
THE PORT OF PORTLAND
(A Municipal Corporation)

REPORT ON AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

(Containing Audit Comments and Disclosures Required by State Regulations)

FOR THE YEAR ENDED JUNE 30, 2020
with comparative totals for the year ended June 30, 2019

THE PORT OF PORTLAND

(a municipal corporation)

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2020

<u>Name</u>	<u>Term Expires</u>
Alice Cuprill-Comas, President 3181 SW Sam Jackson Park Road Portland, Oregon 97239	September 30, 2023
Michael C. Alexander, Vice President 3645 SE 32 nd Ave Portland, Oregon 97202	May 31, 2024
Robert L. Levy, Secretary 822 S Hwy 395, No. 423 Hermiston, Oregon 97838	April 30, 2021
Linda M. Pearce, Treasurer 7200 NE Airport Way Portland, Oregon 97218	September 30, 2020
Katherine Lam 5921 NE 80 th Avenue Portland, Oregon 97218	November 24, 2023
Meg Niemi 3536 SE 26 th Avenue Portland, Oregon 97202	November 24, 2023
Pat McDonald 3100 NE Shute Road Hillsboro, Oregon 97229	February 16, 2024
Sean O'Hollaren One Bowerman Drive Beaverton, OR 97005	May 22, 2022
Tom Tsuruta 7200 NE Airport Way Portland, Oregon 97218	December 12, 2020

Curtis Robinhold, Executive Director

REGISTERED AGENT AND OFFICE

Daniel Blaufus

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THE PORT OF PORTLAND
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REPORT OF INDEPENDENT AUDITORS



Report of Independent Auditors

The Board of Commissioners
Port of Portland

Report on the Financial Statements

We have audited the accompanying balance sheets and the related statements of revenues, expenses, and changes in net position and cash flows of the Airport and Marine & Other activities as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Port of Portland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport and Marine & Other activities of the Port of Portland as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Port of Portland's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of changes in total OPEB liability and related ratios, schedule of proportionate share of PERS net pension liability (asset), and schedule of contributions to PERS be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port of Portland's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 21, 2020, on our consideration of the Port's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



James Lanzarotta, Partner
for Moss Adams LLP
Portland, Oregon
October 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

The Port of Portland Management's Discussion and Analysis

This discussion and analysis of the Port of Portland's (Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Port's financial statements, which follow this section.

Overview of the Financial Statements:

These financial statements consist of four parts – management's discussion and analysis (this section), the basic financial statements (including notes), required supplementary information, and supplementary information. The report is guided by accounting and reporting principles established by the Governmental Accounting Standards Board (GASB), and also by the Oregon Secretary of State (OSS). The basic financial statements are prepared on the accrual basis, similar to a private business, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid. The basic financial statements consist of a balance sheet, which includes the Port's assets, including deferred outflows, liabilities, including deferred inflows, and net position at year end; statement of revenues, expenses, and changes in net position, which includes all revenues, expenses, and grants expended for construction for the year; and statement of cash flows, which presents the sources and uses of cash for the year. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Following the financial statements is a section of supplementary information, nearly all of which is required by the GASB, the OSS, or bond ordinances. The Port's two activities are Airport (Portland International Airport) and Marine & Other (marine terminals, industrial development, environmental, navigation, general aviation, engineering, and administration). These activities are described in Notes 1 and 2 to the financial statements. Of special significance to readers of the financial statements is that, with certain limited exceptions, Airport monies are restricted by bond ordinances and Federal Aviation Administration regulations for use at the Airport only. Airport net revenues (essentially operating revenues less operating expenses other than depreciation) are largely determined by bond ordinances and contracts with airlines, as more fully explained in Note 6 to the financial statements.

The outbreak of COVID-19 (COVID), a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization on March 11, 2020 (the COVID pandemic), which resulted in a national and global focus on containing the disease by restricting non-essential travel and limiting person-to-person contact. Across the country, states and local governments have issued "stay at home" or "shelter in place" orders designed to restrict movement and limit businesses and activities to essential functions, which substantially reduced activities that normally engaged or facilitated air travel. Various state and local governments and agencies have also imposed restrictions on travel, including state-level restrictions such as requiring travelers to self-isolate for up to 14 days upon arrival. Additionally, many countries had effectively closed their borders by restricting entry and exit to only essential travel during the initial period of the COVID pandemic and while these restrictions are gradually being lifted, many countries around the world have restricted entry to United States citizens, including the European Union. While this has impacts across the Port's activities, the Airport, along with all other airports in the United States and abroad, has been acutely impacted by the broad-based economic shutdown resulting from efforts to stop the spread of COVID, including reductions in flights and declines in passenger volumes. The COVID pandemic has adversely affected domestic and international travel and travel-related industries. Airlines have reported unprecedented downturns in passenger volumes and have experienced reduced levels of passenger volumes which, in turn, have prompted them to significantly reduce and, in many cases, eliminate, scheduled services.

In response to the COVID pandemic, the Port implemented a number of measures to mitigate financial and operational impacts, including unpaid employee furloughs, eliminating the annual merit compensation increase for administrative employees, a partial hiring freeze, elimination of non-critical travel, limiting overtime, and deferral of non-essential projects. Additionally, actions were taken at the Airport to reduce other operational and maintenance spending, close certain facilities and eliminate related bussing operations, and adjust customer and facility services to reflect lower passenger counts. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), approved by the United States Congress and signed by the President on March 27, 2020, was a legislative action taken to establish relief measures to curb the effect of the COVID pandemic. The CARES Act, in part, provides aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Federal Aviation

The Port of Portland
Management's Discussion and Analysis, continued

Administration (FAA) announced that it had awarded \$72.5 million of grant assistance under the CARES Act to the Port, of which approximately \$72.3 million was allocated to the Airport and approximately \$187,000 to the Port's two general aviation airports. The funds may be drawn on a reimbursement basis for any lawful airport purpose. The Port drew \$27.7 million of these funds in fiscal 2020 to help mitigate the negative financial impacts of the COVID pandemic on the Airport. The duration of the COVID pandemic, timing of economic recovery, availability of future federal aid, or future financial impacts cannot be reliably forecast at this time.

Financial Results:

The Port's total net position increased \$39.1 million from the 2019 amount, or 2.8 percent. Unrestricted net position – the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants or legal requirements – increased by \$0.9 million, or 0.5 percent during that same time. In comparison, last year total net position increased by \$40.8 million, or 3.0 percent. The analysis in Table 1 (below) focuses on the net position of the Airport and of the Port's Marine & Other activities separately.

Table 1
Net Position
(\$ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change 2019-2020
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 738.7	\$ 895.3	\$ 335.4	\$ 367.6	\$ 1,046.9	\$ 1,234.6	(15.2)%
Capital assets	1,753.5	1,483.1	269.7	253.3	2,023.2	1,736.4	16.5%
Deferred outflows	39.8	43.4	52.6	19.8	92.4	63.2	46.2%
Total assets	<u>2,532.0</u>	<u>2,421.8</u>	<u>657.7</u>	<u>640.7</u>	<u>3,162.5</u>	<u>3,034.2</u>	4.2%
Long-term debt outstanding	1,250.3	1,202.2	72.9	79.8	1,323.2	1,282.0	3.2%
Other liabilities	255.3	225.3	183.2	166.0	411.3	363.0	13.3%
Deferred inflows	3.9	4.2	4.0	4.0	7.9	8.2	(3.7)%
Total liabilities	<u>1,509.5</u>	<u>1,431.7</u>	<u>260.1</u>	<u>249.8</u>	<u>1,742.4</u>	<u>1,653.2</u>	5.4%
Net position:							
Net investment							
in capital assets	654.2	583.9	295.4	275.7	949.6	859.6	10.5%
Restricted	294.2	347.3	5.8	4.5	300.0	351.8	(14.7)%
Unrestricted	74.1	58.9	96.4	110.7	170.5	169.6	0.5%
Total net position	<u>\$ 1,022.5</u>	<u>\$ 990.1</u>	<u>\$ 397.6</u>	<u>\$ 390.9</u>	<u>\$ 1,420.1</u>	<u>\$ 1,381.0</u>	2.8%

* Receivables and payables between activities are eliminated in the Total Port column.

Total net position of the Airport increased by \$32.4 million, or 3.3 percent, as a result of net income and capital grants in fiscal 2020. Net investment in capital assets increased \$70.3 million, or 12.0 percent, as a result of increases in capital additions and construction spending, partially offset by normal capital asset depreciation. Restricted net position decreased by \$53.1 million, or 15.3 percent, primarily due to construction spending. Unrestricted net position increased by \$15.2 million, or 25.8 percent, primarily as a result of net income resulting from CARES Act funding drawn for fiscal 2020.

Total net position of Marine & Other increased from the 2019 balance by \$6.7 million, or 1.7 percent, essentially the result of capital grants and transfers from the Airport (primarily to fund construction at general aviation airports included in Marine & Other), offset in part by a net loss for the year. Net investment in capital assets increased \$19.7 million, or 7.1 percent, primarily as a result of capital additions and construction spending, offset by normal capital asset depreciation. Unrestricted net position decreased by \$14.3 million or 12.9 percent, primarily due to a net loss on the year.

Several factors caused changes in net position (Table 2, below) to decrease \$1.7 million from 2019.

Airport changes in net position decreased \$9.9 million when compared to the prior year due mainly to decreased net income offset in part by increased capital grants in 2020. Marine & Other changes in net position increased \$8.2 million primarily due to increased capital grants versus the prior year.

The Port of Portland
Management's Discussion and Analysis, continued

Table 2
Changes in Net Position
(\$ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2019-2020
Revenues:							
Operating revenues							
Charges for services	\$ 221.5	\$ 251.4	\$ 63.7	\$ 63.4	\$ 285.2	\$ 314.8	(9.4)%
Land sales				14.8		14.8	(100.0)%
Other	0.3	0.2	0.1	0.3	0.4	0.5	(20.0)%
Nonoperating revenues							
Property tax revenue			13.1	12.5	13.1	12.5	4.8%
Interest revenue	20.9	18.0	6.2	10.0	27.1	28.0	(3.2)%
PFC revenue	26.8	38.6			26.8	38.6	(30.6)%
CFC revenue	11.9	16.2			11.9	16.2	(26.5)%
Other nonoperating revenue	27.7		9.8	0.5	37.5	0.5	7400.0%
Total revenues	<u>309.1</u>	<u>324.4</u>	<u>92.9</u>	<u>101.5</u>	<u>402.0</u>	<u>425.9</u>	(5.6)%
Expenses:							
Operating expenses							
Operating expenses	229.4	236.1	97.6	107.0	327.0	343.1	(4.7)%
Nonoperating expenses							
Nonoperating expenses	52.1	44.3	4.5	3.8	56.6	48.1	17.7%
Total expenses	<u>281.5</u>	<u>280.4</u>	<u>102.1</u>	<u>110.8</u>	<u>383.6</u>	<u>391.2</u>	(1.9)%
Income (loss) before contributions and transfers							
Income (loss) before contributions and transfers	27.6	44.0	(9.2)	(9.3)	18.4	34.7	(47.0)%
Capital contributions	10.8	2.5	9.9	3.6	20.7	6.1	239.3%
Transfers (out) in	(6.0)	(4.2)	6.0	4.2	-		
Increase (decrease) in net position	<u>\$ 32.4</u>	<u>\$ 42.3</u>	<u>\$ 6.7</u>	<u>\$ (1.5)</u>	<u>\$ 39.1</u>	<u>\$ 40.8</u>	(4.2)%

Total revenues for the Port decreased by approximately \$23.9 million from the prior year. Total expenses decreased approximately \$7.6 million during the same timeframe.

At the Airport, charges for services operating revenues decreased by \$29.9 million, or 11.9 percent, when compared to the prior year; this was primarily due to COVID-related decreases in parking, rental car, and terminal concessions revenues, offset partially by higher airline revenues. PFC revenues decreased \$11.8 million, or 30.6 percent as a result of significant decreases in enplanements resulting from the COVID pandemic. CFC revenues decreased by \$4.3 million, or 26.5 percent, also as a result of fewer passengers at the Airport during the COVID pandemic. Other nonoperating revenue increased by \$27.7 million due to funding received by the Airport under the CARES Act. The decrease of \$6.7 million in operating expenses was down 2.8 percent as compared to the prior year, and was attributable to operational cost cutting, staff furloughs and elimination of all non-critical travel instituted in response to COVID; these cost cuts were offset in part by higher pension costs. Nonoperating expenses increased \$7.8 million, or 17.6 percent, mainly as a result of the first full year of revenue bond interest expense from two new construction bond issues during 2019. Capital contributions increased \$8.3 million in 2020 as a result of incurring more grant-eligible costs than in 2019.

For Marine & Other, land sales revenue decreased \$14.8 million from the prior year as a result of no industrial property sales during fiscal 2020. Other nonoperating revenues increased \$9.3 million over prior year, largely the result of matching funds received from the State on a new pension side account deposit. During 2020, operating expenses decreased \$9.4 million due to no cost of land sold expense in fiscal 2020, as well as a prior year one-time project write off in fiscal 2019; these were offset in part by higher environmental accrual expenses and longshore labor expense in 2020.

Budgetary Highlights:

The Port's budget for fiscal 2020 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2019. During fiscal 2020, a supplemental budget was approved by the Port Commission to establish appropriations to provide for

The Port of Portland
Management's Discussion and Analysis, continued

issuance costs associated with an Airport bond refunding transaction. Also during the year, budget appropriations at the Airport were adjusted for transfers to Marine & Other for increased staff support of Airport capital projects as well as changes to transfers within the Airport funds for increased capital project support by airport personnel. For Marine & Other, a supplemental budget was approved which increased resource and expenditure appropriations associated with new container service at Terminal 6, and also increased appropriations to allow for establishment of two new pension side accounts to provide future pension rate offsets. A fiscal 2020 budget adjustment was approved by the Port Commission during the year to provide for an incentive pass-through program from the State of Oregon to a container carrier at marine Terminal 6. Appropriations in the budget for Marine & Other resources were adjusted to reflect higher service reimbursement resources for increased engineering support to Airport capital projects. Marine & Other appropriations for expenditures were also increased to provide for non-cash budgetary impacts of accounting accruals for environmental liabilities. While legally a local government subject to governmental budgeting requirements, the Port operates much like a business, with expenditure levels driven by business needs, and utilizes the accrual basis of accounting. Revisions to reflect expenditure patterns are, therefore, common for an entity like the Port. As explained in Note 1 to the financial statements, Oregon budget laws differ, in certain situations, from accounting principles generally accepted in the United States of America.

On a budgetary basis, Airport expenditures for the largest capital program ever at the Airport were \$36.7 million, or 12.1 percent, over the \$304.4 million budget due to fiscal year-end accruals of construction costs into fiscal 2020. Construction fund interest income was \$3.4 million over the \$5.3 million budget as a result of higher cash balances due to unspent bond proceeds. Both revenues and operating expenditures varied significantly from the budget due to COVID pandemic impacts. Airport operating revenues of \$222.5 million were 17.8 percent below the \$270.8 million budget. Operating expenditures of \$111.2 million were 9.2 percent below the \$122.5 million budgeted amount due largely to cost cutting measures taken in response to COVID impacts. Passenger Facility Charges and Customer Facility Charges were 32.8 percent and 26.9 percent, respectively, below the fiscal 2020 budget as the result of significantly fewer passengers flying in response to the COVID pandemic. CARES Act funding bolstered interest and other revenues at the Airport by \$27.7 million for fiscal 2020 to help mitigate some of the negative financial impacts of COVID. Other significant budgetary variances included commercial paper issuance which were below budget as a result of funding strategy and issue sizing.

Fiscal 2020 budgetary capital expenditures for Marine & Other were \$21.4 million, or 39.3 percent, below the budget of \$54.4 million, largely due to timing delays and project deferrals. Capital grants for the year were \$9.8 million, 13.2 percent less than the budget of \$11.3 million due to incurring fewer grant eligible costs. Budgetary operating revenues were \$3.1 million under the revised \$40.4 million budget for marine due to lower mineral bulk activity than planned as a result of softening demand. Industrial development budgetary operating revenues were \$6.2 million, or \$2.1 million, below the budget of \$8.4 million due to an anticipated industrial property sale that did not occur. Budgetary operating revenues for navigation of \$16.6 million were \$3.2 million under the budget due to less river dredging during the year than originally anticipated. Budgetary operating expenditures were \$7.8 million below budget for administration, primarily due to lower than anticipated salary and fringe expenses as the result of pension side account rate relief and vacant positions, as well as the impact of a hiring freeze and employee furloughs implemented in response to COVID. Budgetary operating expenditures for Marine were also below the revised budget by approximately \$12.0 million due to lower expenses for container operation activity and lower than anticipated outside service costs resulting from cost saving measures on timing of projects and initiatives. Navigation budgetary operating expenditures were \$1.9 million under budget, primarily as a result of performing less dredging than originally anticipated during the year.

Capital Assets:

At the end of fiscal 2020, the Port had over \$2.0 billion invested in a broad range of capital assets. This amount represents an increase (essentially additions offset by depreciation expense) of \$286.8 million versus last year, as outlined in Table 3 (below).

**The Port of Portland
Management's Discussion and Analysis, continued**

Table 3
Capital Assets
(\$ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change 2019-2020
	2020	2019	2020	2019	2020	2019	
Land	\$ 68.0	\$ 68.0	\$ 83.4	\$ 83.4	\$ 151.4	\$ 151.4	
Construction in progress	634.9	346.3	27.5	21.7	662.4	368.0	
Total capital assets not being depreciated	<u>702.9</u>	<u>414.3</u>	<u>110.9</u>	<u>105.1</u>	<u>813.8</u>	<u>519.4</u>	56.7%
Land improvements	910.5	876.8	304.0	281.1	1,214.5	1,157.9	
Buildings and equipment	1,525.9	1,489.0	262.3	257.3	1,788.2	1,746.3	
Total capital assets being depreciated	<u>2,436.4</u>	<u>2,365.8</u>	<u>566.3</u>	<u>538.4</u>	<u>3,002.7</u>	<u>2,904.2</u>	3.4%
Less: accumulated depreciation	<u>(1,385.8)</u>	<u>(1,297.0)</u>	<u>(407.5)</u>	<u>(390.2)</u>	<u>(1,793.3)</u>	<u>(1,687.2)</u>	6.3%
Total capital assets being depreciated, net	<u>1,050.6</u>	<u>1,068.8</u>	<u>158.8</u>	<u>148.2</u>	<u>1,209.4</u>	<u>1,217.0</u>	(0.6)%
Total capital assets, net	<u>\$ 1,753.5</u>	<u>\$ 1,483.1</u>	<u>\$ 269.7</u>	<u>\$ 253.3</u>	<u>\$ 2,023.2</u>	<u>\$ 1,736.4</u>	16.5%

This year's major capital asset spending included:

Airport:

- Terminal improvements - \$231.1 million
- Public parking and consolidated rental car facility - \$94.2 million
- Taxiway and apron rehabilitation and improvements - \$18.4 million
- De-icing vault rehabilitation - \$1.5 million

Marine & Other:

- Hillsboro airport runway rehabilitation - \$12.4 million
- Drydocking and rehabilitation of the dredge Oregon - \$7.0 million
- Terminal 6 berth rehabilitation - \$1.8 million
- Navigation vessel construction - \$1.0 million

Please see Note 5 to the financial statements for more detailed information of capital asset activity.

The Port's 2021 capital budget estimates spending nearly \$424 million on capital projects at the Airport and over \$47 million in Marine & Other. Spending at the Airport is primarily slated for terminal improvements; a new public parking and consolidated rental car facility; and a central utility plan renewal program. These projects are budgeted to be funded by Airport operating revenues, debt proceeds, PFC revenues, and CFC revenues. Capital spending for Marine & Other is budgeted principally for runway reconstruction at the Troutdale airport, marine terminal electrical and lighting upgrades and replacements, stormwater improvements at marine Terminal 6, vessel improvements for the dredging operation, and Hillsboro airport runway safety area improvements. Funding for these projects is budgeted from operating revenues, property taxes, and federal, state, and other grants.

Debt Administration:

At the end of 2020, the Port had over \$1.2 billion in bonds, commercial paper, contracts and loans payable outstanding. This is an increase from the prior year, as seen in Table 4 (below).

**The Port of Portland
Management's Discussion and Analysis, continued**

Table 4
Outstanding Long-Term Debt
(\$ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2019-2020
Pension bonds			\$ 56.3	\$ 58.5	\$ 56.3	\$ 58.5	(3.8)%
Revenue bonds	\$ 788.4	\$ 824.0			788.4	824.0	(4.3)%
PFC revenue bonds	111.9	120.0			111.9	120.0	(6.7)%
CFC revenue bonds	163.3	163.3			163.3	163.3	
Contracts and loans payable			16.7	21.4	16.7	21.4	(22.0)%
Commercial Paper	90.1	1.5			90.1	1.5	5906.7%
	<u>\$ 1,153.7</u>	<u>\$ 1,108.8</u>	<u>\$ 73.0</u>	<u>\$ 79.9</u>	<u>\$ 1,226.7</u>	<u>\$ 1,188.7</u>	3.2%

The outstanding amount of Airport long-term debt increased slightly due to issuance of airport commercial paper for construction funding, offset partially by scheduled bond payments. As of the end of fiscal 2020, the Airport revenue bonds were rated AA- by Standard & Poor's, which was among the highest underlying ratings for airport revenue bonds rated by that rating agency. The balance of PFC revenue bonds decreased as a result of regularly scheduled bond payments.

In Marine & Other, the amount of outstanding long-term debt decreased as a result of the early payoff of local improvement district financing at marine Terminal 6 as well as scheduled payments made on pension bonds, contracts and loans payable.

Please see Note 6 to the financial statements for more detailed information of long-term debt activity.

Economic Factors and Next Year's Budgets and Rates:

As part of the Port's strategic planning and business planning process, regional, national, and global economic trends and forecasts are reviewed and assumptions regarding passenger, cargo, and population growth are coupled with these trends and forecasts to produce the annual budget. There is significant uncertainty around the economic implications of the COVID pandemic and what a recovery looks like. The impact on the airline industry has been dramatic, and fiscal 2021 airline passenger volumes are forecast to be around half of pre-COVID levels at about 10.3 million passengers. At the Port's Marine & Other facilities, impacts have not been as dramatic, and though lower volumes are forecast for marine operations due to the economic implications of the COVID pandemic, the declines are not expected to be particularly significant. Port facilities have a diverse mix of marine tenants and business lines, with many fixed land leases which provide a measure of protection during an economic downturn.

In the Port's 2021 adopted budget, total Port operating revenue is budgeted to increase about 5.0 percent over 2020 results to approximately \$300.0 million largely as a result of increased airline revenues at the Airport, offset by lower parking and concessions revenues, as well as higher container operation and dredging revenues in Marine & Other. Total operating expenses (excluding depreciation and GASB 68 non-cash pension expense) are budgeted to remain flat at approximately \$200.9 million, reflecting continued cost containment measures in response to COVID.

Operating revenues for the Airport are budgeted to increase 1.0 percent to \$224.1 million in the fiscal 2021 budget due primarily to increased airline revenues as a result of the signatory airlines' contractual obligation to cover airport costs, offset by lower parking revenues. Airport operating expenses (excluding depreciation and GASB 68 non-cash pension expense) are budgeted to increase about 2.3 percent to \$130.8 million as a result of increased internal central services costs.

In Marine & Other, operating revenues are budgeted to increase by 18.8 percent to \$75.9 million, primarily due to higher revenues for container operations and increased Navigation division dredging revenue

The Port of Portland
Management's Discussion and Analysis, continued

anticipated in fiscal 2021. Operating expenses (excluding depreciation and GASB 68 non-cash pension expense) are budgeted to decrease by 4.0 percent to \$70.1 million due to lower budgeted environmental costs in fiscal 2021, offset in part by higher costs of operation for container operations. Property taxes are budgeted to comprise less than 1.0 percent of Port resources on a legal budget basis.

Contacting the Port's Financial Management:

This financial report is designed to provide users with a general overview of the Port's finances. If you have questions about this report or need additional financial information, contact the Port of Portland's Controller's Office, PO Box 3529, Portland, OR 97208.

BASIC FINANCIAL STATEMENTS

THE PORT OF PORTLAND
BALANCE SHEET
as of June 30, 2020
with comparative totals as of June 30, 2019

	2020			2019
	<u>Airport</u>	<u>Marine & Other</u>	<u>Total</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 38,240	\$ 78,896,239	\$ 78,934,479	\$ 51,008,428
Equity in pooled investments	138,988,491	162,389,323	301,377,814	355,143,940
Restricted cash and equity in pooled investments	135,135,902		135,135,902	98,828,865
Receivables, net of allowance for doubtful accounts of \$1,491,000 in 2020 and \$496,000 in 2019 for Airport and \$192,000 in 2020 and \$197,000 in 2019 for Marine & Other	28,060,163	15,275,618	43,335,781	31,060,747
Prepaid insurance and other assets	4,861,536	2,233,143	7,094,679	6,939,795
Total current assets	<u>307,084,332</u>	<u>258,794,323</u>	<u>565,878,655</u>	<u>542,981,775</u>
Noncurrent assets:				
Restricted assets:				
Cash and equity in pooled investments	425,667,976	5,807,839	431,475,815	633,587,193
Receivables	5,013,473		5,013,473	12,705,982
Contract retainage deposits	34,936		34,936	
Total restricted assets	<u>430,716,385</u>	<u>5,807,839</u>	<u>436,524,224</u>	<u>646,293,175</u>
Land held for sale		41,719,657	41,719,657	40,822,599
Depreciable properties, net of accumulated depreciation	1,050,606,388	158,805,573	1,209,411,961	1,216,994,408
Nondepreciable properties	702,924,885	110,923,030	813,847,915	519,413,256
Unamortized bond issue costs	436,901	99,334	536,235	811,201
Due from Airport		27,194,053	*	*
Other noncurrent assets	314,585	1,763,216	2,077,801	3,573,626
Total noncurrent assets	<u>2,184,999,144</u>	<u>346,312,702</u>	<u>2,504,117,793</u>	<u>2,427,908,265</u>
Deferred outflows of resources:				
Deferred charges on refunding bonds	17,418,509		17,418,509	19,937,002
Deferred charges on pensions and OPEB	16,280,305	52,551,896	68,832,201	37,380,050
Cumulative decrease in fair value of hedging derivative	6,124,000		6,124,000	5,906,000
Total deferred outflows of resources	<u>39,822,814</u>	<u>52,551,896</u>	<u>92,374,710</u>	<u>63,223,052</u>
Total assets	<u>\$ 2,531,906,290</u>	<u>\$ 657,658,921</u>	<u>\$ 3,162,371,158</u>	<u>\$ 3,034,113,092</u>
LIABILITIES				
Current liabilities (payable from current assets):				
Current portion of long-term debt	\$ 90,100,000	\$ 6,514,297	\$ 96,614,297	\$ 6,033,407
Accounts payable and other accrued liabilities	18,234,714	19,210,635	37,445,349	39,886,989
Accrued wages, vacation and sick leave pay	6,853,419	6,058,648	12,912,067	16,131,291
Workers' compensation and other accrued liabilities	538,939	5,284,336	5,823,275	5,626,095
Total current liabilities (payable from current assets)	<u>115,727,072</u>	<u>37,067,916</u>	<u>152,794,988</u>	<u>67,677,782</u>
Restricted liabilities (payable from restricted assets)				
Current portion of long-term debt and other	43,649,430		43,649,430	35,316,725
Accrued interest payable	22,474,653		22,474,653	18,925,184
Accounts payable	59,841,343		59,841,343	39,215,061
Contract retainage payable	9,170,476		9,170,476	5,371,895
Total restricted current liabilities (payable from restricted assets)	<u>135,135,902</u>	<u></u>	<u>135,135,902</u>	<u>98,828,865</u>
Total current liabilities	<u>250,862,974</u>	<u>37,067,916</u>	<u>287,930,890</u>	<u>166,506,647</u>
Noncurrent liabilities:				
Long-term environmental and other accruals	11,285,514	63,072,828	74,358,342	61,328,836
Long-term debt	1,116,508,757	66,408,608	1,182,917,365	1,240,652,805
Unearned revenue and other	43,405,719	25,642,541	69,048,260	70,132,246
Net pension and OPEB liability	56,314,780	63,882,732	120,197,512	106,381,193
Due to Marine & Other	27,194,053		*	*
Total noncurrent liabilities	<u>1,254,708,823</u>	<u>219,006,709</u>	<u>1,446,521,479</u>	<u>1,478,495,080</u>
Deferred inflows of resources:				
Deferred pension inflows	3,857,547	4,033,206	7,890,753	8,187,842
Total deferred inflows of resources	<u>3,857,547</u>	<u>4,033,206</u>	<u>7,890,753</u>	<u>8,187,842</u>
Total liabilities	<u>1,509,429,344</u>	<u>260,107,831</u>	<u>1,742,343,122</u>	<u>1,653,189,569</u>
NET POSITION				
Net investment in capital assets	654,153,734	295,379,689	949,533,423	859,600,815
Restricted for capital and debt service	294,244,858	5,807,839	300,052,697	351,730,331
Unrestricted	74,078,354	96,363,562	170,441,916	169,592,377
Total net position	<u>1,022,476,946</u>	<u>397,551,090</u>	<u>1,420,028,036</u>	<u>1,380,923,523</u>
Total liabilities and net position	<u>\$ 2,531,906,290</u>	<u>\$ 657,658,921</u>	<u>\$ 3,162,371,158</u>	<u>\$ 3,034,113,092</u>

* Receivables and payables between activities are eliminated in the Total columns.

The accompanying notes are an integral
part of these financial statements.

THE PORT OF PORTLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
for the year ended June 30, 2020
with comparative totals for the year ended June 30, 2019

	2020			2019
	<u>Airport</u>	<u>Marine & Other</u>	<u>Total</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 221,537,342	\$ 63,747,647	\$ 285,284,989	\$ 314,814,051
Land sales				14,793,131
Other	299,244	116,057	415,301	542,128
Total operating revenues	<u>221,836,586</u>	<u>63,863,704</u>	<u>285,700,290</u>	<u>330,149,310</u>
Operating expenses:				
Salaries, wages and fringe benefits	64,383,366	45,150,544	109,533,910	105,705,998
Longshore labor and fringe benefits		12,036,214	12,036,214	9,870,177
Contract, professional and consulting services	33,869,446	25,611,106	59,480,552	46,510,885
Materials and supplies	4,775,246	2,849,723	7,624,969	8,387,412
Utilities	10,714,931	3,474,436	14,189,367	14,449,112
Equipment rents, repair and fuel	1,437,633	2,005,735	3,443,368	4,978,448
Insurance	2,663,130	1,888,486	4,551,616	3,636,861
Rent		2,568,878	2,568,878	2,616,670
Travel and management expense	1,747,146	879,766	2,626,912	4,448,339
Intra-Port charges and expense allocations	21,472,453		21,472,453	21,934,977
Cost of land sold				18,462,691
Other	1,788,195	1,676,188	3,464,383	7,371,960
Less expenses for capital projects	(4,041,511)	(19,309,004)	(23,350,515)	(20,715,501)
Total operating expenses, excluding depreciation	<u>138,810,035</u>	<u>78,832,072</u>	<u>217,642,107</u>	<u>227,658,029</u>
Operating income (loss) before depreciation	83,026,551	(14,968,368)	68,058,183	102,491,281
Depreciation expense	90,582,095	18,729,885	109,311,980	115,449,030
Total operating expenses, including depreciation	<u>229,392,130</u>	<u>97,561,957</u>	<u>326,954,087</u>	<u>343,107,059</u>
Operating loss	<u>(7,555,544)</u>	<u>(33,698,253)</u>	<u>(41,253,797)</u>	<u>(12,957,749)</u>
Nonoperating revenues (expenses):				
Property tax revenue		13,125,017	13,125,017	12,525,289
Passenger facility charge revenue	26,780,083		26,780,083	38,563,550
Customer facility charge revenue	11,915,832		11,915,832	16,237,775
Interest expense	(47,678,885)	(4,529,241)	(52,208,126)	(41,800,493)
Interest revenue	20,878,932	6,123,983	27,002,915	28,103,550
Other income (expense), including loss on disposal of properties	23,240,724	9,839,998	33,080,722	(5,976,694)
Nonoperating revenues	<u>35,136,686</u>	<u>24,559,757</u>	<u>59,696,443</u>	<u>47,652,977</u>
Income (loss) before contributions and transfers	27,581,142	(9,138,496)	18,442,646	34,695,228
Capital contributions	10,824,578	9,837,289	20,661,867	6,065,941
Transfers (out) in	(5,997,653)	5,997,653		
Change in net position	32,408,067	6,696,446	39,104,513	40,761,169
Total net position - beginning of year	990,068,879	390,854,644	1,380,923,523	1,340,162,354
Total net position - end of year	<u>\$ 1,022,476,946</u>	<u>\$ 397,551,090</u>	<u>\$ 1,420,028,036</u>	<u>\$ 1,380,923,523</u>

The accompanying notes are an integral
part of these financial statements.

THE PORT OF PORTLAND
STATEMENT OF CASH FLOWS
for the year ended June 30, 2020
with comparative totals for the year ended June 30, 2019

	2020			2019
	<u>Airport</u>	<u>Marine & Other</u>	<u>Total</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 208,153,777	\$ 67,773,669	\$ 275,927,446	\$ 330,030,889
Cash payments to employees	(58,278,388)	(38,975,529)	(97,253,917)	(82,030,929)
Cash payments to suppliers and vendors	(56,941,482)	(68,423,427)	(125,364,909)	(121,188,192)
Cash payments (to) from other funds	(22,174,849)	22,174,849		
Net cash provided by (used in) operating activities	<u>70,759,058</u>	<u>(17,450,438)</u>	<u>53,308,620</u>	<u>126,811,768</u>
Cash flows from noncapital financing activities:				
Property taxes		13,114,875	13,114,875	12,860,930
Grant proceeds not specifically restricted for capital	23,480,434		23,480,434	
Net cash provided by noncapital financing activities	<u>23,480,434</u>	<u>13,114,875</u>	<u>36,595,309</u>	<u>12,860,930</u>
Cash flows from capital and related financing activities:				
Capital expenditures	(335,072,711)	(38,286,703)	(373,359,414)	(217,711,589)
Sale of properties	88,672	179,468	268,140	4,357,658
Net proceeds from issuance of debt	171,616,425	500,000	172,116,425	426,093,173
Interest paid	(49,188,650)	(4,506,398)	(53,695,048)	(43,900,589)
Proceeds from passenger facility charges	32,294,766		32,294,766	38,894,143
Proceeds from customer facility charges	13,658,322		13,658,322	15,401,292
Principal payments and redemptions on debt	(116,425,000)	(7,380,481)	(123,805,481)	(86,663,987)
Contributions from governmental agencies	15,503,379	7,269,663	22,773,042	1,913,712
Cash transfers (to) from other Port divisions, net	(5,997,653)	5,997,653		
Other, primarily nonoperating (expense) income	(4,662,641)	5,580,847	918,206	(7,967,148)
Net cash (used in) provided by capital and related financing activities	<u>(278,185,091)</u>	<u>(30,645,951)</u>	<u>(308,831,042)</u>	<u>130,416,665</u>
Cash flows from investing activities:				
Interest received	20,819,633	6,463,064	27,282,697	27,564,781
Investment activity:				
Purchases	(628,283,144)	(183,769,276)	(812,052,420)	(811,280,789)
Proceeds from sales or maturities	791,409,110	240,213,777	1,031,622,887	517,134,702
Net cash provided by (used in) investing activities	<u>183,945,599</u>	<u>62,907,565</u>	<u>246,853,164</u>	<u>(266,581,306)</u>
Net increase in cash and cash equivalents		27,926,051	27,926,051	3,508,057
Cash and cash equivalents - beginning of year	38,240	50,970,188	51,008,428	47,500,371
Cash and cash equivalents - end of year	<u>\$ 38,240</u>	<u>\$ 78,896,239</u>	<u>\$ 78,934,479</u>	<u>\$ 51,008,428</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (7,555,544)	\$ (33,698,253)	\$ (41,253,797)	\$ (12,957,749)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation expense	90,582,095	18,729,885	109,311,980	115,449,030
Cost of land sales				18,462,691
Non cash pension and OPEB expense	6,862,508	8,636,709	15,499,217	9,639,390
Amortization of unearned revenue	(890,086)	(1,821,177)	(2,711,263)	(2,478,659)
Change in assets and liabilities:				
Receivables and other current assets	(14,269,071)	4,728,268	(9,540,803)	818,461
Deferred project assets				3,768,506
Accounts payable and accruals	(3,616,934)	424,376	(3,192,558)	(8,163,447)
Deferred pension outflows		(30,000,000)	(30,000,000)	
Long-term environmental and other accruals	(1,588,826)	14,460,332	12,871,506	851,217
Additions to unearned revenue	1,234,916	1,089,422	2,324,338	1,422,328
Net cash provided by (used in) operating activities	<u>\$ 70,759,058</u>	<u>\$ (17,450,438)</u>	<u>\$ 53,308,620</u>	<u>\$ 126,811,768</u>

The accompanying notes are an integral part of these financial statements.

**THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

1. Description of the Port and Summary of Significant Accounting Policies:

The Port

The Port of Portland (the Port) is a special municipal district created by the Oregon State Legislature. It is governed by a nine-member Board of Commissioners who are appointed by the Governor of the State; Commissioners serve four year terms without compensation. The Port facilitates aviation and marine trade within the Port District (Multnomah, Clackamas, and Washington Counties), and its influence spreads over a multi-state region. The Port owns and operates Portland International Airport (the Airport), which provides the metropolitan area with commercial airline passenger service, air cargo services, and general aviation service. The Port also owns two general aviation airports, four marine terminals, a dredge, six industrial and business parks, and develops land principally to support, enhance, and expand its core transportation operations. Principal funding sources are charges to users, revenue bonds, grants, interest earnings, passenger facility charges, customer facility charges, and, to a lesser extent, property tax levies. Its activities are carried out by a staff of approximately 754 full-time equivalent persons.

Basis of Accounting

The accounting and reporting policies of the Port conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to proprietary funds of local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Accordingly, the Port utilizes the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Intra-Port Charges and Expense Allocations

Labor and associated costs for services performed by one functional area of the Port to another area, most commonly by administrative departments, are charged in the accounting records as an expense to the receiver of services and as a credit to expense to the provider of services. The amount charged includes labor, fringe benefits, and an allocated portion of other costs, including materials and supplies, utilities, contract services, insurance, rent and depreciation. All other administrative department costs not charged in this manner are allocated as overhead based on a formula involving full time equivalent positions, legal services rendered, and operating expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating Revenues and Expenses

Revenues and expenses that are earned or incurred during the course of normal business operations are classified as operating. Revenues and expenses that are earned or incurred outside of the course of normal operations, including interest income and expense, property tax revenue, customer facility charges, and passenger facility charges, are classified as nonoperating.

Restricted Assets and Related Liabilities

Assets and related liabilities restricted to specific purposes by state statute, bond indenture or otherwise are segregated on the balance sheet. These assets and liabilities are primarily restricted for construction and debt service purposes. When both restricted and unrestricted resources are available for use, it is the Port's policy to generally consider restricted assets to be used first over unrestricted assets.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

1. Description of the Port and Summary of Significant Accounting Policies, continued:

Land Held for Sale

Land held for sale includes costs of land acquisition and development on property held for eventual sale. Land held for sale is stated at the lower of average cost or net realizable value. Costs that are capitalized consist of acquisition and development costs incurred to bring the land to salable condition. At closing, sales and related cost of land are recorded as operating revenues and expenses.

Properties and Depreciation

Properties, other than lease improvements acquired upon termination of operating leases, are stated at cost less accumulated depreciation. Properties with an individual purchase cost exceeding \$5,000 with a useful life exceeding one year are capitalized, and depreciable properties are depreciated over their estimated useful lives on a straight-line basis. The useful lives generally range from 5 to 40 years for land improvements; 5 to 40 years for buildings, building components, and terminals; and 2 to 15 years for equipment. Normal maintenance and repairs are charged to operating expense as incurred; expenditures for major additions, improvements, infrastructure, and replacements are capitalized. The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to nonoperating revenue or expense.

Amortization of Bond Issue Costs

Bond issue costs related to prepaid insurance costs are amortized over the life of the related debt and reported as a noncurrent asset on the balance sheet. The difference between the reacquisition price and the net carrying amount of old debt arising from defeasance and refunding transactions is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is reported as a deferred outflow of resources on the balance sheet. Amortization is included in interest expense. All other bond issuance costs are expensed as incurred.

Accrued Vacation and Sick Leave Pay

Vacation and sick leave pay are accrued as earned for most employees, based on length of past service, up to a maximum number of hours per employee. Vacation and sick leave liabilities are reduced when leave is taken, and unused portions are paid off upon termination to the extent allowed for in Port policy.

Unearned Revenue

Unearned revenue typically represents prepaid lease financing related to real property development projects and transactions and is generally amortized over the life of the related lease. Lease terms generally range from 5 to 55 years. Unearned revenue is reported as a noncurrent liability on the balance sheet.

Accounting for Contributions from Federal Government and Other

Capital grants and other contributions from governmental agencies are recorded as net position when earned. Operating grants are recorded as revenue when earned. Lease improvements acquired upon termination of leases are included in properties and credited to net position at estimated fair value at date of acquisition.

Property Taxes

Property taxes are used for capital and debt service purposes. Property taxes are recorded as nonoperating revenue in the year levied. Property taxes are levied and attached as an enforceable lien on property as of July 1. Taxes are payable in three installments on November 15, February 15, and May 15.

Cash and Cash Equivalents

Highly liquid investments (excluding restricted investments) with a maturity of three months or less when purchased are considered cash equivalents.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

1. Description of the Port and Summary of Significant Accounting Policies, continued:

Environmental Remediation Liabilities

The Port records future pollution remediation costs that meet measurement criteria outlined in GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." Those criteria require accrual of pollution remediation obligation amounts when a) one of certain obligating events occurs, and b) the amount can be reasonably estimated. Obligating events include imminent endangerment to public health or welfare or the environment; violation of a pollution prevention-related permit or license; evidence that the Port will be named as a responsible party, or potentially responsible party, for sharing costs; evidence that the Port will be named in a lawsuit to compel participation in remediation; and the Port commencing or legally obligating itself to commence pollution remediation. Costs for pollution remediation obligations are expensed unless expenditures meet specific criteria which allow them to be capitalized. Capitalization criteria include preparation of an asset for sale; preparation of property for use when the property was acquired with known or suspected pollution that was expected to be remediated; performing pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; and acquisition of property, plant and equipment that have a future alternative use.

Passenger Facility Charges

Passenger facility charges (PFCs) are imposed on enplaned passengers at the Airport. PFC revenue is recorded as nonoperating revenue and is required to be used to fund Federal Aviation Administration approved expenditures for capital projects or debt repayments eligible under federal legislation permitting the imposition of PFCs.

Customer Facility Charges

Customer facility charges (CFCs) are imposed on rental car transactions at the Airport. CFC revenue is recorded as nonoperating revenue and is required by Port ordinance to be used to fund rental car-related projects, programs and related expenses.

Cash and Investments

The Port pools the majority of its cash and investments and uses a controlled disbursement system in order to maximize earnings on available funds. Investments are stated at fair value based upon evaluated quotes from independent pricing vendors. Oregon Revised Statutes, Chapter 294 or Port ordinances, if more restrictive, authorize the Port to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, and certain corporate indebtedness. In addition, the Marine & Other activity is authorized to invest in a State of Oregon local government investment pool and various interest bearing municipal bonds.

Budgets

The Port budgets all funds in accordance with the requirements of State of Oregon (State) law. The Port Commission authorizes appropriations for each fund, setting the level by which expenditures cannot legally exceed appropriations. Total expenditures by department in the General Fund, operating expenditures in the Airport Revenue Fund, and capital outlay and debt service in the other funds are the levels of control for each fund. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Appropriations lapse at the end of each fiscal year.

With the approval of the Port Commission, unexpected additional resources may be appropriated through the use of a supplemental budget. The original and supplemental budgets require budget hearings before the public, publications in newspapers, and approval by the Commission for submittal to the Multnomah County Tax Supervising and Conservation Commission (TSCC). The TSCC conducts a review and certification of the original and certain supplemental budgets to comply with State law. After TSCC certification, such budgets are presented to the Port Commission for adoption. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the legal categories. Such transfers require approval by the Port Commission. The Port adopted one supplemental budget

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

1. Description of the Port and Summary of Significant Accounting Policies, continued:

and one budget adjustment for the year ended June 30, 2020 and one supplemental budget for the year ended June 30, 2019.

The Port budgets all funds on an accrual basis unless otherwise required by State law. For budgetary reporting purposes, State law requires that charges for services provided and certain expense allocations, from one fund to another fund, be reported as transfers to other funds, rather than as operating or capital expenditures.

Transfers Between Activities

The Port's policy is to fund certain general aviation (Marine & Other activity) requirements from the Airport activity. Amounts funded in this manner are reported as transfers on the statement of revenues, expenses, and changes in net assets.

Internal Receivables and Payables

Intra-Port receivables and payables between activities are eliminated in the total column of the balance sheet.

Prior Year Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a complete presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Port's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities," effective for the Port's fiscal year beginning July 1, 2020. The statement establishes standards of accounting and financial reporting for fiduciary activities. The Port is currently evaluating the effects this statement will have on its financial statements.

In June 2017, the GASB issued Statement No. 87, "Leases," effective for the Port's fiscal year beginning July 1, 2021. The statement establishes standards of accounting and financial reporting for leases by lessees and lessors, and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Port is currently evaluating the effects this statement will have on its financial statements.

In June 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period," effective for the Port's fiscal year beginning July 1, 2021. The statement establishes accounting requirements for interest cost incurred before the end of a construction period. The Port early adopted the requirements of this statement for the Port's fiscal year beginning July 1, 2018. The adoption of this statement did not have a material effect on the Port's financial statements.

In August 2018, the GASB issued Statement No. 90, "Majority Equity Interests," effective for the Port's fiscal year beginning July 1, 2020. The statement provides guidance and clarification for the accounting and reporting requirements for a government's majority equity interest in legally separate organizations. The Port is currently evaluating the effects this statement will have on its financial statements.

In May 2019, the GASB issued Statement No. 91, "Conduit Debt Obligations," effective for the Port's fiscal year beginning July 1, 2022. The statement provides a single method of reporting conduit debt obligations by issuers. The Port is currently evaluating the effects this statement will have on its financial statements.

In January 2020, the GASB issued Statement No. 92, "Omnibus 2020," effective for the Port's fiscal year beginning July 1, 2021. The statement addresses a variety of topics including the effective date of new lease guidance in interim financial reports, reporting intra-entity transfers for defined benefit pension plans or other postemployment benefit plans, reporting assets accumulated for postemployment benefits, certain requirements for postemployment benefit arrangements, measurement of assets and liabilities associated with asset retirement obligations, public entity risk pool reporting,

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

1. Description of the Port and Summary of Significant Accounting Policies, continued:

nonrecurring fair value measurements, and terminology used to refer to derivative instruments. The Port is currently evaluating the effects this statement will have on its financial statements.

In March 2020, the GASB issued Statement No. 93, "Replacement of Interbank Offered Rates," effective for the Port's fiscal year beginning July 1, 2021. The statement removes the London interbank offered rate (LIBOR) as an appropriate benchmark interest rate in hedging derivative instruments and leases and addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate. The Port is currently evaluating the effects this statement will have on its financial statements.

In March 2020, the GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements," effective for the Port's fiscal year beginning July 1, 2022. The statement addresses issues related to public-private and public-public partnership arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. The Port is currently evaluating the effects this statement will have on its financial statements.

In May 2020, the GASB issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance," which postponed the effective dates of certain provisions in statements and implementation guides that first became effective or were scheduled to become effective for periods beginning after June 15, 2018. The objective of the statement was to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The Port has delayed implementation dates as allowed by Statement No. 95 for all guidance not already implemented prior to the release of the Statement.

In June 2020, the GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements," effective for the Port's fiscal year beginning July 1, 2022. The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The Port is currently evaluating the effects this statement will have on its financial statements.

In June 2020, the GASB issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," effective for the Port's fiscal year beginning July 1, 2021. The statement amends the criteria for reporting governmental fiduciary component units to improve consistency and comparability in reporting on fiduciary component units and IRS Section 457 plans. The Port is currently evaluating the effects this statement will have on its financial statements.

2. Identifiable Activity Information:

The Airport is an identifiable activity in and of itself, providing commercial airline passenger service, air cargo services, and general aviation services. The activities comprising Marine & Other are the Port's marine terminals, which load, unload, and transfer commodities to and from trucks, railcars, barges, and ships; industrial development, which is responsible for real estate development and related services; environmental, which includes costs and recoveries associated with environmental cleanup not directly attributable to specific Port facilities, or which pertain to facilities for which operations have been discontinued; navigation, which performs maintenance dredging for the Columbia River channel and maintains a river level reporting system; general aviation, which provides general aviation relief services; engineering, which provides drafting, environmental planning, permit coordination, and engineering support for the Port; and administrative departments (admin), which provide support and services to the Port's operating departments.

Balance sheet information for Marine & Other is not available at the identifiable activity level. Identifiable activity information available for Marine & Other for the year ended June 30, 2020 was as follows (in thousands):

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

2. Identifiable Activity Information, continued:

	Marine <u>Terminals</u>	Industrial <u>Development</u>	<u>Environmental</u>	<u>Navigation</u>	General <u>Aviation</u>	Engineering <u>& Admin</u>	<u>Total</u>
Operating revenues	\$ 37,319	\$ 6,662		\$ 16,567	\$ 3,132	\$ 184	\$ 63,864
Operating expenses	36,360	5,039	\$ 20,077	14,624	4,371	(1,639)	78,832
Depreciation expense	9,027	879		3,127	3,874	1,823	18,730
Operating loss	<u>\$ (8,068)</u>	<u>\$ 744</u>	<u>\$ (20,077)</u>	<u>\$ (1,184)</u>	<u>\$ (5,113)</u>	<u>\$</u>	<u>\$ (33,698)</u>
Capital contributions	\$ 448	\$ 116			\$ 9,273		\$ 9,837
Properties activity:							
Additions	\$ 6,537	\$ 970		\$ 11,604	\$ 15,666	\$ 1,511	\$ 36,288
Deletions	\$ (123)			\$ (1,014)	\$ (43)	\$ (354)	\$ (1,534)

3. Cash and Investments:

Following are the Port's balance sheet classifications for cash and investments:

Balance sheet classification:	2020			2019
	<u>Airport</u>	<u>Marine & Other</u>	<u>Total</u>	<u>Total</u>
Unrestricted cash and cash equivalents	\$ 38,240	\$ 78,896,239	\$ 78,934,479	\$ 51,008,428
Unrestricted equity in pooled investments	138,988,491	162,389,323	301,377,814	355,143,940
Restricted cash and equity in pooled investments	<u>560,803,878</u>	<u>5,807,839</u>	<u>566,611,717</u>	<u>732,416,058</u>
	<u>\$ 699,830,609</u>	<u>\$ 247,093,401</u>	<u>\$ 946,924,010</u>	<u>\$ 1,138,568,426</u>

At June 30, 2020, the Port had the following cash and investments and maturities for the Airport:

	Investment Maturities (in years)				Value
	<u>Less than 1</u>	<u>1 - 2</u>	<u>2 - 3</u>	<u>3 - 5</u>	
U.S. Treasuries	\$ 192,235,646	\$ 33,762,522	\$ 30,769,332		\$ 256,767,500
U.S. Agencies	117,677,654	37,344,818	30,620,612	\$ 30,425,358	216,068,442
Municipal debt	2,350,128	2,037,868	299,879	1,986,865	6,674,740
Corporate indebtedness	41,894,958	33,726,063	8,423,621		84,044,642
Certificates of deposit	350,666				350,666
	<u>\$ 354,509,052</u>	<u>\$ 106,871,271</u>	<u>\$ 70,113,444</u>	<u>\$ 32,412,223</u>	<u>563,905,990</u>
Cash and cash equivalents					38,240
Restricted deposits held in trust accounts					<u>135,886,379</u>
					<u>\$ 699,830,609</u>

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

3. Cash and Investments, continued:

Following are the cash and investments and maturities for Marine & Other at June 30, 2020:

	Investment Maturities (in years)				Value
	Less than 1	1 - 2	2 - 3	3 - 5	
U.S. Treasuries	\$ 31,647,243	\$ 14,378,108	\$ 13,103,428		\$ 59,128,779
U.S. Agencies	26,404,419	14,625,995	13,040,094	\$ 12,956,943	67,027,451
Municipal debt	1,000,826	867,846	127,706	846,126	2,842,504
Corporate indebtedness	17,841,387	14,362,582	3,587,284		35,791,253
Certificates of deposit	149,334				149,334
	\$ 77,043,209	\$ 44,234,531	\$ 29,858,512	\$ 13,803,069	164,939,321
State of Oregon local government investment pool					50,074,371
Cash and deposits with financial institutions					32,079,709
					\$ 247,093,401

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was \$36,357,023. Of these deposits, \$250,000 was covered by federal depository insurance and \$36,107,023 was covered by collateral pledged by the Port's qualified depositories. In accordance with ORS 295, the collateral pledged is held by the agent of the qualified depositories; is designated as subject to the Pledge Agreement between the agent, the qualified depositories, and the Oregon Office of the State Treasurer (OST); and is held for the benefit of the OST on behalf of the Port.

Fair value is defined in accounting standards as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine fair value, as follows:

Level 1 – Unadjusted quoted prices in active markets for identical instruments.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Not leveled – Cash and cash equivalents and the Oregon Short-Term Fund investment pool are not measured at fair value and, thus, are not subject to the fair value disclosure requirements.

The Port's investments are valued using evaluated quotes from independent pricing vendors. The third-party vendors use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. All of the Port's investments at June 30, 2020 are considered level 2.

To address interest rate risk and limit its exposure to fair value losses arising from rising interest rates, the Port's investment policy places restrictions on the maturities of the Port's investment portfolio. Investment maturities are limited as follows:

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

3. Cash and Investments, continued:

<u>Maturity</u>	<u>Minimum Investment</u>
Two years and under	55% of par value
Three years and under	75% of par value
Five years and under	100% of par value

Oregon Revised Statutes (ORS) limit investments in corporate indebtedness to those rated P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard and Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. All investments in corporate indebtedness made during fiscal 2020 met or exceeded these ratings requirements.

Oregon Revised Statutes (ORS) limit investments in municipal debt to those lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization. In addition, lawfully issued debt obligations of the agencies and instrumentalities of the States of California, Idaho and Washington and political subdivisions of those states are authorized if the obligations have a long-term rating of AA or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. All investments in municipal debt made during fiscal 2020 met or exceeded these ratings requirements.

A portion of the Port's investments are invested in an external investment pool, the Oregon Short-Term Fund (Fund). Numerous local governments in Oregon, as well as State agencies, participate in the Fund. The fair value of the Port's position in the pool is the same as the value of the pool shares. The Fund is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments in the Fund are further governed by portfolio guidelines issued by the Fund Board. While the Fund itself is not rated, the Fund's policies provide that the composite minimum weighted average credit quality rating for the Fund's holdings are the equivalent of AA for Standard and Poor's.

As required by federal law, the Port held investments (classified as restricted assets) with a par value of \$2,550,000 at June 30, 2020 and 2019, as collateral for certain accrued liabilities for workers' compensation (Note 10). Federal law requires these investments to be in only certain prescribed negotiable securities.

Certain investment earnings are paid to the Airport from the Port General Fund pooled investments when earned. At June 30, 2020 and 2019, approximately \$381,335,000 and \$391,331,000, respectively, of the Airport's investments represent an allocated share of the Port's total investments.

4. Receivables:

Port operations are concentrated within the aviation industry for the Airport and the industrial property market and marine shipping industry for Marine & Other. Principal customers in these industries are national airlines, tenants of large Port industrial properties, and international steamship lines/agents. Each of these principal customers is affected by changes in industry market and other economic conditions. The Port evaluates the financial capacity of prospective and current customers to determine their ability to pay amounts due on a timely basis. Various forms of collateral, including irrevocable standby letters of credit and pledges from other related industry customers under a joint agreement, are obtained from certain customers, mainly for the Airport, where these pledges encompass substantially all trade receivables. Accounts receivable are monitored on an ongoing basis, and allowances for doubtful accounts are established and maintained. Total trade receivables for the aviation industry were approximately \$24,500,000 at June 30, 2020 and \$20,600,000 at June 30, 2019. Total trade receivables for the marine shipping industry were approximately \$4,600,000 at June 30, 2020 and \$3,300,000 at June 30, 2019. Total grants receivable for the Airport were approximately \$8,600,000 at June 30, 2020 and \$4,800,000 at June 30, 2019. Total grant receivables for Marine and Other were approximately \$2,200,000 at June 30, 2020 and \$3,800,000 at June 30, 2019. Other significant receivables include interest on investments and a dredging contract.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

5. Properties:

Properties activity for the year ended June 30, 2020 was as follows:

	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Airport:					
<i>Capital Assets being depreciated:</i>					
Land improvements	\$ 876,783,212		\$ (4,251)	\$ 33,728,811	\$ 910,507,772
Buildings and equipment	1,489,003,703		(1,748,201)	38,684,922	1,525,940,424
Total capital assets being depreciated	2,365,786,915		(1,752,452)	72,413,733	2,436,448,196
Less accumulated depreciation:					
Land improvements	487,041,382	\$ 30,725,844			517,767,226
Buildings & equipment	809,923,490	59,856,251	(1,705,159)		868,074,582
Total accumulated depreciation	1,296,964,872	90,582,095	(1,705,159)		1,385,841,808
Total capital assets being depreciated, net	1,068,822,043	(90,582,095)	(47,293)	72,413,733	1,050,606,388
 <i>Capital assets not being depreciated:</i>					
Land	68,042,167				68,042,167
Construction in progress	346,253,795	361,042,656		(72,413,733)	634,882,718
Total capital assets not being depreciated	414,295,962	361,042,656		(72,413,733)	702,924,885
Airport capital assets, net	\$ 1,483,118,005	\$ 270,460,561	\$ (47,293)	\$	\$ 1,753,531,273
 Marine & Other:					
<i>Capital Assets being depreciated:</i>					
Land improvements	\$ 281,095,390			\$ 22,877,847	\$ 303,973,237
Buildings and equipment	257,295,574		\$ (1,435,500)	6,482,963	262,343,037
Total capital assets being depreciated	538,390,964		(1,435,500)	29,360,810	566,316,274
Less accumulated depreciation:					
Land improvements	198,682,792	\$ 8,888,550			207,571,342
Buildings & equipment	191,535,807	9,841,335	(1,437,783)		199,939,359
Total accumulated depreciation	390,218,599	18,729,885	(1,437,783)		407,510,701
Total capital assets being depreciated, net	148,172,365	(18,729,885)	2,283	29,360,810	158,805,573
 <i>Capital assets not being depreciated:</i>					
Land	83,417,483				83,417,483
Construction in progress	21,699,811	36,201,546	(1,035,000)	(29,360,810)	27,505,547
Total capital assets not being depreciated	105,117,294	36,201,546	(1,035,000)	(29,360,810)	110,923,030
Marine & Other capital assets, net	\$ 253,289,659	\$ 17,471,661	\$ (1,032,717)	\$	\$ 269,728,603

The ordinances authorizing the issuance of Airport revenue and PFC revenue bonds do not convey title to or mortgage the Airport or any part thereof; however, the Port covenants not to encumber or dispose of Airport properties other than as specifically permitted in the ordinances and in certain grant agreements. In Marine & Other, the Port has granted a lender a first lien on a vessel used by its navigation activity as security for a related loan.

The Port leases to others certain land, buildings, and equipment at various locations for terms ranging from 2 to 92 years. All leases are accounted for as operating leases. Costs of properties leased at June 30, 2020 included above are:

	Airport	Marine & Other	Total Port
Land and improvements	\$ 4,446,566	\$ 31,420,645	\$ 35,867,211
Buildings and equipment	721,589,575	43,155,561	764,745,136
	726,036,141	74,576,206	800,612,347
Accumulated depreciation	(488,438,064)	(35,257,756)	(523,695,820)
	\$ 237,598,077	\$ 39,318,450	\$ 276,916,527

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

5. Properties, continued:

Minimum future rentals receivable on noncancelable operating leases for the five succeeding fiscal years and thereafter are:

	<u>Airport</u>	<u>Marine & Other</u>	<u>Total Port</u>
2021	\$ 48,149,000	\$ 15,745,000	\$ 63,894,000
2022	46,663,000	12,448,000	59,111,000
2023	40,910,000	11,330,000	52,240,000
2024	27,110,000	10,196,000	37,306,000
2025	14,286,000	7,926,000	22,212,000
Thereafter	<u>63,775,000</u>	<u>118,786,000</u>	<u>182,561,000</u>
Total	<u>\$ 240,893,000</u>	<u>\$ 176,431,000</u>	<u>\$ 417,324,000</u>

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2020 and 2019:

	<u>Airport</u>	<u>Marine & Other</u>	<u>Total Port</u>
2020	\$ 78,000,000	\$ 3,500,000	\$ 81,500,000
2019	\$ 73,800,000	\$ 4,200,000	\$ 78,000,000

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt:

At June 30, 2020, long-term debt consisted of the following:

	<u>Pension</u>	<u>Airport Revenue</u>	<u>Passenger Facility Charge Revenue</u>	<u>Customer Facility Charge Revenue</u>	<u>Commercial Paper</u>
Limited Tax Pension bonds:					
2002 Series (issued in fiscal 2002, original issue \$54,952,959):					
6.85%, due serially from fiscal 2020 through fiscal 2028	\$ 37,055,000				
6.6%, due fiscal 2025	6,205,000				
2005 Series (issued in fiscal 2006, original issue \$20,230,000):					
5.004%, due fiscal 2028	12,995,000				
Portland International Airport revenue bonds:					
Series Eighteen (issued in fiscal 2008, original issue \$138,890,000 variable interest rate):					
currently 0.32%, due fiscal 2027		\$ 27,615,000			
currently 0.32%, due fiscal 2027		27,615,000			
Series Twenty (issued in fiscal 2011, original issue \$157,050,000):					
3.0% to 5.0%, due serially through fiscal 2021		6,360,000			
Series Twenty-One C (issued in fiscal 2012, original issue \$27,685,000):					
4.375% to 5.0%, due serially through fiscal 2024		22,645,000			
Series Twenty-Two (issued in fiscal 2015, original issue \$90,050,000):					
5.0%, due serially through fiscal 2035		39,915,000			
5.0%, due fiscal 2040		21,245,000			
5.0%, due fiscal 2045		27,110,000			
Series Twenty-Three (issued in fiscal 2015, original issue \$109,440,000):					
5.0%, due serially through fiscal 2036		79,910,000			
5.0%, due fiscal 2039		23,250,000			
Series Twenty-Four (issued in fiscal 2017, original issue \$233,240,000):					
5.0%, due serially through fiscal 2038		111,655,000			
5.0%, due fiscal 2043		52,770,000			
5.0%, due fiscal 2048		67,360,000			
Series Twenty-Five (issued in fiscal 2019, original issue \$208,255,000):					
5.0%, due serially through fiscal 2040		100,235,000			
5.0%, due fiscal 2045		47,455,000			
5.0%, due fiscal 2050		60,565,000			
Series Twenty-Six (issued in fiscal 2020, original issue \$72,725,000):					
5.0%, due fiscal 2027		3,900,000			
5.0%, due serially through fiscal 2029		48,005,000			
5.0%, due fiscal 2030		4,110,000			
5.0%, due fiscal 2034		5,110,000			
4.0% to 5.0%, due fiscal 2038		6,170,000			
4.0% to 5.0%, due fiscal 2041		5,430,000			
Passenger Facility Charge revenue bonds:					
Series 2011A (issued in fiscal 2012, original issue \$75,670,000):					
3.0% to 5.5%, due serially through fiscal 2032			\$ 65,440,000		
Series 2012A (issued and privately placed in fiscal 2013, original issue \$57,725,000):					
variable interest rate, currently 0.6976%, due fiscal 2025			46,450,000		
Customer Facility Charge revenue bonds:					
Series 2019 (issued in fiscal 2019, original issue \$163,290,000):					
2.635% to 3.865%, due serially through fiscal 2033				\$ 49,280,000	
3.915%, due serially through fiscal 2035				9,730,000	
4.067%, due serially through fiscal 2040				27,940,000	
4.237%, due serially through fiscal 2050				76,340,000	
Portland International Airport commercial paper:					
Series B (issued in fiscal 2020)					
0.20%, due fiscal 2021					\$ 90,100,000
Totals, including \$4,925,000, \$31,200,000, \$8,505,000, \$3,160,000, and \$90,100,000 respectively, due within one year	<u>\$ 56,255,000</u>	<u>\$ 788,430,000</u>	<u>\$ 111,890,000</u>	<u>\$ 163,290,000</u>	<u>\$ 90,100,000</u>

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

	<u>Direct Borrowings - Contracts and Loans Payable at June 30, 2020</u>
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2009, original amount available \$2,000,000), 0.0%, payable in annual installments of \$200,000 due March 31, 2021, including \$200,000 due within one year	\$ 200,000
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2011, original amount available \$7,427,000), 0.0%, payable in annual installments of \$742,700 due July 1, 2021 through July 1, 2022	1,485,400
State of Oregon Business Development Department Special Public Works Fund loan (issued in fiscal 2009, original amount available \$8,700,000), 3.00% to 4.00%, payable in annual installments ranging from \$398,250 due December 1, 2020 to \$573,262 due December 1, 2030, including \$398,250 due within one year	5,270,669
Banc of America Leasing & Capital, LLC, (issued in fiscal 2013, original amount \$15,100,000, secured by a lien on the financed asset), 4.5%, payable in monthly installments ranging from \$80,898 due August 1, 2020 to \$115,011 due June 1, 2028, including \$991,047 due within one year	9,211,836
State of Oregon Business Development Department Strategic Reserve Fund loan (issued in fiscal 2020, original amount available \$500,000), 0.0%, outstanding principal due on March 31, 2022, if not sooner paid or forgiven by the State	<u>500,000</u>
Total, including \$1,589,297 due within one year	<u>\$ 16,667,905</u>

Future debt service requirements on bonds, contracts and loans payable at June 30, 2020 are as follows:

	Airport									
	Directly Placed 2012A									
	Revenue Bonds		PFC Revenue Bonds		PFC Revenue Bonds		CFC Revenue Bonds		Commercial Paper	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021 \$	31,200,000	\$ 35,061,369	\$ 135,000	\$ 3,381,300	\$ 8,370,000	\$ 324,035	\$ 3,160,000	\$ 6,323,129	\$ 90,100,000	\$ 11,324
2022	32,275,000	35,097,856	125,000	3,377,244	8,805,000	265,646	3,240,000	6,237,578		
2023	31,325,000	33,925,726	105,000	3,373,506	9,265,000	204,222	3,330,000	6,147,556		
2024	34,200,000	32,621,507	80,000	3,370,400	9,750,000	139,590	3,420,000	6,052,751		
2025	30,005,000	31,350,458	60,000	3,367,950	10,260,000	71,574	3,520,000	5,952,165		
2026-2030	130,825,000	139,156,757	44,020,000	11,469,637			19,320,000	27,973,239		
2031-2035	118,460,000	110,210,675	20,915,000	1,154,338			23,020,000	24,154,873		
2036-2040	142,560,000	76,983,450					27,940,000	19,104,327		
2041-2045	134,645,000	43,019,525					34,225,000	12,667,465		
2046-2050	102,935,000	11,112,625					42,115,000	4,608,903		
\$	<u>788,430,000</u>	<u>\$ 548,539,948</u>	<u>\$ 65,440,000</u>	<u>\$ 29,494,375</u>	<u>\$ 46,450,000</u>	<u>\$ 1,005,067</u>	<u>\$ 163,290,000</u>	<u>\$ 119,221,986</u>	<u>\$ 90,100,000</u>	<u>\$ 11,324</u>

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

		Marine & Other			
		Pension Bonds		Direct Borrowings	
		Principal	Interest	Principal	Interest
2021	\$	4,925,000	\$ 3,598,067	\$ 1,589,297	\$ 592,165
2022		5,605,000	3,283,411	2,694,914	532,698
2023		6,350,000	2,924,666	2,255,006	470,530
2024		7,165,000	2,517,566	1,574,307	407,880
2025		8,040,000	2,057,592	1,638,757	342,023
2026-2030		24,170,000	2,867,525	6,342,362	687,288
2031-2035				573,262	22,213
	\$	56,255,000	\$ 17,248,827	\$ 16,667,905	\$ 3,054,797

Changes in long-term debt on the balance sheet for the year ended June 30, 2020 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Long-term privately placed bonds outstanding	\$ 54,405,000		\$ (7,955,000)	\$ 46,450,000
less: current portion	(7,955,000)	\$ (8,370,000)	7,955,000	(8,370,000)
Long-term bonds outstanding	1,052,905,000	72,725,000	(108,470,000)	1,017,160,000
less: current portion	(26,415,000)	(34,495,000)	26,415,000	(34,495,000)
Unamortized bond issue premium	92,442,830	11,832,776	(8,511,849)	95,763,757
Long-term debt	\$ 1,165,382,830	\$ 41,692,776	\$ (90,566,849)	\$ 1,116,508,757
Marine & Other:				
Long-term direct borrowings outstanding	\$ 21,350,605	\$ 500,000	\$ (5,182,700)	\$ 16,667,905
less: current portion	(2,335,626)	(1,589,297)	2,335,626	(1,589,297)
Long-term bond debt outstanding	58,452,781		(2,197,781)	56,255,000
less: current portion	(2,197,781)	(4,925,000)	2,197,781	(4,925,000)
Long-term portion outstanding	\$ 75,269,979	\$ (6,014,297)	\$ (2,847,074)	\$ 66,408,608

In addition, at June 30, 2020 and 2019, the Port has recorded \$17,418,509 and \$19,937,002 respectively, within the Airport activity, for the difference between the reacquisition price and the net carrying amount of refunded bonds, which is recorded as a deferred outflow of resources on the balance sheet.

CONTRACTS, LOANS AND PENSION BONDS

Contracts and loans in Marine & Other are direct borrowings payable from revenues of the Port, including existing property tax levies. The contracts and loans provide that in the event of default, outstanding amounts may be immediately due and payable. Two loans also grant a lien under which the lender may also choose to sell the secured property in the event of default.

Limited Tax Pension Bonds were issued to fund the Port's estimated unfunded actuarial accrued liability as of April 1, 2002 (Note 8). These bonds are backed by a pledge of the full faith and credit of the Port's Marine & Other activity, and

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

debt service is payable from Marine & Other revenues, including existing property tax levies. Additional property taxes may not be levied for debt service on these bonds. Bonds maturing on June 1, 2025 are redeemable at the option of the Port on or after June 1, 2007 at par, in whole or in part, by lot, on any date up to June 1, 2025. Bonds maturing on June 1, 2028 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning June 1, 2020, and on each June 1 thereafter.

Limited Tax Pension Bonds were also issued to fund the Port's estimated unfunded actuarial accrued liability as of October 1, 2005 (Note 8). These bonds are backed by a pledge of the full faith and credit of the Port's Marine & Other activity, and debt service is payable from Marine & Other revenues, including existing property tax levies. Additional property taxes may not be levied for debt service on these bonds. These bonds are subject to optional redemption by the Port, in whole or in part, on any date, at a price equal to the greater of par or a discounted value, as defined. Bonds maturing on June 1, 2020 are subject to mandatory redemption, at par, prior to maturity, in part, beginning June 1, 2015, and on each June 1 thereafter. Bonds maturing on June 1, 2028 are subject to like mandatory redemption, beginning June 1, 2021, and on each June 1 thereafter.

PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS

Port Ordinance No. 155, enacted November 10, 1971, and Ordinance No. 323, enacted October 9, 1985, both subsequently amended (Ordinances), authorize the issuance of Portland International Airport Revenue Bonds (Airport revenue bonds) to pay the costs of acquiring and constructing Airport and other Port improvements. Port Ordinance No. 323 further restricts sales of Airport revenue bonds except for the purpose of paying the costs of construction of additions, expansion, and improvements at the Airport and the costs of acquisition and construction of general aviation airports. Both Ordinances also allow for the issuance of refunding bonds. The revenue bonds are not in any manner or to any extent a general obligation, a lien on tax revenues of the Port, or a charge upon any revenues or property of the Port not specifically pledged thereto. The proceeds of all such revenue bonds issued to date have been deposited in funds (accounts) designated for, and have been used for, Airport purposes only.

These Ordinances require that Airport revenues and costs of operation and maintenance be accounted for in an Airport revenue fund. Any excess of revenues over costs other than depreciation is to be credited in the following order for uses specified in Ordinance No. 155:

- General account for payment to an Airport revenue bond fund to provide for the punctual payment of bond interest and principal.
- General account for all other permitted uses.

Proceeds from sales of bonds not expended for allowable acquisitions or construction shall be used for repayment of bonds.

These Ordinances established debt service reserve accounts in an Airport revenue bond fund to accumulate the maximum debt service requirements, as defined in the Ordinances, for any future fiscal year for all outstanding bonds. Debt service reserve insurance may be substituted for any portion of the bond reserve requirement. For all outstanding Airport revenue bonds, the bond reserve requirement has been met. The Ordinances state that upon the occurrence of a default, outstanding amounts may be declared immediately due and payable upon written request by a majority of bond holders based upon aggregate principal.

Section 16(ii) of Ordinance No. 155 and Section 5f of Ordinance No. 323 further stipulate that defined net revenues in each fiscal year must equal at least 130 percent of defined debt service requirements. The Airport has complied with this provision of the Ordinances for the years ended June 30, 2020 and 2019.

On July 1, 2015, ten year contracts with major airline customers became effective in which the airlines have provided financial guarantees sufficient to meet the net revenues requirement for airline supported activities, primarily airfield and terminal operations. Net revenues of other activities, primarily parking, air cargo, and a portion of rental car operations are neither guaranteed nor limited to specified levels by these contracts. The contracts also contain an annual revenue sharing

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

provision through June 30, 2025 in which fees to signatory airlines are discounted \$6,000,000 annually. The annual discount is subject to certain 1) reductions, contingent on the Port managing operating expenses to a defined target level and 2) increases, contingent on Airport coverage ratio thresholds. The discount amount was increased by \$4,998,937 for fiscal 2020 and by \$4,418,872 for fiscal 2019.

In fiscal 2020, the Port issued Series Twenty-Six bonds, the proceeds of which were deposited in an irrevocable trust with an escrow agent to advance refund \$82,055,000 of Series Twenty bonds and used to pay costs of issuing the Series Twenty-Six bonds. As a result, the \$82,055,000 of Series Twenty bonds are considered defeased and the trust account assets and the liability for those bonds are not included in the financial statements. Cash flows to pay debt service on the new Series Twenty-Six bonds are \$10.2 million less than the cash flows required to pay debt service of the defeased bonds, resulting in a net present value savings of \$8.8 million. The Series Twenty-Six bonds have a coupon rates ranging from 4 percent to 5 percent, with maturities ranging from 2021 to 2040. Series Twenty-Six bonds maturing on or before July 1, 2029 are not subject to optional redemption prior to maturity. Series Twenty-Six A and B bonds maturing on or after July 1, 2033 are redeemable at the option of the Port on or after July 1, 2030 at 100 percent of the principal amount plus accrued interest. Series Twenty-Six C bonds are not subject to optional redemption prior to their stated maturity.

Series Twenty-Five bonds maturing on or before July 1, 2029 are not subject to optional redemption prior to maturity. Series Twenty-Five bonds maturing on or after July 1, 2030 are redeemable at the option of the Port, on or after January 1, 2029 at 100 percent of the principal amount plus interest.

Series Twenty-Four bonds maturing on or before July 1, 2027 are not subject to optional redemption prior to maturity. Series Twenty-Four bonds maturing on or after July 1, 2028 are redeemable at the option of the Port on or after July 1, 2027 at 100 percent of the principal amount plus accrued interest.

Series Twenty-Three bonds maturing on or before July 1, 2025 are not subject to optional redemption prior to maturity. Series Twenty-Three bonds maturing on or after July 1, 2026 are redeemable at the option of the Port on or after July 1, 2025 at 100 percent of the principal amount plus accrued interest.

Series Twenty-Two bonds maturing on or before July 1, 2024 are not subject to optional redemption prior to maturity. Series Twenty-Two bonds maturing on or after July 1, 2025 are redeemable at the option of the Port on or after July 1, 2024 at 100 percent of the principal amount plus accrued interest.

Series Twenty-One C bonds maturing on or before July 1, 2021 are not subject to optional redemption prior to maturity. Series Twenty-One C bonds maturing on or after July 1, 2022 are redeemable at the option of the Port on or after July 1, 2021 at 100 percent of the principal amount plus accrued interest.

Series Twenty-One B bonds are not subject to redemption prior to maturity.

Series Twenty bonds maturing on or before July 1, 2020 are not subject to redemption prior to maturity. Series Twenty bonds maturing on or after July 1, 2021 were advance refunded and defeased during fiscal 2020 by placing proceeds from the Series Twenty-Six bonds in an irrevocable trust with an escrow agent. As a result, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2020, \$82,055,000 of the Series Twenty defeased debt was still outstanding.

Series Eighteen variable rate demand bonds bear an interest rate that is generally reset weekly by remarketing agents, and cannot exceed 12.0 percent. Payments of principal and interest on the Series Eighteen bonds and the purchase price of Series Eighteen bonds that are subject to optional or mandatory purchase and not remarketed will be payable by draws on an irrevocable direct pay letter of credit. Series Eighteen bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part, by lot, on any business day. In the event that Series Eighteen bonds are not remarketed and the irrevocable direct pay letter of credit is drawn upon, the draw will constitute a liquidity advance by the letter of credit bank. The Port must repay the liquidity advance over a term of three years at a variable rate of interest that increases over time, reaching a maximum rate of the greater of the federal funds rate plus 2.5 percent, or the bank's prime rate plus 2.0 percent. In the event of default, outstanding amounts become immediately due and payable.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long Term Debt, continued:

All Airport revenue bonds principal and interest are payable solely from revenues derived from the operation and related services of the Airport.

PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS

Port Ordinance No. 395-B, enacted June 10, 1999, authorized the issuance of Portland International Airport Passenger Facility Charge Revenue Bonds (PFC revenue bonds) to pay the costs of construction of certain Federal Aviation Administration approved PFC projects. The PFC revenue bonds are backed by a pledge and assignment of PFC revenues. The PFC revenue bonds are not in any manner or to any extent a general obligation, a lien on tax revenues of the Port, or a charge upon any other revenues or property of the Port not specifically pledged thereto. The proceeds of all PFC revenue bonds issued to date have been deposited in funds (accounts) designated for, and have been used for, prescribed purposes only.

Ordinance No. 395-B established a debt service reserve account in an amount equal to the maximum annual debt service. The reserve account was fully funded from PFC bond proceeds. Ordinance No. 395-B requires that PFC revenues be accounted for in a PFC fund and used for, in order of priority, payments into a PFC bond fund to provide for payment of PFC bond interest and principal, payments into the reserve account, any required payments into an obligations account, any required payments into an obligations reserve account, and then to a PFC capital account. The capital account may be used to pay costs of construction, additions, improvements, repairs to, or extensions of approved PFC projects or be used for any other lawful Port purpose to the extent permitted by PFC regulations. Until so applied, amounts in the capital account are pledged to payment of and subject to a lien and charge in favor of registered owners of the PFC revenue bonds.

In connection with the PFC revenue bonds, the Port has also covenanted to comply with PFC laws and regulations, noise regulations, and to manage the PFC program so that remaining PFC authority (as defined in Ordinance No. 395-B) less contractual commitments, shall exceed 105 percent of defined unpaid debt service.

The Series 2012A variable rate bonds were issued in the form of index bonds bearing an interest rate that is generally reset weekly based on an applicable spread of 55 basis points plus 80 percent of 1 month LIBOR, and cannot exceed 12.0 percent. The Series 2012A bonds have a maturity date of July 1, 2024 and are subject to mandatory sinking account payments prior to maturity. The Series 2012A bonds were directly purchased by a single buyer for an initial purchase period ending June 1, 2024. Series 2012A bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part. In the event of default, outstanding amounts become immediately due and payable.

Series 2011A bonds maturing on or before July 1, 2021 are not subject to optional redemption prior to maturity. Series 2011A bonds maturing on or after July 1, 2022 are redeemable at the option of the Port on or after July 1, 2021 at 100 percent of the principal amount plus accrued interest.

PFC revenue bonds principal and interest are payable solely from PFC revenues.

PORTLAND INTERNATIONAL AIRPORT CUSTOMER FACILITY CHARGE REVENUE BONDS

Port Ordinance 461-B, enacted February 13, 2019, authorized the issuance and sale of Portland International Airport Customer Facility Charge Revenue Bonds (CFC revenue bonds) to finance and refinance costs of rental car facilities and related projects at Portland International Airport. CFC revenue bonds are secured by and payable solely from customer facility charges (CFCs) collected from rental car customers who rent cars from rental car companies operating at the Airport, with the backstop of a contingent fee payment from the rental car companies operating at the Airport in the event that there is a deficiency in CFCs needed to make payments or meet covenants pursuant to the CFC bond ordinances. The CFC revenue bonds are not in any manner or to any extent a general obligation, nor a charge upon any other revenues or property of the Port not specifically pledged thereto. The proceeds of all CFC revenue bonds issued to date have been deposited in funds (accounts) designated for, and have been used for, prescribed purposes only.

Series 2019 CFC revenue bonds maturing on or after July 1, 2030, are redeemable at the option of the Port, on any date on or after July 1, 2029 at 100 percent of the principal amount plus interest. In addition, the Series 2019 CFC revenue bonds

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

are subject to redemption prior to July 2029, at the option of the Port, on any date at a make-whole redemption price equal to either 1) the greater of 100% of the principal amount plus accrued interest, or 2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the bonds being redeemed plus a make-whole spread, plus accrued interest.

PORTLAND INTERNATIONAL AIRPORT COMMERCIAL PAPER

Port Ordinance No. 463-CP, enacted November 8, 2017, authorized the issuance of Portland International Airport Third Lien Commercial Paper Notes (commercial paper) of up to \$300 million aggregate principal amount outstanding at any one time to pay, refinance, or reimburse the Port for the payment of costs of constructing, renovating, acquiring, equipping and installing improvements at the Airport, to pay costs of issuing commercial paper, and for any other lawful purposes of the Port. Commercial paper is issued pursuant to Section 6B of Port Ordinance 323 and is payable solely from the defined net revenues of the Airport that are available in the Third Lien Obligation Fund.

In fiscal 2018, the Port issued Series B and Series C commercial paper to fund the costs of constructing improvements at the Airport and to pay interest on maturing commercial paper. Commercial paper outstanding totaled \$90,100,000 and \$1,500,000 at June 30, 2020 and 2019, respectively. Commercial paper is included in current portion of long-term debt on the balance sheet. In the event of default, outstanding amounts become immediately due and payable.

DERIVATIVE INSTRUMENTS

At June 30, 2020, the Airport had the following hedging derivative instruments outstanding:

<u>Item</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Fair Value</u>
A	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	\$ 2,945,000	7/1/2005	7/1/2025	Pay 5.1292%, receive 68% 1 month LIBOR	\$ (306,000)
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	\$ 2,945,000	7/1/2005	7/1/2025	Pay 5.1339%, receive 68% 1 month LIBOR	\$ (306,000)
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	\$24,405,000	7/1/2006	7/1/2026	Pay 4.9356%, receive 68% 1 month LIBOR	\$ (2,756,000)
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	\$24,405,000	7/1/2006	7/1/2026	Pay 4.9403%, receive 68% 1 month LIBOR	\$ (2,756,000)

At the inception of each interest rate swap agreement, the fixed rate on each of the swaps was off-market such that the Airport received an up-front payment; for derivative instruments A, B, C, and D, collectively, the Airport received three equal up-front payments totaling \$9,293,538. As such, each swap is comprised of a derivative instrument, an at-market swap, and a companion borrowing instrument represented by the upfront payment. The fair value of the derivatives was negative \$6,124,000 at June 30, 2020 and is recorded on the Airport's balance sheet as a noncurrent liability; the unamortized balance of the borrowing is recorded on the Airport's balance sheet as a restricted current liability of \$357,243 and a noncurrent liability of \$764,409 at June 30, 2020. Hedge accounting is applied to the derivatives, and accordingly, the cumulative change in fair value of the derivatives (at-market interest rate swaps) were recorded as deferred outflows of \$6,124,000, which is an increase of \$218,000 from the June 30, 2019 amount.

The fair values of the at-market interest rate swaps are estimated using the zero-coupon method. The method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

curves correctly anticipate future spot interest rates. These payments are discounted using the spot rates implied by the current yield curves for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. The Airport has two separate counterparties for these interest rate swaps. To minimize its exposure to loss related to credit risk, it is the Port's policy to enter into interest rate swaps with counterparties which have demonstrated experience in these types of financial instruments and either 1) rated in one of the top three rating categories by at least two nationally recognized rating agencies, or 2) will collateralize in accordance with all statutory requirements. The June 30, 2020 credit rating for each of the counterparties is as follows:

<u>Derivative Instrument</u>	<u>Counterparty Credit Rating</u>
Derivative A and C	A+ / Aa2
Derivative B and D	AA- / Aa2

Interest rate swaps with positive fair values are exposed to credit risk; interest rate swaps with negative fair values are not exposed to credit risk. At June 30, 2020, none of the Airport's interest rate swaps were exposed to credit risk.

Interest rate risk. The Airport is exposed to interest rate risk on its pay-fixed, receive 68% of 1 month LIBOR interest rate swaps. As 1 month LIBOR decreases, the Airport's net payment on the swaps increases; this is offset substantially by decreases in the Airport's interest payments on the bonds.

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps A, B, C, and D are variable rate demand obligation (VRDO) bonds that are remarketed weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedging the VRDO bonds, because the variable rate payments received by the Airport on these derivative instruments are based on a rate or index other than the interest rates the Airport pays on the VRDO bonds. At June 30, the weighted-average interest rate on the Airport's VRDO bonds is 0.32 percent, while 68 percent of 1 month LIBOR is approximately 0.124 percent.

Termination risk. The Airport or its counterparty may terminate an interest rate swap if the other party fails to perform under the terms of the contract. In addition, the swap may be terminated if the Airport or a swap counterparty's rating drops below BBB- / Baa3. At termination, the Airport may owe a termination payment if there is a realized loss based on the fair value of the terminated interest rate swap.

Derivative instruments A, B, C and D require the Airport to post collateral in the event that its Standard & Poors credit rating drops below A-. The collateral posted is to be in the form of cash or U.S. Treasury securities in the amount of the negative fair value of the interest rate swap. The Airport's credit rating is AA- at June 30, 2020; therefore, no collateral has been posted for these derivative instruments.

At June 30, 2020, the Airport had the following investment derivative instruments outstanding:

<u>Item</u>	<u>Type</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Fair Value</u>
E	Pay-fixed interest rate swap	\$ 27,870,000	7/1/2009	7/1/2024	Pay 4.975%, receive 68% 1 month LIBOR	\$ (2,220,000)
F	Pay-fixed interest rate swap	\$ 18,580,000	7/1/2009	7/1/2024	Pay 4.955%, receive 68% 1 month LIBOR	\$ (1,470,000)

At the inception of each interest rate swap agreement, the fixed rate on each of the swaps was off-market such that the Airport received an up-front payment; for derivative instruments E and F, the Airport received an up-front payment totaling \$5,453,000. As such, each swap is comprised of a derivative instrument, an at-market swap, and a companion borrowing instrument represented by the upfront payment. The fair value of the derivatives was negative \$3,690,000 at June 30, 2020 and is recorded on the Airport's balance sheet as a noncurrent liability; the unamortized balance of the

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

borrowing is recorded on the Airport's balance sheet as a restricted current liability of \$427,187 and a noncurrent liability of \$625,998 at June 30, 2020. In fiscal 2013, the 2009A PFC variable rate bonds hedged by derivative instruments E and F were refunded; therefore, for accounting and financial reporting purposes, these derivatives are considered investment derivative instruments. Accordingly, the decrease in fair value of the swaps of \$60,000 during fiscal 2020 was recorded in interest revenue on the statement of revenues, expenses, and changes in net position.

The fair values of the at-market interest rate swaps are estimated using the zero-coupon method. The method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curves correctly anticipate future spot interest rates. These payments are discounted using the spot rates implied by the current yield curves for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. The Airport has two separate counterparties for these interest rate swaps. To minimize its exposure to loss related to credit risk, it is the Port's policy to enter into interest rate swaps with counterparties which have demonstrated experience in these types of financial instruments and either 1) rated in one of the top three rating categories by at least two nationally recognized rating agencies, or 2) will collateralize in accordance with all statutory requirements. The June 30, 2020 credit rating for each of the counterparties is as follows:

<u>Derivative Instrument</u>	<u>Counterparty Credit Rating</u>
Derivative E	A+ / Aa2
Derivative F	A- / A2

Interest rate swaps with positive fair values are exposed to credit risk; interest rate swaps with negative fair values are not exposed to credit risk. At June 30, 2020, none of the Airport's interest rate swaps were exposed to credit risk.

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps E and F are index rate bonds with rates that are reset weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedged to the index rate bonds, because the variable rate payments received by the Airport on these derivative instruments are based on a rate other than the interest rate the Airport pays on the index rate bonds. At June 30, the weighted-average interest rate on the Airport's index rate bonds is approximately 0.698 percent, while 68 percent of 1 month LIBOR is approximately 0.125 percent.

Derivative instrument E requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below A- or if the negative fair value of that derivative instrument exceeds \$15 million. The Airport's credit rating is AA- at June 30, 2020, and the negative fair value of derivative instrument E does not exceed \$15 million; therefore, no collateral has been posted for this derivative instrument. Derivative instrument F requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below BBB- or if there is a negative fair value of that derivative instrument. Derivative instrument F has a negative fair value at June 30, 2020; therefore, the Airport has posted \$2,000,000 in collateral with the counterparty (included in restricted cash and equity in pooled investments on the Airport's balance sheet).

As rates vary, variable rate bond interest payments and net swap payments will vary. Although not a prediction by the Port of future interest cost of the variable rate bonds or of the impact of interest rate swaps, following are debt service requirements of the Airport's hedged variable rate debt and related net swap payments, using rates as of June 30, 2020:

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

Variable Rate Airport Revenue Bonds				
	<u>Principal</u>	<u>Interest</u>	Interest Rate <u>Swaps, net</u>	<u>Total</u>
2021	\$ 9,865,000	\$ 145,168	\$ 1,860,150	\$ 11,870,318
2022	10,310,000	112,176	1,471,298	11,893,474
2023	6,590,000	91,088	1,163,986	7,845,074
2024	6,900,000	69,008	840,681	7,809,689
2025	7,215,000	45,920	519,933	7,780,853
2026-27	14,350,000	21,712	326,138	14,697,850
	<u>\$ 55,230,000</u>	<u>\$ 485,072</u>	<u>\$ 6,182,186</u>	<u>\$ 61,897,258</u>

Variable Rate Passenger Facility Charge Bonds				
	<u>Principal</u>	<u>Interest</u>	Interest Rate <u>Swaps, net</u>	<u>Total</u>
2021	\$ 8,370,000	\$ 265,646	\$ 1,121,949	\$ 9,757,595
2022	8,805,000	204,222	820,953	9,830,175
2023	9,265,000	139,590	504,215	9,908,805
2024	9,750,000	71,574	341,807	10,163,381
2025	10,260,000			10,260,000
	<u>\$ 46,450,000</u>	<u>\$ 681,032</u>	<u>\$ 2,788,924</u>	<u>\$ 49,919,956</u>

7. Industrial Revenue Bonds:

The Port facilitates the issuance of industrial revenue bonds by others to finance construction of industrial facilities within the Port district which it leases or sells on installment contracts to the industrial users. Such facilities and the related receipts from lease rentals and contract payments are pledged for payment of the bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than the industrial facilities for which they were issued. Accordingly, the bond liability and related receivables are not reflected in the Port's financial statements.

Industrial revenue bonds for Airport industrial facilities were outstanding in the amount of \$17,300,000 at both June 30, 2020 and 2019.

8. Pension Plans and Deferred Compensation Plan:

Most employees, after six months of employment, are participants in the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan (Plan), administered by PERS, to which employees and employers both contribute. Benefits generally vest after five years of service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits are generally based on salary and length of service or retiree account balance, are calculated using a formula, and are payable in a lump sum or monthly using several payment options. Monthly benefits are adjusted annually through cost-of-living adjustments (COLA). A prospective cap on the COLA which took effect in fiscal 2015 and beyond varies based upon the amount of the annual benefit. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

8. Pension Plans and Deferred Compensation Plan, continued:

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of PERS, and additions to/deductions from PERS' fiduciary net position, have been determined on the same basis as they are reported by PERS. PERS uses accrual basis accounting for all funds, recognizing revenues when earned, contributions when due, benefits in the month they are earned, and withdrawals in the month they are due and payable. PERS issues a publicly available financial report, which may be obtained at www.oregon.gov/pers or by writing to PERS, PO Box 23700, Tigard, Oregon 97281. The rate of employee contributions (6 percent of annual covered salary) is established by state statute, and the rate of employer contributions to PERS is set periodically by PERS based on actuarial valuations. The Port's contribution rates were 15.63 percent and 15.57 percent of annual covered payroll for fiscal years 2020 and 2019, respectively. Beginning January 1, 2020, the Port's fiscal 2020 contribution rate was reduced to 12.81 percent due to the creation of a new Port side-specific account. The Port also pays the required employee contribution. The Port, by electing to join the State and Local Government Rate Pool, effective January 1, 2002, is part of the cost-sharing multiple-employer segment of the pension plan. Limited tax pension bonds were issued to fund the Port's estimated unfunded actuarial accrued liability (UAL) of \$54,068,039 as of April 1, 2002, and \$20,012,029 as of October 1, 2005. The proceeds from these bond issues are held by PERS in side accounts specific to the Port, and are factors in the calculation of the Port's employer contribution rates and the Port's proportionate share of the collective Net Pension Liability (NPL) or Net Pension Asset (NPA). Of these bond issue amounts, \$25,550,920 and \$11,244,225 were applicable to the Airport, and were recorded on the Airport balance sheet as liabilities (due to Marine & Other). The Airport liability is reduced proportionately as the Marine & Other activity makes principal payments on the pension bonds. Principal payments on the pension bonds were made in the amounts of \$2,197,780 and \$1,886,618 in fiscal 2020 and 2019, respectively, of which \$1,136,901 and \$979,576 were applicable to the Airport.

In December 2019, the Port contributed \$30 million to PERS in order to create two new Port-specific side accounts to provide future pension contribution rate relief for the Port. Both new accounts were funded by the Marine & Other activity. One side account in the amount of \$20 million qualified for nearly \$5 million in matching funds from the Oregon State Employer Incentive Fund; this account is being amortized to provide pension rate relief over 16 years beginning January 1, 2020. Effective January 1, 2020, PERS reduced the Port's contribution rates for PERS and OPSRP by 2.82 percent. The second side account was established in the amount of \$10 million and is being amortized to provide pension rate relief over 10 years, with rate relief deferred to commence on July 1, 2029. The intent of creating these side accounts was to effectively offset a portion of the Port's proportionate share of the collective NPL attributable to the Marine & Other activity, and reduce future Port pension contributions for the Marine & Other activity over a total of 20 years. The matching funds were reported in other nonoperating income on the statement of revenues, expenses, and changes in net assets. PERS does not recognize the Airport as a separate activity of the Port, so internal accounting adjustments are necessary for rate relief from the new side accounts to be credited only to the Marine & Other activity.

The 2003 Oregon legislature adopted a number of amendments to the benefit structure of PERS, later modified by the Oregon Supreme Court. In addition to adopting amendments to the benefit structure of PERS, the 2003 legislature passed HB 2020, which established a successor pension plan to PERS, the Oregon Public Service Retirement Plan (OPSRP). All public employees hired on or after August 29, 2003, unless membership was previously established in PERS, become participants in OPSRP, generally after six months of employment. OPSRP is a hybrid pension plan with two components, the Pension Program (a defined benefit program) and the Individual Account Program (IAP) (a defined contribution program), and is administered by PERS, the agency. The Pension Program is funded by employer contributions. For general service members, normal retirement age is 65 or age 58 with 30 years of service, and for police and fire members, normal retirement age is 60 or age 53 with 25 years of service. Retirement benefits under the Pension Program are calculated using a formula based on final average salary, as defined, and years of service. The IAP is funded by a 6 percent employee contribution (which may be paid by the employer for the employee). The Port pays the employee contribution. Employee contributions are placed in an employee account, accounts are adjusted for earnings or losses, and are paid at retirement, either as a lump sum or in installments. Effective January 1, 2004, required 6 percent employee contributions for PERS members are paid to the member's IAP account rather than the member's PERS account, as required by the 2003 legislation. The Port's employer contribution rate to OPSRP, set periodically by PERS based on actuarial valuations, was 8.40 percent of annual covered payroll for general service members and 13.03 percent for police and fire members for fiscal 2020, and 8.02 percent of annual covered payroll for general service members and 12.79 percent for police and fire members for fiscal 2019. Beginning January 1, 2020, the Port's fiscal 2020 contribution rate was reduced to 5.58 percent of annual covered payroll for general service members and 10.21 percent for police and fire members due to the creation of a new Port side-specific account. The Port also pays the required employee contributions of 6 percent of annual covered salary.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

8. Pension Plans and Deferred Compensation Plan, continued:

The Port's fiscal 2020 and 2019 regular pension contributions recognized by PERS were \$10,870,643 and \$8,714,060. Actuarial determinations are not made solely as to Airport employees. PERS contributions of \$5,448,156 and \$4,266,890 were applicable to the Airport for fiscal years 2020 and 2019, respectively, based upon payroll expense.

GASB Statement No. 68 (GASB 68) establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit pensions, GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 requires the liability of employers to employees for defined benefit plans (NPL or NPA) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (Total Pension Liability (TPL) or Total Pension Asset (TPA)), less the amount of the pension plan's fiduciary net position. Employers participating in cost-sharing plans recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation methodology.

The Port recognizes its proportion of the PERS NPL or NPA, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension expense. The TPL at June 30, 2020 was determined based on an actuarial valuation as of December 31, 2017 and rolled forward to the measurement date of June 30, 2019; the TPL at June 30, 2019 was determined based on an actuarial valuation as of December 31, 2016 and rolled forward to the measurement date of June 30, 2018. The basis for the Port's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers.

For the year ended June 30, 2020, the Port's proportionate share of the collective NPL of PERS is \$113,602,700, or 0.65675392 percent of the total, and the Port recognized pension expense of \$27,851,263 as its proportionate share of PERS pension expense. For the year ended June 30, 2019, the Port's proportionate share of the collective NPL of PERS is \$99,928,241, or 0.65964970 percent of the total, and the Port recognized pension expense of \$18,675,166 as its proportionate share of PERS pension expense. Actuarial determinations are not made solely as to Airport employees. For the year ended June 30, 2020, \$52,736,594 of the NPL, and \$13,730,246 of pension expense, was applicable to the Airport. For the year ended June 30, 2019, \$45,416,891 of the NPL, and \$8,919,271 of pension expense, was applicable to the Airport.

Actuarial assumptions used in the 2017 valuation rolled forward to the measurement date of June 30, 2019, and in the 2016 valuation rolled forward to the measurement date of June 30, 2018, were as follows:

- Investment Rate of Return: 7.20 percent per annum
- Projected Salary Increases: 3.50 percent overall payroll growth
- Inflation Rate: 2.50 percent per annum

Mortality assumptions for healthy retirees and beneficiaries are based on RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs. Active members' mortality assumptions are based on RP-2014 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and setbacks. Disabled retirees' mortality assumptions are based on RP-2014 Disabled retirees, sex distinct, generational with Unisex, Social Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study, which reviewed experience for the four-year period ended on December 31, 2016.

GASB 68 generally requires that a blended discount rate be used to measure the TPL (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

8. Pension Plans and Deferred Compensation Plan, continued:

discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

The discount rate used to measure the TPL of PERS was 7.20 percent for the measurement dates of June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, PERS' fiduciary net position was projected to be available to make all projected future benefit payments of current PERS members. Therefore, the long-term expected rate of return on PERS investments was applied to all periods of projected benefit payments to determine the TPL.

For fiscal 2020, the Port's \$113,602,700 proportionate share of the NPL was calculated using the discount rate of 7.20 percent as of the measurement date of June 30, 2019. If a discount rate 1 percentage point lower (6.20%) were used in the calculation, it would result in an NPL for the Port of \$181,924,644. If a discount rate 1 percentage point higher (8.20%) were used in the calculation, it would result in an NPL for the Port of \$56,426,645. For fiscal 2019, the Port's \$99,928,241 proportionate share of the NPL was calculated using the discount rate of 7.20 percent as of the measurement date of June 30, 2018. If a discount rate 1 percentage point lower (6.20%) were used in the calculation, it would result in an NPL for the Port of \$166,998,969. If a discount rate 1 percentage point higher (8.20%) were used in the calculation, it would result in an NPL for the Port of \$44,566,844.

To develop an analytical basis for the selection of the long-term expected rate of return assumption used in the calculation of the TPL at June 30, 2019 and 2018, the PERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors in July 2017 and 2015, respectively. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

8. Pension Plans and Deferred Compensation Plan, continued:

Asset class	Target allocation*	Compound annual (geometric) return
Core fixed income	8.00%	3.49%
Short-term bonds	8.00%	3.38%
Bank/leveraged loans	3.00%	5.09%
High yield bonds	1.00%	6.45%
Large/mid cap U.S. equities	15.75%	6.30%
Small cap U.S. equities	1.31%	6.69%
Micro cap U.S. equities	1.31%	6.80%
Developed foreign equities	13.13%	6.71%
Emerging market equities	4.13%	7.45%
Non-U.S. small cap equities	1.88%	7.01%
Private equity	17.50%	7.82%
Real estate (property)	10.00%	5.51%
Real estate (REITs)	2.50%	6.37%
Hedge fund of funds - diversified	2.50%	4.09%
Hedge fund - event driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Assumed inflation - mean	n/a	2.50%

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of June 7, 2017.

Deferred items are calculated at the PERS level and allocated to the Port based upon its proportionate share. For the measurement dates of June 30, 2019 and 2018, there were deferred outflows and inflows of resources related to the following sources:

Measurement date of June 30,	Deferred outflows of resources		Deferred inflows of resources	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Differences between expected and actual experience	\$ 4,321,609	\$ 1,456,015		
Changes of assumptions	15,411,502	23,233,126		
Net difference between projected and actual earnings on plan investments			\$ 3,220,521	\$ 4,437,379
Differences between contributions and Port's proportionate share of system contributions	<u>2,996,819</u>	<u>3,647,690</u>	<u>4,401,312</u>	<u>3,427,760</u>
Total	<u>\$ 22,729,930</u>	<u>\$ 28,336,831</u>	<u>\$ 7,621,833</u>	<u>\$ 7,865,139</u>

Port employer contributions for PERS made after the measurement date are reported as deferred outflows on the balance sheet at June 30, 2020 and 2019 in the amount of \$10,870,643 and \$8,714,060, respectively; these contributions are

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

8. Pension Plans and Deferred Compensation Plan, continued:

recognized as a reduction in the Port’s NPL in the ensuing year. \$5,448,156 and \$4,266,890 of the deferred outflows were applicable to the Airport at June 30, 2020 and 2019, respectively. Additionally, \$34,961,469 in contributions and matching funds for new side accounts were made after the measurement date and reported as deferred outflows on the balance sheet for Marine & Other at June 30, 2020.

Cumulative deferred inflows and outflows related to PERS will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources - <u>Airport</u>	Deferred Outflows/ (Inflows) of Resources - <u>Marine & Other</u>	Deferred Outflows/ (Inflows) of Resources - <u>Total</u>
2021	\$ 4,704,189	\$ 5,360,553	\$ 10,064,742
2022	15,454	17,610	33,064
2023	1,258,875	1,434,522	2,693,397
2024	1,038,752	1,183,686	2,222,438
2025	44,148	50,308	94,456
Total	\$ 7,061,418	\$ 8,046,679	\$ 15,108,097

In 2019, Oregon Legislature enacted Senate Bill 1049, which made a number of amendments to PERS, including extending the UAL actuarial amortization period, capping certain member salaries for benefit calculations, redirecting a portion of the required employee contributions from the defined contribution IAP to the defined benefit Plan, and changing rules around Plan members working after retirement. These changes have the effect of reducing employer rates prospectively. Certain provisions of Senate Bill 1049 were challenged with the Oregon Supreme Court. In August 2020, the Oregon Supreme Court rejected the challenge to Senate Bill 1049 and upheld the amendments enacted by the Oregon Legislature.

The Port offers all its employees a deferred compensation plan created in accordance with IRC Section 457. The plan permits eligible employees to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of an employee trust, held for the exclusive benefit of participants and their beneficiaries, and are not subject to the claims of the Port’s general creditors. The Port has little administrative involvement with the plan and does not perform the investing function. Therefore, the plan assets are not included on the balance sheet.

9. Postemployment Healthcare Benefits:

The Port administers a single-employer defined-benefit healthcare plan which provides certain qualifying employees retiring under PERS or OPSRP with Port-paid healthcare coverage for the qualifying retiree until age 65. This program is being phased out and is closed to any employees that did not meet age and length-of-service eligibility requirements by December 31, 2011. The Port does not issue a publicly available report on the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75, and contributions to the plan are made on a pay-as-you-go basis.

Under Oregon State law, employees retiring under PERS or OPSRP may make a one-time election at retirement to continue their health insurance coverage through the Port until eligible for Medicare (usually age 65). Coverage may be elected for the retiring employee, their spouse, and for qualifying dependents. Premiums are paid by the retiree at the Port’s pooled rate, which is the same rate paid for active employees. Retirees, on average, are expected to have higher health care costs than active employees, primarily due to the older average age of retirees. Since the same premium applies to both groups, the premiums paid for active employees by the Port are subsidizing the premiums for retirees. As a result, there is an ‘implicit subsidy’ paid by the Port; the implicit subsidy associated with retiree health care costs paid during the last year is also considered to be a contribution from the Port.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

9. Postemployment Healthcare Benefits, continued:

At June 30, 2019, the following employees were covered by the benefits terms of the plan:

Inactive employees currently receiving benefit payments	36
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>789</u>
	<u>825</u>

For the year ended June 30, 2020, the Port's total other postemployment benefit (OPEB) liability of \$6,619,654 was determined based upon a July 1, 2019 actuarial valuation, measured as of June 30, 2020, with a reporting date of June 30, 2020; \$3,578,186 of this OPEB liability was attributable to the Airport. The Port recognized OPEB expense of \$480,289 in fiscal 2020, with \$249,470 of OPEB expense applicable to the Airport. For the year ended June 30, 2019, the Port's total OPEB liability of \$6,477,793 was determined based upon a July 1, 2019 actuarial valuation, measured as of June 30, 2019; \$3,489,923 of this OPEB liability was attributable to the Airport. The Port recognized OPEB expense of \$472,591 in fiscal 2019, with \$248,426 of OPEB expense applicable to the Airport.

The OPEB liability in the July 1, 2019 actuarial valuation measured as of June 30, 2019 was determined using the following actuarial assumptions:

- A discount rate of 2.79 percent based on the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2019
- A healthcare cost trend rate of 7.5 percent graded uniformly to 6.75 percent over 3 years and following the Getzen model thereafter to an ultimate rate of 3.94 percent in the year 2075
- Mortality rates were based on the RP-2014 Mortality Table adjusted to 2006 with generational mortality improvement under Projection Scale MP-2018

Changes in the OPEB liability during fiscal 2020 are shown in the following table:

	<u>Airport</u>	<u>Marine & Other</u>	<u>Total Port</u>
Balance at 6/30/2019	\$ 3,489,923	\$ 2,987,870	\$ 6,477,793
Service cost	169,712	125,686	295,398
Interest	97,121	82,554	179,675
Benefit payments	<u>(178,570)</u>	<u>(154,642)</u>	<u>(333,212)</u>
Net change	<u>88,263</u>	<u>53,598</u>	<u>141,861</u>
Balance at 6/30/2020	<u>\$ 3,578,186</u>	<u>\$ 3,041,468</u>	<u>\$ 6,619,654</u>

The following table presents the total OPEB liability of the Port, as well as what the Port's total OPEB liability would have been if it were calculated using a health care trend rate assumption that is 1-percentage-point lower or 1-percentage-point higher than the current health care trend rate assumption:

	<u>1% Decrease</u>	<u>7.5% decreasing to 6.75% over 3 years, following the Getzen model thereafter</u>	<u>1% increase</u>
Total OPEB liability, 6/30/2020	\$ 5,888,500	\$ 6,619,654	\$ 7,482,248
Total OPEB liability, 6/30/2019	\$ 5,816,225	\$ 6,477,793	\$ 7,255,534

The following table presents the total OPEB liability of the Port, as well as what the Port's total OPEB liability would have been if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

9. Postemployment Healthcare Benefits, continued:

	1% Decrease (1.79%)	Discount Rate (2.79%)	1% increase (3.79%)
Total OPEB liability, 6/30/2020	\$ 7,232,494	\$ 6,619,654	\$ 6,064,643
Total OPEB liability, 6/30/2019	\$ 7,080,286	\$ 6,477,793	\$ 5,933,106

For the year ended June 30, 2020, the Port recognized OPEB expense of \$480,289. At June 30, 2020, there were deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 268,919
Changes of assumptions	\$ 295,000	
Total	\$ 295,000	\$ 268,919

Cumulative deferred inflows and outflows related to OPEB will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/(Inflows) of Resources - Airport	Deferred Outflows/(Inflows) of Resources - Marine & Other	Deferred Outflows/(Inflows) of Resources - Total
2021	\$ (17,363)	\$ 22,579	\$ 5,216
2022	(17,363)	22,579	5,216
2023	(17,363)	22,579	5,216
2024	(17,363)	22,579	5,216
2025	(17,363)	22,580	5,217
Total	\$ (86,815)	\$ 112,896	\$ 26,081

10. Risk Management:

The Port has a comprehensive risk management program which primarily utilizes commercial insurance, with certain self-insurance, to provide protection from losses involving property, liability, injuries to personnel and errors and omissions, with various deductibles and self-insured retentions. Claims, litigation and other settlements have not exceeded the limits of available insurance coverage in any of the past three years, when insurance was applicable.

The Airport is a full participant in the Port's risk management program. The Airport's expenses related to this program are recorded when incurred, with cash being paid to the Port's General Fund for ease of administration.

The Port self-insures for certain workers' compensation losses for amounts up to \$1,000,000 per accident. For amounts in excess of self-insured limits, insurance in the amount of the statutory limit per loss (unlimited) is maintained. Claim expenses and liabilities are recorded when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

Liabilities include an estimate for claims that have been incurred but not reported. Claims liabilities are based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends through a case-by-case review of all claims. Effective May 8, 1993, certain workers' compensation losses incurred after such date are the responsibility of an independent marine terminal management company.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

10. Risk Management, continued:

Changes in the reported liability for workers' compensation resulted from the following:

	Fiscal Year Ended June 30,	
	<u>2020</u>	<u>2019</u>
Beginning liability	\$ 908,218	\$ 1,080,766
Current year claims and changes in estimates	396,712	311,658
Claim payments	<u>(571,847)</u>	<u>(484,206)</u>
Ending liability	<u>\$ 733,083</u>	<u>\$ 908,218</u>

Approximately \$420,575 and \$572,257 of the liability was applicable to the Airport at June 30, 2020 and 2019, respectively.

11. Commitments and Contingencies:

At June 30, 2020, land acquisition and construction contract commitments aggregated approximately \$331,800,000 for the Airport, \$6,400,000 for Marine & Other, and \$338,200,000 in total.

The Port is subject to federal, state, and local environmental laws and regulations. Pursuant to these laws and regulations, the Port has identified a number of contaminated sites on Port properties that will require remedial investigation and action. Some properties owned or operated by the Port may have unacceptable levels of contaminants in soil, sediments, or groundwater. In some cases, the Port has been designated by Federal or State government as a potentially responsible party (PRP) for the investigation and cleanup of properties owned by the Port or where the Port may have contributed to site contamination.

In December 2000, the Environmental Protection Agency (EPA) listed the Portland Harbor, including uplands portions, on the National Priorities List of Superfund sites pursuant to the Comprehensive Environmental Response Compensation and Liability Act. The EPA and the Oregon Department of Environmental Quality (DEQ) have identified the Port and other PRPs as potentially liable for cleanup of the site. The Port and other PRPs have signed an Administrative Settlement Agreement and Order on Consent (ASAOC) to perform remedial investigation and action activities for the site. Uplands activities are being conducted under the supervision of the DEQ. The Port has accrued approximately \$1,800,000 for its estimated remaining share of the costs of these Portland Harbor investigative and remedial activities at June 30, 2020. In January 2017, the EPA released a Record of Decision (ROD) for the Portland Harbor. Cleanup costs for the Portland Harbor remain uncertain under the ROD and are not yet estimable and the Port's ultimate share of cleanup costs is not known. Within the Portland Harbor, there are certain Port-owned, or formerly owned facilities that require remedial investigation and/or cleanup. The Port has entered into separate ASAOCs with the EPA governing early action cleanup activities on two of these sites. The Port has accrued approximately \$25,400,000 and \$2,300,000 in estimated costs for these cleanups at June 30, 2020. At another site, the Port has accrued approximately \$34,100,000 in estimated remaining costs at June 30, 2020. These sites are accounted for within the Marine & Other activity.

Operating expense and the corresponding liability measured at current value using the expected cash flow method have been recognized for certain pollution remediation obligations that may not have been previously required to be recognized. Certain other environmental contingencies may have limited measurable transactions and events at initial recognition, but estimates will increase over time as more components become reasonably estimable. Liabilities will also be remeasured when new information indicates increases or decreases in estimated outlays.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

11. Commitments and Contingencies, continued:

Changes in estimated long-term environmental liabilities were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Environmental liabilities	\$ 2,895,000		\$ (1,028,115)	\$ 1,866,885
less: current portion	(2,695,000)	\$ (115,173)	1,143,288	(1,666,885)
Long-term liability	<u>\$ 200,000</u>	<u>\$ (115,173)</u>	<u>\$ 115,173</u>	<u>\$ 200,000</u>
Marine & Other:				
Environmental liabilities	\$ 56,253,352	\$ 19,938,853	\$ (4,772,029)	\$ 71,420,176
less: current portion	(6,740,585)	(4,689,449)	2,846,057	(8,583,977)
Long-term liability	<u>\$ 49,512,767</u>	<u>\$ 15,249,404</u>	<u>\$ (1,925,972)</u>	<u>\$ 62,836,199</u>

The Port leases from others, under operating leases, warehouse and office space, office equipment, and submerged lands. These leases expire at varying times through fiscal 2024. Total rental expense (all minimum rentals) for operating leases approximated \$310,000 and \$267,000 for Marine & Other in 2020 and 2019, respectively, and \$206,000 and \$243,000 for the Airport in 2020 and 2019, respectively. Future minimum rental payments on noncancelable operating leases for the five succeeding fiscal years and five year increments thereafter are:

Fiscal Year Ending June 30,	<u>Airport</u>	<u>Marine & Other</u>	<u>Total Port</u>
2021	\$ 15,607	\$ 296,724	\$ 312,331
2022	12,811	303,640	316,451
2023		296,448	296,448
2024		91,675	91,675
2025			
Total	<u>\$ 28,418</u>	<u>\$ 988,487</u>	<u>\$ 1,016,905</u>

12. Tax Abatements:

The Port is subject to property tax abatements granted by counties within the Port District pursuant to State statute. Tax abatements granted within the Port District reduce the amount of property taxes collected under the Port's property tax levy in each county. Port property tax revenues were reduced by approximately \$199,000 under agreements entered into by Multnomah County, \$383,000 under agreements entered into by Clackamas County, and \$731,000 under agreements entered into by Washington County.

13. Net Position Deficit and Budget Overexpenditures:

The Port has net position deficits of \$21,779,317 and \$70,890,864 in the Airport PFC Fund and CFC Fund (funds within the Airport activity) as of June 30, 2020. The deficits exist because bond proceeds are recorded in or reimbursed to construction funds and related long-term debt is recorded in these funds.

In the General Fund, the Port overexpended one budget appropriation item by \$62,726 resulting from additional accrued interest related to the final payment on deferred interest obligations (bonds). In the Airport Construction Fund, the Port overexpended two budget appropriation items. An overexpenditure of \$36,715,213 for capital outlay resulted from the non-cash budgetary impact of accounting expense accruals that took place after final appropriations were made for the fiscal year. A second overexpenditure of \$6,781 occurred as a result of issuance costs incurred when refinancing a debt obligation to obtain a more favorable interest rate; such expenditures of bond proceeds issued to refund previously issued

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

13. Net Position Deficit and Budget Overexpenditures, continued:

bonds are allowed for under ORS 294.338(4)c. In the PFC Fund, the Port overexpended an appropriation for Other expense by \$1,091 as a result of the non-cash budgetary impact of accounting expense accruals that took place after final appropriations were made for the fiscal year.

14. Subsequent Events:

On September 30, 2020, the Port successfully closed on Series Twenty-Seven airport revenue bonds with a par amount of \$312,460,000. The bonds were issued to pay, or reimburse the Port for the payment of, costs of the design, construction, renovation, acquisition, equipping and installation of capital improvements at the Airport, to repay certain Commercial Paper Notes issued to finance a portion of the Series Twenty-Seven projects, to capitalize a portion of bond interest during construction, to fund a portion of a debt service reserve, and to pay costs of issuing the Series Twenty-Seven bonds.

On September 11, 2020, S&P Global Ratings (S&P) announced that it lowered the long-term rating and underlying rating on the Port's Portland International Airport Revenue Bonds to "A+" from "AA-". At the same time, S&P also lowered the long-term rating and underlying rating on the Port's Portland International Airport Passenger Facility Charge Revenue Bonds to "A" from "A+", and lowered its rating on the Portland International Airport Customer Facility Charge Revenue Bonds to "BBB+" from "A-".

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the operational and financial performance of the Port is not reasonably estimable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

THE PORT OF PORTLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

	2020	2019	2018	2017
Total OPEB liability - beginning	\$ 6,477,793	\$ 6,283,870	\$ 6,318,267	\$ 6,332,670
Service cost	295,398	281,331	146,462	139,488
Interest	179,675	186,044	190,716	191,760
Differences between expected and actual experience		(376,487)		
Changes of assumptions		413,000		
Benefit payments	(333,212)	(309,965)	(371,575)	(345,651)
Net change	141,861	193,923	(34,397)	(14,403)
Total OPEB liability - ending	<u>\$ 6,619,654</u>	<u>\$ 6,477,793</u>	<u>\$ 6,283,870</u>	<u>\$ 6,318,267</u>
Covered-employee payroll	<u>\$ 57,832,773</u>	<u>\$ 57,832,773</u>	<u>\$ 62,444,085</u>	<u>\$ 62,444,085</u>
Total OPEB liability as a percentage of covered-employee payroll	11.4%	11.2%	10.1%	10.1%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria of paragraph 4 of Statement 75.

THE PORT OF PORTLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY (ASSET)

Measurement date as-of June 30,	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Port share of Net Pension Liability (Asset) - percentage	0.656754%	0.659650%	0.643710%	0.687390%	0.627646%	0.636022%	0.636022%
Port share of Net Pension Liability (Asset) - amount [A]	\$113,602,700	\$ 99,928,241	\$ 86,772,304	\$103,193,124	\$ 36,036,033	\$ (14,416,804)	\$ 32,457,134
Port covered-employee payroll [B]	\$ 72,101,000	\$ 71,239,000	\$ 70,942,000	\$ 66,585,000	\$ 66,637,000	\$ 61,267,000	\$ 60,855,267
Port share of Net Pension Liability (Asset) as a percentage of Port covered-employee payroll [A/B]	157.6%	140.3%	122.3%	155.0%	54.1%	-23.5%	53.3%
PERS fiduciary net position as a percentage of TPL	80.2%	82.1%	83.1%	80.5%	91.9%	103.6%	92.0%

THE PORT OF PORTLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO PERS (\$000)

Fiscal Year:	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016⁽¹⁾</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially Determined Contribution	\$10,871	\$ 8,714	\$ 8,143	\$ 5,549	\$ 5,549	\$ 5,332	\$ 4,831	\$ 5,030	\$ 4,966	\$ 1,902
Contribution in relation to Actuarially Determined Contribution	\$10,871	\$ 8,714	\$ 8,143	\$ 5,549	\$ 5,549	\$ 5,332	\$ 4,831	\$ 5,030	\$ 4,966	\$ 1,902
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$76,097	\$72,101	\$71,239	\$70,942	\$66,585	\$66,637	\$61,267	\$60,855	\$60,447	\$56,138
Contribution as a percentage of Covered Employee Payroll	14.3%	12.1%	11.4%	7.8%	8.3%	8.0%	7.9%	8.3%	8.2%	3.4%

⁽¹⁾ Effective in Port fiscal year 2016, the actuarial methodology utilized by PERS for determining employer contributions changed from projected unit credit to entry age normal.

SUPPLEMENTARY INFORMATION

(UNAUDITED)

THE PORT OF PORTLAND ORGANIZATION AND INTERNAL FUND DIVISIONS

The Port of Portland is a municipal corporation created in its present form by the 1971 merger of The Port of Portland and the Commission of Public Docks. A nine-member commission establishes and maintains Port policy for a staff under the guidance of an executive director.

The original Port of Portland was created in 1891 by the Oregon Legislative Assembly with the objective of dredging and maintaining a channel between Portland and the Pacific Ocean. As its operations and responsibilities increased, the Port acquired its aviation and land development interests.

The City of Portland in 1910 created the Commission of Public Docks to promote and develop maritime commerce through Portland Harbor and, in 1970, the voters approved a merger of these two organizations. In 1973, the Port district was expanded to include all of Multnomah, Clackamas, and Washington Counties.

For financial reporting and operating purposes, management considers the activities of the Port to be that of a unitary enterprise operation. For budgetary and bond ordinance requirement purposes only, the primary divisions of the accounts of the Port consist of the following funds (accounts):

General Fund

Used to finance the general operations of the Port and, subject to restrictions of the local budget law, its assets may be transferred to another fund for any authorized purpose. Principal revenue sources are marine facilities operations, land sales, and leases.

Bond Construction Fund

This fund finances the acquisition, construction, expansion, and improvement of new and existing structures and facilities. Resources are from transfers from the General Fund, grants, interest on investments, and a property tax levy for Port improvements.

Airport Revenue Fund

This fund is to be held and administered by the Port as long as any Portland International Airport Revenue Bonds are outstanding. The monies deposited in this fund are not commingled with any other monies of the Port and are used and applied only in the manner as specified by Section 13, Ordinance No. 155 and Section 6, Ordinance No. 323. Airport operations are accounted for in this fund. Principal revenue sources are flight fees, rentals, parking, and concession income.

Airport Revenue Bond Fund

This fund is administered by a trustee appointed under Section 11, Ordinance No. 323. The monies in this fund are used solely for the payment of principal and interest due on Portland International Airport Revenue Bonds. Principal resources are revenue bond proceeds, interest, and transfers from the Airport Revenue Fund and the Airport Construction Fund.

Airport Construction Fund

The monies credited to this fund are used and applied solely to the payment of costs of additions, expansions, and improvements to the Airport in accordance with Section 12, Ordinance No. 155 and Section 8, Ordinance No. 323. Principal resources are interest, grants, and revenue bond proceeds.

PFC Fund

This fund is used to account for PFC revenue. Amounts credited to this fund are used to provide for debt service on Portland International Airport Passenger Facility Charge Revenue Bonds and to construct certain assets in accordance with Section 2, Ordinance No. 395-B. Principal resources are PFC revenue, bond proceeds, and interest.

PFC Bond Fund

This fund, created in accordance with Section 8, Ordinance No. 395-B, is administered by a trustee, for the payment of principal and interest on Portland International Airport Passenger Facility Charge Revenue Bonds. Principal resources are transfers from the PFC Fund, bond proceeds, and interest.

**THE PORT OF PORTLAND
ORGANIZATION AND INTERNAL FUND DIVISIONS, Continued**

CFC Fund

This fund is used to account for CFC revenues. The monies credited to this fund are used and applied solely to the payment of costs of projects related to rental car facilities, related Port-approved enabling projects, and program costs at the Airport in accordance with Section 4, Ordinance No. 448. The principal resources for this fund are a customer facility charge imposed on rental car customers who rent automobiles from Airport facilities and interest.

CFC Bond Fund

This fund, created in accordance with Section 5, Ordinance 461-B, is administered by a trustee for the payment of principal and interest on Portland International Airport Customer Facility Charge Revenue Bonds. Principal resources are transfers from the CFC Fund, bond proceeds, and interest.

THE PORT OF PORTLAND
RECONCILIATION OF BUDGETARY REVENUES AND EXPENDITURES TO INCOME BEFORE
CONTRIBUTIONS AND TRANSFERS
for the year ended June 30, 2020

	Budgetary Basis *		Excess Revenues (Expenditures)
	Revenues	Expenditures	
Port Funds:			
General Fund	\$ 69,777,645	\$ 144,742,572	\$ (74,964,927)
Bond Construction Fund	23,348,475	32,971,650	(9,623,175)
Airport Revenue Fund	252,524,076	111,435,801	141,088,275
Airport Revenue Bond Fund	1,102,357	70,759,889	(69,657,532)
Airport Construction Fund	19,989,176	341,603,243	(321,614,067)
PFC Fund	29,254,052	7,341	29,246,711
PFC Bond Fund	344,706	14,540,156	(14,195,450)
CFC Fund	18,437,863	12,000	18,425,863
CFC Bond Fund	217,970	9,524,762	(9,306,792)
	<u>\$ 414,996,320</u>	<u>\$ 725,597,414</u>	<u>(310,601,094)</u>
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			373,556,945
Internal costs on capital projects			23,042,534
Depreciation and amortization expense			(109,311,980)
Expenses that will be expended in future years			(12,871,506)
Contributions from governmental agencies			(20,661,867)
Bond and contract payable principal expenditures			58,549,420
Change in unearned revenues and certain noncurrent receivables			508,185
Noncash pension and OPEB expense			(17,028,548)
Amortization of bond issuance costs and deferred charges on refunding bonds			(2,622,641)
Deferred pension outflows			34,961,469
Other			921,729
			<u>18,442,646</u>
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			<u>\$ 18,442,646</u>

* The Port budgets all funds on the accrual basis of accounting.

THE PORT OF PORTLAND
RECONCILIATION OF AIRPORT BUDGETARY REVENUES AND EXPENDITURES TO INCOME BEFORE
CONTRIBUTIONS AND TRANSFERS
for the year ended June 30, 2020

	Budgetary Basis *		Excess Revenues (Expenditures)
	Revenues	Expenditures	
Airport Funds:			
Airport Revenue Fund	\$ 252,524,076	\$ 111,435,801	\$ 141,088,275
Airport Revenue Bond Fund	1,102,357	70,759,889	(69,657,532)
Airport Construction Fund	19,989,176	341,603,243	(321,614,067)
PFC Fund	29,254,052	7,341	29,246,711
PFC Bond Fund	344,706	14,540,156	(14,195,450)
CFC Fund	18,437,863	12,000	18,425,863
CFC Bond Fund	217,970	9,524,762	(9,306,792)
	<u>\$ 321,870,200</u>	<u>\$ 547,883,192</u>	(226,012,992)
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			340,585,295
Internal costs on capital projects			4,038,423
Depreciation and amortization expense			(90,582,095)
Expenses that will be expended in future years			451,926
Contributions from governmental agencies			(10,824,578)
Bond principal expenditures			49,188,053
Amortization of bond issuance costs and deferred charges on refunding bonds			(2,599,801)
Allocation of pension debt service			(4,017,332)
Change in unearned revenues and certain noncurrent receivables			(41,535)
Noncash pension and OPEB expense			(8,304,441)
Intra-Port services received, provided, and overhead			(25,081,120)
Other			781,339
			<u>781,339</u>
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			<u>\$ 27,581,142</u>

* The Airport budgets all funds on the accrual basis of accounting.

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS)
for the year ended June 30, 2020

	Resources			Actual	Over (Under) Budget
	Original	Transfers In (Out)	Revised		
REVENUES:					
Operating revenues:					
Administration	\$ 176,000		\$ 176,000	\$ 183,703	\$ 7,703
Marine	35,341,249	\$ 5,100,000	40,441,249	37,337,358	(3,103,891)
Industrial Development	8,362,784		8,362,784	6,216,695	(2,146,089)
Navigation	19,786,611		19,786,611	16,567,537	(3,219,074)
General Aviation	3,556,943		3,556,943	3,003,754	(553,189)
	<u>67,223,587</u>	<u>5,100,000</u>	<u>72,323,587</u>	<u>63,309,047</u>	<u>(9,014,540)</u>
Bonds, loans and other		500,000	500,000	500,000	
Interest	5,207,903		5,207,903	5,799,820	591,917
Fixed asset sales and other				168,778	168,778
Total revenues	<u>72,431,490</u>	<u>5,600,000</u>	<u>78,031,490</u>	<u>69,777,645</u>	<u>(8,253,845)</u>
TRANSFERS FROM OTHER FUNDS:					
Bond Construction Fund	4,011,749		4,011,749	3,005,062	(1,006,687)
Airport Construction Fund	13,967,595	1,000,000	14,967,595	15,999,050	1,031,455
Airport Revenue Fund	31,679,092		31,679,092	31,413,019	(266,073)
Total transfers	<u>49,658,436</u>	<u>1,000,000</u>	<u>50,658,436</u>	<u>50,417,131</u>	<u>(241,305)</u>
Total revenues and transfers	122,089,926	6,600,000	128,689,926	120,194,776	(8,495,150)
BEGINNING WORKING CAPITAL					
	217,081,404		217,081,404	238,467,733	21,386,329
Total resources	<u>\$ 339,171,330</u>	<u>\$ 6,600,000</u>	<u>\$ 345,771,330</u>	<u>\$ 358,662,509</u>	<u>\$ 12,891,179</u>

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS), Continued
for the year ended June 30, 2020

	Appropriations			Actual	(Over) Under Budget
	Original	Transfers In (Out)	Revised		
EXPENDITURES:					
Administration	\$ 56,410,852		\$ 56,410,852	\$ 48,582,377	\$ 7,828,475
Marine	37,223,022	\$ 5,600,000	42,823,022	30,819,725	12,003,297
Industrial Development	4,225,360		4,225,360	3,342,268	883,092
Navigation	13,128,652		13,128,652	11,226,482	1,902,170
General Aviation	3,074,519		3,074,519	2,981,867	92,652
Long-term debt payments	13,805,042		13,805,042	13,867,768	(62,726)
System development charges/other	10,000	30,000,000	30,010,000	30,000,002	9,998
Other environmental	2,066,494	2,500,000	4,566,494	3,922,083	644,411
Contingencies	191,717,195	(31,500,000)	160,217,195		160,217,195
Total expenditures	321,661,136	6,600,000	328,261,136	144,742,572	183,518,564
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	17,000,618		17,000,618	5,000,000	12,000,618
Airport Revenue Fund	509,576		509,576	255,596	253,980
Total transfers	17,510,194		17,510,194	5,255,596	12,254,598
 Total expenditures and transfers	\$ 339,171,330	\$ 6,600,000	\$ 345,771,330	149,998,168	\$ 195,773,162
 ENDING WORKING CAPITAL				\$ 208,664,341	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
BOND CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:			
Interest and other	\$ 434,903	\$ 374,597	\$ (60,306)
Grants	<u>11,343,947</u>	<u>9,837,289</u>	<u>(1,506,658)</u>
	<u>11,778,850</u>	<u>10,211,886</u>	<u>(1,566,964)</u>
Tax and tax items:			
Current property tax levy - net	13,007,036	13,125,017	117,981
Interest on taxes		<u>11,572</u>	<u>11,572</u>
	<u>13,007,036</u>	<u>13,136,589</u>	<u>129,553</u>
Total revenues	<u>24,785,886</u>	<u>23,348,475</u>	<u>(1,437,411)</u>
TRANSFERS FROM OTHER FUNDS:			
General Fund	17,000,618	5,000,000	(12,000,618)
Airport Revenue Fund	<u>16,653,995</u>	<u>5,046,185</u>	<u>(11,607,810)</u>
Total transfers	<u>33,654,613</u>	<u>10,046,185</u>	<u>(23,608,428)</u>
BEGINNING WORKING CAPITAL		<u>15,731,010</u>	<u>15,731,010</u>
Total resources	<u>\$ 58,440,499</u>	<u>49,125,670</u>	<u>\$ (9,314,829)</u>
EXPENDITURES:			
Capital outlay	\$ 54,377,423	32,971,650	\$ 21,405,773
Contingencies	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Total expenditures	<u>64,377,423</u>	<u>32,971,650</u>	<u>31,405,773</u>
TRANSFERS TO OTHER FUNDS:			
General Fund	4,011,749	3,005,062	1,006,687
Airport Revenue Fund	<u>51,327</u>	<u>86,892</u>	<u>(35,565)</u>
Total transfers	<u>4,063,076</u>	<u>3,091,954</u>	<u>971,122</u>
Total expenditures and transfers	<u>\$ 68,440,499</u>	<u>36,063,604</u>	<u>\$ 32,376,895</u>
ENDING WORKING CAPITAL		<u>\$ 13,062,066</u>	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE FUND
(BUDGETARY BASIS)
for the year ended June 30, 2020

	Resources			Actual	Over (Under) Budget
	Original	Transfers In (Out)	Revised		
REVENUES:					
Operating revenue - Portland International Airport	\$ 270,826,379		\$ 270,826,379	\$ 222,500,405	\$ (48,325,974)
Interest and other	4,042,688		4,042,688	30,023,671	25,980,983
Commercial paper proceeds	98,750,000		98,750,000		(98,750,000)
Total revenues	373,619,067		373,619,067	252,524,076	(121,094,991)
TRANSFERS FROM OTHER FUNDS:					
General Fund	509,576		509,576	255,596	(253,980)
Bond Construction Fund	51,327		51,327	86,892	35,565
Airport Construction Fund	3,544,076	\$ 1,000,000	4,544,076	3,951,531	(592,545)
Total transfers	4,104,979	1,000,000	5,104,979	4,294,019	(810,960)
Total revenues and transfers	377,724,046	1,000,000	378,724,046	256,818,095	(121,905,951)
BEGINNING WORKING CAPITAL					
Total resources	\$ 487,204,046	\$ 1,000,000	\$ 488,204,046	122,276,385	12,796,385
				379,094,480	\$ (109,109,566)
	Appropriations			Actual	(Over) Under Budget
	Original	Transfers In (Out)	Revised		
EXPENDITURES:					
Operating expenditures	\$ 122,464,920		\$ 122,464,920	111,208,427	\$ 11,256,493
Commercial paper debt service payments	1,250,000		1,250,000	228,760	1,021,240
Other	599,999		599,999	(1,386)	601,385
Contingencies	119,533,000		119,533,000		119,533,000
Total expenditures	243,847,919		243,847,919	111,435,801	132,412,118
TRANSFERS TO OTHER FUNDS:					
General Fund	31,679,092		31,679,092	31,413,019	266,073
Bond Construction Fund	16,653,995		16,653,995	5,046,185	11,607,810
Airport Construction Fund	132,394,864	\$ 1,000,000	133,394,864	112,181,922	21,212,942
Airport Revenue Bond Fund	62,628,176		62,628,176	62,796,195	(168,019)
Total transfers	243,356,127	1,000,000	244,356,127	211,437,321	32,918,806
Total expenditures and transfers	\$ 487,204,046	\$ 1,000,000	\$ 488,204,046	322,873,122	\$ 165,330,924
ENDING WORKING CAPITAL					
				\$ 56,221,358	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES:			
Interest and other	\$ 1,391,000	\$ 1,102,357	\$ (288,643)
Total revenues	<u>1,391,000</u>	<u>1,102,357</u>	<u>(288,643)</u>
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	62,628,176	62,796,195	168,019
Airport Construction Fund	<u>7,147,008</u>	<u>6,999,540</u>	<u>(147,468)</u>
Total transfers	<u>69,775,184</u>	<u>69,795,735</u>	<u>20,551</u>
Total revenues and transfers	71,166,184	70,898,092	(268,092)
BEGINNING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE	<u>42,699,717</u>	<u>43,572,347</u>	<u>872,630</u>
Total resources	<u>\$ 113,865,901</u>	<u>\$ 114,470,439</u>	<u>\$ 604,538</u>
	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
EXPENDITURES:			
Long-term debt payments	\$ 71,127,294	70,759,889	\$ 367,405
Total expenditures	<u>71,127,294</u>	<u>70,759,889</u>	<u>\$ 367,405</u>
UNAPPROPRIATED BALANCE	<u>42,738,607</u>		
	<u>\$ 113,865,901</u>		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		<u>\$ 43,710,550</u>	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2020

	Resources			Actual	Over (Under) Budget
	Original	Transfers In (Out)	Revised		
REVENUES:					
Grants	\$ 10,553,472		\$ 10,553,472	\$ 10,824,578	\$ 271,106
Interest and other	5,321,000		5,321,000	8,679,800	3,358,800
Bond sale proceeds				484,798	484,798
Total revenues	15,874,472		15,874,472	19,989,176	4,114,704
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	132,394,864	\$ 1,000,000	133,394,864	112,181,922	(21,212,942)
CFC Fund	1,000,000		1,000,000	44,302,214	43,302,214
PFC Fund	72,250,000		72,250,000	80,872,063	8,622,063
Total transfers	205,644,864	1,000,000	206,644,864	237,356,199	30,711,335
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	217,852,333		217,852,333	277,819,735	59,967,402
Total resources	\$ 439,371,669	\$ 1,000,000	\$ 440,371,669	535,165,110	\$ 94,793,441
EXPENDITURES:					
Capital outlay	\$ 306,381,249	\$ (2,000,000)	\$ 304,381,249	341,096,462	\$ (36,715,213)
Bond issue costs/other	100,000	400,000	500,000	506,781	(6,781)
Contingencies	108,231,741	600,000	108,831,741		108,831,741
Total expenditures	414,712,990	(1,000,000)	413,712,990	341,603,243	72,109,747
TRANSFERS TO OTHER FUNDS:					
General Fund	13,967,595	1,000,000	14,967,595	15,999,050	(1,031,455)
Airport Revenue Fund	3,544,076	1,000,000	4,544,076	3,951,531	592,545
Airport Revenue Bond Fund	7,147,008		7,147,008	6,999,540	147,468
Total transfers	24,658,679	2,000,000	26,658,679	26,950,121	(291,442)
Total expenditures and transfers	\$ 439,371,669	\$ 1,000,000	\$ 440,371,669	368,553,364	\$ 71,818,305
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				\$ 166,611,746	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES:			
Interest and other	\$ 2,089,726	\$ 2,473,969	\$ 384,243
Passenger facility charges	<u>39,871,179</u>	<u>26,780,083</u>	<u>(13,091,096)</u>
Total revenues	<u>41,960,905</u>	<u>29,254,052</u>	<u>(12,706,853)</u>
BEGINNING RESTRICTED NET ASSETS			
AVAILABLE FOR APPROPRIATION	<u>147,214,315</u>	<u>149,359,194</u>	<u>2,144,879</u>
Total resources	<u>\$ 189,175,220</u>	<u>178,613,246</u>	<u>\$ (10,561,974)</u>
	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
EXPENDITURES:			
Other	\$ 6,250	7,341	\$ (1,091)
Contingencies	<u>103,094,023</u>	<u>103,094,023</u>	<u>103,094,023</u>
Total expenditures	<u>103,100,273</u>	<u>7,341</u>	<u>103,092,932</u>
TRANSFERS TO OTHER FUNDS:			
PFC Bond Fund	13,824,947	13,838,567	(13,620)
Airport Construction Fund	<u>72,250,000</u>	<u>80,872,063</u>	<u>(8,622,063)</u>
Total transfers	<u>86,074,947</u>	<u>94,710,630</u>	<u>(8,635,683)</u>
Total expenditures and transfers	<u>\$ 189,175,220</u>	<u>94,717,971</u>	<u>\$ 94,457,249</u>
ENDING RESTRICTED NET ASSETS			
AVAILABLE FOR APPROPRIATION		<u>\$ 83,895,275</u>	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES:			
Interest and other	\$ <u>368,000</u>	\$ <u>344,706</u>	\$ <u>(23,294)</u>
Total revenues	<u>368,000</u>	<u>344,706</u>	<u>(23,294)</u>
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	13,824,947	13,838,567	13,620
BEGINNING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE	<u>14,596,087</u>	<u>14,982,485</u>	<u>386,398</u>
Total resources	<u>\$ 28,789,034</u>	<u>\$ 29,165,758</u>	<u>\$ 376,724</u>
EXPENDITURES:			
Long-term debt payments	\$ <u>14,588,325</u>	<u>14,540,156</u>	\$ <u>48,169</u>
Total expenditures	<u>14,588,325</u>	<u>14,540,156</u>	<u>\$ 48,169</u>
UNAPPROPRIATED BALANCE	<u>14,200,709</u>		
	<u>\$ 28,789,034</u>		
ENDING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE		<u>\$ 14,625,602</u>	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
CFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES:			
Interest and other	\$ 2,412,285	\$ 6,522,031	\$ 4,109,746
Customer facility charges	16,294,307	11,915,832	(4,378,475)
Total revenues	<u>18,706,592</u>	<u>18,437,863</u>	<u>(268,729)</u>
 BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION			
Total resources	<u>112,564,318</u>	<u>124,640,042</u>	<u>12,075,724</u>
	<u>\$ 131,270,910</u>	<u>143,077,905</u>	<u>\$ 11,806,995</u>
			(Over) Under <u>Budget</u>
EXPENDITURES:	<u>Budget</u>	<u>Actual</u>	
Bank fees and other	\$ 14,000	12,000	\$ 2,000
Contingencies	120,616,910	120,616,910	120,616,910
Total expenditures	<u>120,630,910</u>	<u>12,000</u>	<u>120,618,910</u>
 TRANSFERS TO OTHER FUNDS:			
Airport Construction Fund	1,000,000	44,302,214	(43,302,214)
CFC Bond Fund	9,640,000	9,524,555	115,445
Total transfers	<u>10,640,000</u>	<u>53,826,769</u>	<u>(43,186,769)</u>
 UNAPPROPRIATED BALANCE			
Total expenditures and transfers	<u>\$ 131,270,910</u>	<u>53,838,769</u>	<u>\$ 77,432,141</u>
 ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION		<u>\$ 89,239,136</u>	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
CFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES:			
Interest and other	\$ 270,000	\$ 217,970	\$ (52,030)
Total revenues	<u>270,000</u>	<u>217,970</u>	<u>(52,030)</u>
TRANSFERS FROM OTHER FUNDS:			
CFC Fund	9,640,000	9,524,555	(115,445)
Total transfers	<u>9,640,000</u>	<u>9,524,555</u>	<u>(115,445)</u>
Total revenues and transfers	9,910,000	9,742,525	(167,475)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	<u>11,000,000</u>	<u>9,565,736</u>	<u>(1,434,264)</u>
Total resources	<u>\$ 20,910,000</u>	<u>\$ 19,308,261</u>	<u>\$ (1,601,739)</u>
EXPENDITURES:			
Long-term debt payments	\$ 9,910,000	9,524,762	\$ 385,238
Total expenditures	<u>9,910,000</u>	<u>9,524,762</u>	<u>385,238</u>
UNAPPROPRIATED BALANCE	<u>11,000,000</u>		
Total expenditures and transfers	<u>\$ 20,910,000</u>		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION		<u>\$ 9,783,499</u>	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2020

ASSETS	Marine & Other				Airport							
	Combined All Funds	Total Marine & Other	General Fund	Bond Construction Fund	Total Airport	Revenue Fund	Revenue Bond Fund	Construction Fund	PFC Fund	PFC Bond Fund	CFC Fund	CFC Bond Fund
Current assets:												
Cash and cash equivalents	\$ 78,934,479	\$ 78,896,239	\$ 78,837,340	\$ 58,899	\$ 38,240	\$ 38,240						
Equity in pooled investments	301,377,814	162,389,323	150,580,879	11,808,444	138,988,491	138,988,491						
Restricted cash and equity in pooled investments	135,135,902				135,135,902		\$ 48,943,411	\$ 69,010,569	\$ 428,437	\$ 10,411,104		\$ 6,342,381
Receivables, net of allowance for doubtful accounts	43,335,781	15,275,618	12,914,189	2,361,429	28,060,163	28,060,163						
Prepaid insurance and other assets	7,094,679	2,233,143	2,233,143		4,861,536	4,861,536						
Total current assets	<u>565,878,655</u>	<u>258,794,323</u>	<u>244,565,551</u>	<u>14,228,772</u>	<u>307,084,332</u>	<u>171,948,430</u>	<u>48,943,411</u>	<u>69,010,569</u>	<u>428,437</u>	<u>10,411,104</u>		<u>6,342,381</u>
Noncurrent assets:												
Restricted assets:												
Cash and equity in pooled investments	431,475,815	5,807,839	5,807,839		425,667,976	22,850,577	43,710,550	162,463,212	83,439,701	14,625,602	\$ 88,794,835	9,783,499
Receivables	5,013,473				5,013,473			4,113,598	455,574		444,301	
Contract retainage deposits	34,936				34,936			34,936				
Total restricted assets	<u>436,524,224</u>	<u>5,807,839</u>	<u>5,807,839</u>		<u>430,716,385</u>	<u>22,850,577</u>	<u>43,710,550</u>	<u>166,611,746</u>	<u>83,895,275</u>	<u>14,625,602</u>	<u>89,239,136</u>	<u>9,783,499</u>
Land held for sale	41,719,657	41,719,657	24,575,548	17,144,109								
Depreciable properties, net of accumulated depreciation	1,209,411,961	158,805,573	158,805,573		1,050,606,388	1,050,606,388						
Nondepreciable properties	813,847,915	110,923,030	83,417,483	27,505,547	702,924,885	68,042,167		634,882,718				
Unamortized bond issue costs	536,235	99,334	99,334		436,901	360,092			76,809			
Due from other funds		27,194,053 *	27,194,053 *									
Other noncurrent assets	2,077,801	1,763,216	1,763,216		314,585	314,585						
Total noncurrent assets	<u>2,504,117,793</u>	<u>346,312,702</u>	<u>301,663,046</u>	<u>44,649,656</u>	<u>2,184,999,144</u>	<u>1,142,173,809</u>	<u>43,710,550</u>	<u>801,494,464</u>	<u>83,972,084</u>	<u>14,625,602</u>	<u>89,239,136</u>	<u>9,783,499</u>
Deferred outflows of resources:												
Deferred charges on refunding bonds	17,418,509				17,418,509	12,576,141			4,842,368			
Deferred charges on pensions and OPEB	68,832,201	52,551,896	52,551,896		16,280,305	16,280,305						
Cumulative decrease in fair value of hedging derivative	6,124,000				6,124,000		6,124,000					
Total deferred outflows of resources	<u>92,374,710</u>	<u>52,551,896</u>	<u>52,551,896</u>		<u>39,822,814</u>	<u>28,856,446</u>	<u>6,124,000</u>		<u>4,842,368</u>			
Total assets	<u>\$ 3,162,371,158</u>	<u>\$ 657,658,921</u>	<u>\$ 598,780,493</u>	<u>\$ 58,878,428</u>	<u>\$ 2,531,906,290</u>	<u>\$ 1,342,978,685</u>	<u>\$ 98,777,961</u>	<u>\$ 870,505,033</u>	<u>\$ 89,242,889</u>	<u>\$ 25,036,706</u>	<u>\$ 89,239,136</u>	<u>\$ 16,125,880</u>
LIABILITIES												
Current liabilities (payable from current assets):												
Current portion of long-term debt	\$ 96,614,297	\$ 6,514,297	\$ 6,514,297		\$ 90,100,000	\$ 90,100,000						
Accounts payable	37,445,349	19,210,635	18,043,929	\$ 1,166,706	18,234,714	18,234,714						
Accrued wages, vacation and sick leave pay	12,912,067	6,058,648	6,058,648		6,853,419	6,853,419						
Workers' compensation and other accrued liabilities	5,823,275	5,284,336	5,284,336		538,939	538,939						
Total current liabilities (payable from current assets)	<u>152,794,988</u>	<u>37,067,916</u>	<u>35,901,210</u>	<u>1,166,706</u>	<u>115,727,072</u>	<u>115,727,072</u>						
Restricted liabilities (payable from restricted assets):												
Current portion of long-term debt and other	43,649,430				43,649,430		\$ 31,557,243	\$ 427,187	\$ 8,505,000		\$ 3,160,000	
Accrued interest payable	22,474,653				22,474,653		17,386,168		1,906,104			3,182,381
Accounts payable	59,841,343				59,841,343			\$ 59,840,093	1,250			
Contract retainage payable	9,170,476				9,170,476			9,170,476				
Total restricted current liabilities (payable from restricted assets)	<u>135,135,902</u>				<u>135,135,902</u>		<u>48,943,411</u>	<u>69,010,569</u>	<u>428,437</u>	<u>10,411,104</u>		<u>6,342,381</u>
Total current liabilities	<u>287,930,890</u>	<u>37,067,916</u>	<u>35,901,210</u>	<u>1,166,706</u>	<u>250,862,974</u>	<u>115,727,072</u>	<u>48,943,411</u>	<u>69,010,569</u>	<u>428,437</u>	<u>10,411,104</u>		<u>6,342,381</u>
Noncurrent liabilities:												
Long-term environmental and other accruals	74,358,342	63,072,828	63,072,828		11,285,514	1,471,514	6,124,000		3,690,000			
Long-term debt	1,182,917,365	66,408,608	66,408,608		1,116,508,757	850,100,986			106,277,771		\$ 160,130,000	
Unearned revenue and other	69,048,260	25,642,541	25,642,541		43,405,719	42,015,312	764,409		625,998			
Net pension and OPEB liability	120,197,512	63,882,732	63,882,732		56,314,780	56,314,780						
Due to other funds					27,194,053 *	27,194,053 *						
Total noncurrent liabilities	<u>1,446,521,479</u>	<u>219,006,709</u>	<u>219,006,709</u>		<u>1,254,708,823</u>	<u>977,096,645</u>	<u>6,888,409</u>		<u>110,593,769</u>		<u>160,130,000</u>	
Deferred inflows of resources:												
Deferred pension inflows	7,890,753	4,033,206	4,033,206		3,857,547	3,857,547						
Total deferred inflows of resources	<u>7,890,753</u>	<u>4,033,206</u>	<u>4,033,206</u>		<u>3,857,547</u>	<u>3,857,547</u>						
Total liabilities	<u>1,742,343,122</u>	<u>260,107,831</u>	<u>258,941,125</u>	<u>1,166,706</u>	<u>1,509,429,344</u>	<u>1,096,681,264</u>	<u>55,831,820</u>	<u>69,010,569</u>	<u>111,022,206</u>	<u>10,411,104</u>	<u>160,130,000</u>	<u>6,342,381</u>
NET POSITION												
Net investment in capital assets	949,533,423	295,379,689	250,730,033	44,649,656	654,153,734	171,449,499	(31,200,000)	728,679,587	(105,048,594)	(8,505,000)	(98,061,758)	(3,160,000)
Restricted for capital and debt service	300,052,697	5,807,839	5,807,839		294,244,858	769,568	74,146,141	72,814,877	83,269,277	23,130,602	27,170,894	12,943,499
Unrestricted	170,441,916	96,363,562	83,301,496	13,062,066	74,078,354	74,078,354						
Total net position	<u>1,420,028,036</u>	<u>397,551,090</u>	<u>339,839,368</u>	<u>57,711,722</u>	<u>1,022,476,946</u>	<u>246,297,421</u>	<u>42,946,141</u>	<u>801,494,464</u>	<u>(21,779,317)</u>	<u>14,625,602</u>	<u>(70,890,864)</u>	<u>9,783,499</u>
Total liabilities and net position	<u>\$ 3,162,371,158</u>	<u>\$ 657,658,921</u>	<u>\$ 598,780,493</u>	<u>\$ 58,878,428</u>	<u>\$ 2,531,906,290</u>	<u>\$ 1,342,978,685</u>	<u>\$ 98,777,961</u>	<u>\$ 870,505,033</u>	<u>\$ 89,242,889</u>	<u>\$ 25,036,706</u>	<u>\$ 89,239,136</u>	<u>\$ 16,125,880</u>

* Amount eliminated in the Combined All Funds column.

THE PORT OF PORTLAND
 PORTLAND INTERNATIONAL AIRPORT
 SCHEDULE OF NET REVENUES
 for the year ended June 30, 2020

Operating revenues:	
Airline revenues	\$ 104,824,766
Concessions and other rentals	115,198,327
Other	<u>28,150,562</u>
	248,173,655
Interest income - revenue fund and revenue bond fund	<u>5,043,516</u>
	<u>253,217,171</u>
Costs of operation and maintenance, excluding depreciation:	
Salaries, wages and fringe benefits	56,078,925
Contract, professional and consulting services	33,869,446
Materials and supplies	4,775,246
Utilities	10,714,931
Equipment rents, repair and fuel	1,437,633
Insurance	2,663,130
Travel and management expense	1,747,146
Allocation of general and administration expense of the Port of Portland	18,501,018
Other	<u>2,758,376</u>
	<u>132,545,851</u>
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	<u><u>\$ 120,671,320</u></u>

* Presented in accordance with provisions of Ordinance Nos. 155 and 323 (ordinances authorizing issuance of Airport revenue bonds), which are different from generally accepted accounting principles.

THE PORT OF PORTLAND
 PORTLAND INTERNATIONAL AIRPORT
 SCHEDULE OF COMPLIANCE WITH ORDINANCE NOS. 155 AND 323
 DEBT SERVICE COVERAGE REQUIREMENTS
 for the year ended June 30, 2020

Section 16(ii) of Ordinance No. 155 and Section 5f of Ordinance No. 323 authorizing the issuance of Portland International Airport revenue bonds require that net revenues, as defined by Ordinance No. 155, in each fiscal year must equal at least 130 percent of the prior lien bond (PLB) and subordinate lien bond (SLB) debt service requirements, as defined, for such fiscal year on all outstanding Portland International Airport revenue bonds. The Airport paid off the last of the PLBs in 1993, and has covenanted not to issue any further PLBs.

The Airport has complied with this provision computed in accordance with ordinance definitions as follows:

Net revenues, per accompanying schedule of net revenues		\$ 120,671,320
SLB debt service requirement:		
Interest and principal amount	\$ 59,074,922	
	<u> x 130%</u>	
Total net revenues required		<u>76,797,399</u>
Excess of net revenues over 130% of SLB debt service requirement		<u>\$ 43,873,921</u>

Section 5f of Ordinance No. 323 also requires that in a fiscal year when there is excess principal due, as defined in Section 5f of Ordinance No. 323, the net revenues in excess of 130% of the SLB debt service requirement equal 100% of such excess principal amount.

Excess of net revenues over 130% of SLB debt service requirement		\$ 43,873,921
Excess principal amount	\$	
	<u> x 100%</u>	
Total additional net revenues required		<u> </u>
Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requirement		<u>\$ 43,873,921</u>

In addition, Section 5f of Ordinance No. 323 requires that the net revenues, together with other amounts that are available to pay other swap obligations, as defined in Ordinance No. 323, are sufficient to pay all other swap obligations and junior lien obligations (Other Obligations) when due.

Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requirement		\$ 43,873,921
Other amounts available to pay other swap obligations		
Total available to pay Other Obligations		<u>43,873,921</u>
Other swap obligations	\$	
Junior lien obligations		
Total Other Obligations		<u> </u>
Excess amount over 130% of SLB debt service requirement, 100% of excess principal requirement, and Other Obligations		<u>\$ 43,873,921</u>

THE PORT OF PORTLAND
 PORTLAND INTERNATIONAL AIRPORT
 SCHEDULE OF REVENUE BOND
 CONSTRUCTION ACCOUNT ACTIVITY
 for the year ended June 30, 2020

	Bond Proceeds <u>Portion</u>	Capitalized Interest <u>Portion</u>
Construction account, June 30, 2019	\$ 193,389,107	\$ 7,594,663
Excess earnings on capitalized interest funds	576,322	(576,322)
Interest income	<u>3,311,036</u>	<u>64,966</u>
	197,276,465	7,083,307
Construction expenditures	103,603,448	
Transfers to revenue bond fund	<u> </u>	<u>6,959,455</u>
Construction account, June 30, 2020	<u><u>\$ 93,673,017</u></u>	<u><u>\$ 123,852</u></u>

NOTE: This schedule is provided in compliance with Section 8(d) of Ordinance No. 323.

THE PORT OF PORTLAND
 PORTLAND INTERNATIONAL AIRPORT
 SCHEDULE OF GENERAL ACCOUNT AMOUNT AVAILABLE FOR
 PAYMENT TO AIRPORT REVENUE BOND FUND AND RATIO TO
 REVENUE BOND DEBT SERVICE REQUIREMENT
 for the year ended June 30, 2020

Net revenues, per accompanying schedule of net revenues		\$ 120,671,320
Less revenue bond fund interest income		<u>(1,102,356)</u>
Applied to General Account, available to be applied to debt service of bonds		\$ <u>119,568,964</u> (1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323		\$ <u>59,074,922</u> (2)
Ratio (1)/(2)		<u>2.02</u>
Required ratio		<u>1.30</u>

NOTE: This schedule is provided in compliance with Section 5f of Ordinance No. 323.

THE PORT OF PORTLAND
 PORTLAND INTERNATIONAL AIRPORT
 SCHEDULE OF PASSENGER FACILITY CHARGE ACTIVITY
 for the year ended June 30, 2020

	<u>First Lien Bond Account</u>	<u>First Lien Reserve Account</u>	<u>Capital Account</u>
Balances at June 30, 2019	\$ 671,784	\$ 14,310,701	\$ 149,359,194
PFC revenues:			
PFC bond account	13,838,566		
Capital account			12,941,517
Interest earnings		344,706	2,384,598
Transfer from reserve account to bond account	344,706	(344,706)	
Bond payments to trustee	(14,540,155)		
Costs of approved PFC projects			(80,872,063)
Other, net	<u> </u>	<u> </u>	<u>82,029</u>
Balances at June 30, 2020	<u>\$ 314,901</u>	<u>\$ 14,310,701</u>	<u>\$ 83,895,275</u>

NOTE: This schedule is provided in compliance with Section 9(d) of Ordinance No. 395-B.

THE PORT OF PORTLAND
 SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
 for the year ended June 30, 2020

Fiscal Year	Property Taxes Receivable June 30, 2019	Current Levy as Extended by Assessors	Deduct Cash Collections	Deduct Discounts Allowed	Cancellations and Adjustments	Property Taxes Receivable June 30, 2020	Interest Collected
2019-20		\$ 13,551,761	\$ (12,959,506)	\$ (266,131)	\$ (139,923)	\$ 186,201	\$ (5,789)
2018-19	\$ 171,303		(96,031)		(5,957)	69,315	5,197
2017-18	69,993		(24,085)		(10,144)	35,764	3,593
2016-17	34,281		(19,101)		(1,336)	13,844	4,309
2015-16	14,977		(10,819)		(737)	3,421	2,803
2014-15 and prior	26,120		(5,333)		(2,516)	18,271	599
	<u>\$ 316,674</u>	<u>\$ 13,551,761</u>	<u>\$ (13,114,875)</u>	<u>\$ (266,131)</u>	<u>\$ (160,613)</u>	<u>\$ 326,816</u>	<u>\$ 10,712</u>

Reconciliation to income from property taxes:

Current levy	\$ 13,551,761
Deduct discounts allowed	(266,131)
Cancellations and adjustments	(160,613)
	<u>\$ 13,125,017</u>

THE PORT OF PORTLAND
SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2020

	Maturity Date	Outstanding at June 30, 2019	2019-2020 Transactions			Outstanding June 30, 2020	
			Issued	Matured	Redeemed	Total	Due Within One Year
LIMITED TAX PENSION BONDS:							
Series 2002A, 2.00% to 7.41%	06/01/20	\$ 832,781		\$ 832,781	\$ 832,781		
Series 2002B, 6.60% to 6.85%	06/01/28	43,525,000		265,000	265,000	\$ 43,260,000	\$ 3,695,000
Series 2005, 4.00% to 5.50%	06/01/28	14,095,000		1,100,000	1,100,000	12,995,000	1,230,000
Total Limited Tax Pension Bonds		58,452,781		2,197,781	2,197,781	56,255,000	4,925,000
PORTLAND INTERNATIONAL AIRPORT							
REVENUE BONDS:							
Series 18A, 0.32% *	07/01/26	32,320,000		4,705,000	4,705,000	27,615,000	4,935,000
Series 18B, 0.32% *	07/01/26	32,320,000		4,705,000	4,705,000	27,615,000	4,930,000
Series 20A, 3.00% to 5.00%	07/01/40	15,280,000		685,000	14,575,000	705,000	705,000
Series 20B, 2.00% to 4.50%	07/01/40	18,320,000		545,000	17,750,000	570,000	570,000
Series 20C, 4.00% to 5.00%	07/01/28	60,890,000		4,845,000	55,805,000	5,085,000	5,085,000
Series 21C, 4.375% to 5.00%	07/01/23	27,685,000		5,040,000	5,040,000	22,645,000	5,250,000
Series 22, 4.00% to 5.00%	07/01/44	90,050,000		1,780,000	1,780,000	88,270,000	1,850,000
Series 23, 5.00%	07/01/38	106,375,000		3,215,000	3,215,000	103,160,000	3,380,000
Series 24A, 5.00%	07/01/47	21,965,000				21,965,000	
Series 24B, 5.00%	07/01/47	210,565,000		745,000	745,000	209,820,000	3,965,000
Series 25A, 5.00%	07/01/49	21,825,000				21,825,000	
Series 25B, 5.00%	07/01/49	186,430,000				186,430,000	530,000
Series 26A, 4.00% to 5.00%	07/01/40		\$ 12,265,000			12,265,000	
Series 26B, 5.00%	07/01/40		14,460,000			14,460,000	
Series 26C, 5.00%	07/28/40		46,000,000			46,000,000	
Total Portland Int'l Airport Revenue Bonds		824,025,000	72,725,000	26,265,000	108,320,000	788,430,000	31,200,000
PORTLAND INTERNATIONAL AIRPORT							
PASSENGER FACILITY CHARGE REVENUE BONDS:							
Series 2011A, 2.50% to 5.50%	07/01/31	65,590,000		150,000	150,000	65,440,000	135,000
Series 2012A, 0.6976% *	07/01/24	54,405,000		7,955,000	7,955,000	46,450,000	8,370,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		119,995,000		8,105,000	8,105,000	111,890,000	8,505,000
PORTLAND INTERNATIONAL AIRPORT							
CUSTOMER FACILITY CHARGE REVENUE BONDS:							
Series 2019, 2.635% to 4.237%	07/01/49	163,290,000				163,290,000	3,160,000
Total Portland Int'l Airport Customer Facility Charge Revenue Bonds		163,290,000				163,290,000	3,160,000
Total Port Bonds		\$ 1,165,762,781	\$ 72,725,000	\$ 36,567,781	\$ 118,622,781	\$ 1,119,865,000	\$ 47,790,000
CONTRACTS & LOANS PAYABLE:							
City of Portland LID, Series 2003, 5.32%	04/01/23	\$ 2,800,890		\$ 696,516	\$ 2,800,890		
Oregon Department of Transportation, MMTF-0001, 0%	03/31/21	400,000		200,000	200,000	\$ 200,000	\$ 200,000
Oregon Department of Transportation, MMTF-0003, 0%	07/01/22	2,228,100		742,700	742,700	1,485,400	
Oregon Business Development Dept., B08005, 2.00% to 4.00%	12/01/30	5,656,931		386,262	386,262	5,270,669	398,250
Oregon Business Development Dept., Strategic Reserve Fund, 0%	03/31/22		\$ 500,000			500,000	
Banc of America Leasing & Capital, LLC, 2.84%	10/01/19	105,330		105,330	105,330		
Banc of America Leasing & Capital, LLC, 4.5%	06/01/28	10,159,354		947,518	947,518	9,211,836	991,047
Total Contracts & Loans Payable		\$ 21,350,605	\$ 500,000	\$ 3,078,326	\$ 5,182,700	\$ 16,667,905	\$ 1,589,297
TOTAL PORT LONG-TERM DEBT		\$ 1,187,113,386	\$ 73,225,000	\$ 39,646,107	\$ 123,805,481	\$ 1,136,532,905	\$ 49,379,297

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.

* Interest rate at June 30, 2020. Rate is variable, depending on weekly resets.

THE PORT OF PORTLAND
SCHEDULE OF BOND AND OTHER LONG-TERM DEBT INTEREST TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2020

	Outstanding at June 30, 2019	Issued	Interest Matured and Paid	Interest Fluctuations and Redemptions	Outstanding at June 30, 2020	Maturing Within One Year
<u>LIMITED TAX PENSION BONDS:</u>						
Series 2002A, 2.00% to 7.41%	\$ 2,292,220		\$ 2,292,220			
Series 2002B, 6.60% to 6.85%	17,152,828		2,965,950		\$ 14,186,878	\$ 2,947,797
Series 2005, 4.00% to 5.50%	3,765,668		703,719		3,061,949	650,270
Total Limited Tax Pension Bonds	<u>23,210,716</u>		<u>5,961,889</u>		<u>17,248,827</u>	<u>3,598,067</u>
<u>PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:</u>						
Series 18A, 0.32% *	2,714,300		336,049	\$ 2,047,387	330,864	88,368
Series 18B, 0.32% *	2,674,081		322,967	2,020,170	330,944	88,368
Series 20A, 3.00% to 5.00%	6,676,917		577,106	6,089,236	10,575	10,575
Series 20B, 2.00% to 4.50%	9,531,626		726,650	8,792,151	12,825	12,825
Series 20C, 4.00% to 5.00%	16,442,250		2,923,375	13,391,750	127,125	127,125
Series 21C, 4.375% to 5.00%	3,388,107		1,194,963		2,193,144	937,712
Series 22, 4.00% to 5.00%	70,542,100		4,449,100		66,093,000	4,367,250
Series 23, 5.00%	61,685,625		5,238,375		56,447,250	5,073,500
Series 24A, 5.00%	29,210,375		1,098,250		28,112,125	1,098,250
Series 24B, 5.00%	180,439,375		10,509,625		169,929,750	10,391,875
Series 25A, 5.00%	30,864,594		748,719		30,115,875	1,091,250
Series 25B, 5.00%	175,098,585		6,395,585		168,703,000	9,308,250
Series 26A, 4.00% to 5.00%		\$ 5,636,107			5,636,107	391,907
Series 26B, 5.00%		9,617,808			9,617,808	496,058
Series 26C, 5.00%		10,879,556			10,879,556	1,578,056
Total Portland Int'l Airport Revenue Bonds	<u>589,267,935</u>	<u>26,133,471</u>	<u>34,520,764</u>	<u>32,340,694</u>	<u>548,539,948</u>	<u>35,061,369</u>
<u>PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:</u>						
Series 2011A, 2.50% to 5.50%	32,879,950		3,385,575		29,494,375	3,381,300
Series 2012A, 0.6976% *	5,591,420		1,532,654	3,053,699	1,005,067	324,035
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	<u>38,471,370</u>		<u>4,918,229</u>	<u>3,053,699</u>	<u>30,499,442</u>	<u>3,705,335</u>
<u>PORTLAND INTERNATIONAL AIRPORT CUSTOMER FACILITY CHARGE REVENUE BONDS:</u>						
Series 2019, 2.635% to 4.237%	123,588,918		4,366,932		119,221,986	6,323,129
Total Portland Int'l Airport Customer Facility Charge Revenue Bonds	<u>123,588,918</u>		<u>4,366,932</u>		<u>119,221,986</u>	<u>6,323,129</u>
Total Port Bonds	<u>\$ 774,538,939</u>	<u>\$ 26,133,471</u>	<u>\$ 49,767,814</u>	<u>\$ 35,394,393</u>	<u>\$ 715,510,203</u>	<u>\$ 48,687,900</u>
<u>CONTRACTS & LOANS PAYABLE:</u>						
City of Portland LID, Series 2003, 5.32%	\$ 293,909			\$ 293,909		
Oregon Business Development Dept., B08005, 2.00% to 4.00%	1,509,134		\$ 209,495		\$ 1,299,639	\$ 197,907
Banc of America Leasing & Capital, LLC, 2.84%	499		499			
Banc of America Leasing & Capital, LLC, 4.5%	2,192,945		437,787		1,755,158	394,258
Total Contracts & Loans Payable	<u>\$ 3,996,487</u>		<u>\$ 647,781</u>	<u>\$ 293,909</u>	<u>\$ 3,054,797</u>	<u>\$ 592,165</u>
TOTAL PORT LONG-TERM DEBT	<u>\$ 778,535,426</u>	<u>\$ 26,133,471</u>	<u>\$ 50,415,595</u>	<u>\$ 35,688,302</u>	<u>\$ 718,565,000</u>	<u>\$ 49,280,065</u>

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.

* Interest rate at June 30, 2020. Rate is variable, depending on weekly resets.

THE PORT OF PORTLAND
SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES
AS OF JUNE 30, 2020

	Date of Issue	Total Requirements	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26 to 2029-30	2030-31 to 2034-35	2035-36 to 2039-40	2040-41 to 2044-45	2045-46 to 2049-50
LIMITED TAX PENSION BONDS:												
Series 2002B	-Principal	03/28/02	\$ 43,260,000	\$ 3,695,000	\$ 4,240,000	\$ 4,840,000	\$ 5,495,000	\$ 6,205,000	\$ 18,785,000			
6.60% to 6.85%	-Interest		14,186,878	2,947,797	2,694,690	2,404,250	2,072,710	1,696,303	2,371,128			
Series 2005	-Principal	09/23/05	12,995,000	1,230,000	1,365,000	1,510,000	1,670,000	1,835,000	5,385,000			
4.00% to 5.50%	-Interest		3,061,949	650,270	588,721	520,416	444,856	361,289	496,397			
Total Limited Tax Pension Bonds	-Principal		\$ 56,255,000	\$ 4,925,000	\$ 5,605,000	\$ 6,350,000	\$ 7,165,000	\$ 8,040,000	\$ 24,170,000			
Total Limited Tax Pension Bonds	-Interest		\$ 17,248,827	\$ 3,598,067	\$ 3,283,411	\$ 2,924,666	\$ 2,517,566	\$ 2,057,592	\$ 2,867,525			
PORTLAND INTERNATIONAL AIRPORT												
REVENUE BONDS:												
Series 18A	-Principal	06/11/08	\$ 27,615,000	\$ 4,935,000	\$ 5,155,000	\$ 3,295,000	\$ 3,450,000	\$ 3,605,000	\$ 7,175,000			
0.32% **	-Interest		330,864	88,368	72,576	56,080	45,536	34,496	33,808			
Series 18B	-Principal	06/11/08	27,615,000	4,930,000	5,155,000	3,295,000	3,450,000	3,610,000	7,175,000			
0.32% **	-Interest		330,944	88,368	72,592	56,096	45,552	34,512	33,824			
Series 20A	-Principal	11/02/10	705,000	705,000								
3.125% to 5.00%	-Interest		10,575	10,575								
Series 20B	-Principal	11/02/10	570,000	570,000								
2.00% to 4.50%	-Interest		12,825	12,825								
Series 20C	-Principal	11/02/10	5,085,000	5,085,000								
4.00% to 5.00%	-Interest		127,125	127,125								
Series 21C	-Principal	08/10/11	22,645,000	5,250,000	5,560,000	5,785,000	6,050,000					
4.375% to 5.00%	-Interest		2,193,144	937,712	681,363	426,100	147,969					
Series 22	-Principal	09/25/14	88,270,000	1,850,000	1,940,000	2,040,000	2,140,000	2,250,000	13,050,000	\$ 16,645,000	\$ 21,245,000	\$ 27,110,000
5.00%	-Interest		66,093,000	4,367,250	4,272,500	4,173,000	4,068,500	3,958,750	17,945,000	14,249,875	9,536,875	3,521,250
Series 23	-Principal	03/31/15	103,160,000	3,380,000	3,545,000	3,720,000	3,910,000	4,110,000	23,815,000	30,405,000	30,275,000	
5.00%	-Interest		56,447,250	5,073,500	4,900,375	4,718,750	4,528,000	4,327,500	18,263,125	11,516,875	3,119,125	
Series 24A	-Principal	01/25/17	21,965,000								8,150,000	\$ 13,815,000
5.00%	-Interest		28,112,125	1,098,250	1,098,250	1,098,250	1,098,250	1,098,250	5,491,250	5,491,250	5,491,250	5,088,750
Series 24B	-Principal	01/25/17	209,820,000	3,965,000	4,170,000	4,375,000	4,595,000	4,825,000	27,990,000	35,725,000	45,585,000	50,035,000
5.00%	-Interest		169,929,750	10,391,875	10,188,500	9,974,875	9,750,625	9,515,125	43,609,750	35,682,875	25,567,125	13,060,625
Series 25A	-Principal	04/24/19	21,825,000									21,825,000
5.00%	-Interest		30,115,875	1,091,250	1,091,250	1,091,250	1,091,250	1,091,250	5,456,250	5,456,250	5,456,250	5,456,250
Series 25B	-Principal	04/24/19	186,430,000	530,000	560,000	2,325,000	3,745,000	3,935,000	22,815,000	29,135,000	37,190,000	47,455,000
5.00%	-Interest		168,703,000	9,308,250	9,281,000	9,208,875	9,057,125	8,865,125	41,093,125	34,630,625	26,379,000	15,848,625
Series 26A	-Principal	04/24/20	12,265,000		605,000	630,000	670,000	695,000	3,575,000	2,420,000	3,000,000	670,000
4.00% to 5.00%	-Interest		5,636,107	391,907	556,075	525,200	492,700	458,575	1,730,875	1,024,175	443,200	13,400
Series 26B	-Principal	04/24/20	14,460,000		25,000	25,000	50,000	540,000	3,200,000	4,130,000	5,265,000	1,225,000
5.00%	-Interest		9,617,808	496,058	722,375	721,125	719,250	704,500	3,074,500	2,158,750	990,625	30,625
Series 26c	-Principal	04/24/20	46,000,000		5,560,000	5,835,000	6,140,000	6,435,000	22,030,000			-
5.00%	-Interest		10,879,556	1,578,056	2,161,000	1,876,125	1,576,750	1,262,375	2,425,250			-
Total Portland Int'l Airport Revenue Bonds	-Principal		\$ 788,430,000	\$ 31,200,000	\$ 32,275,000	\$ 31,325,000	\$ 34,200,000	\$ 30,005,000	\$ 130,825,000	\$ 118,460,000	\$ 142,560,000	\$ 134,645,000
Total Portland Int'l Airport Revenue Bonds	-Interest		\$ 548,539,948	\$ 35,061,369	\$ 35,097,856	\$ 33,925,726	\$ 32,621,507	\$ 31,350,458	\$ 139,156,757	\$ 110,210,675	\$ 76,983,450	\$ 43,019,525
PORTLAND INTERNATIONAL AIRPORT												
PASSENGER FACILITY CHARGE REVENUE BONDS:												
Series 2011A	-Principal	11/10/11	\$ 65,440,000	\$ 135,000	\$ 125,000	\$ 105,000	\$ 80,000	\$ 60,000	\$ 44,020,000	\$ 20,915,000		
2.50% to 5.50%	-Interest		29,494,375	3,381,300	3,377,244	3,373,506	3,370,400	3,367,950	11,469,637	1,154,338		
Series 2012A	-Principal	08/15/12	46,450,000	8,370,000	8,805,000	9,265,000	9,750,000	10,260,000				
0.6976%**	-Interest		1,005,067	324,035	265,646	204,222	139,590	71,574				
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		\$ 111,890,000	\$ 8,505,000	\$ 8,930,000	\$ 9,370,000	\$ 9,830,000	\$ 10,320,000	\$ 44,020,000	\$ 20,915,000		
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		\$ 30,499,442	\$ 3,705,335	\$ 3,642,890	\$ 3,577,728	\$ 3,509,990	\$ 3,439,524	\$ 11,469,637	\$ 1,154,338		
PORTLAND INTERNATIONAL AIRPORT												
CUSTOMER FACILITY CHARGE REVENUE BONDS:												
Series 2019	-Principal	04/29/19	\$ 163,290,000	\$ 3,160,000	\$ 3,240,000	\$ 3,330,000	\$ 3,420,000	\$ 3,520,000	\$ 19,320,000	\$ 23,020,000	\$ 27,940,000	\$ 34,225,000
2.635% to 4.237%	-Interest		119,221,986	6,323,129	6,237,578	6,147,556	6,052,751	5,952,165	27,973,239	24,154,873	19,104,327	12,667,465
Total Portland Int'l Airport CFC Revenue Bonds	-Principal		\$ 163,290,000	\$ 3,160,000	\$ 3,240,000	\$ 3,330,000	\$ 3,420,000	\$ 3,520,000	\$ 19,320,000	\$ 23,020,000	\$ 27,940,000	\$ 34,225,000
Total Portland Int'l Airport CFC Revenue Bonds	-Interest		\$ 119,221,986	\$ 6,323,129	\$ 6,237,578	\$ 6,147,556	\$ 6,052,751	\$ 5,952,165	\$ 27,973,239	\$ 24,154,873	\$ 19,104,327	\$ 12,667,465
Total Port Bonds	-Principal		\$ 1,119,865,000	\$ 47,790,000	\$ 50,050,000	\$ 50,375,000	\$ 54,615,000	\$ 51,885,000	\$ 218,335,000	\$ 162,395,000	\$ 170,500,000	\$ 168,870,000
Total Port Bonds	-Interest		\$ 715,510,203	\$ 48,687,900	\$ 48,261,735	\$ 46,575,676	\$ 44,701,814	\$ 42,799,739	\$ 181,467,158	\$ 135,519,886	\$ 96,087,777	\$ 55,686,990

THE PORT OF PORTLAND
SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES
AS OF JUNE 30, 2020, Continued

		Date of Issue	Total Requirements	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26 to 2029-30	2030-31 to 2034-35	2035-36 to 2039-40	2040-41 to 2044-45	2045-46 to 2049-50
<u>CONTRACTS & LOANS PAYABLE:</u>													
Oregon Department of Transportation MMTF-0001	-Principal	05/10/09	\$ 200,000	\$ 200,000									
Oregon Department of Transportation MMTF-0003	-Principal	07/06/10	1,485,400		\$ 742,700	\$ 742,700							
Oregon Business Development Dept. B08005	-Principal	08/31/10	5,270,669	398,250	415,639	428,111	\$ 440,304	\$ 452,658	\$ 2,562,445	\$ 573,262			
2.00% to 4.00%	-Interest		1,299,639	197,907	183,968	169,421	156,578	142,818	426,734	22,213			
Banc of America Leasing & Capital, LLC	-Principal	06/06/13	9,211,836	991,047	1,036,575	1,084,195	1,134,003	1,186,099	3,779,917				
4.5%	-Interest		1,755,158	394,258	348,730	301,109	251,302	199,205	260,554				
Oregon Business Development Dept. Strategic Resv Fund, 0%	-Principal	03/31/22	500,000		500,000								
Total Contracts & Loans Payable	-Principal		<u>\$ 16,667,905</u>	<u>\$ 1,589,297</u>	<u>\$ 2,694,914</u>	<u>\$ 2,255,006</u>	<u>\$ 1,574,307</u>	<u>\$ 1,638,757</u>	<u>\$ 6,342,362</u>	<u>\$ 573,262</u>			
Total Contracts & Loans Payable	-Interest		<u>\$ 3,054,797</u>	<u>\$ 592,165</u>	<u>\$ 532,698</u>	<u>\$ 470,530</u>	<u>\$ 407,880</u>	<u>\$ 342,023</u>	<u>\$ 687,288</u>	<u>\$ 22,213</u>			
TOTAL PORT LONG-TERM DEBT	-Principal		<u>\$1,136,532,905</u>	<u>\$ 49,379,297</u>	<u>\$ 52,744,914</u>	<u>\$ 52,630,006</u>	<u>\$ 56,189,307</u>	<u>\$ 53,523,757</u>	<u>\$ 224,677,362</u>	<u>\$ 162,968,262</u>	<u>\$ 170,500,000</u>	<u>\$ 168,870,000</u>	<u>\$ 145,050,000</u>
TOTAL PORT LONG-TERM DEBT	-Interest		<u>\$ 718,565,000</u>	<u>\$ 49,280,065</u>	<u>\$ 48,794,433</u>	<u>\$ 47,046,206</u>	<u>\$ 45,109,694</u>	<u>\$ 43,141,762</u>	<u>\$ 182,154,446</u>	<u>\$ 135,542,099</u>	<u>\$ 96,087,777</u>	<u>\$ 55,686,990</u>	<u>\$ 15,721,528</u>

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.

** Interest rate at June 30, 2020. Rate is variable, depending on weekly resets.

INDUSTRIAL DEVELOPMENT REVENUE BONDS:

Horizon Air Project:	-Principal	08/07/97	\$ 17,300,000						\$ 17,300,000				
1997 Series, 0.20%*	-Interest		2,500,859	\$ 361,570	\$ 361,570	\$ 361,570	\$ 361,570	\$ 361,570	693,009				
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		<u>\$ 17,300,000</u>										
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		<u>\$ 2,500,859</u>	<u>\$ 361,570</u>	<u>\$ 361,570</u>	<u>\$ 361,570</u>	<u>\$ 361,570</u>	<u>\$ 361,570</u>	<u>\$ 693,009</u>				

* Interest rate at June 30, 2020. Rate is variable, depending on prime.

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding. This schedule is provided for information purposes only. Industrial development revenue bonds are not a liability or contingent liability of the Port.

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS



Report of Independent Auditors on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Oregon Municipal Auditing Standards

The Board of Commissioners
Port of Portland

We have audited the basic financial statements of the Port of Portland (the Port), as of and for the year ended June 30, 2020, and have issued our report thereon dated October 21, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Port’s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-0000 to 162-10-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

OAR	Section	Instances of Non-Compliance Identified?
162-010-0000	Preface	None Noted
162-010-0010	Definitions	None Noted
162-010-0020	Introduction	None Noted
162-010-0030	General Requirements	None Noted
162-010-0050	Financial Statements	None Noted
162-010-0115	Required Supplementary Information (RSI)	None Noted
162-010-0120	Other Supplementary Information	None Noted
162-010-0130	Schedule of Revenues, Expenditures / Expenses, and Changes in Fund Balances, / Net Position, Budget and Actual (Each Fund)	None Noted
162-010-0140	Schedule of Accountability for Independently Elected Officials	Not applicable
162-010-0150	Schedule of Property Tax Transactions or Acreage Assessments	None Noted
162-010-0160	Schedule of Bonded or Long-Term Debt Transactions	None Noted
162-010-0170	Schedule of Future Requirements for Retirement of Bonded or Long-Term Debt	None Noted
162-010-0190	Other Financial or Statistical Information	None Noted
162-010-0200	Required Disclosures and Independent Auditors Comments	None Noted
162-010-0230	Accounting Records and Internal Control	None Noted
162-010-0240	Public Fund Deposits	None Noted
162-010-0250	Indebtedness	None Noted
162-010-0260	Budget	Yes
162-010-0270	Insurance and Fidelity Bonds	None Noted
162-010-0280	Programs Funded from Outside Sources	None Noted
162-010-0295	Highway Funds	Not applicable
162-010-0300	Investments	None Noted
162-010-0310	Public Contracts and Purchasing	None Noted
162-010-0315	State School Fund	Not applicable
162-010-0316	Public Charter Schools	Not applicable
162-010-0320	Other Comments and Disclosures	None Noted
162-010-0330	Extensions of Time to Deliver Audit Reports	Not applicable

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. The Port experienced budgetary over-expenditures in three funds which are disclosed in the notes to the financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners, management, and the State of Oregon, and is not intended to be and should not be used by anyone other than those specified parties.



James Lanzarotta, Partner
for Moss Adams LLP
Portland, Oregon
October 21, 2020