ANNUAL DISCLOSURE INFORMATION

Pertaining to

City of Portland, Oregon

First Lien Water System Revenue & Refunding Bonds:

$76,510,000	**2012 Series A**	**Dated August 2, 2012**
$84,975,000	**2014 Series A**	**Dated December 16, 2014**
$168,525,000	**2016 Series A**	**Dated December 15, 2016**

Second Lien Water System Revenue & Refunding Bonds:

$253,635,000	**2013 Series A**	**Dated May 2, 2013**
$112,005,000	**2019 Series A**	**Dated October 22, 2019**
$39,800,000	**2020 Series A**	**Dated February 3, 2020**
$171,075,000	**2021 Series B**	**Dated May 25, 2021**

December 31, 2021

MATURITY SCHEDULES FIRST LIEN BONDS:

$76,510,000*
First Lien Water System Revenue Bonds
2012 Series A

Due April 1	Principal Amount	Interest Rate	CUSIP 736754
2022	$2,765,000	3.00%	KP6
2023	2,850,000	3.00%	KQ4
2024	2,935,000	3.00%	KR2
2025	3,020,000	3.00%	KS0
2026	3,110,000	3.00%	KT8
2027	3,205,000	3.00%	KU5
2028	3,300,000	3.00%	KV3
2029	3,400,000	3.00%	KW1
2030	3,505,000	3.00%	KX9
2031	3,610,000	3.00%	KY7
2032	3,715,000	3.00%	KZ4
2033	3,825,000	3.00%	LA8
2034	3,940,000	3.25%	LB6
2035	4,070,000	3.25%	LC4
	$47,250,000		

$8,545,000 3.25% Term Bonds, due April 1, 2037
CUSIP Number 736754LD2

*Original par amount.

MATURITY SCHEDULES FIRST LIEN BONDS (Continued):

$84,975,000*
First Lien Water System Revenue Bonds
2014 Series A

Due May 1	Principal Amount	Interest Rate	CUSIP 736754
2022	$2,630,000	5.00%	MW9
2023	2,760,000	5.00%	MX7
2024	2,900,000	5.00%	MY5
2025	3,045,000	3.00%	MZ2
2026	3,135,000	3.00%	NA6
2027	3,230,000	5.00%	NB4
2028	3,390,000	4.00%	NC2
2029	3,530,000	3.00%	ND0
2030	3,635,000	4.00%	NE8
2031	3,780,000	4.00%	NF5
2032	3,930,000	4.00%	NG3
2033	4,085,000	4.00%	NH1
2034	4,250,000	4.00%	NJ7
2035	4,420,000	4.00%	NK4
2036	4,600,000	4.00%	NL2
2037	4,780,000	4.00%	NM0
2038	4,975,000	3.50%	NN8
2039	5,145,000	4.00%	NP3
	$68,220,000		

*Original par amount.

MATURITY SCHEDULES FIRST LIEN BONDS (Continued):

$168,525,000*
First Lien Water System Revenue and Refunding Bonds
2016 Series A

Due April 1	Principal Amount	Interest Rate	CUSIP 736754
2022	$5,135,000	5.00%	NV0
2023	5,390,000	5.00%	NW8
2024	5,665,000	5.00%	NX6
2025	5,945,000	5.00%	NY4
2026	6,240,000	5.00%	NZ1
2027	6,555,000	4.00%	PA4
2028	6,820,000	4.00%	PB2
2029	7,090,000	4.00%	PC0
2030	7,375,000	4.00%	PD8
2031	7,665,000	4.00%	PE6
2032	7,975,000	4.00%	PF3
2033	8,290,000	4.00%	PG1
2034	8,625,000	4.00%	PH9
2035	4,270,000	4.00%	PJ5
2036	4,440,000	4.00%	PK2
2037	4,620,000	4.00%	PL0
2038	4,805,000	4.00%	PM8
2039	4,995,000	4.00%	PN6
2040	5,195,000	4.00%	PP1
2041	5,405,000	4.00%	PQ9
	$122,500,000		

*Original par amount.

<u>MATURITY SCHEDULE SECOND LIEN BONDS:</u>

$253,635,000*
Second Lien Water System Revenue and Refunding Bonds
2013 Series A

Due Oct. 1	Principal Amount	Interest Rate	CUSIP 736754
2022	$12,030,000	5.00%	MJ8
2023	3,000,000	4.00%	LN0
2023	9,635,000	5.00%	MK5
2024	8,945,000	5.00%	LP5
2025	9,405,000	5.00%	LQ3
2026	9,885,000	5.00%	LR1
2027	10,395,000	5.00%	LS9
2028	10,815,000	3.00%	LT7
2029	11,200,000	4.00%	LU4
2030	11,650,000	4.00%	LV2
2031	10,145,000	4.00%	ML3
2031	2,000,000	5.00%	LW0
2032	5,925,000	4.00%	MM1
2032	2,000,000	5.00%	LX8
2033	5,205,000	4.00%	MN9
2033	3,070,000	5.00%	LY6
	$125,305,000		

$36,685,000 4.00% 2013 Series A Term Bonds due October 1, 2037;
CUSIP Number 736754 LZ3

*Original par amount.

MATURITY SCHEDULE SECOND LIEN BONDS (Continued):

$112,005,000*
Second Lien Water System Revenue Bonds
2019 Series A

Due Oct. 1	Principal Amount	Interest Rate	CUSIP 736754
2022	$2,600,000	5.00%	PT3
2023	2,730,000	5.00%	PU0
2024	2,865,000	5.00%	PV8
2025	3,010,000	5.00%	PW6
2026	3,160,000	5.00%	PX4
2027	3,320,000	5.00%	PY2
2028	3,485,000	5.00%	PZ9
2029	3,660,000	5.00%	QA3
2030	3,840,000	5.00%	QB1
2031	4,035,000	5.00%	QC9
2032	4,235,000	5.00%	QD7
2033	4,445,000	5.00%	QE5
2034	4,670,000	5.00%	QF2
2035	4,905,000	5.00%	QG0
2036	5,150,000	5.00%	QH8
2037	5,405,000	5.00%	QJ4
2038	5,675,000	4.00%	QK1
2039	5,900,000	4.00%	QL9
	$73,090,000		

$33,920,000 5.00% 2019 Series A Term Bonds due May 1, 2044;
CUSIP Number 736754 QM7

*Original par amount.

MATURITY SCHEDULE SECOND LIEN BONDS (Continued):

$39,800,000*
Second Lien Water System Revenue Refunding Bonds
2020 Series A

Due May 1	Principal Amount	Interest Rate	CUSIP 736754
2022	$1,935,000	5.00%	QP0
2023	2,035,000	5.00%	QQ8
2024	2,135,000	5.00%	QR6
2025	2,245,000	5.00%	QS4
2026	2,355,000	5.00%	QT2
2027	2,470,000	5.00%	QU9
2028	2,595,000	5.00%	QV7
2029	2,725,000	5.00%	QW5
2030	2,860,000	5.00%	QX3
2031	3,000,000	5.00%	QY1
2032	3,155,000	5.00%	QZ8
2033	3,315,000	5.00%	RA2
2034	3,480,000	5.00%	RB0
2035	3,650,000	5.00%	RC8
	$37,955,000		

*Original par amount.

MATURITY SCHEDULES FIRST LIEN BONDS (Continued):

$171,075,000*
First Lien Water System Revenue Bonds,
2021 Series B

Due May 1	Principal Amount	Interest Rate	CUSIP 736754
2022	2,730,000	5.000%	RD6
2023	5,895,000	5.000%	RE4
2024	6,190,000	5.000%	RF1
2025	6,500,000	5.000%	RG9
2026	6,820,000	5.000%	RH7
2027	7,165,000	5.000%	RJ3
2028	7,525,000	5.000%	RK0
2029	7,900,000	5.000%	RL8
2030	8,295,000	5.000%	RM6
2031	8,705,000	5.000%	RN4
2032	7,110,000	5.000%	RP9
2033	7,470,000	4.000%	RQ7
2034	7,760,000	3.000%	RR5
2035	7,995,000	3.000%	RS3
2036	8,230,000	3.000%	RT1
2037	5,865,000	3.000%	RU8
2038	6,040,000	2.000%	RV6
2039	6,160,000	2.000%	RW4
2040	6,285,000	2.000%	RX2
2041	6,410,000	2.000%	RY0
2042	6,535,000	2.000%	RZ7
2043	6,670,000	2.000%	SA1
2044	6,800,000	2.000%	SB9
2045	6,935,000	2.125%	SC7
2046	7,085,000	2.125%	SD5
	$171,075,000		

*Original par amount.

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WATER SYSTEM FINANCIAL AND OPERATING INFORMATION

OVERVIEW

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

FUND ACCOUNTING SYSTEM

The financial reporting system of the Portland Water Bureau (the "Bureau") is organized into three separate funds. The funds and their financial reporting purpose are described as follows:

> **Water Operating Fund.** This fund serves as the operating fund of the Bureau and, with the exception of debt service, all expenditures are made from this fund for operation, maintenance and capital assets. Receipts from the sale of water are the primary source of revenue for the Water Operating Fund. The cash flow in this fund determines the need for rate increases. The Rate Stabilization Account is within the Water Operating Fund.
>
> **Water Construction Fund.** By City Charter stipulation, this fund is the recipient of proceeds from bond sales and SDCs. Other sources of revenue include reimbursements for capital expenditures, such as main extensions and service installations and sale of assets. Also, a portion of the water sales revenues is transferred to this fund to finance routine system repair and replacement. The Water Construction Fund reimburses the Water Operating Fund for capital asset requirements including capitalized overhead, capitalized interest, and the cost of issuing bonds.
>
> **Water Bond Sinking Fund.** This fund provides for the repayment of bonded debt and interest, and maintains the water revenue bond debt service reserves for various issues. The source of revenue for this fund is a transfer from the Water Operating Fund and interest earnings.

These three funds enable the Bureau to segregate resources for specific uses and ensure that reserves are not used to supplement daily operating needs. Maintenance of the fiscal integrity of each fund is a key objective of the Bureau's financial planning and analysis efforts. The Bureau's fund structure provides for the accounting and control of expenditures and differs from the account structure described in the Master First Lien Bond Declaration and the Master Second Lien Bond Declaration. The accounts described in the Master First Lien Bond Declaration and the Master Second Lien Bond Declaration have been established to identify priority claims on Water System revenues and are accounted for separately.

COVID-19 IMPACT ON BUREAU OPERATING AND FINANCIAL RESULTS

Operations

The Bureau has implemented a variety of measures to maintain continuity of its essential business functions, to ensure staffing is in place to support continuous, uninterrupted service, and to promote a safe and healthful workplace for its employees. On March 16, 2020, the Bureau activated its continuity of operations plan. Many Bureau staff are working remotely and continue to perform their jobs. The Bureau's ability to provide water service has not been impaired. Protocols are in place for social distancing, hygiene, and safety. All field staff are working in the field to maintain the Water System. Construction field staff are working in a "quaranteam" approach where the same staff work in the same small set to limit their exposure while practicing proper social distancing and are limited to no more than two staff per vehicle when traveling to work sites. Bureau access to critical facilities including treatment facilities, laboratory, and Supervisory Control and Data Acquisition System control center (an advanced remote site control of the Water System) are limited to only staff working in those facilities. The Bureau's Customer Service staff are assisting customers with their account and payments remotely in addition to already available electronic payments online or over the phone through an automated system.

Due to the COVID-19 pandemic and the business and social restrictions imposed to respond to the pandemic, the Bureau has experienced and may continue to experience decreased demand for water service. Since Oregon Governor Kate Brown declared a state of emergency, the Bureau has ceased all shut-off of water service for non-payment and discontinued late fee charges. The Bureau began the collections cycle for a subset of commercial customers in October 2021, see "WATER SYSTEM CUSTOMERS, DEMAND, RATES, AND BILLING" herein. The Bureau will carefully monitor public health direction and will lift shut-off suspensions for residential customers when it is prudent to do so, and 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.

The Bureau's historic collection rate prior to COVID-19 was better than 99 percent of billings. Since the onset of the pandemic, the Bureau's collection rate has decreased primarily as a result of customers' inability to pay, as many have been financially impacted by the pandemic. The Bureau ceased all shut-off of water service for non-payment and discontinued late fee charges in response to the pandemic, and recently began the collections cycle for a subset of commercial customers in October 2021, see "FY 2020-21 Year End Financial Results" below and "WATER SYSTEM CUSTOMERS, DEMAND, RATES AND BILLING" herein. The Bureau will carefully monitor public health direction and will lift shut-off suspensions for residential customers when it is prudent to do so, and in a manner that is protective of public health.

Bureau Federal Assistance

A portion of the Bureau's costs related to COVID-19 is eligible for reimbursement from the federal government under the ARPA. The ARPA does allow for more flexible reimbursement and, to date, the City Council has directed $2.6 million of funding for utility ratepayer customer debt relief for sewer, stormwater and water customers, of which water customers represent approximately 33%. These funds will be used to specifically address residential customer accounts past due balances 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. The Bureau 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. Additional ARPA funds may be allocated as part of the FY 2021-22 Spring budget monitoring process or as part of the FY 2022-23 budget process, however, there are no ARPA proceeds included in the Bureau's financial plan.

FY 2020-21 Year End Financial Results

Revenues. Revenues are primarily comprised of retail revenues and wholesale revenues. Wholesale revenues have remained consistent under guaranteed take-or-pay contracts with wholesale customers. However, the Bureau experienced a decline in retail revenues for FY 2020-21 as a result of the COVID-19 pandemic. The projected impact was initially estimated to be as high as $18.5 million for FY 2020-21 as compared to the FY 2020-21 Adopted Budget. However, actual water sales for FY 2020-21 were only $3.1 million less than the FY 2020-21 Adopted Budget. Additionally, the Bureau had $2.8 million in foregone revenues associated with uncharged delinquency fees.

Accounts Receivable. Unpaid water sale billings that are outstanding greater than 30 days have increased to approximately $8.1 million as of June 30, 2021, as compared to $3.0 million as of March 31, 2020. As of June 30, 2021 about 8% of retail accounts with greater than $100 water, sewer and stormwater account balances were more than 30 days past due. The Bureau is preparing for increased write-offs of accounts receivable, however the extent of required write-offs is difficult to ascertain until water shut-offs are in effect for a sustained period For FY 2020-21 bad debt expenses were $1.8 million, compared to approximately $650,000 of bad debt expense in the three years prior to the COVID-19 pandemic.

Expenditures. The Bureau continued cost containment measures throughout FY 2020-21 in response to the pandemic. Cost containment measures included mandatory furloughs for most employees, restrictions on non-essential hiring, and delayed spending. Overall operating expenses for the Bureau for FY 2020-21, calculated in conformance with the Master First and Second Lien Water System Revenue Bond Declarations, were $89.6 million, approximately 89% of the $100.9 million budgeted amount.

Net Revenues. FY 2020-21 Net Revenues were approximately $131.0 million, which was $9.5 million higher than originally budgeted. The positive variance was primarily driven by savings from cost containment measures noted above. See "WATER SYSTEM OPERATING AND FINANCIAL INFORMATION — Historical Operating Results" herein for additional information regarding the Bureau's financial results for FY 2020-21.

HISTORICAL OPERATING RESULTS

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

The Bureau continues to maintain a target minimum debt service coverage ratio of 1.90 times on First Lien Bonds (higher than the 1.25 times required by the Master First Lien Bond Declaration). In addition, the Bureau maintains a minimum debt service coverage ratio target for combined first and second lien bond debt service of 1.75 times using Stabilized Net Revenues as defined in the Master Second Lien Bond Declaration. (The Master Second Lien Bond Declaration requires 1.10 times debt service coverage using Stabilized Net Revenues.)

Historical operating results of the Bureau's financial operations are shown in the following table. Between FY 2016-17 and FY 2020-21, Gross Revenues grew at a compound annual rate of 4.7 percent. Gross Revenues increased primarily due to the rate change for water sales. Gross Revenues also increased in FY 2017-18 due to increased water demand. Operating Expenses during the five-year period averaged $85.8 million. See "COVID 19 IMPACT ON BUREAU OPERATING AND FINANCIAL RESULTS" herein for a discussion of recent trends in the Bureau's historical operating results relating to the COVID-19 pandemic.

Over the last five years, Net Revenues have provided from 1.96 times to 2.20 times debt service coverage on combined First Lien Bonds and Second Lien Bonds. The Bureau contributed $12.0 million to the Rate Stabilization Account in FY 2020-21. Stabilized Net Revenues provided 1.90 times coverage on the combined annual debt service for combined First and Second Lien Bonds in FY 2020-21. Excerpts of audited statements of revenues, expenses, and changes in fund net position, the statement of net position, and the statement of cash flows for the Water Fund are presented in the Appendix.

Table 1
CITY OF PORTLAND, OREGON
Water Bureau
Historical Operating Results

Fiscal Year Ending June 30	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
(in thousands of dollars)					
GROSS REVENUES[(1)]					
Operating Revenues	$164,675	$179,007	$187,539	$192,812	$202,171
Interest Earnings	2,262	3,244	4,301	5,146	2,224
Capital Charges	16,367	20,948	17,256	15,455	16,240
Total Gross Revenues	$183,304	$203,199	$209,096	$213,413	$220,635
OPERATING EXPENSES[(2)]					
Operating Expenses	$77,909	$84,143	$86,305	$90,811	$89,631
NET REVENUES	$105,395	$119,056	$122,791	$122,602	$131,004
DEBT SERVICE					
First Lien Bonds	$34,872	$36,988	$38,114	$37,609	$33,291
Second Lien Bonds	18,772	18,778	17,655	23,551	29,327
Total Debt Service	$53,644	$55,766	$55,769	$61,160	$62,618
DEBT SERVICE COVERAGE					
First Lien Bonds	3.02	3.22	3.22	3.26	3.94
First and Second Lien Bonds	1.96	2.13	2.20	2.00	2.09
COVERAGE BASED ON STABILIZED NET REVENUES					
NET REVENUES	$105,395	$119,056	$122,791	$122,602	$131,004
Less: Transfers to Rate Stabilization Account	-3,000	-8,100	-17,000	-9,700	-12,000
Plus: Transfers from Rate Stabilization Account	0	0	0	0	0
STABILIZED NET REVENUES	$102,395	$110,956	$105,791	$112,902	$119,004
DEBT SERVICE COVERAGE	1.91	1.99	1.90	1.85	1.90

(1) As defined in the Master First Bond Declaration. Does not reflect adjustments to Second Lien Bond calculations as defined in the Master Second Lien Bond Declaration. Gross Revenues excludes $5.5 million for FY 2017-18 related to proceeds from the Anderson lawsuit settlement.

(2) Operating expenses include the Bureau's share of debt service for the City's pension obligation bonds and Post-Employment Retirement Benefits. See "CITY OPERATING AND FINANCIAL INFORMATION-Pension Plans – Pension Obligation Bonds" and "—OTHER POST-EMPLOYMENT BENEFITS (OPEB)" herein.

Note: Totals may not foot due to rounding.

Source: City of Portland

Use of Rate Stabilization Account

In 2006, the Bureau established a Rate Stabilization Account (the "RSA") to smooth rate increases while ensuring that coverage meets planning standards. The following table shows recent trends in RSA ending balance through June 30, 2021.

Table 2
CITY OF PORTLAND, OREGON
Water Bureau
Historical Rate Stabilization Account
Ending Balance(1)

Fiscal Year	Ending Balance
2015-16	$37,671,636
2016-17	40,671,636
2017-18	48,771,636
2018-19	65,771,636
2019-20	75,471,636
2020-21	87,471,636

(1) The RSA serves as a contingency for unforeseen expenditures, and to build account balance for the purpose of smoothing rate increases. Balances reflect transfers to and from the Water Operating Fund.
Source: Portland Water Bureau

WATER SYSTEM CUSTOMERS, DEMAND, RATES AND BILLING

Overview

The Bureau has both retail and wholesale water customers. Retail use constitutes about 60 percent of all water use in a given year, which represents approximately 91 percent of the City's annual water sale revenues; wholesale water use is the remaining 40 percent, which represents approximately 9 percent of the City's annual water sale revenues. As described in more detail below, the City expects this allocation will change under new wholesale agreements after current agreements expire on June 30, 2026, as three wholesale customers are developing alternative sources of supply. See "— Wholesale Water Customers" below.

Retail Water Customers

Currently, the Bureau has more than 187,000 metered retail accounts. These include accounts for single-family and multi-family residential, commercial, industrial, and institutional customers. This represents more than half of the population in the Portland metropolitan area across Multnomah, Washington, and Clackamas counties.

Table 3
CITY OF PORTLAND, OREGON
Water Bureau
Historical Number of Accounts

Fiscal Year Ending June 30	2016-17	2017-18	2018-19	2019-20	2020-21
TOTAL RETAIL CUSTOMERS(1)	185,100	185,600	186,600	186,800	187,400
WHOLESALE CUSTOMERS					
Tualatin Valley Water District(2)	63,535	62,985	62,985	62,985	60,374
Rockwood Water PUD(2)	13,519	13,568	13,586	13,586	13,618
Gresham, City of(2)	16,832	17,074	17,251	17,385	17,530
Tualatin, City of	6,900	6,985	6,985	7,050	7,056
West Slope Water District	3,221	3,225	3,224	3,223	3,279
Raleigh Water District	1,005	1,015	1,022	1,020	1,022
Palatine Hill Water District	611	611	611	611	611
City of Sandy	3,776	3,853	3,856	3,856	4,022
Lake Grove Water District	1,268	1,273	1,361	1,361	1,367
Valley View Water District	383	385	385	385	385
Pleasant Home Water District	545	575	570	570	550
Lusted Water District	411	411	407	403	407
Burlington Water District	113	113	116	118	118
Six private water companies(3)	209	214	225	225	225
Total Wholesale Customers	112,328	112,287	112,584	112,778	110,564
Grand Total	297,428	297,887	299,184	299,578	297,964

(1) Total retail customers rounded to nearest hundred customers.
(2) Customer is among wholesale customers with wholesale agreements set to expire on June 30, 2026, and developing alternative sources of water supply. See "—Wholesale Water Customers" herein.
(3) Six private water companies include GNR Corporation, Green Valley Water Company, Hideaway Hills Water Company, Lorna Domestic Water LLC, Skyview Acres Water Company, and Two Rivers Water Association.
Note: Totals may not foot due to rounding.
Source: City of Portland

Approximately 44 percent of all of the Bureau's retail water sales are to single-family residential customers; 20 percent of sales are to multi-family residential customers; and 36 percent of sales are to commercial, industrial, and institutions. As of FY 2020-21, residential accounts make up the majority of the approximately 187,400 retail water accounts. Commercial accounts total approximately 20,300 (including 4,300 fire line accounts) water services. In addition to water service accounts, there are more than 6,100 sewer-only accounts, most of which are billed bi-monthly.

Table 4 shows the top ten retail users and revenues for FY 2020-21.

Table 4
CITY OF PORTLAND, OREGON
Major Retail Users for FY 2020-21

Retail Commercial Users	Annual Usage (ccf)[1]	% of Annual Usage (ccf)[1] to Total Retail Customers	Revenue	% of Total Water Sales Revenue
Siltronic Corp.	272,966	1.2%	$1,524,110	0.8%
City of Portland, Bureau of Parks	240,375	1.0	1,419,564	0.7
Oregon Health and Sciences University	222,900	1.0	1,289,949	0.7
Darigold, Inc.	165,022	0.7	925,040	0.5
Port of Portland	118,193	0.5	743,861	0.4
Precision Castparts	107,181	0.5	610,769	0.3
Evraz, Inc.	95,824	0.4	539,352	0.3
Housing Authority of Portland	93,553	0.4	548,036	0.3
Vigor Industrial LLC	83,045	0.4	466,903	0.2
Emanuel Hospital	80,513	0.4	455,742	0.2
TOTAL:	1,479,572	6.4%	$8,523,326	4.3%

(1) "ccf" means centum cubic feet or 100 cubic feet.
Note: Totals may not foot due to rounding.
Source: City of Portland

Wholesale Water Customers

The Bureau currently provides water on a wholesale contract basis to 19 water purveyors, which include cities, water districts, and private water companies. Annual water sales to wholesale customers account for about 9 percent of annual water sale revenues. Wholesale customers pay based on their use of the system in accordance with contract terms.

Wholesale Agreements

This subsection describes current provisions of the City's wholesale water agreements. However, as described in more detail in "—Current Status of Wholesale Agreements" below, the City expects to enter into new wholesale agreements beginning FY 2026-27, which may reflect different terms and provisions than what is described herein.

A significant feature of the current wholesale agreements is the guaranteed supply and payment provisions. In exchange for the Bureau's guarantee of a predetermined water supply to each wholesale customer, the wholesale customers will pay for those annual quantities on a take-or-pay basis during the contract period. This provision means that the Bureau's wholesale revenues are considerably more stable and not subject to adverse demand fluctuations due to weather, economic downturns, or other factors for the duration of the contracts. The only variation in revenues due to demand would occur from mutually agreed-upon sales beyond the take-or-pay quantities or from changes in the ratio of peak-to-average demands of the users. The City currently has ample water supply to meet all obligations to deliver water as required by wholesale agreements and to supply its retail customers.

All agreements are expected to continue through at least June 30, 2026. Wholesale customers must give five years' notice of non-renewal. Either party may give a written notice of non-renewal and can do so at any time during the last five years of their respective contracts. If such a notice is issued, the contract will terminate on the next June 30 at least five years but not more than six years from the date of the notice. If neither party gives notice of non-renewal during the last five years of the respective contracts, the contract will continue for another 10 years. If the contracts are renewed, then the contracts shall also be repeatedly renewed for 10-year intervals, and every 10 years thereafter, unless one of the parties gives a notice of non-renewal during the second five years of each ten-year renewal period. The 20- and 10-year agreements are virtually identical except that the 10-year agreement customers pay a higher rate of return to the City in exchange for the ability to elect not to renew their contracts at an earlier date. The amount of revenue to be generated from wholesale customers under these agreements is guaranteed to be about $20.2 million in FY 2020-21, based on the take-or-pay provisions in the agreements and the guaranteed water quantities requested by each wholesale customer. This represents approximately nine percent of planned water sales revenue for FY 2020-21. **Error! Reference source not found.** shows guaranteed purchase quantities, percent of sales, rates, and guaranteed revenues from each wholesale customer for FY 2021-22.

Table 5
CITY OF PORTLAND, OREGON
Water Bureau
Purchase Quantities and Guaranteed Revenues for Wholesale Customers, FY 2021-22

Wholesale Customer	Earliest Date for Contract Termination(1)	FY 2021-22 Guaranteed Purchase Quantities (million ccf)	FY 2020-21 Rate(2)	Guaranteed Revenue	% of Total Wholesale Revenue	% of Total Water Sales Revenue
Tualatin Valley Water District(3)	6/30/2026	6.4	$1.25	$8,027,071	42%	4%
Rockwood Water PUD(3)	6/30/2026	3.8	0.763	2,904,091	15	1
Gresham, City of(3)	6/30/2026	3.7	0.778	2,847,292	15	1
Tualatin, City of	6/30/2026	2.1	1.153	2,475,556	13	1
West Slope Water District	6/30/2026	0.7	1.542	1,053,425	6	<1
Palatine Hill Water District	6/30/2027	0.2	1.653	346,844	2	<1
Raleigh Water District	6/30/2026	0.3	1.069	365,146	2	<1
Lake Grove Water District	6/30/2026	0.1	2.219	324,842	2	<1
Valley View Water District	6/30/2026	0.1	1.991	157,392	<1	<1
Sandy, City of	6/30/2028	0.2	0.764	186,403	<1	<1
Pleasant Home Water District	6/30/2026	0.1	1.154	112,623	<1	<1
Lusted Water District	6/30/2026	0.1	1.126	98,902	<1	<1
Burlington Water District	6/30/2026	< 0.1	1.124	30,163	<1	<1
Six private water companies(4)	6/30/2026	< 0.1	1.119	38,206	<1	<1
Total		18.0		$18,967,956	100%	9%

(1) The City provided non-renewal notices to all of its wholesale customers, in anticipation of entering into new, updated agreements with each of these wholesale customers on their respective earliest contract termination dates.

(2) Wholesale rates are calculated using methodologies that differ from inside-city retail rates, and generally do not include distribution system costs.

(3) Customer is developing alternative sources of water supply.

(4) The six private water companies, which include GNR Corporation, Green Valley Water Company, Hideaway Hills Water Company, Lorna Domestic Water LLC, Skyview Acres Water Company, and Two Rivers Water Association, all signed a 5-year contract beginning July 1, 2021 with a renewal option for another 5 years.

Note: Totals may not foot due to rounding.

Source: City of Portland

Current Status of Wholesale Agreements

The Tualatin Valley Water District ("TVWD"), Rockwood Water PUD ("Rockwood"), and the City of Gresham ("Gresham") are among those wholesale customers with a contract through June 30, 2026. However, TVWD is partnering with the cities of Hillsboro and Beaverton to develop an alternative source of supply which will be sourced from the Willamette River. When the alternative source of supply is developed, TVWD will utilize the new source of supply and reduce or even eliminate purchases from the City.

Rockwood and Gresham have also partnered to develop an alternative source of groundwater supply and may similarly reduce or eliminate purchases from the City once that alternative source is developed. The Bureau's long-range forecast assumes TVWD, Rockwood and Gresham will not be wholesale customers beginning in FY 2026-27.

Regarding wholesale agreements in general, the City has engaged a consultant to assist with updating and revising existing wholesale agreements. The City expects the new wholesale agreements may allow the City to provide services it has not previously provided to wholesale customers, such as emergency supply, and provide for revised renewal processes that allow for periodic updates and revisions to the wholesale agreements. The City and its wholesale customers have developed preliminary terms of the new agreements and are working on the impacts of the changes. Accordingly, the City initiated and provided non-renewal notices to all of its wholesale customers, in anticipation of entering into new, updated agreements with each of these wholesale customers on their respective earliest contract termination dates. (See Table 5 above.) The wholesale customers signed a memorandum of understanding to work with the City toward a new agreement. Additionally, the City anticipates entering into agreements with TVWD, Rockwood and Gresham where the City continues to provide water supply under potential emergency backup scenarios.

Retail and Wholesale Demand

The number of retail customer accounts has remained generally stable, but overall demand has declined since FY 2015-16. Notably, the Bureau's retail water demand for FY 2020-21 was 23.0 million ccf, approximately 0.5 million ccf less than FY 2019-20. This reduction in retail demand in FY 2019-20 and FY 2020-21 was primarily attributable to COVID-19 impacts, but the Bureau believes the pandemic was not the primary component of the longer-term trending reduction in demand. The Bureau believes the overall reduction in demand since FY 2015-16 is primarily driven by longer-term reductions in demand due to general conservation efforts, including more efficient fixtures and appliances, and changes in land use. The lower demand in FY 2019-20 was experienced even before the start of the pandemic and some of the reduction in demand is believed to be permanent. (See Table 6.)

Wholesale water demand is based on guaranteed water quantities requested by each customer under their respective wholesale agreements.

Table 6
CITY OF PORTLAND, OREGON
Water Bureau
Historical Consumption (ccf)

Fiscal Year Ending June 30	2016-17	2017-18	2018-19	2019-20	2020-21
TOTAL RETAIL CUSTOMERS[1]	24,700,000	25,500,000	24,700,000	23,500,000	23,000,000
WHOLESALE CUSTOMERS					
Tualatin Valley Water District[2]	7,618,976	8,315,151	7,931,242	8,010,893	7,975,101
Rockwood Water PUD[2]	3,003,143	3,012,777	2,924,730	2,960,405	3,130,116
City of Gresham[2]	2,839,686	2,863,252	2,897,721	2,726,431	2,889,437
City of Tualatin	2,066,186	2,187,379	2,276,974	2,064,765	2,297,945
West Slope Water District	555,560	608,843	603,716	542,641	617,346
Raleigh Water District	241,771	261,272	256,064	225,843	263,865
City of Sandy	206,238	222,495	231,228	244,556	249,305
Palatine Hill Water District	158,148	180,386	188,152	165,913	190,515
Lake Grove Water District	179,480	212,040	172,827	185,252	192,196
Pleasant Home Water District	75,785	78,240	77,315	62,785	78,920
Lusted Water District	68,517	74,342	71,041	63,948	72,957
Valley View Water District	58,742	62,700	75,106	75,725	76,931
Burlington Water District	18,820	17,200	16,755	16,460	16,076
Six private water companies[3]	17,932	16,955	16,167	15,227	16,176
Total Wholesale Customers	17,108,984	18,113,032	17,739,038	17,360,844	18,066,886
Grand Total	41,808,984	43,613,032	42,439,038	40,860,844	41,066,886

(1) Total retail customer consumption rounded to nearest 100,000 ccf.
(2) Customer is among wholesale customers with wholesale agreements set to expire on June 30, 2026 and exploring alternative source of water supply. See "Wholesale Water Customers" herein.
(3) Six private water companies include GNR Corporation, Green Valley Water Company, Hideaway Hills Water Company, Lorna Domestic Water LLC, Skyview Acres Water Company, and Two Rivers Water Association.

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

Rates and Rate Setting

Section 11-105 of the City Charter authorizes the City Council to fix fees and charges for connection to and use of the Water System. Water user fees and connection charges are formally reviewed every year by the Bureau. Rates required to support proposed activities for the next year are submitted by the Bureau Administrator to the City Council for review and approval. The rate setting process is done in tandem with the budget process. See "CITY OPERATING AND FINANCIAL INFORMATION" herein.

Rates and charges for water services are established annually based, in part, upon cost of service principles and methodologies recommended by the American Water Works Association (the "AWWA"). The process used by the Bureau follows the Commodity Demand method promulgated by the AWWA. Under this approach using a rate model developed for the Bureau by Raftelis Financial Consultants, Inc. in 2006, the Water System costs are allocated to customers based on their average and peak water demand characteristics and use of the system.

Under the wholesale water sales agreements, wholesale rates are determined according to a complex set of variables and methodologies. Each wholesale customer's rate is determined based on some variables that are specific to that customer, as well as some variables that apply to all the wholesale customers. Each wholesale customer has an annual guaranteed purchase quantity (i.e., "take-or-pay" quantity) that equals or may exceed the prior year's guaranteed quantity, but may not be less than the prior quantity without permission of the Bureau. Each customer also selects its seasonal and maximum-day peak-demand quantities. Costs are allocated to each wholesale customer based on these various demand amounts and on the specific Water System assets that the respective wholesale customers use. Other variables impacting all wholesale customers are the Bureau's budget and an index of municipal bond rates. The rates are then calculated for each wholesale customer on an annual basis.

Retail rates are then established based on the residual financial requirements of the Water System.

Table 7 and Table 8**Error! Reference source not found.** summarize the Bureau's historical rates and water monthly bills for various customers as well as a comparison of residential monthly water bills for various systems within the State and the nation.

Table 7
CITY OF PORTLAND, OREGON
Water Bureau
Historical Water Rates

Fiscal Year Ending June 30	2016-17	2017-18	2018-19	2019-20	2020-21
WATER USAGE RATES					
Retail Volume Rate (per ccf)(1)	$4.216	$4.499	$4.890	$5.252	$5.593
BASE CHARGE (Monthly Rate)(2)					
Quarterly Read Customer	$12.75	$13.61	$14.79	$15.88	$16.92
Monthly Read Customer	$38.25	$40.82	$44.37	$47.65	$50.75
MONTHLY WATER BILLS (based on usage indicated below)					
Residential (5ccf)(3)	$33.83	$36.11	$39.24	$42.14	$44.89
Medium Commercial (100 ccf)(3)	$459.85	$490.72	$533.37	$572.85	$610.05
Large Commercial (20,000 ccf)(3)	$84,358	$90,021	$97,844	$105,088	$111,911
Low-Income Residential (5 ccf)(4)	$16.90	$18.06	$19.62	$21.08	$22.45
Extremely Low-Income Residential (5 ccf)(5)	N/A	N/A	$7.84	$8.44	$8.99

(1) Applies to substantially all retail customers.
(2) The base charge is a fixed amount per bill; customers billed quarterly pay the same fixed charge as customers billed monthly.
(3) Residential customers are charged the Quarterly Read Customer Base Charge. Commercial customers are charged the Monthly Read Customer Base Charge.
(4) The low income discount is 50 percent of a 5 ccf bill.
(5) The extremely low-income discount is 80 percent of a 5 ccf bill. This discount was added in FY 2018-19 and is for single-family residential customers that receive less than 30 percent of the median family income based on City of Portland or State levels.

Source: City of Portland

Table 8
CITY OF PORTLAND, OREGON
Water Bureau
Comparison of Residential Monthly Water Bills as of July 1, 2021[(1)]

Regional

WATER UTILITY	Typical Residential
West Slope Water District, OR	$64.55
Lake Oswego, OR	61.73
Bellevue, WA	61.00
Tigard, OR	58.13
Gresham, OR	54.73
Beaverton, OR	51.26
PORTLAND, OR	48.39
Tacoma, WA	44.09
Seattle, WA	43.83
Hillsboro, OR	39.08
Bend OR	34.25

National

WATER UTILITY	Typical Residential
San Francisco, CA	$67.49
Sacramento, CA (unmetered)	66.95
Honolulu, HI	55.82
Atlanta, GA	50.77
PORTLAND, OR	48.39
Kansas City, MO	40.64
Washington, DC	33.98
Cincinnati, OH	32.18

(1) Calculations are based on rates in effect as noted based on typical usage identified by each water provider for a 30-day period, and the City's rates are effective July 1, 2021 through June 30, 2022.

Source: City of Portland, Portland Water Bureau

System Development Charges

A System Development Charge ("SDC") is levied by the Bureau for each new water service connected to the Water System inside the City boundaries. The Bureau's SDC is in accordance with ORS 223.297-314, and is a reimbursement fee based on the estimated replacement cost of existing water facilities, less depreciation. The amount charged is dependent on the size of the service with larger services paying a greater amount based on the capacity of the meter. Services dedicated to fire flow and temporary construction services do not pay an SDC. FY 2020-21 SDC revenues were $4.2 million, which constitutes about two percent of the Bureau's overall revenue. SDCs are included as Capital Charges pursuant to the Master First Lien Bond Declaration.

Table 9
CITY OF PORTLAND, OREGON
Water Bureau
FY 2021-22 SDC Charge by Meter/Service Size

Size of Meter/Service	Charge
5/8"	$3,699
3/4"	5,548
1"	9,247
1-1/2"	18,495
2"	29,592
3"	55,485
4"	92,474
6"	184,949
8"	295,918
10"	531,912

Source: City of Portland

Beginning with the FY 1999-00 rate ordinance, City Council approved an Affordable Housing SDC Fee Waiver. For any new qualified residential construction that meets certain affordability requirements, the entire SDC can be waived for a 5/8" metered service. If a 3/4" metered service is requested, only the SDC dollar amount for the 5/8" metered service is waived. Multi-family housing SDC waivers are also available if certain affordability requirements are met. FY 2020-21 fee waivers (including accessory dwelling units waivers) totaled $1,159,949. Qualified accessory dwelling units also receive SDC waivers FY 2020-21 accessory dwelling unit SDC waivers were $423,216. Loss of these revenues is made up through general water retail rates and charges.

Billings and Collections

The Bureau provides billing and collection for water, sewer, and stormwater services. The City uses a Cayenta Utilities billing system, purchased in April 2006, to serve the Bureau and the City's Bureau of Environmental Services. Billing for most retail water customers is on a quarterly cycle; however, certain qualified retail customers may elect to receive a monthly statement. In addition, more than 8,000 large retail commercial accounts, multi-family users, and wholesale purveyors are billed on a monthly basis.

Most water bills are collected with the payment for sewer and stormwater service. When a bill for water, sewer, or stormwater service becomes delinquent (21 days after billing) a reminder notice is sent on day 35. Additional notices are sent during an eight-week period. After eight weeks, services are terminated if the bill has not been paid. If the customer is still in arrears at the termination date, but is in contact with the Bureau, the City may set up special payment arrangements. Setting up payment arrangements rather than shutting off water service may be in the best interest of both the City and the customer to continue water service.

A financial assistance program for water, sewer, and stormwater services is available to retail residential in-city customers with gross monthly household incomes at or below 60 percent of the greater of the City of Portland or State median family income. For FY 2021-22, assistance included a flat quarterly bill discount for water customers of $72.55, crisis assistance vouchers (maximum of $500 per year, including $167 for water and $333 for sewer), in-home plumbing repair assistance for owner-occupied properties up to $3,000, and free conservation devices. In addition, a Utility Safety Net Program is available to ratepayers as a last resort to prevent shutoff of service should they experience a significant change in household income due to employment, medical, or other emergencies. For FY 2021-22, customers with gross monthly household incomes at or below

80 percent of the median family income qualify for a flat quarterly bill discount of $116.10 for water. Additionally, the Bureau provides financial assistance to multifamily residents who do not receive a water bill through a partnership with Home Forward's Short-Term Rent Assistance program (maximum of $650 per year, $217 funded by the Bureau and $433 funded by the Bureau of Environmental Services).

Rates and charges for sewer and stormwater services is formally reviewed every year by BES and submitted by BES to the City Council for review and approval. The City Council enacts ordinances setting sewer and stormwater rates for each fiscal year as part of its budgeting process.

The Bureau anticipates resumption of the full collection cycle to be staggered for residential customers throughout FY 2021-22 and FY 2022-23. The Bureau is working with the Bureau of Environmental Services to develop a utility debt relief program, which is expected to be launched in spring 2022. Resumption of the normal collection cycle for residential customers is anticipated to begin in tandem with the utility debt relief program.

REGULATORY UPDATES

Requirements for Treatment

The City entered into a Bilateral Compliance Agreement with the Oregon Health Authority ("OHA") in December 2017, which establishes a 10-year compliance schedule to build and begin operating a filtration water treatment facility to remove Cryptosporidium from the Bull Run Watershed drinking water supply.

On December 12, 2018, the City Council adopted Resolution 37402 to accept the Water Bureau's preferred alternatives for the filtration plant, including a capacity range of 145 MGD to 160 MGD; a plant location at Carpenter Lane; and a preferred filtration technology of granular media filtration.

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

On February 2, 2021, the City closed on its Water Infrastructure Finance and Innovation Act ("WIFIA") loan with EPA for the Bull Run Treatment projects. For additional information in the WIFIA loan, see "OTHER FINANCIAL INFORMATION—Outstanding Water System Debt" herein.

The City has completed a basis of design report for the filtration portion of the Bull Run Treatment Projects, which describes the scope of the facility that will be designed and constructed. The Bull Run Treatment Projects are on schedule to meet the next compliance milestone in the BCA of submitting the design of the filtration facility by October 30, 2022. As part of the scope development, the Bureau evaluated the impacts of the new sources being developed by wholesale customers and has reduced the peak capacity of the Bull Run Treatment Projects to 135 MGD. The Bull Run Treatment Projects are currently estimated to be delivered within the $1.48 billion cost estimate included in the City's WIFIA application.

The federal Surface Water Treatment Rule and the Oregon Administrative Rules require unfiltered water systems with filtration avoidance exemptions to perform annual reporting of the system's Watershed control programs. The Bureau has committed to continued monitoring for *Cryptosporidium*, maintaining protections within the Watershed, and coordinating with public health officials to maintain public health protection until a filtration treatment facility is online.

Requirements for Uncovered Finished Drinking Water Reservoirs

The LT2 Rule also requires changes to how uncovered finished drinking water reservoirs are utilized, managed, or operated. The rule requires that water systems with uncovered finished water reservoirs cover the reservoirs or provide treatment at the outlets of the reservoirs to inactivate *Cryptosporidium*, *Giardia* and other pathogens. The EPA and the OHA have each separately indicated to the City that there is no variance option for compliance with the uncovered drinking water reservoir requirement.

The Bureau currently has no remaining uncovered reservoirs. The new covered Washington Park Reservoir 3 began providing water to customers in June 2021. Additional construction for surface improvements will be completed between 2021 and 2025.

Lead and Copper Rule

The City has also been working with OHA to further reduce exposure to lead in Portland. In 2017, OHA approved the City's Improved Corrosion Control Treatment schedule. The design of a new Corrosion Control Treatment facility is underway with scheduled completion by April 2022. The Bureau's FY 2020-21 Five-Year Capital Improvement Plan includes $20 million for the treatment facility and is reflected in forecasted rates. The Corrosion Control Treatment facility is designed to make Portland's water less corrosive to lead and other metals found in home and building plumbing. Until improved Corrosion Control Treatment is online, the Bureau will be implementing interim measures to further reduce exposure to lead in water at customer taps in addition to meeting the education and outreach requirements of the Lead and Copper Rule ("LCR").

In response to the most recent lead action level exceedance in Fall 2021, the Bureau submitted to OHA a plan for additional short-term measures to reduce the risk of lead in drinking water in addition to a public education plan. These additional short-term measures include increasing the target pH to 8.3, in order to accelerate the corrosion control treatment of water, providing filters to customers whose lead results are over 10 ppb, increasing customer awareness of lead-in-water issues, and increasing customer participation in the Bureau's free lead-in-water testing program.

OTHER FINANCIAL INFORMATION

Outstanding Water System Debt

As of December 31, 2021 the City had a total of $724,545,000 of Water System revenue bonds outstanding, as shown in the following table.

Table 10
CITY OF PORTLAND, OREGON
Water Bureau
Outstanding Water System Revenue Bonds
As of December 31, 2021

Issue	Dated	Final Maturity	Original Par Amount	Amount Outstanding
First Lien Water System Revenue Bonds				
2012 Series A	08/02/12	04/01/37	$76,510,000	$55,795,000
2014 Series A	12/16/14	05/01/39	84,975,000	68,220,000
2016 Series A	12/15/16	04/01/41	168,525,000	122,500,000
Subtotal			$330,010,000	$246,515,000
Second Lien Water System Revenue Bonds				
2013 Series A	05/02/13	10/01/37	$253,635,000	$161,990,000
2019 Series A	10/22/19	05/01/44	112,005,000	107,010,000
2020 Series A	02/03/20	05/01/35	39,800,000	37,955,000
2021 Series A	02/02/21	09/01/62	726,600,000	0
2021 Series B	05/25/21	05/01/46	171,075,000	171,075,000
Subtotal			$1,303,115,000	$478,030,000
TOTAL			$1,622,125,000	$724,545,000

Source: City of Portland

On February 2, 2021, the City issued its WIFIA Bond pursuant to a loan agreement between the City and the EPA. The loan agreement allows for draws to be used for eligible project costs or payment of interim financings used to finance eligible project costs. The WIFIA Bond is a non-revolving draw-down bond in a principal amount of up to $726,600,000. The WIFIA Bond bears interest at a fixed rate of 1.89%, with interest payments deferred until the WIFIA Bond is converted to a current interest bond on the approximate conversion date of March 1, 2032. At that time, interest will be payable on March 1 and September 1, beginning September 1, 2032. The WIFIA Bond principal amortizes beginning September 1, 2045, and will mature on September 1, 2062 or the payment date immediately preceding the date that is 35 years following the substantial completion date of the project, whichever is earlier. As of December 31, 2021, the City has not drawn any amounts under the WIFIA Bond.

Debt Service Requirements

The following table represents the Bureau's annual debt service requirements on First Lien and Second Lien Bonds as of December 31, 2021.

Table 11
CITY OF PORTLAND, OREGON
Water Bureau
Annual Debt Service Requirements(1)

Fiscal Year Ending 30-Jun	Outstanding First Lien Bonds	Outstanding Second Lien Bonds	Total Debt Service
2022	$20,151,013	$38,887,027	$59,038,039
2023	20,149,813	42,335,575	62,485,388
2024	20,156,813	42,335,950	62,492,763
2025	20,150,513	38,126,950	58,277,463
2026	20,146,313	38,120,450	58,266,763
2027	20,151,963	38,121,450	58,273,413
2028	20,152,113	38,126,700	58,278,813
2029	20,154,713	38,124,350	58,279,063
2030	20,158,213	38,118,875	58,277,088
2031	20,152,663	38,107,125	58,259,788
2032	20,151,563	36,089,225	56,240,788
2033	20,143,913	31,452,825	51,596,738
2034	20,149,163	31,446,675	51,595,838
2035	15,451,113	31,447,925	46,899,038
2036	15,456,238	27,608,125	43,064,363
2037	15,452,975	24,992,225	40,445,200
2038	10,975,925	24,994,525	35,970,450
2039	10,969,600	15,067,125	26,036,725
2040	5,619,000	15,072,925	20,691,925
2041	5,621,200	15,070,225	20,691,425
2042	-	15,069,775	15,069,775
2043	-	15,070,575	15,070,575
2044	-	15,066,925	15,066,925
2045	-	7,232,925	7,232,925
2046	-	7,235,556	7,235,556
TOTAL	$341,514,813	703,322,008	$1,044,836,820

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

DEBT SERVICE RESERVE ACCOUNTS AND RESERVE CREDIT FACILITIES

First Lien Bonds

Each subaccount within the Revenue Bond Reserve Account for First Lien Water Revenue Bonds that were issued before September 1, 2016, is fully funded at the Reserve Requirement with cash as shown in the table below. The Reserve Requirement for these Series of First Lien Bonds is defined as the Tax Maximum for that Series. The City elected not to create a subaccount in the Revenue Bond Reserve Account to secure the First Lien Water System Revenue and Refunding Bonds, 2016 Series A.

Table 12
CITY OF PORTLAND, OREGON
Reserve Subaccounts for First Lien Bonds (1)

Series	Date of Issue	Maturity Date	Cash Funded Reserve Amount
2012 Series A	08/02/12	04/01/37	$4,482,938
2014 Series A	12/16/14	05/01/39	$5,355,275

(1) As of December 31, 2021
Source: City of Portland

Second Lien Bonds

The City has created the First Subaccount in the Second Lien Bond Reserve Account, which secures the Second Lien Water System Revenue and Refunding Bonds, 2013 Series A (the "2013 Series A Bonds"). The First Subaccount is funded with cash in the amount of $9,388,862.50. The 2013 Series A Bonds fully mature on October 1, 2037.

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

The City elected not to create subaccounts in the Second Lien Bond Reserve Account to secure the Second Lien Water System Revenue Bonds, 2019 Series A and the Second Lien Water System Revenue Refunding Bonds, 2020 Series A.

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 13
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 14
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 15
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 16
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 17
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 18
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 19
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 14 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 20
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 21 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 21
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 14 – "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 22
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 23
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 24 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 24 below. Note that these valuations differ from results shown in Table 23 above because they are based on actual results prepared by Milliman and are not roll-forward amounts of prior valuations.

Table 24
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 25
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 26
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 27
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 20 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
AUDITED FINANCIAL STATEMENTS

INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2017, 2018 2019, 2020 and 2021. Copies of these financial statements containing the reports of the independent certified public accountants are available on the on the MSRB's EMMA system for municipal securities disclosure at http://emma.msrb.org. and the City's website at http://www.portlandoregon.gov/bfs/26053.

The following pages in this Appendix are excerpted from the City's Comprehensive Annual Financial Reports of the City for Fiscal Years ending June 30, 2017 through June 30, 2021.

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
Water Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended June 30

	2017	2018	2019	2020	2021
Operating revenues:					
Service charges and fees	$ 175,614,113	$ 193,790,787	$ 198,696,840	$ 202,295,822	$ 212,133,456
Service charges and fees provided internally	2,934,952	3,990,320	3,666,943	3,523,284	4,528,067
Miscellaneous	927,863	479,228	584,166	625,086	619,158
Total operating revenues	179,476,928	198,260,335	202,947,949	206,444,192	217,280,681
Operating expenses:					
Salaries and wages	47,977,994	49,037,424	50,202,989	61,888,896	64,158,083
Operating supplies	4,038,727	4,286,313	4,367,089	4,581,213	3,472,769
Professional services	2,669,596	3,748,009	4,078,841	2,663,161	2,652,939
Services and materials provided internally	18,926,002	19,156,911	18,694,271	15,923,501	17,764,265
Utilities	2,500,733	1,936,107	3,024,605	3,114,122	2,221,655
Miscellaneous	5,104,772	7,823,667	6,484,609	7,207,028	6,979,985
Utility license fees	6,776,380	7,349,454	7,811,826	8,143,243	8,647,450
Depreciation expense	29,672,576	30,519,028	31,036,464	30,911,474	32,665,954
Total operating expenses	117,666,780	123,856,913	125,700,694	134,432,638	138,563,100
Operating income (loss)	61,810,148	74,403,422	77,247,255	72,011,554	78,717,581
Nonoperating revenues (expenses):					
Gain (loss) on sale of capital assets	(2,434,064)	(552,117)	(826,057)	(267,968)	(1,563,001)
Investment earnings	1,044,195	2,035,994	6,619,147	7,227,514	(281,323)
Investment expense	(26,411,666)	(22,425,581)	(19,972,805)	(19,998,174)	(16,549,954)
Debt issuance costs	(553,403)	-	-	(688,511)	(1,732,611)
Miscellaneous	661,830	6,196,022	668,581	667,859	1,090,621
Total nonoperating revenues (expenses)	(27,693,108)	(14,745,682)	(13,511,134)	(13,059,280)	(19,036,268)
Income (loss) before contributions and transfers	34,117,040	59,657,740	63,736,121	58,952,274	59,681,313
Transfers in	904,022	1,040,246	4,366,601	1,155,000	40,000
Transfers out	(706,236)	(729,163)	(583,916)	(810,549)	(1,652,315)
Capital contributions	184,444	724,484	95,445	-	723,120
Income before special item	34,499,270	60,693,307	67,614,251	59,296,725	58,792,118
Change in net position	34,499,270	60,693,307	67,614,251	59,296,725	58,792,118
Total net position - beginning previously reported	-	575,111,213	630,610,371	698,224,622	757,521,347
Restatement per GASB 68 implementation	-	-	-	-	-
Restatement per GASB 75 implementation	-	(5,194,149)	-	-	-
Total net position -- beginning	540,611,943	569,917,064	630,610,371	698,224,622	757,521,347
Total net position -- ending	$ 575,111,213	$ 630,610,371	$ 698,224,622	$ 757,521,347	$ 816,313,465

Source: City of Portland. Audited financial statements

CITY OF PORTLAND, OREGON
Water Fund
Statement of Net Position
As of June 30

	2017	2018	2019	2020	2021
ASSETS					
Current assets (unrestricted):					
Cash and investments	$ 107,120,401	$ 152,780,512	$ 123,333,102	$ 143,724,632	$ 147,747,404
Receivables					
Accounts, net	26,173,534	30,350,197	31,760,178	30,925,659	38,565,455
Assessments	498,515	340,337	355,472	166,875	207,443
Advances	256,597	119,761	635,662	54,902	30,555
Accrued interest	713,365	882,901	995,155	1,006,995	504,974
Due from component unit	-	-	-	-	-
Inventories	2,229,524	2,503,240	2,681,639	2,946,332	2,879,726
Property held for sale	-	151,630	151,630	151,630	151,630
Prepaid expense	-	1,017,390	17,561,906	11,908	13,547
Internal balances	-	400,000	5,141,410.00	-	-
Total current assets (unrestricted)	136,991,936	188,545,968	182,616,154	178,988,933	190,100,734
Current assets (restricted):					
Cash and investments	3,975,719	4,991,683	7,538,307	7,675,006	7,729,056
Total current assets (restricted)	3,975,719	4,991,683	7,538,307	7,675,006	7,729,056
Total current assets	140,967,655	193,537,651	190,154,461	186,663,939	197,829,790
Noncurrent assets (unrestricted):					
Capital assets, not being depreciated or amortized:					
Land	14,557,078	14,557,078	14,418,542	14,706,390	14,512,143
Construction in progress	84,910,984	124,666,357	187,567,920	258,105,826	189,732,332
Intangible assets/land use rights	3,677,626	4,095,390	4,109,663	4,109,663	4,109,663
Capital assets, being depreciated or amortized:					
Infrastructure	1,262,956,716	1,290,237,420	1,317,605,739	1,353,066,497	1,523,905,687
Buildings	80,766,179	81,082,997	80,990,906	111,452,259	113,273,759
Improvements to land	53,519,156	53,972,203	56,490,081	56,578,995	59,472,682
Equipment	31,441,875	32,467,749	34,054,420	36,113,065	38,205,055
Intangible assets/land use, owning rights/software	9,386,747	10,574,552	10,625,149	11,075,679	10,531,885
Capital lease	-	-	-	-	-
Accumulated depreciation and amortization	(424,932,406)	(450,129,768)	(476,525,140)	(504,045,112)	(530,949,929)
Capital assets net of accumulated depreciation and amortization	1,116,283,955	1,161,523,978	1,229,337,280	1,341,163,262	1,422,793,277
Regulatory assets, not being depreciated					
Construction in progress					3,696,271
Regulatory assets, net of accumulated depreciation					3,638,067
Receivables:					
Assessments	199,160	239,971	186,213	178,317	182,211
Pension asset	-	-	-	-	-
Internal balances	-	5,141,410	-	-	-
Net OPEB asset	-	129,271	361,866	662,499	212,178
Total non-current assets (unrestricted)	1,116,483,115	1,167,034,630	1,229,885,359	1,342,004,078	1,430,522,004
Noncurrent assets (restricted):					
Cash and investments:	111,685,396	44,437,881	23,822,893	83,180,057	152,399,732
Total non-current assets	1,228,168,511	1,211,472,511	1,253,708,252	1,425,184,135	1,582,921,736
Total assets	1,369,136,166	1,405,010,162	1,443,862,713	1,611,848,074	1,780,751,526
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	33,173,997	19,647,400	22,731,718	27,690,906	35,567,808
Deferred outflows - OPEB	-	651,459	663,212	685,835	1,434,224
Deferred outflows on debt refunding	-	-	27,983	9	-
Total deferred outflows of resources	33,173,997	20,298,859	23,422,913	28,376,750	37,002,032

CITY OF PORTLAND, OREGON
Water Fund
Statement of Net Position (continued)
As of June 30

	2017	2018	2019	2020	2021
LIABILITIES					
Current liabilities (payable from unrestricted assets):					
Accounts payable	4,753,223	6,790,333	5,891,029	8,520,928	10,204,916
Self insurance claims	192,375	125,548	367,411	50,913	398
Compensated absences	3,972,760	4,245,606	5,077,591	4,623,396	5,074,187
Unearned revenue	329,788	368,811	367,488	365,828	508,261
Bonds payable	35,245,689	36,693,214	38,279,433	44,393,086	41,639,313
Accrued interest payable - current	6,260,371	5,956,838	5,632,572	6,138,193	5,733,373
Pollution remediation	175,000	143,000	-	-	-
Due to component unit	-	-	-	14,369	-
Other liabilities - current	6,414	6,414	6,414	-	-
Total current liabilities (unrestricted)	50,935,620	54,329,764	55,621,938	64,106,713	63,160,448
Current liabilities (payable from restricted assets):					
Accounts payable	3,975,719.00	4,991,683	7,538,307	7,675,006	7,729,056
Total current liabilities (restricted)	3,975,719	4,991,683	7,538,307	7,675,006	7,729,056
Total current liabilities	54,911,339	59,321,447	63,160,245	71,781,719	70,889,504
Noncurrent liabilities:					
Compensated absences	-	67,139	-	1,983,963	3,880,160
Self insurance claims	869,871	867,929	139,376	-	-
Bonds payable	687,928,912	651,235,698	612,956,265	699,340,667	792,186,581
Accrued interest payable	13,480,831	14,944,742	16,527,021	18,237,308	20,085,873
Net pension liability - PERS	65,240,068	57,717,412	63,676,831	78,285,820	100,841,069
Other postemployment benefits	1,775,909	7,310,649	7,307,599	6,479,305	7,111,662
Pollution remediation	-	-	-	-	-
Total noncurrent liabilities	769,295,591	732,143,569	700,607,092	804,327,063	924,105,345
Total liabilities	824,206,930	791,465,016	763,767,337	876,108,782	994,994,849
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	1,701,079	1,827,981	3,929,982	3,759,921	2,619,537
Deferred amort for debt refunding	1,290,941	1,068,045	916,705	1,521,748	2,848,926
Deferred inflows - OPEB	-	337,608	446,981	1,313,026	976,781
Total deferred inflows of resources	2,992,020	3,233,634	5,293,668	6,594,695	6,445,244
NET POSITION					
Net investment in capital assets	524,697,188	535,544,450	616,667,860	691,495,459	754,593,239
Unrestricted	50,414,025	95,065,921	81,556,762	66,025,888	61,720,226
Total net position	$ 575,111,213	$ 630,610,371	$ 698,224,622	$ 757,521,347	$ 816,313,465

Source: City of Portland. Audited financial statements

CITY OF PORTLAND, OREGON
Water Fund
Statement of Cash Flows
For Fiscal Years Ended June 30

	2017	2018	2019	2020	2021
CASH FLOWS FROM OPERATING ACTIVITY					
Receipts from customers and users	$ 177,770,606	$ 190,383,406	$ 197,392,425	$ 204,505,575	$ 205,235,137
Receipts from interfund services provided	2,934,952	3,990,320	3,666,944	3,523,284	4,528,067
Payments to suppliers	(20,626,358)	(23,482,352)	(41,472,253)	(6,104,780)	(22,236,679)
Payments to employees	(41,068,665)	(42,669,125)	(44,599,069)	(51,164,893)	(48,275,088)
Payments for interfund services used	(18,926,002)	(19,156,912)	(18,694,271)	(15,923,501)	(17,764,265)
Other receipts (payments)	664,987	657,783	668,581	693,303	1,090,621
Net cash provided by operating activities	100,749,520	109,723,120	96,962,357	135,528,988	122,577,793
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	904,022	1,040,246	4,366,601	1,155,000	40,000
Transfers out	(706,236)	(729,163)	(583,916)	(810,549)	(1,652,315)
Internal balances	-	-	400,000	5,141,410	-
Net cash provided (used) by noncapital financing activities	197,786	311,083	4,182,685	5,485,861	(1,612,315)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of bonds and notes	168,525,000	-	-	161,064,489	171,075,000
Premium on bonds and notes issued	14,864,824	-	-	27,433,675	25,018,040
Sale of capital/fixed assets	199,625	670,411	423,216	654,674	711,415
Acquisiton of capital assets	(71,200,855)	(76,257,097)	(100,003,597)	(143,660,094)	(122,460,934)
Acquisiton of regulatory assets					(720,670)
Principal paid on bonds, notes and capital leases	(121,308,581)	(30,868,832)	(32,489,459)	(89,962,446)	(97,876,933)
Interest paid on bonds, notes and capital leases	(28,722,676)	(25,864,956)	(23,097,870)	(23,186,913)	(21,902,988)
Bond issuance costs	(553,403)	-	-	(688,511)	(1,732,611)
Net cash provided (used) by capital related financing activities	(38,196,066)	(132,320,474)	(155,167,710)	(68,345,126)	(47,889,681)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	826,815	1,866,461	6,506,895	7,215,669	220,700
Property for resale	-	(151,630)	-	-	-
Net increase (decrease) in cash and cash equivalents	63,578,055	(20,571,440)	(47,515,773)	79,885,392	73,296,497
CASH AND CASH EQUIVALENTS July 1, Prior Year	159,203,461	222,781,516	202,210,076	154,694,303	234,579,695
CASH AND CASH EQUIVALENTS June 30, Current Year	$ 222,781,516	$ 202,210,076	$ 154,694,303	$ 234,579,695	$ 307,876,192
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:					
Unrestricted cash and cash equivalents	$ 107,120,401	$ 152,780,512	$ 123,102,103	$ 143,724,632	$ 147,747,404
Restricted cash and cash equivalents	115,661,115	49,429,564	31,361,200	90,855,063	160,128,788
Total	$ 222,781,516	$ 202,210,076	$ 154,463,303	$ 234,579,695	$ 307,876,192

CITY OF PORTLAND, OREGON
Water Fund
Statement of Cash Flows (continued)
For Fiscal Years Ended June 30

	2017	2018	2019	2020	2021
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	$ 61,810,148	$ 74,403,422	$ 77,247,255	$ 72,011,554	$ 78,717,581
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization of capital assets	29,672,576	30,519,028	31,036,464	30,911,474	32,665,954
Provision for uncollectible accounts	624,974	624,974	626,891	1,008,064	1,838,400
Nonoperating revenue	661,830	654,612	668,581	667,859	1,090,621
Change in assets and liabilities:					
Accounts and contracts receivable	614,412	(4,676,704)	(2,746,745)	303,074	(9,047,989)
Inventories	(109,837)	(273,716)	(178,399)	(264,693)	66,606
Prepaid expenses	-	(1,017,390)	(16,544,516)	17,549,999	(1,640)
Accounts payable	1,311,084	3,053,074	1,647,321	2,766,600	1,738,037
Self insurance claims	(64,675)	(68,769)	(486,690)	(455,874)	(50,515)
Compensated absences	(337,450)	339,985	764,846	1,529,768	2,346,988
Due from (to) other funds	-	-	-	-	-
Due from component unit	-	-	-	14,369	(14,369)
Unearned revenue	(7,597)	39,021	(1,323)	(1,660)	142,433
Net pension liability	40,136,514	(7,522,656)	5,959,419	14,608,989	22,555,249
Other liabilities	(127,724)	-	-	(6,414)	-
Pollution remediation	(545,000)	(32,000)	(143,000)	-	-
Accrued other postemployment benefits	(11,359)	5,534,740	(3,050)	(828,294)	632,357
Deferred outflows - pensions	(27,267,228)	13,526,597	(3,084,318)	(4,959,188)	(7,876,902)
Deferred outflows - OPEB	-	(651,459)	(11,753)	(22,623)	(748,389)
Deferred inflows - pensions	(5,611,148)	126,902	2,102,001	(170,061)	(1,140,384)
Deferred inflows - OPEB	-	337,608	109,373	866,045	(336,245)
Restatement per GASB 68 implementation	-	-	-	-	-
Restatement per GASB 75 implementation	-	(5,194,149)	-	-	-
Net cash provided by operating activities	$ 100,749,520	$ 109,723,120	$ 96,962,357	$ 135,528,988	$ 122,577,793

Source: City of Portland. Audited financial statements

CITY OF PORTLAND, OREGON

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