ANNUAL DISCLOSURE INFORMATION

Pertaining to

City of Portland, Oregon

First Lien Sewer System Revenue & Refunding Bonds:

$86,165,000	**2014 Series A**	**Dated August 14, 2014**
$329,805,000	**2015 Series A**	**Dated August 27, 2015**
$156,650,000	**2016 Series A**	**Dated September 7, 2016**

Second Lien Sewer System Revenue & Refunding Bonds:

$210,965,000	**2013 Series A**	**Dated September 17, 2013**
$204,220,000	**2014 Series B**	**Dated August 14, 2014**
$63,300,000	**2015 Series B**	**Dated August 27, 2015**
$162,465,000	**2016 Series B**	**Dated September 7, 2016**
$191,930,000	**2018 Series A**	**Dated May 3, 2018**
$216,480,000	**2019 Series A**	**Dated December 3, 2019**
$239,590,000	**2020 Series A**	**Dated November 24, 2020**

December 31, 2021

MATURITY SCHEDULES − FIRST LIEN BONDS:

$86,165,000*
FIRST LIEN SEWER SYSTEM REVENUE REFUNDING BONDS
2014 SERIES A

Due October 1	Principal Amount	Interest Rate	CUSIP 736742
2022	$9,670,000	5.00%	VB0
2023	10,155,000	5.00%	VC8
2024	10,680,000	5.00%	VD6
	$30,505,000		

$329,805,000*
FIRST LIEN SEWER SYSTEM REVENUE REFUNDING BONDS
2015 SERIES A

Due June 1	Principal Amount	Interest Rate	CUSIP 736742
2024	$8,185,000	5.00%	WM5
2025	8,600,000	5.00%	WN3
2026	9,030,000	5.00%	WP8
2027	9,475,000	3.00%	WQ6
2028	9,765,000	5.00%	WR4
2029	10,250,000	4.00%	WS2
2030	10,665,000	4.00%	WT0
2031	11,085,000	4.00%	WU7
	$77,055,000		

* Original par amount

MATURITY SCHEDULES – FIRST LIEN BONDS (continued):

$156,650,000*
FIRST LIEN SEWER SYSTEM REVENUE REFUNDING BONDS
2016 SERIES A

Due June 15	Principal Amount	Interest Rate	CUSIP 736742
2022	$8,620,000	5.00%	XS1
2023	9,050,000	5.00%	XT9
2024	9,500,000	5.00%	XU6
2025	9,980,000	5.00%	XV4
2026	10,480,000	5.00%	XW2
2027	11,005,000	5.00%	XX0
2028	11,550,000	2.00%	XY8
2029	11,780,000	2.00%	XZ5
2030	12,020,000	3.00%	YA9
2031	12,380,000	3.25%	YB7
2032	12,780,000	3.00%	YC5
2033	13,165,000	2.50%	YD3
	$132,310,000		

* Original par amount

MATURITY SCHEDULES − SECOND LIEN BONDS:

$210,965,000*
SECOND LIEN SEWER SYSTEM REVENUE BONDS, 2013 SERIES A

Due August 1	Principal Amount	Interest Rate	CUSIP 736742
2022	$8,685,000	5.00%	UB1
2023	13,250,000	5.00%	UC9
2024	6,190,000	5.00%	UD7
2025	6,510,000	5.00%	UE5
2026	6,840,000	5.00%	UF2
2027	7,160,000	4.00%	UG0
2028	7,450,000	4.00%	UH8
2029	7,795,000	5.00%	UJ4
2030	8,195,000	5.00%	UK1
2031	8,615,000	5.00%	UL9
2032	9,055,000	5.00%	UM7
2033	9,520,000	5.00%	UN5
2034	10,010,000	5.00%	UP0
2035	10,525,000	5.00%	UQ8
2036	11,060,000	5.00%	UR6
2037	11,630,000	5.00%	US4
2038	12,225,000	5.00%	UT2
	$154,715,000		

* Original par amount

MATURITY SCHEDULES − SECOND LIEN BONDS (continued):

$204,220,000*
SECOND LIEN SEWER SYSTEM REVENUE BONDS
2014 SERIES B

Due October 1	Principal Amount	Interest Rate	CUSIP 736742
2022	$6,330,000	5.00%	VM6
2023	6,655,000	5.00%	VN4
2024	7,000,000	5.00%	VP9
2025	7,355,000	5.00%	VQ7
2026	7,735,000	5.00%	VR5
2027	8,050,000	3.00%	VS3
2028	8,295,000	3.00%	VT1
2029	8,590,000	4.00%	VU8
2030	8,940,000	4.00%	VV6
2031	9,305,000	4.00%	VW4
2032	9,685,000	4.00%	VX2
2033	10,080,000	4.00%	VY0
2034	10,490,000	4.00%	VZ7
2035	10,920,000	4.00%	WA1
2036	11,365,000	4.00%	WB9
2037	11,830,000	4.00%	WC7
2038	12,310,000	4.00%	WD5
2039	12,815,000	4.00%	WE3
	$167,750,000		

* Original par amount

MATURITY SCHEDULES − SECOND LIEN BONDS (continued):

$63,300,000*
SECOND LIEN SEWER SYSTEM REVENUE REFUNDING BONDS
2015 SERIES B

Due June 1	Principal Amount	Interest Rate	CUSIP 736742
2022	$1,000,000	5.00%	XB8
2023	1,000,000	5.00%	XC6
2024	4,230,000	5.00%	XD4
2025	4,445,000	5.00%	XE2
2026	4,665,000	5.00%	XF9
2027	4,895,000	5.00%	XG7
2028	5,145,000	5.00%	XH5
2029	5,400,000	3.00%	XJ1
2030	5,560,000	3.00%	XK8
2031	5,725,000	3.00%	XL6
	$42,065,000		

* Original par amount

MATURITY SCHEDULES − SECOND LIEN BONDS (continued):

$162,465,000*
SECOND LIEN SEWER SYSTEM REVENUE REFUNDING BONDS
2016 SERIES B

Due June 15	Principal Amount	Interest Rate	CUSIP 736742
2022	$59,960,000	5.000%	YK7
2023	62,980,000	5.000%	YL5
2024	1,605,000	5.000%	YM3
2025	1,690,000	4.000%	YN1
2026	1,760,000	4.000%	YP6
2027	1,825,000	4.000%	YQ4
2028	1,895,000	5.000%	YR2
2029	1,990,000	2.000%	YS0
2030	2,030,000	2.125%	YT8
2031	2,080,000	2.250%	YU5
2032	2,125,000	2.375%	YV3
2033	2,175,000	2.500%	YW1
	$142,115,000		

* Original par amount

MATURITY SCHEDULES − SECOND LIEN BONDS (continued):

$191,930,000*
SECOND LIEN SEWER SYSTEM REVENUE BONDS
2018 SERIES A

Due June 15	Principal Amount	Interest Rate	CUSIP 736742
2022	$6,815,000	5.000%	ZA8
2023	7,155,000	5.000%	ZB6
2024	7,515,000	5.000%	ZC4
2025	7,890,000	5.000%	ZD2
2026	8,285,000	5.000%	ZE0
2027	8,700,000	5.000%	ZF7
2028	9,135,000	5.000%	ZG5
2029	9,590,000	4.500%	ZH3
2030	10,020,000	4.500%	ZJ9
2031	10,470,000	4.500%	ZK6
2032	10,945,000	4.500%	ZL4
2033	11,435,000	4.500%	ZM2
2034	11,950,000	4.500%	ZN0
2035	12,490,000	4.500%	ZP5
2036	13,050,000	4.500%	ZQ3
2037	13,635,000	4.500%	ZR1
2038	14,250,000	4.500%	ZS9
	$173,330,000		

* Original par amount

MATURITY SCHEDULES − SECOND LIEN BONDS (continued):

$216,480,000*
SECOND LIEN SEWER SYSTEM REVENUE REFUNDING BONDS, 2019 SERIES A

Due March 1	Principal Amount	Interest Rate	CUSIP 736742
2022	$11,595,000	5.00%	A31
2023	12,185,000	5.00%	A49
2024	12,785,000	5.00%	A56
2025	13,425,000	5.00%	A64
2026	14,100,000	5.00%	A72
2027	14,800,000	5.00%	A80
2028	15,545,000	5.00%	ZT7
2029	16,315,000	5.00%	ZU4
2030	17,135,000	5.00%	ZV2
2031	17,990,000	5.00%	ZW0
2032	18,900,000	5.00%	ZX8
2033	19,835,000	5.00%	ZY6
2034	20,825,000	5.00%	ZZ3
	$205,435,000		

* Original par amount

MATURITY SCHEDULES − SECOND LIEN BONDS (continued):

$239,590,000*
SECOND LIEN SEWER SYSTEM REVENUE BONDS,
2020 SERIES A

Due March 1	Principal Amount	Interest Rate	CUSIP 736742
2024	$6,390,000	5.000%	A98
2025	6,710,000	5.000%	B22
2026	7,045,000	5.000%	B30
2027	7,395,000	5.000%	B48
2028	7,765,000	5.000%	B55
2029	8,155,000	5.000%	B63
2030	8,560,000	5.000%	B71
2031	8,990,000	5.000%	B89
2032	9,440,000	5.000%	B97
2033	9,910,000	4.000%	C21
2034	10,310,000	4.000%	C39
2035	10,720,000	3.000%	C47
2036	11,040,000	3.000%	C54
2037	11,375,000	3.000%	C62
2038	11,715,000	3.000%	C70
2039	12,065,000	2.000%	C88
2040	12,305,000	2.125%	C96
2041	12,570,000	2.125%	D20
2042	12,835,000	2.250%	D38
2043	13,125,000	2.250%	D46
2044	13,420,000	2.250%	D53
2045	13,720,000	2.250%	D61
2046	14,030,000	3.000%	D79
	$239,590,000		

* Original par amount

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SEWER SYSTEM FINANCIAL AND OPERATING INFORMATION

OVERVIEW

This section provides financial and operating information specifically related to the Sewer System.

FUND ACCOUNTING SYSTEM

The Bureau of Environmental Service's (BES") financial reporting system is organized into five separate funds. These funds and their financial reporting purposes are described as follows. For financial reporting purposes, the first four funds referenced below (all except the Environmental Remediation Fund) are included within the Sewage Disposal Fund.

Sewer System Operating Fund

The Sewer System Operating Fund provides for the day-to-day operation, maintenance and management of Bureau programs. All payments for Sewer System personnel, materials and services are made within the Sewer System Operating Fund, with reimbursement from the Sewer System Construction Fund (described below) for capital improvements.

Sewer System Construction Fund

The Sewer System Construction Fund provides for the funding of Sewer System capital improvements, holding equity contributions and net bond proceeds until requested by the Sewer System Operating Fund for reimbursements of certain capital-related expenditures.

Sewer System Debt Redemption Fund

The Sewer System Debt Redemption Fund is a single fund that provides for payment of City debt incurred in conjunction with construction of Sewage System facilities.

Sewer System Rate Stabilization Fund

The Sewer System Rate Stabilization Fund allows for better financial management by enabling the City to level fluctuations in Sewer System revenues (primarily connection charges) from year to year.

Environmental Remediation Fund

The Environmental Remediation Fund has in the past supported the City's waste disposal site remediation activities and contributes funds to the Portland Harbor Superfund investigation. The Portland Harbor Superfund program expenditures are recorded in this fund, which is funded through rate revenues that appear as separate line items on customers' sewer bills.

HISTORICAL REVENUES AND EXPENDITURES

The City has maintained Gross Revenues sufficient to provide for all operating expenditures and debt service and has met legal debt service coverage requirements. In addition to meeting these requirements, the Gross Revenues have provided substantial cash to finance the CIP in combination with federal grants and the proceeds of revenue bond sales. The Bureau also collects System Development Charges ("SDCs") when property development occurs. The Bureau's SDCs are used to pay for debt service on borrowings previously issued to expand the Sewer System, per State law, and are included in the calculation of Sewer System Gross Revenues.

Historical results of the Bureau's financial operations are shown in Table 1, "Sewer System Historical Operating Results." Audited statements of revenues, expenditures, changes in retained earnings, and the audited balance sheet for the Sewer System Operating Fund are presented in the APPENDIX.

FY 2020-21 Year End Financial Results

As shown in Table 1, total Sewer System revenues for FY 2020-21 were $381.9 million, which were approximately $9.2 million or 2.4 percent below FY 2019-20 revenues, excluding Rate Stabilization Fund transfers. Service charges and fees from retail sewer and stormwater rates revenues remained stable compared to the prior year, while Portland Harbor Superfund charges increased, reflecting a higher rate increase relative to sewer/stormwater rates. Wholesale contract revenue increased by 23 percent, due largely to FY 2019-20 billings being recorded in FY 2020-21; however, there were large decreases in sanitary flow billings to commercial customers as the pandemic required mandatory closings of retail businesses, schools, and other public places. These decreases were partially offset by increases in sanitary flow billings to residential customers as residents were required to work and educate from home. While declining relative to FY 2019-20, development-related revenues, such as systems development charges (SDCs) and permits, performed better than anticipated. Actual SDC collections fell by approximately 25 percent relative to the prior year, but reached 112 percent of budgeted amounts.

Compared to the prior fiscal year, the Bureau experienced some savings within operating expenses in FY 2020-21 as a result of disruptions in some activities due to the pandemic, in areas such as repair and maintenance. Overall, operating expenditures were 98 percent of the prior year expenditures. Personal services expenditures were 1.9 percent above the prior year due to modest cost-of-living allowances. External materials and services were 11 percent above the prior year, reflecting increases in professional services expenses due to planned expansion of the pipe and plant condition assessment programs (+$732,000); wholesale contract expenditures (+$829,000); and additional operating and computer supplies (+$716,000) to address the effects of the pandemic on the work environment. Internal materials and services provided by other City bureaus declined by 7.7 percent from the prior year, mostly from the disruption to maintenance activities stemming from pandemic restrictions (-$2.5 million).

As a result of revenues performing above expectations and expenditure savings, the Bureau made no cash transfers from the Sewer Rate Stabilization Fund to meet debt service coverage targets (see – "Rate Stabilization Fund" below). Combined first and second lien debt service coverage was 1.50 in FY 2020-21.

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Table 1
CITY OF PORTLAND, OREGON
Sewer System
Historical Operating Results(1)

Fiscal Year	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
(In thousands of dollars)					
GROSS REVENUES					
Operating Revenues					
Service Charges & Fees	$326,485	$338,588	$342,344	$349,383	$349,262
Portland Harbor Superfund Charges	3,475	4,535	4,594	4,637	5,911
Wholesale Contracts	3,490	3,611	4,073	3,784	4,677
Other Service Charges &	5,712	5,585	6,240	3,371	5,352
Total Operating Revenues	339,162	352,319	357,251	361,175	365,202
System Development/Line & Branch Charges	29,809	34,692	27,771	19,547	14,555
Interest Earnings	3,166	3,881	8,102	7,738	3.409
Cash Transfers In -					
Rate Stabilization Fund	0	5,000	0	44,000	0
Other Funds	1,388	1,783	3,015	2,669	2,107
TOTAL GROSS REVENUES(2)	$373,525	$397,675	$396,139	$435,129	$381,867
OPERATING EXPENSES(3)					
Personal Services	$50,537	$55,103	$60,186	$66,696	$67,968
Materials and Services	20,512	21,512	33,451	27,326	30,427
Internal Services	33,360	34,050	36,859	42,253	39,013
Capitalized Overhead	(11,618)	(11,214)	(13,021)	(13,574)	(13,392)
Cash Transfers Out -					
General Fund Overhead	6,064	6,170	6,602	5,863	6,431
Rate Stabilization Fund	31,500	34,000	24,000	0	0
Other	3,607	4,836	4,067	8,786	4,281
TOTAL OPERATING EXPENSES	$133,962	144,457	$152,144	$137,350	$134,728
NET REVENUES	$239,563	253,218	$243,995	$297,779	$247,139
DEBT SERVICE FOR COVERAGE					
First Lien Bonds	$95,401	$96,179	$87,968	$87,968	$77,141
Second Lien Bonds(4)	71,890	72,710	92,143	91,261	87,290
TOTAL DEBT SERVICE	$167,291	$168,889	$180,111	$179,229	$164,431
DEBT SERVICE COVERAGE(5)					
With Rate Stabilization Transfers					
First Lien Bonds	2.51x	2.63x	2.77x	3.39x	3.20x
First and Second Lien Bonds	1.43x	1.50x	1.35x	1.66x	1.50x
Without Rate Stabilization Transfers					
First Lien Bonds	2.84x	2.93x	3.05x	2.88x	3.20x
First and Second Lien Bonds	1.62x	1.50x	1.35x	1.66x	1.50x

(1) Totals may not sum due to rounding.
(2) As defined in the Master First Lien Bond Ordinance.
(3) As defined in the Master First Lien Bond Ordinance. Excludes depreciation.
(4) Interest calculated as defined in Master Second Lien Bond Declaration.
(5) The Debt Service Coverage shown may differ slightly than what has been published previously in the City's Comprehensive Annual Financial Reports (CAFR), as the result of corrections to previous calculations. None of the corrections had a significant impact on coverage calculations.

Source: Bureau of Environmental Services

USE OF RATE STABILIZATION FUND

The Bureau uses transfers between the Sewer System Operating Fund and the Sewer System Rate Stabilization Fund to smooth rate increases while ensuring that coverage meets planning standards purposes. Balances in the Rate Stabilization Fund had increased significantly within the first three of the past five years as building construction activity in Portland has produced record SDC and connection fee collections. Balances decreased in FY 2019-20 partially in response to the COVID pandemic and also to the Bureau's plan to increase cash financing of the capital improvement plan, allowing delayed issuance of bonds from the spring to the fall of 2020. The Rate Stabilization Fund balance increased in FY 2020-21 from the prior year, reflecting interest earnings on fund balances and no transfers in or out of the fund.

Table 2
CITY OF PORTLAND, OREGON
Sewer System
Historical Rate Stabilization
Ending Fund Balance(1)

Fiscal Year	Ending Balance
2016-17	$107,968,316
2017-18	138,446,143
2018-19	165,417,772
2019-20	124,899,167
2020-21	126,075,900

(1) Balances reflect transfers to and from the Sewer System Operating Fund as well as interest earnings on Rate Stabilization Fund balances.

Source: Bureau of Environmental Services

USER CHARGE BILLING AND COLLECTION

Section 11-302 of the City Charter authorizes the City Council to fix fees and charges for connection to and use of the Sewer System. Sewer user fees and connection charges are formally reviewed every year by the Bureau. Rates required to support proposed activities and meet all obligations to bondholders are submitted annually by the Director of the Bureau to the City Council for review and approval. No governmental approval, other than the City Council's, is required. The City Council approved an increase to the typical single-family residential bill of approximately 2.85 percent for FY 2020-21 in May 2020. Over the last five fiscal years, typical single-family residential bills have increased an average of 2.86 percent annually.

Billings and Collections

Sewer System billings and collection services for retail customers are provided by the City's Water Bureau. Retail customers include both residential and commercial. Customers are billed quarterly, bimonthly, and monthly. Billings include separate line items for sewer, stormwater, and water services.

In FY 2020-21, there were on average 5,652 Sewer System retail accounts of all types receiving water service from either the Rockwood Water People's Utility District or the Lorna Water District. Since they are not City water customers, meter data must come from the respective water districts. These accounts are known by the acronym "SODNR" or "sewer only – do not read." Table 3, "Sewer System Historical Number of Customer Accounts by Class" below displays the annual average customer counts by class in the recent five-year period.

For delinquent sewer bills of City water customers, the Water Bureau implements service shutoffs on behalf of the Bureau. There is no water shutoff option for collection of delinquent sewer bills for the SODNR accounts. SODNR revenues for FY 2020-21 were approximately $5.9 million and past due sewer balances currently total approximately $2.6 million for this group, or approximately 14 percent of total delinquencies. Property liens have been used to enforce payment of delinquent accounts for owner-occupied single-family properties in the past and are expected to continue to be used in the future.

Since Governor Kate Brown declared a state of emergency related to the COVID-19 pandemic, the Water Bureau, as the Bureau's billing agent, has ceased all shut-off of water service for non-payment and discontinued late fee charges. The Water Bureau began the collections cycle for a subset of commercial customers in October 2021. The Water Bureau is expected to carefully monitor public health direction and lift shut-off suspensions when it is prudent to do so, in a manner that is protective of public health.

An increased number of customers have had and may continue to face financial challenges in paying their sewer, stormwater, and water bills. Through December 31, 2021, low income account participation increased by about 480 accounts, a six percent increase from February 29, 2020.

A portion of the Bureau's costs related to COVID-19 is eligible for reimbursement from the federal government under the American Rescue Plan ("ARP") Act. The ARP Act does allow for more flexible reimbursement and the City Council has directed $2.6 million of funding for utility debt relief. These funds will be used to specifically address residential customer accounts past due balances (prorated between water and sewer charges) accumulated during the pandemic. Additionally, through the City's FY 2021-22 fall budget monitoring process, the City Council authorized $0.5 million of General Funds to support a utility debt relief program within the Water Bureau, which is in the process of developing a program that prioritizes the most vulnerable customers to provide utility debt relief and anticipates having the program in place by spring 2022.

Wholesale customers are billed at various times during a fiscal year ranging from bi-monthly to quarterly. As of June 30, 2021, no wholesale customer was delinquent with respect to billed charges.

Clean River Rewards Program

To reflect the contributions to stormwater management made by individuals who install stormwater facilities on site, the City Council directed the Bureau to develop a discount program for stormwater charges. That program, referred to as the Clean River Rewards Program, was implemented on October 30, 2006. It provides for up to a 35 percent discount on the stormwater portion of the bill for customers who manage all stormwater on-site.

Approximately 33,960 customers have registered for and are receiving discounts on their stormwater bills, approximately 18 percent of the total customer base receiving stormwater services. Funding is provided by adjusting stormwater rates for all classes of customers upward to offset the revenue reductions from the stormwater discount program.

Low Income Discounts

In May of 2018 the City Council approved changes to an existing low-income assistance program, which included a second tier discount, an expanded crisis voucher program, and new tenant eviction-prevention assistance. For FY 2020-21, the Tier 1 bill discount (those with incomes at 60 percent or less of median household income) is approximately 50 percent of a typical single-family bill, which lowers sewer bills for eligible residential households by approximately $38.30 per month or $460 per year. The Tier 2 bill discount (those with incomes at 30 percent or less of median household income) is approximately 80 percent of a typical single-family bill, which lowers sewer bills for eligible residential households by approximately $61.28 per month or $735 per year. Funding is provided by adjusting rates for residential classes of customers upward to offset the revenue reductions from the low-income discount program. Total Sewer System revenue redistribution from low-income discount rates and credit vouchers was approximately $5.5 million for FY 2020-21.

Table 3
CITY OF PORTLAND, OREGON
Sewer System
Historical Number of Customer Accounts by Class[(1)]

Fiscal Year	2016-17	2017-18	2018-19	2019-20	2020-21
CUSTOMER CLASS					
RESIDENTIAL					
Single Family	150,817	151,488	151,776	152,017	152,070
SODNR[(2)]	5,260	5,286	5,289	5,303	5,322
Stormwater Only	338	341	403	436	444
Multifamily					
Monthly	2,109	2,139	2,148	2,189	2,224
Quarterly	9,253	9,661	10,114	10,496	10,751
SODNR[(2)]	326	325	325	326	330
Subtotal	168,103	169,240	170,055	170,767	171,141
COMMERCIAL					
Commercial/Industrial					
Monthly	3,529	3,621	3,671	3,699	3,724
Quarterly	9,862	10,064	10,116	10,091	10,067
Quarterly (sewer only)	124	124	126	124	123
Extra Strength (measured)	51	52	49	48	46
Clean Water to Storm	16	15	15	16	16
Stormwater Only					
Monthly	26	27	29	27	25
Quarterly	160	159	157	155	154
Subtotal	13,768	14,062	14,163	14,160	14,155
Total Accounts	181,871	183,302	184,218	184,927	185,296

(1) Table reports annual average customer accounts.
(2) As described in the text above, Sewer Only-Do Not Read accounts receive water service from provider other than the City.
Source: Bureau of Environmental Services

Extra Strength Charges

The Bureau currently monitors and charges about 50 industrial customers for extra strength sanitary sewage discharges based upon samples taken and laboratory analysis of their sewage discharges ("Measured Extra Strength"). The majority of these facilities are large food/beverage processing plant and commercial linen/laundry services. The Bureau collected approximately $5.5 million from these Measured Extra Strength customers in FY 2020-21.

The Bureau also imposes an extra strength charges on commercial food service establishments using a "Class Average" methodology that has characterized the wastewater strength of 11 food service classes. The program's rate structure provides an economic incentive to customers to reduce grease discharges and implement other best management practices, which is important to the Bureau for both regulatory compliance and reduced maintenance costs. As of December 15, 2021, about 2,750 food service facilities are billed Class Average extra strength charges on 2,300 accounts. Revenues from Class Average extra strength customers were about $3.7 million in FY 2020-21.

Wholesale Rates

The City currently provides contractual services to one major wholesale customer, the City of Lake Oswego, and several smaller wholesale customers, including county service districts and portions of two other cities. Each wholesale service contract provides for full cost recovery during the life of the contract. Charges to wholesale customers were $4.7 million for FY 2020-21, which is approximately 1.2 percent of total Sewer System operating revenues.

Table 4
CITY OF PORTLAND, OREGON
Sewer System
Historical Monthly Rates and Charges[1]

Fiscal Year	2016-17	2017-18	2018-19	2019-20	2020-21
CUSTOMER CLASS					
RESIDENTIAL					
Sanitary Volume ($/ccf)	9.89	10.28	10.53	11.17	11.67
Impervious Area Charge ($/1000 sq. ft.)	11.61	12.16	12.60	12.60	12.84
Typical Single-Family Monthly Bill($/account)[2]	69.80	71.86	73.52	75.69	77.85
COMMERCIAL					
Sanitary Volume ($/ccf)	9.767	10.141	10.454	10.994	11.485
Cooling (Clean) Water To Storm Sewer ($/ccf)	1.001	1.042	1.096	1.150	1.20
Impervious Area Charge ($/1000 sq. ft.)	12.13	12.72	13.26	13.26	13.42
Extra Strength					
Biochemical Oxygen Demand ($/lb.)	0.674	0.723	0.788	0.831	0.900
Suspended Solids ($/lb.)	0.832	0.988	1.096	1.096	1.206
Capital Charges					
Sanitary System Development Charge ($/EDU)	5,712	6,046	6,446	6.917	7,235
Year-to-Year Percentage Increase of Typical Single-Family Monthly Bill[2]	3.25%	2.95%	2.31%	2.95%	2.85%

(1) Abbreviations used in the table include the following: "ccf" (hundred cubic feet) and "EDU" (Equivalent Dwelling Units).
(2) Typical bills reflect average annual billed consumption, which is lower than winter average use.
Source: Bureau of Environmental Services

Major Retail Users

The following table presents the top retail users of the Sewer System, as measured by user charges. The charges represent a combination of users' sanitary sewer and stormwater accounts.

Table 5
CITY OF PORTLAND, OREGON
Sewer System
Largest Bureau Customers (FY 2020-21)

CUSTOMER	Total Sewer System Charges	Percentage of Rate Revenues[1]
Port of Portland	$6,308,281	1.78%
OHSU	2,621,576	0.74%
Darigold, Inc.	2,151,322	0.61%
Portland Public Schools	1,829,253	0.52%
Housing Authority of Portland	1,517,716	0.43%
American Property Management	1,342,903	0.38%
Precision Castparts	1,275,168	0.36%
Ajinomoto Frozen Foods	1,253,057	0.35%
Siltronic Corp	1,210,440	0.34%
Fred Meyer Inc.	1,178,207	0.33%
Total	$20,687,923	5.85%

(1) Based on FY 2020-21 Rate Revenues of $353,860,160.
Source: Bureau of Environmental Services

UTILITY LICENSE FEE

The Bureau pays a utility license fee directly to the City's General Fund for the right to operate a utility within the City. The fee is levied pursuant to City Code Chapter 7.14. The Bureau, the Water Bureau, and City-owned golf courses pay this fee along with private utilities such as cable, telephone, gas, and electric. Currently, the utility license fee is not subject to regulation by State law and may be raised at the discretion of the City Council. The utility license fee is subordinate to the payment of debt service on the First Lien Bonds and Second Lien Bonds.

The table below presents a five-year history of the Bureau's utility license fee payments as well as the source of those payments.

Table 6
CITY OF PORTLAND, OREGON
Sewer System
Utility License Fee Payments

Fiscal Year	Sewer Operating Fund	Environmental Remediation Fund	Totals
2016-17	$16,250,599	$173,160	$16,423,760
2017-18	16,884,548	226,035	17,110,583
2018-19	17,105,955	229,112	17,335,067
2019-20	17,474,040	231,351	17,705,391
2020-21	17,388,536	269,144	17,657,681

Source: City of Portland

OUTSTANDING SEWER SYSTEM DEBT

Revenue Bonds

The following table shows outstanding First Lien Bonds, Second Lien Bonds, and Subordinate Obligations as of December 31, 2021.

Table 7
CITY OF PORTLAND, OREGON
Sewer System
Outstanding First Lien Bonds, Second Lien Bonds, and Subordinate Obligations

Issue	Dated	Final Maturity	Original Par Amount	Amount Outstanding
First Lien Bonds				
2014 Series A Bonds	08/14/2014	10/01/2024	$86,165,000	$30,505,000
2015 Series A Bonds	08/27/2015	06/01/2031	329,805,000	77,055,000
2016 Series A Bonds	09/07/2016	06/15/2033	156,650,000	132,310,000
Subtotal			$572,620,000	$239,870,000
Second Lien Bonds				
2013 Series A Bonds	09/17/2013	08/01/2038	210,965,000	$154,715,000
2014 Series B Bonds	08/14/2014	10/01/2039	204,220,000	167,750,000
2015 Series B Bonds	08/27/2015	06/01/2031	63,300,000	42,065,000
2016 Series B Bonds	09/07/2016	06/15/2033	162,465,000	142,115,000
2018 Series A Bonds	05/03/2018	05/01/2038	191,930,000	173,330,000
2019 Series A Bonds	12/03/2019	03/01/2034	216,480,000	205,435,000
2020 Series A Bonds	11/24/2020	03/01/2046	239,590,000	239,590,000
Subtotal			$1,288,950,000	$1,125,000,000
Subordinate Obligations				
SRF Loans	Various	Various	$26,302,393	$7,234,523
TOTAL			$1,887,872,393	$1,372,104,523

Source: City of Portland

The following table shows the Sewer System's annual debt service requirements associated with outstanding First Lien Bonds and Second Lien Bonds.

Table 8
CITY OF PORTLAND, OREGON
SEWER SYSTEM REVENUE BONDS
Annual Debt Service Requirements(1)

Fiscal Year Ending June 30	Outstanding First Lien Bond Debt Service	Outstanding Second Lien Bond Debt Service	Total Debt Service
2022	$27,782,075	$143,447,625	$171,229,700
2023	27,789,575	143,426,625	171,216,200
2024	35,961,450	92,482,625	128,444,075
2025	35,976,325	84,949,000	120,925,325
2026	25,030,325	84,951,525	109,981,850
2027	25,024,825	84,935,375	109,960,200
2028	25,025,325	84,949,550	109,974,875
2029	25,021,075	84,937,925	109,959,000
2030	25,030,475	84,935,975	109,966,450
2031	25,023,275	84,940,038	109,963,313
2032	13,492,525	79,056,188	92,548,713
2033	13,494,125	79,039,644	92,533,769
2034	-	76,812,869	76,812,869
2035	-	54,946,819	54,946,819
2036	-	54,946,594	54,946,594
2037	-	54,942,819	54,942,819
2038	-	54,946,844	54,946,844
2039	-	40,049,969	40,049,969
2040	-	27,520,544	27,520,544
2041	-	14,452,763	14,452,763
2042	-	14,450,650	14,450,650
2043	-	14,451,863	14,451,863
2044	-	14,451,550	14,451,550
2045	-	14,449,600	14,449,600
2046	-	14,450,900	14,450,900
Total	$304,651,375	$1,582,925,875	$1,887,577,250

(1) Totals may not sum due to rounding.
Source: City of Portland

RESERVE ACCOUNTS, RESERVE EQUIVALENTS AND RESERVE CREDIT FACILITIES

First Lien Bond Reserve Account

The Master First Lien Bond Declaration allows the City to create subaccounts in the First Lien Bond Reserve Account and to determine the Reserve Requirement for each subaccount. The First Lien Bond Reserve Account currently has one subaccount, the Prior Bonds Reserve Subaccount, that secures the First Lien Sewer System Revenue Refunding Bonds, 2014 Series A, the First Lien Sewer System Revenue Refunding Bonds, 2015 Series A, and the First Lien Sewer System Revenue Refunding Bonds, 2016 Series A (collectively, the "Prior Bonds").

The Prior Bonds Reserve Account, as defined under the Master First Lien Bond Declaration, is a pooled reserve account that secures all currently outstanding First Lien Bonds. The Prior Bonds Reserve Subaccount is fully funded with Reserve Equivalents and contains no cash and investments, as shown in the table below. The Prior Bonds Required Reserve is currently approximately $41.0 million. The current balance in the First Lien Bond Reserve Account, which is the aggregate face amount of First Lien Bond Reserve Equivalents, is approximately $61.1 million.

Table 9
CITY OF PORTLAND, OREGON
First Lien Bond Reserve Account

Series(1)	Date of Issue	Maturity Date	Surety Provider	Required Reserve(2)	Surety Face Value(3)	Moody's/S&P Ratings(4)
2014 Series A	08/14/2014	10/01/2024	AGM(5)	n/a	$11,641,700	A2/AA
2015 Series A	08/27/2015	06/01/2031	AGM(5)	n/a	$31,148,923	A2/AA
2016 Series A(6)	09/07/2016	06/15/2033	AGM(5)	n/a	$18,280,050	A2/AA

(1) The Prior Bonds are jointly secured by the Prior Bonds Reserve Subaccount, which currently is calculated at 125 percent of average annual debt service for outstanding Prior Bonds.
(2) As of June 30, 2021, the Required Reserve is $31,811,376.
(3) While the aggregate face amount of Prior Bonds Reserve Equivalents exceeds the Prior Bonds Required Reserve, the Prior Bonds Reserve Equivalents may only be drawn up to an amount equal to the Prior Bonds Required Reserve in the event of a payment default.
(4) Ratings for surety providers are from Moody's Investor Services and S&P Global Ratings, respectively.
(5) Assured Guaranty Municipal Corporation ("AGM").
(6) The City refunded a portion of its 2008 Series A Bonds with proceeds of its 2016 Series A Bonds and defeased the remaining maturity of the 2008 Series A Bonds in September 2017. The Reserve Equivalent provided by AGM for the 2008 Series A Bonds extends to the 2016 Series A Bonds.

Source: City of Portland

The Master First Lien Bond Declaration provides that Reserve Equivalents are valued at the amount available to be drawn on them unless a Reserve Credit Event, as defined in the that document, has occurred and is continuing. The City currently expects that it could draw the full face amount under all First Lien Bond Reserve Equivalents shown in Table 9 and no Reserve Credit Event has occurred and is continuing.

Second Lien Bond Reserve Account

The subaccounts in the Second Lien Bond Reserve Account for the Second Lien Sewer System Refunding Bonds, 2015 Series B, and the Second Lien Sewer System Revenue Refunding Bonds, 2016 Series B currently contain the Reserve Credit Facilities shown in the following table. The subaccounts in the Second Lien Bond Reserve Account for the Second Lien Sewer System Revenue and Refunding Bonds, 2013 Series A, the Second Lien Sewer System Revenue Bonds, 2014 Series B, and the 2020 Series A Bonds contain cash or investments.

Table 10
CITY OF PORTLAND, OREGON
Funding of Second Lien Bond Reserve Subaccounts for
Second Lien Bonds Secured by the Second Lien Reserve Account[1]

Series of Bonds Secured	Date of Issue	Maturity Date	Surety Provider/ Cash	Reserve Requirement	Surety Face Value/Cash Balance	Moody's/S&P Ratings[4]
2013 Series A	09/17/2013	08/01/2038	Cash	$10,037,075[3]	$17,905,146	n/a
2014 Series B	08/14/2014	10/01/2039	Cash	6,536,525[3]	13,073,050	n/a
2015 Series B	08/27/2015	06/01/2031	AGM[2]	2,951,525[3]	5,904,050	A2/AA
2016 Series B	09/07/2016	06/15/2033	AGM[2]	3,000,000	3,000,000	A2/AA
2020 Series A	11/24/2020	03/01/2046	Cash	7,226,722	7,226,722	n/a

(1) Note that the City's Second Lien Sewer System Revenue Refunding Bonds, 2019 Series A Bonds and the City's Second Lien Sewer System Revenue Bonds, 2018 Series A are not secured by any subaccount in the Second Lien Bond Reserve Account.
(2) Assured Guaranty Municipal Corporation ("AGM").
(3) The Supplemental Bond Declarations for these series describe the Reserve Requirement as one half of the greatest amount of principal, interest and premium, if any, required to be paid in any Fiscal Year on all second lien bonds secured by subaccounts created to secure those bonds.
(4) Ratings for surety providers are from Moody's Investor Services and S&P Global Ratings, respectively.
Source: City of Portland

The Master Second Lien Bond Declaration provides that each subaccount in the Second Lien Bond Reserve Account is deemed to contain the amount available to be paid under all Reserve Equivalents that are credited to that subaccount. The City currently believes that the amount available to be paid under each Reserve Equivalent shown in Table 10 is equal to its full face amount.

CITY FINANCIAL AND OPERATING INFORMATION

BASIS OF ACCOUNTING

The governmental fund types are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The economic resources measurement focus and the accrual basis of accounting is used for all proprietary fund and fiduciary fund financial statements. The City's accounting practices conform to Generally Accepted Accounting Principles (GAAP) as interpreted by the Governmental Accounting Standards Board (the "GASB"). The Tax Increment Fund is a governmental fund of the City.

FISCAL YEAR

July 1 to June 30.

AUDITS

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy. Moss Adams LLP has performed auditing services for FY 2002-03 through FY 2020-21.

A complete copy of the City's FY 2020-21 audit is 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 audited financial statements for the Tax Increment Fund on a GAAP basis are found in the Appendix.

FINANCIAL REPORTING AND BUDGETING

Financial Reporting

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

Budget Process

The City prepares annual budgets for all its bureaus and funds in accordance with provisions of Oregon Local Budget Law. The law provides standard procedures for the preparation, presentation, administration, and public notice for public sector budgets. At the outset of the process, the Mayor or the full City Council reviews overall goals, establishes priorities, and provides direction to bureaus.

The City Budget Office coordinates the budget development process. City bureaus generally prepare and submit budget requests, five-year financial plans and capital improvement plans. The City Budget Office reviews this information and prepares budget analysis reports for the Mayor and City Council, which summarize the budget requests and highlight issues that may be of particular concern to the City Council, the relevant bureau, or the City Budget Office. A five-year General Fund financial forecast, which serves as the basis for determining resources available for budgeting, is also provided to the City Council.

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

The City Council transmits the Approved Budget to the 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. On January 8, 2014, the City Council approved a partnership agreement between the City and the Citizens' Utility Board of Oregon (the "CUB"). The CUB is a non-profit organization created in 1984 by a citizens' ballot initiative to represent the interests of residential utility ratepayers statewide. As part of the partnership, CUB provided outside, independent analysis of the operations, budgets, and rates of the City's two utility bureaus, the Water Bureau and the Bureau of Environmental Services. The partnership agreement with the CUB expired at the end of FY 2020-21 and CUB chose not to renew it due in part to internal restructuring at CUB. They also cited strong bureau management, positive public perception, and Portland Utility Board (the "PUB") oversight of both bureaus as influencing this decision.

On June 10, 2015, the City Council approved creation of the PUB, a new citizen oversight panel, for the Portland Water Bureau and Bureau of Environmental Services. The PUB, which is staffed by a dedicated financial analyst, advises the City Council regarding operations of the two utility bureaus, including development of bureau budgets and financial plans, capital spending, and rate setting.

Changes after the budget is adopted are completed through the budget monitoring process ("BMP") and the over-expenditure ordinance ("OEO"). These processes provide City Council the opportunity to change the budget several times per year. The Fall BMP is designed to give the City Council and the public a summary of prior year activity and to make adjustments to the current fiscal year budget. The Spring BMP focuses on project spending and performance estimates for the remainder of the fiscal year and also provides an opportunity to make budget adjustments. 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 negative cash or fund balances.

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 is self-insured for 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 Division 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 2020-21, the expected rate of return was 0.75 percent. For FY 2021-22 and subsequent years, the expected rate of return used is 0.50 percent. The Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

The City provides insurance coverage deemed as adequate, appropriate, and actuarially sound. It meets all the City's anticipated settlements, obligations and outstanding liabilities. An excess liability coverage insurance policy covers individual claims in excess of $1 million to policy limits, police law enforcement claims in excess of $2.5 million for claims occurring after November 12, 2013, to policy limits and an excess workers' compensation coverage insurance policy covers claims in excess of $850,000 for occurrences after July 1, 2012. The City purchases commercial insurance for claims in excess of coverage provided by the self-insurance fund. The City's limits of coverage on the excess liability policy is $10 million per claim above the self-insurance retention for covered torts. Police Law Enforcement Liability retention increased to $2.5 million for claims occurring after November 12, 2013.

The City does not have any claims reserved above the current self-insurance retention and excess layer. In the City's last three excess renewals, there have been no material changes in retention, coverage or conditions. 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, 2021, and before July 1, 2022, limitations are $782,600 for single claimant and $1.565 million for multiple claimants.

Per ORS 30.273 limitations on liability of public bodies for property damage arising on or after July 1, 2021 and before July 1, 2022, limitations are $128,400 for single claimant and 641,800 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:

	FY 2020-21	**FY 2019-20**
Balance, beginning of fiscal year	$29,637,377	$32,420,911
Incurred claims and adjustments	73,057,063	61,096,633
Claim cash payments	(68,634,832)	(63,880,167)
Unpaid claims, end of fiscal year	$34,059,608	$29,637,377

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. The City has not experienced a reportable compromise of its network security in the past three years. Low-level distributed denial of service attacks are commonplace and not a threat to the City. Larger internet service denial attacks continue less frequently, but during 2021 there were no disruptions to Citywide internet services. 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 in January 2019 the City has substantially reduced the potential compromise of City confidential information. The City also engages in proactive testing of its network security.

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 breach, the City's Risk Management Division obtained 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.

LABOR RELATIONS

The City employs approximately 6,781 full-time equivalent personnel. Of these, approximately 4,910 are represented by collective bargaining units.

Table 11
CITY OF PORTLAND, OREGON
Bargaining Units and Contract Status

Collective Bargaining Unit	Number of Employees[1]	Contracts & MOUs Expire
District Council of Trade Unions (DCTU)[2]	1,205	December 31, 2024
Portland Police Association	767	June 30, 2025
Professional and Technical Employees Local 17	864	December 31, 2021[3]
Portland Fire Fighters Association	653	June 30, 2023
Laborers' International Union of North America Local 483 - Portland City Laborers	595	June 30, 2022
Laborers' International Union of North America Local 483 - Parks and Recreation	606	June 30, 2022
Bureau of Emergency Communications - AFSCME Local 189-2	111	June 30, 2023[4]
Auditor's Office – AFSCME Local 189-2	34	n/a[5]
Laborers' International Union of North America Local 483 - Seasonal Maintenance Workers	55	June 30, 2022
Portland Police Commanding Officers Association (PPCOA)	20	June 30, 2023

(1) Number of employees refers to number of filled full-time equivalent positions.
(2) DCTU includes DCTU IBEW Local 48; DCTU- Auto Mechanics, District Lodge 24; DCTU-Operating Engineers Local 701; DCTU-Painters and Allied Trades, District Council 5; and DCTU Plumbers Local 290.
(3) This contract is currently under negotiation.
(4) Does not include 34 employees from the Auditors Office, who are now represented by AFSCME Local 189-2. See footnote (5) below.
(5) Auditors Office, who are now represented by AFSCME Local 189-2, will represent 34 employees. The City is currently bargaining a new first time contract with those employees.

Source: City of Portland

PENSION PLANS: 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 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 for police and fire employees) fund these pension programs. See "—Employer Contribution Rates and Amounts" and "—PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT 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, 2021, the balance of this reserve was $448.8 million. As of June 30, 2021, there were 13,991 active plan members, 129,357 retired plan members or their beneficiaries currently receiving benefits, and 9,103 inactive plan members entitled to but not yet receiving benefits, for a total of 152,451 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, 2021, there were 29,322 active plan members, 18,832 retired plan members or their beneficiaries currently receiving benefits, and 13,498 inactive plan members entitled to but not yet receiving benefits, for a total of 61,652 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, 2021, there were 136,785 active plan members, 8,311 retired plan members or their beneficiaries currently receiving benefits, 7,520 inactive plan members entitled to but not yet receiving benefits, and 18,263 inactive plan members not eligible for refund or retirement, for a total of 170,879 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 will be redirected to an "Employee Pension Stability Account" for certain PERS employees. See "—Recent Developments Related to PERS" below.

Apportionment of City Assets and Liabilities

The City is pooled with the State of Oregon and other Oregon local government and community college public employers for its T1/T2 Pension Programs (the "State and Local Government Rate Pool" or "SLGRP"), and the SLGRP's assets and liabilities are pooled. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The City's portion of the SLGRP's assets and liabilities is based on the City's proportionate share of SLGRP's pooled covered payroll. OPSRP's assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The City's 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 12
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Actuarial Assumptions and Methods

ASSUMPTION/METHOD	2018 & 2019 VALUATIONS[(1)]	2020 VALUATION[(4)]
Actuarial Cost Method:	Entry Age Normal	Unchanged
UAL Method: T1/T2 Programs OPSRP	 Level Percentage of Payroll over 20 years (fixed) [(2)] Level Percentage of Payroll over 16 years (fixed)	 Unchanged Unchanged
Asset Valuation Method:	Market Value[(3)]	Unchanged
Investment Rate of Return:	7.20%	6.90%
Payroll Growth Rate:	3.50%	3.40%
Inflation Level:	2.50%	Unchanged
Contribution Rate Stabilization Method:	Contribution rate may increase or decrease by 3% of payroll or by 20% of the previous rate; whichever is greater, when an employer's funded status is between 70% and 130%. At a funded status of 60% or less, or 140% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 60% and 70% or 130% and 140%, the limitation increases in increments between 3%-6% of payroll or 20%-40% of the previous rate, whichever is greater.	Contribution rate may increase by 3% of payroll for the T1/T2 UAL rate and 1% of pay 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 October 4, 2019 that apply to actuarial valuations as of December 31, 2018 and as of December 31, 2019.
(2) See information regarding the one-time amortization of the unfunded actuarial liability as of December 31, 2019 as described in "—PENSION PLANS: OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM – Recent Developments Related to PERS."
(3) Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).
(4) Assumptions and methods adopted by the PERS Board on October 1, 2021 that apply to actuarial valuations as of December 31, 2020 and as of December 31, 2021.

Source: Oregon Public Employees Retirement System

Milliman released its 2018 valuation for the Statewide PERS System as of December 31, 2018 (the "2018 System Valuation") on December 12, 2019, its 2019 valuation for the Statewide PERS System as of December 31, 2019 (the "2019 System Valuation") on September 17, 2020, and its 2020 valuation for the Statewide PERS System as of December 31, 2020 (the "2020 System Valuation") on December 9, 2021. These reports include system-wide actuarial valuations for the T1/T2 Pension Programs and OPSRP.

Milliman released the City's individual 2018 valuation as of December 31, 2018 (the "2018 City Valuation") in December 2019, the City's individual 2019 valuation as of December 31, 2019 (the "2019 City Valuation") in October 2020, and the City's individual 2020 valuation as of December 31, 2020 (the "2020 City Valuation") in December 2021. 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 tables below provide historical summary valuation information for the Statewide PERS System and for the City.

Table 13
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 (%)**
2011	$43,238.8	$61,198.4	$17,959.6	76.1
2012[3]	49,265.9	60,405.2	11,139.3	81.6
2013[3]	54,090.1	62,593.6	8,503.5	86.4
2014[4]	55,518.2	73,458.9	17,940.7	75.6
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

(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
(3) Reflects the legislative changes enacted by the Oregon Legislative Assembly in 2013 (the “2013 PERS Bills”) to reduce future benefit payments, resulting in a reduction of the PERS unfunded actuarial liability by approximately $5 billion.
(4) In April 2015, the Oregon Supreme Court announced a decision on lawsuits challenging the provisions of the 2013 PERS Bills. The decision upheld the elimination of a benefit increase for out-of-state retirees but declared other benefit reductions unconstitutional as applied to benefits earned prior to the June 1, 2013 effective date of the 2013 PERS Bills.

Source: Oregon Public Employees Retirement System

Table 14
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 (%)
2011	$1,459.0	$1,724.2	$265.3	84.6
2012[2]	1,624.8	1,744.3	119.5	93.2
2013[2]	1,762.8	1,804.7	41.9	97.7
2014[3]	1,844.1	2,210.1	366.0	83.4
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	846.8	72.2
2019	2,468.6	3,286.6	818.0	75.1
2020	2,528.2	3,498.6	970.4	72.3

(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.

(2) Reflects the legislative changes enacted by the Oregon Legislative Assembly in 2013 (the "2013 PERS Bills") to reduce future benefit payments, resulting in a reduction of the PERS unfunded actuarial liability by approximately $5 billion.

(3) In April 2015, the Oregon Supreme Court announced a decision on lawsuits challenging the provisions of the 2013 PERS Bills. The decision upheld the elimination of a benefit increase for out-of-state retirees but declared other benefit reductions unconstitutional as applied to benefits earned prior to the June 1, 2013 effective date of the 2013 PERS Bills.

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 15
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
City Payroll for PERS Members and Unfunded Actuarial Liability

Calendar Year	Payroll	Unfunded Actuarial Liability	Unfunded Liability to Payroll Ratio (%)
2011	$303,508,135	$265,267,189	87
2012	311,688,601	119,477,128	38
2013	313,291,592	41,882,231	13
2014	335,113,826	365,964,877	109
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

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. The COVID-19 pandemic initially caused significant declines in the value of PERS' investments, followed by a recovery beyond those losses; however, it is currently unknown how System-wide UAL and City UAL may be affected as a result of the longer-term economic impact of the pandemic. For recent information regarding the effects of the COVID-19 pandemic on the System-wide UAL, see "—Recent Developments Related to PERS" below.

State Investment Policy

The Oregon State Treasury is the investment officer for the state of Oregon. Investment standards are established in ORS 293.726 and 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, and Alternative Investments. 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 target investment portfolio mix at market value was revised at the OIC meeting of April 24, 2019, to 32.5 percent global equity, 17.5 percent private equity, 20 percent fixed income, 12.5 percent real estate, 7.5 percent alternatives – illiquid, 7.5 percent alternatives – diversifying strategies and 2.5 percent risk parity.

The following table presents a 10-year history of investment returns for the OPERF.

Table 16
OREGON PUBLIC EMPLOYEES RETIREMENT FUND
Oregon PERS Investment Returns(1)

Fiscal Year Ending June 30	Net Returns (%)
2012	1.6
2013	12.7
2014	16.6
2015	4.3
2016	1.2
2017	11.9
2018	9.4
2019	6.5
2020	0.5
2021	25.5

(1) Total fund performance, excluding variable account.
Source: Oregon Public Employees Retirement Fund System Comprehensive Annual Financial Report for FYs 2011-12 through 2020-21

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 17
OREGON PUBLIC EMPLOYEES RETIREMENT FUND
Annualized Investment Results(1)

	Annualized		
Periods Ending June 30, 2021	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	25.5%	10.4%	10.5%

(1) Total fund performance, regular account. Excludes variable account.
Source: Oregon Public Employees Retirement Fund System Comprehensive Annual Financial Report for FY 2020-21

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 cap rate increases and reduce large fluctuations in employer contribution rates. Such rate increases are shifted to future biennia. See Table 12 for a summary of the Rate Collar in effect. Because of the Rate Collar, the PERS Board-approved employer contribution rates for some employers, including the City, are currently 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 2019-21 biennium that ended on June 30, 2021. The table also shows the City's current employer contribution rates for the 2021-23 biennium that began on July 1, 2021, as reported in the 2019 City Valuation and the City's advisory-only employer contribution rates for the 2023-25 biennium as reported in the 2020 City Valuation. The rates reported in the table do not include the six percent and nine percent employee contribution rates for contributions to the IAP and "Employee Pension Stability Account" ("EPSA") paid by the City.

Table 18
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Employer Contribution Rates for the City
Percentage of Covered Payroll(1)(2)

Payrolls Paid	Past Rates 2019-2021	Current Rates 2021-23	Future Rates 2023-2025 (Advisory Only)(3)
T1/T2	21.86%	22.35%	25.51%
OPSRP General Services	15.53	18.36	21.65
OPSRP Police and Fire	20.16	22.72	26.40

(1) Includes contribution rates to fund RHIA. See "OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB") – PERS Program." For FY 2020-21, one percent of the City's covered payroll for the three pension benefit programs was approximately: $1,189,415 for T1/T2 Pension Programs; $2,791,529 for OPSRP general services; and $810,079 for OPSRP police and fire.
(2) Includes adjustments for side accounts and pre-SLGRP liabilities.
(3) Rates in this table for 2023-2025 are based on the 2020 City Valuation, which is advisory-only. Actual rates will be based on the City's individual 2021 valuation that is expected to be released late in calendar year 2022.
Source: City of Portland, Oregon Public Employees Retirement System

The City's contribution rates may increase or decrease due to a variety of factors, including the investment performance of the OPERF, the use of 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 financial plan has been updated to incorporate higher growth assumptions for PERS employer rates. For the next biennium (FYs 2023-24 and 2024-25), the financial plan assumes rates as described in the advisory-only 2020 City Valuation. For the following biennium (FYs 2025-26 and 2026-27), the financial plan assumes increases in rates for both T1/T2 and OPSRP of approximately five additional percentage points.

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 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 bonds) 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 are currently outstanding in the amount of $75,073,346 (excluding compounded interest). Proceeds of the Pension Obligation Bonds were deposited with PERS. Table 19 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 and Retirement Fund for pensions of police and firefighters participating in the T1/T2 Pension Programs and OPSRP. Fire and Police Disability and Retirement Fund contributions are funded from a dedicated Citywide property tax levy (the "FPDR levy"). See "—PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT PLAN" below. In FY 2020-21, approximately 73 percent of the total cash contribution was for the employer share and 27 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.

Table 19
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
2012	$45,229,731	$17,740,796	$62,970,527
2013	45,278,556	19,433,725	64,712,281
2014	45,868,558	21,129,361	66,997,919
2015	46,969,145	23,074,692	70,043,837
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

(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 the Bureau of Environmental Services. Cash contribution to PERS excludes amount paid by Prosper Portland.

Source: Oregon Public Employees Retirement System and City of Portland; Oregon

Recent Developments Related to PERS

In 2019, the Legislature adopted and the Governor signed Senate Bill 1049 ("SB 1049"), which makes certain modifications to the amortization of the UAL and benefits provided to employees retiring after December 31, 2019. Such modifications include: a one-time re-amortization of the UAL associated with Tier 1 and Tier 2 benefits that is measured as of December 31, 2019 and extending that amortization to 22 years; redirecting a portion of the 6 percent contributions currently made to the IAP to an EPSA within the PERS fund when an employee's salary exceeds $2,500 per month (indexed annually); removing all current hourly limitations on retirees who work for a PERS employer after retirement, while mandating that such employer shall continue to make pension contributions at the previous employer rate; and capping the annual salary used in the calculation of certain retirement packages for all tiers to $195,000 (indexed annually). In June 2021, the Legislature passed House Bill 2906 ("HB 2906"), which raised the threshold level for the IAP redirect provision to $3,333 per month (indexed annually). This change is effective January 1, 2022 and is reflected in the advisory-only 2023-25 employer contribution rates described above.

According to the Legislative Fiscal Office, the re-amortization of the T1/T2 UAL from 20 years to 22 years is expected, under current actuarial assumptions, to extend the retirement of the UAL by approximately six years. The City cannot predict whether SB 1049 will be subject to legal challenges that could affect some or all of its provisions.

For valuations beginning in the 2023-25 biennium, the PERS Board adopted revised actuarial assumptions, which include an investment rate of return of 6.90% and a payroll growth rate of 3.40%. The PERS Board also adopted modifications to the Rate Collar methodology. See Table 12 – "Actuarial Assumptions and Methods" herein for more information.

PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT 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 or receiving long-term disability benefits. 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 postretirement 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 postretirement 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, as 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 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 "—PENSION PLANS: 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 FPDR Fund could receive advances from the FPDR 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, including the FPDR levy, are subject to compression under the State Constitution ("Measure 5 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 2021-22, the tax loss due to Measure 5 compression was approximately $10.0 million, or 4.7 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 20
CITY OF PORTLAND, OREGON
FPDR Plan -- Actuarial Assumptions and Methods
For the June 30, 2020 Valuation

Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	Market Value
Funding Policy	Pay-As-You-Go
Discount Rate	2.21%
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, 2020, dated January 14, 2021

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 Charter's provisions, 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 (the new terminology per GASB 67 implemented by the City effective June 30, 2014), do not reflect the value of dedicated future revenues from the property tax levy. See "—FPDR Fund and Levy Adequacy" below. As reflected in the City's Annual Comprehensive Financial Report ("ACFR") for FY 2020-21, 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 2020-21, and contributed to the City's total net position decrease from FY 2012-13 to FY 2013-14, when GASB 68 was implemented. 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 2020-21.

Table 21
CITY OF PORTLAND, OREGON
FPDR Plan --Summary of Funding Levels(1)

Fiscal Year Ending June 30	Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability(1)	Funded Ratio(2)
2009(3)	$11,571,074	$2,279,923,000	$2,268,351,926	0.51%
2010	16,542,896	2,549,479,088	2,532,936,192	0.65
2011(3)	25,648,253	2,610,360,794	2,584,712,541	0.98
2012(3)	20,287,803	2,674,072,175	2,653,784,372	0.76

Fiscal Year Ending June 30(3)	Plan Net Position, Ending	Total Pension Liability	Net Pension Liability(2)	Net Position as Percent of Total Liability(2)
2013	$17,155,015	$2,517,096,534	$2,499,941,519	0.68%
2014	20,532,924	2,473,970,866	2,453,437,942	0.83
2015	21,876,942	2,896,894,767	2,875,017,825	0.76
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

(1) Table reflects transition to new accounting classifications as required by the Governmental Accounting Standards Board beginning with FY 2012-13.
(2) Does not include value of future dedicated FPDR property tax collections.
(3) Amounts are calculated by rolling forward prior actuarial valuations. See Table 22 below for a summary of the June 30, 2018, and June 30, 2020, valuations.
Source: City of Portland audited financial statements

Overall the net pension liability increased from $3.31 billion on June 30, 2018, to $4.44 billion on June 30, 2020, as shown in Table 22 below. Note that these valuations differ from results shown in Table 21 above because they are based on actual results prepared by Milliman and are not roll-forward amounts of prior valuations.

Table 22
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
2018	$17,790,776	$3,323,733,057	$3,305,942,281
2020	18,638,401	4,456,071,006	4,437,432,605

Source: Milliman Inc., City of Portland Fire & Police Disability & Retirement (FPDR) Fund, Pension Actuarial Valuation Report as of June 30, 2020, dated January 14, 2021

The primary reason for the growth in the plan's pension liability from June 30, 2018 to June 30, 2020 is the decrease in the discount rate (the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index each year). The rate dropped from 3.87 percent on June 30, 2018 to 2.21 percent on June 30, 2020, increasing the pension liability by $974 million. By comparison, other changes had small impacts on the liability. Higher assumed annual cost-of-living adjustments for FPDR Two retirees added $79 million to the pension liability. On the other hand, longevity declined by approximately one year for all male retirees, reducing the pension liability by $104 million. Mortality assumptions are routinely updated to reflect the experience of the larger and more statistically valid Oregon PERS sworn population. The June 30, 2020 valuation also reflects a variety of updated assumptions based on a new experience study of the FPDR Plan for the period July 1, 2014 to June 30, 2019, conducted by an independent actuarial firm. Adjustments were made to marriage rates, retirement probabilities at various ages and years of service, levels of pre-retirement withdrawal, and other areas. However, these changes had a small impact on the pension liability calculation. The actuaries estimated the new assumptions would have reduced the June 30, 2018 pension liability by $60 million.

FPDR Fund and Levy Adequacy

A critical measure of the FPDR Fund's financial health is whether the dedicated property tax will ever be insufficient 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 amount authorized based on the $2.80/$1,000 Charter limitation. Between FY 2012-13 and FY 2021-22, Real Market Value of property subject to taxation has grown by a compounded annual rate of approximately 8.5 percent.

Table 23
CITY OF PORTLAND, OREGON
FPDR Fund--Certified Levies Compared with Maximum Levies Authorized

FYE June 30	Tax Levy per $1,000 RMV	Certified Tax Levy(1)	Maximum Levy Authorized ($2.80/1,000 RMV)	Amount Available to be Certified from Authorized Levy
2012	$1.41	$114,264,711	$227,257,618	$112,992,907
2013	1.55	123,564,952	223,709,460	100,144,508
2014	1.62	136,383,540	235,325,707	98,942,167
2015	1.48	136,883,230	259,331,341	122,448,111
2016	1.30	133,795,013	287,358,793	153,563,780
2017	1.15	138,900,728	338,199,473	199,298,745
2018	1.13	155,553,793	384,951,394	229,397,601
2019	1.09	163,748,627	419,138,031	255,389,407
2020	1.10	168,768,476	427,766,153	258,997,677
2021	1.15	182,356,015	445,250,065	262,904,050
2022	1.26	209,860,034	467,317,213	257,457,179

(1) Before Measure 5 Compression, delinquencies and discounts.
Source: City of Portland

The table below shows historical taxes imposed (after Measure 5 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 20 years, with the potential for higher tax levy rates.

Table 24
CITY OF PORTLAND, OREGON
FPDR Fund--Imposed Levies and Expenditures for
FPDR Fund--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
2012	$108,666,428	$94,708,986	$4,735,637	$7,064,187	$106,508,810
2013	115,752,880	99,417,595	5,265,815	6,725,710	111,409,120
2014	123,304,615	103,506,696	5,998,321	7,410,977	116,915,994
2015	126,777,805	103,355,638	6,952,685	6,219,646	116,527,969
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

(1) Amount after Measure 5 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, 2020. 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, but the levy exceeded the $2.80 threshold in at least one year in fewer than one percent of modeled scenarios. This represents a slight decline from approximately one percent of modeled scenarios in the prior analysis as of June 30, 2018. As illustrated by the Levy Adequacy Analysis, growth in real market values in the City's tax base over the last decade has made it unlikely the FPDR levy will ever be insufficient to fund benefits and expenses. Under the Levy Adequacy Analysis, plan costs are expected to peak in FY 2038-39 in nominal terms; the peak on an inflation-adjusted basis is in FY 2034-35.

The table below shows projected levy rates and taxes levied at the 50th and 5th percentiles of scenarios for FY 2020-21 through FY 2039-40 as included in the 2020 Levy Adequacy Analysis. Note that the actual levy rate per $1,000 of Real Market Value was $1.15 and $1.26, respectively, for FY 2020-21 and FY 2021-22.

Table 25
CITY OF PORTLAND, OREGON
FPDR Fund--Projected Levy Rate, Taxes and Requirements[(1)]

Fiscal Year Ending June 30	Levy Rate at 50th Percentile	Taxes Levied at 50th Percentile	Levy Rate at 5th Percentile	Taxes Levied at 5th Percentile
2021	$1.16	$184,700,000	$1.16	$184,700,000
2022	1.23	196,300,000	1.24	197,100,000
2023	1.25	206,000,000	1.38	208,400,000
2024	1.26	217,000,000	1.46	225,300,000
2025	1.29	229,300,000	1.53	238,600,000
2026	1.32	244,700,000	1.63	261,700,000
2027	1.35	259,500,000	1.70	279,100,000
2028	1.37	275,300,000	1.79	302,600,000
2029	1.39	290,600,000	1.85	321,100,000
2030	1.45	316,200,000	1.99	355,400,000
2031	1.46	330,900,000	2.04	373,900,000
2032	1.46	345,900,000	2.10	397,500,000
2033	1.46	360,500,000	2.13	415,800,000
2034	1.44	370,600,000	2.16	434,900,000
2035	1.42	380,900,000	2.17	449,200,000
2036	1.38	388,200,000	2.17	463,600,000
2037	1.36	395,300,000	2.15	474,300,000
2038	1.31	398,400,000	2.12	485,700,000
2039	1.27	403,100,000	2.10	493,600,000
2040	1.22	400,900,000	2.08	505,400,000

(1) Results are expressed as a probability distribution. Amounts shown in table are median values within percentile categories. Actual rates for FY 2020-21 and FY 2021-22 are found in the table titled "FPDR Fund—Certified Levies Compared with Maximum Levies Authorized."

Source: Milliman, Inc., FPDR Levy Adequacy Analysis as of June 30, 2020, dated January 26, 2021

The current analysis extends through FY 2039-40 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 of Oregon PERS cost-sharing multiple-employer defined benefit plan and an implicit rate subsidy for retiree Health Insurance Continuation premiums.

PERS Program

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may also receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to $60 per month towards the cost of their health insurance premiums under the RHIA program. RHIA's assets and liabilities are pooled on a system-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled covered payroll. According to the 2020 City Valuation, the City's allocated share of the RHIA program's UAL was ($276.6 million) as of December 31, 2020.

The City's current employer contribution rates to fund RHIA benefits during the 2021-23 biennium for T1/T2 employees is 0.05 percent and for OPSRP general services and police and fire employees is 0.00 percent. According to the 2020 City Valuation, the Advisory Rate to fund RHIA benefits during the 2023-25 biennium for T1/T2 employees is 0.00 percent and for OPSRP general services and police and fire employees is 0.00 percent. These employer contribution rates to fund RHIA are included in the rates described in Table 18 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, 2021 was $95,637,643. 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 2.20 percent, 2.1 percent inflation rate, annual healthcare cost trend rates of 4.5 to 6.7 percent, and retirees' share of benefit-related costs of 29 percent of estimated program costs.

For FY 2020-21, the changes to the total OPEB liability is calculated as follows:

Balance at 7/1/2020	$84,298,521
Changes for the year:	
Service cost	3,003,933
Interest	2,967,230
Actual experience	-
Changes of assumptions	10,460,682
Benefit payments	(5,092,723)
Net Changes	11,339,122
Balance at 6/30/21	$95,637,643

Actuarial valuations for the Health Insurance Continuation Option are undertaken every two years. A new valuation study will be undertaken for reporting the OPEB liability as of July 1, 2021.

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.

Implementation of Governmental Accounting Standards Board Statement No. 75

Beginning in its Comprehensive Annual Financial Report for FY 2017-18, the City implemented Governmental Accounting Standards Board Statement No. 75, which changed employer reporting of OPEB for state and local governments. Under this new standard, for FY 2020-21, the City has reported in its ACFR the following balances:

	Deferred Outflow/(Inflow) of Resources	Net OPEB Liability/(Asset)	OPEB Expense (Income)
RHIA	$2,726,188	($2,439,130)	$1,020,630
HIC	$(2,139,468)	$95,637,643	$3,759,863
Total	$586,720	$93,198,513	$4,780,493

See the City's ACFR for FY 2020-21, which is posted on the EMMA website.

LITIGATION

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 Sewer 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 Sewer 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 Sewer 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 EPA as a Superfund site.

The U.S. EPA has 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 allocate cleanup costs among the more than 100 responsible parties. Total cleanup costs may exceed $2 billion. To preserve claims against potentially responsible parties who are 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 have 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. The City will defend against a significant allocation of liability to the City for cleanup and natural resource damages.

APPENDIX
EXCERPTS FROM AUDITED FINANCIAL STATEMENTS

INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for FYs 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21. Copies of these financial statements containing the reports of the independent certified public accountants are available on the City's website at:

https://www.portlandoregon.gov/omf/26053

The following pages in this Appendix are excerpted from the City's Comprehensive Annual Financial Reports of the City for FYs 2016-17 through 2020-21. Any notes that follow the tabular data have been prepared by the City and have not been reviewed by the independent auditor.

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

CITY OF PORTLAND, OREGON
SEWAGE DISPOSAL FUND
STATEMENT OF NET POSITION
As of June 30

	2017	2018	2019	2020	2021
ASSETS					
Current assets (unrestricted):					
Cash and investments	$ 171,056,466	$ 220,282,473	$ 298,584,740	$ 233,727,428	$ 250,247,722
Receivables					
Accounts, net	53,996,977	56,478,394	56,321,677	59,450,549	63,152,196
Assessments	2,600,727	2,873,871	1,709,393	2,069,177	4,906,835
Advances	-	-	22,776	22,776	22,776
Accrued interest, advances	911,912	1,653,693	2,573,364	1,353,257	1,268,914
Notes and loans net	83,232	-	4,940	4,820	3,440
Due from component unit	-	-	-	-	-
Inventories	1,898,619	2,009,361	2,373,142	2,567,343	2,877,366
Prepaid expenses	-	1,369,497	8,063,307	13,455	19,647
Internal balances	-	-	1,457,886	-	-
Total current assets (unrestricted)	230,547,933	284,667,289	371,111,225	299,208,805	322,498,896
Current assets (restricted)					
Cash and investments	-	15,630,714	19,338,309	17,835,538	22,300,365
Total current assets (restricted)	-	15,630,714	19,338,309	17,835,538	22,300,365
Total current assets	230,547,933	300,298,003	390,449,534	317,044,343	344,799,261
Noncurrent assets (unrestricted):					
Capital assets, not being depreciated or amortized:					
Land	80,239,715	77,318,085	78,905,215	79,735,116	81,510,031
Construction in progress	178,010,942	221,278,779	288,903,099	220,106,638	271,144,635
Intangible assets/land use rights	12,109,796	12,170,970	14,312,701	14,365,201	15,067,524
Capital assets, being depreciated or amortized:					
Buildings	33,441,319	30,599,043	30,765,991	54,751,840	66,064,004
Improvements to land	2,249,269	1,485,801	1,631,035	1,701,984	7,012,131
Equipment	28,975,530	31,181,128	33,303,230	35,677,089	34,477,145
Intangible assets/software	8,489,429	8,489,429	8,478,231	9,853,830	9,881,670
Infrastructure	3,485,117,325	3,549,098,347	3,616,799,754	3,810,998,918	3,883,068,937
Accumulated depreciation and amortizatio	(560,635,720)	(604,879,652)	(649,665,208)	(698,924,560)	(751,701,433)
Capital assets net of accumulated depreciation and amortization	3,267,997,605	3,326,741,930	3,423,434,048	3,528,266,056	3,616,524,644
Receivables:					
Assessments	3,301,471	4,481,699	2,592,611	3,739,469	4,068,283
Pension asset	-	-	-	-	-
Internal balances	-	1,457,886	-	-	-
Net OPEB asset	-	121,681	344,431	639,352	182,700
Total noncurrent assets (unrestricted)	3,271,299,076	3,332,803,196	3,426,371,090	3,532,644,877	3,620,775,627
Noncurrent assets (restricted):					
Cash and investments	59,279,660	202,047,120	55,935,109	14,068,242	172,877,275
Total non-current assets	3,330,578,736	3,534,850,316	3,482,306,199	3,546,713,119	3,793,652,902
Total assets	3,561,126,669	3,835,148,319	3,872,755,733	3,863,757,462	4,138,452,163
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	35,003,532	21,274,974	24,637,047	29,930,337	38,388,124
Deferred outflows - OPEB	-	613,206	635,140	672,806	1,446,583
Deferred charge for debt refundings	-	-	21,506	5,449	-
Total deferred outflows of resources	35,003,532	21,888,180	25,293,693	30,608,592	39,834,707

[Continued Next Page]

CITY OF PORTLAND, OREGON
SEWAGE DISPOSAL FUND
STATEMENT OF NET POSITION (Continued)
As of June 30

	2017	2018	2019	2020	2021
LIABILITIES					
Current liabilites (payable from unrestricted assets):					
Accounts payable	20,614,195	6,650,221	9,332,629	11,456,483	11,500,014
Compensated absences	4,077,025	4,581,410	5,345,919	4,943,932	5,208,620
Self insurance claims	13,878	35,415	49,087	59,985	42,991
Unearned revenue	899,755	937,747	839,337	830,431	1,125,350
Bonds payable	126,189,967	134,345,878	137,002,011	130,541,510	137,044,613
Notes and loans payable	1,379,871	1,393,792	1,407,852	1,422,058	1,436,405
Accrued interest payable	14,823,372	14,941,362	14,119,444	12,204,832	14,042,278
Landfill postclosure	54,702	59,102	68,299	79,039	89,525
Pollution remediation	547,500	50,000	50,000	1,425,000	55,000
Other liabilities	79,160	652,634	634,123	613,019	653,086
Total current liabilities (unrestricted)	168,679,425	163,647,561	168,848,701	163,576,289	171,197,882
Current liabilites (payable from restricted assets):					
Accounts payable	-	15,630,714	19,338,309	17,835,538	22,300,365
Other liabilities	-	-	-	1,146,702	-
Total current liabilities (restricted)	-	15,630,714	19,338,309	18,982,240	22,300,365
Total current liabilities	168,679,425	179,278,275	188,187,010	182,558,529	193,498,247
Noncurrent liabilities:					
Compensated absences	-	72,178	-	2,081,490	4,054,963
Bonds payable	1,508,137,654	1,587,358,056	1,450,356,046	1,273,897,746	1,406,260,672
Notes and loans payable	12,174,625	10,780,833	9,372,981	7,950,923	6,514,518
Accrued interest payable	12,979,705	14,389,197	15,912,653	17,559,362	19,339,216
Net pension liability - PERS	68,928,094	61,091,980	67,699,438	84,126,304	108,685,476
Other postemployment benefits	1,491,795	6,701,542	6,698,621	5,886,063	6,527,311
Landfill postclosure	6,017,740	2,402,216	2,600,865	2,463,512	920,599
Pollution remediation	275,000	250,000	250,000	250,000	260,000
Other liabilities	87,370	149,835	149,835	149,835	149,835
Total noncurrent liabilities	1,610,091,983	1,683,195,837	1,553,040,439	1,394,365,235	1,552,712,590
Total liabilities	1,778,771,408	1,862,474,112	1,741,227,449	1,576,923,764	1,746,210,837
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	1,773,290	1,905,480	4,236,057	4,044,833	2,770,291
Deferred charge for debt refunding	7,892,777	5,696,253	3,831,854	21,036,646	18,219,347
Deferred inflows - OPEB	-	317,784	422,529	1,272,122	931,150
Total deferred inflows of resources	9,666,067	7,919,517	8,490,440	26,353,601	21,920,788
NET POSITION					
Net investment in capital assets	1,691,727,931	1,806,923,132	1,892,317,879	2,118,110,578	2,228,162,160
Restricted for:					
Debt service	180,000	180,000	180,000	180,000	180,000
Unrestricted	115,784,795	179,539,738	255,833,658	172,798,111	181,813,085
Total net position	$ 1,807,692,726	$ 1,986,642,870	$ 2,148,331,537	$ 2,291,088,689	$ 2,410,155,245

Source: City of Portland audited financial statements

CITY OF PORTLAND, OREGON
SEWAGE DISPOSAL FUND
STATEMENT OF REVENUES, EXPENSES, and CHANGES IN FUND NET POSITION
For Fiscal Years Ending June 30

	2017	2018	2019	2020	2021
Operating revenues:					
Service charges and fees	$ 366,138,808	$ 386,034,051	$ 374,252,820	$ 377,243,675	$ 374,062,489
Service charges and fees provided internally	1,388,251.00	1,782,503	3,014,753	1,429,140	2,106,918
Licenses and permits	2,248,626	2,166,745	2,320,654	2,029,443	1,750,172
Rents and reimbursements	405,794	189,308	217,671	234,706	246,228
Miscellaneous	1,385,314	366,919	865,478	279,761	345,035
Total operating revenues	371,566,793	390,539,526	380,671,376	381,216,725	378,510,842
Operating expenses:					
Salaries and wages	58,821,599	61,812,417	66,606,436	79,373,934	85,420,864
Operating supplies	4,515,510	4,339,605	5,379,039	4,961,066	5,711,032
Professional services	3,141,297	3,886,296	3,532,984	4,061,159	5,046,482
Services and materials provided internally	27,766,111.00	28,923,825	30,354,431	34,447,296	33,112,952
Utilities	6,278,847	6,006,085	6,769,981	6,084,555	7,191,069
Claims	-	-	-	500,000	-
Miscellaneous	5,240,636	6,170,070	18,752,555	14,865,528	12,599,055
Utility license fees	16,250,599	16,884,548	17,105,955	17,474,040	17,388,536
Depreciation expense	47,376,734	47,889,962	48,917,284	50,400,487	54,107,688
Total operating expenses	169,391,333	175,912,808	197,418,665	212,168,065	220,577,678
Operating income (loss)	202,175,460	214,626,718	183,252,711	169,048,660	157,933,164
Nonoperating revenues (expenses):					
Gain (loss) on sale of capital assets	38,331	3,816,807	346,754	73,357	153,058
Investment earnings	1,527,317	1,197,068	15,071,257	9,367,813	1,422,577
Interest expense	(69,588,885)	(39,651,443)	(43,159,892)	(37,528,980)	(38,299,677)
Debt issuance costs	(1,285,282)	(629,891)	(59,013)	(475,879)	(2,152,526)
Miscellaneous	-	1,457,152	(849,292)	(124,374)	-
Total nonoperating revenues (expenses)	(69,308,519)	(33,810,307)	(28,650,186)	(28,688,063)	(38,876,568)
Income (loss) before contributions and transfers	132,866,941	180,816,411	154,602,525	140,360,597	119,056,596
Transfers in	162,769	203,847	2,747,283	164,567	148,128
Transfers out	(559,574)	(600,825)	(454,252)	(657,568)	(559,631)
Capital contributions	1,154,852	3,419,865	4,793,111	2,889,556	421,463
Change in net position	133,624,988	183,839,298	161,688,667	142,757,152	119,066,556
Total net position - beginning, previously reported	-	1,807,692,726	1,986,642,870	2,148,331,537	2,291,088,689
Restatement per GASB 68 implementation	-	-	-	-	-
Restatement per GASB 75 implementation	-	(4,889,154)	-	-	-
Total net position -- beginning, as restated	1,674,067,738	1,802,803,572	1,986,642,870	2,148,331,537	2,291,088,689
Total net position -- ending	$ 1,807,692,726	$ 1,986,642,870	$ 2,148,331,537	$ 2,291,088,689	$ 2,410,155,245

Source: City of Portland audited financial statements

CITY OF PORTLAND, OREGON
SEWAGE DISPOSAL FUND
STATEMENT OF CASH FLOWS
For Fiscal Years Ending June 30

	2017	2018	2019	2020	2021
CASH FLOWS FROM OPERATING ACTIVITY					
Receipts from customers and users	$ 369,539,539	$ 384,990,657	$ 380,740,784	$ 375,143,287	$ 369,832,104
Receipts from interfund services provided	1,388,251	1,782,502	3,014,754	1,429,141	2,106,918
Payments to suppliers	(35,171,776)	(40,562,376)	(52,005,096)	(37,084,727)	(47,760,090)
Payments to employees	(50,807,961)	(55,307,726)	(60,480,992)	(67,047,631)	(68,372,709)
Payments for interfund services used	(27,766,111)	(28,923,825)	(30,354,431)	(34,447,292)	(33,112,952)
Other receipts (payments)	1,544	-	-	-	-
Net cash provided by operating activities	257,183,486	261,979,232	240,915,019	237,992,778	222,693,271
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	162,769	203,847	2,747,283	164,566	148,128
Transfers out	(559,574)	(600,825)	(454,252)	(657,567)	(559,631)
Internal balances	-	-	-	1,457,886	-
Net cash provided (used) by noncapital financing activities	(396,805)	(396,978)	2,293,031	964,885	(411,503)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of bonds and notes	319,115,000	191,930,000	-	216,480,000	239,590,000
Premium on bonds and notes issued	56,113,433	21,636,279	-	48,553,751	30,412,270
Sale of capital assets	322,953	10,665,852	1,529,008	250,668	586,150
Acquisiton of capital assets	(107,426,808)	(110,071,279)	(142,847,837)	(152,644,625)	(142,377,908)
Principal paid on bonds, notes and capital leases	(447,288,111)	(106,001,539)	(113,149,725)	(409,019,394)	(110,217,679)
Interest paid on bonds, notes and capital leases	(92,501,164)	(61,888,783)	(66,934,202)	(60,917,044)	(59,834,847)
Bond issuance costs	(1,285,282)	(629,891)	(59,013)	(475,879)	(2,152,526)
Net cash provided (used) by capital related financing activities	(272,949,979)	(54,359,361)	(321,461,769)	(357,772,523)	(43,994,540)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	1,530,067	401,288	14,151,570	10,587,910	1,506,926
Net increase (decrease) in cash and cash equivalents	(14,633,231)	207,624,181	(64,102,149)	(108,226,950)	179,794,154
CASH AND CASH EQUIVALENTS July 1 (beginning)	244,969,357	230,336,126	437,960,307	373,858,158	265,631,208
CASH AND CASH EQUIVALENTS June 30 (ending)	$ 230,336,126	$ 437,960,307	$ 373,858,158	$ 265,631,208	$ 445,425,362
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:					
Unrestricted cash and cash equivalents	$ 171,056,466	$ 220,282,473	$ 298,584,740	$ 233,727,428	$ 250,247,722
Restricted cash and cash equivalents	$ 59,279,660	$ 217,677,834	$ 75,273,418	$ 31,903,780	$ 195,177,640
Total	$ 230,336,126	$ 437,960,307	$ 373,858,158	$ 265,631,208	$ 445,425,362

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CITY OF PORTLAND, OREGON
SEWAGE DISPOSAL FUND
STATEMENT OF CASH FLOWS (Continued)
For Fiscal Years Ending June 30

	2017	2018	2019	2020	2021
Reconciliation of operating income (loss) to					
net cash provided by operating activities					
Operating income (loss)	$ 202,175,460	$ 214,626,718	$ 183,252,711	$ 169,048,660	$ 157,933,164
Adjustments to reconcile operating income (loss)					
to net cash provided (used) by operating activities:					
Depreciation and amortization of capital assets	47,376,734	47,889,962	48,917,284	50,400,487	54,107,688
Provision for uncollectible accounts	534,532	1,080,219	930,009	930,009	3,289,503
Nonoperating revenue	-	7,075	-	-	-
Change in assets and liabilities:					
Accounts and advances receivable	(1,064,533)	(4,999,457)	2,029,809	(5,860,324)	(9,699,590)
Inventories	(140,799)	(110,742)	(363,782)	(194,200)	(310,024)
Prepaid expense	-	(1,369,497)	(6,693,810)	8,049,858	(6,193)
Accounts payable	4,377,197	1,666,740	6,390,018	621,086	4,508,357
Self insurance claims	(145,839)	21,537	13,672	10,898	(16,994)
Compensated absences	(21,263)	576,563	692,331	1,679,503	2,238,161
Due from (to) component unit	61,484	-	-	-	-
Unearned revenue	(10,013)	37,994	(98,410)	(8,906)	294,919
Net pension liability - PERS	42,445,336	(7,836,114)	6,607,458	16,426,866	24,559,172
Accrued other postemployment benefits	(10,578)	5,209,747	(2,921)	(812,558)	641,248
Landfill postclosure	(3,370,042)	(3,611,124)	207,846	(126,613)	(1,532,427)
Pollution remediation	(635,000)	(522,500)	-	1,375,000	(1,360,000)
Other accrued liabilities	10,667	635,939	(18,511)	1,125,599	(1,106,635)
Deferred outflows - pensions	(28,897,806)	13,728,558	(3,362,073)	(5,293,290)	(8,457,787)
Deferred outflows - OPEB	-	(613,206)	(21,934)	(37,666)	(773,777)
Deferred inflows - pensions	(5,502,051)	132,190	2,330,577	(191,224)	(1,274,542)
Deferred inflows - OPEB	-	317,784	104,745	849,593	(340,972)
Restatement per GASB 68 implementation	-	-	-	-	-
Restatement per GASB 75 implementation	-	(4,889,154)	-	-	-
Net cash provided by operating activities	$ 257,183,486	$ 261,979,232	$ 240,915,019	$ 237,992,778	$ 222,693,271
Noncash information					
Capital contribution	$ 1,154,852	$ 3,419,865	$ 4,793,111	$ 2,889,556	$ 421,463
Capital assets transferred to/from business-type activity	-	-	-	-	-
Increase in fair value of investments	(1,638,417)	(3,143,237)	5,105,442	1,597,530	(2,791,385)
(classified as cash equivalents)					

Source: City of Portland audited financial statements

CITY OF PORTLAND, OREGON
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