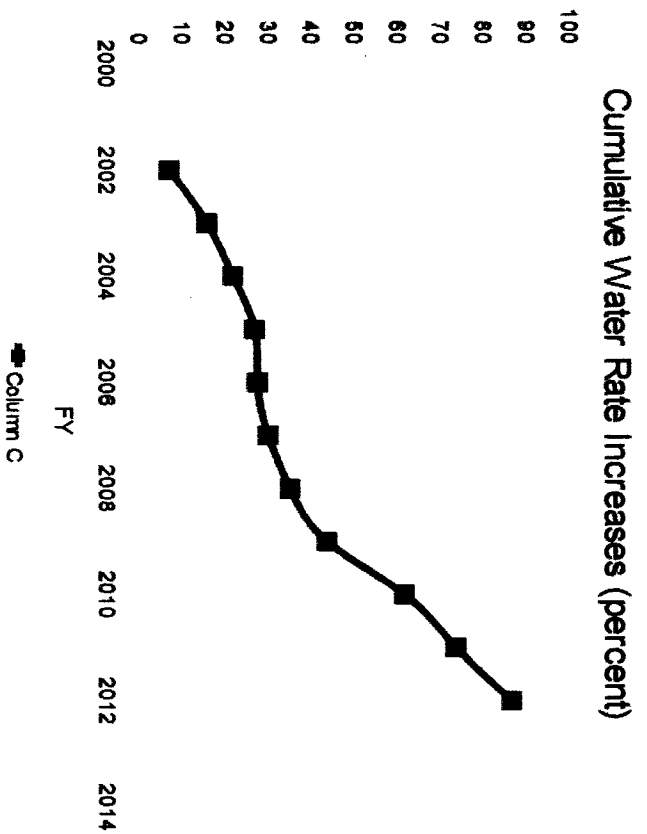


FY	Straight Rate Increase Percent	Cumulative Straight Rate Increase Percent	Compounded Rate Increase Percent (not graphed)
2002	6.9	6.9	110.1
2003	8.8	15.7	119.8
2004	6	21.7	127
2005	5	26.7	133.3
2006	0.8	27.3	134.1
2007	2.5	29.8	137.5
2008	5.1	34.9	144.5
2009	8.6	43.5	156.9
2010	17.9	61.4	185
2011	12	73.4	207.2
2012	12.9	86.3	233.9

Cumulative Straight Rate Increases (percent)



* All data in these tables and charts from Portland Water Bureau

PdxWaterBillRateVsBondDebt

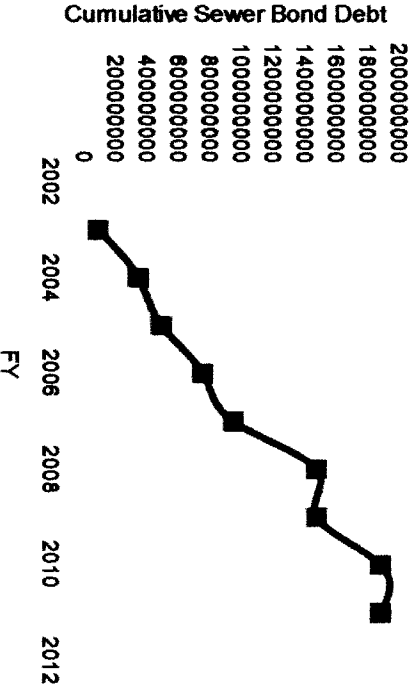
* Debt shown represents all new bonds issued during specified time period but amounts do not include serviced debt.

FY	Sewer Debt (1 st lien)	Sewer Debt (2 nd lien)	Sewer Debt (1 st + 2 nd)	Cumulative Sewer Debt	Water Debt (1 st lien)	Water Debt (2 nd lien)	Water Debt (1 st + 2 nd lien)	Cumulative Water Debt	Sewer + Water Debt	Cumulative Sewer + Water Debt
2003		\$88,370,000	\$88,370,000	\$88,370,000			\$0	\$0	\$88,370,000	\$88,370,000
2004	\$258,580,000		\$258,580,000	\$344,850,000	\$91,800,000	\$91,800,000	\$91,800,000	\$91,800,000	\$348,380,000	\$436,750,000
2005	\$144,850,000		\$144,850,000	\$489,800,000	\$0	\$0	\$0	\$91,800,000	\$144,850,000	\$681,600,000
2006	\$177,845,000	\$87,135,000	\$264,980,000	\$754,780,000	\$44,000,000	\$68,870,000	\$112,870,000	\$204,770,000	\$377,850,000	\$959,650,000
2007	\$183,510,000		\$183,510,000	\$948,290,000		\$0	\$0	\$204,770,000	\$183,510,000	\$1,153,060,000
2008	\$333,015,000	\$195,700,000	\$528,715,000	\$1,477,005,000	\$79,680,000	\$79,680,000	\$79,680,000	\$284,450,000	\$808,385,000	\$1,761,465,000
2009			\$0	\$1,477,005,000		\$0	\$0	\$284,450,000	\$0	\$1,761,465,000
2010		\$407,850,000	\$407,850,000	\$1,884,855,000	\$74,440,000		\$74,440,000	\$358,890,000	\$482,290,000	\$2,243,745,000
2011				\$1,884,855,000	\$82,835,000		\$82,835,000	\$441,725,000	\$82,835,000	\$2,326,580,000
2012				\$1,884,855,000	\$76,510,000		\$76,510,000	\$518,235,000	\$76,510,000	\$2,403,090,000
2013				\$1,884,855,000	\$150,000,000		\$150,000,000	\$668,235,000	\$150,000,000	\$2,553,090,000

NOTE: projected another \$150 million bonds in both 2014 and 2016!

Cumulative Sewer Bond Debt

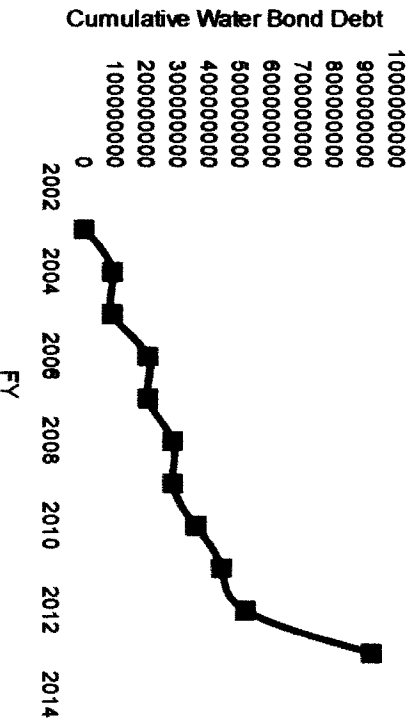
FY 2003-2011



Column E

Cumulative Water Bond Debt

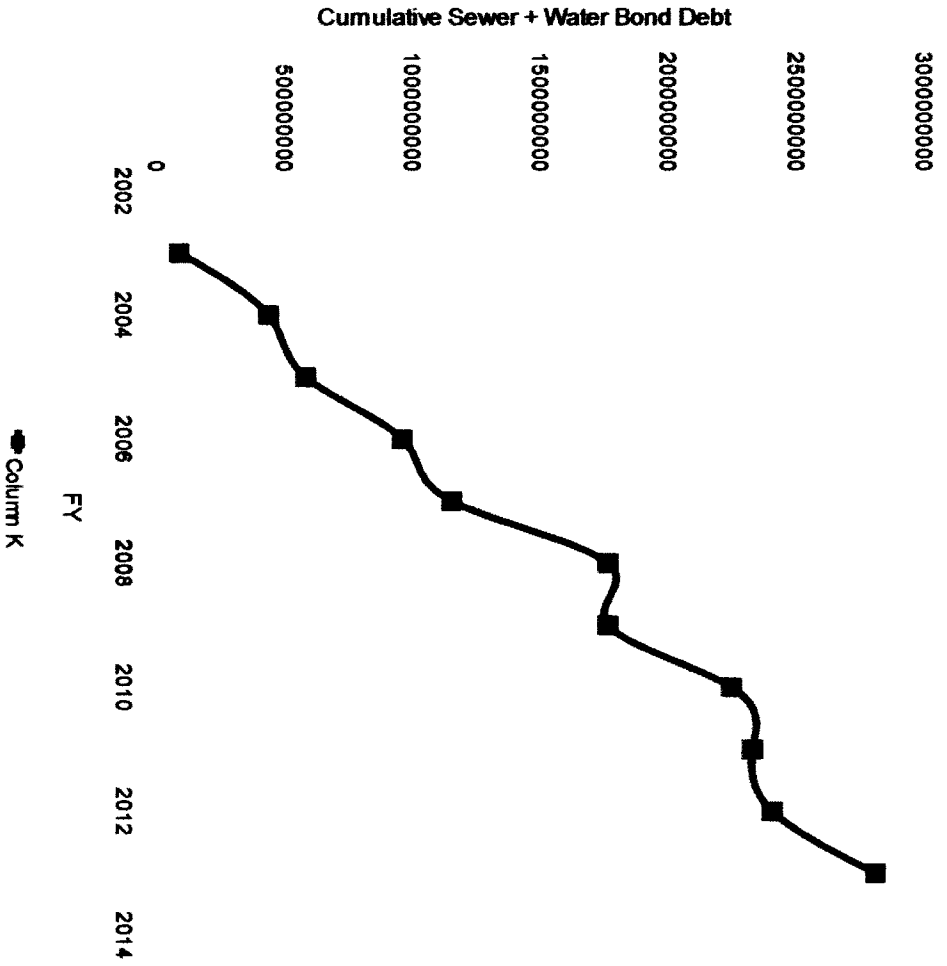
FY 2003-2013



Column I

Cumulative Sewer + Water Bond Debt

FY 2003-2013 (Not Including Sewer from 2012-2013)



Summary of Water Bill increases over a decade.

FY 2001: 3.0 percent annual increase; 103 percent compounded*
FY 2002: 6.9 percent ^{per year}; 110.1 percent ^{compounded}
FY 2003: 8.8 percent; 119.8 percent
FY 2004: 6.0 percent; 127 percent
FY 2005: 5.0 percent; 133.3 percent
FY 2006: 0.6 percent; 134.1 percent
FY 2007: 2.5 percent; 137.5 percent
FY 2008: 5.1 percent; 144.5 percent
FY 2009: 8.6 percent; 156.9 percent
FY 2010: 17.9 percent; 185 percent
FY 2011: 12.0 percent; 207.2 percent
FY 2012: 12.9 percent; 233.9 percent

PWB 5 Year Rate Projections – increase 49.6%*

— FY 2013: 3.9 percent

FY 2014: 14.4 percent

FY 2015: 14.4 percent

FY 2016: 9.0 percent

FY 2017: 8.0 percent

*Portland Water Bureau

Sewer System Revenue Bonds Outstanding

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

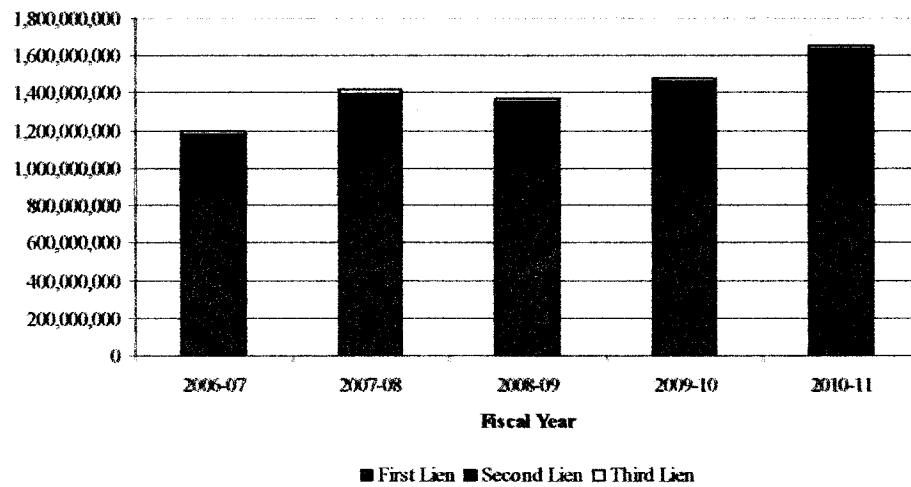


Table 8: Outstanding Sewer System Revenue Bonds

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
First Lien Bonds:				
2004 Series A	11/30/2004	10/1/2024	\$163,500,000	\$129,900,000
2004 Series B Refunding	11/30/2004	6/1/2017	93,080,000	84,965,000
2005 Series A Refunding	6/16/2005	8/1/2020	144,850,000	144,850,000
2006 Series A	5/25/2006	6/15/2031	177,845,000	157,315,000
2007 Series A Refunding	3/8/2007	6/1/2015	193,510,000	117,370,000
2008 Series A Revenue & Refunding	4/17/2008	6/15/2033	333,015,000	303,435,000
Total First Lien Bonds				\$937,835,000
Second Lien Bonds:				
2003 Series A	4/3/2003	6/1/2023	\$88,370,000	\$35,380,000
2006 Series B	5/25/2006	6/15/2031	87,135,000	77,240,000
2008 Series B Revenue & Refunding	4/17/2008	6/15/2033	195,700,000	192,150,000
2010 Series A	8/19/2010	3/1/2035	407,850,000	390,720,000
Total Second Lien Bonds				\$695,490,000
Third Lien Bonds:				
Sewer SRF Loans	Various	Various	\$20,079,188	\$20,247,156
TOTAL OUTSTANDING				\$1,653,572,156

WATER SYSTEM REVENUE BONDS

The Water Bureau issues bonds to provide funding for a significant portion of its capital program. Bonds are secured by either a first lien or second lien on the net revenues of the water system. Over the past five years, outstanding water system debt has increased with implementation of the bureau's capital program to meet the requirements of the federal Long-term 2 Enhanced Surface Water Treatment ("LT2") Rule, federal Endangered Species Act requirements, system vulnerability needs, and aging infrastructure needs. Revenue bond issuance is expected to continue to function as a part of the Water Bureau's ongoing capital improvement plan over the next five years, with an estimated \$553 million of new water revenue bonds expected to be issued through fiscal year 2015-16.

Fiscal Year 2010-11 Highlights

Debt Issued: \$82.8 million First Lien Water System Revenue Bonds
 Rating Actions: Affirmed at Aaa (First Lien) and Aa1 (Second Lien)
 Refinancing Activity: None
 Other Activities: N/A

Water System Revenue Bond Ratings

First Lien: Aaa (Moody's)
 Second Lien: Aa1 (Moody's)

Water System Revenue Bonds Outstanding

Figure 15. Five-Year History of Outstanding Water System Revenue Bonds

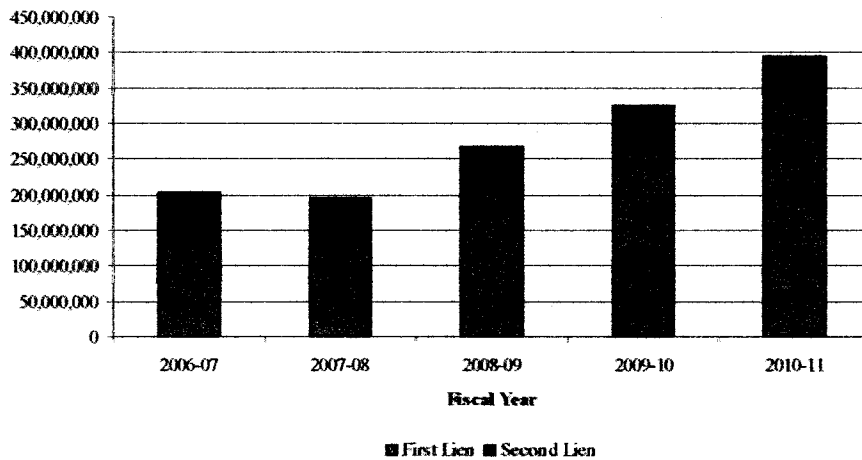
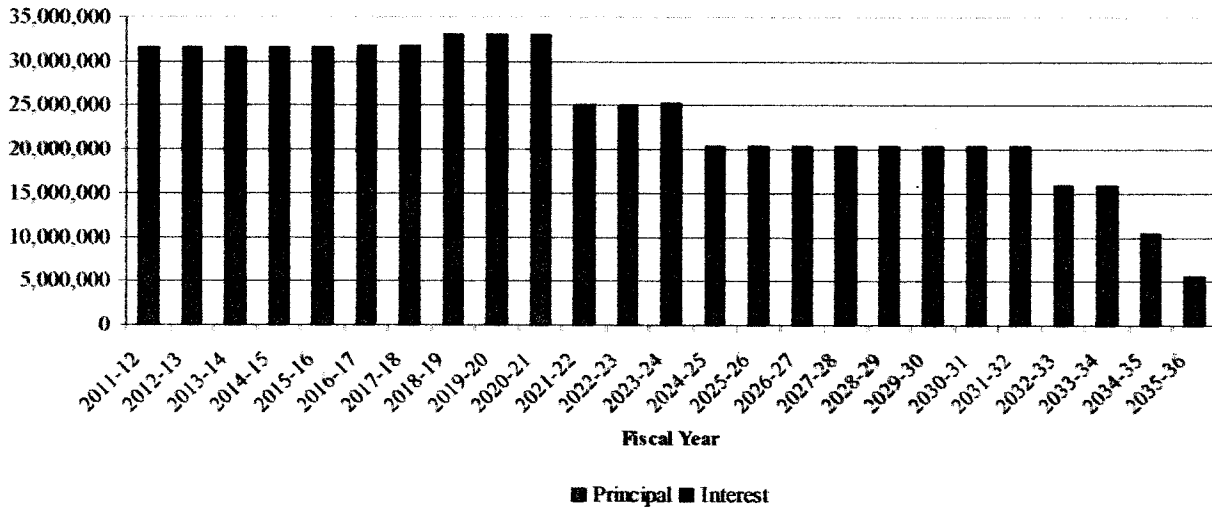


Table 9: Outstanding Water System Revenue Bonds

Issue	Issue Date	Final Maturity	Amount Issued	Amount Outstanding
First Lien Bonds:				
2004 Series A	5/6/2004	10/1/2015	\$29,900,000	\$14,840,000
2004 Series B	5/6/2004	10/1/2023	61,900,000	45,990,000
2006 Series B Refunding	9/21/2006	10/1/2020	44,000,000	40,195,000
2008 Series A	8/7/2008	11/1/2033	79,680,000	76,145,000
2010 Series A	2/11/2010	5/1/2035	73,440,000	72,355,000
2011 Series A	3/22/2011	5/1/2036	82,835,000	82,835,000
Total First Lien Bonds				\$332,360,000
Second Lien Bonds:				
2006 Series A (2nd Lien)	9/21/2006	10/1/2031	\$68,970,000	\$62,420,000
Total Second Lien Bonds				\$62,420,000
TOTAL OUTSTANDING				\$394,780,000

Figure 16: Water System Annual Debt Service Requirements



second request in February 2013 to delay the schedule for disconnecting the Mt Tabor and Washington Park Reservoirs.

Financial uncertainties still exist, including: (1) fiscal impact of having to build the UV facility if multiple *Cryptosporidium* detections occur, and (2) the delay in capital costs of disconnecting Mt. Tabor and Washington Park reservoirs. Notably, if OHA grants a delayed schedule, the costs remain but the rate impact will be delayed.

- **Monthly Billing** – The FY 2011-12 Adopted Budget included a budget note directing the Water Bureau to adjust its billing system and business processes so that the majority of water and wastewater customers are billed on a monthly basis. Due to significant project delays, the bureau does not anticipate launching quarterly reads with monthly billing before July 2013. The bureau expects cost overruns of approximately \$99,000.
- **Pending Litigation** – In December 2011, Citizens for Water Accountability, Trust and Reform filed a lawsuit against the City, declaring that the City improperly spent millions of dollars of utility ratepayer monies on projects that are unrelated to the utilities. One of the challenged Water expenditures was renovation of the McCall Building to facilitate its use by the Rose Festival. Without admitting any legal liability, Council passed ordinance #36976 in November 2012 that reimburses the Portland Water Bureau \$1,596,037 for renovations made to the McCall Building. The bureau used these funds to lessen its rate increase by 0.1% in FY 2013-14.
- **Fluoridation** – The Auditor’s Office recently certified a measure for the May 2013 Special Election that refers the decision to fluoridate the City’s water to Portland voters. Prior to the certification of the measure, the bureau spent \$153,000 in project costs for consultant services to assist with the land use review application and initial design. The estimated capital cost is approximately \$5 million with ongoing operations and maintenance costs of \$575,000. The bureau estimates one-time rate increases of 0.3% to 0.4% due to capital costs and another rate increase of 0.3% for ongoing operating costs when the facility is in operation.

In addition to the continuation of these issues from prior years, CBO notes several new issues:

- Update on bureau bond debt
- Budget process for adjusting to decreasing water sales
- Current year and future year water rates.

In addition to these issues, the bureau’s capital plan and FY 2013-14 budget changes are discussed below.

Update on Bureau Long-Term Debt (Bonds)

The following section provides an overview of the Water Bureau’s current long-term debt, aiming to draw attention to two items: (1) current and future debt obligations, and (2) the impact of debt coverage ratio requirements. The bureau will have \$613.6 million in outstanding debt by the end of FY 2012-13, including the estimated amount of a bond sale planned in April of 2013, which requires estimated combined debt service payments of \$47.2 million in FY 2013-14.

Current and Future Long-term Debt. The table below outlines the bureau’s current bond obligations through the end of FY 2011-12, per the update provided in the Public Finance and Treasury division’s “Annual Debt Report Fiscal Year 2011-12”. (To note: excluded from this table is the \$76,510,000 Series A bond, issued in July 2012.)

TABLE 1: OUTSTANDING PORTLAND WATER BUREAU REVENUE BONDS (THROUGH FY 2011-12)

	Amount Issued	Amount Outstanding
First Lien Bonds		
2004 Series A	29,900,000	12,135,000
2004 Series B	61,900,000	43,360,000
2006 Series B Refunding	44,000,000	38,855,000
2008 Series A	79,680,000	74,240,000
2010 Series A	73,440,000	70,560,000
2011 Series A	82,835,000	81,325,000
Total First Lien Bonds		320,475,000
Second Lien Bonds		
2006 Series A (2nd Lien)	68,970,000	60,585,000
Total Second Lien Bonds		60,585,000
TOTAL OUTSTANDING		381,060,000

The bureau typically issues bonds every two years in order to have the appropriate amount of resources available to finance current capital, as reflected in the table above. In each of the last four years, though, the bureau has issued bonds to cover costs of LT2 requirements (such as Kelly Butte and Powell Butte 2 reservoirs) in addition to more regular capital costs (such as mains and meters).

The bureau plans to issue bonds in 2013, 2014 and 2016, each for approximately \$150 million to address upcoming capital needs (see "Capital Improvement Plan" section, below). As a result, debt service will increase from \$47.2 million in FY 2013-14 to an estimated \$72.3 million in FY 2017-18. Currently, the annual debt service to water sales ratio is 27%, up slightly from five years ago when the ratio was 21%. The bureau projects this ratio to increase to 35% in the next five years, due to the increased debt requirements of the capital plan and based upon forecasted water sale revenues and planned bond sales.

Neither the amount of expected outstanding debt nor the ratio of debt service to water sales is a concern necessarily. As a result of issuing long-term debt, costs are equitably distributed across generations of rate-payers who use the infrastructure, versus cash financing of projects, which tends to place a greater financial burden on a smaller numbers current of rate-payers.

* Debt becomes problematic if the Capital Improvement Plan does not accurately reflect the balance between appropriate asset management and the willingness of Portland rate-payers to accept the costs.

Debt Coverage Ratios. By authorizing the bond covenants for each bond sale, Council requires that the bureau must collect revenues sufficient to exceed annual operating expenses and debt service. The amount of revenue required is referred to as the debt coverage ratio, and if the bureau cannot meet the specified ratios, Council is legally obligated to raise rates.

Debt coverage ratios indicate the amount of gross revenues, less acceptable operating expenses, compared to annual debt service obligations. The ratio provides an indicator of the amount by which net revenues exceed the minimum amount required to cover annual expenses, including debt service. Council, via bond covenants, directs the bureau to meet a legally required minimum of 1.25 ratio on first lien bonds and 1.10 on second lien bonds; however, the bureau targets a debt service ratio of 1.90 on first

**NEW ISSUE—Competitive via Parity
BOOK-ENTRY ONLY**

RATING: Moody's Aaa

In the opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel, assuming compliance with certain covenants of the City, interest on the 2012 Series A Bonds is excludable from gross income of the owners of the 2012 Series A Bonds for federal income tax purposes under existing law and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on either individuals or corporations; however, interest on the 2012 Series A Bonds is included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel. In the opinion of Bond Counsel, interest on the 2012 Series A Bonds is exempt from Oregon personal income tax under existing law.

\$76,510,000
City of Portland, Oregon
First Lien Water System Revenue Bonds
2012 Series A
Base CUSIP: 736754

DATED: Date of Delivery

DUE: April 1, as shown on inside cover

The First Lien Water System Revenue Bonds, 2012 Series A (the "2012 Series A Bonds") will be issued in registered book-entry form only, in denominations of \$5,000 or integral multiples thereof. The 2012 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"). DTC will act as securities depository for the 2012 Series A Bonds. While Cede & Co. is the registered owner of the 2012 Series A Bonds (the "Owner") as nominee of DTC, references herein to the Bondowners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2012 Series A Bonds. See "BEO System" herein.

The 2012 Series A Bonds will bear or accrue interest at the rates set forth in the schedule on the inside cover. The 2012 Series A Bonds will be dated as of the Date of Delivery. Interest on the 2012 Series A Bonds will be payable semiannually on April 1 and October 1 of each year, beginning October 1, 2012.

The 2012 Series A Bonds are being used to finance a portion of the costs of the Capital Improvement Plan for the Water System of the City of Portland (the "City") as more fully described herein. Additionally, proceeds of the 2012 Series A Bonds will be used to fund the Reserve Requirement for the 2012 Series A Bonds and to pay issuance costs.

The 2012 Series A Bonds are special obligations of the City, payable solely from the Net Revenues of the City's Water System and amounts deposited in the subaccount of the Revenue Bond Reserve Account for the 2012 Series A Bonds, all as defined in the City Ordinance No. 174241 as amended (the "First Lien Bond Ordinance"). The 2012 Series A Bonds are issued as "Bonds" and "Parity Obligations" under the First Lien Bond Ordinance, and are secured on a parity with other water revenue bonds that have a first lien on the Net Revenues of the Water System (collectively referred to herein as the "First Lien Bonds"). See "PROVISIONS OF THE 2012 SERIES A BONDS" herein. The 2012 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 2012 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 and the accounts described in this paragraph) to enforce payment of any amounts owing under or with respect to the 2012 Series A Bonds.

The 2012 Series A Bonds are subject to optional redemption prior to maturity as more fully described herein. See "REDEMPTION OF THE 2012 SERIES A BONDS."

The 2012 Series A Bonds are offered when, as and if issued by the City and accepted by the successful bidder, subject to prior sale, withdrawal or modification of the offer without notice, to the final approving opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel, and to certain other conditions. The City expects that the 2012 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about August 2, 2012.

Official Statement Dated July 24, 2012

**NEW ISSUE—Negotiated
BOOK-ENTRY ONLY**

RATING: Moody's Aa1

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 2013 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 2013 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, interest on the 2013 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.

\$253,635,000

City of Portland, Oregon

**Second Lien Water System Revenue and Refunding Bonds
2013 Series A**

Base CUSIP: 736754

DATED: Date of Delivery

DUE: October 1, as shown on inside cover

The Second Lien Water System Revenue and Refunding Bonds, 2013 Series A (the "2013 Series A Bonds") will be issued in registered book-entry form only, in denominations of \$5,000 or integral multiples thereof. The 2013 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"). DTC will act as securities depository for the 2013 Series A Bonds. While Cede & Co. is the registered owner of the 2013 Series A Bonds (the "Owner") as nominee of DTC, references herein to the Bondowners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2013 Series A Bonds. See "BEO System" herein.

The 2013 Series A Bonds will bear or accrue interest at the rates set forth in the schedule on the inside cover. The 2013 Series A Bonds will be dated as of the Date of Delivery. Interest on the 2013 Series A Bonds will be payable semiannually on April 1 and October 1 of each year, beginning October 1, 2013.

The 2013 Series A Bonds are being issued to finance a portion of the costs of the Capital Improvement Plan for the Water System of the City of Portland (the "City") as more fully described herein. Additionally, proceeds of the 2013 Series A Bonds will be used to refund certain maturities of the City's Water System Revenue Refunding Bonds, 2004 Series A, the Water System Revenue Bonds, 2004 Series B, and the Second Lien Water System Revenue Bonds, 2006 Series A. Proceeds also will fund the First Subaccount Reserve Requirement for the 2013 Series A Bonds and pay issuance costs.

The 2013 Series A Bonds are secured by a second lien on, and are payable solely from, the Net Revenues of the City's Water System and amounts deposited in the Second Lien Bond Account, including any Federal Subsidies on Second Lien Bonds, as provided in the Master Second Lien Water System Revenue Bond Declaration (the "Master Second Lien Bond Declaration.") The lien of the pledge that secures the 2013 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 First Lien Bond Ordinance. The 2013 Series A Bonds are also secured by the First Subaccount of the Second Lien Bond Reserve Account as provided in the First Supplemental Bond Declaration. The 2013 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 2013 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 and the amounts credited to the First Subaccount) to enforce payment of any amounts owing under or with respect to the 2013 Series A Bonds.

The 2013 Series A Bonds are subject to optional redemption prior to maturity as more fully described herein. See "REDEMPTION OF THE 2013 SERIES A BONDS."

The 2013 Series A Bonds are offered when, as and if issued by the City and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, to the final approving opinion of Hawkins Delafield and Wood LLP, Bond Counsel, Portland, Oregon, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their Counsel, Orrick, Herrington & Sutcliffe LLP, Portland, Oregon. The City expects that the 2013 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York on or about May 2, 2013.

Citigroup

BofA Merrill Lynch

Wells Fargo Securities

Official Statement Dated April 23, 2013