemption and other matters with respect to such Second Lien Bond, or for the purpose of registering transfers with respect to such Second Lien Bond, or for all other purposes whatsoever. The City shall pay or cause to be paid all principal and interest on the Second Lien Bonds only to or upon the order of the Registered 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.

13.6. Upon delivery by the Depository to the City and to the Owner of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in this Master Declaration shall refer to such new nominee of the Depository, and upon receipt of such notice, the City shall promptly deliver a copy thereof to the Paying Agent. The Depository shall tender the Second Lien Bonds it holds to the Paying Agent for re-registration.

Section 14. Redemption of Second Lien Bonds.

14.1. The provisions of this Section 14 apply to all Series of Second Lien Bonds unless the Supplemental Declaration for a Series specifically provides different provisions for that Series.

14.2. The City reserves the right to purchase Second Lien Bonds in the open market.

14.3. If Second Lien Bonds are subject to mandatory redemption the Paying Agent shall, without further action by the City, select the particular Second Lien Bonds to be redeemed in accordance with the mandatory redemption schedule, by lot within each maturity, call the selected Second Lien Bonds, and give notice of their redemption in accordance with this Section 14.

14.4. If certain maturities of Second Lien Bonds are subject to both optional and mandatory redemption, the City may elect to apply against the mandatory redemption requirement any of those Second Lien Bonds which it has previously optionally redeemed. In addition, if the City purchases Second Lien Bonds which are subject to mandatory redemption, the City may elect to apply against the mandatory redemption requirement any such Second Lien Bonds which it has previously purchased. If the City makes such an election, it shall notify the Paying Agent not less than sixty days prior to the mandatory redemption date to which the election applies.

14.5. So long as the BEO System remains in effect with respect to the Second Lien Bonds, and unless DTC consents to a shorter period, the Paying Agent shall provide not less than 20 days nor more than 60 days notice of redemption, and shall provide such information in connection therewith as required by the letter of representations submitted to DTC in connection with the issuance of the Second Lien Bonds.

14.6. During any period in which the BEO System is not in effect with respect to the Second Lien Bonds, unless waived by any Owner of the Second Lien Bonds to be redeemed, official notice of any redemption of Second Lien Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail postage prepaid at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Second Lien Bonds to be redeemed, at the address shown on the Second Lien Bond Register or at such other address as is furnished in writing by such owner to the Paying Agent. All such official notices of redemption shall be dated and shall state:

A. The redemption date;

B. The redemption price;

C. If less than all Outstanding Second Lien Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Second Lien Bonds to be redeemed;

D. That on the redemption date the redemption price will become due and payable upon each such Second Lien Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and

E. The place where such Second Lien Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.

14.7. The City shall deposit with the Paying Agent, on or before the redemption date, an amount of money sufficient to pay the redemption price of all the Second Lien Bonds or portions of Second Lien Bonds which are to be redeemed on that date.

14.8. Official notice of redemption having been given as aforesaid, the Second Lien Bonds or portions of Second Lien Bonds to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price or unless the notice was conditional as described in Section 15.9) such Second Lien Bonds or portions of Second Lien Bonds shall cease to bear interest. Upon surrender of such Second Lien Bonds for redemption in accordance with said notice, such Second Lien Bonds shall be paid by the Paying Agent at the Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Second Lien Bond, there shall be prepared for the registered owner a new Second Lien Bond of the same maturity in the amount of the unpaid principal. All Second Lien Bonds which have been redeemed shall be canceled and destroyed by the Paying Agent and shall not be reissued. Notwithstanding that any Second Lien Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any such Second Lien Bonds. From and after such notice having been given and such deposit having been made, the Second Lien Bonds to be redeemed shall not be deemed to be Outstanding hereunder, and the City shall be under no further liability in respect thereof.

14.9. Any notice of optional redemption given for the Second Lien Bonds pursuant to this Section 14 may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such Second Lien Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected owners of the Second Lien Bonds as promptly as practicable.

Section 15. Authentication, Registration and Transfer.

15.1. No Second Lien Bond shall be entitled to any right or benefit under this Master Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all Second Lien Bonds to be delivered at Closing, and shall additionally authenticate all Second Lien Bonds properly surrendered for exchange or transfer pursuant to this Master Declaration.

15.2. All Second Lien Bonds shall be in registered form. U.S. Bank National Association is hereby appointed to serve as Paying Agent for the Second Lien Bonds. A successor Paying Agent may be appointed for the Second Lien Bonds by ordinance or resolution of the City. The Paying Agent shall provide notice to Owners of any change in the Paying Agent not later than the Second Lien Bond payment date following the change in Paying Agent.

15.3. The ownership of all Second Lien Bonds shall be entered in the Second Lien Bond register maintained by the Paying Agent and the City and Paying Agent may treat the person listed as owner in the Second Lien Bond register as the owner of the Second Lien Bond for all purposes.

15.4. While Second Lien Bonds are in BEO form the Paying Agent shall transfer Second Lien Bond payments to their Owner has required by the BEO system.

15.5. The provisions of this Section 15.5 apply only if the Second Lien Bonds cease to be a BEO issue, or unless the Supplemental Declaration for a Series specifically provides different provisions for that Series.

A. The Paying Agent shall mail each interest payment on the Interest Payment Date (or the next Business Day if the Interest Payment Date is not a Business Day) to the name and address of the Owner, as that name and address appear on the Second Lien Bond register as of the applicable 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.

B. Second Lien Bonds may be exchanged for an equal principal amount of Second Lien Bonds of the same Series and maturity which are in different authorized denominations, and Second Lien 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 his attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent; and

(ii) The Second Lien Bonds to be exchanged or transferred.

C. The Paying Agent shall not be required to exchange or transfer any Second Lien Bonds submitted to it during any period beginning with the applicable Record Date and ending on the next following payment date; however, such Second Lien Bonds shall be exchanged or transferred promptly following the payment date.

D. The Paying Agent shall not be required to exchange or transfer any Second Lien Bonds which have been designated for redemption if such Second Lien Bonds are submitted to it during the fifteen-day period preceding the designated redemption date.

E. For purposes of this Section 15.5, Second Lien Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 15.5.B.

15.6. 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.

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EXECUTED ON BEHALF OF THE CITY OF PORTLAND BY ITS DEBT MANAGER AS OF THE 2ND DAY OF MAY, 2013.

City of Portland, Oregon

By: [redacted]

CITY OF PORTLAND, OREGON
1851

APPENDIX B
FORM OF SEVENTH SUPPLEMENTAL BOND DECLARATION

CITY OF PORTLAND, OREGON

1851

SEVENTH SUPPLEMENTAL BOND DECLARATION

TO THE

MASTER SECOND LIEN WATER SYSTEM REVENUE BOND DECLARATION

City of Portland, Oregon

relating to the City's

$[Principal Amount]
Second Lien Water System Revenue and Refunding Bonds
2026 Series A
(Green Bonds)

Executed on behalf of the City of Portland, Oregon

As of [Dated Date], 2026

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Seventh Supplemental Bond Declaration

THIS SEVENTH SUPPLEMENTAL BOND DECLARATION is executed as of [Dated Date], 2026, by the Chief Financial Officer of the City of Portland, Oregon, pursuant to the authority granted to the Authorized Officer by City Ordinance No. 192177, to supplement the City's Master Second Lien Water System Revenue Bond Declaration and to establish the terms under which the City's Second Lien Water System Revenue and Refunding Bonds, 2026 Series A (Green Bonds) are issued.

Section 1. Recitals.

The City recites:

1.1. The City enacted Ordinance No. 192177 on May 20, 2026, authorizing the City to issue revenue bonds that are secured by the revenues of the Water System to, among other things, finance a portion of the costs of the capital improvement plan of the Water System, to refund outstanding water revenue bonds to obtain debt service savings, and to pay costs related to the bonds.

1.2. The City is issuing its 2026 Series A Bonds under the Master Second Lien Water System Revenue Bond Declaration dated as of May 2, 2013, as supplemented and amended, on the date of this Seventh Supplemental Bond Declaration for the purposes described in Section 1.1 hereof.

1.3. This Seventh Supplemental Bond Declaration describes the terms related to the 2026 Series A Bonds that are being added to the Master Second Lien Water System Revenue Bond Declaration.

Section 2. Definitions

Unless the context clearly requires otherwise, capitalized terms that are used in this Seventh Supplemental Bond Declaration and are defined in this Section 2 shall have the meanings defined for those terms in this Section 2, and capitalized terms that are used in this Seventh Supplemental Bond Declaration but are not defined in this Section 2 shall have the meanings defined for those terms in the Master Second Lien Water System Revenue Bond Declaration.

"2026 Series A Bonds" means the City's Second Lien Water System Revenue and Refunding Bonds, 2026 Series A (Green Bonds) issued pursuant to Section 3 of this Seventh Supplemental Bond Declaration.

"Master Declaration" means the Master Second Lien Water System Revenue Bond Declaration that the City executed as of May 2, 2013, as amended by the First Supplemental Bond Declaration executed as of May 2, 2013, the Second Supplemental Bond Declaration executed as of October 22, 2019, the Third Supplemental Bond Declaration executed as of February 3, 2020, the Fourth Supplemental Bond Declaration executed as of February 2, 2021, the Fifth Supplemental Bond Declaration executed as of May 25, 2021, the Sixth Supplemental Bond Declaration executed as of July 25, 2024, and this Seventh Supplemental Bond Declaration, and including any amendments made pursuant to its terms.

Section 3. The 2026 Series A Bonds.

3.1. Pursuant to the authority of City Ordinance No. 192177 the City has issued its Second Lien Water System Revenue and Refunding Bonds, 2026 Series A (Green Bonds), in the aggregate principal amount of $[Principal Amount]. The 2026 Series A Bonds shall bear interest payable on April 1 and October 1 of each year at the following rates, commencing April 1, 2027, and shall mature on April 1 in the following years in the following principal amounts:

Maturity Date (April 1)	Principal Amount ($)	Interest Rate (%)	CUSIP No. (Base 736754)

3.2. The 2026 Series A Bonds are issued as Parity Second Lien Obligations pursuant to the Master Declaration and are "Second Lien Bonds" under the Master Declaration secured by a pledge of the Net Revenues and Federal Subsidies for Second Lien Bonds on a parity with such pledges that secure outstanding Second Lien Bonds and any future Parity Second Lien Obligations.

3.3. No subaccount in the Second Lien Bond Reserve Account is being created for the 2026 Series A Bond, and the City is not required to deposit or maintain any amount in the Second Lien Bond Reserve Account for the 2026 Series A Bond.

3.4. The 2026 Series A Bonds maturing on or after April 1, 2037, are subject to redemption prior to maturity at the option of the City on January 1, 2036 and on any date thereafter, in whole or in part, according to DTC's procedures or by lot, at a the respective redemption prices set forth in the following table (expressed as percentages of principal amounts of the 2026 Series A Bonds to be redeemed), plus interest accrued to the date fixed for redemption.

Redemption Period	Redemption Price
January 1, 2036 to March 31, 2036	100.50%
April 1, 2036 and thereafter	100.00

In the case of any redemption of less than all of the outstanding 2026 Series A Bonds, the City shall have the right to specify the particular maturities to be redeemed and the aggregate principal amount of each maturity to be redeemed.

3.5. The 2026 Series A Bonds maturing on April 1, 20__, are term bonds subject to mandatory redemption (in such manner as the Registrar and DTC will determine or by lot by the Registrar) on April 1 of the following years in the principal amounts shown below, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

Year (April 1)	Principal Amount ($)
†	

†Final Maturity.

Any term bond of the 2026 Series A Bonds subject to optional redemption and redeemed in part will have the principal amount redeemed within the respective mandatory redemption dates selected by the City.

3.6. The 2026 Series A Bonds shall be in substantially the form attached as Exhibit A and shall be signed with the facsimile or manual signature of the Mayor and the City Auditor.

3.7. Tax-Exempt Status:

A. The City covenants for the benefit of the Owners of the 2026 Series A Bonds to comply with all provisions of the Code which are required for interest on the 2026 Series A Bonds to be excluded from gross income for federal taxation purposes. In determining what actions are required to comply, the City may rely on an opinion of Bond Counsel. The City makes the following specific covenants with respect to the Code:

(i) The City will not take any action or omit any action if it would cause the 2026 Series A Bonds to become "arbitrage bonds" under Section 148 of the Code;

(ii) The City shall operate the facilities financed with the 2026 Series A Bonds so that the 2026 Series A Bonds do not become private activity bonds within the meaning of Section 141 of the Code;

(iii) The City shall pay, when due, all rebates and penalties with respect to the 2026 Series A Bonds which are required by Section 148(f) of the Code.

B. The covenants contained in Section 3.7.A and any covenants in the closing documents for the 2026 Series A Bonds shall constitute contracts with the owners of the 2026 Series A Bonds, and shall be enforceable by them.

3.8. The 2026 Series A Bond proceeds shall be applied as described in the Closing Transfer Memorandum prepared by the City for the 2026 Series A Bonds.

EXECUTED ON BEHALF OF THE CITY OF PORTLAND BY ITS CHIEF FINANCIAL OFFICER AS OF [DATED DATE], 2026.

City of Portland, Oregon

By: ________________________________
Chief Financial Officer

Exhibit A
Form of 2026 Series A Bond

No. R-«BondNumber» $«PrincipalAmtNumber»

United States of America
State of Oregon
Counties of Multnomah, Washington and Clackamas
City of Portland
Second Lien Water System Revenue and Refunding Bond, 2026 Series A (Green Bonds)

Dated Date: [Dated Date], 2026
Interest Rate Per Annum: «CouponRate»%
Maturity Date: April 1, «MaturityYear»
CUSIP Number: 736754«CUSIPNumbr»
Registered Owner: -----Cede & Co.-----
Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

THE CITY OF PORTLAND, State of Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, but solely from the sources indicated below, the Principal Amount on the Maturity Date together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above. Interest is payable semiannually on the first days of April and October in each year until maturity or prior redemption, commencing April 1, 2027. Principal and interest payments shall be received by Cede & Co., as nominee of The Depository Trust Company, or its registered assigns, as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. Such payments shall be made payable to the order of "Cede & Co." as nominee of The Depository Trust Company, New York, New York

This 2026 Series A Bond is not a general obligation or liability of the City, and is payable solely from the Net Revenues of the Water System as provided in the Master Second Lien Water System Revenue Bond Declaration dated as of May 2, 2013, as supplemented and amended, including by the Seventh Supplemental Bond Declaration dated as of the date of delivery of the 2026 Series A Bonds (the "Master Declaration"). The City covenants and agrees with the owner of this 2026 Series A Bond that it will keep and perform all of the covenants in this 2026 Series A Bond and in the Master Declaration. The City has pledged the Net Revenues of the Water System to the payment of principal and interest on this 2026 Series A Bond. The lien of the pledge that secures this 2026 Series A Bond is subordinate to the lien on the Water System revenues that secures First Lien Bonds, as defined in the Master Declaration, and on parity with the lien that secures Second Lien Bonds, as defined in the Master Declaration.

This 2026 Series A Bond is not secured by the Second Lien Bond Reserve Account or any subaccount therein.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Letter of Representations to The Depository Trust Company, as referenced in the Master Declaration. Interest on any 2026 Series A Bond or 2026 Series A Bonds so called for redemption shall cease on the redemption date designated in the notice. The City's paying agent and registrar, which is currently U.S. Bank Trust Company, National Association, in Portland, Oregon (the "Registrar"), will notify The Depository Trust Company of any 2026 Series A Bonds called for redemption not less than 20 days prior to the date fixed for redemption. If the book-entry-only system is discontinued, notice of redemption shall be given by first-class mail, postage prepaid at least 20 days and not more than 60 days prior to the date fixed for redemption to the registered owner of each 2026 Series A Bond to be redeemed at the address shown on the Bond register.

The 2026 Series A Bonds are initially issued as a book-entry-only security issue with no certificates provided to the 2026 Series A Bondowners. Records of 2026 Series A Bond ownership will be maintained by the Registrar and The Depository Trust Company and its participants.

Should the book-entry-only security system be discontinued, the 2026 Series A Bonds shall be issued in the form of registered 2026 Series A Bonds without coupons in the denominations of $5,000 or any integral multiple thereof. Such 2026 Series A Bonds may be exchanged for 2026 Series A Bonds of the same aggregate principal amount, but different authorized denominations, as provided in the Master Declaration.

Any transfer of this 2026 Series A Bond must be registered, as provided in the Master Declaration, upon the 2026 Series A Bond register kept for that purpose by the Registrar. Upon registration, a new registered 2026 Series A Bond or 2026 Series A Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Master Declaration. The Registrar and the City may treat the person in whose name this 2026 Series A Bond is registered as its absolute owner for all purposes, as provided in the Master Declaration.

The 2026 Series A Bondowner may exchange or transfer this 2026 Series A Bond only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Registrar and duly executed by the registered owner or their duly authorized attorney, at the principal corporate trust office of the Registrar in the manner and subject to the conditions set forth in the Master Declaration.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

This 2026 Series A Bond is one of a series of $[Principal Amount] aggregate principal amount of Second Lien Water System Revenue and Refunding Bonds, 2026 Series A (Green Bonds), of the City, and is issued by the City for the purpose of (1) financing a portion of the costs of the capital improvement plan for the Water System and (2) refunding all or a portion of the City's outstanding First Lien Water System Revenue and Refunding Bonds, 2016 Series A, all in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the charter of the City.

The 2026 Series A Bonds shall mature and be subject to redemption as described in the Official Statement for the Bonds.

The 2026 Series A Bonds are issuable in the form of registered 2026 Series A Bonds without coupons in the denominations of $5,000 or any integral multiple thereof. 2026 Series A Bonds may be exchanged for an equal aggregate principal amount of registered 2026 Series A Bonds of the same maturity and of any other authorized denominations in the manner, and subject to the conditions set forth in the Master Declaration.

This Bond shall remain in the Registrar's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Registrar and The Depository Trust Company.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this 2026 Series A Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; that the issue of which this 2026 Series A Bond is a part, and all other obligations of such City, are within every debt limitation and other limits prescribed by such Constitution and Statutes.

IN WITNESS WHEREOF, the City Council of the City of Portland, Oregon, has caused this 2026 Series A Bond to be signed by facsimile signature of its Mayor and attested by facsimile signature of its Auditor as of the date indicated above.

City of Portland, Oregon

CITY OF PORTLAND, OREGON 1851

Mayor

Auditor

THIS 2026 SERIES A BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE REGISTRAR IN THE SPACE INDICATED BELOW.

This 2026 Series A Bond is one of a series of $[Principal Amount] aggregate principal amount of Second Lien Water System Revenue and Refunding Bonds, 2026 Series A (Green Bonds), of the City, issued pursuant to the Master Declaration described herein.

Date of authentication: [Dated Date], 2026.

U.S. Bank Trust Company, National Association, as Registrar

____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto: _________________
____
(Please insert social security or other identifying number of assignee)

this 2026 Series A Bond and does hereby irrevocably constitute and appoint __________________________________ _____________________________________ as attorney to transfer this 2026 Series A Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: ______________________________________

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this 2026 Series A Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed

____
(Bank, Trust Company or Brokerage Firm)

____
Authorized Officer

The following abbreviations, when used in the inscription on the face of this 2026 Series A Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship and not as tenants in common
OREGON CUSTODIANS use the following:
_______________ CUST UL OREG _____________________________ MIN
as custodian for (name of minor)
OR UNIF TRANS MIN ACT
under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.

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APPENDIX C
EXCERPTS OF AUDITED FINANCIAL STATEMENTS

CITY OF PORTLAND, OREGON

1851

INTRODUCTION TO EXCERPTS OF AUDITED FINANCIAL STATEMENTS

The following pages in this Appendix C are excerpted from the City's Annual Comprehensive Financial Reports of the City for FY 2020-21 through FY 2024-25 and only include information on the City's Water Fund.

The financial statements of the City for FY 2020-21 through FY 2024-25 have been audited by Baker Tilly US LLP (formerly Moss Adams LLP), independent auditors. The audited financial statements of the City are public documents. Complete copies of the City's FY 2020-21 through FY 2024-25 audits are available on the EMMA system for municipal securities disclosure established by the MSRB and accessible at http://emma.msrb.org. This website is listed for reference only and is not part of the Official Statement.

The full audited financial statements of the City for FY 2024-25 can be found at https://emma.msrb.org/P21870652-P21431067-P21875772.pdf.

THE CITY HAS NOT REQUESTED THAT BAKER TILLY US LLP PROVIDE CONSENT FOR INCLUSION OF ITS NAME IN THIS OFFICIAL STATEMENT. BAKER TILLY US LLP ALSO HAS NOT PERFORMED ANY PROCEDURES RELATING TO THIS OFFICIAL STATEMENT. ANY NOTES THAT FOLLOW THE TABULAR DATA HAVE BEEN PREPARED BY THE CITY AND HAVE NOT BEEN REVIEWED BY THE INDEPENDENT AUDITOR.

CITY OF PORTLAND, OREGON
Water Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended June 30

	2021	2022	2023	2024	2025
Operating revenues:					
Service charges and fees	$ 212,133,456	$ 225,562,611	$ 249,234,578	$ 263,690,883	$ 279,101,555
Service charges and fees provided internally	4,528,067	3,910,269	4,560,778	4,991,078	5,823,065
Lease revenue	-	136,147	91,520	175,655	121,475
Miscellaneous	619,158	558,053	1,655,297	538,792	1,428,669
Total operating revenues	217,280,681	230,167,080	255,542,173	269,396,408	286,474,764
Operating expenses:					
Salaries and wages	64,158,083	54,270,232	60,042,609	67,110,933	73,792,358
Operating supplies	3,472,769	3,728,417	6,788,126	7,951,992	8,009,628
Professional services	2,652,939	1,925,430	1,713,157	2,743,909	2,688,435
Services and materials provided internally	17,764,265	20,480,564	22,371,189	25,167,845	28,688,998
Utilities	2,221,655	2,735,320	3,177,615	3,709,171	3,933,939
Miscellaneous	6,979,985	9,143,561	7,578,674	8,664,615	42,200,193
Utility license fees	8,647,450	9,424,987	10,164,029	10,952,699	11,725,382
Depreciation expense	32,665,954	34,649,021	38,292,527	38,976,408	39,994,880
Regulatory depreciation	-	37,589	132,410	152,196	169,124
Total operating expenses	138,563,100	136,395,121	150,260,336	165,429,768	211,202,937
Operating income (loss)	78,717,581	93,771,959	105,281,837	103,966,640	75,271,827
Nonoperating revenues (expenses):					
Gain (loss) on sale of capital assets	(1,563,001)	372,466	104,198	58,630	(2,913,764)
Investment earnings	(281,323)	(9,243,839)	3,288,205	15,401,011	13,369,997
Interest expense	(16,549,954)	(19,940,240)	(17,838,674)	(16,559,042)	(10,368,707)
Debt issuance costs	(1,732,611)	(390,421)	(28,801)	(38,200)	(1,024,796)
Lease revenue	-	223,733	397,110	475,210	426,830
Miscellaneous	1,090,621	-	-	-	-
Total nonoperating revenues (expenses)	(19,036,268)	(28,978,301)	(14,077,962)	(662,391)	(510,440)
Income (loss) before contributions and transfers	59,681,313	64,793,658	91,203,875	103,304,249	74,761,387
Transfers in	40,000	1,390,236	739,054	1,702,524	799,065
Transfers out	(1,652,315)	(1,266,846)	(959,059)	(1,058,565)	(1,154,671)
Capital contributions	723,120	151,282	227,356	-	741,341
Change in net position	58,792,118	65,068,330	91,211,226	103,948,208	75,147,122
Total net position - beginning previously reported	757,521,347	816,313,465	881,381,794	972,593,020	1,076,541,228
Restatements	-	-	-	-	(8,578,223)
Total net position -- beginning	757,521,347	816,313,465	881,381,794	972,593,020	1,067,963,005
Total net position -- ending	$ 816,313,465	$ 881,381,794	$ 972,593,020	$ 1,076,541,228	$ 1,143,110,127

Source: City of Portland. Audited financial statements

CITY OF PORTLAND, OREGON
Water Fund
Statement of Net Position (as of June 30)

	2021	2022	2023	2024	2025
ASSETS					
Current assets (unrestricted):					
Cash and investments	$ 147,747,404	$ 179,753,484	$ 199,330,402	$ 231,166,357	$ 183,218,421
Receivables					
Accounts, net	38,565,455	36,020,577	43,900,580	43,588,806	46,590,339
Leases	-	376,462	449,457	403,800	184,187
Assessments	207,443	270,767	298,526	546,848	397,341
Advances	30,555	18,258	17,055	23,055	207,642
Accrued interest	504,974	730,938	1,828,085	2,289,628	1,910,162
Due from other funds	-	-	-	-	52,443
Inventories	2,879,726	3,388,848	4,172,315	4,470,106	5,172,301
Property held for sale	151,630	151,630	151,630	151,630	151,630
Prepaid expense	13,547	441,702	98,658	22,235	70,930
Internal balances	-	-	-	-	-
Total current assets (unrestricted)	190,100,734	221,152,666	250,246,708	282,662,465	237,955,396
Current assets (restricted):					
Cash and investments	7,729,056	11,564,279	6,083,447	27,887,977	27,285,803
Total current assets (restricted)	7,729,056	11,564,279	6,083,447	27,887,977	27,285,803
Total current assets	197,829,790	232,716,945	256,330,155	310,550,442	265,241,199
Noncurrent assets (unrestricted):					
Capital assets, not being depreciated or amortized:					
Land	14,512,143	14,859,085	16,879,250	16,878,404	16,879,219
Construction in progress	189,732,332	233,512,243	273,145,688	374,319,682	653,253,139
Intangible assets/land use rights	4,109,663	4,424,002	4,748,071	4,748,071	5,166,811
Capital assets, being depreciated or amortized:					
Infrastructure	1,523,905,687	1,583,031,754	1,630,307,701	1,675,268,203	1,734,950,696
Buildings	113,273,759	116,319,795	116,925,086	117,017,492	117,148,925
Improvements to land	59,472,682	63,832,931	68,904,402	69,029,403	72,949,646
Equipment	38,205,055	40,036,332	41,681,301	43,827,895	43,766,263
Intangible assets/land use, owning rights/software	10,531,885	10,702,937	11,581,314	11,737,285	11,767,789
Accumulated depreciation and amortization	(530,949,929)	(562,559,136)	(597,326,781)	(632,654,550)	(665,798,631)
Capital assets net of accumulated depreciation and amortization	1,422,793,277	1,504,159,943	1,566,846,032	1,680,171,885	1,990,083,857
Regulatory assets, not being depreciated					
Construction in progress	3,696,271	6,465,009	9,798,577	14,061,532	-
Regulatory assets, net of accumulated depreciation	3,638,067	4,590,068	5,454,430	5,949,146	29,035,782
Receivables:					
Assessments	182,211	115,628	169,515	175,070	135,088
Leases	-	958,515	953,810	583,361	386,345
Net OPEB asset	212,178	857,808	1,256,484	981,655	1,492,556
Total non-current assets (unrestricted)	1,430,522,004	1,517,146,971	1,584,478,848	1,701,922,649	2,021,133,628
Noncurrent assets (restricted):					
Cash and investments:	152,399,732	57,290,474	9,156,928	-	-
Total non-current assets	1,582,921,736	1,574,437,445	1,593,635,776	1,701,922,649	2,021,133,628
Total assets	1,780,751,526	1,807,154,390	1,849,965,931	2,012,473,091	2,286,374,827
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	35,567,808	38,798,297	34,649,448	37,609,165	45,286,207
Deferred outflows - OPEB	1,434,224	2,126,195	1,806,483	1,628,010	1,284,013
Total deferred outflows of resources	37,002,032	40,924,492	36,455,931	39,237,175	46,570,220

CITY OF PORTLAND, OREGON
Water Fund
Statement of Net Position (continued)
As of June 30

	2021	2022	2023	2024	2025
LIABILITIES					
Current liabilities (payable from unrestricted assets):					
Accounts payable	10,204,916	10,577,588	10,157,222	11,721,075	10,242,686
Self insurance claims	398	-	-	-	9,300
Compensated absences	5,074,187	5,918,204	5,998,292	6,909,312	9,531,180
Bonds payable	41,639,313	42,229,867	43,368,815	40,286,776	39,628,744
Notes and Loans Payable	-	-	-	-	86,467,500
Leases and subscriptions payable	-	44,592	222,421	290,873	130,916
Accrued interest payable - current	5,733,373	6,064,358	6,073,037	5,731,007	5,197,469
Unearned revenue	508,261	471,925	580,865	551,045	617,314
Pollution remediation	-	-	-	-	-
Due to component unit	-	-	-	-	-
Other liabilities - current	-	-	-	-	-
Total current liabilities (unrestricted)	63,160,448	65,306,534	66,400,652	65,490,088	151,825,109
Current liabilities (payable from restricted assets):					
Accounts payable	7,729,056	11,564,279	6,083,447	27,887,977	27,285,803
Total current liabilities (restricted)	7,729,056	11,564,279	6,083,447	27,887,977	27,285,803
Total current liabilities	70,889,504	76,870,813	72,484,099	93,378,065	179,110,912
Noncurrent liabilities:					
Compensated absences	3,880,160	2,674,248	2,680,981	2,787,001	9,714,412
Bonds payable	792,186,581	744,500,995	701,132,179	740,765,201	842,735,204
Leases and subscriptions payable	-	87,147	447,053	373,875	315,466
Accrued interest payable	20,085,873	22,083,885	20,367,045	18,918,680	17,044,593
Net pension liability - PERS	100,841,069	61,207,899	78,882,184	98,458,073	109,029,098
Other postemployment benefits	7,111,662	8,676,000	8,087,658	7,194,854	7,440,752
Pollution remediation	-	-	-	-	-
Total noncurrent liabilities	924,105,345	839,230,174	811,597,100	868,497,684	986,279,525
Total liabilities	994,994,849	916,100,987	884,081,199	961,875,749	1,165,390,437
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	2,619,537	44,209,121	23,614,859	7,946,423	8,795,503
Deferred amort for debt refunding	2,848,926	3,853,704	3,353,498	2,898,442	13,839,986
Deferred inflows _ leases	-	1,334,977	1,403,267	987,161	570,532
Deferred inflows - OPEB	976,781	1,198,298	1,376,019	1,461,263	1,238,462
Total deferred inflows of resources	6,445,244	50,596,100	29,747,643	13,293,289	24,444,483
NET POSITION					
Net investment in capital assets	754,593,239	786,409,474	846,613,525	918,738,069	1,038,488,509
Unrestricted	61,720,226	94,972,321	125,979,495	157,803,159	104,621,618
Total net position	$ 816,313,465	$ 881,381,795	$ 972,593,020	$ 1,076,541,228	$ 1,143,110,127

Source: City of Portland. Audited financial statements

CITY OF PORTLAND, OREGON
Water Fund
Statement of Cash Flows
For Fiscal Years Ended June 30

	2021	2022	2023	2024	2025
CASH FLOWS FROM OPERATING ACTIVITY					
Receipts from customers and users	$ 205,235,137	$ 228,778,120	$ 243,129,824	$ 264,427,407	$ 277,668,894
Receipts from interfund services provided	4,528,067	3,910,269	4,560,778	4,991,078	5,823,065
Payments to suppliers	(22,236,679)	(23,687,495)	(35,763,222)	(10,875,371)	(71,379,733)
Payments to employees	(48,275,088)	(55,457,948)	(59,216,501)	(65,500,415)	(69,222,046)
Payments for interfund services used	(17,764,265)	(20,480,564)	(22,371,189)	(25,167,845)	(28,688,998)
Other receipts (payments)	1,090,621	2,789	65	-	-
Net cash provided by operating activities	122,577,793	133,065,171	130,339,755	167,874,854	114,201,182
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	40,000	1,390,236	736,624	1,702,524	799,065
Transfers out	(1,652,315)	(1,266,846)	(959,059)	(1,058,565)	(1,154,671)
Internal balances	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	(1,612,315)	123,390	(222,435)	643,959	(355,606)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of bonds and notes	171,075,000	42,645,000	-	79,655,396	407,144,727
Premium on bonds and notes issued	25,018,040	6,309,567	-	-	19,036,670
Sale of capital/fixed assets	711,415	1,283,909	1,133,504	757,577	676,423
Acquisiton of capital assets	(122,460,934)	(117,277,985)	(101,705,951)	(153,339,055)	(353,642,108)
Acquisiton of regulatory assets	(720,670)	(3,065,543)	(3,606,370)	(4,308,516)	(8,221,304)
Lease payments received	-	305,877	455,699	548,633	488,446
Principal paid on bonds, notes and capital leases	(97,876,933)	(86,453,427)	(33,851,964)	(35,449,170)	(219,738,562)
Interest paid on bonds, notes and capital leases	(21,902,988)	(26,261,545)	(28,683,374)	(26,727,949)	(20,803,031)
Bond issuance costs	(1,732,611)	(390,421)	(28,800)	(38,200)	(1,024,796)
Net cash provided (used) by capital related financing activities	(47,889,681)	(182,904,568)	(166,287,256)	(138,901,284)	(176,083,535)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	220,700	(9,551,948)	2,132,476	14,866,028	13,687,849
Property for resale	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	73,296,497	(59,267,955)	(34,037,460)	44,483,557	(48,550,110)
CASH AND CASH EQUIVALENTS July 1, Prior Year	234,579,695	307,876,192	248,608,237	214,570,777	259,054,334
CASH AND CASH EQUIVALENTS June 30, Current Year	$ 307,876,192	$ 248,608,237	$ 214,570,777	$ 259,054,334	$ 210,504,224
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:					
Unrestricted cash and cash equivalents	$ 147,747,404	$ 179,753,484	$ 199,330,402	$ 231,166,357	$ 183,218,421
Restricted cash and cash equivalents	160,128,788	68,854,753	15,240,375	27,887,977	27,285,803
Total	$ 307,876,192	$ 248,608,237	$ 214,570,777	$ 259,054,334	$ 210,504,224

CITY OF PORTLAND, OREGON
Water Fund
Statement of Cash Flows (continued)
For Fiscal Years Ended June 30

	2021	2022	2023	2024	2025
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	$ 78,717,581	$ 93,771,959	$ 105,281,837	$ 103,966,640	$ 75,271,827
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization of capital assets	32,665,954	34,649,021	38,292,527	38,976,408	39,994,880
Depreciation of regulatory assets	-	37,589	132,410	152,196	169,124
Provision for uncollectible accounts	1,838,400	602,898	804,616	98,473	580,490
Nonoperating revenue	1,090,621	-	-	-	-
Change in assets and liabilities:					
Accounts and contracts receivable	(9,047,989)	1,311,906	(9,163,738)	228,253	(4,088,023)
Due from (to) other funds	-	-	-	-	(52,443)
Inventories	66,606	(509,122)	(783,467)	(297,791)	(702,195)
Prepaid expenses	(1,640)	(428,155)	343,044	76,423	(48,695)
Accounts payable	1,738,037	4,207,895	(5,901,198)	23,368,383	(2,080,566)
Self insurance claims	(50,515)	(398)	-	-	9,300
Compensated absences	2,346,988	(361,895)	86,821	1,017,040	971,056
Unearned revenue	142,433	(36,336)	108,940	(29,820)	66,270
Other assets					
Due from component unit	(14,369)	-	-	-	-
Net pension liability	22,555,249	(39,633,170)	17,674,285	19,575,889	10,571,025
Other liabilities	-	-	-	-	-
Pollution remediation	-	-	-	-	-
Other postemployment benefits	632,357	1,564,338	(588,342)	(892,804)	245,898
Deferred outflows - pensions	(7,876,902)	(3,230,489)	4,148,849	(2,959,717)	(7,677,042)
Deferred outflows - OPEB	(748,389)	(691,971)	319,712	178,473	343,997
Deferred inflows - pensions	(1,140,384)	41,589,584	(20,594,262)	(15,668,436)	849,080
Deferred inflows - OPEB	(336,245)	221,517	177,721	85,244	(222,801)
Restatement per GASB 68 implementation	-	-	-	-	-
Restatement per GASB 75 implementation	-	-	-	-	-
Net cash provided by operating activities	$ 122,577,793	$ 133,065,171	$ 130,339,755	$ 167,874,854	$ 114,201,182
<u>Noncash information</u>					
Capital contribution	$723,120	$151,282	$227,356	$0	$741,341
Capital assets transferred to/from business-type activities					
Increase in fair value of investments (classified as cash equivalents)	($2,505,232)	($11,191,186)	($1,943,776)	$7,448,689	$5,170,988
Obtained lease and subscription assets by entering into leases and subscriptions	-	$190,647	$924,963	$263,507	$86,515

Source: City of Portland. Audited financial statements

APPENDIX D
CITY OPERATING AND FINANCIAL INFORMATION

CITY OF PORTLAND, OREGON

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CITY OPERATING AND FINANCIAL INFORMATION

FISCAL YEAR

July 1 to June 30 (the "FY").

BASIS OF ACCOUNTING

Government-wide proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The City's accounting practices conform to generally accepted accounting principles ("GAAP") as interpreted by the Governmental Accounting Standards Board (the "GASB"). For additional information, please refer to the City's complete audited financial statements, available on the EMMA system for municipal securities disclosure established by the MSRB and accessible at http://emma.msrb.org.

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.

The City's financial statements from FY 2002-03 through FY 2024-25 have been audited by Moss Adams LLP, independent auditors, which merged with Baker Tilly US LLP in FY 2024-25 and now does business as "Baker Tilly." The audited financial statements of the City are public documents. The City has not requested that Baker Tilly provide consent for inclusion of its name in this Official Statement. Baker Tilly also has not performed any procedures relating to this Official Statement.

The City's FY 2024-25 audited financial statements are available on the EMMA system for municipal securities disclosure established by the MSRB and accessible at http://emma.msrb.org. Excerpts of the City's FY 2024-25 audited financial statements for the Water Fund on a GAAP basis are found in Appendix C attached hereto.

FINANCIAL REPORTING AND BUDGETING

Financial Reporting

The City reports its financial information under Governmental Funds, Proprietary (e.g. Enterprise Funds, Internal Service Funds), and Fiduciary Funds.

Governmental Funds are used to account for governmental activities. As described in the City's FY 2024-25 audited financial statements, the City maintains 47 individual budgetary funds, with four funds combined to form the General Fund for GAAP presentation and two funds combined to form the Transportation Operating Fund. Major governmental funds include the General Fund, Transportation Operating Fund, the Clean Energy Fund and the Grants Fund, as presented in the City's audited financial statements.

Proprietary Funds are classified as either enterprise funds or internal service funds, depending on the activities associated with the fund. As described in the City's FY 2024-25 audited financial statements, of the City's 17 proprietary funds, nine are enterprise funds, including the major funds of Sewage Disposal and Water.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. As described in the City's FY 2024-25 audited financial statements, the City has three Trust funds to account for pension activities and four custodial funds to account for monies belonging to other entities.

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.

Financial Policies

The City has adopted a set of Comprehensive Financial Management Policies (the "Financial Policies"), which provide the foundation for the City's financial management with the goal of ensuring the City is financially able to meet its immediate and long-term services objections. The Financial Policies guide decision-making with a focus on fiscal sustainability and financial health, capital asset reinvestment, effective internal controls to minimize risk, and accurate and timely financial reporting. The Chief Financial Officer and City Budget Director are responsible for administering the Financial Policies. The City Council has in the past and may in the future choose to waive provisions of the Financial Policies.

The Financial Policies include the following:

- **Balanced Budget**. Each City fund budget must identify ongoing resources that match expected ongoing requirements. With limited exceptions, one-time cash transfers and non-recurring ending balances may not be used to fund ongoing programs.

- **Five-Year Financial Plans Bureaus and Funds**. Most of the City's operating funds are required to prepare five-year financial plans**.** The plans are required to clearly call out anticipated changes in bureau service levels and quantify any funding gaps between projected revenues and expenses. The plans must also include strategies to address the potential funding gaps identified.

- **General Fund Reserve**. The City's General Fund reserve policy is ten percent of prior year revenues (adjusted for borrowing proceeds and grant revenues). The General Fund reserve balance as of June 30, 2025 was $74.2 million, as compared to $75.2 million as of June 30, 2024.

- **Transportation Operating Reserve**. The City's Transportation Operating Reserve is sized at ten percent of gas tax and parking revenues received by the Transportation Operating Fund.

- **Debt Management**. These policies place centralized responsibility for Debt Management in the Office of the Chief Financial Officer and establish standards and procedures for the issuance of debt. Among the general provisions in these policies are types of debt that may be issued and limitations on their use. These policies also include more restrictive limits on City debt issuance than required by State law.

A copy of the Financial Policies can be found at https://www.portland.gov/policies/finance/comprehensive-financial-management-policies. See "FINANCIAL POLICIES" above.

Budget Development Process

The City Budget Office (the "CBO") coordinates the budget development process and budget modification processes, working in conjunction with the Mayor and the City Council, the latter of which convenes as the Budget Committee. The City bureaus, which are organized into service areas, prepare and submit budget requests comprised of operating budgets, capital improvement plans, five-year financial plans as well as proposed additions, reductions, and other adjustments made through decision packages as allowed by the Council. The CBO reviews this information and prepares budget analysis for the Mayor and City Council and works with the Mayor to develop the Mayor's proposed balanced budget (the "Proposed Budget"). A five-year General Fund financial forecast is prepared by the CBO and updated at various points during each fiscal year. The financial forecast serves as the basis for determining resources available for budgeting and bureau financial planning.

Historically, the City publicly published bureau requested budgets that were reviewed by the elected Commissioners who acted as executives of the bureaus in their portfolio. With authority granted to the City Administrator under the amended City Charter, a single "budget concepts" document is now prepared for the City Council and the public to review in advance of the Mayor's Proposed Budget release. The City Administrator's report includes information about any gaps or surplus in revenues for the City's services.

By Charter, the Mayor must release the Proposed Budget by early May and present it to the City Council acting as the Budget Committee. 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 "Approved Budget").

The City Council transmits the Approved Budget to the Multnomah County 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 City Council no later than June 30. All committee meetings and budget hearings are open to the public.

The City 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.

Budget Adjustment Process

Beginning in FY 2025-26, mid-year budget changes after the budget adoption are completed through supplemental budget actions known as the "Technical Adjustment Ordinances" (the "TAO"). These formal supplemental budget processes provide City Council the opportunity to change the budget several times per year. The City Council may also revise the current year budget at any time as needed through enacting an ordinance.

Prior to the first supplemental budget action – the Fall TAO – the CBO gives the City Council and the public a summary of prior year budget to actuals and ending fund balance, which inform adjustments to the current fiscal year budget.

The Spring TAO focuses on projected spending estimates for the remainder of the fiscal year and also provides an opportunity to make budget adjustments and notify City Council of potential underspending of certain expenses which would be requested as a "carryover" of one-time resources. The final budget adjustment, known as the "Over-Expenditure Ordinance" (the "OEO") occurs during the month of June and is narrowly focused on addressing fund and program over-expenditures and interfund loans to ensure that funds do not end the fiscal year with a negative cash position.

Prior to FY 2025-26, the City adjusted its budget through a budget monitoring process (the "BMP") and the OEO. Similar to current processes, there was typically one Fall BMP and one Spring BMP with the year-end OEO to mitigate potential budgetary overruns and ensure compliance with local budget law.

See "ORGANIZATION AND STAFF OF THE PORTLAND WATER BUREAU – CITY GOVERNANCE" for more information regarding the City's organization and governance

INSURANCE

The City is exposed to various risks of loss related to theft, damage and destruction of assets, tort claims (general and fleet liability), injuries to employees, acts of terrorism, and natural disasters. The City maintains large, self-insured retention levels, with excess commercial insurance policies placed above retentions to protect the City's financial interests. This insurance program applies to workers' compensation, fleet and general liability claims and certain employees' medical coverage in internal service funds.

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 position). 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 an estimated ultimate cost of settling claims, including effects of inflation and other social and economic factors. The 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 FY 2025-26, the expected rate of return used was 3.60 percent. For FY 2026-27 and subsequent years, the expected rate of return used is 3.60 percent. The City's 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. The City purchases commercial insurance for claims in excess of coverage provided by the self-insurance fund. In recent City excess renewals, there have been no material changes in retention, coverage or conditions. An excess general liability coverage insurance policy covers individual claims in excess of $1.25 million to policy limits, auto liability claims in excess of $2.0 million, police law enforcement claims in excess of $3.0 million, 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's limits of coverage on the excess liability policy is $10.0 million per claim above the $1.25 million self-insurance retention for covered torts occurring after November 12, 2012.

The City does not have any claims reserved above the excess layer. Furthermore, current levels of accrued claims and case reserve estimates are viewed as reasonable provisions for expected future losses.

Per Oregon Revised Statute ("ORS") 30.272 limitations on liability of public bodies for personal injury to any single claimant for causes of action arising on or after July 1, 2025, and before July 1, 2026, limitations are $879,200 for single claimant and $1,758,300 for multiple claimants.

Per ORS 30.273 limitations on liability of public bodies for property damage arising on or after July 1, 2025 and before July 1, 2026, limitations are $144,200 for single claimant and $721,000 for multiple claimants.

Liabilities are reported in the applicable fund when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated for effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether any are allocated to specific claims. Estimated recoveries, from salvage or subrogation for example, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past two years are as follows, as provided in the City's audited financial statements for FY 2023-24 and FY 2024-25.

	FY 2023-24	**FY 2024-25**
Balance, beginning of fiscal year	$39,923,385	$44,089,983
Incurred claims and adjustments	96,596,142	126,528,708
Claim cash payments	(92,429,544)	(117,109,652)
Unpaid claims, end of fiscal year	$44,089,983	$53,509,039

Source: City of Portland FY 2024-25 Audited Financial Statements

CYBERSECURITY

The City, like other large public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's information technology systems to misappropriate assets or information or to cause operational disruption and damage.

To reduce and mitigate the risk of business operations impact and/or damage from cybersecurity incidents, the City has invested in multiple forms of cybersecurity and operational safeguards, including adopting the National Institute of Standards and Technology Cybersecurity Framework to support, maintain, and prioritize securing critical infrastructure and data systems, manage risk, and improve cybersecurity incident detection and remediation. Under the leadership of the City's Senior Information Security Officer, the City's Bureau of Technology Services has established a cybersecurity team which is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and which aligns with and supports the cybersecurity risk posture of the City. Additionally, all information security related standards, policies and administrative rules are reviewed annually.

As a recipient and provider of personal and confidential information, the City has been the subject of cybersecurity incidents that have resulted in, or could have resulted in, adverse consequences to the City's confidential information and technologies and that required a response action to mitigate potential consequences. Low-level distributed denial of service attacks are commonplace and are not a threat to the City. Larger internet service denial attacks continue less frequently, but since 2022 there have been no disruptions to Citywide internet services because of this type of attack. The City leverages multiple defense capabilities to protect against such attacks which greatly reduces the likelihood of a successful attack. With the adoption of multi-factor authentication ("MFA") in January 2019, Endpoint Detection and Response ("EDR") in April 2023, and Data Security Program Management ("DSPM") in May 2023, the City has substantially reduced the potential for compromise of City confidential information. The City also engages in proactive testing and validation of network security, and Citywide cyber controls, policies, service resiliency, and vulnerabilities.

The City's cybersecurity and operational safeguards are periodically internally and externally tested and assessed by external auditors; however the City cannot assure that these measures will prevent all potential cybersecurity attacks and accompanying disruptions and costs. To offset some of the potential financial costs and risks associated with a cybersecurity breach, the City's Risk Management Division maintains a cyber-liability insurance policy. The policy provides coverage for privacy liability, data breaches, network security liability and internet media liability to the extent the City is liable. Certain business expenses related to cybersecurity incidents are covered, such as business interruption expenses and costs to recover, restore or replace lost data. The policy provides limited coverage for "social engineering losses", such as losses resulting from bad actors manipulating employees into performing actions such as wiring finances to banks. Additional limited social engineering coverage is provided separately under the City's Crime Policy.

The City experienced a limited cybersecurity breach of a City email account in April 2022, which ultimately resulted in a loss to the City of $1.447 million. As a result of the breach, the City activated a cyber-incident response team to investigate the breach and notified the Federal Bureau of Investigation, the U.S. Secret Service, and the Portland Police Bureau. The City's Bureau of Technology Services investigated the cause of the breach to address the risk of future incidents and has strengthened Citywide employee cyber threat training, financial controls and payment procedures. The addition of EDR and DSPM in 2023 further strengthened the City's cyber defenses against persistent threats.

On January 4, 2025 the City experienced a limited cybersecurity compromise of the City's remote access appliance that provides teleworkers with access to City technology resources. The Virtual Private Network ("VPN") appliance was compromised by nation-state cyber threat actors through a vulnerability that has been remediated. The VPN appliance was taken offline and patched. Remote access service disruption was minimal across City essential services and a limited number of remote staff were required to work on-site for one day. There has been no further evidence of compromise. The compromise of the appliance did not extend to any City technology resources or City information.

On March 3, 2025, the City experienced an accounts payable related social engineering compromise where approximately $6.7 million was fraudulently redirected to a New York bank. Quick responses from the City, the Federal Bureau of Investigation and banks involved froze the funds and began legal proceedings to retrieve them. As of June 30, 2025, the frozen funds were recorded as an account receivable of the City's General Fund until the funds returned. In August 2025, the U.S. Department of Justice returned the frozen funds to the City. A six-bureau incident response and recovery team has modified City vendor verification, invoice payment workflow processes, procedures and policies. Additionally, finance related education, awareness, and training enhancements have been established and are ongoing.

LABOR RELATIONS

The City employs approximately 6,892 full-time equivalent personnel and 2,236 part-time personnel. Of these, approximately 5,616 full-time equivalent personnel and 1,202 part-time personnel are represented by collective bargaining units as shown in the table below.

As part of its obligations under Oregon public-sector labor law, the City negotiates successor collective bargaining agreements with its represented employee bargaining units as their current agreements approach expiration. Under the State's Public Employee Collective Bargaining Act, represented employees may engage in a work stoppage as part of the labor dispute-resolution process. Given this possibility, the City, including the Water Bureau, conducts contingency planning to support continuity of operations and ensure the continued delivery of essential services during any potential work stoppage.

Table D-1
CITY OF PORTLAND, OREGON
Bargaining Units and Contract Status

Collective Bargaining Unit	Number of City Employees[(1)]	Contracts & MOUs Expire
District Council of Trade Unions (DCTU)	202	12/31/2027
Portland Police Association[(2)]	800	06/30/2026
Professional and Technical Employees Local 17[(3)]	940 (16 part time)	12/31/2025
Portland Fire Fighters Association (PFFA)	673	06/30/2027
Portland Fire Fighters Association – Community Health Medics (CHM)[(4)]	35	06/30/2027
Laborers' International Union of North America Local 483 - Portland City Laborers	692 (2 part time)	06/30/2026
Laborers' International Union of North America Local 483 - Parks and Recreation	202 (1162 part time)	09/30/2026
Laborers' International Union of North America Local 483 – Seasonal Maintenance	97	06/30/2026
Bureau of Emergency Communications - BOEC PPA	122 (3 part time)	06/30/2027
Bureau of Emergency Communications, Supervisors - BOEC-ECS-PPA	14	06/30/2027
Auditor's Office – AFSCME Local 189-6	27 (2 part time)	06/30/2025
Independent Police Review – AFSCME Local 189-5	11	06/30/2028
Portland Police Commanding Officers Association (PPCOA)	23	06/30/2027
City of Portland Professional Workers (CPPW)[(5)]	774 (12 part time)	12/31/2027
American Federation of State, County, and Municipal Employees	1003 (5 part time)	12/31/2027

(1) Number of employees refers to number of occupied full-time equivalent positions. All part time numbers are in addition to the main count of City employees.
(2) Successor bargaining for the PPA CBA began on January 12, 2026.
(3) The PROTEC17 successor negotiations are underway in interest-based bargaining.
(4) CHM is a separate unit with its own CBA represented by PFFA. Their initial CBA was ratified in 2023, but they were not previously distinguished from the sworn CBA in this report. Successor negotiations are underway and are expected to enter mediation at the end of August.
(5) CPPW is in reopener negotiation over wages, layoff and recall, standby and callback, and hours of work. The parties mutually agreed to enter mediation, with the first date set for the end of August 2026.

Source: City of Portland

PENSION PLANS

The City provides pension benefits to its employees under the pooled State of Oregon Public Employees Retirement System ("PERS" or "the Statewide PERS System") or the City's Fire and Police Disability, Retirement and Death Benefit Plan ("FPDR Plan").

As of June 30, 2025, approximately 6,000 City "general service" employees receive benefits as participants in one of three programs currently available through PERS, depending on the date they were hired. Pension benefits are pre-funded through employer and participating employees' contributions over their working careers. Employer contribution rates are calculated as a percentage of covered payroll. General service employees are required to contribute six percent of their annual salaries, but the City has elected to make those contributions on behalf of these employees.

Police and fire employees receive pension benefits either through the FPDR Plan or, as discussed below, the State of Oregon PERS. As of June 30, 2025, 487 active sworn employees of the Fire and Police Bureaus were covered by the FPDR Plan for future pension benefits and 917 were covered through PERS for future pension benefits.

Pensions for sworn fire and police personnel hired prior to January 1, 2007, are provided through the FPDR Plan. Pension benefits of the FPDR Plan are funded on a pay-as-you-go basis. Each year's benefits and expenses are paid from contributions derived almost entirely from the dedicated FPDR property tax levy assessed each year; the FPDR property tax levy is separate from the City's "permanent rate" tax levy for general City operations. No material amount of assets are accumulated to fund benefit payments in future years. Because of the FPDR plan's pay-as-you-go funding basis, the City's net pension liability does not reflect the value of dedicated future revenues from the dedicated property tax levy. See "Oregon Public Employees Retirement System – Fire and Police Disability, Retirement and Death Benefit Plan – Funding" and "—Retirement Plan Asset Valuation and Liabilities" below.

Sworn members of the Fire and Police Bureaus hired after 2006 are enrolled in the prefunded Oregon Public Service Retirement Plan ("OPSRP"), one of the three programs offered through PERS. For these police and fire employees, the employee contribution is currently nine percent, which is currently paid by the City. The employee and employer contributions to OPSRP are paid from a dedicated property tax levy. See "—Oregon Public Employees Retirement System – Benefit Programs" and "—Fire and Police Disability, Retirement and Death Benefit Plan – Funding" below.

The following sections provide additional information about the Oregon Public Employees Retirement System and the FPDR Plan.

Oregon Public Employees Retirement System

Overview. The Oregon Public Employees Retirement System ("PERS" or "the Statewide PERS System") provides statewide defined benefit retirement plans for units of State of Oregon (the "State") government, political subdivisions, community colleges, and school districts. Most public employers in Oregon, including the City, participate in PERS. PERS is administered by the Public Employees Retirement Board (the "PERS Board") under ORS Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The PERS Board is responsible for setting policies and for providing administrative direction to PERS. Benefits provided through PERS are paid from the Oregon Public Employees' Retirement Fund ("OPERF"). PERS is a cost-sharing, multiple-employer public employee retirement system.

City employees (other than certain fire and police personnel), after six months of employment, participate in one of three retirement pension benefit programs provided through PERS as described below. The three PERS pension programs include two closed defined benefit programs and one program that has features of both defined benefit and defined contribution plans. In a defined benefit plan, the investment risk for the plan assets is borne by the employer. In a defined contribution plan, the investment risk for the plan assets is borne by the employee. A combination of participating employer contributions (determined by the PERS Board based upon the results of actuarial valuations), investment earnings and employee-paid contributions (currently, for the City, six percent of salaries and nine percent of salaries for police and fire employees participating in OPSRP) fund these pension programs. See "—Employer Contribution Rates and Amounts" and "—Fire and Police Disability, Retirement and Death Benefit Plan" below.

Benefit Programs. Employees hired before January 1, 1996, are known as "Tier 1" participants. The retirement benefits applicable to Tier 1 participants are based on a defined benefit model. Tier 1 has a normal retirement age of 58 and an assumed earnings rate guarantee of 6.90 percent. PERS maintains a "Tier One Rate Guarantee Reserve" which is credited with investment earnings in excess of the assumed earnings rate guarantee and used to offset the effects of investment earnings below the assumed earnings rate guarantee. As of June 30, 2025, the balance of this reserve was $741.1 million. As of June 30, 2025, there were 6,496 active plan members, 126,515 retired plan members or their beneficiaries currently receiving benefits, and 6,104 inactive plan members entitled to but not yet receiving benefits, for a total of 139,115 Tier One members in the Statewide PERS System.

Employees hired on or after January 1, 1996, and before August 29, 2003, are known as "Tier 2" participants. The Tier 2 program also provides a defined benefit but with lower expected costs to employers than under the Tier 1 benefit. There is no assumed earnings rate guarantee and Tier 2 has a higher normal retirement age of 60. As of June 30, 2025, there were 21,797 active plan members, 26,029 retired plan members or their beneficiaries currently receiving benefits, and 11,726 inactive plan members entitled to but not yet receiving benefits, for a total of 59,552 Tier 2 members in the Statewide PERS System.

Employees hired on or after August 29, 2003, are participants in a successor retirement program to the Tier 1 and Tier 2 retirement programs (the "T1/T2 Pension Programs") known as the Oregon Public Service Retirement Plan ("OPSRP"). OPSRP consists of a defined benefit plan and also offers the Individual Account Program ("IAP"), which offers a defined contribution benefit. As of June 30, 2025, there were 169,965 active plan members, 16,108 retired plan members or their beneficiaries currently receiving benefits, 11,738 inactive plan members entitled to but not yet receiving benefits, and

25,456 inactive plan members not eligible for refund or retirement, for a total of 223,267 OPSRP Pension Program members.

Effective January 1, 2004, all active Tier 1 and Tier 2 employees also became members of the IAP. Tier 1 and Tier 2 employees retain their existing T1/T2 Pension Program account, but member contributions are now deposited into the member's IAP account, not into the member's PERS account. Pursuant to Senate Bill 1049 adopted in the 2019 Legislative Session and effective July 1, 2020, a portion of the contributions previously made to the IAP is now redirected to an "Employee Pension Stability Account" ("EPSA") for certain PERS employees. If an employee's gross pay in a month exceeds a monthly salary threshold, a portion of the employee's 6.0 percent IAP contribution is redirected to the EPSA. The amount of the redirected contribution is 2.5 percent of the 6.0 percent for T1/T2 Programs and 0.75 percent for OPSRP and used to offset the employer contribution rate. This redirected contribution started on July 1, 2020, and is in effect whenever the PERS system is less than 90 percent funded including employer side accounts. As of June 30, 2025, the balance in the T1/T2 EPSA was $405.5 million and the balance in the OPSRP EPSA was $432.9 million. As of December 31, 2024, the funded ratio of the PERS system was 73.1 percent, excluding employer side accounts, and 77.2 percent, including employer side accounts. (See Table D-5.)

Apportionment of City Assets and Liabilities. The City is pooled with the State 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 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.

Employer Asset Valuation and Liabilities. Oregon statutes require an actuarial valuation of the Statewide PERS System by a competent actuary at least once every two years. The current PERS actuary is Milliman, Inc. ("Milliman"). Under current practice, actuarial valuations are performed annually, but only valuations as of the end of each odd-numbered year are used to determine annual required employer 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"). For a description of RHIA, see "—OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB")" below. Valuations are released approximately one year after the valuation date.

An employer's unfunded actuarial liability ("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 following table shows certain methods and assumptions adopted by the PERS Board, which are the basis for the actuarial valuations.

Table D-2
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Actuarial Assumptions and Methods

ASSUMPTION/METHOD	2023 & 2024 VALUATIONS(1)
Actuarial Cost Method:	Entry Age Normal
UAL Method: T1/T2 Programs OPSRP	 Level Percentage of Payroll over 20 years (fixed) Level Percentage of Payroll over 16 years (fixed)
Asset Valuation Method:	Market Value(2)
Investment Rate of Return:	6.90%
Payroll Growth Rate:	3.40%(3)
Inflation Level:	2.40%
Contribution Rate Stabilization Method:	Contribution rate may increase by 3% of payroll for the T1/T2 UAL rate and 1% of payroll for OPSRP rate. UAL rate not allowed to decrease until the SLGRP's funded percentage excluding side accounts is over 87% and a full collar width decrease is not allowed until funded status reaches at least 90%.

(1) Assumptions and methods adopted by the PERS Board on September 29, 2023 that apply to actuarial valuations as of December 31, 2022 and as of December 31, 2023; and assumptions and methods adopted by the PERS Board on September 26, 2025 that apply to actuarial valuations as of December 31, 2024 and as of December 31, 2025.
(2) Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).
(3) For the 2023 System Valuation and the 2024 System Valuation, payrolls for the 2024 and 2025 calendar years are assumed to grow at an additional two percent above the 3.40 percent base assumption.
Source: Oregon Public Employees Retirement System

Milliman released its valuation for the Statewide PERS System as of December 31, 2023 (the "2023 System Valuation") on September 19, 2024 and its valuation for the Statewide PERS System as of December 31, 2024 (advisory-only) on December 15, 2025 (the "2024 System Valuation"). These reports include system-wide actuarial valuations for the T1/T2 Pension Programs and OPSRP. At the PERS Board meeting on July 24, 2026, Milliman presented a summary of the valuation results for the System as of December 31, 2025 (the "2025 System Valuation Summary"). The valuation for the Statewide PERS System as of December 31, 2025 is expected to be released late in calendar year 2026.

Milliman released the City's individual 2023 valuation as of December 31, 2023 (the "2023 City Valuation") in October 2024, and the City's individual 2024 valuation as of December 31, 2024 (the "2024 City Valuation") in December 2025. These valuation reports provide the City's portion of (a) the SLGRP based on the City's proportionate share of the total SLGRP covered payroll as of the valuation date, (b) OPSRP based on the City's proportionate share of total OPSRP covered payroll as of the valuation date, and (c) the RHIA based on the City's proportionate share of the total RHIA covered payroll as of the valuation date. The City's individual 2025 valuation as of December 31, 2025 is expected to be released late in calendar year 2026.

The tables below provide historical summary valuation information for the Statewide PERS System (Table D-3) and for the City (Table D-4). These tables do not include valuation information regarding the FPDR Plan. See "—Fire and Police Disability and Retirement Plan" below for information regarding the FPDR Plan.

Table D-3
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Summary of Statewide PERS System Funding Levels
($ in Millions)(1)

STATEWIDE PERS SYSTEM

Calendar Year	Actuarial Value of Assets(2)	Actuarial Liability	Unfunded Actuarial Liability	Funded Ratio (%)
2015	54,365.8	76,196.6	21,830.8	71.3
2016	55,670.2	80,970.3	25,300.1	68.8
2017	61,764.9	84,056.1	22,291.2	73.5
2018	59,593.0	86,574.7	26,981.7	68.8
2019	64,842.2	89,445.7	24,603.5	72.5
2020	67,256.6	95,300.4	28,043.8	70.6
2021	78,363.2	98,401.4	20,038.2	79.6
2022	74,875.9	102,908.8	28,032.9	72.8
2023	77,002.7	106,384.0	29,381.3	72.4
2024	79,516.0	108,703.0	29,187.0	73.1

(1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA.
(2) Does not take into account offsets for deposits made by individual employers from bond proceeds or cash on hand in side accounts

Source: Oregon Public Employees Retirement System

The 2025 System Valuation Summary indicated that the System-wide funded status, without taking into account side accounts, increased to 76 percent as of December 31, 2025. The System-wide UAL decreased to $26.6 billion as of December 31, 2025.

Table D-4
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Summary of City Funding Levels
($ in Millions)(1)

Calendar Year	Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability	Funded Ratio (%)
2015	1,820.6	2,335.5	514.9	78.0
2016	1,891.4	2,540.2	648.8	74.4
2017	2,171.1	2,776.3	605.2	78.2
2018	2,202.1	3,048.8	846.7	72.2
2019	2,468.6	3,286.6	818.0	75.1
2020	2,528.2	3,498.6	970.4	72.3
2021	2,856.5	3,529.3	672.8	80.9
2022	2,848.4	3,884.8	1,036.4	73.3
2023	3,096.7	4,285.9	1,189.2	72.3
2024	3,182.1	4,393.1	1,211.0	72.4

(1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA. City information is calculated separately for the SLGRP and OPSRP using the City's payroll as a percentage of combined payroll of the respective rate pools. SLGRP values include pre-SLGRP and transition liabilities/surpluses created when the City joined the prior local government rate pool and the SLGRP.

Source: Oregon Public Employees Retirement System

The following table presents a history of the City's member payroll, unfunded actuarial liability and ratio of unfunded actuarial liability to payroll.

Table D-5
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
City Payroll for PERS Members and Unfunded Actuarial Liability[(1)]

Calendar Year	Payroll	Unfunded Actuarial Liability	Unfunded Liability to Payroll Ratio (%)
2015	350,158,915	514,861,639	147
2016	362,850,562	648,861,639	179
2017	384,409,335	605,231,941	157
2018	434,168,788	846,761,641	195
2019	477,067,656	817,975,831	171
2020	495,959,286	970,377,914	196
2021	501,889,711	672,747,575	134
2022	567,147,507	1,036,426,519	183
2023	668,585,456	1,189,234,393	178
2024	729,476,451	1,211,033,548	166

(1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA. City information is calculated separately for the SLGRP and OPSRP using the City's payroll as a percentage of combined payroll of the respective rate pools. SLGRP values include pre-SLGRP and transition liabilities/surpluses created when the City joined the prior local government rate pool and the SLGRP.

Source: Oregon Public Employees Retirement System

The funded status of the pension programs may change depending on the market performance of the securities that the OPERF is invested in, future changes in compensation and benefits of covered employees, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS. Additionally, the market value of the investments held in the OPERF is determined using various sources.

State Investment Policy. The Oregon State Treasury is the investment officer for the State. Investment standards are established in ORS 293.726 and generally require funds to be managed as a prudent investor would do. The Oregon Investment Council ("OIC") establishes policies for the investment and reinvestment of moneys in PERS investment funds. Policies are established based on the primary investment asset class of each investment manager. The OIC has approved the following asset classes for the OPERF: Short-Term Investing, Fixed Income, Real Estate, Public and Private Equities, Real Assets, and Diversifying Strategies. In addition, OPERF invests in the Opportunity Portfolio, which may be populated with investment approaches across a wide range of investment opportunities with no limitation as to asset classes or strategies. The OIC's target investment portfolio mix for the OPERF at market value is 27.5 percent public equity, 20.0 percent private equity, 25.0 percent fixed income, 12.5 percent real estate, 7.5 percent real assets, and 7.5 percent diversifying strategies.

The following table presents a 10-year history of investment returns for the OPERF.

Table D-6
OREGON PUBLIC EMPLOYEES RETIREMENT FUND
Oregon PERS Investment Returns[(1)]

Fiscal Year Ending June 30	Net Returns (%)
2016	1.2
2017	11.9
2018	9.4
2019	6.5
2020	0.5
2021	25.5
2022	6.3
2023	3.2
2024	6.0
2025	7.5

(1) Total fund performance, excluding variable account.
Source: Oregon Public Employees Retirement Fund System Annual Comprehensive Financial Report for FYs 2015-16 through 2024-25

The following table presents annualized investment returns over the most recent 1-year, 3-year and 5-year periods. Calculations were prepared using a time-weighted rate of return based on market rates in accordance with the Global Investment Performance Standards performance presentation standards.

Table D-7
OREGON PUBLIC EMPLOYEES RETIREMENT FUND
Annualized Investment Results[(1)]

	Annualized		
Periods Ending June 30, 2025	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	7.5%	5.5%	9.4%

(1) Total fund performance, regular account. Excludes variable account.
Source: Oregon Public Employees Retirement Fund System Annual Comprehensive Financial Report for FY 2024-25

Employer Contribution Rates and Amounts. At the end of each odd-numbered year, actuarial valuations determine the employer contribution rates that are officially set by the PERS Board. Pursuant to ORS 238.225, all employers participating in PERS are required to make their contribution to PERS based on the employer contribution rates set by the PERS Board.

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. 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 employer contribution rates were derived using a rate stabilization methodology (the "Rate Collar") designed to limit increases (or decreases) and reduce large fluctuations in employer contribution rates. Such rate increases are shifted to future biennia. See Table 8 for a summary of the Rate Collar in effect. Because of the Rate Collar, the PERS Board-approved employer contribution rates for some employers may be less than the actuarially required contribution ("ARC").

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 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 table below shows the City's employer contribution rates for the 2023-25 biennium that ended on June 30, 2025, the City's current employer contribution rates for the 2025-27 biennium as reported in the 2023 City Valuation, and the City's advisory-only projected employer contribution rates for the 2027-29 biennium as reported in the 2024 City Valuation. The City's employer contribution rates for the 2027-29 biennium will be set in the City's individual valuation as of December 31, 2025, which is expected to be released late in calendar year 2026. The rates reported in the table do not include the six percent and nine percent employee contribution rates for contributions to the IAP and the EPSA paid by the City.

Table D-8
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Employer Contribution Rates for the City
Percentage of Covered Payroll(1)(2)

Payrolls Paid	Past Rates 2023-2025	Current Rates 2025-2027	Projected Rates 2027-2029 (Advisory-Only)
T1/T2	23.60%	26.69%	26.38%
OPSRP General Services	20.12	23.79	23.71
OPSRP Police and Fire	24.91	29.06	29.10

(1) Includes contribution rates to fund RHIA. See "—OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB") – PERS Program." As of June 30, 2025, one percent of the City's covered payroll for the three pension benefit programs was approximately: $1,055,100 for T1/T2 Pension Programs; $4,693,097 for OPSRP general services; and $1,381,588 for OPSRP police and fire.
(2) Includes adjustments for pre-SLGRP liabilities.
Source: City of Portland, Oregon Public Employees Retirement System

The City's internal contribution rates may increase or decrease due to a variety of factors, including the investment performance of the OPERF, the use of pension-related reserves, further changes to system valuation methodology and assumptions and decisions by the PERS Board, and changes in benefits resulting from legislative modifications. The City cannot predict whether any legislation or related actions will attempt to further modify the PERS System or whether such attempts would withstand legal challenge.

The City's internal financial plan has been updated to incorporate higher growth assumptions for PERS employer rates. For the current biennium (FYs 2025-26 and 2026-27), the financial plan assumes rates as described in the 2023 City

Valuation. For the next biennium (FYs 2027-28 and 2028-29), the internal financial plan assumes the advisory rates for both T1/T2 and OPSRP as shown in Table D-8 above.

City Funding Policy. In August 2014, the City Council approved a policy regarding funding of its PERS pension liability. The policy requires the City to make contributions at no less than the contribution rate established by the PERS Board and required by ORS 238.225. The City has always funded its full employer contribution as required by ORS 238.225. See "— Employer Contribution Rates and Amounts" above.

Pension Obligation Bonds. In addition to their PERS contribution, City bureaus in existence as of November 10, 1999, (the issue date of the Pension Obligation Bonds (defined herein)) are required to make a contribution to pay debt service on outstanding Limited Tax Pension Obligation Revenue Bonds (the "Pension Obligation Bonds"), which were issued to fund the City's share of the unfunded actuarial liabilities of PERS as of December 31, 1997. The Pension Obligation Bonds were issued in three series: one series of fixed rate bonds in an amount of $150,848,346 and two series of auction rate securities in an aggregate amount of $150,000,000. The final maturity of the Pension Obligation Bonds is June 1, 2029 and the Pension Obligation Bonds are outstanding in the amount of $21.4 million (excluding deferred interest) as of June 30, 2025. Proceeds of the Pension Obligation Bonds were deposited with PERS. Table 15 below shows the debt service paid by the City on its Pension Obligation Bonds.

Total City Pension Contribution. The following table shows the amount of City contributions paid to PERS for the three pension programs including amounts paid by the City for the employee contribution. Contributions include the payments from the Fire and Police Disability, Retirement and Death Benefit Plan for pensions of police and firefighters participating in the T1/T2 Pension Programs and OPSRP. Fire and Police Disability, Retirement and Death Benefit Plan contributions are funded from a dedicated Citywide property tax levy (the "FPDR levy"). See "—PENSION PLANS – Oregon Public Employees Retirement System – Fire and Police Disability, Retirement and Death Benefit Plan" below. In FY 2024-25, approximately 76 percent of the total cash contribution was for the employer share and 24 percent was for the employee share. The City made its required contribution for its pension obligation in all years. See "—Employer Contribution Rates and Amounts" above. See "— Employer Contribution Rates and Amounts" above.

Table D-9
CITY OF PORTLAND, OREGON
City Contribution Related to PERS

Fiscal Year Ending June 30	City's Required Cash Contribution to PERS(1)	Debt Service on Pension Obligation Bonds	Total Cash Contribution for Pension Costs
2016	$55,530,023	$25,350,317	$80,880,340
2017	58,637,409	27,853,142	86,490,551
2018	76,185,383	30,540,190	106,725,574
2019	86,437,805	33,027,629	119,465,434
2020	113,491,659	35,237,088	148,728,747
2021	109,135,626	36,645,814	145,781,440
2022	132,595,359	38,115,384	170,710,743
2023	142,355,307	39,640,000	181,995,307
2024	185,532,144	41,225,000	226,757,144
2025	194,688,419	42,875,000	237,563,419

(1) Includes City's statutorily required employer contribution for T1/T2 and OPSRP pension program and its pension contribution on behalf of employees. Includes contributions from the FPDR levy and other non-General Fund bureaus such as the Water Bureau and BES. Cash contribution to PERS excludes amount paid by Prosper Portland, the City's economic development agency. Beginning in FY 2021-22, includes amounts from IAP redirected to EPSA.

Source: Oregon Public Employees Retirement System and City of Portland; Oregon

Fire and Police Disability, Retirement and Death Benefit Plan

Overview. The following discussion pertains to the City's Fire and Police Disability, Retirement and Death Benefit Plan (the "FPDR Plan"). The FPDR Plan was established in 1942 to provide disability, retirement and death benefits for sworn members of the City's Bureaus of Fire and Police and their survivors. The FPDR Plan is governed by a Board of Trustees (the "FPDR Board"), composed of the Mayor or Mayor's designee, two active members of the Fire and Police Bureaus and two citizens appointed by the Mayor and confirmed by the City Council. The Fire and Police member trustees are elected by the active members of the Fire Bureau and Police Bureau, respectively. The citizen trustees must have relevant experience in pension or disability matters. The FPDR Plan is administered by the Bureau of Fire and Police Disability and Retirement, led by the Fund Administrator.

The FPDR Plan's authority for vesting and benefit provisions is provided by Chapter 5 of the City Charter. Most amendments require majority approval of the voters in the City. Ten revisions have been passed by the voters since the creation of the plan. The most recent voter revision, comprised of eleven different plan amendments, was passed November 6, 2012. City Council may provide by ordinance any additional benefits that the City is required by law to extend to the members and may also change benefits by ordinance to maintain the FPDR Plan's tax-qualified status. The most recent amendments by the City Council occurred in 2020.

Benefit Programs. The FPDR Plan consists of three tiers, two of which are now closed to new employees. The retirement plans for FPDR One, the original plan, and FPDR Two, a second plan created in 1990, are single-employer, defined-benefit plans administered by the FPDR Board. In addition to retirement benefits for FPDR One and FPDR Two members, the FPDR Plan provides service-connected, nonservice-connected, and occupational disability benefits for FPDR One, FPDR Two and FPDR Three members. FPDR Plan members do not participate in Social Security and do not receive Social Security benefits for their years of service.

FPDR One. Sworn members of the Police and Fire Bureaus subject to the FPDR Plan as constituted prior to July 1, 1990, are included in the FPDR One tier. All FPDR One members are now retired. Under FPDR One, retirement benefits are provided upon termination of employment on or after attaining age 50 (with 25 or more years of service) or 55 (with 20 years or more of service). Retirement benefits are paid to members at two percent of current top-step pay for a police officer or firefighter for each year of service (up to 60 percent); therefore, FPDR One members receive post-retirement benefit increases equal to increases in current top-step police officer or firefighter pay.

FPDR Two. Sworn members of the Police and Fire Bureaus subject to the FPDR Plan as constituted after June 30, 1990, and first sworn before January 1, 2007, are included in the FPDR Two tier. Under FPDR Two, retirement benefits are provided upon termination of employment on or after attaining age 55, or on or after attaining age 50 if the member has 25 or more years of service. Members become 100 percent vested after five years of service. Benefits are paid using a formula tied to years of service and the highest one-year base pay the member received during the final three years of employment. The FPDR Board has the authority to grant post-retirement benefit increases to FPDR Two members, so long as the increases do not exceed increases awarded to sworn retirees of PERS. Members enrolled in the FPDR Plan and still working 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 (i.e. FPDR One described above) or become subject to the new FPDR Two provisions after June 30, 1990.

FPDR Three. Sworn members of the Police and Fire Bureaus hired on or after January 1, 2007, are included in the FPDR Three tier; those sworn on or after January 1, 2013, become FPDR Three members after six months of service. These participants are part of the Oregon Public Service Retirement Plan (the "OPSRP") for retirement benefits and are under the FPDR Plan for disability and pre-retirement death benefits, offset by any benefits received on account of disability or death under OPSRP. Retirement benefits for these participants are pre-funded, and the FPDR levy pays the employee and employer portions of the OPSRP contribution. For information regarding OPSRP and the employee and employer contribution rates for OPSRP, see "Oregon Public Employees Retirement System," above.

Funding. The FPDR levy is a special property tax levy which cannot exceed two and eight-tenth mills on each dollar of valuation of property ($2.80 per $1,000 of Real Market Value) that is not exempt from such levy. The FPDR levy has been sufficient in all years to meet required annual benefit payments. In the event that collections from this special property tax levy are less than the amount required for payment of benefits in any particular year, the Fire and Police Disability and Retirement Fund (the "FPDR Fund") could receive advances from the Fire and Police Disability and Retirement Reserve

Fund first and then from other legally available City funds to make up the difference. 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, other legally available City funds.

Although the City Charter provides the FPDR Plan with dedicated property tax levy authority, the Oregon state constitution caps each property's general government taxes at $10 per $1,000 of Real Market Value. After reaching this point, all levies (with the exception of general obligation bond levies), including the FPDR levy, are subject to compression under the State Constitution ("Tax Rate Compression") to fit within the $10 limit. For this reason, it is unlikely that FPDR could collect the full $2.80 per $1,000 of Real Market Value on each property. In FY 2025-26, the tax loss due to Tax Rate Compression was approximately $13.4 million, or 5.3 percent of the FPDR levy.

Retirement Plan Asset Valuation and Liabilities. The table below shows key assumptions for the most recent valuation of the FPDR Plan. Mortality and other assumptions are regularly reviewed and updated as needed. The discount rate is equal to the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index each year, in accordance with the requirement of Governmental Accounting Standards Board Statement No. 67 ("GASB 67") that plans use a risk-free discount rate for the portion of the plan's liability that is not prefunded.

Table D-10
CITY OF PORTLAND, OREGON
FPDR Plan -- Actuarial Assumptions and Methods
For the June 30, 2022, Valuation

Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	Fair Market Value
Funding Policy	Pay-As-You-Go
Discount Rate	3.93%
Payroll Growth Rate	3.25%

Source: Milliman Inc., City of Portland Fire & Police Disability & Retirement (FPDR) Fund, Pension Actuarial Valuation Report as of June 30, 2024, dated January 28, 2025

As distinguished from the pension plan for FPDR Three members, assets generally are not accumulated in the current year to pay for benefit payments in future years for the FPDR Plan. The table below shows funding levels for the FPDR Plan over the past ten fiscal years. In accordance with the City Charter, there are no requirements to fund the FPDR Plan using actuarial techniques. The FPDR Plan is funded on a pay-as-you-go basis. Each year's benefits and expenses are paid for with employer contributions derived from dedicated property tax revenue received during that year. Because of the FPDR Plan's pay-as-you-go funding basis, the unfunded actuarial accrued pension liability and net pension liability, do not reflect the value of dedicated future revenues from the FPDR property tax levy. See "—FPDR Fund and Levy Adequacy" below. As reflected in the City's Annual Comprehensive Financial Report ("ACFR") for FY 2024-25, and required by GASB 68, the net pension liability for the FPDR Plan is a primary factor in the City's unrestricted net position deficit for governmental activities for FY 2024-25. See table entitled "Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)" on page 394 of the City's ACFR for FY 2024-25.

Table D-11
CITY OF PORTLAND, OREGON
FPDR Plan --Summary of Funding Levels[1]

Fiscal Year Ending June 30	Plan Net Position, Ending	Total Pension Liability	Net Pension Liability[2]	Net Position as Percent of Total Liability[2]
2016	$17,425,353	$3,391,461,315	$3,374,035,962	0.51%
2017	14,150,087	3,367,105,729	3,352,955,642	0.42
2018	17,790,774	3,295,142,974	3,277,352,200	0.54
2019	20,001,298	3,568,635,904	3,548,634,606	0.56
2020	18,638,401	4,407,176,740	4,388,538,339	0.42
2021	13,291,727	4,553,280,004	4,539,988,277	0.29
2022	27,684,605	3,772,502,576	3,744,817,971	0.73
2023	24,268,665	3,855,620,427	3,831,351,762	0.63
2024	17,917,971[3]	3,759,225,733	3,741,307,762	0.48
2025	27,686,552	3,363,287,824	3,335,601,272	0.82

(1) Does not include value of future dedicated FPDR property tax collections, which under U.S. Generally Accepted Accounting Standards are not included in the Plan Net Position.
(2) Amounts are calculated by rolling forward prior actuarial valuations. See Table 18 below for a summary of the June 30, 2022 and June 30, 2024 valuations. The 2024 amounts reported above are roll forwards of June 30, 2022 valuation results.
(3) Ending net position restated as of July 1, 2024 to $18,645,344 per requirements of GASB 101.
Source: City of Portland audited financial statements

Overall, the net FPDR Plan pension liability increased by $52.7 million between June 30, 2022, and June 30, 2024, to $3.9 billion, as shown in Table D-12 below. Note that these valuations differ from results shown in Table D-11 above because they are based on actual results prepared by Milliman and are not roll-forward amounts of prior valuations.

Table D-12
CITY OF PORTLAND, OREGON
FPDR Plan--Summary of Most Recent Actuarial Valuations

Fiscal Year Ending June 30	Plan Assets	Total Pension Liability	Net Pension Liability
2022	$27,684,607	$3,864,950,099	$3,837,265,492
2024	17,917,971	3,907,867,099	3,889,949,128

Source: Milliman Inc., City of Portland Fire & Police Disability & Retirement (FPDR) Fund, Pension Actuarial Valuation Report as of June 30, 2024, dated January 28, 2025

The primary reasons for the increase in the plan's pension liability from June 30, 2022, to June 30, 2024 are wage growth for the active population in excess of previous expectations, and an assumption change for retiree cost-of-living adjustments (COLAs). The June 30, 2022, valuation assumed that FPDR Two retirees and their survivors would receive an annual COLA rate individually blended to equal 2.00 percent for service credit before October 8, 2013 and 1.75 percent for service credit after that date. The June 30, 2024 valuation assumes that all FPDR Two retirees and their survivors will receive a 2.00 percent annual COLA (as has been the case since 2021). Together, greater active participant salary growth and higher anticipated retiree COLAs raised the plan's pension liability by $128.0 million. Actuarially expected increase from the lapse of two years, longer participant lives, and several other minor sources grew the liability by another $123.9 million, for a total increase of $251.9 million. However, $209.0 million of this increase was offset by a rise in the discount rate (the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index each year). The rate climbed from 3.54 percent on June 30, 2022, to 3.93 percent on June 30, 2024.

Mortality assumptions are routinely updated to reflect the experience of the larger and more statistically valid Oregon PERS sworn population. The June 30, 2024, valuation also reflects a variety of assumptions developed from an experience study of the FPDR Plan for the period July 1, 2014, to June 30, 2019, conducted by an independent actuarial firm. FPDR plans to order a new experience study before the next plan valuation is completed with data as of June 30, 2026.

FPDR Fund and Levy Adequacy. A critical measure of the FPDR Fund's financial health is whether the dedicated FPDR property tax will remain sufficient within the maximum authorized levy rate to fully cover benefit expenditures both for the pay-as-you-go FPDR Plan and contributions to the pre-funded OPSRP plan. The table below compares the certified tax levy for FPDR Plan contributions (for FPDR One and FPDR Two participants) and OPSRP contributions (for FPDR Three participants) with the maximum levy amount authorized based on the $2.80/$1,000 Charter limitation. Between FY 2016-17 and FY 2025-26, Real Market Value of property subject to taxation has grown by a compounded annual rate of approximately 6.0 percent. Since FY 2016-17, the annual certified tax levy has averaged approximately 42.5 percent of the maximum levy authorized.

Table D-13
CITY OF PORTLAND, OREGON
FPDR Plan--Certified Levies Compared with Maximum Levies Authorized

Fiscal Year Ending June 30	Tax Levy per $1,000 RMV	Certified Tax Levy(1)	Maximum Levy Authorized ($2.80/1,000 RMV)	Certified Tax Levy as a Percentage of Maximum Levy Authorized	Difference Between Maximum Levy and Certified Tax Levy
2017	$1.15	$138,900,728	$338,199,473	41.1%	$199,298,745
2018	1.13	155,553,793	384,951,394	40.4	229,397,601
2019	1.09	163,748,627	419,138,031	39.1	255,389,407
2020	1.10	168,768,476	427,766,153	39.5	258,997,677
2021	1.15	182,356,015	445,249,849	41.0	262,893,834
2022	1.26	209,860,034	467,317,213	44.9	257,457,179
2023	1.11	198,852,828	499,880,245	39.9	301,027,417
2024	1.17	210,018,597	500,645,879	41.9	290,627,282
2025	1.40	243,377,602	486,131,471	50.1	242,753,869
2026	1.45	251,613,821	486,437,275	51.7	234,823,454

(1) Before Tax Rate Compression, delinquencies and discounts.
Source: City of Portland

The table below shows historical taxes imposed (after Tax Rate Compression) and historical expenditures for retirement benefits and death and disability benefits. As fire and police retirement benefits transition from a pay-as-you-go system to a pre-funded system through OPSRP, the FPDR levy will be funding pensions for two generations of FPDR members simultaneously: FPDR One and FPDR Two members who are funded on a pay-as-you-go basis during their retirement years and FPDR Three members whose retirement benefits are pre-funded through OPSRP during their working careers. Costs for disability benefits will continue to be paid on a pay-as-you go basis. As described below, higher costs are expected over approximately the next 15 to 20 years, with the potential for higher tax levy rates.

Table D-14
CITY OF PORTLAND, OREGON
FPDR Plan--Imposed Levies and Expenditures for
Pension Benefits and Death/Disability Benefits

Fiscal Year Ending June 30	Imposed Tax Levy(1)	FPDR One & Two Pension Benefits	FPDR Three OPSRP Contributions	Disability & Funeral Benefits	Total FPDR Benefit Contributions
2016	$126,376,817	$107,074,899	$8,699,501	$6,420,506	$122,194,906
2017	132,477,613	113,826,622	9,672,695	6,525,351	130,024,668
2018	148,214,877	119,616,359	13,318,516	6,050,635	138,985,510
2019	156,454,895	124,145,879	15,515,328	6,587,313	146,248,520
2020	161,017,652	129,180,669	20,699,942	5,990,880	155,871,491
2021	173,302,844	137,292,001	23,079,937	7,446,506	167,818,444
2022	199,916,664	141,658,162	26,812,489	6,428,198	174,898,849
2023	190,408,711	147,460,392	30,686,994	6,521,413	184,668,799
2024	201,700,074	152,815,239	39,005,924	8,134,556	199,955,719
2025	231,974,180	163,432,874	43,554,929	6,900,688	213,888,491

(1) Amount after Tax Rate Compression but not adjusted for delinquencies and discounts.
Source: City of Portland

The FPDR Board assesses the FPDR Plan's long-term financial condition in part by projecting the future availability of revenues from the dedicated property tax (the "Levy Adequacy Analysis"), which are the source of employer contributions under the Charter. The most recent Levy Adequacy Analysis, completed by an independent actuary in connection with the actuarial valuation of the fund, was as of June 30, 2024. The Levy Adequacy Analysis found that, under a wide range of simulated economic scenarios over the next 20 years, the future FPDR levy would remain under $2.80 per $1,000 of Real Market Value. The levy exceeded the $2.80 threshold in fewer than two percent of modeled scenarios. The prior analysis as of June 30, 2022, found that the levy exceeded the $2.80 threshold in fewer than one percent of scenarios. As illustrated by the Levy Adequacy Analysis, growth in real market values in the City's tax base over the last decade suggests it is very likely that the FPDR levy will remain adequate within the maximum authorized levy to fully fund annual FPDR benefits and expenses. Under the Levy Adequacy Analysis, plan costs are expected to peak in FY 2040-41 in nominal terms.

The table below shows projected levy rates and taxes levied at the 50th and 5th percentiles of scenarios for FY 2024-25 through FY 2043-44 as included in the 2024 Levy Adequacy Analysis published in January 2025. Note that the actual levy rate per $1,000 of Real Market Value was $1.40 for FY 2024-25 and $1.45 for FY 2025-26.

Table D-15
CITY OF PORTLAND, OREGON
FPDR Plan--Projected Levy Rate, Taxes and Requirements(1)

Fiscal Year Ending June 30	Levy Rate at 50th Percentile	Taxes Levied at 50th Percentile (Millions)	Levy Rate at 5th Percentile	Taxes Levied at 5th Percentile (Millions)
2025	1.40	$242.6	$1.40	$242.6
2026	1.54	260.0	1.55	261.0
2027	1.57	274.8	1.74	277.2
2028	1.60	291.6	1.86	298.4
2029	1.63	307.9	1.96	315.9
2030	1.66	327.1	2.06	341.4
2031	1.68	343.6	2.14	359.7
2032	1.68	358.6	2.22	383.5
2033	1.69	374.1	2.27	401.1
2034	1.66	383.9	2.31	422.7
2035	1.64	394.7	2.33	435.9
2036	1.59	398.9	2.35	452.4
2037	1.56	406.0	2.32	462.2
2038	1.50	406.2	2.31	475.8
2039	1.46	411.3	2.29	484.0
2040	1.40	408.8	2.27	496.4
2041	1.36	412.7	2.24	503.2
2042	1.29	408.7	2.21	512.7
2043	1.26	411.8	2.16	519.3
2044	1.17	398.8	2.11	525.2

(1) Results are expressed as a probability distribution. Amounts shown in table are median values within percentile categories.
Source: Milliman, Inc., FPDR Levy Adequacy Analysis as of June 30, 2024, dated January 28, 2025

The current analysis extends through FY 2043-44 and encompasses all facts, decisions and conditions pertaining to the FPDR Plan known at the time the analysis was completed. Future actuarial measurements may differ significantly from the measurements presented herein due to factors such as changes in economic or demographic assumptions (including changes in Real Market Value); changes related to PERS, performance of investments, and changes in FPDR Plan benefit provisions or applicable law.

OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB")

The City's OPEB liability includes two separate plans. The City provides a contribution to the State 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 2024 City Valuation, the City's allocated share of the RHIA program's UAL was negative $19.0 million as of December 31, 2024.

According to the 2023 City Valuation, the rate to fund RHIA benefits during the 2025-27 biennium for T1/T2 employees is 0.00 percent and for OPSRP general services and police and fire employees is 0.00 percent. According to the advisory-only 2024 City Valuation, the rate to fund RHIA benefits during the 2027-29 biennium for T1/T2 employees will be

0.00 percent and for OPSRP general services and police and fire employees will be 0.00 percent. These employer contribution rates to fund RHIA are included in the rates described in Table D-8 above.

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" or "HIC"). GASB 75 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The City's annual OPEB cost is calculated based on the actuarially-determined service cost, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liability over a period of 30 years. The City's estimated unfunded actuarial accrued liability for OPEB as of June 30, 2025 was $103,567,789. 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 discount rate of 3.9 percent, 2.1 percent inflation rate, annual healthcare cost trend rates of 4.5 to 7.4 percent, participation rate of 42 percent, and retirees' share of benefit-related costs of 23 percent of estimated program costs.

For FY 2024-25, the changes to the total OPEB liability is calculated as follows:

Balance at 7/1/2024	$100,081,194
Changes for the year:	
Service cost	4,060,732
Interest	3,763,393
Diff. Expected vs. Actual experience	--
Changes of assumptions	(564,179)
Benefit payments	(4,901,709)
Net Changes	(3,486,595)
Balance at 6/30/2025	$103,567,789

Actuarial valuations for the Health Insurance Continuation Option are undertaken every two years. The City's total HIC OPEB liability of $103,567,789 was measured as of June 30, 2025 and was determined by an actuarial valuation as of July 1, 2024.

Funded by bureaus City-wide, the City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and OPEB obligation, but will monitor its OPEB liability and assess whether a different approach is needed in future years.

Under Governmental Accounting Standards Board Statement No. 75, for FY 2024-25, the City has reported in its ACFR the following balances. See the City's ACFR for FY 2024-25, which is posted on the EMMA website.

	Deferred Outflow/(Inflow) of Resources	**Net OPEB Liability/(Asset)**	**OPEB Expense (Income)**
RHIA	$(1,879,658)	$(16,531,904)	$(3,238,207)
HIC	(482,731)	103,567,789	6,148,496
Total	$(2,362,389)	$87,035,885	$2,910,289

APPENDIX E
CITY ECONOMIC CHARACTERISTICS

CITY OF PORTLAND, OREGON
1851

CITY ECONOMIC CHARACTERISTICS

This section presents certain historical information concerning the City.

The City of Portland, with an estimated population of 640,623 as of July 1, 2025, comprises an area of approximately 145 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, Portland is the center of commerce, industry, transportation, finance and services for a metropolitan area with an estimated population of approximately 2.58 million people as of July 1, 2025. Portland is the county seat of Multnomah County, the largest city in Oregon, and the second largest city in the Pacific Northwest.

PORTLAND-VANCOUVER-BEAVERTON METROPOLITAN STATISTICAL AREA

The Portland-Vancouver-Hillsboro Metropolitan Statistical Area (the "MSA") consists of Multnomah, Clackamas, Washington, Yamhill, and Columbia counties in Oregon, and Clark and Skamania counties 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 City of Portland is located primarily in Multnomah County, with smaller portions in Washington and Clackamas counties.

POPULATION

The table below provides historical population data for the City of Portland, Portland-Hillsboro-Vancouver MSA, counties where the City of Portland resides, and the State of Oregon. The City of Portland's boundaries are predominantly within Multnomah County.

Table E-1
CITY OF PORTLAND, OREGON
Population Estimate for the Last Ten Years

As of July 1	State of Oregon	City of Portland	MSA	Multnomah County	Washington County	Clackamas County
2016	4,076,350	627,395	2,407,540	790,670	583,595	404,980
2017	4,141,100	639,100	2,452,195	803,000	595,860	413,000
2018	4,195,300	648,740	2,489,710	813,300	606,280	419,425
2019	4,236,400	657,100	2,519,930	821,730	613,410	423,420
2020	4,241,467	649,556	2,514,781	812,201	600,848	422,016
2021	4,234,736	639,057	2,513,075	801,751	602,231	423,593
2022	4,255,112	638,908	5,528,968	802,289	606,515	426,125
2023	4,269,152	638,368	2,542,859	802,257	610,395	428,540
2024	4,286,443	639,402	2,560,315	803,343	614,012	431,035
2025	4,300,464	640,623	2,575,205	805,583	618,037	432,473
2016-2025 Compounded Annual Rate of Change	0.60%	0.23%	0.66%	0.21%	0.64%	0.73%
2021-2025 Compounded Annual Rate of Change	0.17%	0.03%	0.21%	0.05%	0.29%	0.23%

Note: The federal Census figures, as of April 1 of the stated year, are as follows:

	1990	2000	2010	2020
State of Oregon	2,842,321	3,421,399	3,831,074	4,237,256
Multnomah County	583,887	660,486	735,334	809,689
City of Portland	438,802	529,121	583,776	652,503
Washington County	311,554	445,342	529,710	595,761
Clackamas County	278,850	338,391	375,992	415,084

Sources: *State of Oregon Data: Portland State University, Center for Population Research. Under Oregon State law, the State Board of Higher Education must estimate annually the population of Oregon cities and counties so that shared revenues may be properly apportioned. The Center for Population Research and Census at Portland State University performs this statutory duty. Oregon state population estimates as of July 1, 2025 are based on report dated December 15, 2025.*

Federal Census Data provided by the United States Census Bureau.

INCOME

Table E-2 below shows personal income and per capita income for the Portland-Hillsboro-Vancouver MSA compared to similar data for the State and nation.

Table E-2
CITY OF PORTLAND, OREGON
Total Personal Income and Per Capita Income
MSA, Oregon, and the United States

		Per Capita Income		
Year	Total Personal Income MSA (millions)	MSA	Oregon	USA
2016	122,491	50,367	45,467	48,944
2017	130,353	52,962	47,566	50,978
2018	139,581	56,285	50,209	53,310
2019	146,249	58,551	52,190	55,560
2020	157,528	62,557	56,663	59,160
2021	173,994	69,099	62,647	64,658
2022	178,228	71,037	63,691	66,259
2023	188,084	74,992	67,518	69,967
2024	n/a(1)	n/a(1)	70,940	73,232
2025	n/a(1)	n/a(1)	73,678	76,328
2015-2024 Compounded Annual Rate of Change	5.51%(2)	5.10%(2)	4.95%	4.54%

(1) Selected state data tables were discontinued by the Bureau of Economic Analysis on Sept. 27, 2024, and selected county tables were discontinued on Nov. 14, 2024.

(2) Values calculated from 2016 through 2023 due to unavailability of data.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, as of May 12, 2026 (Oregon) and May 28, 2026 (USA).

LABOR FORCE AND UNEMPLOYMENT

Table E-3 below shows the resident civilian labor force, employment level and unemployment level data that is available for the MSA for the period 2016 through 2025. Table E-4 below shows the resident civilian labor force, employment level and unemployment level data that is available for Multnomah County for the period 2016 through 2025. Table E-5 below shows the seasonally-unadjusted, average annual unemployment rates for Multnomah County, the MSA, the State and the United States for the period 2016 through 2025.

Table E-3
CITY OF PORTLAND, OREGON
MSA Labor Force and Unemployment Rates[1]

		Unemployment		
Year	**Resident Civilian Labor Force**	**Number**	**Percent of Labor Force**	**Total Employment**
2016	1,282,485	57,965	4.5%	1,224,520
2017	1,308,142	50,139	3.8	1,258,003
2018	1,313,442	49,693	3.8	1,263,749
2019	1,335,970	47,170	3.5	1,288,800
2020	1,338,125	102,081	7.6	1,236,044
2021	1,350,224	66,573	4.9	1,283,651
2022	1,368,264	49,663	3.6	1,318,601
2023	1,374,597	48,729	3.5	1,325,868
2024	1,380,234	56,446	4.1	1,323,788
2025	1,386,435	68,123	4.9	1,318,312

(1) Employment, unemployment, and labor force estimates for states and local areas from the Local Area Unemployment Statistics (LAUS) program of the State.

Source: State of Oregon, Employment Department as of July 2026

Table E-4
CITY OF PORTLAND, OREGON
Multnomah County Labor Force and Unemployment Rates[1]

		Unemployment		
Year	**Resident Civilian Labor Force**	**Number**	**Percent of Labor Force**	**Total Employment**
2016	452,254	18,490	4.1	433,764
2017	459,286	16,101	3.5	443,185
2018	456,970	16,041	3.5	440,929
2019	459,541	14,653	3.2	444,888
2020	464,851	39,155	8.4	425,696
2021	463,583	24,887	5.4	438,696
2022	465,540	17,142	3.7	448,398
2023	464,142	16,591	3.6	447,551
2024	465,491	19,478	4.2	446,013
2025	468,858	24,050	5.1	444,808

(1) Employment, unemployment, and labor force estimates for states and local areas from the Local Area Unemployment Statistics (LAUS) program of the State.

Source: State of Oregon, Employment Department as of May 2026

Table E-5
CITY OF PORTLAND, OREGON
Average Annual Unemployment
Multnomah County, MSA, Oregon, and the United States
(Not Seasonally Adjusted)

Year	Multnomah County	MSA	State of Oregon	USA
2016	4.1	4.5	4.8	4.9
2017	3.5	3.8	4.1	4.4
2018	3.5	3.8	4.0	3.9
2019	3.2	3.5	3.7	3.7
2020	8.4	7.6	7.6	8.1
2021	5.4	4.9	5.2	5.3
2022	3.7	3.6	4.0	3.6
2023	3.6	3.5	3.8	3.6
2024	4.2	4.1	4.3	4.0
2025	5.1	4.9	5.2	4.3

Source: State of Oregon, Employment Department and U.S. Bureau of Labor Statistics as of May 2025. Not seasonally adjusted.

EMPLOYMENT BY INDUSTRY

Non-manufacturing employment (including government) accounts for about 90 percent of non-farm employment in the Portland area. The MSA's manufacturing employment, accounting for the remaining 10 percent of area employment, is largely based in the metals and computer and electronic equipment sectors.

Table E-6
CITY OF PORTLAND, OREGON
Portland-Vancouver-Hillsboro, OR-WA MSA
Non-Farm Wage and Salary Employment(1)(2)

Industry	2022	2023	2024	2025	2026
Total nonfarm employment	**1,224,700**	**1,255,500**	**1,252,800**	**1,243,100**	**1,225,000**
Total private	**1,074,900**	**1,097,500**	**1,091,900**	**1,080,500**	**1,063,000**
Mining and logging	1,000	1,000	1,100	1,000	1,000
Construction	81,200	83,300	82,600	79,400	75,600
Manufacturing	127,100	125,800	123,500	117,000	109,700
Trade, transportation, and utilities	224,800	225,600	221,900	218,200	213,900
Information	27,900	27,700	26,900	25,700	24,100
Financial activities	75,100	74,300	71,700	72,000	71,100
Professional and business services	199,200	201,300	196,200	192,100	184,400
Educational and health services	180,300	190,500	199,400	207,300	214,600
Leisure and hospitality	116,600	124,000	123,900	123,700	124,900
Other services	41,700	44,000	44,700	44,200	43,700
Government	**149,800**	**158,000**	**160,900**	**162,600**	**162,000**

(1) Total nonfarm employment and industry employment figures from the Current Employment Statistics (CES) program. The U.S. Bureau of Labor Statistics makes monthly employment estimates for the nation, for all states, and for metropolitan statistical areas. Oregon Employment Department updates those estimates quarterly, using a universe count of all jobs in Oregon. Not seasonally adjusted. Does not include breakdown of industry subcategories, which additional detail can be found on QualityInfo.org.
(2) Totals may not foot due to rounding by the State of Oregon, Employment Department.
Source: State of Oregon, Employment Department QualityInfo.org as of June 2026

Table E-7
CITY OF PORTLAND, OREGON
Multnomah County
Non-Farm Wage and Salary Employment(1)(2)

Industry	2022	2023	2024	2025	2026
Total nonfarm employment	**509,600**	**518,100**	**510,700**	**503,600**	**496,500**
Total private	**434,000**	**438,700**	**428,500**	**420,500**	**413,000**
Mining and logging	100	100	100	0	0
Construction	25,600	26,000	25,900	23,700	22,500
Manufacturing	31,200	30,900	30,000	28,000	27,900
Trade, transportation, and utilities	96,300	95,000	92,800	91,400	88,900
Information	12,100	11,900	10,900	10,500	10,300
Financial activities	35,000	34,000	31,400	30,900	29,700
Professional and business services	86,800	85,700	81,700	79,000	76,500
Educational and health services	78,200	81,300	83,400	85,700	85,600
Leisure and hospitality	49,500	53,800	53,000	52,700	53,100
Other services	19,200	20,000	19,300	18,600	18,500
Government	**75,600**	**79,400**	**82,200**	**83,100**	**83,500**

(1) Total nonfarm employment and industry employment figures from the Current Employment Statistics (CES) program. The U.S. Bureau of Labor Statistics makes monthly employment estimates for the nation, for all states, and for metropolitan statistical areas. Oregon Employment Department updates those estimates quarterly, using a universe count of all jobs in Oregon. Not seasonally adjusted. Does not include breakdown of industry subcategories, which additional detail can be found on QualityInfo.org.

(2) Totals may not foot due to rounding by the State of Oregon, Employment Department.

Source: State of Oregon, Employment Department QualityInfo.org as of June 2026

Table E-8
CITY OF PORTLAND, OREGON
Major Employers in the MSA

Employer	Product or Service	Estimated Metro Area Employment
Private Employers		
Providence Health & Services	Health care & health insurance	18,364
Intel Corporation	Computer and electronic products	16,000
Nike Inc.	Sports shoes and apparel	10,500
Fred Meyer Stores	Retailer	8,750
Daimler Truck North America	Commercial transportation	3,000
Columbia Sportswear Co.	Apparel	2,800
Precision Castparts Corp.	Metals manufacturing	2,800
Lam Research Corp.	Computer and electronic products	2,700
Public Employers		
Oregon Health and Science University	Health care & education	21,343
Portland Public Schools	Education	7,040
City of Portland(1)	Local government	6,891
Beaverton School District	Education	5,777
Multnomah County	Local government	5,662
U.S. Department of Veterans Affairs	Federal Agency	3,849
U.S. Postal Service	Federal Agency	3,583
Portland Community College	Education	3,295
Portland State University	Education	3,254
TriMet	Mass transit	3,204

(1) The estimated employment number for the City is based on the average in 2024 from the Oregon Employment Department. The information provided in "THE CITY GENERALLY – LABOR RELATIONS" is based on more updated information from the City and therefore the numbers differ.

Source: Portland Business Journal, 2025-26 Book of Lists, Largest Employers in the Portland Metro Area

REAL ESTATE

Industrial and Office

A diverse mix of industrial properties are located throughout the MSA for all types of industrial use and business park space. On the east side of Portland, the "Columbia Corridor" is the largest industrial area in Oregon, containing approximately 22,600 acres or 28 square miles along an 18-mile stretch of land that runs along the southern shore of the Columbia River. The Columbia Corridor includes the Rivergate Industrial District, marine terminals, and Portland International Airport ("PDX"). The Rivergate Industrial District ("Rivergate") is a 2,800-acre area owned by the Port of Portland (the "Port") at the confluence of the Columbia and Willamette Rivers in north Portland. In addition to Rivergate's access to freeways, rail, marine terminals and PDX, the area qualifies local businesses for participation in the Portland Enterprise Zone and related tax incentives.

Just west of Portland, the Sunset Corridor is the center for Oregon's high technology industry, including Intel's approximately 20,000-employee campuses. This area parallels a major east/west highway (U.S. Highway 26) in the western metropolitan area. Another large submarket for industrial and flex space is the Interstate 5 ("I-5") Corridor, which extends from southwest Portland to the City of Wilsonville along I-5.

In addition, the MSA office market is home to diverse architectural styles ranging from Class-A office space to unique historical buildings in downtown Portland. As with many metropolitan areas throughout the United States, the spread of the COVID-19 virus altered the behavior of businesses and people in a manner that has had negative effects on local, State, national and global economic activity, including urban center business activities and occupancy of office space in city-center corridors. Some of the activities described above have closed or significantly altered their operations as a result of the COVID-19 pandemic.

According to the Portland Metro Office Market Report prepared by Colliers, the office vacancy rate in the greater Portland office market was 27.6 percent for the second quarter of 2026, up from 26.9 percent reported by Colliers in the first quarter of 2026. The vacancy rate in Colliers' definition of the "Central Business District" was 38.8 percent in the second quarter of 2026. The increased vacancy rate has attributed to the decline in taxable assessed value and property tax compression and receipts from property within the Portland downtown core.

Housing

The table below compares the median home sale price for the first quarter of 2025 and 2026 in the MSA and with the nation.

Table E-9
CITY OF PORTLAND, OREGON
Median Single-Family Home Sale Price
(U.S. and MSA)

Region	1st Quarter 2025	1st Quarter 2026	Percent Change
U.S.	$402,100	$404,300	0.5%
Portland Metro. Area	591,200	585,800	0.9

Source: "Median Sales Price of Existing Single-Family Homes for Metropolitan Areas," National Association of Realtors, May 2026

The market sales price trends for condominiums is shown in the table below.

Table E-10
CITY OF PORTLAND, OREGON
Median Condo/Coop Sale Price
(U.S. and MSA)

Region	1st Quarter 2025	1st Quarter 2026	Percent Change
U.S.	$356,300	$363,600	2.0%
Portland Metro. Area	324,700	325,600	0.3

Source: "Median Sales Price of Existing Apartment Condo-Coops Homes for Metropolitan Areas," National Association of Realtors, May 2026

Residential building permits are an indicator of economic growth in a region. The tables below show the number and value of new single-family and multi-family residential building permits for the MSA and for the City.

Table E-11
CITY OF PORTLAND, OREGON
New Single-family and Multi-family
Residential Construction Permits
(MSA)

	New Single Family		New Multi-Family	
Calendar Year	No. of Permits	Value (000s)	No. of Permits	Value (000s)
2015	7,102	1,887,703	6,865	825,331
2016	7,397	2,111,307	7,332	870,079
2017	6,211	1,862,798	9,772	1,259,625
2018	6,869	1,958,974	7,311	947,970
2019	7,688	2,240,127	9,127	1,132,785
2020	7,513	2,174,257	5,933	746,044
2021	8,008	2,366,666	7,015	1,405,259
2022	6,029	2,391,239	6,949	986,978
2023	6,326	2,492,138	5,056	799,445
2024	6,345	2,658,062	3,108	573,064
2025	6,133	2,505,025	2,185	411,647

Source: U.S. Census Bureau, Permits by Metropolitan Area, as of July 24, 2026

Table E-12
CITY OF PORTLAND, OREGON
New Single-family and Multi-family
Residential Construction Permits
(City of Portland)

	New Single Family		New Multi-Family	
Fiscal Year	No. of Permits	Value (000s)	No. of Permits	Value (000s)
2017	1,302	$166,609	4,915	$746,523
2018	1,315	159,655	6,608	933,946
2019	1,213	146,829	4,356	700,178
2020	766	103,320	3,227	469,928
2021	627	85,711	3,607	941,545
2022	716	102,509	5,268	856,385
2023	538	61,316	5,102	744,143
2024	592	75,395	1,160	183,655
2025	600	76,897	1,509	337,249
2026	491	97,274	1,257	238,841

Source: City of Portland, Portland Permitting and Development

TRANSPORTATION AND DISTRIBUTION

Location and topography have established the MSA as a leading warehousing and distribution center for the Pacific Northwest. Portland's location at the head of deep-water navigation on the Columbia River system gives it geographic and, therefore, economic advantages for the shipment of freight.

The Columbia River ship channel extends from the Portland Harbor to the Pacific Ocean 110 miles downstream. The Columbia River provides the only water route through the Cascade Mountains to the agricultural regions 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 two primary barge lines providing service between the upriver ports and Portland. In addition, the Columbia River Gorge forms a corridor through the Cascade mountains which, because it is level, provides an economical rail and highway route between Portland and the region west of the Cascade mountains.

The Port of Portland (the "Port") is a port district encompassing Multnomah, Clackamas and Washington counties. The Port owns and maintains four marine terminals, Portland International Airport ("PDX"), two general aviation airports, and five business and industrial parks. In tonnage of total waterborne commerce, the Port is currently ranked as the third largest volume port on the West Coast. The Port is the largest wheat export port in the United States and is the largest volume auto handling port and mineral bulks port on the West Coast. Leading exports include wheat, soda ash, potash and hay. Leading imports include automobiles, petroleum products, steel and limestone.

In 2025, 503 ocean-going vessels made calls at Port facilities. Total maritime tonnage in 2025 rose to 12.5 million metric tons compared to 12.4 million in 2024. PDX handled approximately 18.6 million enplaned and deplaned airline passengers in 2025, an increase from 17.5 million passengers in 2024. In 2025, PDX also handled approximately 207,081 metric tons of freight and 29,600 metric tons of mail. Portland is also served by two publicly operated general aviation airports located in the suburban areas.

Two major railroads—the Burlington Northern Santa Fe and Union Pacific—plus the Amtrak passenger train system serve the MSA.

Transportation is facilitated by a highway system that includes I-5, the primary north-south highway artery of the West Coast, and two by-pass routes, Interstate 205 and Interstate 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 MSA 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 Tri-County Metropolitan Transportation District of Oregon ("TriMet"), the regional public transit agency, provides rail and bus service throughout the MSA. TriMet's light rail system ("MAX") connects downtown Portland with the cities of Gresham, Beaverton and Hillsboro, as well as North/Northeast Portland, Clackamas Town Center, and PDX. TriMet also provides commuter rail service between Beaverton and Wilsonville.

The Portland Streetcar connects the South Waterfront area along the Willamette River, the Pearl District and Northwest Portland, the Lloyd District in northeast Portland and the Central Eastside district. The Portland Streetcar is owned and operated by the City, which has entered into contracts with TriMet for train operators and mechanics.

TOURISM, RECREATION AND CULTURAL ATTRACTIONS

Portland is Oregon's largest city and the center of business and transportation routes in the State, and therefore accommodates a large share of the State's tourist and business visitors. Portland is a destination for many tourists who are drawn to its diverse cultural, culinary and recreational facilities. These include the Oregon Symphony and associated musical organizations, Oregon Ballet, Portland Opera, Portland Center Stage, Portland Art Museum, Oregon Historical Society Museum, Oregon Museum of Science and Industry, World Forestry Center, the Lan Su Chinese Garden and the Oregon Zoo. In addition, the City owns and operates (under an agreement with Metro) the Portland'5 Centers for the Arts, which includes five theaters/venues that host musical, theatrical and other events.

Portland also hosts several professional sports teams. The National Basketball Association ("NBA") Portland Trail Blazers began playing in Portland in 1970 and since 1995 have played home games at the Moda Center within the Rose Quarter just east of downtown Portland. The City recently acquired by the Moda Center for $1 and the land on which it is located for $7.13 million under an agreement entered into during 2024. The 2024 agreement extended the lease with the Portland Trail Blazers through 2030, which the understanding of a longer-term agreement to be negotiated and entered into prior to 2030. The Trail Blazers were sold to new ownership in 2018. The City is working actively with the State and regional partners to develop a funding package to support major development of the Moda Center complex and to support a long-term extension of the lease with the new Trail Blazers ownership. In addition to the Portland Trail Blazers, the Portland Fire, a Women's National Basketball Association ("WNBA") team, began play in the 2026 WNBA season at the Moda Center.

In addition to the Moda Center, the City owns the Veteran's Memorial Coliseum, which is also located in the Rose Quarter. Originally used for the Portland Trail Blazers, the Veteran's Memorial Coliseum hosts games for the Western Hockey League ("WHL") Portland Winterhawks, as well as concerts and other events. The Veteran's Memorial Coliseum is currently being renovated to modernize building systems and seating, funded in part from revenue bonds issued by the City in 2024.

Providence Park, also owned by the City and located just west of downtown Portland, is the home of the Major League Soccer ("MLS") Portland Timbers and National Women's Soccer League ("NWSL") Portland Thorns FC.

Portland is well known for its attractive natural areas and green spaces. The City is the home of Forest Park, the largest urban park in the United States with a total of 5,200 acres and 80 miles of hiking trails. Located west of downtown Portland, Forest Park is owned by the City and managed by the City's Parks bureau. Adjacent to Forest Park is the City's Washington Park, which hosts a number of attractions including the Hoyt Arboretum, International Rose Test Garden, the Portland Japanese Garden, and an archery range. East of downtown includes a number parks and green spaces, including the 600 acre Powell Butte Nature Park, which offers scenic trails for hiking, mountain biking and horseback riding.

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 Willamette Valley to the south offer opportunities for hiking, camping, swimming, fishing, sailboarding, skiing, wildlife watching, and numerous other outdoor activities.

Finally, a prime tourist attraction for Portland, known as the City of Roses, is the three-week long Portland Rose Festival held each June since 1907.

HIGHER EDUCATION

Within the MSA are several post-secondary educational systems. Portland State University ("PSU"), the largest university in the Oregon University System, is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland.

Oregon State University, the University of Oregon, and Washington State University have field offices and extension activities in the MSA.

The Marquam Hill campus for Oregon Health and Science University ("OHSU") sits on more than 100 acres overlooking downtown Portland. OHSU includes the schools of dentistry, medicine, nursing, and science and engineering. OHSU also includes Doernbecher Children's Hospital and OHSU Hospital, as well as primary care and specialty clinics, research institutes and centers, interdisciplinary centers, and community service programs.

Independent colleges in the MSA include Lewis & Clark College, University of Portland, Reed College, and Linfield College-Portland Campus; and several smaller church-affiliated schools, including Warner Pacific College, and George Fox University. Several community colleges serve the MSA including Portland Community College, Mt. Hood Community College, and Clackamas Community College.

UTILITIES

Electric Power and Natural Gas

Electricity is provided by Portland General Electric and Pacific Power, which are investor-owned utilities. Low-cost hydroelectric power provides a substantial portion of the area's energy requirements. NW Natural distributes natural gas.

Communications

Telecommunications services within the MSA are provided by internet providers, such as CenturyLink/Quantum Fiber, Comcast, Reliance, and Frontier, and mobile network providers, such as T-Mobile, Verizon, and AT&T.

Water, Sewer, and Stormwater

The City owns and operates the water supply system that delivers drinking water to residents of Portland and some adjacent communities outside City limits. Currently, approximately 840,000 people (almost one-quarter of the State's population) are currently served by the City's water system on a wholesale and retail basis within its 225 square mile service area. The primary water source is surface water in the Bull Run Watershed, located in the foothills of the Cascades west of Mt. Hood. The City also uses groundwater as a supplemental water supply. See "THE WATER SYSTEM" in the Official Statement.

The City also owns, operates, and maintains sanitary sewer and stormwater collection, conveyance, and treatment systems within its boundaries. The City provides sanitary sewer service to approximately 650,000 people, numerous commercial and industrial facilities, and several wholesale contract customers located adjacent to the City.

The City is currently exploring a unified water, sewer and stormwater model referred to as the "One Water" model as a way to enhance and provide more efficient delivery of services to the community. See "ORGANIZATION AND STAFF OF THE PORTLAND WATER BUREAU" herein.

CITY OF PORTLAND, OREGON
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APPENDIX F
FORM OF LEGAL OPINION

CITY OF PORTLAND, OREGON

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On the date of issuance of the 2026 Series A Bonds, Hawkins Delafield & Wood LLP, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

[Dated Date], 2026

City of Portland
1120 SW Fifth Avenue, 10th Floor
Portland, Oregon 97204

Subject: $[Principal Amount] City of Portland, Oregon, Second Lien Water System Revenue and Refunding Bonds, 2026 Series A (Green Bonds)

We have acted as bond counsel in connection with the issuance by the City of Portland, Oregon (the "City") of its Second Lien Water System Revenue and Refunding Bonds, 2026 Series A (Green Bonds) (the "Bonds"), which are issued in the aggregate principal amount of $[Principal Amount] and are dated as of their date of delivery. The Bonds are issued pursuant to City Ordinance No. 192177 enacted by the City Council on May 20, 2026 (the "Ordinance"), the Master Second Lien Water System Revenue Bond Declaration dated as of May 2, 2013, as supplemented and amended (the "Master Second Lien Bond Declaration"), including by the Seventh Supplemental Bond Declaration dated as of the date of delivery of the Bonds (the "Seventh Supplemental Bond Declaration" and together with the Master Second Lien Bond Declaration, the "Second Lien Bond Declaration"). Capitalized terms used but not defined in this opinion have the meanings defined for such terms in the Second Lien Bond Declaration.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Ordinance and in the Second Lien Bond Declaration and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the City Charter, the Ordinance, and the Second Lien Bond Declaration. The Bonds constitute valid and legally binding obligations of the City that are enforceable in accordance with their terms.

2. The Bonds are special obligations of the City that are secured solely by and payable solely from the Net Revenues of the Water System and related amounts that are pledged to pay Second Lien Bonds as provided in the Second Lien Bond Declaration.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax imposed under Section 55 of the Code. [Bond counsel further is of the opinion that, for any Bonds having original issue discount (a "Discount Bond"), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.] In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Bonds, and we have assumed compliance by the City and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for federal income tax purposes, interest on the Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the City will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the City with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

4. Interest on the Bonds is exempt from Oregon personal income tax.

We express no opinion as to any federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 3 and 4 above. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is 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 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; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This 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.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the City in connection with the Bonds and have not represented and are not representing any other party in connection with the Bonds. This opinion is given solely for the benefit of the City in connection with the Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the City and any person to whom we may send a formal reliance letter indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

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APPENDIX G
FORM OF CONTINUING DISCLOSURE CERTIFICATE

CITY OF PORTLAND, OREGON

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CONTINUING DISCLOSURE CERTIFICATE

$[Principal Amount]
City of Portland, Oregon
Second Lien Water System Revenue Refunding Bonds
2026 Series A
(Green Bonds)

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of Portland, Oregon (the "Issuer") in connection with the issuance of the above-captioned bonds (the "Bonds").

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

"Commission" means the U.S. Securities and Exchange Commission.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosure established by the MSRB and accessible at http://emma.msrb.org/.

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

"Official Statement" means the final official statement for the Bonds dated __________, 2026.

"Rule" means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as it has been and may be amended.

Section 3. Financial Information. The Issuer, as the "obligated person," agrees to provide or cause to be provided to the MSRB, the following annual financial information and operating data:

A. The Issuer'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, historical information generally of the type included in the body of the Official Statement under the heading "WATER SYSTEM OPERATING AND FINANCIAL INFORMATION" and in Appendix D of the Official Statement titled "CITY OPERATING AND FINANCIAL INFORMATION."

Section 4. Timing. The information described in Section 3 of this Certificate shall be provided by the Issuer for each of its fiscal years in which the Bonds are outstanding. The Issuer shall provide that information not later than nine months after the end of each fiscal year, commencing no later than March 31, 2027, for the fiscal year ended June 30, 2026. The information described in Section 3 of this Certificate shall be provided in the form of audited financial statements if they are then available, and otherwise shall be provided in the form of unaudited financial statements. If the information described in Section 3 of this Certificate is initially provided in the form of unaudited financial statements, the Issuer shall provide audited financial statements promptly after they become publicly available. The Issuer's current fiscal year ends June 30. The Issuer may adjust its fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the Issuer may cross-reference to other documents provided to the MSRB.

Section 5. Material Events. The Issuer agrees to provide or cause to be provided to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults, if material;

(c) Unscheduled draws on debt service reserves reflecting financial difficulties;

(d) Unscheduled draws on credit enhancements reflecting financial difficulties;

(e) Substitution of credit or liquidity providers or their failure to perform;

(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(g) Modifications to the rights of security holders, if material;

(h) Bond calls, if material, and tender offers;

(i) Defeasances;

(j) Release, substitution or sale of property securing repayment of the securities, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph (l), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);

(m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) Incurrence of a financial obligation of the obligated person if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material. For the purposes of this paragraph (o) and paragraph (p) below, "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii); the term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule;

(p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

The Issuer may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to the Bonds, but the Issuer does not undertake any commitment to provide such notice of any event except those events listed above.

Section 6. Failure to File Annual Financial Information. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of a failure by the Issuer to provide the annual financial information described in Section 3 of this Certificate on or prior to the time set forth in Section 4 of this Certificate.

Section 7. Termination. The Issuer's obligations under this Certificate 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 Issuer (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any provision hereof, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (b) notifies the MSRB of such opinion and the termination of its obligations under this Certificate.

Section 8. Amendment. The Issuer may amend this Certificate without the consent of the Bondowners under the following conditions:

A. the amendment 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 Issuer, or type of business conducted;

B. this Certificate, as amended, would 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 does not materially impair the interest of the Bondowners, as determined either by parties unaffiliated with the Issuer (such as nationally recognized bond counsel), or by approving vote of Bondowners pursuant to the terms of the governing instrument for the Bonds as it is in effect at the time of the amendment.

In the event of any amendment of a provision of this Certificate, the Issuer shall describe such amendment in its next annual filing pursuant to Section 3 of this Certificate, and shall include, as applicable, a narrative explanation of the reason for the amendment 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 Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of the amendment shall be given in the same manner as for a material event under Section 5 of this Certificate, and (ii) the annual filing pursuant to Section 3 of this Certificate for the first fiscal year that is affected by the change in accounting principles shall 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 9. Bondowner's Remedies Under This Certificate. 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 documents authorizing issuance of 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 10. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB.

Section 11. Filing Through EMMA. So long as the MSRB continues to approve the use of EMMA, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is emma.msrb.org.

Section 12. Dissemination Agent. The Issuer may, from time to time, engage or appoint an agent to assist the Issuer in disseminating information hereunder (the “Dissemination Agent”). The Issuer may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 13. 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 [Dated Date], 2026.

City of Portland, Oregon

____
Authorized Official

CITY OF PORTLAND, OREGON
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APPENDIX H
BEO SYSTEM

CITY OF PORTLAND, OREGON
1851

BEO SYSTEM

DTC LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, 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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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. Beneficial Owners are, however, 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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. 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. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

CITY OF PORTLAND, OREGON

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APPENDIX I
LETTER & REPORT OF THE FINANCIAL FEASIBILITY CONSULTANT

CITY OF PORTLAND, OREGON
1851

Amawalk
Consulting Group LLC

48 Wall Street, Suite 1100, New York, NY 10005 • Tel: 212.361.0050 • Mobile: 551.427.2242

August 17, 2026

Mr. Matt Gierach
Debt Manager
Public Finance Division
City of Portland
1120 SW Fifth Avenue
Portland, Oregon 97204

Subject: Financial Feasibility for the City of Portland, Oregon Second Lien Water System Revenue and Refunding Bonds, 2026 Series A

Dear Mr. Gierach:

The purpose of this letter and accompanying Report is to summarize the findings and conclusions of the independent analysis of the financial forecast (the "Financial Forecast" or "Forecast") for the City of Portland, Oregon (the "City") Water Bureau (the "Bureau") for its Fiscal Years ending June 30, 2027 through June 30, 2032 (the "Forecast Period") prepared by the Amawalk Consulting Group LLC ("Amawalk") in connection with the issuance by the City of $585,630,000[1] in par amount of Second Lien Water System Revenue and Refunding Bonds, 2026 Series A (the "the 2026 Series A Bonds"). Proceeds of the 2026 Series A Bonds will be used to: (i) finance a portion of the costs of the Capital Improvement Plan for the Water System, (ii) refund all or a portion of the City's outstanding First Lien Water System Revenue and Refunding Bonds, 2016 Series A, and (iii) fund the costs of issuing the 2026 Series A Bonds.

The 2026 Series A Bonds are special obligations of the City that are secured by a second lien on, and are payable solely from, the Net Revenues of the City's Water System and amounts required to be deposited in the Second Lien Bond Account, as provided in the Second Lien Bond Declaration. The 2026 Series A Bonds are not secured by the Second Lien Revenue Bond Reserve Account or any subaccount therein. The lien of the pledge that secures the 2026 Series A Bonds is subordinate to the lien on the Net Revenues that secures the First Lien Bonds (as defined in the Master Second Lien Bond Declaration) that the City has issued and may issue in the future, under the Master First Lien Bond Declaration, dated as of December 15, 2016, as it has been and may be amended from time to time. See "PROVISIONS OF THE 2026 SERIES A BONDS" in the Preliminary Official Statement ("POS").

The Financial Forecast for the Bureau is presented in the POS for the 2026 Series A Bonds under the Section "FINANCIAL PROJECTIONS". The Forecast developed by the Bureau is based on recent financial experience, known operating conditions and plans and assumptions regarding future performance. The Forecast includes provisions for the financing of capital improvements to the City's Water System (as defined in the Master Second Lien Bond Declaration, the

[1] Preliminary, subject to change

"System"). The Financial Forecast sets forth the ability of the Bureau to meet the operating costs, working capital needs and other financial requirements of the System, including the debt service associated with the Outstanding First Lien Bonds and Second Lien Bonds and the additional Second Lien Bonds that are expected to be issued by the City for the System during the period ending June 30, 2032. We understand that the City has no plans to issue additional First Lien Bonds at this time.

The Financial Forecast summarizes the anticipated financial results of the Bureau for the Forecast Period. All references in this letter and accompanying Report to a fiscal year ("Fiscal Year" or "FY") relate to the 12 month period beginning on July 1 and ending June 30 of the period shown, consistent with the fiscal year of the City. Historical financial data is based on information presented in the annual audit reports for FY 2020-21 through FY 2024-25 as well as preliminary, unaudited results for FY 2025-26. At the time of this Report, the audit report for FY 2025-26 is not complete.

In preparing our letter and Report, we have reviewed, to the extent practicable, the Bureau's books, records, financial reports, operating information and statistical data. We have performed analyses necessary to support our findings and conclusions.

Proposed improvements and additions to the System under the Capital Improvement Plan ("CIP") in FY 2026-27 through FY 2031-32 were evaluated and summarized by the Bureau. During the Forecast Period, the Bureau expects to construct, start-up and operate and maintain the "Bull Run Treatment Projects" (described in the POS and referenced in our Report). The analysis prepared by Amawalk relies on the opinions of the Bureau regarding the adequacy of the CIP and its operation and maintenance of the System to support the reliable delivery of water services to customers.

Our assessment of feasibility considers the sufficiency of annual cash flows, debt service coverage, liquidity and reserves and compliance with the First Lien Bond Declaration and Second Lien Bond Declaration during the Forecast Period. We also consider the affordability of water rates and charges.

Based on our studies, we offer the following findings and conclusions:

- The Bureau has historically made significant investments in the Water System. Ongoing work through completion for the Bull Run Treatment Projects as well as other Water System improvements in each year are expected to require $1,882 million[2] in further investments during FY 2026-27 through FY 2031-32. As described in the POS, the Bull Run Treatment Projects are mandated by the regulatory agencies; all other investments are based on the Bureau's determination of System needs during the Forecast Period.

[2] Reflects estimated direct costs and excludes capitalized indirect Bureau costs. Amount is stated in 2026 dollars, unadjusted for inflation

- The estimated costs of the Bull Run Treatment Projects have increased by approximately $450 million since the date of issuance of the City's Second Lien Water System Revenue and Refunding Bonds, 2024 Series A. The increase reflects the total cost of the pause in construction in February 2025, schedule impacts from the pause, realized risks such as unforeseen site conditions, allowances for identified risks, and contingencies for remaining construction work. See the POS for the 2026 Series A Bonds for additional information regarding the background and costs of the Bull Run Treatment Projects.
- The Financial Forecast utilizes multiple funding sources for capital improvements, combining the proceeds of: revenue bonds issued by the City, substantial loans provided by the Federal government, and revenue generated by rates and charges. The Bureau has prudently secured long-term loans and related bonds pursuant to the Water Infrastructure Finance and Innovation Act of 2014 ("WIFIA"), a federal credit program administered by United States Environmental Protection Agency ("USEPA"), to fund a portion of the projected costs of the Bull Run Treatment Projects. These financings are comprised of the "2021 WIFIA Bond"[3] with a not-to-exceed principal amount of $726.6 million (excluding capitalized interest) and the "2024 WIFIA Bond"[4] with a not-to-exceed principal amount of $319.0 million (excluding capitalized interest).
- The outstanding debt of the System will increase significantly over the Forecast Period and the repayment of the debt will require further increases in water rates. The Financial Forecast incorporates the adopted rate increase of 8.1% in FY 2026-27, and anticipates increases of 9.8% per year in each year for FY 2027-28 through FY 2030-31 and 6.2% in FY 2031-32. These increases will be required to meet the anticipated cost of providing service which includes: the operation and maintenance of the System, debt service, the annual cash contributions toward the capital investments noted above and other obligations.
- The City Council is responsible for setting water rates and has historically shown a strong willingness to increase such rates to support the financial performance metrics of the Water System. The Financial Forecast assumes the continued support of the City Council in raising water rates as projected to meet the financial needs of the System.
- A Rate Stabilization Account ("RSA") is maintained by the Bureau for the following purposes: provide liquidity and reserves for unforeseen requirements, ensure that debt service coverage meets Bureau objectives, and provide a source of funds to smooth projected increases in rates. The anticipated cost of service requirements and resulting rate increases take into consideration expected contributions to and withdrawals from the RSA. The RSA balance is forecasted to be $131.6 million at the beginning of FY 2026-27 and $165.1 million at the end of FY 2031-32.
- The cumulative increase in projected water rates is significant and necessary over the six-year Forecast Period. The typical monthly household bill, assuming 90 days in a quarter, is projected to increase from $70.89 in FY 2026-27 to $109.42 in FY 2031-32, assuming an average household consumption of 500 cubic feet of water or 3,740 gallons for each

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[3] The 2021 WIFIA Bond has a final maturity of the earlier of September 1, 2062, or the payment date immediately preceding the date that is 33 years after substantial completion of the Bull Run Treatment Projects. The 2021 WIFIA Bond has an interest rate of 1.89%; see the POS and accompanying Report for additional information.
[4] The 2024 WIFIA Bond has a final maturity of the earlier of September 1, 2062, or the payment date immediately preceding the date that is 33 years after substantial completion of the Bull Run Treatment Projects. The 2024 WIFIA Bond has an interest rate of 4.49%; see the POS and accompanying Report for additional information.

30-day period. Further increases in rates are expected to be needed after the Forecast Period to repay the 2021 WIFIA Bond and the 2024 WIFIA Bond as well as debt service on other water revenue bonds of the City, and to meet other revenue requirements of the System.

- The water rates and charges of the Bureau for single-family customers are currently higher than the average of other national and regional utilities as reflected in a survey conducted by Amawalk (see the accompanying Report). The median household income ("MHI") of the City is greater than the United States average. Relative to MHI, the single-family residential charges of the Bureau are currently higher than the average of other national and regional utilities but within accepted guidelines for affordability. The Bureau utilizes its well-established and robust affordability programs to assist low-income customers in paying their bills. Two levels of assistance are provided for single-family residential customers: Households making 60% or less of the MHI qualify for the Tier-1 Discount and households making 30% or less of the MHI qualify for the Tier-2 Discount: at the first tier the current monthly water bill is about $35; at the second tier, the current monthly water bill is about $14. The annual revenue reduction attributable to the affordability assistance to eligible water customers is relatively modest and is assumed to increase proportionally to future increases in rates.
- The City's Bureau of Environmental Services ("BES"), is responsible for the operations of the City's Sewer System. The combined water, sewer and stormwater rates and charges of the Bureau and BES for single family customers are also currently higher than the average of other national and regional utilities but again within accepted guidelines for affordability (see the accompanying Report). BES also offers significant assistance to low-income customers in paying their bills.

Based on our studies, we offer the following opinions:

- As illustrated in the Financial Forecast, the Bureau is expected to comply with the rate covenant and to exceed the debt service coverage requirements of the Master First Lien Bond Declaration and Master Second Lien Bond Declaration, taking into account the proposed issuance of the 2026 Series A Bonds, the issuance of additional bonds through FY 2031-32, the effects of projected rate increases, the expected deposits and drawdown of funds in the RSA and assumptions regarding financial performance.
- The Financial Forecast of the Bureau is set forth in the section and corresponding tables presented in the POS captioned "FINANCIAL PROJECTIONS" and is based on management's current expectations. Amawalk has reviewed the Financial Forecast including the underlying assumptions and believes that the forecast is reasonable as of the date of this Report. The Financial Forecast is subject to a number of factors, uncertainties and risks which could cause actual results to differ materially from those presented. Potential risks are identified in the POS and in the accompanying Report; there are no assurances that all risks have been identified and considered.

- Water rates and charges of the Bureau are higher than the average of other utilities that we surveyed and further increases in rates are anticipated. The greater than average MHI of the City and strong affordability assistance to low-income households helps to mitigate the potential affordability challenges of water charges. Non-residential customers are not anticipated to qualify for affordability assistance. The Bureau's rates and charges will likely remain higher than the average of the surveyed utilities throughout the Forecast Period.

We wish to extend our gratitude to representatives of the Bureau and the Debt Manager of the City for the support provided in conducting our analysis and in preparing this letter and accompanying Report. We appreciate the opportunity to be of service to the City in this important matter.

Very truly yours,

Edward J. Markus

Edward J. Markus
Amawalk Consulting Group LLC

Enclosure

Portland Water Bureau Overview

The Bureau is the largest supplier of domestic water in Oregon, providing both retail and wholesale service. The City's Water System includes sources of supply, transmission, storage and distribution (the "System"). Portland has two primary sources of water supply: the Bull Run Watershed, a surface water supply; and the Columbia South Shore Well Field, a secondary groundwater supply. See "THE WATER SYSTEM" and "ORGANIZATION AND STAFF OF THE PORTLAND WATER BUREAU" in the Preliminary Official Statement ("POS") for additional information regarding the System and the Bureau.

The Bureau routinely makes improvements to its System, including the April 2022 completion of the Improved Corrosion Control Facility, located in Multnomah County, Oregon and consisting of improvements to treatment facilities that adjust pH and alkalinity. Reservoir 3 at Washington Park was brought online in 2021, increasing total treated water storage capacity from 189 million gallons to 201 million gallons. Within the Forecast Period, the Bureau is expected to complete the construction and start-up of the Bull Run Treatment Projects and then operate and maintain those facilities, consisting of the following major components:

(a) The Pipeline and Connections Project, located in Multnomah and Clackamas Counties, Oregon and consisting of the design and construction of two approximately 9-mile pipelines and related facilities to connect the new filtration facility to the existing water supply conduits; and

(b) The Filtration Facility Project, located in Multnomah County, Oregon and consisting of the design and construction of a granular media facility to filter the Bull Run Watershed raw water source. As part of the scope development, the Bureau evaluated the impacts of the new sources being developed by certain wholesale customers and reduced the peak capacity of the filtration plant from approximately 145 million gallons per day ("MGD") to 135 MGD. Construction was paused in February 2025 pending land use appeal and remand. Multnomah County reapproved the Bureau's land use permit in June 2025 and construction restarted in July 2025. The Multnomah County decision was subsequently deemed final by the State of Oregon Land Use Board of Appeals and the City has advised that it is now non-appealable. As a result of this series of events, the completion date has been pushed back to September 2029.

The Bureau currently estimates[5] that the Bull Run Treatment Projects will cost $2.584 billion, including the filtration facility, pipelines, and certain allowances for contingencies, financing costs and other costs. See "CURRENT AND EMERGING REGULATORY ISSUES - Long Term 2 Enhanced Surface Water Treatment Rule" and other references in the POS for additional information regarding the Bull Run Treatment Projects. The components of the current cost estimates are shown below.

[5] Based on the Bureau's 2026-27 Budget, in 2026 dollars and unadjusted for inflation

Exhibit A

Bull Run Treatment Projects - Current Cost Estimates		
Uses of Funds	**Amount ($ millions)**	**Percent (%) of Total**
1. Construction	2,042.6	79.0%
2. Design	115.7	4.5%
3. Planning	83.6	3.2%
4. Land Acquisition	5.1	0.2%
5. Other Capital Costs	130.4	5.0%
Subtotal	2,377.4	92.0%
6. Contingency	101.0	3.9%
7. Financing Costs	49.2	1.9%
8. Other	56.4	2.2%
Total Uses of Funds	2,584.0	100.0%

Please see the POS for the Bureau percentage completion estimates for the construction of the Bull Run Treatment Projects. Given the size and complexity of work, the Bureau is utilizing an experienced team of both in-house and external resources to represent the City's interests through construction completion, start-up and operation.

Purpose of the Report

The purpose of this Report is to summarize the results of the independent analysis by Amawalk of the financial forecast (the "Financial Forecast" or "Forecast") prepared by the City of Portland, Oregon (the "City") Water Bureau (the "Bureau") for its Fiscal Years ending June 30, 2027 through June 30, 2032 (the "Forecast Period"). The Financial Forecast sets forth the ability of the Bureau to meet the operating expenses, working capital needs and other financial requirements of the System, including the debt service requirements associated with the Outstanding First Lien Bonds and Second Lien Bonds and the additional Second Lien Bonds that are expected to be issued by the City for the System during the Forecast Period. As of the date of this Report, the City has advised that it does not plan to issue additional First Lien Bonds during the Forecast Period.

Amawalk Qualifications

Amawalk Consulting provides financial and management consulting services to clients in the water and wastewater industry including: the City of New York Water and Sewer System, the Boston Water and Sewer Commission, the District of Columbia Water and Sewer Authority, and the Water, Sewer and Stormwater Rate Board of the City of Philadelphia. The firm also assisted the Water and Sewer System of Nanjing, Peoples Republic of China, in its preparations to sell revenue-backed bonds.

Methodology

Amawalk has reviewed the Bureau's books, records, financial reports, and statistical data to the extent practicable to evaluate the forecast of revenues, revenue requirements, and debt service coverage for the Forecast Period. Analyses have been performed to support the findings and conclusions presented herein. Our independent assessment of the Financial Forecast included the following steps:

- Reviewing documents provided by the City including the CIP for FY 2026-27 through FY 2031-32; a report to the City Council; prior rating agency reports; and other information.
- Communicating with City representatives to review updated information, as applicable regarding: 1) current financial policies impacting the System, 2) assumptions underpinning the Bureau's Financial Forecast, 3) billing and collection experience, 4) factors affecting the cost of Bureau operations and the implementation of capital projects, and 5) other matters that could affect System revenues and expenditures.
- Comparing historical trends with future assumptions for water consumption, receipts from customers, revenue from other sources, expenses, debt levels, debt service, the Rate Stabilization Account and other components of the Financial Forecast.
- Reviewing the Bureau's Financial Forecast for FY 2026-27 through FY 2031-32 and the data and assumptions used in preparing the Forecast.
- Comparing single family residential charges for water service with other water utilities in the region and the nation as well as the affordability of charges and available customer assistance programs.
- Comparing single family residential charges for water, sewer and stormwater service with other utilities in the region and the nation as well as the affordability of charges and available customer assistance programs.
- Summarizing our findings, conclusions and opinions for the Financial Forecast.

In conducting our analysis, we have relied upon the accuracy of the information provided by the Bureau– both written and oral. Amawalk is responsible for the interpretation of data used for this analysis.

Findings and Conclusions

We offer the following specific observations for the components of the Forecast.

System Expenses

The Bureau's operation and maintenance expenses ("Operating Expenses") include all costs which are treated as expenses of operating and maintaining the System under generally accepted accounting principles, with certain exceptions as provided in the Master Second Lien Bond Declaration. This includes all costs of labor, non-labor needs for parts, supplies, chemicals, General Fund Overhead, and payments of the System's share of the City's Pension Obligation Bonds. Tables 15 and 22 of the POS show historical Operating Expenses for FY 2020-21 through FY 2024-25 as well as preliminary, unaudited Operating Expenses for FY 2025-26 and the projected Operating Expenses for FY 2026-27 through FY 2031-32, respectively. Year-to-year changes in labor costs reflect: inflationary increases, cost-of-living adjustments, salary step increases for represented employees, non-represented job class changes, pay equity adjustments and employee pension costs. The Utility License fee reflects 5.0% of the dollar value of retail water sales.

It is noted that General Fund Overhead attributable to expenses is included in Operating Expenses, while the Utility License Fee[6] is not included in Operating Expenses, consistent with the Master Second Lien Bond Declaration.[7] The Financial Forecast includes assumptions from the City Economist regarding expected increases in Public Employees Retirement System ("PERS") contribution rates.

The expected annual operating expenses for the Bull Run Treatment Projects are $5.8 million beginning in FY 2028-29, increasing to $12.2 million in FY 2029-30, the first year of full operation. Increases in expenses for the Bull Run Treatment Projects due to inflation beginning in FY 2030-31 are consistent with the overall assumed annual changes in operating expenses.

Excluding operating expenses for the Bull Run Treatment Projects, the assumed average annual increase in operating expenses due to inflation and other factors during the Forecast Period is 4.4%. Actual changes due to inflation will differ from the assumed changes and such differences may be material.

The POS describes the "One Water Initiative" of the City to explore a potential unified organizational structure to efficiently deliver water, sewer and stormwater services in the City. See "ORGANIZATION AND STAFF OF THE PORTLAND WATER BUREAU - Bureau Organization, One Water Initiative" in the POS for further information. The Financial Forecast does not assume any impact on Bureau expenses from the initiative.

Capital Improvements, Sources of Funds

Capital Improvement Plan ("CIP")

The Bureau is responsible for determining the adequacy of the CIP to support the reliable delivery of drinking water services to customers. Table 14 of the POS shows the CIP for the System for FY 2026-27 through FY 2031-32, including both the Bull Run Treatment Projects as well as the improvements needed for all other components of the System. The amounts shown in each year represent the estimates of cash, in 2026 dollars, needed to pay direct costs, including construction and for related capital activities such as engineering services. For purposes of cash flow modeling and for rate-setting, the CIP is inflated annually between 3.9% and 6.6% per year. Notably, Table 14 excludes capitalized Bureau indirect administrative costs that are attributed to supporting the capital program. Capitalized indirect costs have averaged $20.7 million annually between FY 2021-22 and FY 2025-26 and are projected to average $22.9 million annually throughout the Forecast Period.

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[6] The Utility License Law is a tax on utilities operating and earning revenue within the City of Portland. Portland City Code ("PCC") 7.14.020; 7.14.040. The City Code caps the City water and sewer utility tax rates to transition those utilities' tax rates down to 5% of gross revenues. PCC 7.14.065. City of Portland, Office for Community Technology FAQs.

[7] It is noted that General Fund Overhead as applied to Capital Expenditures is capitalized to those expenditures.

Sources and Uses of Capital Funds

The sources of financing for the CIP are: System revenues (including water sales and construction-related revenue), the proceeds of the 2021 WIFIA Bond and the 2024 WIFIA Bond, interest earnings on the Construction Fund, and the proceeds of water system revenue bonds issued by the City.

Revenues from Water Sales – The Financial Forecast anticipates that annual revenues from water sales used for construction will fluctuate ranging from $29.4 million in FY 2030-31 to $100.7 million in FY 2028-29, averaging $74.3 million annually during the Forecast Period. Over 24% of the sources of funds for annual CIP needs, including the Bull Run Treatment Projects, are expected to come from cash generated annually by the System during the Forecast Period.

Construction-Related Annual Revenue – The annual sources include System Development charges, interagency charges and other construction-related receipts.

WIFIA – The City issued a WIFIA Bond in 2021 (the "2021 WIFIA Bond") and a second WIFIA Bond in 2024 (the "2024 WIFIA Bond") (collectively, the "WIFIA loans") to finance a portion of the costs of the Bull Run Treatment Projects.

The 2021 WIFIA Bond, dated February 2, 2021, provides for a principal amount not to exceed $726,600,000 (excluding capitalized interest) for the Bull Run Treatment Projects. Several of the terms and conditions of the 2021 loan are summarized below.

- A fixed interest rate of 1.89%.
- Interest up to a maximum amount of $101,505,116 that can be capitalized (i.e., compounded until the first interest payment, expected September 1, 2032).
- Proceeds can be used to fund 80% of the eligible costs.
- The 2021 WIFIA Bond is on a parity with all other Second Lien obligations and subordinate to First Lien obligations.
- Modest fees: a) a one-time servicing set-up fee of $26,610, b) an annual construction period servicing fee equal to $26,610, and c) an annual operating period servicing fee of $7,990. The fees in b) and c) above are subject to adjustment to reflect annual changes in the CPI.
- A Base Case Financial Model (as defined in the 2021 WIFIA Loan Agreement) of the Bureau, updated annually: (A) demonstrating that projected Net Revenues are sufficient to meet the Loan Amortization Schedule, (B) demonstrating compliance with the Rate Covenant for each year through the Final Maturity Date, (C) reflecting principal amortization and interest payment schedules acceptable to the USEPA, and (D) demonstrating that the Borrower has developed, and identified adequate revenues to implement, a plan for operating, maintaining and repairing the Project over the useful life of the Project.
- Certificates of insurance or a City self-insurance program.
- Compliance with the Rate Covenant and related provisions of the loan agreement.

- The variable interest rate debt of the City, excluding any filtration/treatment interim financing, cannot exceed twenty-five percent (25%) of the principal amount of all Outstanding First Lien Bonds and Second Lien Bonds.
- A payment period for interest on the loan beginning no later than September 1, 2032.
- Principal Payment Dates commencing FY 2043-44.
- A final maturity date of the earlier of (a) September 1, 2062, or (b) the payment date immediately preceding thirty-five (35) years following the Substantial Completion Date.

The terms of the 2024 WIFIA Bond were finalized in calendar year 2024; most terms and conditions are comparable to those included with the 2021 WIFIA Bond except for the expected interest rate of approximately 4.49%, the amount loaned of about $319.0 million, and scheduling of the first anticipated principal and interest payment in FY 2032-33.

Interest Earnings on Construction Fund Balances – The funds on hand are expected to be invested until used. Interest earnings are anticipated to be greater in FY 2026-27 through FY 2029-30 during the construction period for the Bull Run Treatment Projects and then lower thereafter.

Future City Water System Revenue Bonds – The proceeds of future City water system revenue bonds will be used to fund those CIP amounts that are not paid for through cash, the proceeds of the WIFIA loans, the proceeds of the 2026 Series A Bonds and the other sources outlined above. The anticipated borrowing in each year and the anticipated debt service during the Forecast Period resulting from outstanding bonds and future bonds are summarized in Exhibit B below.

The Financial Forecast assumes that the City will have access to the financial markets to borrow funds at reasonable terms and conditions, including interest rates.

Exhibit B

Projected Debt & Debt Service (all amounts in $)

	Year	Size	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
First Lien Obligations									
Outstanding Debt			14,314,500	14,318,000	14,320,550	14,321,500	14,325,150	14,315,650	14,317,800
Anticipated Future Bonds									
	Year	Size							
	2026-27	-							
	2027-28	-							
	2028-29	-							
	2029-30	-							
	2030-31	-							
	2031-32	-							
Total First Lien			14,314,500	14,318,000	14,320,550	14,321,500	14,325,150	14,315,650	14,317,800
Second Lien Obligations									
Outstanding Debt			41,277,475	41,279,725	41,280,725	41,282,725	41,277,725	41,262,975	39,245,725
Anticipated Future Bonds									
	Year	Size							
	2026-27	528,170,000		43,278,095	31,448,350	31,445,300	30,446,800	33,027,025	35,461,550
	2027-28	443,910,000			31,787,756	28,012,400	27,011,625	29,468,575	33,107,175
	2028-29	136,205,000				15,219,139	9,369,488	12,924,488	13,253,463
	2029-30	209,430,000					15,878,650	17,404,200	17,498,200
	2030-31	-							
	2031-32	26,965,000							3,688,075
Total Second Lien			41,277,475	84,557,820	104,516,831	115,959,564	123,984,288	134,087,263	142,254,188
WIFIA Loans									
Outstanding Debt			0	0	0	0	0	0	0
Anticipated Drawdowns									
	Year	Draw							
	2026-27	474,242,245	0	0	0	0	0	0	0
	2027-28	139,870,000		0	0	0	0	0	0
	2028-29	184,790,132			0	0	0	0	0
	2029-30	-				0	0	0	0
	2030-31	-					0	0	0
	2031-32	-						0	0
Total Debt Service			55,591,975	98,875,820	118,837,381	130,281,064	138,309,438	148,402,913	156,571,988

The refunding of certain bonds with part of the proceeds of the 2026 Series A Bonds may have the effect of slightly reducing the interest on outstanding bonds; the figures shown in Exhibit B above for debt service on outstanding bonds and the Financial Forecast as a whole reflect no such savings and there are no assurances that any savings may occur.

Debt service on anticipated future City second lien water revenue bonds in the preceding Exhibit incorporates the following assumptions:

- Final maturity of FY 2058-59 (i.e., a term of between 30 and 33 years for each bond issuance), and
- Average interest rates of 5.5% for bonds issued in FY 2026-27, 5.75% for bonds issued in FY 2027-28 and FY 2028-29, and 6.0% for bonds issued in FY 2029-30 and thereafter during the Forecast Period.

Anticipated debt service on future City second lien bonds in the Forecast Period, including the 2026 Series A Bonds, is provided by the City and is not level in total principal and interest from year-to-year for individual bond issues but increases gradually, in aggregate, from FY 2026-27 through FY 2031-32.

Actual interest rates on future bonds for the System may be higher or lower than the assumed rates, with the difference being reflected in higher or lower than projected debt service.

It is noted that the Bureau currently expects that it will not make interest or principal payments on its WIFIA loans during the Forecast Period. Interest payments on the 2021 WIFIA Bond and principal and interest payments on the 2024 WIFIA Bond are assumed to begin in FY 2032-33. The first principal payment on the 2021 WIFIA Bond is anticipated to be made in Fiscal Year 2043-44.

Customer Base and System Revenues

Retail Customers

The number of retail accounts served by the System was 187,400 at the end FY 2020-21 and 195,700 at the end of FY 2025-26. For revenue projection purposes, it is assumed that the number of retail customers will not change during the Forecast Period.

Retail customers pay a Base Charge and a Volumetric (commodity) Rate for water service. The Base Charge is a fixed amount per day, regardless of customer size or consumption, so the historical trend of increasing numbers of customers results in increasing receipts from Base Charges, independent of changes in the actual amount of the Charge. Base Charges are anticipated to comprise about 28% of water billings in each year during the Forecast Period. The rates for Base Charges are expected to increase during the Forecast Period at the same percentage rates as consumption-based charges.

The Volumetric Rate is a consumption-based charge and is uniform across all customers and all volumes of use; billings are directly related to consumption. On an historical basis, retail water demand has been declining even as the City's population was increasing. Other major cities in the U.S. have had similar experiences (i.e., long-term reductions in retail demand while population is increasing). Among the factors contributing to this phenomenon are: significant improvements over the years in the efficiency of water-using appliances and fixtures (e.g., toilets, dishwashers, washing machines), increasing customer awareness and interest in conserving water to protect available resources, price elasticity (customer interest in conservation to reduce bills/save money), and fewer water-consuming industries in the customer base. In addition, changes in the local economy can affect water demand.

Retail water sales for FY 2022-23, FY 2023-24, FY 2024-25 and FY 2025-26 were 23.6 million ccf, 23.7 million ccf, 23.5 million ccf and 23.4 million ccf, respectively. The Bureau’s demand forecast for FY 2026-27 is 23.4 million ccf, with a 0.25% annual decline thereafter through FY 2031-32. Given the projected increases in water rates together with other factors influencing water demand noted above, there is the risk that water consumption may decline at a pace that is faster than assumed with a resulting reduction in consumption-based revenues and/or a further increase in water rates beyond the current projections in the absence of other changes in the Financial Forecast.

Wholesale Customers

Prior to July 1, 2026, the Bureau provided water on a wholesale contract basis to 19 water purveyors. Tualatin Valley Water District ("TVWD"), Rockwood Water PUD ("Rockwood"), the City of Gresham ("Gresham"), and Lusted Water District ("LWD"), which have historically relied on the City for their water supply, have developed or are in the process of developing an alternative source of supply and therefore did not renew their wholesale water agreements.

Effective July 1, 2026, the City entered into new wholesale water agreements with nine wholesale customers for 30-year terms and with six small water companies for five-year terms with automatic renewals. Under the new agreements, wholesale customers are not subject to guaranteed purchase quantities requirements and will only pay for water supplied. The revenues from wholesale customers are expected to decrease from $27.7 million in FY 2025-26 to $9.1 million in FY 2026-27, excluding the accretive revenue effects of the short-term agreements for FY 2026-27. Both TVWD and LWD have entered into short-term agreements with the City to continue to purchase wholesale water in FY 2026-27 under the new wholesale water structure. The Financial Forecast includes $13.7 million in estimated receipts from TVWD and the Lusted Water District for FY 2026-27. Additionally, the City has advised that it is in discussions with TVWD, Rockwood, Gresham, and the LWD to develop new agreements whereby the City would continue to provide water supply under potential backup or standby scenarios. No revenues to the System are assumed in the Financial Forecast for such scenarios. See "WHOLESALE WATER CUSTOMERS" in the POS for additional information.

Water demand for the wholesale customers that are expected to remain as long-term customers is assumed to be relatively constant for the Forecast Period, with minor fluctuations from year to year. The Bureau anticipates that revenue from wholesale customers will increase to $29.7 million in FY 2031-32, reflecting expected rate increases attributable to the completed Bull Run Treatment Projects and other costs of the System. There is a risk that wholesale water demand will decline; this risk is somewhat mitigated by the relatively small percentage of anticipated wholesale revenues to total revenues during FY 2026-27 through FY 2031-32.

Billings and Collections

The Bureau utilizes effective techniques to collect payments for water bills. Collections as a percentage of billings typically range from 97% to 99%. Delinquent bills increased during the pandemic as the Bureau modified its collection efforts. The Bureau's effective collection techniques have resumed post-pandemic and are expected to remain in use for the remainder of the Forecast Period.

Revenues from Sources Other than Customers

Operating revenues represented an average of 92.4% of gross revenues for the period of FY 2020-21 through FY 2025-26. During the Forecast Period, such revenues are anticipated to be about 92.9% of gross revenues. Other sources of revenue are described below.

Capital charges, including system development charges, averaged $13.5 million per year or 5.2% of total revenues over the period of FY 2020-21 through FY 2025-26. System development charges are paid by developers and other parties seeking to connect to and obtain service from the System or increase the capacity of current connections. During the Forecast Period, capital charge revenues are anticipated to average $14.5 million per year, representing 3.6% of total revenues.

Interest earnings averaged $5.8 million per year or 2.1% of gross revenues over the period of FY 2020-21 through FY 2025-26. During the Forecast Period, such revenues are anticipated to average $14.3 million per year, providing 3.7% of total revenues, reflecting both greater fund balances during the construction of the Bull Run Treatment Projects and higher interest earnings rates than in recent years.

The Bureau will act as the billing and collection agency for the City's new Flood Safety Benefit Fee ("FSBF"), effective July 1, 2026, and the new Transportation Utility Fee ("TUF"), effective January 1, 2027. For the former fee, the City advises that the FSBF helps to fund flood safety infrastructure, managed by the Urban Flood Safety & Water Quality District, which helps prevent flooding along the Columbia River where thousands of Portlanders live and work. Meanwhile, the TUF helps the Portland Bureau of Transportation to pay for basic road maintenance and safety improvements such as fixing potholes. The City has indicated that similar fees exist in 31 cities in Oregon. Moneys collected for the FSBF and the TUF will not be considered System revenues or be included for debt service coverage purposes. The Bureau is expected to be reimbursed for its revenue collection work. The Bureau expects to allocate a partial payment proportionally based on the percentage billed for water bills as well as the given fees.

Total Historical and Projected Revenues

Tables 15 and 22 of the POS illustrate the historical System revenues during the period of FY 2020-21 through FY 2024-25 as well as preliminary, unaudited System revenues during FY 2025-26 and projected System revenues during the period of FY 2026-27 through FY 2031-32, respectively. It is noted that historical revenues have enabled the Bureau to achieve combined First and Second Lien debt service coverage (as defined in the Master Second Lien Bond Declaration) well in excess of minimum requirements, ranging from 1.86 to 3.60 for the period of FY 2020-21 through FY 2025-26, based on Stabilized Net Revenues.

Rate Stabilization Account ("RSA")

The Bureau began funding the RSA in FY 2006-07 as defined in the Master Second Lien Bond Declaration. The RSA is maintained for the following purposes: provide liquidity and reserves for unforeseen requirements, ensure that debt service coverage meets planning standards, and provide a source of funds to smooth projected increases in rates. Table 19 of the POS illustrates the historical and projected year-end balances in the RSA. The year-end balance increased from $87.5 million in FY 2020-21 to $131.6 million at the end of FY 2025-26. The Financial Forecast anticipates that aggregate withdrawals of $35.0 million will be made from the RSA in FY 2027-28, FY 2028-29, and FY 2029-30. The Financial Forecast also anticipates aggregate deposits to the RSA of $68.5 million in FY 2026-27, FY 2030-31 and FY 2031-32. The Financial Forecast anticipates that the RSA will have a year-end balance of $165.1 million on June 30, 2032.

Liquidity and Reserves

Restricted Cash Reserves
Restricted reserves include a Revenue Bond Reserve Account for First Lien Bonds and Second Lien Bond Reserve Account for Second Lien Bonds. The 2026 Series A Bonds will not be secured by the Second Lien Bond Reserve Account. The City only has one series of Second Lien Bonds that are secured by the Second Lien Bond Reserve Account; the reserve for the 2021 Series B Bonds is in the form of a surety for $11.4 million. The City does not currently have any First Lien Bonds outstanding that are secured by a subaccount in the Revenue Bond Reserve Account. The balances are subject to change.

Liquidity
Operating expenses, debt service and other obligations are paid from moneys on deposit in the Water Operating Fund. It is the policy of the Bureau to plan for a minimum fiscal year-end operating cash balance of 25% of net operating expense in the Water Fund, or $46.9 million in FY 2031-32. The Financial Forecast includes a projected Water Fund balance at year-end FY 2031-32 of $78.9 million. The Bureau also targets for a minimum construction cash reserve of $7.5 million. In the event that Water Fund cash-on-hand is insufficient to pay obligations at any point during the Fiscal Year, the Bureau can temporarily draw upon funds on deposit in the RSA.

As noted earlier, it is anticipated that the RSA will have a balance of $165.1 million on June 30, 2032, which when combined with the projected Operating Fund balance and the Construction Fund minimum balance results in projected year-end cash-on-hand of $251.5 million.

Financial Feasibility

Our assessment of feasibility considers the sufficiency of annual cash flows, debt service coverage, liquidity and reserves and compliance with the First Lien Bond Declaration and Second Lien Bond Declaration. We also consider affordability of water rates and charges since annual cash receipts are dependent on the affordability of rates and charges.

Projected revenues, operating expenses, debt service, and debt service coverage for each year of the Forecast Period are shown in Table 22 of the POS. The Forecast Period encompasses the years in which it is expected that the Bull Run Treatment Projects will be constructed and placed into full operation. Our opinion is expressed herein on the Financial Forecast that covers those years.

In our opinion, as illustrated in the Financial Forecast, the Bureau is expected to comply with the rate covenant and to exceed the debt service coverage requirements of the Master First Lien Bond Declaration and Master Second Lien Bond Declaration, taking into account the proposed issuance of the 2026 Series A Bonds, the issuance of additional bonds through FY 2031-32, the effects of projected rate increases, and the expected deposits and drawdown of funds in the RSA.

The adopted percentage increase in retail water rates for FY 2026-27 is 8.1%. The anticipated percentage increases in rates by year for FY 2027-28 through FY 2030-31 are 9.8% per year. The anticipated increase in water rates in FY 2031-32 is 6.2%. The Bureau has advised that there are no plans at this time to modify the rate structure so future percentage increases in rates are expected to be applied uniformly across the rate schedule. The cumulative impact of the anticipated rate increases effective FY 2026-27 through FY 2031-32 shows that water rates are expected to be about 67% higher in FY 2031-32 compared to the rates in effect in FY 2025-26.

Water rates and charges for single family residential customers are currently higher than the average of utilities surveyed by Amawalk. We separately address the affordability of water charges in this section.

The Forecast Period does not include payment of interest or principal on the WIFIA loans. We understand that the Bureau takes a long-term approach to its financial planning and within those long-term plans the WIFIA loans are fully repaid, along with the Second Lien Bonds issued during the Forecast Period. In recognition of the long-term nature of the loan repayment, it is prudent to consider the potential effects on revenue requirements of loan payments beyond the Forecast Period.

As noted earlier, the first debt service payment on the WIFIA loans is anticipated to be in FY 2032-33; principal payments on the second WIFIA loan are expected to begin in FY 2043-44. The Bureau has estimated, on a preliminary basis, that aggregate debt service in FY 2032-33 and in FY 2043-44 may be 7% higher and 23% higher, respectively, than the projected debt service in FY 2031-32. Such estimates take into consideration not only the repayment of the 2021 WIFIA Bond and the 2024 WIFIA Bond but also debt service on outstanding bonds and potential debt to be issued in the future from FY 2032-33 to FY 2043-44. When these debt service estimates are combined with potential increases in expenses, the expectation of a 0.25% per year decline in consumption after the Forecast Period and other assumptions, it implies that average annual percentage increases in revenue requirements in FY 2032-33 through FY 2043-44 may be lower than the average annual percentage increases during the Forecast Period. Such estimates are very preliminary in nature and should only be considered for informational purposes, not as projections of future events. These estimates are subject to significant uncertainty and material change.

In addition, it is noted that after a step-up in debt service from Fiscal Year 2025-26 to 2026-27, debt service is projected by the City to increase at an average rate of 9.4% annually through Fiscal Year 2032-33, which is the first fiscal year with WIFIA debt service and one year outside of the Forecast Period. Taking into account debt service on outstanding bonds, projected issuance of bonds and future draws on WIFIA bonds, Water System debt service is projected by the City to increase from $55.6 million in Fiscal Year 2025-26 to approximately $168.0 million annually in Fiscal Years 2032-33 through Fiscal Year 2058-59. Once again, such estimates are very preliminary in nature and should only be considered for informational purposes, not as projections of future events. These estimates are subject to significant uncertainty and material change.

Affordability of Water Rates and Charges

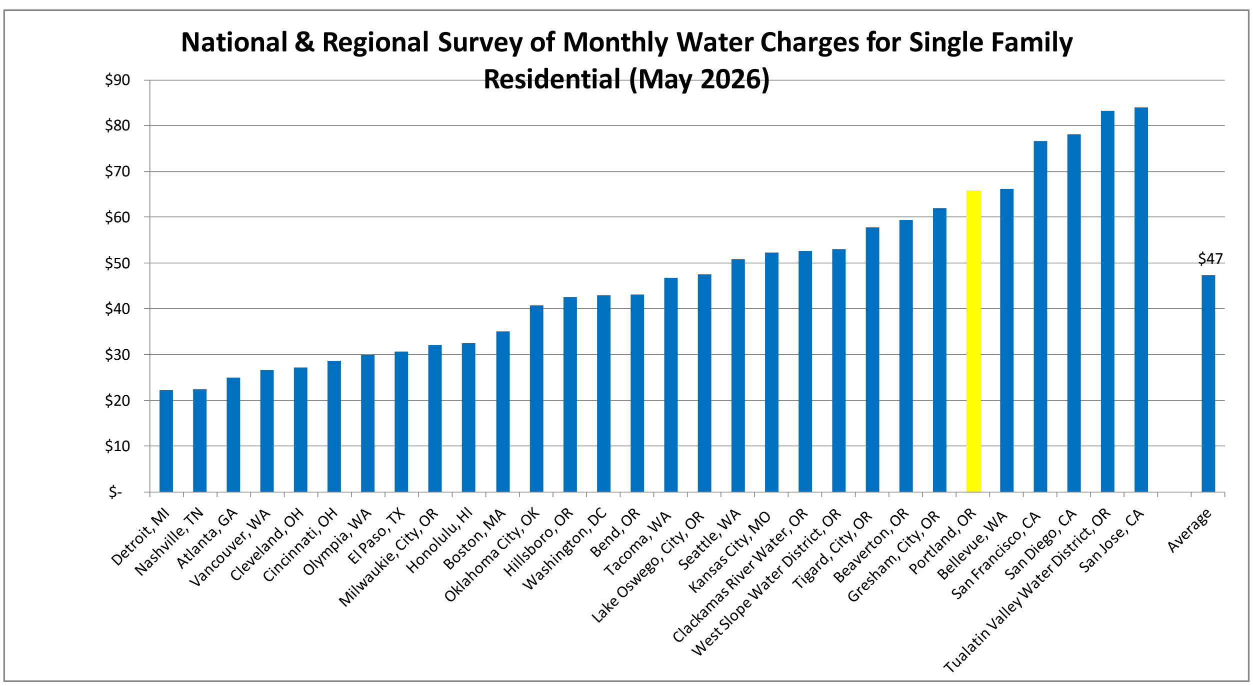
Our assessment of the affordability of rates and charges considers both recent water rates and charges as well as the anticipated charges through FY 2031-32. Four comparisons were used to evaluate the affordability of the Bureau's water rates and charges: 1) typical Bureau monthly single family residential water bills compared with those of other utilities, 2) annual single family residential bills as a percentage of median household income ("MHI") for the Bureau and those same utilities, 3) typical Bureau and BES monthly single family residential water, sewer and stormwater bills compared with those of other utilities, and 4) the water bill assistance offered by the Bureau and other utilities to low income ratepayers. Amawalk conducted a survey of the water rates and charges of three types of water utilities and their corresponding sewer and stormwater service providers as described below: comparably-sized cities across the United States (U.S.), West Coast cities and northwest U.S. regional systems, totaling 30 utilities including the Bureau.

It is noted that the rates and charges of the City do not include the effects of the aforementioned FSBF and TUF, which are effective July 1, 2026 and January 1, 2027, respectively.

Monthly Water Bills
Common assumptions for water use (500 cubic feet/month) and meter size (a 5/8 inch meter) were used with rate schedules in effect as of May 2026 (FY 2025-26) for each of the surveyed utilities to calculate monthly water charges for single-family residential customers. The survey does not incorporate the new FSBF and TUF because such charges were expected to be implemented on July 1, 2026 and January 1, 2027, respectively.

Exhibit C below summarizes the survey results for monthly charges assuming equal water consumption across surveyed utilities. The water charges of the Bureau rank 25th highest out of 30 utilities.

Exhibit C



(A) User charges are based upon information provided by the identified utilities and standardized assumptions regarding water consumption and other factors. Actual charges for each utility will vary in accordance with local usage patterns. There may be significant differences in typical single family residential usage among utilities which results in charges that are different than shown above. Some utilities use property tax revenue or other revenues part of the cost of water services. In such situations, the user charges will not reflect the full cost of water services. Some utilities impose charges that become part of the cost of water services. Water bills for some utilities are subject to sales taxes, gross receipts taxes and/or other fees.
(B) Charges for all utilities reflect rate schedules in effect in May 2026 and are subject to change thereafter.

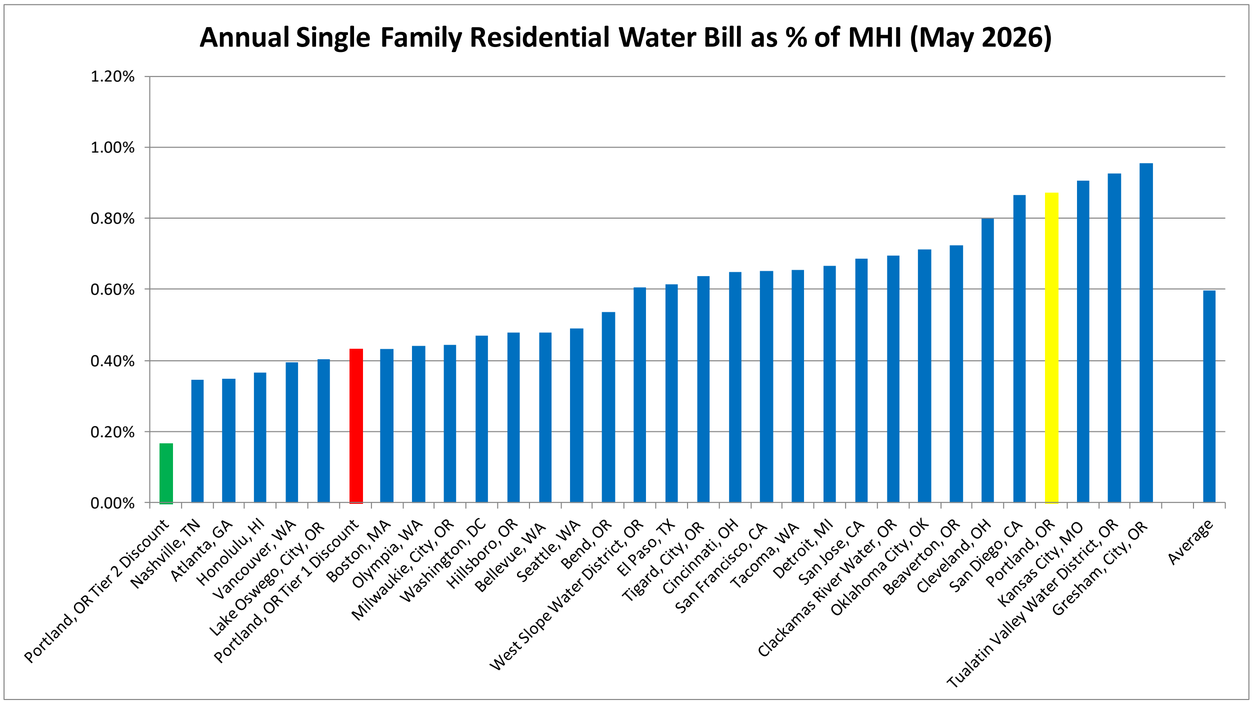
We utilized the Bureau's projections of water rates through FY 2031-32 to consider potential rates and charges at the end of the Forecast Period. If the Bureau's water rates are 67% higher in FY 2031-32 compared to the rates as of 2025-26 based on the projected percentage increases in water rates, the average monthly single family residential charge would be about $110 at that time. It is anticipated that the rates and charges of the other utilities listed in Exhibit C will generally increase between the current year and FY 2031-32 as well; individual utility increases may be more or less than the projected increases of the Bureau.

Residential Water Bills as a Percentage of MHI

A second commonly-used measure of affordability is the annual single family residential charge as a percentage of MHI. Industry guidance on water bill affordability may range from 1.0 percent to 2.5 percent of MHI. The Portland median household income is $90,919 per year, slightly less than the estimated average value of $95,068 for the 30 water utilities that we surveyed and higher than the $80,734 value for the country as a whole[8]. The FY 2025-26 typical monthly water bill of $65.91 assuming 365 days in a year, when annualized, would then represent about 0.87 percent of the MHI, higher than the average of other utilities but below the industry guidance. Exhibit D illustrates the findings for the surveyed utilities, again using rates and charges in effect in May 2026. The computed monthly water bill for households in Portland receiving affordability assistance, discussed further herein, is $32.67 and $12.73 for Tier 1 and Tier 2, respectively.

[8] United States Census, 2024 American Community Survey 5-Year Estimates.

Exhibit D



(A) User charges are based upon information provided by the identified utilities and standardized assumptions regarding water consumption and other factors. Actual charges for each utility will vary in accordance with local usage patterns. There may be significant differences in typical single family residential usage among utilities which results in charges that are different than shown above. Some utilities use property tax revenue or other revenues part of the cost of water services. In such situations, the user charges will not reflect the full cost of water services. Some utilities impose charges that become part of the cost of water services. Water bills for some utilities are subject to sales taxes, gross receipts taxes and/or other fees.
(B) Charges for all utilities reflect rate schedules in effect in May 2026 and are subject to change thereafter.

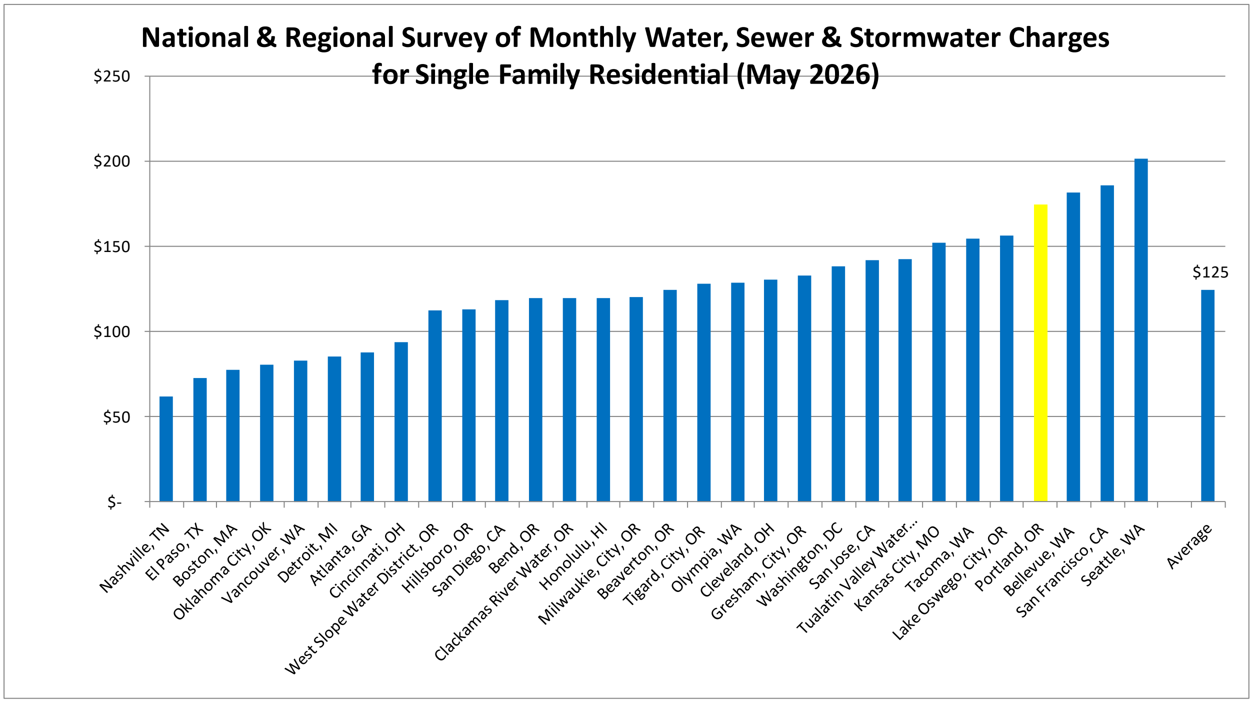
The projected FY 2031-32 monthly water bill of about $110, when annualized, would represent about 1.45 percent of MHI, assuming no changes to the Portland MHI between the current year and FY 2031-32.

Monthly Water, Sewer & Stormwater Bills

The Bureau issues its water bills and also bills for sewer and stormwater charges on behalf of BES. It is common for comparisons to be made of combined water, sewer and stormwater charges. Common assumptions are again used for water and sewer use (500 cubic feet/month), meter size (a 5/8 inch meter) and stormwater impervious area (2,100 square feet or the utility's assumption for typical single-family residential customers) with rate schedules in effect as of May 2026 (FY 2025-26) for each of the surveyed utilities to calculate combined monthly charges for single-family residential customers. The results again do not incorporate the new FSBF and TUF.

Exhibit E below summarizes the survey results for monthly charges assuming equal water consumption across surveyed utilities. The water, sewer & stormwater charges for single family residential customers of Portland rank 27th highest out of 30 utilities.

Exhibit E



(A) User charges are based upon information provided by the identified utilities and standardized assumptions regarding water consumption and other factors. Actual charges for each utility will vary in accordance with local usage patterns. There may be significant differences in typical single family residential usage among utilities which results in charges that are different than shown above. Some utilities use property tax revenue or other revenues part of the cost of water, sewer or stormwater services. In such situations, the user charges will not reflect the full cost of services. Some utilities impose charges that become part of the cost of water, sewer or stormwater services. Water bills in some utilities are subject to sales taxes, gross receipts taxes and/or other fees.
(B) Charges for all utilities reflect rate schedules in effect in May 2026 and are subject to change thereafter.

Water Bill Assistance Programs

MHI is a commonly used indicator of affordability for a typical ratepayer; however, it alone does not fully address the complexities of affordability such as the wide range of incomes in a water utility's residential customer base. As utility rates for water service have increased over the years across the country, programs have been introduced and expanded by water utilities to routinely assist customers that have incomes lower than the MHI. The Amawalk team surveyed the same 30 utilities to identify key characteristics of affordability assistance programs: eligibility criteria, income thresholds for assistance and the level of assistance being provided. We used the same assumptions for single-family customers in terms of usage and meter size. Exhibit F presents the results of this survey.

Some utilities offer residential water bill assistance to senior citizens and persons with disabilities. It is also common to find short-term assistance for emergency financial hardships, water leaks and other factors. In Exhibit F, we focus solely on routine assistance to all low-income customers. The results show that the Bureau has a robust water bill assistance program, with two levels of water bill assistance (Tier 1 and Tier 2) depending upon income. It is noted that not only does the Bureau compare favorably with the utilities that are listed, but also more than half of the 30 utilities surveyed did not offer routine assistance to all low income customers.

As of May 2026, the income threshold to qualify for the Tier 1 low-income discount for a four-person family in Portland was $6,205 per month. Under Tier 1, with a 50 percent discount, the typical residential monthly bill of $32.67 represents about 0.5 percent of the $6,205 per month income threshold value. The Tier 2 low-income discount was added by the Bureau in FY 2018-19. The income threshold to qualify for this discount for a four-person family was $3,103 per month at the time of the survey. Under Tier 2, with an 80 percent discount, the typical residential monthly bill of $12.73 represented about 0.4 percent of the $3,103 per month income threshold value.

Exhibit F

Results of the Survey of Affordability Assistance for Monthly Water Charges (May 2026)
Single Family Residential Customers

	Utility	Residential	Low Income Residential	Qualifying Income Threshold (Family of 4, Income = to or <)	Assistance Provided
1	Washington, DC	$ 42.95	$ 3.88	$39,642 per year	Waived charge for 6 Ccf/Mth and WSRF
2	Detroit, MI	$ 22.17	$ 8.84	$66,000 per year	Water & sewer total bill capped at $34/month or 60% discount in 2026; enrollment limited
3	Washington, DC	$ 42.95	$ 11.89	$118,926 per year	Waived charge for 4 Ccf/Mth and WSRF
4	**Portland, OR**	**$ 65.91**	**$ 12.73**	**$37,236 per year**	**Tier 2 (estimated to be 81% discount as of 5/2026)**
5	Cleveland, OH	$ 27.16	$ 14.16	$66,000 per year	Discounted rates estimated to be 48% for 2026
6	Milwaukie, City, OR	$ 32.13	$ 22.60	$64,150 per year	Exempt from water base charges
7	Lake Oswego, City, OR	$ 47.52	$ 23.76	$73,817 per year	50% discount
8	Seattle, WA	$ 50.72	$ 25.36	$98.508 per year	50% discount
9	Washington, DC	$ 42.95	$ 25.61	$131,100 per year	Waived charge for 3 Ccf/Mth (excl PILOT/ROW)
10	Bend, OR	$ 43.03	$ 28.63	$73,817 per year	50% discount on base charges
11	**Portland, OR**	**$ 65.91**	**$ 32.67**	**$74,460 per year**	**Tier 1 (estimated to be 50% discount as of 5/2026)**
12	Hillsboro, OR	$ 42.48	$ 33.10	$73,817 per year	$300 per year for a family of 4
13	Tacoma, WA	$ 46.86	$ 33.86	$72,504 per year	Credit on water bills up to $13 monthly
14	Kansas City, MO	$ 52.24	$ 37.96	$59,400 per year	Up to $500 per year on water, sewer and stormwater
15	West Slope Water District, OR	$ 53.00	$ 41.25	$73,817 per year	$300 per year in utility assistance
16	San Francisco, CA	$ 76.62	$ 45.97	$46,750 per year	40% discount
17	San Francisco, CA	$ 76.62	$ 57.47	$77,950 per year	25% discount
18	Bellevue, WA	$ 66.20	$ 59.96	$78,550 per year	Utility tax rebate
19	Tualatin Valley Water District, OR	$ 83.28	$ 66.62	$73,817 per year	20% discount on water only
	Average	$ 51.61	$ 30.86		

(A) Some utilities offer senior citizen or disability discounts that may or may not have income requirements; these are excluded from the list above.
(B) Some utilities offer one-time assistance; these are also excluded from the list above.
(C) Some utilities offer bill-paying assistance to customers that is funded through charitable contributions. Such assistance programs are not included in the list above.
(D) More than one-half of the utilities included in the Amawalk rate survey are excluded from the above list because such utilities do not appear to assist the general residential customer base on a recurring, income-based approach independent of emergency needs, age or disability-based qualification only, or the program is funded solely via voluntary donations.
(E) Washington DC (DC Water) and Portland (Portland Water Bureau and Bureau of Environmental Services) offer multiple tiers based on income.
(F) All charges and customer assistance shown above are as publicly-available on May 1, 2026 and are subject to change.

The Bureau's Financial Forecast assumes that the number of qualifying customers and the discount percentages for such customers to remain constant during the Forecast Period. If the Bureau's water rates are 67% higher in FY 2031-32 compared to the rates as of 2025-26, the average monthly single family residential charge for Tier 2 customers and Tier 1 customers would be about $21.25 and $54.52, respectively, at that time. The Tier 2 charges, in particular, would remain strongly supportive of very low-income ratepayers.

In addition to the bill-discount for qualifying customers, the Bureau's financial assistance services for customers also include assistance for qualified multifamily accounts, payment arrangements, water leak repair and replacement, and water conservation kits.

It is recognized that affordability assistance programs typically do not provide bill-paying aid to non-residential customers.

Factors That May Affect the Financial Forecast

The Financial Forecast is subject to a number of assumptions, factors, uncertainties and risks which could cause actual results to differ materially from those presented. In future years, there may be changes in conditions or actual experience that differs from what is planned for or assumed in the Financial Forecast. The following factors are briefly noted, many of which were mentioned previously in this Report or in the POS. No assurance is provided that the list is complete or encompasses all of the potential financial or other impacts. The list is not necessarily in order of importance.

- Operating expenses are assumed to increase due to inflation as well as the operation and maintenance of the Bull Run Treatment Projects. The Financial Forecast does not assume operating expense impacts of the results of the "One Water Initiative".

- No further changes are anticipated or assumed in the capital cost of the Bull Run Treatment Projects as reflected in the Financial Forecast. The current cost estimate of planning, design, construction contingencies, financing and other costs is $2,584 million, as shown in Exhibit A.

- Actual versus assumed interest rates for City borrowing - the projections of debt service for water revenue bonds issued in the years of FY 2026-27 assume an interest rate of 5.5% and a 33-year term; water revenue bonds issued in the years of FY 2027-28 assume an interest rate of 5.75% and a 32-year term; water revenue bonds issued in the years of FY 2028-29 assume an interest rate of 5.75% and a 31-year term, water revenue bonds issued in FY 2029-30 through FY 2031-32 assume an interest rate of 6.0% and a 30-year term. Market conditions may be different and interest rates in future years may be higher or lower than assumed.

- Availability of federal stimulus funds or infrastructure investment funds - except for the previously-approved 2021 WIFIA Bond and 2024 WIFIA Bond, no provisions are included in the Financial Forecast for the receipt of other types of federal funds for capital improvements or operations and maintenance.

- Higher or lower rates of inflation - the projections of Operating Expenses and CIP cost for the Forecast Period anticipate certain levels of inflation that will continue from FY 2026-27 through FY 2031-32. Actual inflation rates may differ.

- Refunding of certain outstanding obligations - depending upon market conditions, the City may refund outstanding debt from time to time to reduce debt service. This includes the planned refunding of all or a portion of the 2016 Series A Bonds with a portion of the proceeds of the 2026 Series A Bonds. No assurance can be provided that favorable market conditions for refunding will exist in future periods and no assumed savings are included in the Financial Forecast.

- The projections of capital improvements and Operating Expenses for the Forecast Period anticipate no new or modified water quality standards that would have a material impact on the facilities and operations of the System. The Water System expects to contribute to the expenses related to the renewal of the FERC license for the Portland Hydroelectric Project (the "PHP"), as described in the POS. The Financial Forecast assumes no other financial obligations for the Water System related to the PHP. As noted in the POS, the Bureau's FY 2026-27 Adopted Budget includes expenditures for the Portland Harbor Superfund site of $75,000 to address needs for the Remedy Design phase of the project. No other costs related to the Portland Harbor Superfund site are assumed in the Financial Forecast.

- Projected revenues rely upon City Council action to approve the projected rates increases in each year - the Financial Forecast anticipates projected rate increases of 9.8% per year for FY 2027-28 through FY 2030-31 and then the projected increase of 6.2% in FY 2031-32. These increases will be required to meet the cost of providing service and achieving the anticipated debt service coverage and RSA levels. Insufficient rate increases by the City Council, if they should occur, could impact revenues, debt service coverage and other financial parameters shown in the Financial Forecast. The actual increases in rates may vary in the future from the assumed rates shown in the Financial Forecast due to the effects of actual versus anticipated capital costs, actual versus assumed inflation in operating expenses, changes in the customer base including water demand and many other factors.

- Projected revenues from remaining wholesale customers are assumed to increase from $9.1 million in FY 2026-27 (excluding one-time revenues from short-term agreements during that fiscal year) to $29.7 million in FY 2031-32. Following the completion of the Bull Run Projects, it is anticipated that the computed costs to be recovered through wholesale rates will increase significantly. The Bureau anticipates that remaining wholesale customers will continue to purchase water throughout the Forecast Period with relatively stable volume from year-to-year. There is the risk that purchase volumes could be lower than projected and that the pace of rate increases could be slower than anticipated, notwithstanding the ability to support the cost of service. In the event that anticipated revenues from wholesale customers are lower than expected, and in the absence of other changes, such differences would have to be made up through increased revenue from City customers or reductions in revenue requirements, such as Operating Expenses.

- The projected revenues assume that retail water consumption will decline by 0.25% per year in FY 2026-27 through FY 2031-32, consistent with recent experience. Actual retail consumption that is higher or lower than this assumption will directly impact revenues and retail rate increases. In particular, there is the risk that projected increases in rates could adversely affect customer demand.

- The City is in discussion with a few wholesale customers leaving the System to provide standby or emergency service - no revenue is included in the Financial Forecast for any such agreements. Payments for such services, when and if agreed-upon, would provide incremental revenues.

- The City has advised that there is no pending litigation of a material nature that it is currently aware of outside of what is disclosed in the POS.

- Additional Risks – Please see RISKS RELATED TO PROJECTIONS AND FORECASTS in the POS as well as other descriptions of potential risks in the POS and this Report.

APPENDIX J
GREEN BONDS SECOND PARTY OPINION

CITY OF PORTLAND, OREGON

1851

Second Party Opinion

Issuer:	**City of Portland, Oregon**
Issue Description:	Second Lien Water System Revenue and Refunding Bonds 2026 Series A (Green Bonds)
Project:	Water System Capital Improvements
Green Standard:	ICMA Green Bond Principles
Green Categories:	Sustainable Water Management Climate Change Adaptation
Keywords:	Drinking water, public health, water filtration, watershed stewardship, ecosystem services, old-growth forests, biodiversity, Envision Platinum, energy efficiency, solar, renewable energy, net zero aligned, LEED Gold, climate resilience, seismic resilience, Portland, Oregon
	✓ Resilient Infrastructure
Par:	$585,630,000*
Evaluation Date:	August 5, 2026

*Preliminary, subject to change

GREEN BONDS DESIGNATION

Kestrel, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of the City of Portland, Oregon, Second Lien Water System Revenue and Refunding Bonds 2026 Series A (the "2026 Series A Bonds") to evaluate conformance with the Green Bond Principles (June 2025 with June 2022 Appendix 1) established by the International Capital Market Association. In addition, the 2026 Series A Bonds were benchmarked using Kestrel Sustainability Intelligence™. Our team for this engagement included analysts with experience in sustainability and environmental science.

This Second Party Opinion reflects our review of the uses and allocation of proceeds, oversight, and conformance of the 2026 Series A Bonds with the Green Bond Principles. In our opinion, the 2026 Series A Bonds are impactful, net zero aligned, conform with the four core components of the Green Bond Principles, and qualify for Green Bonds designation. Based on benchmarking with Kestrel Sustainability Intelligence™, the 2026 Series A Bonds are in the top 5% of assets in drinking water subsectors, reflecting leading sustainability and resilience practices. The analysis is derived from Kestrel Sustainability Intelligence, which benchmarks more than 17,000 municipal bond series representing over $3.2 trillion of infrastructure investment.

ABOUT THE ISSUER

The City of Portland (the "City" or "Portland") is located in northwestern Oregon and has a population of over 640,000. Approximately 2.58 million people, 43% of the state's population, live in the Portland metropolitan area. The City has adopted clear targets and strategies to reduce carbon emissions at least 50% by 2030 and achieve net zero by 2050, including for its Water System.[1]

The Water System is owned and operated by the City and managed by the Portland Water Bureau (the "Water Bureau"), a municipal water department, which serves approximately 840,000 people through residential connections and wholesale supply. The City delivers an average of 90 million gallons per day and up to 150 million gallons per day on peak days. The Water System consists of two water supply sources and related infrastructure for treatment, transmission, storage, and distribution. The primary water supply is surface water from the historic Bull Run Watershed; groundwater from the Columbia South Shore Well Field is a secondary supply. Assets and facilities include two reservoirs within the Bull Run Watershed, chlorine disinfection treatment facilities, gravity-fed pipelines which move water from the watershed to the City, distribution pipelines and storage reservoirs. The Water Bureau demonstrates leadership in sustainability and resilience through stewardship of natural resources, proactive climate resilience and seismic resilience planning, community partnership, and mitigation of greenhouse gas emissions.

Stewardship of Natural Resources

The Bull Run Watershed is located 26 miles east of Portland in the Mt. Hood National Forest and consists of temperate rainforests which have been protected for over 130 years. The watershed is jointly managed by the City and the United States Forest Service for the primary purpose of providing a source of high-quality drinking water for Portland. Logging, recreation and general public access are prohibited in the 150-square-mile protected area, allowing the Water Bureau and Forest Service to preserve rare old-growth forest ecosystems. These wet, western forests naturally filter water through soils and also provide increasingly rare habitat for many threatened and endangered species. Long-term protection of Bull Run Watershed demonstrates exemplary stewardship of natural resources while balancing the need for a reliable and resilient supply of high-quality drinking water.

[1] "Climate policy and programs," City of Portland, accessed August 3, 2026, https://www.portland.gov/bps/climate-action/climate-program.

Mitigation of Greenhouse Gas Emissions

Portland Water Bureau has adopted credible targets to reduce greenhouse gas emissions 50% by 2030 and achieve net zero by 2050.[2] The Water Bureau 2024 Net Zero Strategy[3] evaluates pathways to achieving those targets based on findings from a greenhouse gas emissions assessment. Implemented actions and strategies include:

- **Energy Efficiency:** Projects to reduce energy use include implementation of an energy savings performance contract and participation in the Industrial Strategic Energy Management program. The Bureau is implementing a Water Loss Action Plan[4] which integrates advanced metering infrastructure and satellite leak detection to reduce Water System leaks and losses. Customer-side leaks are addressed through the Home Water Leak Repair Program for income-qualified customers, and a long-standing proactive leak alert process for all customers. Reducing water loss saves energy.
- **Renewable Energy:** The Bureau aims to generate 4 million kWh per year of renewable electricity by 2050. The Columbia South Shore Well Field has over 260 kW of installed solar capacity and the Bureau plans for additional solar and micro-hydro installations at other locations. Two existing hydroelectric generation facilities in the Bull Run Watershed provide a combined generation capacity of 36 MW.
- **Electrification:** The Water Bureau's Capital Plan includes projects to install EV chargers at work sites, acquire EVs for its fleet, and replace gas heating with electrified sources on properties it owns.

Proactive Climate Resilience

The City and the Water Bureau demonstrate best practices for climate resilience planning and preparedness. The Portland Bureau of Emergency Management oversees Citywide emergency planning, response and recovery and the City is involved in a significant regional partnership with government agencies, non-governmental organizations and private sector stakeholders to improve regional resilience.[5]

Within the Water Bureau, climate impacts are factored into long-term adaptive water supply planning. Climate change effects are studied and monitored by the City's workforce which includes climate scientists and professionals focused on adaptive planning and resilience. As reported by the Water Bureau, resilience of the Water System to drought and other stressors is demonstrated by 1) excess water yield in the watershed after reservoirs are filled each year, 2) significant water use efficiency improvements by customers, and 3) the potential to expand the Columbia South Shore Well Field to augment secondary supply.

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[2] "Portland Water Bureau climate action," City of Portland, Portland Water Bureau, accessed August 3, 2026, https://www.portland.gov/water/about-us/climate-action.

[3] "Net Zero Strategy," City of Portland, Portland Water Bureau, June 2024, https://www.portland.gov/water/documents/portland-water-bureau-net-zero-strategy/download.

[4] "Water Loss Action Plan," City of Portland, Portland Water Bureau, July 2022, https://acrobat.adobe.com/link/review?uri=urn%3Aaaid%3Ascds%3AUS%3Ac0745bc4-bf17-36de-a7e5-7fe5b02a728f.

[5] "Regional Disaster Preparedness Organization," Regional Disaster Preparedness Organization, accessed August 3, 2026, https://rdpo.net.

Additionally, the Water Bureau considers extreme heat, extreme cold, urban flooding, landslides and wildfire risks in design and construction of all Water System infrastructure. The Bull Run Fire Preparedness Plan is updated annually and establishes processes for fire prevention, detection and suppression in the watershed. Enhanced fire monitoring systems are used in the Watershed and restricted public access reduces potential for human-caused fires. Health and safety protocols protect outdoor workers from extreme heat and wildfire smoke.

Resilience to major earthquakes is also a major driver in design of capital projects and operational planning at the Water Bureau. Seismic resilience of water infrastructure is included as investment priorities in the statewide seismic resilience plan: *Oregon Resilience Plan - Reducing Risk and Improving Recovery for the Next Cascadia Earthquake and Tsunami*.[6] The plan identifies water infrastructure as vital for firefighting, emergency response and community use. The City has upgraded infrastructure in the Water System to withstand earthquakes, including pipelines which cross the Willamette River and serve major medical facilities which are critical to emergency response. Water infrastructure is a key component of a coordinated effort to provide regional seismic resilience.

ALIGNMENT TO GREEN STANDARDS[7]

Use of Proceeds

The 2026 Series A Bonds finance and refinance capital improvements to the Water System operated by the Portland Water Bureau (the "Projects"). The primary financed project is construction of the Bull Run Filtration Project, a new filtration facility for the drinking Water System which has achieved Envision Platinum verification. The Projects are eligible as defined by the Green Bond Principles in the project categories of *Sustainable Water Management* and *Climate Change Adaptation*.

<u>Bull Run Filtration Project</u>

The Bull Run Filtration Project (the "Filtration Project") involves construction of a new water filtration plant and associated pipelines to improve resilience of the drinking Water System, protect public health, and advance sustainability goals of the Bureau. The new facility will filter 135 million gallons per day using granular media to remove *Cryptosporidium* and other contaminants such as sediments and organic materials. Major rainstorms and wildfires can impair water quality by increasing sediment and nutrient runoff into streams. The Filtration Project provides resilience to these turbidity events and strengthens reliability of the Water System. When the project is complete, the City will be able to take water from the Bull Run Watershed even through times of high turbidity, instead of switching to groundwater supplies. The Filtration Project and new conduits are also designed to withstand a major Cascadia Subduction Zone earthquake, a significant risk in the Pacific Northwest. The project has achieved Envision Platinum verification, demonstrating exemplary practices for sustainable infrastructure development.[8]

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[6] "The Oregon Resilience Plan," Report to the 77th Legislative Assembly, Oregon Seismic Safety Policy Advisory Commission, 2013, https://www.oregon.gov/oem/documents/oregon_resilience_plan_final.pdf.

[7] Green Bonds are any type of debt instrument where the proceeds will be exclusively applied to finance or refinance eligible Green Projects which are aligned with the four core components of ICMA Green Bond Principles.

[8] Managed by the Institute for Sustainable Infrastructure ("ISI"), Envision provides a comprehensive approach to building and maintaining sustainable, resilient, and equitable infrastructure. ISI was established by the American Public Works Association, the

Adding filtration capabilities to the Portland Water System protects public health by mitigating waterborne diseases and improving the ability to adapt to changing source-water quality conditions. The filtration step may also provide additional public health protection by further reducing already compliant levels of disinfection byproducts and lead.[9]

The Filtration Project incorporates best practices to reduce energy use and improve sustainability and community wellbeing. Notable features are summarized below.

- *Gravity-Fed Conveyance*: Site selection and facility design enable water to move primarily by gravity, limiting pumping to a small number of locations and reducing operational energy use. Project engineers estimate the gravity-fed design saves approximately 1.9 million kWh of electricity per year compared to a design relying on pumps.
- *Zero-Liquid Discharge:* The facility recycles all process water on-site and no wastewater from the filtration process is discharged to adjacent streams.
- *Low-Carbon Concrete:* Concrete with low embodied carbon is used for construction, in accordance with the City's requirements.[10]
- *Stakeholder Engagement:* The Water Bureau established a Site Advisory Group and Good Neighbor Agreement to incorporate community priorities into project design and construction. Engagement with neighboring communities and Indigenous groups has informed decisions related to traffic, noise, lighting, landscaping, and site plans.
- *Habitat Restoration:* Development of the project site includes stream habitat restoration projects at the headwaters of Johnson Creek to support reintroduction of fish; and a wildlife corridor to connect Johnson Creek and the Sandy River. Restoration projects also include removal of a dam and pond on an adjacent property to restore a stream to its natural conditions.
- *Green Building:* The on-site administration building is targeting LEED Gold certification and net zero energy use with the addition of a 163-kW rooftop solar array. The building, which includes offices for operations, management and maintenance, and a laboratory, is designed to the highest level of structural classification for seismic risk to maintain operations during a major earthquake. The building will have optimized daylighting and high-efficiency systems including a heat-recovery HVAC system.
- *Designed for Future Needs:* The Filtration Project can be expanded to 220 million gallons per day to accommodate future demand. The flexible design also allows for modifications that may be needed to meet future regulatory requirements.

American Society of Civil Engineers, and the American Council of Engineering Companies. Infrastructure projects receive an Envision Rating based on how well they address components of community development, human health and wellbeing, mobility and emissions, wildlife conservation, and material and project lifecycles.

[9] "Why filtration: Benefits of the Bull Run Filtration project: Protecting public health and improving water quality," City of Portland, Portland Water Bureau, accessed August 4, 2026, https://www.portland.gov/water/bullruntreatment/filtration/why-filtration#toc-protecting-public-health-and-improving-water-quality.

[10] "Current Sustainable Procurement Standards & Initiatives: Low-Carbon Concrete Standard," City of Portland, accessed August 4, 2026, https://www.portland.gov/procurement/sustainable-procurement-program/sp-initiatives#toc-low-carbon-concrete-standard.

As of June 2026, construction of the Filtration Project and pipelines is approximately 36% complete. Most concrete work and the building envelope are expected to be complete in Summer 2026 and the facility is expected to be operational by September 2029.

The financial materiality of the Green Bonds designation is demonstrated by its role in financing long-term investments that improve system reliability. By replacing vulnerable infrastructure, reducing seismic risk, supporting continued use of the gravity-fed Bull Run supply, and enabling maintenance without service disruptions, the Projects can help reduce long-term operating and maintenance costs and limit exposure to costly system failures or greater reliance on pumped groundwater.

Climate Resilience
In addition to the systemwide climate resilience described above, the Filtration Project mitigates risks to the water supply from wildfires, landslides, severe storms and earthquakes. The new facility adds the capability to filter out sediment and contaminants from surface water that may be more likely to be mobilized in a changing climate.

<u>Water System Capital Improvements</u>
The 2026 Series A Bonds also refund 2016 Series A Bonds which financed and refinanced capital improvements for sustainable and resilient operation of the Water System. Kestrel has reviewed these capital plans and projects and confirmed alignment with the Green Bond Principles. The Water Bureau Capital Improvement Program ("CIP") has the following program areas: Supply; Transmission and Terminal Storage; Distribution; Regulatory Compliance; Customer Service; and Support.

Projects in refinanced CIPs include groundwater supply infrastructure; generators at the Headworks facility; rehabilitation of roads in the watershed; and relocation and undergrounding of the Sandy River Crossing Conduit for seismic resilience. Distribution projects include design and construction of a seismically-resilient major pipeline under the Willamette River to connect the water supply located on the east side of Portland to service areas west of the Willamette River. Other improvements include replacement of meters, fire hydrants, and water mains. Additional projects in CIPs include upgrades to storage reservoirs; implementation of a new customer information system; and rehabilitation of the Interstate Maintenance Building, which achieved LEED Gold.

<u>Net Zero Alignment</u>
Bonds are net zero aligned if bond-financed activities advance goals to reach net zero greenhouse gas emissions by at least 2050. In Kestrel's opinion, the 2026 Series A Bonds finance projects that align with the Bureau's comprehensive strategy to reduce emissions 50% by 2030 and achieve net zero by 2050. The financed Projects incorporate features to reduce energy use, maintain an efficient gravity-fed system, and add solar generation capacity, thereby aligning with the net zero transition.

Process for Project Evaluation and Selection

Capital planning at the Portland Water Bureau is guided by regulatory and environmental requirements, asset condition and failure risk, system reliability and resilience, long-term growth, and affordability. Projects are identified through system planning and asset-management analyses and evaluated using risk, benefit-cost, lifecycle, and broader social and environmental considerations, with climate-smart design and flexibility incorporated into all infrastructure decisions.

The Bull Run Filtration Project was initiated to improve drinking water protection after low-level detections of *Cryptosporidium* in 2017 and the subsequent end of Portland's variance from federal requirements for surface-water treatment. City Council selected filtration as the preferred treatment process, and the City entered into a compliance agreement with the Oregon Health Authority that currently requires filtered water to be delivered by September 2029. During preliminary planning, the Bureau evaluated six potential sites and multiple treatment and project configurations using engineering studies, field investigations, pilot testing, comparative costs, and community input.

Management of Proceeds

Proceeds from the 2026 Series A Bonds finance the Filtration Project, refund the City's 2016 Series A Bonds as described in the offering document, and pay costs of issuance. Proceeds are expected to be spent within approximately 12 months. Prior to spending, proceeds will be held in temporary short-term investments in accordance with the City Investment Policy.

Reporting

The Portland Water Bureau provides operational transparency through extensive monitoring, public reporting, and project-level disclosure. Key reporting practices are summarized below.

Reporting Type	Description
Monthly Project Updates	The Bureau provides periodic updates on the Filtration plant project, including milestones achieved, project budget and construction progress: portland.gov/water/bullruntreatment/filtration/status.
Annual Report to City Council	An annual report on Bull Run Watershed Projects is provided to the Portland City Council and is accessible at portland.gov/water/bullruntreatment/filtration/status.
Climate Action Dashboard	The Water Bureau maintains a dashboard showing annual greenhouse gas emissions, electricity and gas use, fleet electrification, and water supplied. The dashboard is accessible via portland.gov/water/about-us/climate-action.
Bull Run Watershed Management Unit Annual Report	An annual report is produced on projects and monitoring occurring in the watershed and includes information on access management, emergency response planning, fire planning and management, water quality and quantity monitoring, natural resources and conservation education.

In addition to these reporting efforts, Kestrel will provide one update report on the 2026 Series A Bonds within approximately 12-18 months of issuance. This report is expected to be produced after all proceeds have been spent and will include confirmation of continued alignment with the Green Bond Principles and relevant updates on financed projects including allocation of proceeds.

The City will also submit continuing financial disclosures to the Municipal Securities Rulemaking Board ("MSRB") as long as the 2026 Series A Bonds are outstanding. This reporting will be done annually on the Electronic Municipal Market Access ("EMMA") system operated by the MSRB.

ALIGNMENT WITH UN SDGs

The 2026 Series A Bonds support and advance the vision of the United Nations Sustainable Development Goals (“UN SDGs”), including:

Clean Water and Sanitation (Targets 6.1, 6.5, 6.6)
Provision of reliable drinking water, integrated water resource management and stewardship of water-related ecosystems

Affordable and Clean Energy (Targets 7.2, 7.3)
Construction of energy-efficient buildings and infrastructure which includes renewable energy generation

Industry, Innovation and Infrastructure (Target 9.4)
Water infrastructure designed for long-term sustainability and resource-use efficiency

Sustainable Cities and Communities (Target 11.3)
Extensive stakeholder involvement and recognition of engagement strategy by Envision

Responsible Consumption and Production (Target 12.2)
Infrastructure designed to maintain sustainable water and energy use

Climate Action (Target 13.1)
Capital projects improve resilience to physical climate risks

Full text of the Targets for these Goals is on the United Nations website: un.org/sustainabledevelopment

BENCHMARKING: KESTREL SUSTAINABILITY INTELLIGENCE™

Project Information	
Subsector	Drinking Water
Project Status	Not Complete

Sustainability Benchmarks	
Composite Score	4.45 out of 5.00
Rank*	Top 5%

***Compared to all municipal bonds evaluated in drinking water subsectors (n = 392), within a broader universe of more than 17,000 municipal bond series representing over $3.2 trillion of infrastructure investment. To learn more about benchmarking with Kestrel Sustainability Intelligence, including additional data fields not shown here, visit kestrelesg.com.**

Sustainability Scores (out of 5)		Weight in Composite Score Calculation
Environmental	5.00	25%
Social	4.00	55%
Transparency	5.00	20%

Score Rationale		
Environmental	Low Carbon Buildings & Sustainable Design	10%
	Smart Cities and Automation	10%
	Natural Resources Management	10%
	Nature-Based Solutions	10%
	Energy & Water Use Efficiency	10%
	Renewable Energy Installed	10%
Social	Safe & Healthy Communities	10%
	Rate Assistance	10%
Transparency	Disclose Activities, Impacts & Risks	20%

Climate Risk Strategies	
Resilience Features	✓ Filtration Project mitigates risks to the water supply from wildfires, landslides, severe storms and earthquakes ✓ Bull Run Fire Preparedness Plan establishes processes for fire prevention, detection and suppression in the watershed ✓ Design and construction of infrastructure involve consideration of extreme heat, extreme cold, urban flooding, landslides and wildfire risks ✓ Citywide emergency planning, response and recovery overseen by the Bureau of Emergency Management ✓ Seismic resilience is a major driver of infrastructure planning
Green Building Standards	✓ Envision Platinum ✓ LEED Gold ✓ Net Zero Energy

This bond was evaluated on 8/4/2026 and Kestrel data for benchmarking was accessed on 8/5/2026. Kestrel Sustainability Scores are fixed for a minimum period of one year from the date of our Opinion. During this period, scores will not be changed. Afterward, scores may be updated, including when Kestrel prepares a Post-Issuance Report.

CONCLUSION

Based on our independent external review, the 2026 Series A Bonds are impactful, net zero aligned, conform, in all material respects, with the Green Bond Principles (2025) and are in complete alignment with two eligible project categories: *Sustainable Water Management* and *Climate Change Adaptation*. Based on benchmarking with Kestrel Sustainability Intelligence, the 2026 Series A Bonds are in the top 5% of assets in drinking water subsectors, reflecting leading sustainability and resilience practices.

About

Kestrel is an Infrastructure Finance Intelligence company that transforms fragmented infrastructure and financial disclosures into structured, decision-useful intelligence. We evaluate transactions in public and private markets, providing trusted analysis and benchmarks that make complex information easier to compare and understand.

Kestrel provides Second Party Opinions, Sustainability Intelligence™, and related disclosure and research services. Covering more than 17,000 municipal bond series representing over $3.2 trillion in par value, Kestrel supports investors, issuers, underwriters, and other market participants with independent analysis to improve transparency, comparability, and insight.

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Disclaimer

This Opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information that was provided by the City or made publicly available by the City and relied upon by Kestrel only during the time of this engagement (August 2026), and only for purposes of providing this Opinion.

We have relied on information obtained from sources believed to be reliable, and assumed the information to be accurate and complete. However, Kestrel can make no warranty, express or implied, nor can we guarantee the accuracy, comprehensive nature, merchantability, or fitness for a particular purpose of the information we were provided or obtained.

By providing this Opinion, Kestrel is neither addressing nor certifying the credit risk, liquidity risk, market value risk or price volatility of the projects financed by the Green Bonds. It was beyond Kestrel's scope of work to review for regulatory compliance, and no surveys or site visits to project construction sites were conducted by us. Furthermore, we are not responsible for surveillance, monitoring, or implementation of the project, or use of proceeds.

The Opinion delivered by Kestrel is for informational purposes only, is current as of the Evaluation Date, and does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of the City, nor its ability to pay principal and interest when due. This Opinion does not address the suitability of a Bond as an investment, and contains no offer, solicitation, endorsement of the Bonds nor any recommendation to buy, sell or hold the Bonds. Kestrel accepts no liability for direct, indirect, special, punitive, consequential or any other damages (including lost profits), for any consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions.

This Opinion may not be altered without the written consent of Kestrel. Kestrel reserves the right to revoke or withdraw this Opinion at any time. Kestrel certifies that there is no affiliation, involvement, financial or non-financial interest in the City or the projects discussed. We are 100% independent. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

Use of the United Nations Sustainable Development Goal (SDG) logo and icons does not imply United Nations endorsement of the products, services, or bond-financed activities. The logo and icons are not being used for promotion or financial gain. Rather, use of the logo and icons is primarily illustrative, to communicate SDG-related activities.

Appendix A.

BULL RUN WATERSHED AND FILTRATION PROJECT

Figure 1. Images from site visit to the Bull Run Watershed showing old-growth forests near headwaters of Bull Run River, Bull Run Lake, and Dam 1.

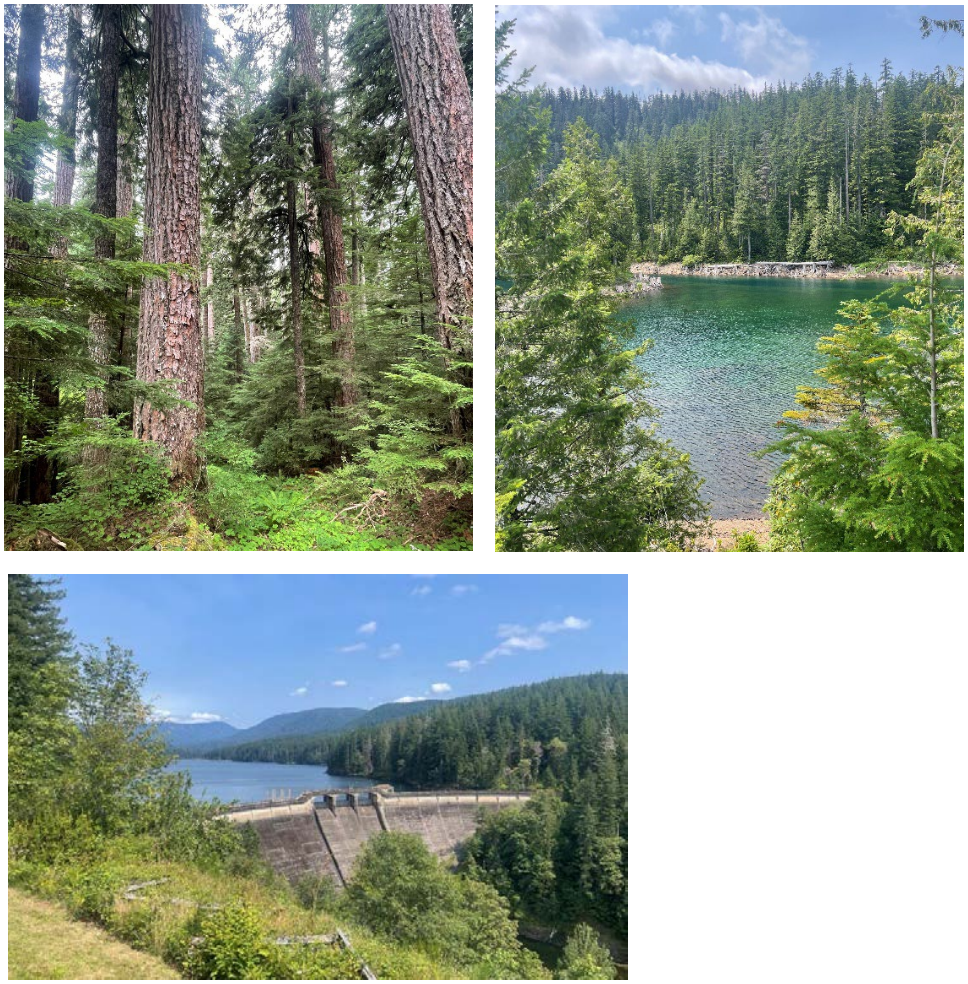

Figure 2. Images of filtration plant and pipeline construction

CITY OF PORTLAND, OREGON • SECOND LIEN WATER SYSTEM REVENUE AND REFUNDING BONDS, 2026 SERIES A (GREEN BONDS)

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