COMPETITIVE SALE — The Obligations will be sold pursuant to a competitive sale held at 9:00 a.m. (Pacific Time) on February 10, 2021, as further described in the Notice of Sale attached hereto.

DRAFT DATED 1/28/21

PRELIMINARY OFFICIAL STATEMENT DATED ____________, 2021

$40,000,000(1)

Water Environment Services

Clackamas County, Oregon

Wastewater Revenue Obligations, Series 2021

DATED: February 24, 2020 (estimated "Date of Delivery") **DUE: June 1, as shown on the inside cover**

PURPOSE — The $40,000,000(1) Wastewater Revenue Obligations, Series 2021 (the "Obligations") are being issued by Water Environment Services, Clackamas County, Oregon (the "District" or "WES"). The Obligations are being issued to finance real and personal property for the District's sewer system, and to pay the costs of issuance of the Obligations. See "Purpose and Use of Proceeds" herein.

S&P RATING — "__" underlying. See "Rating" herein.

NOT BANK QUALIFIED — The District has NOT designated the Financing Agreement (as hereinafter defined) as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the "Code").

BOOK-ENTRY ONLY SYSTEM — The Obligations will be issued, executed and delivered in fully registered form under a book-entry only system and registered in the name of Cede & Co., as owner and nominee for The Depository Trust Company ("DTC"). DTC will act as initial securities depository for the Obligations. Individual purchases of the Obligations will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Obligations purchased.

PRINCIPAL AND INTEREST PAYMENTS — The Obligations evidence and represent undivided proportionate interests of the Beneficial Owners thereof (as hereinafter defined) in the Financing Payments to be made by the District pursuant to the Financing Agreement (as hereinafter defined). The interest component of the Financing Payments evidenced and represented by the Obligations is payable on June 1, 2021 and semiannually thereafter on June 1 and December 1 of each year to the maturity or earlier prepayment of the Obligations. The principal and interest components of the Financing Payments evidenced and represented by the Obligations will be payable by the District's paying agent, registrar and escrow agent, initially U.S. Bank National Association (the "Paying Agent"), to DTC which, in turn, will remit such principal and interest components to the DTC participants for subsequent disbursement to the beneficial owners of the Obligations at the address appearing upon the registration books on the 15th day (the "Record Date") of the month preceding a payment date.

MATURITY SCHEDULE — See inside front cover.

REDEMPTION — The Obligations are subject to optional redemption prior to their stated maturities as further described herein.

SECURITY — Pursuant to the terms of a financing agreement (the "Financing Agreement") between the Paying Agent and the District, the District's payment obligations under the Financing Agreement (the "Financing Payments") are special obligations of the District that are payable solely from the Net Revenues of the District's sewer system as described in the Amended Master Sewer Revenue Bond Declaration dated as of June 30, 2018 (the "Master Declaration"). The Financing Agreement is issued as a "Parity Obligation" and a "Bond" under the Master Declaration. At the time of issuance of the Financing Agreement, there will be outstanding bonds with a lien on Net Revenues on parity with the lien that secures the Financing Payments. Additionally, additional bonds with a parity lien on Net Revenues may be issued in the future under the Master Declaration, subject to certain conditions described herein. The District also has outstanding loans that have a lien on the Net Revenues of the Sewer System that is subordinate to that of the Parity Obligations. The District has pledged in the Master Declaration not to issue borrowings having a lien on Net Revenues superior to the Parity Obligations. The Financing Agreement does not constitute a debt or indebtedness of Clackamas County, the State of Oregon, or any political subdivision thereof other than the District.

The Financing Payments are not a general obligation of the District and are not payable from or secured by any property taxes. Payment of the Financing Payments is not subject to annual appropriation. The Owners do not have a lien on or security interest in the projects financed with the Financing Agreement or any other property of the District except as expressly set forth in the form of Master Declaration or the Obligations.

TAX MATTERS — In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District ("Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) the portion of the payments made under the Financing Agreement designated and constituting interest ("Interest") is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) Interest is not treated as a preference item in calculating the alternative minimum tax under the Code. In the opinion of Bond Counsel, Interest is exempt from State of Oregon personal income tax under existing law. See "Tax Matters" herein for a discussion of the opinion of Bond Counsel.

DELIVERY — The Obligations are offered for sale to the original purchaser subject to the final approving legal opinion of Bond Counsel. It is expected that the Obligations will be available for delivery to the Paying Agent for Fast Automated Securities Transfer on behalf of DTC, on or about the Date of Delivery.

(1) Preliminary, subject to change.

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

Water Environment Services
Clackamas County, Oregon
Wastewater Revenue Obligations, Series 2021

DATED: Date of Delivery **DUE: June 1, as shown below**

MATURITY SCHEDULE —

Due June 1	Amounts[(1)]	Interest Rates	Yields	CUSIP® _______	Due June 1	Amounts[(1)]	Interest Rates	Yields	CUSIP® _______
2022	$1,855,000				2032	$1,965,000			
2023	1,860,000				2033	1,990,000			
2024	1,865,000				2034	2,015,000			
2025	1,870,000				2035	2,050,000			
2026	1,875,000				2036	2,080,000			
2027	1,885,000				2037	2,120,000			
2028	1,895,000				2038	2,160,000			
2029	1,910,000				2039	2,200,000			
2030	1,925,000				2040	2,245,000			
2031	1,945,000				2041	2,290,000			

(1) Preliminary, subject to change.

The CUSIP® numbers herein are provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by S&P Capital IQ, a division of S&P Global Inc. CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. Neither the District nor the Purchaser take any responsibility for the accuracy of such CUSIP numbers.

No website mentioned in this Official Statement is part of this Official Statement, and readers should not rely upon any information presented on any such website in determining whether to purchase the Obligations. Any references to any website mentioned in this Official Statement are not hyperlinks and do not incorporate such websites by reference.

No dealer, broker, salesman or other person has been authorized by the District or Piper Sandler & Co. (the "Municipal Advisor") to give information or to make any representations with respect to the Obligations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Obligations by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Obligations have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Obligations in accordance with applicable provisions of securities laws of the States in which the Obligations have been registered or qualified and the exemption from the registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these States nor any of their agencies have passed upon the merits of the Obligations or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Preliminary Official Statement has been "deemed final" by the District, pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, except for information which is permitted to be excluded from this Official Statement under said rule 15c2-12.

Water Environment Services

150 Beavercreek Road
Oregon City, Oregon 97045
(503) 742-4567

Clackamas County Board of Commissioners
(As Governing Body for Water Environment Services)

Tootie Smith	Chair
Sonya Fischer	Commissioner
Paul Savas	Commissioner
Martha Schrader	Commissioner
Mark Shull	Commissioner

Administrative Staff

Gary Schmidt	County and District Administrator
Greg Geist	Director, WES
Chris Storey	Assistant Director and Interim Financial Manager, WES
Nathan K. Boderman	Assistant County Counsel
Amanda Keller	Assistant County Counsel

Bond Counsel

Hawkins Delafield &Wood LLP
Portland, Oregon
(503) 402-1320

Municipal Advisor

Piper Sandler & Co.
Portland, Oregon
(503) 275-8300

Paying Agent

U.S. Bank National Association
Global Corporate Trust Services
Portland, Oregon
(503) 464-3757

Table of Contents

Appendices:

Official Notice of Sale

$40,000,000(1)
Water Environment Services, Clackamas County, Oregon
Wastewater Revenue Obligations, Series 2021

NOTICE IS HEREBY GIVEN that bids will be received on behalf of the Water Environment Services, Clackamas County, Oregon (the "District" or "WES") for the purchase of the above-captioned Wastewater Revenue Obligations, Series 2021 (the "Obligations") on:

Bid Date:	**Tuesday, February 10, 2021**
Bid Time:	**9:00 a.m., Prevailing Pacific Time**
Electronic Bids:	**PARITY Bidding System ("Parity")**

Security

Pursuant to the terms of a financing agreement (the "Financing Agreement") between the Paying Agent and the District, the District's payment obligations under the Financing Agreement (the "Financing Payments") are special obligations of the District that are payable solely from the Net Revenues of the District's sewer system as described in the Amended Master Sewer Revenue Bond Declaration dated as of June 30, 2018 (the "Master Declaration"). The Financing Agreement is issued as a "Parity Obligation" and a "Bond" under the Master Declaration. At the time of issuance of the Financing Agreement, there will be outstanding bonds with a lien on Net Revenues on parity with the lien that secures the Financing Payments. Additionally, additional bonds with a parity lien on Net Revenues may be issued in the future under the Master Declaration, subject to certain conditions described herein. The District also has outstanding loans that have a lien on the Net Revenues of the Sewer System that is subordinate to that of the Parity Obligations. The District has pledged in the Master Declaration not to issue borrowings having a lien on Net Revenues superior to Parity Obligations.

THE FINANCING AGREEMENT DOES NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF CLACKAMAS COUNTY, THE STATE OF OREGON, OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE DISTRICT.

The Financing Payments are not a general obligation of the District and are not payable from or secured by any property taxes. Payment of the Financing Payments is not subject to annual appropriation. The Owners do not have a lien on or security interest in the projects financed with the Financing Agreement or any other property of the District except as expressly set forth in the form of Master Declaration or the Obligations. See "Security for the Obligations" in the Preliminary Official Statement.

Ratings

The District has received a rating on the Obligations of "___" from S&P Global Ratings, and will pay the cost thereof. See "Rating" in the Preliminary Official Statement.

Interest Payments and Maturity

Interest on the Obligations is payable semiannually on June 1 and December 1 of each year until maturity, commencing June 1, 2021. The Obligations will be dated with their date of delivery, will be issued in the aggregate principal amount of $40,000,000(1), and will mature on June 1 of the following dates in the following amounts, subject to adjustment as provided below:

(1) Preliminary, subject to change.

Due June 1	Amounts (1)	Due June 1	Amounts (1)	Due June 1	Amounts (1)
2022	$ 1,855,000	2029	$ 1,910,000	2036	$ 2,080,000
2023	1,860,000	2030	1,925,000	2037	2,120,000
2024	1,865,000	2031	1,945,000	2038	2,160,000
2025	1,870,000	2032	1,965,000	2039	2,200,000
2026	1,875,000	2033	1,990,000	2040	2,245,000
2027	1,885,000	2034	2,015,000	2041	2,290,000
2028	1,895,000	2035	2,050,000		

Adjustment of Par Amount and Maturities

The Obligations will be awarded based on the maturity schedule above. However, the District reserves the right to increase or decrease the total principal amount of the Obligations by an amount not to exceed _______ percent (__%) of the total following the opening of the bids. Within the limitations of the last sentence, the District also reserves the right to increase or decrease the par amount of any maturity by the greater of ______ percent (__%) of the par amount of that maturity or $_____ in order to properly size the issue and adjust debt service. Notice of any adjustment will be given to the winning bidder after bid opening. The underwriter's spread will be preserved at the same percentage as bid.

Optional redemption

The Obligations maturing in years 2022 through 2031, inclusive, are not subject to optional redemption prior to maturity. The Obligations maturing on June 1, 2032 and on any date thereafter are subject to redemption at the option of the District prior to their stated maturity dates at any time on or after June 1, 2031, as a whole or in part, and if in part, with maturities to be selected by the District at a price of par, plus accrued interest, if any, to the date of redemption. See "Description of the Obligations–redemption Provisions" in the Preliminary Official Statement for a summary of such terms.

Term Obligations

Bidders may designate two or more consecutive maturities of the Obligations, with identical interest rates, as Term Obligations. Each Term Obligations will mature on the final maturity date of its consecutive maturities, in an aggregate principal amount equal to the sum of the principal amounts of its consecutive maturities. Term Obligations will be subject to mandatory redemption at par and in accordance with operational procedures then in effect for The Depository Trust Company ("DTC"), New York, New York, in the amounts and on the dates which would have been consecutive maturities. See "Description of the Obligations – redemption Provisions" in the Preliminary Official Statement for a summary of such terms. If no Term Obligations are designated in the winning bid, the Obligations will mature serially as provided in this Official Notice of Sale.

Book-Entry Only

The Obligations will be issued in registered, book-entry only form through DTC. Obligations will be available in denominations of $5,000, or integral multiples. Unless the book-entry-only system is discontinued, Obligation principal and interest payments will be made by the District to DTC through the District's Paying Agent. DTC will be responsible for making payments to beneficial owners of Obligations.

Authorization and Purpose

Each of the District members has approved the District entering into the Financing Agreement. The District is entering into the Financing Agreement and Escrow Agreement pursuant to Resolution No. 2020-77 (the "Resolution") adopted by the Board of Commissioners of Clackamas County, acting as the governing body of the District (the "Board") on November 25, 2020. Those documents authorize the execution and delivery of the Obligations, which does not require a vote of the people. The Obligations are being issued to finance real and personal property of the District's sewer system and to pay the costs of issuance of the Obligations.

Bidding Constraints

All bids will be subject to the terms and conditions of this Official Notice of Sale. All bids for the Obligations must comply with the following conditions: (1) the interest rate must be a multiple of 1/8 or 1/20th of one percent; (2) the Obligations must bear interest from their date to their stated maturity date at the interest rate specified in the bid; (3) all Obligations maturing on the same date must bear the same rate of interest; (4) bids must be for an amount of not less than one hundred percent (100.00%) and not more than ___________ percent (___.00%) of the principal amount of the Obligations; and (5) the reoffering prices for each maturity cannot be less than __________percent (__.00%) of the principal amount of such maturity; [(6) for the Obligations maturing in 20__ through and including 20__ no interest rate greater than _.__% may be used and for the Obligations maturing in 20__ through and including 20__ no interest rate greater than _.__% may be used;] and (6) no bid will be considered that does not offer to purchase all of the Obligations.

Bids

Bids must be submitted via ***PARITY***. Bids must be received by the ***PARITY*** system not later than the date and time indicated in the first paragraph of this Official Notice of Sale. To the extent any instructions or directions set forth in ***PARITY*** conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. Bidders electing to submit bids through ***PARITY*** must obtain access to the ***PARITY*** system and bear all risks associated with using that system, including errors and delays in receipt of bids.

For further information about submitting a bid using ***PARITY***, potential bidders may contact ***PARITY*** at Telephone: (212) 849-5021.

Selection of Best Bid and Award of Sale

Unless all bids are rejected, the Obligations will be sold to the responsible bidder submitting the bid which results in the lowest true interest cost based on the submitted bid to the District. True interest cost will be determined by doubling the semiannual interest rate necessary to discount the debt service on the Obligations to February 24, 2021 (the estimated closing date of the Obligations), and the price bid for the Obligations. Each bidder is requested to supply the total interest cost and the true interest cost that the District will pay on the Obligations if the bid is accepted.

Good Faith Deposit

The winning bidder will be required to provide a good faith deposit in the amount of $800,000 in immediately available funds wired to the District not later than 2:00 p.m. (Prevailing Pacific Time) on February 10, 2021. The District or the District's Municipal Advisor will provide the wire information immediately upon the award of bids. If the good faith deposit is not provided in the manner and by the time indicated in this Notice, the District may award the sale to the next most favorable bidder or may cancel the sale.

The good faith deposit will be held by the District to secure the District from any loss resulting from the failure of the bidder to comply with the terms of its bid, and will be forfeited to the District as liquidated damages if the bidder to whom the Obligations are awarded withdraws its bid or fails to complete its purchase of the Obligations in accordance with this Official Notice of Sale and its bid.

Interest earnings on the good faith deposit will be the property of the District, and will not be credited against the purchase price of the Obligations. The successful bidder shall pay the balance of the purchase price of the Obligations at closing, in funds immediately available to the District on the date and at the time of closing.

Right of Rejection

The District reserves the right to reject any or all bids for any reason, and to waive any irregularities.

Right to Cancel, Change Timing and Terms of Sale

The District reserves the right to change the date, timing or terms under which the Obligations are offered for sale, or to cancel the sale based on market conditions, as communicated through TM3, the Bond Buyer Wire, or the Bloomberg News Network.

Establishment of Issue Price

By submitting a bid, each bidder is certifying that it is an underwriter of municipal bonds who has an established industry reputation for underwriting new issuances of municipal bonds, and that its bid is a firm offer to purchase the Obligations and is not a "courtesy bid" being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the "issue price" of the Obligations pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the "Competitive Sale Requirements"). Prior to the formal award of the sale, and promptly after bids for the Obligations are due, the winning bidder shall provide the Municipal Advisor with the reoffering prices and yields (the "Initial Reoffering Prices"). The Municipal Advisor will advise the winning bidder at that time if the Competitive Sale Requirements were met. Bids are not subject to cancellation in the event that the competitive sale requirements are not satisfied.

Hold-the-Offering-Price. If the Municipal Advisor has informed the winning bidder that the Competitive Sale Requirements are not met, the winning bidder:

(a) will offer the Obligations to the public at the Initial Reoffering Prices and provide Bond Counsel with reasonable supporting documentation prior to the delivery of the Obligations, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel,

(b) will neither offer nor sell to any person any Obligations within any maturity for which less than ten percent (10%) of such maturity has been sold to the public at the Initial Reoffering Prices as of the date of award (the "Unsold Obligations") at a price that is higher, or a yield that is lower, than the Initial Reoffering Price of such maturity until the earlier of (i) the date on which the winning bidder has sold to the public at least 10 percent of the Obligations of such maturity at a price that is no higher, or a yield that is no lower, than the Initial Reoffering Price of such maturity or (ii) the close of business on the 5th business day after the date of the award of the Obligations, and

(c) has or will include within any agreement among underwriters, any selling group agreement and each retail distribution agreement or any similar document (to which the winning bidder is a party) relating to the initial sale of the Obligations to the public, together with the related pricing wires, language obligating each underwriter to comply with the limitations on the sale of the Obligations as set forth in (a) and (b) above.

For purposes of this Notice, a "maturity" refers to Obligations that have the same interest rate, credit and payment terms.

For purposes of this Notice, the "public" does not include (i) the winning bidder or any person that agrees pursuant to a written contract with the winning bidder to participate in the initial sale of the Obligations to the public (such as a retail distribution agreement between a national lead underwriter and a regional firm under which the regional firm participates in the initial sale of the Obligations to the public), or (ii) any entity that is a "related party" to an entity identified in (i).

Two entities are "related parties" if the entities are subject, directly or indirectly, to more than 50 percent common ownership of (i) the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Regardless of whether or not the Competitive Sale Requirements were met, the winning bidder shall submit to the District a certificate (the "Issue Price Certificate"), satisfactory to Bond Counsel and the winning bidder, prior to the delivery of the Obligations substantially in the form attached hereto as Appendix A to the Notice of Sale.

The District acknowledges that, in making any representations as set forth above regarding the Hold-the-Offering-Price rule, the winning bidder will rely on (i) the agreement of each underwriter to comply with the Hold-the-Offering-Price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Obligations to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Obligations to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price rule, as set forth in the retail distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price rule as applicable to the Obligations.

Legal Opinion

The approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, of Portland, Oregon, substantially in the form attached to the Preliminary Official Statement as Appendix A, will be delivered to the District at closing. A reliance letter will be provided at no cost to the purchaser.

Tax-Exempt Status

In the opinion of Bond Counsel, under existing law and conditioned on the District complying with certain covenants relating to the tax-exempt status of the Obligations, the portion of the payments made under the Financing Agreement designated and constituting interest received by the holders of the Obligations ("Interest") is excludable from gross income for federal income tax purposes, and is not treated as a preference item in calculating the alternative minimum tax under the Code, as provided in greater detail in the Preliminary Official Statement for the Obligations. In the opinion of Bond Counsel, Interest is exempt from Oregon personal income tax under existing law.

Not Bank Qualified

The District has not designated the Financing Agreement as a "qualified tax-exempt obligation" under Section 265(b)(3) of the Code.

Delivery

It is expected that delivery of the Obligations will be made to the Paying Agent under DTC's Fast Automated Securities Transfer (FAST) program, without cost to the bidder. Delivery of the Obligations will be made on or about February 24, 2021.

CUSIP

The Municipal Advisor will apply for CUSIP numbers prior to the sale date. The charge of the CUSIP Service Bureau will be paid by the District.

CUSIP identification numbers will appear on the Obligations, but neither the failure to insert such numbers on the Obligations nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Obligations in accordance with the terms of this Official Notice of Sale.

Continuing Disclosure

The District will undertake to provide continuing disclosure for the benefit of the Obligation Owners in compliance with SEC Rule 15c2-12. The form of the undertaking is attached as Appendix D to the Preliminary Official Statement.

Compliance with SEC Rules

The District agrees to provide the successful bidder with one copy of the Final Official Statement in Adobe Portable Document Format (PDF), not later than the seventh business day following the date on which bids are due, to enable the successful bidder to satisfy its responsibilities under the SEC rules, at the expense of the District. The District will also provide paper copies of the Final Official Statement at the request and expense of the bidder. Bidders should expect that the Final Official Statements will not be available prior to the seventh business day following the date on which bids are due, and should not issue confirmations which request payment prior to that date. This provision will constitute a contract with the successful bidder upon acceptance of its bid by the District, in compliance with Section 240.15c2-12(b)(3) in Chapter II of Title 17 of the Code of Federal Regulations.

Bidder's Option Insurance

Bids for the Obligations may not be conditioned upon obtaining insurance or any other credit enhancement. The District does not intend to qualify the Obligations for municipal bond insurance. If the successful bidder wishes to obtain municipal bond insurance for any of the Obligations, the District will cooperate with the bidder and the insurer to allow the insurance to be issued, but only if doing so does not increase the District's risks or expense. All costs related to municipal bond insurance for the Obligations must be paid by the successful bidder, and no difficulty with, or failure to obtain, any municipal bond insurance will excuse the successful bidder from its obligation to purchase the Obligations pursuant to its bid.

Closing Certificates

At the time of payment for the delivery of the Obligations, the District will furnish the successful bidder a certificate regarding the material accuracy of the Official Statement, as described in "Certificate with Respect to the Official Statement" in the Preliminary Official Statement.

Municipal Advisor

Requests for additional information about this sale should also be directed to Brendan Watkins, Piper Sandler & Co. (the "Municipal Advisor") at (503) 275-8307.

Preliminary Official Statement and Additional Information

The Preliminary Official Statement for the Obligations (with this Official Notice of Sale) is available in electronic form from i-Deal Prospectus. For information on electronic delivery, please call the i-Deal Prospectus at (212) 849-5024 or contact the Municipal Advisor.

- End of Official Notice of Sale -

FORM OF ISSUE PRICE CERTIFICATE FOR THE OBLIGATIONS

$__,___,___
Water Environment Services, Clackamas County, Oregon
Wastewater Revenue Obligations, Series 2021

____________________, as the [lead] underwriter and winning bidder (the "Winning Bidder") in connection with the competitive sale by Water Environment Services, Clackamas County, Oregon (the "District") of its $____________ aggregate principal amount Wastewater Revenue Obligations, Series 2021 (the "Obligations") pursuant to the Notice of Sale published on [PUBLICATION DATE], hereby certifies as follows:

[the following (1)-(4) to be used if competitive sale requirements are met]

1. The Winning Bidder reasonably expected to reoffer the Obligations on [SALE DATE] to the Public at the prices or yields set forth in the District's final Official Statement relating to the Obligations (the "Official Statement").

2. ATTACHMENT I is a true and correct copy of the bid provided by the Winning Bidder to purchase Obligations.

3. The Winning Bidder was not given the opportunity to review other bids prior to submitting its bid.

4. The bid submitted by the Winning Bidder constituted a firm offer to purchase the Obligations.

[the following (1)-(4) to be used if competitive sale requirements are not met]

1. As of [SALE DATE], 2021 (the "Sale Date"), all of the Obligations have been the subject of an offering to the Public at the prices or yields set forth in the District's Official Statement relating to the Obligations (the "Official Statement").

2. Attached hereto as ATTACHMENT I is a copy of the pricing wire for the Obligations or an equivalent communication showing that each Maturity of the Obligations was offered to the Public on the Sale Date at the price or yield set forth in the Official Statement (the "Initial Offering Price").

3. As of the Sale Date, except for the [PLEASE IDENTIFY UN/UNDERSOLD MATURITIES] (the "Unsold Maturities"), the first price or yield at which at least 10 percent of each Maturity of the Obligations was sold by the Underwriters to the Public was the Initial Offering Price.

4. Following the Sale Date, with respect to each Unsold Maturity, the Underwriters, as defined below, in compliance with the applicable provisions of the Notice of Sale, have each agreed in writing not to, and have not, offered or sold the Obligations comprising any such Unsold Maturity to the Public at a price that is higher or yield that is lower than the Initial Offering Price during the period starting on the Sale Date and ending on the earlier of the following: (a) the close of the fifth business day after the Sale Date, or (b) the date on which at least 10 percent of the bonds of the Unsold Maturity has been sold to the Public.

5. For purposes of this certificate, the following definitions will apply:

"Maturity" means Obligations that have the same interest rate, credit and payment terms.

"Public" means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a Related Party, as defined below, to an Underwriter.

"Underwriter" means (i) the Winning Bidder, (ii) any person that agrees pursuant to a written contract with the Winning Bidder to form an underwriting syndicate to participate in the initial sale of the Obligations to the Public, and (iii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) or (ii) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

"Related Party" means any entity if an Underwriter and such entity are subject, directly or indirectly, to more than 50 percent common ownership of (i) the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

We understand that the representations contained herein may be relied upon by the District in making certain of the representations contained in the Tax Certificate, and we further understand that Hawkins Delafield & Wood LLP, as bond counsel to the District, may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of interest on the Obligations pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned's interpretation of any laws; in particular the regulations under the Code, or the application of any laws to these facts. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Although certain information furnished in this Certificate has been derived from other purchasers who may be considered Related Parties to the Winning Bidder and cannot be independently verified by us, we have no reason to believe it to be untrue in any material respect.

Dated as of the _____ day of __________, 2021.

[Name of Winning Bidder]

By:____
Authorized Officer

Name:______________________________________

Title:_______________________________________

OFFICIAL STATEMENT
Water Environment Services
Clackamas County, Oregon

$40,000,000[1]
Wastewater Revenue Obligations, Series 2021

Water Environment Services in Clackamas County, Oregon (the "District" or "WES"), an intergovernmental entity duly organized and existing under and by virtue of the laws of the State of Oregon (the "State") furnishes this Official Statement in connection with the offering of $40,000,000[1] aggregate principal amount of Wastewater Revenue Obligations, Series 2021 (the "Obligations"), dated the Date of Delivery. This Official Statement, which includes the cover page, inside cover page, Notice of Sale, bid form and appendices, provides information concerning the District and the Obligations.

Certain statements contained in this Official Statement do not reflect historical facts, but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as "estimated," "projected," "anticipate," "expect," "intend," "plan," "believe" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements, including risks and uncertainties related to COVID-19 (see "Global Health Emergency" herein). All projections, assumptions and other forward-looking statements are expressly qualified in the entirety by the cautionary statements set forth in this Official Statement.

Capitalized terms used and not defined herein shall have the meanings assigned to such terms in "Appendix E—Form of Financing Agreement and Form of Escrow Agreement," and "Appendix F - Amended Master Sewer Revenue Bond Declaration" which is attached hereto and incorporated by reference herein.

Description of the Obligations

Authorization for Issuance

The District is authorized pursuant to the Constitution and laws of the State, namely, Oregon Revised Statutes ("ORS") Section 271.390, to enter into financing agreements to finance or refinance real or personal property and to authorize certificates of participation in the payment obligations of the District under such financing agreements.

The District was established by an intergovernmental agreement that was entered into pursuant to ORS Chapter 190 by Clackamas County Service District No. 1, the Tri-City Service District, and the Surface Water Management Agency of Clackamas County (collectively, the "Partners"). In accordance with this agreement and ORS Chapter 190, the District may enter into financing agreements if the above parties to the intergovernmental agreement each holds a public hearing and approves the District entering into such financing agreements by resolution or order.

Public hearings were held on November 25, 2020 whereby each of the Partners approved the District entering into the Financing Agreement. The Obligations are being issued pursuant to such actions. Resolution No. 2020-77 (the "Resolution") adopted by the Board of Commissioners of Clackamas County, acting as governing body of the District (the "Board") on November 25, 2020 that authorized the District to enter into the Financing Agreement, Escrow Agreement and other documents to facilitate the execution and delivery of the Obligations.

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(1) Preliminary, subject to change.

The Obligations are also being issued under a financing agreement (the "Financing Agreement") and an escrow agreement (the "Escrow Agreement") both between the District and U.S. Bank National Association, as paying agent, registrar and escrow agent (the "Escrow Agent" or "Paying Agent") and dated the Date of Delivery. The Obligations evidence and represent undivided proportionate interests of the Beneficial Owners thereof in payments (the "Financing Payments") to be made by the District pursuant to the Financing Agreement.

The Financing Agreement is issued on a parity with the District's other first lien revenue bonds pursuant to the Amended Master Sewer Revenue Bond Declaration dated as of June 30, 2018 (the "Master Declaration"). The execution of the Financing Agreement does not require a vote of the people. See "SECURITY FOR THE OBLIGATIONS" herein.

Financing Amount, Date, Interest Rates and Maturities

The sum of the principal components of the Financing Payments evidenced and represented by the Obligations will be issued in the aggregate principal amount posted on the inside cover of this Official Statement and will be dated and bear interest from the Date of Delivery. The principal components of the Financing Payments will mature on the dates and in the amounts set forth on the inside cover of this Official Statement. The interest components of the Financing Payments ("Interest") are payable semiannually on June 1 and December 1 of each year, commencing June 1, 2021, until the maturity or earlier redemption of the Obligations and will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Disbursement Features

Financing Payments. The Financing Payments will be payable by the Escrow Agent to the Depository Trust Company ("DTC"), which, in turn, is obligated to remit such principal and interest components to its participants ("DTC Participants") for subsequent disbursement to the persons in whose names such Obligations are registered (the "Beneficial Owners") as further described in Appendix C attached hereto.

Book-Entry System. The Obligations will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co. as owner and as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Obligations. Individual purchases and sales of the Obligations may be made in book-entry form only in minimum denominations of $5,000 within a single maturity and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Obligations. See "Appendix C – Book Entry Only System" for additional information.

Procedure in the Event of Revisions of Book-Entry Transfer System. If DTC resigns as the securities depository and the District is unable to retain a qualified successor to DTC, or the District has determined that it is in the best interest of the District not to continue the book-entry system of transfer, the District will request the Paying Agent to, and the Paying Agent and the District shall, amend the Escrow Agreement to provide for an alternative system of registration and payment for the Obligations that is of general acceptance in the municipal bond markets. If no better system is then available, the Paying Agent and the District shall amend the Escrow Agreement to provide that printed, registered Obligations shall be issued to beneficial owners of the Obligations, and shall give notice of those amendments to all Owners.

Redemption Provisions

Optional Redemption. The Obligations maturing in years ____ through ____, inclusive, are not subject to optional redemption prior to maturity. The District reserves the right to redeem all or any portion of the Obligations maturing on or after June 1, 20__ at the option of the District on June 1, 2031 and on any date thereafter in whole or in part, in any order of maturity with maturities selected by the District, at a price of par, plus accrued interest to the date of redemption. [A Term Bond subject to optional redemption and redeemed in part will have the principal amount within the respective mandatory redemption dates selected by the District.]

For as long as the Obligations are in book-entry only form, if fewer than all of the Obligations of a maturity are called for redemption, the selection of Obligations within a maturity to be redeemed shall be made by DTC in accordance with its operational procedures then in effect. See Appendix C attached hereto. If the Obligations are no longer held in book-entry only form, then the Paying Agent would select Obligations for redemption by lot.

[*Mandatory Redemption.* If not previously redeemed under the provisions for optional redemption, the Term Obligations maturing on June 1 in the years ____ and ____ are subject to mandatory redemption (in such manner as the Paying Agent and DTC will determine or by lot by the Paying Agent) on June 1 of the following years in the following principal amounts, at a price of par plus accrued interest to the date of redemption.]

[TO BE PROVIDED IN FINAL OFFICIAL STATEMENT]

Notice of Redemption (Book-Entry). So long as the Obligations are in book-entry only form and unless DTC consents to a shorter period, the Paying Agent shall notify DTC of an early redemption not less than 20 days and not more than 60 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC. Unless waived by the Paying Agent, official written notice of redemption will be given by the District to the Paying Agent at least five calendar days prior to the date the notice is scheduled to be sent to DTC. The District reserves the right to rescind any redemption notice as allowed in the Financing Agreement.

Notice of Redemption (No Book-Entry). During any period in which the Obligations are not in book-entry only form, unless waived by any Owner of the Obligations to be redeemed, notice of redemption shall be given as provided in the alternative system of registration and payment for the Obligations described in the Escrow Agreement. Unless waived by the Paying Agent, official written notice of redemption will be given by the District to the Paying Agent at least five calendar days prior to the date the notice is scheduled to be sent to Owners of the Obligations. The District reserves the right to rescind any redemption notice as allowed in the Financing Agreement.

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

Purpose and Use of Proceeds

Purpose

The proceeds from the sale of the Obligations will be used to finance real and personal property for the Sewer System of the District (the "Project") and to pay the costs of issuance of the Obligations.

Specifics on the Project may include:

- **Clackamas Interceptor Capacity Improvements** – Estimated cost over the next 36 months: $33 million. The existing Clackamas Interceptor has been shown in past studies to lack capacity to serve the existing service area into the future. Additionally, parts of the interceptor require rehabilitation. A conceptual design has been completed. Work is underway to assess the current condition as well as the current and future capacity needs for the areas served by the interceptor. Improvements along the length of the interceptor will be designed together. Construction will then be phased over several years through a series of projects to assure the ability to serve existing and future customers.
- **Tri-City Water Resource Recovery Facility ("WRRF") Wet Weather Outfall** – Estimated cost over the next 36 months: $12.75 million. Projected total future wastewater flows to the Tri-City WRRF were developed as part of the Collection System Master Plan ("CSMP") and are expected to be approximately 176 million gallons per day ("MGD") under peak wet weather build-out conditions. The capacity of the existing outfall is approximately 75 MGD and is expected to be exceeded as flows increase over the next several years. The new outfall will provide the additional capacity needed and will be sufficient as a replacement outfall except during rare peak wet weather events in future years, when the now-existing outfall will be kept and utilized as a secondary discharge point to ensure water is discharged

appropriately to the Willamette River. The projected flows and sizing of the new outfall assume the reductions in inflow and infiltration ("I/I") cited in the CSMP. The citizens of the City of Oregon City recently voted to approve the granting of an easement necessary for the construction of the portion of this project in Jon Storm Park.

- **Tri-City WRRF Solids Handling Improvements Project** – Estimated cost over the next 36 months: $9.1 million. WES has identified the need to expand and refurbish the solids handling processes at the Tri-City WRRF. Project costs include construction and engineering services during construction. The project could include new sludge stabilization and dewatering facilities, electrical distribution upgrades, digester feed tank, digested sludge storage, cake storage and load out facility, centrate storage, biogas utilization and upgrades to existing facilities. The new cogeneration system is expected to provide approximately half of the power required at the facility and provide heat for the process and space heat for several buildings. Construction is expected to be completed in 2021.

- **Multiple Pump Station Upgrades** – Estimated cost over the next 36 months: $8 million. Eight pump stations need rehabilitation. Upgrades are expected to include pumps and electrical systems, HVAC and structural components. The pump stations include Willamette, Sieben Lane, South Welches, Golf Course Terrace, Gladstone, Clackamas, 82nd Drive, and Timberline Rim.

- **Tri-City WRRF Liquids Expansion** – Estimated cost over the next 36 months: $5 million. The results of the Collection System Master Plan show that peak wet weather flow to the Tri-City WRRF will soon exceed its hydraulic capacity. The Willamette Facilities Plan ("WFP") has started and is a planning effort for the Tri-City and Kellogg Creek WRRF Plants needed to define facilities that will be required to provide peak wet and dry weather capacity for the near and long term. This project, yet to be defined, is expected to address the wet weather expansion required to be completed within the next five years. The costs are placeholders and will be better defined upon completion of the Willamette Facilities Plan in 2021. Note that projected flows and project sizing assumes the I/I reductions noted in the Collection System Master Plan. Construction of this estimated total $85M expansion will continue beyond 2025.

- **Kellogg Creek WRRF Solids Improvement Project** – Estimated cost over the next 36 months: $5 million. Currently, digested sludge from the Kellogg Facility is hauled to, and dewatered at, the Tri-City facility. Dewatered biosolids are hauled to eastern Oregon for beneficial reuse. This project would provide dewatering at the Kellogg Facility with improvements to the digester complex, including updating the biogas utilization system. The budget for this project was increased to include new thickening equipment.

- **Pipe and Manhole Rehabilitation and Replacement** – Estimated cost over the next 36 months: $3 million. Sanitary sewer pipe and manholes are subject to degraded condition through exposure to chemicals, organic growths, and soil movement. This degradation leads to defects in pipe which can result in surface water and groundwater infiltration into the collection system, straining treatment capacities and increasing risk of pipe failure. This project is expected to repair and/or replace damaged and aging pipelines utilizing methods including pipelining, pipe bursting and replacement. This project is also expected to rehabilitate aging manholes which have degraded condition through normal exposure to chemical and biological components and soil movement. Rehabilitation efforts to reduce risk will range from cleaning and spray lining to complete manhole replacement depending upon the degree of wear.

- **Inflow and Infiltration Reduction Program** – Estimated cost over the next 36 months: $3 million. This amount may be significantly more pursuant to a WES-issued and managed grant program to partner jurisdictions that is under consideration at this time. Inflow and Infiltration ("I/I") is clean groundwater and/or rainwater that enters the sewer system through direct connections such as roof drains or area drains or defects such as leaking joints or manholes. When the amount of I/I becomes excessive it can cause capacity deficiencies in the sewer system and possible overflows. This project will involve activities to identify areas of high I/I and their sources and include design and construction of sewer rehabilitation projects, to abate the I/I. The Mount Talbert and Gladstone Area Sanitary Sewer Evaluation Survey ("SSES") and I/I Reduction Project are funded by this Program.

Sources and Uses of Funds

The proceeds of the Obligations are estimated to be applied as follows:

Estimated Sources and Uses of Funds

Sources of Funds[(1)]		
Par Amount of Obligations	$ 40,000,000	(2)
Original Issue Premium/(Discount)		
Total Sources of Funds	$	
Uses of Funds[(1)]		
Available for the Project	$	
Underwriting, Credit Enhancement (if any) and Issuance Costs		
Total Uses of Funds	$	

(1) Amounts will be provided in the final Official Statement.
(2) Preliminary, subject to change.

Security for the Obligations

General

The Financing Agreement is being issued as a "Parity Obligation" or "Bond" under the Master Declaration and is a special obligation of the District that is secured by and payable from the Net Revenues of the Sewer System as described in the Master Declaration. "Net Revenues" are defined as Gross Revenues less costs that are properly treated as expenses of operating and maintaining the Sewer System under generally accepted accounted principles or rules of accounting applicable to municipal enterprises similar to the Sewer System (the "Operating Expenses"). "Gross Revenues" include all revenues, fees and charges, and other revenues resulting from the operation of the Sewer System, including systems development charges, revenues from product sales and interest earnings on Gross Revenues in the Sewer Enterprise Fund. There are certain exclusions from Gross Revenues and Operating Expenses detailed in the form of Master Declaration. See Appendix F attached hereto.

Pursuant to ORS 287A.310, the pledge of the Net Revenues made by the District is superior to and has priority over all other claims and liens to the fullest extent permitted by ORS 287A.310. The amounts so pledged and received by the District are immediately subject to the lien of such pledge without any physical delivery or further act. The Financing Agreement is issued on a parity lien with other bonds that have been and may in the future be issued under the Master Declaration (collectively with the Obligations, the "Parity Obligations" or "Bonds"). The Financing Agreement will be certificated by the Escrow Agent and sold as Obligations pursuant to the Escrow Agreement.

At the time of issuance of the Financing Agreement, the District has Parity Obligations outstanding. The District also has outstanding loans that have a lien on the Net Revenues of the Sewer System that is subordinate to the lien that secures the Parity Obligations. See "Outstanding Long Term Debt" table herein for more information on these outstanding borrowings. Additionally, additional Parity Obligations and Subordinate Obligations may be issued in the future under the Master Declaration, subject to certain conditions described herein. See "Future Obligations" below. The District has pledged in the Master Declaration not to issue borrowings having a lien on Net Revenues superior to the Parity Obligations.

The Master Declaration permits the District to create subaccounts in the Revenue Bond Reserve Account, and to pledge particular subaccounts to pay particular series of Bonds. The District has created the First Subaccount of the Revenue Bond Reserve Account to secure the payment of principal of, premium (if any), and interest on the District's outstanding Sewer System Revenue Refunding Bonds, Series 2016, dated August 30, 2016 (the "2016 Bonds"), and has pledged the amounts in the First Reserve Subaccount to pay those Bonds. In addition, the District may elect to secure future Parity Obligations with the First Reserve Subaccount as provided in the Master Declaration, or another subaccount in the Revenue Bond Reserve Account, or to issue Parity Obligations without security from any subaccount in the Reserve Account. **The Obligations will not be secured by the First Reserve Subaccount or any other subaccount of the Revenue Bond Reserve Account.** See" Funds and Accounts" below.

The Financing Payments are not a general obligation of the District and are not payable from or secured by any property taxes. Payment of the Financing Payments is not subject to annual appropriation. The Owners do not have a lien on or security interest in the Projects or any other property of the District except as expressly set forth in the Master Declaration or the Obligations. The Financing Agreement does not constitute a debt or indebtedness of Clackamas County, the State of Oregon, or any political subdivision thereof other than the District.

The below section is a summary of the Master Declaration and does not reflect all its provisions. Investors should consult the full text of the Master Declaration attached here to as Appendix F.

Funds and Accounts

Sewer Enterprise Fund. The District holds and maintains a fund (the "Sewer Enterprise Fund") to account for all Gross Revenues and the proceeds of Bonds. The Master Declaration requires the District to maintain three discrete accounts in the Sewer Enterprise Fund so long as Bonds are outstanding: the Revenue Bond Account, the Revenue Bond Reserve Account, and the Subordinate Obligations Account.

Revenue Bond Account. The Revenue Bond Account shall be held and maintained by the District, and amounts credited to the Revenue Bond Account shall be deposited in accounts and invested in securities which are not subject to the prior lien or claim of any person. Until all Bonds are paid or defeased; amounts in the Revenue Bond Account shall be used only to pay Bonds. The District shall transfer sufficient amounts from the Revenue Bond Account to the Registrar in time to permit the Registrar to pay all Bond principal, interest and, premium (if any) when due in accordance with the Bonds. Amounts in the Revenue Bond Account shall be invested only in Permitted Investments. Earnings on the Revenue Bond Account shall be credited to the Revenue Bond Account.

Revenue Bond Reserve Account. The Revenue Bond Reserve Account shall be held by the District and the District may create subaccounts in the Revenue Bond Reserve Account to secure Bonds. When each subaccount is created, the District shall determine whether the subaccount will secure one or more Series of Bonds. If the District creates a subaccount in the Revenue Bond Reserve Account, the District shall, when it issues the first Series of Bonds that is secured by that subaccount:

1. Establish the Reserve Requirement for that subaccount and pledge amounts credited to that subaccount to pay the Bonds that are secured by that subaccount;
2. Determine if the Reserve Requirement for that subaccount may be funded with a Reserve Credit Facility and the requirements for such Reserve Credit Facility;
3. Establish the valuation requirements for that subaccount; and,
4. Establish the replenishment requirements for that subaccount.

5. The District shall not create any subaccounts in the Revenue Bond Reserve Account for any purpose except securing Bonds in accordance with the form of Master Declaration.

First Reserve Subaccount. The District has created the First Reserve Subaccount in the Revenue Bond Reserve Account. The First Reserve Subaccount shall secure only the 2016 Bonds, and any subsequent Series of Bonds to which the amounts in the First Reserve Subaccount are pledged. Except as specifically provided in the Master Declaration, amounts credited to the First Reserve Subaccount shall be used only to pay principal, interest and premium, if any, on any Series of Bonds that are secured by the First Reserve Subaccount, and only if amounts in the Revenue Bond Account are not sufficient to make those payments. Moneys in the First Reserve Subaccount may be invested only in Permitted Investments that mature no later than the final maturity date of the Bonds that are secured by the First Reserve Subaccount. Cash and investments in the First Reserve Subaccount may also be used to acquire Reserve Credit Facilities. Under the Master Declaration, "Permitted Investments" means any investments which the District is permitted to make under the laws of the State.

The District currently has in place, to meet the First Reserve Subaccount Requirement for 2016 Bonds, a surety bond issued by Assured Guaranty Municipal ("AGM") in the amount of $6,907,081. AGM is currently rated "AA" by S&P Global Ratings.

The Obligations are not secured by the First Reserve Subaccount or any other subaccount in the Revenue Bond Reserve Account.

Subordinate Obligations Account. The District has previously executed State Revolving Fund Loan Agreements which constitute Subordinate Obligations, see "Bonded Indebtedness – Outstanding Long-Term Borrowings" herein. So long as any Subordinate Obligations are outstanding, the District shall maintain the Subordinate Obligations Account. The Subordinate Obligations Account may be divided into subaccounts, and the District may establish priorities for funding the subaccounts in the Subordinate Obligations Account. Net Revenues shall be credited to the Subordinate Obligations Account only as permitted by the Master Declaration. Earnings on the Subordinate Obligations Account shall be credited as provided in the proceedings authorizing the Subordinate Obligations.

Rate Stabilization Account. The Master Declaration also permits the District to establish a Rate Stabilization Account in the Sewer Enterprise Fund. Net Revenues may be credited to the Rate Stabilization Account at the option of the District as permitted by the Master Declaration. Money credited to the Rate Stabilization Account may be withdrawn at any time and used for any purpose for which the Gross Revenues may be used. Amounts withdrawn from the Rate Stabilization Account increase Stabilized Net Revenues for the Fiscal Year in which they are withdrawn, and amounts credited to the Rate Stabilization Account reduce Stabilized Net Revenues for the Fiscal year in which they are credited. Credits to and withdrawals from the Rate Stabilization Account that occur within ninety days after the end of a Fiscal Year may be treated as occurring in the most recently ended Fiscal Year. Earnings on the Rate Stabilization Account shall be credited to the Sewer Enterprise Fund. On the date of delivery of the Obligations, the District expects to have $0 in the Rate Stabilization Account.

Pursuant to the Master Declaration, the District may invest monies in the funds and accounts described in the Master Declaration in any investments permitted under the laws of the State or Oregon.

Flow of Funds

All Gross Revenues shall be credited to the Sewer Enterprise Fund and shall be used on or before the following dates for the following purposes in the following order of priority:

1. At any time to pay Operating Expense which are then due.
2. Three Business days prior to each Payment Date, the District shall credit Net Revenues to the Revenue Bond Account in an amount sufficient (with amounts available in the Revenue Bond Account) to pay in full all Parity Obligation principal, interest and premium, if any, which is due to be paid on the Payment Date.
3. On the first day of each month following a Valuation Date on which the balance in a subaccount of the Revenue Bond Reserve Account is determined to be less than its Reserve Requirement, the District shall credit to that subaccount the amount that is required to replenish that subaccount pursuant to the provisions of the Master Declaration.
4. On the day on which any rebates or penalties for Bonds are due to be paid to the United States pursuant to Section 148 of the Code, the District shall pay the amounts due from the Net Revenues.
5. On the dates specified in any proceedings authorizing Subordinate Obligations, the District shall credit to the Subordinate Obligations Account the Net Revenues required by those proceedings.
6. On any date, the District may credit Net Revenues to the Rate Stabilization Account, apply Net Revenues to any franchise fees and similar charges imposed by the District or the County on the Sewer System or its operations, or spend Net Revenues for any other lawful purpose, but only if all credits and payments having a higher priority have been made.

Rate Covenant

The District has covenanted that it will establish and maintain rates and charges in connection with the ownership and operation of the Sewer System which are sufficient to permit the District to pay all Operating Expenses and all lawful charges against the Net Revenues, to remain in compliance with its duties under the Master Declaration and any Supplemental Declaration, and to make all transfers required by the Master Declaration to the Revenue Bond Account, the Revenue Bond Reserve Account, and the Subordinate Obligations Account.

Additionally, the District has covenanted that it shall impose fees, rates and charges in connection with the ownership and operation of the Sewer System which, when combined with other Gross Revenues, are adequate (i) to produce Net Revenues in each Fiscal Year at least equal to 110 percent of Annual Debt Service due in that Fiscal Year, and (ii) to produce Stabilized Net Revenues each Fiscal Year at least equal to 120 percent of Annual Debt Service due in that Fiscal Year. "Stabilized Net Revenues" is defined as Net Revenues for a period less deposits to the Rate Stabilization Account for the period, and plus withdrawals from the Rate Stabilization Account for the period. The District has not made deposits to, or withdrawals from, the Rate Stabilization Account within the past five Fiscal Years. There is currently no balance in the Rate Stabilization Account.

Not later than 90 days after the end of each Fiscal Year, the District shall file a certified report with the District Official which demonstrates whether the District has complied with the rate covenant during that Fiscal Year. If the report demonstrates that the District has not complied, it shall not constitute an Event of Default if (i) within 120 days after the end of the Fiscal Year, the District engages the services of a Qualified Consultant; and (ii) within 180 days after the end of the Fiscal Year, the Qualified Consultant recommends a schedule of fees, rates and charges or other actions which the Qualified Consultant reasonably projects will permit the District to comply with the rate covenant for the remainder of the current Fiscal Year and the next Fiscal Year; and (iii) within 270 days after the end of the Fiscal Year the District implements the recommendations of the Qualified Consultant.

The table below shows historical operating results between Fiscal Years 2016 and 2020, and budgeted results for Fiscal Year 2021. As described in more detail in "Organization and Administration of the District" herein, the District was formed by Tri-City Service District ("TCSD"), Surface Water Management Agency of Clackamas County ("SWMACC") and Clackamas County Service District No. 1 ("CCSD No. 1") pursuant to an intergovernmental agreement between those districts. Prior to Fiscal Year 2018, TCSD, SWMACC and CCSD No. 1 were independent entities. In Fiscal Year 2018, TCSD and SWMACC were transferred into the District; CCSD No. 1 was transferred at the beginning of Fiscal Year 2019 on July 1, 2018. In the following pro forma coverage table Fiscal Years 2016 through 2018 have thus been restated to include CCSD No. 1, TSCD, and SWMACC. Only CCSD No. 1 had debt outstanding during this period. Fiscal Year 2019 and 2020 data are as reported in the District's Audited Financial Reports.

Pro Forma Coverage Table – Historic Operating Results

	Actual[1]				
		2017	2018		
Gross Revenues	**2016**	**Pro Forma**	**Pro Forma**	**2019**	**2020**
Monthly Service Charges	$ 24,527,546	$ 26,207,569	$ 27,224,789	$ 27,898,923	$ 29,686,628
Operating Payment from Cities	11,800,155	12,641,576	13,107,914	13,801,878	14,346,181
Interest Earnings	622,608	1,036,108	1,466,146	1,806,268	1,762,557
Miscellaneous Income	1,262,651	1,017,565	1,079,049	1,007,099	1,361,246
Capital Charge Revenues	875,120	285,847	217,931	298,389	452,580
System Development Charges	7,029,963	5,439,776	5,446,012	4,888,525	10,044,368
Other Connection Charges	20,840	97,775	34,397	159,915	23,670
Total Gross Revenues	**46,138,883**	**46,726,216**	**48,576,238**	**49,860,997**	**57,677,230**
Operating Expenses					
Operation, Maintenance & Replacements	20,798,771	22,786,995	22,384,649	24,151,012	25,856,791
Total Operating Expenses	**20,798,771**	**22,786,995**	**22,384,649**	**24,151,012**	**25,856,791**
Net Operating Revenues	**25,340,112**	**23,939,221**	**26,191,589**	**25,709,985**	**31,820,439**
Revenue Bond Debt Service					
Series 2002A	184,589	183,400	-	-	-
Series 2009A	2,442,643	1,197,750	1,213,700	1,228,150	-
Series 2009B	2,834,013	1,511,100	1,502,600	1,502,100	1,499,400
Series 2010	1,635,069	903,850	900,450	887,500	870,000
Series 2016	-	3,263,169	3,256,881	3,256,231	4,426,006
Series 2021[2]	-	-	-	-	-
Future Senior Lien Parity Debt	-	-	-	-	-
Total Revenue Bond Debt Service	**7,096,314**	**7,059,269**	**6,873,631**	**6,873,981**	**6,795,406**
Revenue Bonds Debt Service Coverage	**3.57**	**3.39**	**3.81**	**3.74**	**4.68**
Revenue Bonds Debt Service Coverage without SDCs	**2.58**	**2.62**	**3.02**	**3.03**	**3.20**
Revenues Available for State Revolving Fund Loans	**18,243,798**	**16,879,952**	**19,317,958**	**18,836,004**	**25,025,033**
State Revolving Fund Loan Debt Service					
R06224	106,208	106,208	106,208	106,208	113,112
R22403	509,775	-	-	-	-
R95030	-	-	-	-	-
Total State Revolving Fund Loan Debt Service	**615,983**	**106,208**	**106,208**	**106,208**	**113,112**
Revenues Available for Other Purposes	**$ 17,627,815**	**$ 16,773,744**	**$ 19,211,750**	**$ 18,729,796**	**$ 24,911,921**

(1) Fiscal Years 2016-2020 revenues and expenses are on an accrual accounting basis.
(2) This Issue. Preliminary and subject to change.

Source: District, and District Audited Financial Reports.

The table below shows projected operating results between Fiscal Years 2021 and 2026 based upon the adopted Capital Improvement Plan ("CIP." See "Capital Improvement Plan" herein). The District maintains a ten-year financial forecast model and regularly uses it for rate, capital, and ad hoc planning. However, there have been certain delays in execution of the projects under the CIP due to procurement and construction timelines and availability of sufficient professional personnel to support the projects. Should these projects continue to be delayed, it would lead to potential delays in both debt issuance, and related rate increases necessitated by that debt. Further, the projections in this document are based on a range of assumptions that WES believes to be reasonable. Because of the nature of projections, including variability in assumptions, economic conditions and other factors, WES cannot guarantee those results. Additionally, recent economic and health developments globally and in region create additional uncertainty in forecasts. See "GLOBAL HEALTH EMERGENCY" herein. Potential investors should not rely on the projections as statements of fact. Such projections are subject to change and will change from time to time.

The following key assumptions underlie the projections below:

- Future rate increases – The District has policy guidelines that sets minimum and maximum future rate increases, with a minimum set at the rate of inflation, and a maximum of ten percent (10%) annual rate increases. Assumed rate increases beginning in FY 2022 average 7.50% for Wastewater, and 3.00% annually for Stormwater rates.
- System Development Charges – the District currently charges new customers (connections) to the sanitary sewer system a System Development Charge (SDC) of $8,005 per Equivalent Dwelling Unit. The corresponding stormwater SDC is $215 per EDU. EDUs are projected to increase at a compounded annualized rate of 1.03% per year.
- Growth in population and customer base – Total service population is expected to increase at an annual compounded rate of by 1.57% per year, and customer base (expressed in EDUs) is projected to increase by the 1.03% annual EDU growth rate shown above.
- Cost inflation and interest earnings rates – Based on historic experience, the District is assuming that interest earnings will equal 1% over the projection period. Further, WES conservatively assumes inflation factors of 7% for labor, 4.50% for utilities, 3.00% for supplies, and 1.98% for construction costs.
- Issuance of Parity Obligations – The District expects to issue Parity Obligations in accordance with its CIP. Under the CIP, the first such issuance is planned to occur in fiscal 2023-2024 with a term of 20 years and an assumed interest rate of 3.5%.

Pro Forma Coverage Table –Projected Operating Results

	Budget[1]	Projected[1]				
Gross Revenues	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Monthly Service Charges	$ 29,556,000	$ 31,535,291	$ 33,654,810	$ 35,926,342	$ 38,357,565	$ 40,968,232
Operating Payment from Cities	14,638,100	16,114,812	17,306,754	18,587,843	19,962,637	21,442,980
Interest Earnings	1,640,900	1,343,681	1,138,003	735,124	464,341	447,879
Miscellaneous Income	1,898,020	838,538	858,654	879,323	900,561	922,385
Capital Charge Revenues	250,000	267,650	270,327	273,030	275,760	278,518
System Development Charges	6,402,600	6,846,546	7,111,670	7,388,543	7,677,393	7,978,768
Other Connection Charges	5,000	5,050	5,101	5,152	5,203	5,255
Total Gross Revenues	**54,390,620**	**56,951,569**	**60,345,317**	**63,795,356**	**67,643,461**	**72,044,017**
Operating Expenses						
Operation, Maintenance & Replacements	30,104,545	31,548,930	33,073,101	34,681,942	36,155,936	37,697,258
Total Operating Expenses	**30,104,545**	**31,548,930**	**33,073,101**	**34,681,942**	**36,155,936**	**37,697,258**
Net Operating Revenues	**24,286,075**	**25,402,639**	**27,272,217**	**29,113,414**	**31,487,524**	**34,346,759**
Revenue Bond Debt Service						
Series 2002A	-	-	-	-	-	-
Series 2009A	-	-	-	-	-	-
Series 2009B	-	-	-	-	-	-
Series 2010	856,800	856,800	-	-	-	-
Series 2016	5,911,256	5,911,256	6,760,756	6,769,006	6,902,756	6,901,506
Series 2021[2]	-	3,115,000	3,115,000	3,115,000	3,115,000	3,115,000
Future Senior Lien Parity Debt	-	-	-	148,405	2,826,012	5,022,480
Total Revenue Bond Debt Service	**6,768,056**	**9,883,056**	**9,875,757**	**10,032,411**	**12,843,769**	**15,038,987**
Revenue Bonds Debt Service Coverage	**3.59**	**2.57**	**2.76**	**2.90**	**2.45**	**2.28**
Revenue Bonds Debt Service Coverage without SDCs	**2.64**	**1.88**	**2.04**	**2.17**	**1.85**	**1.75**
Revenues Available for State Revolving Fund Loans	**17,518,019**	**15,519,583**	**17,396,460**	**19,081,003**	**18,643,755**	**19,307,773**
State Revolving Fund Loan Debt Service						
R06224	112,581	112,050	111,518	110,987	110,456	108,863
R22403	-	-	-	-	-	-
R95030	500,000	3,103,360	2,603,360	2,603,360	2,603,360	2,603,360
Total State Revolving Fund Loan Debt Service	**612,581**	**3,215,410**	**2,714,878**	**2,714,347**	**2,713,816**	**2,712,223**
Revenues Available for Other Purposes	**$ 16,905,438**	**$ 12,304,173**	**$ 14,681,583**	**$ 16,366,656**	**$ 15,929,940**	**$ 16,595,550**

(1) Fiscal Years 2021-2026 revenues and expenses are on a budgetary accounting basis.
(2) This Issue. Preliminary and subject to change.

Source: District.

Defeasance

The District may defease all or any portion of its Outstanding Bonds by meeting the requirements for defeasance in Section 14 of the form of Master Declaration.

Additional Covenants, including Insurance

The District has agreed to certain other covenants for the benefit of the Owners. Those covenants are described in Section 10 of the form of Master Declaration.

Future Obligations

Parity Obligations. The District may issue Parity Obligations to provide funds for any purpose relating to the Sewer System, but only if:

1. No Event of Default under the form of Master Declaration or any Supplemental Declaration has occurred and is continuing.
2. At the time of the issuance of the Parity Obligations there is no deficiency in the Revenue Bond Account and the District has made all credits to the replenish subaccounts in the Revenue Bond Reserve Account that are required to have been made by that time pursuant to the Master Declaration.
3. The covenants to impose fees, rates and charges in the Master Declaration shall apply to the proposed Parity Obligations, and any Supplemental Declaration authorizing the issuance those Parity Obligations shall contain a recital of that covenant.
4. There has been filed with the District either:
    a. A certificate of an Authorized Officer of the District stating that Net Revenues for the Base Period (adjusted as provided in the form of Master Declaration) were not less than one hundred twenty percent of the Maximum Annual Debt Service on all Outstanding Bonds, with the proposed Parity Obligations treated as Outstanding, as required by Section 7.1.4.1 of the form of Master Declaration; or
    b. A certificate or opinion of a Qualified Consultant stating that the amount of Adjusted Net Revenues is not less than one hundred twenty percent of the Maximum Annual Debt Service on all Outstanding Bonds, with the Proposed Parity Obligations treated as Outstanding, as required by Section 7.1.4.2 of the Master Declaration.
5. The District may issue Parity Obligations to refund Outstanding Bonds without complying with the preceding requirements if the refunded Bonds are defeased on the date of delivery of the refunding Parity Obligations and if the Annual Debt Service on the refunding Parity Obligations does not exceed the Annual Debt Service on the refunded Bonds in any Fiscal Year by more than $5,000, as provided in Section 7.4 of the form of Master Declaration.

Subordinate Obligations. See above "Security for the Obligations - Funds and Accounts, Subordinate Obligations Account." The District may issue Subordinate Obligations in the future only if (i) the Subordinate Obligations are payable solely from amounts permitted to be credited to the Subordinate Obligations Account pursuant to the Master Declaration and (ii) the Subordinate Obligations state clearly that they are secured by a lien on or pledge of the Net Revenues which is subordinate and inferior to the lien on, and pledge of, the Net Revenues for the Bonds.

Events of Default and Remedies

The occurrence of one or more of the following shall constitute an Event of Default under the Master Declaration and the Obligations:

1. If the District shall fail to pay any Bond principal or interest when due, either at maturity, upon exercise of a right of tender in the case of Variable Rate Obligations, by proceedings for mandatory or optional redemption or otherwise;
2. Except as provided in the Master Declaration, if the District shall default in the observance and performance of any other of its covenants, conditions and agreements in the Master Declaration, if such default continues for ninety days after the District receives a written notice, specifying the Event of Default and demanding the cure of such default, from the Bondowners Committee or from the Owners of not less than twenty percent (20%) in aggregate principal amount of the Bonds Outstanding;
3. If the District shall sell, mortgage, lease, transfer, assign, convey or otherwise dispose of or encumber any properties constituting the Sewer System in violation of the Master Declaration;
4. If an order, judgment or decree shall be entered by any court of competent jurisdiction:

a. appointing a receiver, trustee or liquidator for the District or the whole or any part of the Sewer System
b. approving a petition seeking a declaration of bankruptcy, or the arrangement or reorganization of the District under any applicable law of the United States or the State; or
c. assuming custody or control of the District or of the whole or any part of the Sewer System under the provisions of any other law for the relief or aid of debtors and such order, judgment or decree shall not be vacated or set aside or stayed (or, in case custody or control is assumed by said order, such custody or control shall not be otherwise terminated) within sixty days from the date of the entry of such order, judgment or decree; or

5. If the District shall:
    a. admit in writing its inability to pay its debts generally as they become due;
    b. file a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law;
    c. make an assignment for the benefit of its creditors;
    d. consent to the appointment of a receiver of the whole or any part of the Sewer System; or
    e. consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the District or of the whole or any part of the Sewer System.

If an Event of Default occurs, any Bondowner may exercise any remedy available at law or in equity. However, the Bonds shall not be subject to acceleration.

The Master Declaration includes significant additional provisions related to Bondowners Committees, appointing a Trustee, Bondowner meetings, Amendments to the form of Master Declaration, etc. See Appendix F, "Form of Master Declaration," Sections 11, 12 and 13.

Global Health Emergency

The COVID-19 pandemic and related restrictions on travel, social activities, gathering sizes and business operations have had negative effects on both the national and local economy. In Oregon, Governor Kate Brown has issued executive orders establishing requirements for all State residents and businesses to follow in attempting to minimize the spread of the virus. Effective December 3, 2020, all counties have been assigned a "Risk Level" that allows for different levels of activity based on the disease metrics within its boundaries as of November 30, 2020. Extreme Risk limits gatherings to maximum of six people and prohibits indoor dining/fitness/entertainment establishments. High Risk limits indoor gatherings to six people and outdoor gatherings to eight people, while indoor dining/fitness/entertainment establishments are allowed to operate at 25% capacity. Moderate Risk limits indoor gatherings to eight people and outdoor gatherings to ten people, while indoor dining/fitness/entertainment establishments are allowed to operate at 50% capacity. Lower Risk limits indoor gatherings to ten people and outdoor gatherings to twelve people, while indoor dining/fitness/entertainment establishments are allowed to operate at 50% capacity. The State's detailed guidance by activity for Risk Level are posted on the State's website.

In each subsequent two week period following December 3, 2020, all counties will have their disease metrics published weekly and have their Risk Level reevaluated based on the second week's disease metrics. As of the date of publication of the Preliminary Official Statement Clackamas County was categorized in Extreme Risk.

Many insurance providers, including the District's, do not cover damages related to a communicable disease. Businesses, governments and other organizations have asked Oregon lawmakers to extend COVID-19 limited liability protection to entities following health guidance, however, the most recent special session of the Legislature did not address this issue.

District Operations. WES' mission is "essential" and all employees continued their work. Management responded to the pandemic by splitting employees that reported to physical work sites such as the treatment plants into two distinct shifts at two distinct work sites, ensuring that an exposure would impact, at most, a quarter of the available workers. Employees whose jobs allowed it were directed to work from home. Key functionalities were maintained and work means and methods were adapted for greater online efforts. To date WES has not had a staffing issue due to pandemic impacts, and has been able to sustain the same level of key functionality as under pre-pandemic conditions. Long term work and certain repair work requiring multiple staff in a confined work space has been rescheduled pending improving conditions.

District Finances. The COVID-19 pandemic has had minor, nonmaterial impacts on District revenues. There have been no changes to billing practices nor disruptions to service. The District saw an annualized revenue decrease of ~2.4% thus far in the fiscal year, mainly related to decreased System Development Charge revenue and interest income, which may or may not be related to pandemic impact on development projects. There has been a minor decrease in commercial account payments but, despite implementing collection efforts via property taxes, have seen the number of delinquent accounts decrease. A summary of the impacts are as follows:

- A slight increase in the accounts receivable balance. While the percent of accounts in delinquent status has decreased since the beginning of the COVID-19 pandemic, past-due balances have increased by approximately 33% or $232 thousand during the current fiscal year resulting from the suspension of District's annual certification process.
- A minor reduction in revenue resulting from waiving penalties and late charges in support of customer relief efforts; foregone penalty and late charge revenue is expected to be $100-$200 thousand in the current fiscal year.
- Minor reductions in commercial account monthly service charge revenue related to business closures. As the District's customer base is primarily residential, the reduction in commercial account revenues is projected to have an impact of less than 1% on total monthly service charge revenue during the current fiscal year.

The COVID-19 pandemic is ongoing, is altering the behavior of businesses and people in a manner that has negative effects on economic activity, and the duration and severity of the crisis is uncertain. Restrictions may be re-imposed at the Governor's discretion and the State's guidance is expected to continue to evolve. There can be no assurances that COVID-19 will not materially affect the District or have a material adverse impact upon the District's revenues, and therefore adversely affect its financial condition. The District cannot predict the effects of such events. Further, there will be other developments related to the COVID-19 pandemic. The District does not expect to supplement this Official Statement based on those changes.

Bonded Indebtedness

Types of Borrowings

General Obligation Bonds. The District's Partners, as defined in "Organization and Administration of the District" herein, may issue general obligation bonds pursuant to ORS 451.545(1) to finance service facilities, subject to voter approval. **The Obligations are <u>not</u> general obligation bonds.**

Full Faith and Credit Obligations/Limited Tax Obligations. Local governments may pledge their full faith and credit for "limited tax bonded indebtedness" or "full faith and credit obligations" in addition to pledging the full faith and credit for voter approved general obligation bonds. Collection of property taxes to pay principal and interest on such limited-tax debt is subject to the limitations of Article XI, Sections 11 and 11b. **The Obligations are <u>not</u> limited tax obligations.**

Revenue Bonds. Revenue bonds may be issued by the District to support any lawful purpose of the District. **The Obligations are revenue bonds under ORS 190.080(1)(a) and ORS 271.390.**

Outstanding Long-Term Borrowings

Governmental Activities	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding[1]
Revenue Obligations:				
Series 2016 Refunding Obligations	08/30/16	12/01/35	$83,250,000	$ 77,080,000
Series 2021 Obligations[2]	02/24/21	06/15/35	32,915,000	32,915,000
Total Revenue Obligations				$109,995,000
Loans and Notes Payable				
State CWSRF Loan (NCRA-Johnson Creek-Loan R06224)[3]	10/26/09	09/01/32	$ 4,142,142	$ 1,327,615
Clean Water State Revolving Fund, Loan No. R95030[3][4]	TBD	TBD	37,000,000	22,882,051
Clean Water State Revolving Fund, Loan No. R95031[3][5]	TBD	TBD	1,450,000	TBD
Total Loans and Notes Payable				$ 24,209,666
Total Long-Term Debt				**$134,204,666**

(1) As of Date of Delivery.
(2) This issue. Preliminary, subject to change.
(3) The State Revolving Fund Loans have a lien on the Net Revenues that is subordinate to that of the Obligations.
(4) The District is authorized to draw up to $37,000,000 under SRF Loan No. R95030 for a project scheduled to be completed in Spring of 2021. The loan will be finalized and deemed issued upon completion of the project.
(5) The District is authorized to draw up to $1,450,000 under SRF Loan No. R95031 for a project scheduled to be completed in the Spring of 2021. The loan will be finalized and deemed issued upon completion of the project.

Source: Water Environment Services, and this issue.

Sewer Revenue Obligations
Projected Debt Service Requirements

Fiscal	Outstanding Bonds		The Bonds[1]		Total
Year	Principal	Interest	Principal	Interest	Debt Service[1]
2021	$ 3,095,000	$ 2,816,256	$ -	$ 130,601	$ 6,041,858
2022	4,125,000	2,635,756	1,855,000	484,706	9,100,462
2023	4,345,000	2,424,006	1,860,000	480,068	9,109,074
2024	4,705,000	2,197,756	1,865,000	474,674	9,242,430
2025	4,945,000	1,956,506	1,870,000	468,333	9,239,839
2026	5,200,000	1,702,881	1,875,000	461,040	9,238,921
2027	5,470,000	1,436,131	1,885,000	452,228	9,243,359
2028	5,720,000	1,184,981	1,895,000	441,295	9,241,276
2029	5,925,000	981,706	1,910,000	427,651	9,244,357
2030	6,075,000	832,081	1,925,000	411,416	9,243,497
2031	6,200,000	705,456	1,945,000	392,743	9,243,199
2032	6,335,000	564,353	1,965,000	372,126	9,236,479
2033	6,270,000	395,075	1,990,000	348,762	9,003,837
2034	6,245,000	222,963	2,015,000	321,400	8,804,362
2035	4,080,000	91,350	2,050,000	290,510	6,511,860
2036	1,440,000	18,900	2,080,000	256,418	3,795,318
2037	-	-	2,120,000	219,748	2,339,748
2038	-	-	2,160,000	180,507	2,340,507
2039	-	-	2,200,000	138,840	2,338,840
2040	-	-	2,245,000	94,862	2,339,862
2041	-	-	2,290,000	48,548	2,338,548
	$ 80,175,000	$ 20,166,160	$ 40,000,000	$ 6,896,476	$147,237,636

(1) Principal and interest are provided for illustrative purposes only; amounts and structure are preliminary, subject to change.

Debt Payment Record

The District has promptly met principal and interest payments on outstanding bonds and other indebtedness in the past ten years when due.

Future Financings

Long-term Borrowings. The District has no authorized but unissued borrowings, nor does it anticipate issuing additional long-term borrowings within the next twelve months.

Short-term Borrowings. The District does not anticipate issuing short-term debt within the next twelve months.

Organization and Administration of the District

General

The District was created in 2016 under Oregon Revised Statutes ("ORS") chapter 190 as a governmental partnership between Clackamas County Service District No. 1 ("CCSD No.1") and Tri-City Service District ("TCSD") in order to provide long-term certainty and stability for customers in both districts. The Surface Water Management Agency of Clackamas County ("SWMACC" and together with CCSD No. 1 and TCSD, the "Partners") joined the partnership in May 2017. Each of the Partners is described in more detail below.

Clackamas County Service District No. 1 (CCSD No. 1) was formed in 1967 to construct and operate a sanitary sewer system within Clackamas County. On July 1, 2018, CCSD No. 1's operations were transferred to the District. CCSD No. 1 continues to exist as a specified service area for purposes of assessing certain charges (the "Rate Zone 2 service area") within WES and utilizing annexations into CCSD No. 1 to define in part WES' legal boundary.

The Tri-City Service District (TCSD) was formed in 1980 to carry out a sewerage improvement program for the Willamette and Clackamas Rivers. On July 1, 2017, TCSD's operations were transferred to the District. TCSD continues to exist as a specified service area for purposes of assessing certain charges (the "Rate Zone 1 service area") within WES and utilizing annexations into TCSD to define in part WES' legal boundary.

The Surface Water Management Agency of Clackamas County (SWMACC) was created in 1992 to address the Oregon Department of Environmental Quality (DEQ) regulations applied to the Tualatin River as a result of the topography of the basin and density of development. On July 1, 2017, SWMACC's operations were transferred to the District. SWMACC continues to exist as a specified service area for purposes of assessing certain charges (the "Rate Zone 3 service area") within WES and utilizing annexations into SWMACC to define in part WES' legal boundary.

The District covers 65.63 square miles and directly serves an estimated population of 184,648 residents, as well as varied industrial, wholesale and commercial customers. The District currently provides wastewater treatment services to the cities of Gladstone, Oregon City and West Linn. In addition, wastewater treatment services are provided to the City of Milwaukie and Johnson City under wholesale contract agreements.

The District provides wastewater collection and treatment services to certain urban unincorporated areas of Clackamas County, the City of Happy Valley, the unincorporated area generally referred to as and communities of Hoodland, Boring, and Fischer's Forest Park.

Surface water management services are provided by the District to the Cities of Happy Valley and Rivergrove and portions of unincorporated Clackamas County that either drain into the Tualatin, Clackamas or Willamette Rivers.

The District is a legally separate entity from the County. Water Environment Services' Director of the District and Department is a member of the County Administrator's staff, with the County Administrator also being designated as the District Administrator. Actions of the Board of County Commissioners, which acts as the governing body for the District, pass through the District Administrator for scheduling. The District also receives services from other County departments such as Finance, Employee Services and Technology Services pursuant to an intergovernmental agreement between the District and Clackamas County.

Clackamas County Board of Commissioners

The Clackamas County Board of Commissioners is the governing body of the District. The Commissioners, each elected to four-year terms, set policies, enact ordinances and establish budgets.

Board of County Commissioners
(Serving as Governing Body of the District)

Name	Position	Occupation	Service Began	Term
Tootie Smith	Chair	Farmer/ Business Owner	Jan. 4, 2021	Dec. 31, 2024
Sonya Fischer	Commissioner	Attorney/ Business Owner	February 2017	Dec. 31, 2022
Mark Shull	Commissioner	Small Business Owner	Jan. 4, 2021	Dec. 31, 2024
Paul Savas	Commissioner	Small Business Owner	November 2010	Dec. 31, 2022
Martha Schrader	Commissioner	Small Business Owner	May 2012	Dec. 31, 2024

Source: Water Environment Services.

Staff

The District has no direct employees; all staff work for the District is performed by County employees. As of December 17, 2020, the District had 102 full-time County employees allocated to District related work out of 112 budgeted positions.

Bargaining Units

Bargaining Unit	No. of Employees	Contract Expires
AFSCME/WES	85 (classified)	June 30, 2021

Source: WES staff, September 2020.

Key Administrative Officials

The County Administrator serves as the Administrator for the District and as the Chief Executive Officer of the County and the District, and is responsible for providing overall direction to County departments and programs consistent with policy established by the Board.

Gary Schmidt, County Administrator. Gary Schmidt was appointed Clackamas County Administrator in February 2019. As County Administrator, his responsibility is to implement the policy direction of the Board of County Commissioners and to provide direction and support to county departments and staff, consistent with the policies established by the County Commissioners.

Mr. Schmidt has worked at the County for 10 years, previously serving as the Director of the Public and Government Affairs Department and before that, Public Affairs Manager. Prior to Clackamas County, Mr. Schmidt worked for 11 years in the United States Senate for Oregon United States Senators Mark Hatfield and Gordon Smith. His roles included Field Office Manager, Field Representative, Constituent Services Coordinator and speechwriter.

Mr. Schmidt is a life-long resident of Clackamas County, Oregon and earned undergraduate and graduate degrees from Lewis and Clark College in Portland. Mr. Schmidt is a member of Toastmasters International and served as the International President of Toastmasters International in 2009-2010.

WES provides the day-to-day administration of the District. It is managed by the following key administrators:

Greg Geist, Director. Mr. Geist has served as the Director of WES since July of 2015. He joined WES in 2013 as the Operations Manager, before serving as the interim Director beginning in December 2014. Previously, he worked for the Oregon Department of Environmental Quality, overseeing various regulatory, financial assistance, and technical programs. Greg graduated from Washington State University in 1994 with a B.S. in Physical Sciences and in 1996 with a M.S. in Environmental Science.

Chris Storey, Assistant Director/Interim Financial Manager, WES. Mr. Storey has served as the Assistant Director of WES since February 2018, and joined the County and WES as legal counsel in June 2006. Prior to joining the County and WES, Mr. Storey was an attorney in private practice in Portland, Oregon, California and New York. He earned a B.S. in Economics and Rhetoric from Willamette University and his J.D. from New York University School of Law.

Nathan K. Boderman, Assistant County Counsel. Mr. Boderman joined the County in July 2013. Prior to joining the County, Mr. Boderman was an attorney in private practice in Salem, Oregon. He earned his bachelor's degree Cascade College, and his J.D. from Willamette University School of Law. Mr. Boderman is a member of the Oregon Bar Association, the Oregon Bar's Governmental Law and Real Estate and Land Use Law sections.

Amanda Keller, Assistant County Counsel. Ms. Keller joined the County and WES in July 2013. Prior to joining the County, Ms. Keller was an attorney in private practice in Tualatin, Oregon. She earned her bachelor's degree in Communication Studies and a minor in Economics from the University of Oregon, her M.B.A from Willamette University's Atkinson Graduate School of Management, and her J.D. from Willamette University School of Law. Ms. Keller is a member of the Oregon Bar Association, the Oregon Bar's Governmental Law and Environmental

Law sections, and was the former Managing Editor of the *Willamette Journal of International Law and Dispute Resolution*.

District Facilities and Services

On behalf of the ratepayers of Clackamas County, WES operates and maintains more than 340 miles of sanitary sewers, interceptors and force mains, 21 wastewater pumping stations, five water resource recovery facilities (WRRFs), and the local collection system in Happy Valley and unincorporated areas within the service area. Each of the treatment facilities hold individual permits, four of which are Clean Water Act National Pollution Discharge Elimination System ("NPDES") permits that allow discharge to surface waters in the state of Oregon. Altogether, WES treats over 6 billion gallons per year of wastewater and is in compliance with all of the terms of its permits.

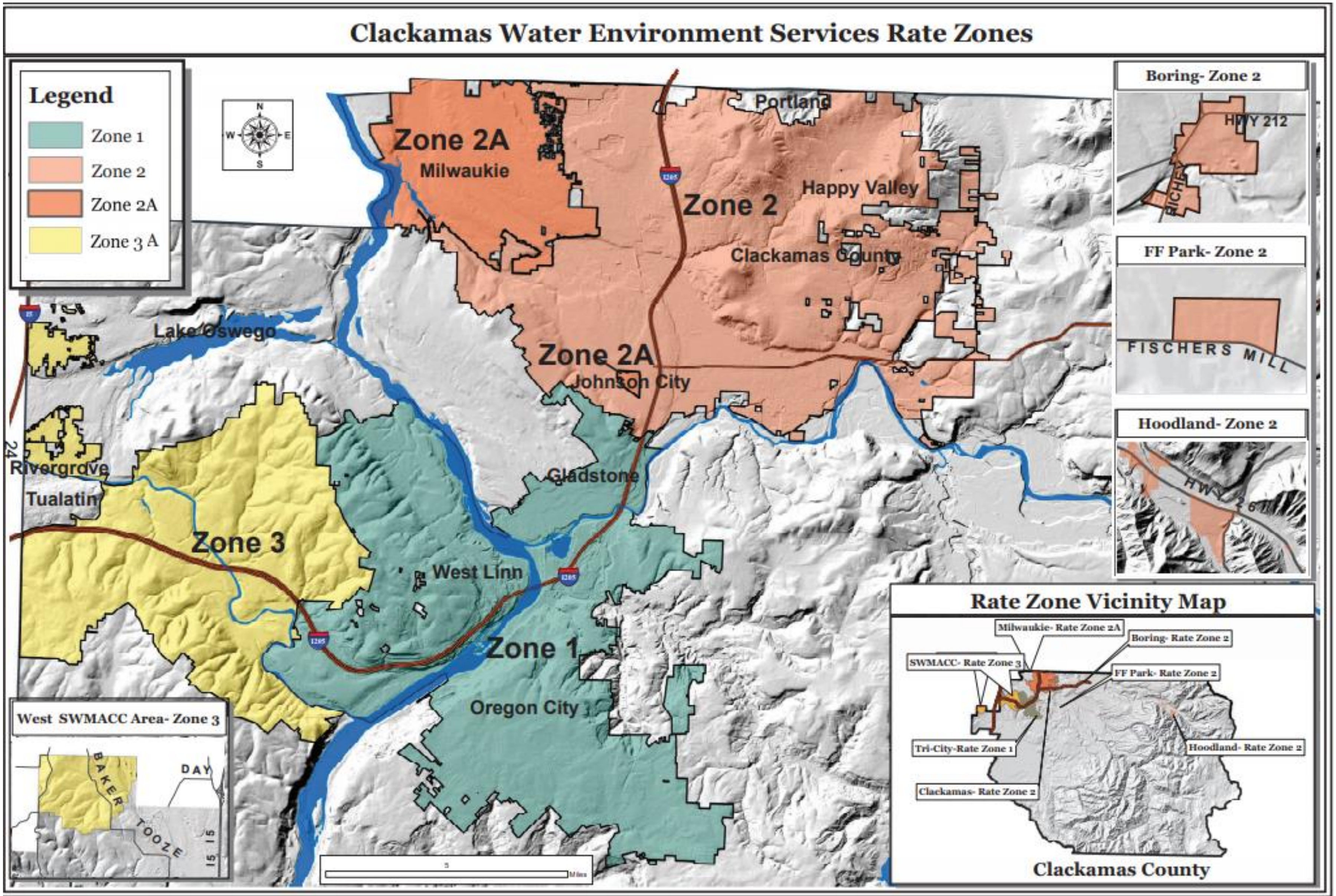
WES is also responsible for surface water management facilities. The District owns a limited amount of surface water infrastructure, but they are the operator of the vast majority of surface water infrastructure constructed with transportation systems and residential subdivisions. This includes more than 260 miles of storm pipe, thousands of inlets, and over 300 water quality treatment facilities, both in public rights of way and on private property. State and federal water quality regulations require that the public surface water system be adequately inspected, maintained, expanded, and repaired.

Service Region

WES provides retail sanitary sewer services to the cities of Happy Valley and Boring and to unincorporated portions of North Clackamas County, a portion of the former city of Damascus, the communities of the Hoodland corridor, and Fischer's Forest Park near Redland. WES provides wholesale wastewater treatment services to the cities of Milwaukie, Johnson City, Oregon City, West Linn, Gladstone and a small retail population outside of the cities. WES services are funded by revenues derived from rates and development fees. The District operates five wastewater treatment facilities: Tri-City WRRF, Kellogg Creek WRRF Plant, Hoodland WRRF, Boring WRRF and Fischer's Forest Park WRRF.

Rate Zones

WES currently utilizes the legal boundaries of its three partners for ratemaking purposes. Rate Zone 1 coincides with TCSD, Rate Zone 2 with CCSD No. 1, and Rate Zone 3 with SWMACC. Rate Zone 2A represents the contractual customers of CCSD No. 1 prior to formation of WES as a legal entity. Pursuant to WES' founding agreement, Rate Zones 2 and 2A are responsible for generating sufficient revenue to pay for debt issued by CCSD No. 1 prior to formation of WES (the "Legacy Debt"). Beyond that distinction, however, rates are based on services received for wastewater and consistent across zones.



Source: WES Adopted Budget for Fiscal Year 2021.

Regulatory Environment

The District operates under NPDES permits issued pursuant to the Clean Water Act, as well as being holders of municipal separate storm sewer system ("MS4") permits, underground injection control device permits, and air contaminant discharge permits issued pursuant to the Clean Air Act. The following table outlines the permits held by the District under which District flows are discharged:

Water Environment Services Permits

Permit	Permit Number	Status
Tri-City (NPDES)(1)	101168	Administratively extended. Expired April 15, 2016. Renewal application submitted to DEQ in October 16, 2015.
Kellogg Creek (NPDES) (1)	100983	Administratively extended. Expired December 31, 2009. Renewal application submitted June 1, 2009.
Boring (NPDES)	100968	Expires February 28, 2021. Pursuing permit renewal with plans to decommission the facility.
Hoodland (NPDES)	100962	Expires September 20, 2022.
Fisher's Forest Park (Water Pollution Control Facilities Permit)	101210	Administratively extended. Expired January 31, 2013. Renewal application submitted October 17, 2012.
District and Surface Water Management Agency of Clackamas County (MS4)	101348	Administratively extended. Expired March 1, 2017. Renewal application submitted February 21, 2017.
District and Surface Water Management Agency of Clackamas County (Underground Injection Control Device Permits)	111872	Expires June 30, 2023.
Tri-City (Simple Air Contaminant Discharge Permit)	03-0011	Administratively extended. Expired May 1, 2015. Renewal application submitted February 12, 2015.
Kellogg Creek (Simple Air Contaminant Discharge Permit)	03-0010	Administratively extended. Expired February 1, 2016. Renewal application submitted November 20, 2015.

(1) Under the Clean Water Act, NPDES permits are administratively extended as a matter of course if the permittee validly applies for renewal but the regulatory agency, in this case the Oregon Department of Environmental Quality, has not yet issued a replacement permit. The holders of the permit, in this case WES, are legally authorized to continue operation of the facilities until such time as a new permit is issued.

Source: Water Environment Services, December 2020.

Sewer Facilities

WES operates and maintains 18 pump stations and 322 miles of gravity and force main sanitary sewer pipelines. These pipes transport the wastewater to treatment plants where it is cleansed of pollutants before it is released back into the rivers.

Collection System. There are four separate collection and pump station facilities as described below:

North Clackamas Service Area. The District completed constructed a 79,200-foot-long interceptor sewer system in drainage basins in 1974 and added interceptors to the eastern portions of the Clackamas Basin in 1976. A lateral sewer system of 377,340-feet was completed in 1975 and subsequently expanded adding 972,368 feet.

The majority of the NCSA is served by the gravity interceptor and lateral sewer system; however, six pump stations serve the extreme edges of the drainage basins within the NCSA. All stations are equipped with redundant pumping capacity.

Hoodland Service Area. The 23.72 mile Hoodland collection system went into use in 1982. There are six pump stations and approximately 105,000 feet of gravity and force main sewers.

Boring Service Area. The 0.89 mile Boring collection system went into use in 1986. There is one pump station at the Boring Water Pollution Control Plant. The sand filters at the Boring Water Pollution Control Plant were rebuilt in 2002.

Fischer's Forest Park Area. The Fischer's Forest Park Area has 0.24 miles of pipes in its collection system to carry waste to its subsurface disposal system.

WES's Wastewater Maintenance Services staff is responsible for collection system maintenance. The maintenance program consists of regularly scheduled inspection, cleaning and repairs.

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Wastewater Treatment Plants

	Boring Water Pollution Control Plant	Fischer's Forest Park Water Pollution Control Facility	Hoodland Water Pollution Control Plant	Kellogg Creek WRRF Plant	Tri-City Plant(1)
Service Area	Boring	Fischer's Forest Park subdivision	Hoodland, Welches and the Wemme Recreational Corridor	Happy Valley, Johnson City and Milwaukie, and the North Clackamas Service Area	Gladstone, Oregon City and West Linn
Population Served:	60 commercial and residential connections	26 single family residences	4,000	103,800	76,600
Start-up Date	1986	1971	1982	1974	1986
Permitted Average Dry Weather Flow Design Capacity (mgd)(2):	0.02	0.0104	0.9	10.0	11.9
Existing Average Wet Weather Flow (mgd)(3):	0.027	Not applicable. This facility does not discharge to surface water	0.64	11.9	13.5
Peak Flow (mgd)	0.115		1.52	25.0	65.1
Major Processes	Primary and Secondary Lagoons, low head sand filter, ultraviolet disinfection	Septic tank, recirculating gravel filter, sub-surface discharge by gravity drain field	Rotating biological contactor, secondary treatment, aerobic biosolids digestion, chlorine disinfection	Activated sludge, secondary treatment, anaerobic biosolids digestion, ultraviolet disinfection	Activated Sludge, secondary treatment, anaerobic digestion, chlorine/ dechlorination disinfection, Membrane Bioreactor, and ultraviolet

(1) The Tri-City plant is located within neighboring Tri-City Service District, but processes approximately 15% of CCSD No. 1's wastewater.
(2) Permitted average dry weather flow design capacity in million gallons per day.
(3) Existing flows for each facility derived from the following sources: Boring Facility Plan, Willamette Facilities Plan (Kellogg and Tri-City), and Hoodland historic operating data.

Source: Water Environment Services, January 2021.

Discharge System. The Boring plant outfall is a 6 inch diameter pipe into the North fork of Deep Creek at river mile 3. It discharges into a stream where the average depth of flow is 16 inches during the summer. This discharge does not have a diffuser. The Fisher's Forest Park system does not discharge. The flow from this facility is pumped into a drain field. The Hoodland outfall discharges to the Sandy River at river mile 41 through a 12 inch diameter pipe. The outfall has a single port diffuser with duck bill diffuser nozzles and discharges at the river bottom. The Kellogg Plant discharges to the Willamette River at river mile 18.5 through a 48 inch pipe. The discharge releases treated effluent 65 feet off shore at a depth of 40 feet.

The Tri-City Plant discharges though at outfall located on the Willamette River at River Mile 25.5 that is just upstream of the confluence with the Clackamas River. The discharge header has three 42 inch diameter steel pipes that discharge at 45 degrees to the river bank. The Tri-City Plant discharge has a combined capacity of 100 million gallons per day when the river is at its 25 year flood stage. An 84" diameter pipeline brings flow to this outfall structure.

Capital Improvement Plan

WES' five-year Capital Improvement Plan ("CIP") and financing strategy for addressing the District's infrastructure challenges was adopted by the Board in 2019. A significant portion of the CIP includes treatment capacity expansion and collection system improvements for the District. The Master Plan for the District was recently updated in 2019. The Master Plan evaluated the hydraulic impact of regional growth on the existing collection system infrastructure, identified new interceptors and regional pump stations that will need to be constructed to service these growth demands, and prioritized capacity upgrade projects in the existing system. The Master Plan led to the development of collection system capital projects, some of which have been identified for funding from this borrowing.

The currently forecasted five-year CIP for the District is shown below. The projects are separated into three categories: water resource recovery facility projects, other wastewater system improvements, and storm and surface water management projects.

Wastewater Capital Improvement Plan

Projects	**2021**	**2022**	**2023**	**2024**	**2025**	**Uninflated Total**	**Percent**
Water Resource Recovery Facility Projects:							
Tri City	$ 13,050,000	$ 5,500,000	$ 13,650,000	$ 14,780,000	$ 34,900,000	$ 81,880,000	35.83%
Kellogg Creek	4,800,000	5,100,000	5,100,000	6,000,000	-	21,000,000	9.19%
Hoodland	-	500,000	2,750,000	-	-	3,250,000	1.42%
Boring	1,000,000	4,000,000	-	-	-	5,000,000	2.19%
Subtotal WRRF Projects	$ 18,850,000	$ 15,100,000	$ 21,500,000	$ 20,780,000	$ 34,900,000	$ 111,130,000	48.63%
Other Wastewater System Capital Improvements:							
Collection System Projects	$ 16,830,000	$ 23,050,000	$ 26,010,000	$ 16,650,000	$ 10,250,000	$ 92,790,000	40.61%
Blue Heron Site Improvements(1)	-	-	-	6,000,000	-	6,000,000	2.63%
Fleet	845,000	1,145,000	1,180,000	1,225,000	1,325,000	5,720,000	2.50%
Pump Station Upgrades	200,000	200,000	200,000	200,000	200,000	1,000,000	0.44%
Laboratory and Analytics	23,000	-	60,000	-	-		
Asset Management	800,000	800,000	800,000	800,000	800,000	4,000,000	1.75%
Fischer Forest Park	200,000	800,000	-	-	-	1,000,000	0.44%
Subtotal Other Wastewater System Projects	$ 18,898,000	$ 25,995,000	$ 28,250,000	$ 24,875,000	$ 12,575,000	$ 110,510,000	48.36%
Storm and Surface Water Management Projects							
3-Creeks Water Quality Project	$ 500,000	$ 500,000	$ 1,200,000	$ 1,500,000	$ -	$ 3,700,000	1.62%
90th Avenue Water Quality Retrofit	150,000	-	-	-	-	150,000	0.07%
Carli Creek Water Quality Retrofit	91,500	42,000	42,000	42,000	-	217,500	0.10%
Detention Pond Repair/Rehabilitation	100,000	100,000	100,000	100,000	100,000	500,000	0.22%
Red Rose Valley detention Pipe Repair	1,200,000	-	-	-	-	1,200,000	0.53%
Small Projects	100,000	250,000	250,000	250,000	250,000	1,100,000	0.48%
Subtotal Storm and Surface Water Management Projects	$ 2,141,500	$ 892,000	$ 1,592,000	$ 1,892,000	$ 350,000	6,867,500	3.01%
Total	$ 39,889,500	$ 41,987,000	$ 51,342,000	$ 47,547,000	$ 47,825,000	$ 228,507,500	100.00%

Sources of funds:	**2021**	**2022**	**2023**	**2024**	**2025**	**Uninflated Total**	**Percent**
System Development Charges	$ 8,723,500	$ 33,526,945	$ 9,244,961	$ 8,312,976	$ 7,986,750	$ 67,795,132	29.66%
District Cash in Support of Construction	31,166,000	8,460,055	37,245,634	6,351,158	1,845,733	85,068,580	37.21%
Future Revenue Obligations	-	-	4,851,405	32,882,865	37,992,517	75,726,788	33.13%
Total sources of funds	$ 39,889,500	$ 41,987,000	$ 51,342,000	$ 47,547,000	$ 47,825,000	$ 228,590,500	100.00%
Uses of funds:							
Water Resource Recovery Facility Projects	$ 18,850,000	$ 15,100,000	$ 21,500,000	$ 20,780,000	$ 34,900,000	$ 111,130,000	48.62%
Other Wastewater System Capital Improvements	18,898,000	25,995,000	28,250,000	24,875,000	12,575,000	110,593,000	48.38%
Storm and Surface Water Management Projects	2,141,500	892,000	1,592,000	1,892,000	350,000	6,867,500	3.00%
Total uses of funds	$ 39,889,500	$ 41,987,000	$ 51,342,000	$ 47,547,000	$ 47,825,000	$ 228,590,500	100.00%

Note: Forecast is provided in 2020 values, not adjusted for inflation.

(1) After adoption of the CIP, WES sold 35 acres in the City of West Linn that contained the former Blue Heron Paper Company's lagoon. WES had previously acquired the 40 acre site in 2011 for the outfall and associated Clean Water Act permit that would have resulted in a financing in Fiscal Year 2024 for remediation of the site. The sale provided for WES retaining 5 acres and the outfall and permit, and disposed of the remainder 35 acres to a developer. The obligation to

undertake the $6 million capital project associated with remediation of the Blue Heron Paper Company's lagoon was transferred to the purchaser and therefore no longer needs to be funded by WES.

Source: WES staff, December 2020.

Revenue Sources

The following section summarizes certain of the major revenue sources of the District.

Major Sewer System Accounts

	Customer	Fiscal Year 2020 Total Amount Billed for Sewer System	Fiscal Year 2020 Percent of Sewer System Revenues
1	City of Milwaukie	$ 5,182,522	13.3%
2	City of Oregon City	4,776,650	12.3%
3	City of West Linn	3,034,254	7.8%
4	City of Gladstone	1,226,320	3.2%
5	Precision Castparts	571,400	1.5%
6	Forum Clackamas Campus	442,326	1.1%
7	Kaiser Hospital	354,979	0.9%
8	Riverwalk Happy Valley Apartments	244,357	0.6%
9	Big Reflections OR LLC	238,351	0.6%
10	Sun Country Village LLC	221,458	0.6%
	Top 10 Customers	16,292,617	41.9%
	Remaining Customers	22,576,621	58.1%
	Total Sewer System	$ 38,869,238	100.0%

Note: See below "District Intergovernmental Agreements – City of Milwaukie" for more details regarding relationship with the City of Milwaukie.

Source: District Audited Financial Statements.

Customers

Retail Customers. Retail customers are categorized as single-family, multi-family, commercial or industrial. The District provides service to single-family retail customers in Happy Valley through an IGA, dated November 5, 1998 which has a perpetual duration and is terminable at the request of either party.

District Intergovernmental Agreements

In addition to its retail operations, the District provides wholesale wastewater treatment services to adjacent communities. It also has service agreements with adjacent service providers. These service agreements are detailed in specific IGAs. The status of those IGAs is discussed below:

City of Damascus. The District is party to an IGA with the City of Damascus ("Damascus") that provides for the provision of wastewater treatment services for the Carver section of Damascus. The agreement allows for connections by existing homes and businesses, but restricts approval of new connections arising from construction greater than $50,000 unless approved directly by Damascus, until such time as Damascus has its comprehensive plan for this area adopted and in place. When the plan is adopted, the District and Damascus will renegotiate the terms of the agreement. All Carver area customers that are currently served by the District are within and retail customers of the District. On May 17, 2016, a majority of the residents of Damascus voted to disincorporate. The disincorporation was effective July 18 challenged process. In 2019, the Oregon Legislature passed legislation for the purposes of curing potential defects in the election process. This legislation was subject to a separate lawsuit. In a final opinion dated September 3, 2020, the validity of the legislation by the Oregon Supreme. The Court further held that the result of the 2016 election to disincorporate the City of Damascus would stand.

City of Gladstone. WES entered into an IGA with the City of Gladstone ("Gladstone") regarding implementation of wholesale wastewater service on March 9, 1999. Gladstone charges all of its customers the wholesale rate adopted by WES on its bills and then remits what it collects to WES. A city councilor of Gladstone is a member of the WES Advisory Committee.

City of Happy Valley. The City of Happy Valley ("Happy Valley") is annexed to the District. The District has an IGA in place with the city for the provision of sewer conveyance and treatment and a certain amount of surface water management. The residents of Happy Valley are directly billed at a retail level by the District for both sewer and surface water services. A city councilor of Happy Valley is a member of the WES Advisory Committee.

City of Johnson City. The City of Johnson City ("Johnson City") is a small municipality surrounded by the District. The District entered into an agreement with Johnson City in 1970 regarding its participation in the construction of the Kellogg Plant and providing service to Johnson City's approximately 281 households thereafter. The District and Johnson City executed an agreement dated June 10, 2010 revising Johnson City's rates to conform to those charged within the District. The agreement provided for a 5-year phase-in of the increase before reaching parity with District ratepayers. The agreement had been amended several times to extend the phase-in. The revenues from Johnson City are not material to the District. The last amendment was in 2014 and provided that parity was achieved in fiscal year 2017-18. A city councilor or designee of Johnson City is a member of the WES Advisory Committee.

The City of Milwaukie. The City of Milwaukie ("Milwaukie") has been a wholesale customer of the District since 1975. The District is the sole provider of sewage treatment services for Milwaukie, and no other sewage treatment provider currently has sewage treatment facilities that could serve Milwaukie cost-effectively. The District's Kellogg Creek WRRF Plant is located inside the boundaries of Milwaukie.

The relationship between the District and Milwaukie has been the subject of many IGAs. The first IGA was signed in 1969, in connection with the proposed construction of the Kellogg treatment plant. On July 1, 2012, the District and Milwaukie entered into a long term IGA ("Milwaukie IGA") for the provision of wholesale wastewater services, extending through June 30, 2037. The District charges Milwaukie a monthly wholesale rate per equivalent dwelling unit ("EDU") equal to the wholesale rate for in-District customers, in addition to the equivalent of a wholesale SDC charge for all new connections. The District is committed to being a good partner with Milwaukie, which is reflected in two separate initiatives within this IGA. First, the District committed to contribute funds equal to 10% of Milwaukie's costs for all wastewater conveyance projects designed to reduce inflow and infiltration. Second, the District established the "Good Neighbor Fund," in which the District deposits $1.00 per EDU of reported connections within Milwaukie each month, to be used for mitigating the impact of the Kellogg Creek Resource Recovery Facility on the surrounding neighborhoods or a portion of which may be used for sewer-related debt service payments. In addition, the District provided $1,000,000 in seed funding to jump start this process. Milwaukie has established the "Good Neighbor Committee" to select projects that are then proposed to the District for funding under this program. A city councilor of Milwaukie is a member of the WES Advisory Committee.

City of Oregon City. WES entered into an IGA with the City of Oregon City ("Oregon City") regarding implementation of wholesale wastewater service on March 1, 1982. Oregon City charges all of its customers the wholesale rate adopted by WES on its bills and then remits what it collects to WES. A city commissioner of Oregon City is a member of the WES Advisory Committee.

City of West Linn. WES entered into an IGA with the City of West Linn ("West Linn") regarding implementation of wholesale wastewater service on March 1, 1982. West Linn charges all of its customers the wholesale rate adopted by WES on its bills and then remits what it collects to WES. A city councilor of West Linn is a member of the WES Advisory Committee.

Clackamas County. On June 5, 2003, the District entered into an IGA with the County ("County IGA") for the provision of employees and services to the District, for which the District reimburses the County, including but not limited to the following: all employment related services, financial services, operations, maintenance, surface water management, etc. The sharing of resources between the District and the County avoids unnecessary duplication of staff, equipment and training that promotes efficiency and effectiveness in local government administration and service delivery. The County IGA was amended in in June 2015 to clarify certain risk management issues, including insurance and liability for employment practice issues.

Rates and Charges

The District has the right to raise rates and charges. These decisions are made by the Board after appropriate public and budget processes.

Monthly Fees – Effective July 1, 2020
Sanitary Sewer

Charge and Service Area	Normal (1)	Low Income (2)
Monthly Sanitary Sewer Service/EDU		
Rate Zone 1 (Gladstone)	$26.20	$13.10
Rate Zone 1 (Oregon City)	$26.20	$13.30
Rate Zone 1 (West Linn)	$24.95	$12.48
Rate Zone 1 (Retail, portion of Oregon City)	$38.25	$19.13
Rate Zone 2 (Unincorporated County, Hoodland, Boring, Fisher's Forest Park, Milwaukie, Johnson City, and portion of Damascus)	$51.25	$25.63
Rate Zone 2 (Happy Valley)	$53.81	$26.91
Rate Zone 2 (Milwaukie and Johnson City)	$37.95	$18.98
Sanitary SDC Charge/EDU		
Rate Zones 1 and 2	$8,005	
	4″ Building Sewer Service	**6″ Building Sewer Service**
Sanitary Sewer Tap-in		
North Clackamas	$125	$150
Hoodland	150	175
Boring	125	150
Sanitary Sewer Plan Review	Greater of $400 or 4% of the estimated cost of any required public sewer extension (exceptions for commercial/industrial)	

(1) Monthly charges include city Right-of-Way fees, where applicable.
(2) The monthly user charge for sanitary sewer service provided to the principal resident or family having no more than the maximum income under the qualifying income limits is 50% of the current monthly sewer service charge. The qualifying limit is 185% of the most recently published poverty guidelines in the Federal Register by the US Department of Health and Human Services. The qualified user must be the person to whom the monthly user charge is billed and must have completed the District's application for a reduced rate.

Source: WES – Plan Review Charges and Fees Schedule.

Monthly Fees – Effective July 1, 2020
Surface Water

Charge and Service Area	Fee	
Monthly Surface Water Service Charge/ESU(1)		
Rate Zone 2 (Unincorporated County)	$7.65	
Rate Zone 2 (Happy Valley)	$8.03	
Rate Zone 3 (Unincorporated County and Rivergrove)	$4.65	
Monthly On-Site Maintenance Charge (1)		
Rate Zone 2 (Unincorporated County)	$3.00	
Rate Zone 2 (Happy Valley)	$3.10	
Surface Water System Development Charge/ESU		
Rate Zone 2	$215.00	
Surface Water Plan Review		
Minor Partition, Subdivision, Commercial/Industrial	$400.00 or 4% of the installed cost of any required surface water management system, whichever is greater; except, no fee will be due where there is no additional impervious surface area.	
Single Family Residence	$55.00	
	With Certification	**Without Certification**
Erosion Control Permit		
Single Family Residence	$205.00	$310.00
Non-Single Family Residence	$270.00 plus $80.00 per acre over one acre.	$460.00 plus $80.00 per acre over one acre.

(1) Monthly charges include city Right-of-Way fees, where applicable.

Source: WES – Plan Review Charges and Fees Schedule.

Typical Monthly Sewer and Surface Water Management Bill Comparisons
(Fiscal Year 2021)

City / Agency	Level of Treatment	Average Monthly Sanitary Charge(1)	Average Monthly Surface Water Charge	Average Monthly Combined Bill
Clean Water Services	Advanced Tertiary	$43.96	$9.25	$53.21
Gladstone(2)	Secondary	$58.46	$13.20	$71.66
Johnson City(2)	Secondary	$39.85	--	$39.85
McMinnville	Advanced Tertiary	$64.87	--	$64.87
Milwaukie(2)	Secondary	$62.55	$29.47	$92.02
Oregon City(2)	Secondary	$59.79	$10.54	$70.33
WES Rate Zone 1 Retail(2)	Secondary	$38.25	--	$38.25
WES Rate Zone 2 Retail(2)	Secondary	$51.25	$7.65	$58.90
WES Rate Zone 3 Retail(2)	Secondary	--	$4.65	$4.65
West Linn(2)	Secondary	$47.84	$7.85	$55.69
Portland	Secondary	$80.85	$10.51	$91.36

(1) Single family dwelling base rate plus water consumption factor of seven hundred cubic feet per month.
(2) WES service area.

Source: WES Staff, December 2020.

User Fee Revenue by Customer Type
(Fiscal Years)

Type of Customer	2018[(1)]	2019	2020
Sanitary Sewer:			
Cities	$ 8,308,939	$ 13,801,878	$ 14,346,181
Residential	196,864	11,400,628	12,194,781
Commercial	28,522	3,312,205	3,427,806
Industrial	0	884,807	1,134,271
Other	8,064	7,390,962	7,766,199
Subtotal - Sanitary Sewer	$ 8,542,389	$ 36,790,480	$ 38,869,238
Surface Water:			
Residential	$ 148,106	$ 1,713,821	$ 1,826,448
Commercial	0	2,854,696	2,987,651
Other	37,540	341,804	349,472
Subtotal - Surface Water	$ 185,646	$ 4,910,321	$ 5,163,571
Total	$ 8,728,035	$ 41,700,801	$ 44,032,809

(1) The Fiscal Year 2018 column includes the combined fee revenues received from TCSD and SWMACC. The Fiscal Year 2019 column includes the combined revenues of TSCD, SWMACC and CCSD No. 1.

Source: District Audited Financial Statements.

System Development Charges. SDCs create a source of funds to pay for existing Sewer System capacity and/or the installation, construction and extension of capital improvements to accommodate new connections to the Sewer System. These charges are due and payable at the time improvements that generate a need for those facilities are permitted for new development, unless an application for installment payments has been made and approved by the District. They are not general capital dollars of the District, but dedicated to paying for growth-related assets.

The Board adopted an ordinance in 1998 to set SDCs. The 1998 Ordinance was amended in its entirety by Board adoption of Ordinance No. 2008-02 on July 3, 2008, which became effective on August 4, 2008 (the "SDC Ordinance"). The SDC Ordinance provides for SDCs, authorization of a resolution or order setting SDCs, and certain exemptions from SDCs. Exemptions from SDCs include:

(1) certain properties within the original boundaries of Assessment District 84-1 in the Boring Sewer Service Area;
(2) any parcel of property that was assessed for an area density benefit within Assessment District 1-80 in the Hoodland Sewer Service Area are exempt for the number of EDUs equal to each $2,170 of area density benefit assessment; and
(3) all of the Fischer's Forest Park Sewer Service Area.

Billing Policy

The District bills its residential customers on a monthly basis. Bills are considered delinquent after 60 days, at which time a delinquency notice is sent. All delinquent accounts are reviewed on an annual basis, generally in the spring. Accounts with balances of $150 or more are sent a preliminary notification of the District's certification process. A deadline to pay is stated in the preliminary letter. Any accounts remaining with delinquent charges equal to or greater than $150 have their balances transferred, along with a $50 collection fee, to the County Tax Assessor for collection on the property tax statement pursuant to ORS 454.225. Oregon law requires those accounts to be due to the Assessor by the 15th day of July.

Rules and Regulations

The District has legislative powers and may adopt ordinances, resolutions, rules, regulations and other actions to codify its practices and requirements. WES is currently undertaking a rewrite and integration of its Rules and

Regulations to make them consistent and updated across all Rate Zones. A draft set of the proposed new Rules and Regulations are being published for public comment, and will subsequently be presented to the Board for consideration. These Rules and Regulations may modify the billing practices, fees, development determinations and charges related to wastewater and surface water activities.

Financial Factors

Financial Reporting and Accounting Policies

The District's basic financial statements were prepared using modified accrual accounting in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB").

Additional information on the District's accounting methods is available in the District's audited financial statements. A copy of the District's audited financial report for Fiscal Year 2019 is attached hereto as Appendix B.

Auditing

Each Oregon political subdivision must obtain an audit and examination of its funds and account groups at least once each year pursuant to the Oregon Municipal Audit Law, ORS 297.405-297.555. Political subdivisions having annual expenditures of less than $150,000, with the exception of counties and school districts, are exempt from this requirement. All Oregon counties and school districts, regardless of amount of annual expenditures, must obtain an audit annually. The required audit may be performed by the State Division of Audits or by independent public accountants certified by the State as capable of auditing political subdivisions. Municipal Audit Law, ORS 297.405 to 297.555 and ORS 297.990, requires Oregon local governments to submit annual financial reports to the Secretary of State within six months of the end of the fiscal year.

The District audits for the Fiscal Years 2018 through 2020 ("District Audited Financial Statements") were performed by Moss Adams, LLP, CPAs, Eugene, Oregon, (the "Auditor"). The audit report for Fiscal Year 2020 indicates the financial statements, in all material respects, fairly present the District's financial position and the respective changes in financial position and the cash flows, where applicable, in conformance with accounting principles generally accepted in the United States of America. The Auditor was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of their report on the 2020 Fiscal Year.

Future financial statements may be obtained from the Electronic Municipal Market Access ("EMMA") system, a centralized repository operated by the Municipal Securities Rulemaking Board ("MSRB"), currently located at: www.emma.msrb.org.

For Fiscal Year 2018, the operations of the TCSD and SWMACC were transferred into the District. On July 1, 2018, the operations of CCSD No. 1 were transferred into the District, leaving the District as a single combined entity formed from the three original districts. In the following tables, Fiscal Year 2018 includes the combined assets and liabilities received from TCSD and SWMACC. The combined assets and liabilities received from CCSD No. 1 were included beginning in Fiscal Year 2019.

Summaries of the District's Net Position and Changes in Net Position follow:

Statement of Net Position
(Fiscal Years)

Assets	2018[1]	2019[2]	2020
Current asstes:			
Pooled cash and investments	$ 13,481,646	$ 58,474,928	$ 60,952,548
Unbonded assessments receivable, net	-	167,673	144,240
Accrued interest receivable on assessments, net	-	76,846	79,422
Contracts receivable	-	8,882,051	-
Accounts receivable	1,271,621	5,912,102	7,100,191
Interest receivable	30,945	487,648	349,137
Prepaid expenses	99,116	356,525	163,680
Noncurrent assets:			
Pooled cash and investments - restricted	2,971,058	34,539,956	42,798,017
Capital assets:			
Land, easements and construction in progress	5,880,326	45,328,274	75,353,074
Plant and equipment, net	29,330,364	165,722,242	157,184,028
Intangible assets, net	-	43,357	74,963
Connection charges receivable, noncurrent portion	-	199,344	163,395
Bonded assessments receivable, net	-	114,072	104,176
Contracts receivable, noncurrent portion	-	543,074	327,913
Unbonded assessments receivable, noncurrent portion	-	2,585,118	2,162,357
Total Assets	53,065,076	323,433,210	346,957,141
Deferred Outflows of Resources			
Deferred charges on debt refunding	-	2,026,804	543,859
Total Deferred Outflows of Resources	-	2,026,804	543,859
Liabilities			
Current liabilities:			
Accounts payable	405,897	5,576,443	6,095,439
Contract labor payable	-	410,378	534,459
Other liabilities	-	179,004	228,146
Unearned income	-	69,100	11,300
Due to Clackamas County	168,511	1,038,574	1,018,697
Accrued interest payable, payable from resticted assets	-	257,799	243,936
Loan payable, current portion	-	106,208	106,208
Current portion of long term debt, payable from restricted assets	-	3,785,000	3,935,000
Noncurrent liabilities			
Long term unearned income, net of current portion	-	22,600	11,300
Long term debt, net of current portion, payable from restricted assets	-	89,959,647	85,498,491
Long term contracts, net of current portion	-	10,209,666	20,892,892
Total Liabilities	574,408	111,614,419	118,575,868
Net Position			
Net investment in capital assets	35,210,690	109,060,156	122,723,333
Restricted for capital projects	2,970,510	32,961,203	41,647,857
Restricted for debt service	548	1,320,954	906,224
Unrestricted	14,308,920	70,503,282	63,647,718
Total Net Position	**$ 52,490,668**	**$ 213,845,595**	**$ 228,925,132**

(1) WES was formed on November 16, 2016 with no activity prior to July 1, 2017. As such, the Fiscal Year 2017 reported no financial activity. The Fiscal Year 2018 column includes the combined assets and liabilities received from TCSD and SWMACC at the beginning of Fiscal Year 2018.

(2) The Fiscal Year 2019 column includes the combined assets and liabilities received from CCSD No. 1 at the beginning of Fiscal Year 2019.

Source: District Audited Financial Statements.

Statement of Activities
(Fiscal Years)

	2018[1]	2019[2]	2020
Operating revenues:			
Sanitary Sewer user charges	$ 8,542,389	$ 36,790,480	$ 38,869,238
Surface Water user charges	185,646	4,910,321	5,163,571
Intergovernmental revenue	375,145	-	-
Other operating revenues	285,617	1,007,099	1,361,246
Total operating revenues	9,388,797	42,707,900	45,394,055
Operating expenses:			
Contracted salaries and benefits	2,639,533	12,337,188	13,300,131
Professional services	408,852	1,181,977	2,135,318
Laboratory services	247,851	31,724	65,272
Other County services	606,616	2,897,557	2,879,695
Supplies	1,488,169	2,904,075	3,248,542
Vehicle expenses	181,037	815,631	791,322
Repairs and maintenance	88,552	960,286	579,479
Utilities	685,523	1,767,914	1,602,852
Insurance	163,480	404,918	439,037
Other expenses	173,503	849,742	815,143
Depreciation and amortization	2,571,997	20,082,869	20,031,956
Total operating expenses	9,255,113	44,233,881	45,888,747
Operating income (loss)	133,684	(1,525,981)	(494,692)
Nonoperating revenue (expense):			
Interest income	189,261	1,806,268	1,762,557
Interest expense	-	(4,896,003)	(3,960,237)
Federal and state grants	-	-	173,504
Dispatchable power	-	69,100	69,100
Loss on disposal of capital assets	(4,761)	(45,338)	(197,017)
Total nonoperating revenue (expense)	184,500	(3,065,973)	(2,152,093)
Income (loss) before contributions and special item	318,184	(4,591,954)	(2,646,785)
Contributions:			
Connection charges	827,629	5,346,829	10,520,618
Capital contributions	145,208	5,034,881	7,205,704
Total contributions	972,837	10,381,710	17,726,322
Special Items:			
Gain on transfer of operations	-	155,565,171	-
Change in net position	1,291,021	161,354,927	15,079,537
Net position - beginning of year	51,199,647	52,490,668	213,845,595
Net position - end of year	**$ 52,490,668**	**$ 213,845,595**	**$ 228,925,132**

(1) WES was formed on November 16, 2016 with no activity prior to July 1, 2017. As such, the Fiscal Year 2017 reported no financial activity. The Fiscal Year 2018 column includes the combined assets and liabilities received from TCSD and SWMACC at the beginning of Fiscal Year 2018.

(2) The Fiscal Year 2019 column includes the combined assets and liabilities received from CCSD No. 1 at the beginning of Fiscal Year 2019.

Source: District Audited Financial Statements.

Summaries of the Clackamas County Service District No. 1's Net Position and Changes in Net Position for Fiscal Years 2016 through 2018 prior to merger in 2019 follow:

Statement of Net Position - CCSD No. 1

(Fiscal Years - $ in thousands)

Assets	2016	2017	2018
Current assets	$ 35,351	$ 49,366	$ 58,179
Other assets, net	5,748	4,906	4,032
Pooled cash & investments-restricted	29,470	27,514	25,793
Capital assets, net	183,718	172,740	167,277
Total Assets	254,287	254,526	255,281
Deferred outflows of resources	0	6,560	4,293
Total assets and deferred outflows of resources	254,287	261,086	259,574
Liabilities			
Current liabilities	6,338	7,022	8,213
Noncurrent liabilities	95,584	100,913	95,796
Total liabilities	101,921	107,935	104,009
Net Position			
Net investment in capital assets	92,126	68,152	67,751
Restricted	21,711	27,232	25,524
Unrestricted	38,528	57,767	62,290
Total Net Position	**$ 152,365**	**$ 153,151**	**$ 155,565**

Source: CCSD No. 1 Audited Financial Statements.

Statement of Activities - CCSD No. 1

(Fiscal Years - $ in thousands)

Revenues:	2016	2017	2018
Operating revenues:			
Sewerage charges			
Residential and commercial	$ 24,326	$ 26,205	$ 26,997
Municipalities and other	4,435	4,677	4,799
Other operating revenues	1,152	653	976
Total operating revenues	29,913	31,535	32,772
Expenses:			
Operating expenses:			
Contracted salaries and benefits	8,444	8,540	8,643
Materials and services	24,704	26,400	25,237
Total operating expenses	33,148	34,940	33,880
Operating loss	(3,235)	(3,405)	(1,108)
Nonoperating revenue (expense):			
Interest income	583	927	1,277
Interest expense	(4,034)	(4,423)	(5,054)
Other	(70)	(64)	(320)
Nonoperating expense	(3,521)	(3,560)	(4,097)
Loss before contributions	(6,756)	(6,965)	(5,205)
Contributions	7,856	7,751	7,619
Change in net position	1,100	786	2,414
Net position- beginning of year	151,265	152,365	153,151
Net position - end of year	**$ 152,365**	**$ 153,151**	**$ 155,565**

Source: CCSD NO. 1 Audited Financial Statements.

Summaries of the Tri-City Service District No. 1's Net Position and Changes in Net Position for Fiscal Years 2016 and 2017 prior to merger in 2018 follow:

Statement of Net Position - TCSD

(Fiscal Years)

Assets	**2016**	**2017**
Current assets	$ 11,030,594	$ 13,302,864
Pooled cash & investments-restricted	2,079,065	2,257,943
Capital assets, net	37,026,948	35,455,698
Total Assets	50,136,607	51,016,505
Liabilities		
Current liabilities	671,512	445,365
Noncurrent liabilities	-	-
Total liabilities	671,512	445,365
Net Position		
Net investment in capital assets	37,026,948	35,455,698
Restricted for capital projects	2,078,527	2,257,401
Restricted for debt service	538	542
Unrestricted	10,359,082	12,857,499
Total Net Position	$ 49,465,095	$ 50,571,140

Source: Tri-City Service District Financial Statements.

Statement of Activities - TSCD
(Fiscal Years - $ in thousands)

Revenues:	2016	2017
Operating revenues:		
Sewerage charges	$ 7,566,349	$ 8,195,657
Intergovernmental revenue	321,158	354,963
Other operating revenues	261,584	301,501
Total operating revenues	8,149,091	8,852,121
Expenses:		
Operating expenses:		
Contracted salaries and benefits	2,395,695	2,480,481
Professional services	349,563	434,975
Laboratory services	286,102	248,562
Other County services	468,916	502,346
Supplies	883,487	1,051,271
Vehicle expenses	140,155	180,640
Repairs and maintenance	33,637	32,752
Utilities	821,307	723,413
Insurance	154,093	156,847
Other expenses	520,168	579,765
Depreciation and amortization	3,228,365	2,581,826
Total operating expenses	9,281,488	8,972,878
Operating loss	(1,132,397)	(120,757)
Nonoperating revenue (expense):		
Interest income	38,392	105,031
Interest expense	(684)	0
Gain on disposal of capital assets	321	(3,103)
Nonoperating expense	38,029	101,928
Loss before contributions	(1,094,368)	(18,829)
Contributions	853,737	1,124,874
Change in net position	(240,631)	1,106,045
Net position- beginning of year	49,705,726	49,465,095
Net position - end of year	$ 49,465,095	$ 50,571,140

Source: Tri-City Service District Financial Statements.

Summaries of the Surface Water Management Agency of Clackamas County's Net Position and Changes in Net Position for Fiscal Years 2016 and 2017 prior to merger in 2018 follow:

Statement of Net Position - SWMACC
(Fiscal Years)

Assets	2016	2017
Current assets	$ 499,851	$ 565,335
Capital assets, net	67,826	65,559
Total Assets	567,677	630,894
Liabilities		
Accounts payable	1,319	60
Due to Clackamas County	2,221	2,325
Total liabilities	3,540	2,385
Net Position		
Net investment in capital assets	67,826	65,559
Unrestricted	496,311	562,950
Total Net Position	$ 564,137	$ 628,509

Source: Surface Water Management Agency of Clackamas County Financial Statements.

Statement of Activities - SWMACC
(Fiscal Years - $ in thousands)

Revenues:	2016	2017
Operating revenues:		
Surface water management charges	$ 172,894	$ 180,015
Other operating revenues	18,370	16,482
Total operating revenues	191,264	196,497
Expenses:		
Operating expenses:		
Contracted salaries and benefits	53,923	67,365
Professional services	9,863	18,193
Laboratory services	8,098	9,281
Other County services	17,364	18,280
Supplies	2,770	1,850
Vehicle expenses	427	5,276
Repairs and maintenance	33	287
Utilities	223	501
Insurance	1,321	1,252
Other expenses	9,577	11,955
Depreciation and amortization	2,268	2,267
Total operating expenses	105,867	136,507
Operating loss	85,397	59,990
Nonoperating revenue (expense):		
Interest income	1,611	4,382
Change in net position	87,008	64,372
Change in net position	87,008	64,372
Net position- beginning of year	477,129	564,137
Net position - end of year	$ 564,137	$ 628,509

Source: Surface Water Management Agency of Clackamas County Financial Statements.

Budgetary Process

The District prepares an annual budget in accordance with Oregon Local Budget Law (ORS Chapter 294) which establishes standard procedures for all budget functions for Oregon local governments. Under the applicable provisions, there must be public participation in the budget process and the adopted budget must be balanced.

The District's administrative staff evaluates the budget requests of the various departments of the District to determine the funding levels of the operating programs. The budget is presented to the public through public hearings held by a budget committee consisting of Board members and lay members. After giving due consideration to the input received from the citizens, the Board of Commissioners adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted no later than June 30 of each Fiscal Year.

The budget may be amended during the applicable Fiscal Year through the adoption of a supplemental budget. Supplemental budgets may be adopted by the Board pursuant to ORS 294.471.

Sanitary Sewer Funds Budget
(Fiscal Years)

	Sanitary Sewer Operating Fund		System Development Charge		Construction Fund	
Resources	**2020 Estimate**	**2021 Adopted**	**2020 Estimate**	**2021 Adopted**	**2020 Estimate**	**2021 Adopted**
Beginning Balance	$ 10,801,749	$ 7,978,040	$ 31,055,016	$ 36,086,891	$ 43,848,962	$ 43,746,421
Service Charges	38,614,600	38,882,700	0	0	0	0
City Right of Way Fees	636,000	647,000	0	0	0	0
Interest Income	172,800	127,600	469,900	577,400	701,600	699,900
System Development Charges	5,000	5,000	6,950,500	6,284,300	0	0
Special Connection Charge	302,000	250,000	0	0	0	0
Principal & Int. Non-Bonded Installment	30,000	10,000	0	0	0	0
Intergovernmental Revenue	244,300	244,300	0	0	0	0
Miscellaneous	539,220	465,720	0	0	283,500	0
Transfer from Sewer Operating Fund	0	0	0	0	14,500,000	11,000,000
State Revolving Fund Project Contribution	0	0	0	0	14,000,000	9,100,000
Total Resources	**$ 51,345,669**	**$ 48,610,360**	**$ 38,475,416**	**$ 42,948,591**	**$ 73,334,062**	**$ 64,546,321**
Requirements						
Materials & Services	$ 2,746,986	$ 3,194,845	$ 0	$ 0	$ 0	$ 0
Professional and Technical Services	20,225,237	21,820,671	0	0	0	0
Capital Outlay	0	0	2,388,525	8,723,500	29,587,641	29,124,500
Transfers	20,395,406	18,268,056	0	0	0	0
Contingency/Reserve	0	4,169,000	0	2,180,875	0	7,281,125
Ending Fund Balance	7,978,040	1,157,788	36,086,891	32,044,216	43,746,421	28,140,696
Total Requirements	**$ 51,345,669**	**$ 48,610,360**	**$ 38,475,416**	**$ 42,948,591**	**$ 73,334,062**	**$ 64,546,321**

Source: District Adopted Fiscal Year 2021 Budget.

Surface Water Funds Adopted Budget
(Fiscal Years)

	Surface Water Enterprise Fund		System Development Charge	
Resources	**2020 Estimate**	**2021 Adopted**	**2020 Estimate**	**2021 Adopted**
Beginning Balance	$ 9,869,474	$ 7,932,702	$ 2,084,546	$ 2,281,946
Sales and Services	5,185,300	5,311,400	0	0
System Development Charges	0	0	164,000	118,300
Interest Income	157,900	126,900	33,400	36,500
Miscellaneous	418,000	262,500	0	0
Total Resources	**$ 15,630,674**	**$ 13,633,502**	**$ 2,281,946**	**$ 2,436,746**
Requirements				
Materials & Services	$ 114,325	$ 135,175	$ 0	$ 0
Capital Outlay	4,583,647	4,953,854	0	0
Transfers	3,000,000	3,000,000	0	0
Contingency/Reserve	0	848,000	0	0
Ending Fund Balance	7,932,702	4,696,473	2,281,946	2,436,746
Total Requirements	**$ 15,630,674**	**$ 13,633,502**	**$ 2,281,946**	**$ 2,436,746**

Source: District Adopted Fiscal Year 2021 Budget.

Investments

ORS 294.035 authorizes Oregon political subdivisions to invest in obligations, ranging from U.S. Treasury obligations and Agency securities to municipal obligations, bankers' acceptances, commercial paper, certificates of deposit, corporate debt and guaranteed investment contracts, all subject to certain size and maturity limitations. No municipality may have investments with maturities in excess of 18 months without adopting a written investment policy which has been reviewed by the Oregon Short Term Fund Board. ORS 294.052 authorizes Oregon political subdivisions to invest proceeds of bonds or certificates of participation and amounts held in a fund or account for such bonds or certificates of participation under investment agreements if the agreements: (i) produce a guaranteed rate of return; (ii) are fully collateralized by direct obligations of, or obligations guaranteed by, the United States; and (iii) require that the collateral be held by the municipality, an agent of the municipality or a third-party safekeeping agent. The District has its own investment policy which is available upon request.

Political subdivisions are also authorized to invest approximately $50.4 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" (ORS 293.726) and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. A listing of investments held by the Oregon Short-Term Fund is available on the Oregon State Treasury website under "Other OSTF Reports – OSTF Detailed Monthly Reports" at http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx.

Pension System

General. The District has no employees; all staff work for the District is performed by County employees. Because the District has no employees, the District has no direct obligations to the State of Oregon Public Employees Retirement System ("PERS" or the "OPERS System").

The County charges the District for staffing costs that are allocable to the District. The charges include a portion of the payments that the County is required to make for its pension benefits to PERS. The District's allocated share of the County's pension benefit costs may change over time based on a wide variety of factors, including the amount of County staff time that is spent on District matters. Because the District has no direct obligations to PERS, and because the share of the County's pension benefit costs that is allocated to the District may change over time, it is not possible to estimate the future charges that will be made to the District for County pension benefit costs. However, the County employs approximately 1,965 full-time equivalent positions, and in Fiscal

Year 2020 has approximately 112 County full time equivalent positions providing service to the District, resulting in the District paying approximately 6% of County pension costs.

The following information describes the OPERS System and the County's obligations under that system.

After six full months of employment, all County employees are required to participate in PERS. Employer contribution rates are calculated as a percentage of covered payroll. Employees are required to contribute six percent of their annual salary as well; however, employers are allowed to pay the employees' contribution in addition to the required employers' contribution. See "Employer Contribution Rates" herein.

T1/T2 Pension Programs. Employees hired before August 29, 2003 participate in the "Tier 1"or "Tier 2" pension programs (the "T1/T2 Pension Programs"). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit model and provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Effective January 1, 2004, six percent of each employee's salary has been contributed to fund individual retirement accounts under a separate defined contribution program known as the Individual Account Program (the "IAP"). Effective July 1, 2020, pursuant to legislation approved by the 2019 Legislature (see "2019 Legislation" herein), the six percent contribution for employees that earn in excess of $2,500 per month is split in two, with two-and-one-half percent of the employee's salary deposited in the "Employee Pension Stability Account" ("EPSA") and 3.50% of salary sent to the IAP.

OPSRP. Employees hired on or after August 29, 2003 participate in the Oregon Public Service Retirement Plan ("OPSRP") unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a defined benefit pension plan, but also provides access to the IAP. Effective July 1, 2020, the six percent contribution for employees that earn in excess of $2,500 per month is split in two, with 0.75% of the employee's salary deposited in the EPSA and 5.25% of salary sent to the IAP.

RHIA/RHIPA. The Oregon PERS Health Insurance Program offers optional medical, dental, and long-term care insurance plans to eligible T1/T2 retirees, their spouses, and dependents. See "Other Postemployment Benefits, Retirement Health Insurance Account" herein.

Actuarial Valuation. Actuarial valuations are performed annually as of December 31 of each year and are designed to measure the liabilities, assets and funded status of the System and for each employer, as well as determine employer contribution rates. The valuations are based on complex models which utilize assumptions on rates of return, payroll growth rates and demographic trends. The valuations as of December 31 of odd-number years are used by the Oregon Public Employees Retirement System Board (the "PERB") to set employer contribution rates; valuations as of even-numbered years are used for advisory purposes only. Should the assumptions used in the actuarial model prove inaccurate, liabilities of the System may be higher or lower than estimated. Any increases or decreases in liabilities will be absorbed into future contribution rates assessed against employer payrolls. An employer's unfunded actuarial liability ("UAL") is equal to the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing assets available to pay those benefits. PERS' current actuary is Milliman, Inc. ("Milliman," or the "Actuary").

Actuarial valuations are performed for the entire System (the "System Valuation"), and for most participating employers, including the County (the "County Valuation"). Valuations are released nine to eleven months after the valuation date. Current payroll rates are based on the System's actuarial valuation report as of December 31, 2017 (the "2017 System Valuation"), and those rates will extend through June 30, 2021. The System Valuation, as well as information on the actuarial pool in which the County participates, as of December 31, 2019 (the "2019 System Valuation") was released on September 23, 2020. Individual valuation reports as of December 31, 2019 were released in October 2020. These reports provide rates to be paid from July 1, 2021 through June 30, 2023 (see "Employer Contribution Rates" herein).

Valuation Date	Release Date	Rates Effective
December 31, 2015	September 2016	July 1, 2017 – June 30, 2019
December 31, 2016	December 2017	Advisory only for July 1, 2019 – June 30, 2021
December 31, 2017	October 2018	July 1, 2019 - June 30, 2021
December 31, 2018	December 2019	Advisory only for July 1, 2021- June 30, 2023
December 31, 2019	October 2020	July 1, 2021 - June 30, 2023

System Actuarial Organization. An employer participates in PERS either on an independent basis, or through an actuarial pool, as follows:

T1/T2 Pension Programs

- *Independents:* An Independent Employer is one for whom its T1/T2 Pension Programs assets and liabilities are based on an actuarial analysis performed on its employee base. **The County is an independent employer.**

- *School District Pool:* All kindergarten through grade 12 public school district and education service district public employers are pooled for actuarial purposes for the T1/T2 pension programs (the "School District Pool"). Each School District Pool member's allocated share of the pool's assets and liabilities is based on the member's proportionate share of the School District Pool's pooled payroll, which share may shift in the future due to relative growth in payroll. Further, a school district's Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions. The County is not a member of the School District Pool.

- *State and Local Government Rate Pool:* For the T1/T2 Pension Programs, all State agencies, certain Oregon local governments and all community college public employers are pooled (the "State and Local Government Rate Pool" or "SLGRP"). Each SLGRP member's allocated share of the pool's assets and liabilities is based on the member's proportionate share of the SLGRP's pooled payroll which share may shift in the future due to relative growth in payroll. Further, a SLGRP member's Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions. The County is not a member of the SLGRP.

OPSRP

- *OPSRP's* assets and liabilities are pooled on a System-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The District's allocated share of OPSRP's assets and liabilities is based on the District's proportionate share of OPSRP's pooled payroll.

Actuarial Assumptions. Actuarial assumptions are set each biennium and are applied to the System's valuations. Significant actuarial assumptions and methods used in the 2017 System Valuation included (a) the Entry Age Normal method, (b) asset valuation method based on market value, (c) the assumed earnings rate (the "Assumed Rate") on the investment of present and future assets of 7.20 percent, (d) payroll growth rate of 3.50 percent, (e) consumer price inflation of 2.75 percent per year, (f) UAL amortization method of a level percentage of payroll over 20 years (fixed) for all T1/T2 UALs derived from the 2013 System Valuation and thereafter, and through 2033 for all T1/T2 UALs derived from the 2007, 2009 and 2011 valuations, and 16 years (fixed) from the date of the first rate-setting valuation at which the UAL is recognized for OPSRP, and (g) a rate collar to limit increases or decreases in employer contribution rates from biennium to biennium (the "Rate Collar") (see "Rate Collar" herein). Actuarial assumptions used for the 2018 and 2019 System Valuations are largely unchanged from the 2017 valuation, except for the amortization of the 2018 UAL attributable to the Tier 1 and Tier 2 pension programs, which, in accordance with recently approved legislation, will be re-amortized over a 22 year period on a one time basis. In subsequent valuations, the amortization is expected to revert to the 20- year amortization for any new UALs attributable to Tier 1 and Tier 2. Additionally, the redirection of a portion of the IAP to the EPSA will result in a direct offset and reduction of Employer contribution rates. (See "2019 Legislation" herein.)

Employer Contribution Rates. Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the Oregon Public Employees Retirement Fund ("OPERF"), including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations, litigation, decisions by the PERB and changes in benefits resulting from legislative modifications. Pursuant to ORS 238.225, all participating employers are required to make their contribution to PERS based on the employer contribution rates set by the PERB. Employees are required to contribute six percent of their annual salary to the IAP and, if applicable, the EPSA. Employers are allowed to pay the employees' contribution in addition to the required employers' contribution. The County has elected to make the employee contribution.

Rate Collar. The PERB uses a rate collar (the "Rate Collar") to limit increases (or decreases) in employer contribution rates from biennium to biennium in order to smooth the impact of significant increases or decreases from one valuation to the next. The Rate Collar is applied and calculated as follows:

- The uncollared base rate, which is the actuarially determined rate which would need to be contributed to fully fund future benefits for current employees and to amortize the UAL over the specified amortization period, is calculated first.
- Should the anticipated increase or decrease necessary to impose the uncollared base rate be in excess of certain limits, then the Rate Collar is applied. Any excess increase or decrease is deferred to future rate cycles.
- If the funded status of the employer or the pool in which the employer participates is above 70 percent or below 130 percent (the "Base Case Rate Collar"), the Rate Collar is the greater of three percent of payroll (the "3% parameter") or 20 percent of the current base rate (the "20% parameter").
- If the funded status of an employer or the pool in which the employer participates is below 70 percent or above 130 percent, the Rate Collar increases by 0.3 percent of payroll if under the 3% parameter, or two percent of the current base rate if under the 20 percent parameter, for every percentage point under the 70 percent (or above 130 percent) funded level (the "Collar Ramp") until it reaches six percent of payroll, or 40 percent of the current base rate at the 60 percent (or above 140 percent) funded level (the "Double Rate Collar").

The PERS Board has been considering potential changes to the Rate Collar. Changes under consideration may include converting the application of the collar to a fixed percentage of payroll, and/or eliminating the double collar provision. The Board is not expected to make a decision on any such modifications until the Summer of 2021.

According to the 2019 System Valuation, the UAL for the System was $24.6 billion. According to the 2019 County Valuation, the funded status, excluding employer Side Accounts, for the County was 71%, above the 70% funded status level.

System Funded Status & UAL. The funded status of PERS and of the County, as reported by Milliman, will change over time depending on a variety of factors, including the market performance of the investments in which the OPERF is invested, future changes in compensation and benefits of covered employees, demographic characteristics of members, methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS, legislative or judicial actions, and other actions taken by the PERB. As of December 31, 2020, the rate of return on the PERF was 7.66%, which is higher than current assumption. Should this trend continue, it would affect the System-wide and County UAL. Under current PERS policies, any modification to contribution rates would not occur until the 2023-25 biennium. See "Global Health Emergency" herein for additional information.

The table below includes the UAL and funded status for the System and the pool in which the County participates from the five most recent actuarial valuations.

Unfunded Actuarial Liability and Funded Status[1]
($ in millions)

	System[2]		Clackmas County	
Valuation Date	UAL	Funded Status	UAL	Funded Status
12/31/19	$ 24,600.0	72.0%	$ 298.0	71.0%
12/31/18	27,000.0	69.0%	315.5	69.0%
12/31/17	22,291.2	73.5%	249.3	74.0%
12/31/16	25,300.1	68.8%	277.2	70.0%
12/31/15	21,830.8	71.3%	238.5	73.0%

(1) Does not take into account offsets for deposits made by individual employers from pension bond proceeds or cash on hand in side accounts (see "Side Accounts and Pension Bonds" herein).
(2) System UAL includes total of SLGRP, School District Pool, Independent Employers, and OPSRP.
Source: System Valuations and PERS.

Side Accounts and Pension Bonds. Some jurisdictions, have issued pension bonds (the "Pension Bonds") and/or used other cash resources to make lump sum payments to PERS. For most jurisdictions, these lump sum payments have been deposited into a "side account" (the "Side Accounts") that is amortized over a fixed period and used to reduce the contribution rates of the jurisdiction that makes the deposit. Jurisdictions that issued pension bonds in order to make a lump sum deposit also have debt service payments due on their bonds. The County has not made a lump sum deposit to PERS.

Net Unfunded Actuarial Liability. The County's net unfunded pension UAL is the total of the County Allocated T1/T2 UAL and County Allocated OPSRP UAL. The County's net unfunded pension UAL as reported in the County's actuarial valuation reports as of December 31, 2015 (the "2015 County Valuation"), December 31, 2016 (the "2016 County Valuation"), December 31, 2017 (the "2017 County Valuation"), as of December 31, 2018 (the "2018 County Valuation") and as of December 31, 2019 (the "2019 County Valuation") is shown in the following table.

Clackamas County, Oregon Net Unfunded Pension Liability

	2015 Valuation	2016 Valuation	2017 Valuation	2018 Valuation	2019 Valuation
Allocated pooled T1/T2 UAL	$ 238,466,122	$ 277,203,993	$ 249,311,225	$ 315,536,816	$ 298,037,627
Allocated pooled OPSRP UAL	19,936,832	24,804,095	22,016,939	28,586,927	28,225,448
County Side Account	-	-	-	-	-
Net unfunded pension actuarial accrued liability	$ 258,402,954	$ 302,008,088	$ 271,328,164	$ 344,123,743	$ 326,263,075

Source: County Valuations.

Actuarial Projections. Each year at the December PERB meeting, the Actuary presents financial projections of System payroll rates, funded status and UAL over the following 20 years using both a "Steady Return" methodology, whereby a consistent level of returns is assumed each year, and a "Variable Return" methodology, whereby stochastic modelling of 10,000 iterations is utilized. At the December 4, 2020 Board meeting, the Actuary has projected that under the majority of scenarios, average employer rates for the 2023-2025 biennium are projected to increase due to the effect of asset underperformance through September, 2020, in which the annual rate of return was 0.14% relative to the assumed rate of 7.20%. Under the Variable Return methodology, at the 50th percentile, average rates are projected to increase from 24.5% in the 2021-23 biennium to 27.0% in the 2023-25 biennium. The System's funded status has also declined in 2020 due to the low investment returns, and the UAL has increased. At the 50th percentile under the Variable Return methodology, the UAL is projected to be $28.3 billion at year-end 2020 and grow to $31 billion at the end of 2025, then decline to $12.9 billion by the end of 2039. All of these trends are despite the passage of legislation by the 2019 Legislature which extended the amortization of the UAL to 22 years, among other things. (See "2019 Legislation" herein.) However, any changes to payroll contributions rates in the 2023-25 biennium will be based on returns through the remainder of 2020 and through 2021. The District cannot predict the impact on its payroll rates or UAL at this time.

County Contribution Rates. The County's contribution rates for the 2017-19 biennium under the 2015 County Valuation, contribution rates for the 2019-21 biennium under the 2017 County Valuation, and contribution rates for the 2021-23 biennium under the 2019 County Valuation are provided in the following table. The projected rates under the County's 2019 Valuation include the impact of 2018 and 2019 returns on the PERS fund and the impact of legislation approved by the 2019 Legislature (See "2019 Legislation" herein.)

Clackamas County, Oregon
Pension Contribution Rates (Percent of Covered Payroll)

	2017-19 Biennium			2019-21 Biennium			2021-23 Biennium		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Normal cost rate	16.20	8.02	12.79	16.19	8.40	13.03	15.89	8.64	13.00
T1/T2 UAL rate	5.10	5.10	5.10	9.37	9.37	9.37	11.63	11.63	11.63
OPSRP UAL rate	1.27	1.27	1.27	1.45	1.45	1.45	1.69	1.69	1.69
Side account rate relief	-	-	-	-	-	-	-	-	-
Member redirect offset[1]	-	-	-	-	-	-	(2.45)	(0.70)	(0.70)
Retiree Healthcare rate (RHIA)[2]	0.50	0.43	0.43	0.06	-	-	0.05	-	-
Total net contribution rate (%)	**23.07**	**14.82**	**19.59**	**27.07**	**19.22**	**23.85**	**26.81**	**21.26**	**25.62**

(1) Redirected member contributions under Senate Bill 1049 (2.50% of payroll for Tier 1/Tier 2 and 0.75% of payroll for OPSRP) will be used to offset employer contribution rates. The redirect of the IAP does not apply to members with monthly pay below a threshold. The values shown in the table incorporate an estimate of the effect of this limitation.
(2) Contribution rates to fund RHIA benefits are included in the total County employer contribution rate, but are not a pension cost. See "Other Postemployment Benefits – Retirement Health Insurance Account" below.

Source: 2015 County Valuation, 2017 County Valuation, 2019 County Valuation.

County Contributions. The County's historical and projected annual contributions to PERS are provided in the following table. WES employees are in fact County employees and so their contributions to PERS are included in the County numbers and I doubt there is an easy way to segregate them.

Clackamas County, Oregon Pension Contributions

Fiscal Year	PERS Contribution[1]
2021[2]	
2020	$ 37,311,918
2019	28,482,506
2018	27,747,895
2017	22,377,528
2016	22,417,460

(1) County's contribution to PERS which includes the employee contribution paid by the County.
(2) Budgeted.

Source: Clackamas County, Oregon and County Audited Financial Statements.

2019 Legislation. In 2019, the Legislature adopted and the Governor signed Senate Bill 1049 ("SB 1049"), which makes certain modifications to the amortization of the UAL and benefits provided to employees retiring after December 31, 2019. Such modifications include: re-amortizing the UAL associated with Tier 1 and Tier 2 benefits that is measured as of December 31, 2019 and extending that amortization to 22 years; redirecting a portion of the 6% contributions currently made to the IAP to an "Employee Pension Stability Account" ("EPSA") within the PERS fund when an employee's salary exceeds $2,500 per month (indexed annually); removing all current hourly limitations on retirees who work for a PERS employer after retirement, while mandating that such employer shall continue to make pension contributions at the previous employer rate to the PERS Fund; and capping the annual salary used in the calculation of certain retirement packages for all tiers to $195,000 (indexed annually).

GASB 67 and GASB 68. GASB Statements No. 67 and No. 68 modify the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67 ("GASB 67"), Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68 ("GASB 68"), Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements for governments that provide their employees with pensions. The PERS System is subject to GASB 67; each participating employer, including the County is subject to GASB 68. GASB 68 was incorporated in the County's financial statements beginning in Fiscal Year 2015. PERS contracted with Milliman to provide information for local governments to use in their financial statements.

The County's proportionate share of the System's net pension liability and pension expense follows.

Clackamas County, Oregon
Pension Amounts under GASB 68

Measurement Date	County's Proportionate Share	County's Share of Net Pension Liability	Pension Expense
06/30/19	1.60%	$ 291,503,382	$ 74,196,804
06/30/18	1.69%	242,231,532	44,848,229
06/30/17	1.68%	226,789,945	47,378,152
06/30/16	1.74%	261,491,251	45,281,606
06/30/15	1.91%	109,515,985	107,276,126

Source: Oregon Public Employees Retirement System– GASB 68 Exhibits prepared by Milliman.

Other Postemployment Benefits

Retirement Health Insurance Account. PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to $60 per month towards the cost of their health insurance premium under the RHIA plan. The RHIA program's assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. According to the 2019 System Valuation, this program had a surplus of approximately $240.3 million as of December 31, 2019. The County's allocated share of the RHIA program's assets and liabilities is based on the County's proportionate share of the program's pooled payroll. According to the 2019 County Valuation, the County's allocated share of the RHIA program's surplus was $3,576,388.

Medical Benefits - Implicit Subsidy. Under ORS 243.303 the County is required to offer the same healthcare benefits for current County employees to all retirees and their dependents until such time as the retirees are eligible for Medicare. GASB Statement No. 75 (effective for Fiscal Years beginning after June 15, 2017), and formally under GASB Statement No. 45 refers to this as an "implicit subsidy" and requires that the corresponding liability be determined and reported. The County is involved with two single-employer defined benefit healthcare plans. One single-employer plan is an implicit rate subsidy for all qualified County employees, and the other single-employer plan is an explicit plan for only certain Sheriff's Office employees (see below "Medical Benefits - Explicit Subsidy"). The Sheriff's Office plan established a trust, and those plan assets are reported in the implicit rate plan for GASB 75 reporting, and in the explicit rate plan for GASB 74 reporting.

Per Oregon State law, the implicit rate subsidy plan provides the opportunity for postretirement healthcare insurance for eligible retirees and their spouses through the County's group health insurance plans, which cover both active and retired participants. The County's projections of total OPEB Liability under GASB 75 follows: [update 2020 with County CAFR info]

Projection of Total OBEP Liability (Implicit Subsidy) - Fiscal Years

	2018	2019	2020
Service cost	$ 2,312,793	$ 2,349,187	
Interest cost	1,264,938	1,359,604	
Difference between expected and actual experience	-	(1,116,816)	
Assumption changes	(20,254)	2,254,769	
Annual OPEB expense	3,557,477	4,846,744	-
Contributions made	1,326,999	1,419,537	
Change in Net OPEB liability	2,230,478	3,427,207	-
Net OPEB Liability - beginning of year	22,244,303	35,918,699	39,345,906
Restatement	11,638,377	-	-
Net OPEB Liability - beginning of year as restated	33,882,680	35,918,699	39,345,906
Deferred resources	(194,459)	-	-
Net OPEB Liability - end of year	$ 35,918,699	$ 39,345,906	$ 39,345,906

Source: Clackamas County Audited Financial Statements.

Prior to adoption of GASB Statement No. 75 in Fiscal Year 2018, the County's annual other post-employment benefit ("OPEB") cost was calculated based on the annual required contribution (the "ARC"), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following table details the County's ARC and Net OPEB Obligation.

Annual Required Contribution – Fiscal Years

	2016	2017
Annual required contribution	$ 4,837,936	$ 6,075,523
Interest on prior net OPEB obligation	1,020,196	1,114,413
Adjustment to annual required contribution	(1,440,474)	(1,585,152)
Annual OPEB cost	4,417,658	5,604,784
Contributions made	1,764,588	2,321,483
Decrease in net OPEB obligation	2,653,070	3,283,301
Net OPEB obligation - beginning of Fiscal Year	24,320,461	26,973,531
Net OPEB obligation - end of Fiscal Year	$ 26,973,531	$ 30,256,832
% of Annual OPEB Cost Contributed	40%	41%

Source: Clackamas County Audited Financial Statements

WES contracts with the County for OPEB services. The County has OPEB requirements greater than those owed to WES-associated employees.

See Note 16 "Other Post-Employment Benefits" of the County's audited financial statements for Fiscal Year 2020 information on the County's liability under GASB 75. The County audit can be found on the County website.

Risk Management

The District is exposed to various risks of loss. A description of the risks is provided in the District's audited financial statements. The audited financial statement for Fiscal Year 2019 is attached hereto as Appendix B.

Cybersecurity. The District, like other public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the District's information technology systems to misappropriate assets or information or to cause operational disruption and damage.

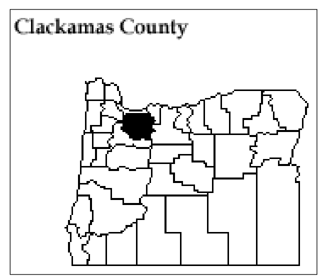
Natural and Economic Forces. Natural and economic forces can affect the assessed value of taxable property in the District and the District's collection of revenues. The District is located in the Pacific Northwest, a region subject to periodic significant earthquakes. Such an earthquake and/or tsunami could cause extensive damage to structures and infrastructure along the Pacific coast and could disrupt transportation, communications, water and sewer systems, power and gas delivery and fuel supplies along the Pacific coast and within the District. The District cannot predict how such seismic activity could impact its revenue sources. In September 2020, the State of Oregon experienced more than 35 wildfires across the State. However, the District did not experience a material impact from those recent wildfires on property located within the District's boundaries.

Other natural or man-made disasters, such as flood, fire, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the District or adversely affect the District's revenues. Economic and market forces, such as a downturn in the economy generally, can also affect assessed values. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). The current spread of COVID-19 is altering the behavior of businesses and people in a manner that has negative effects on local, state, national and global economic activity, and therefore adversely affect the financial condition of the District, either directly or indirectly. See "Global Health Emergency" herein.

Demographic Information

General

Located in northwestern Oregon, the County encompasses 1,879 square miles and includes the Mt. Hood National Forest and the Bull Run Watershed. Lake Oswego and Oregon City are the largest incorporated cities in the County.



The County is part of the Portland-Vancouver-Hillsboro Primary Metropolitan Statistical Area (hereinafter, the "Portland PMSA") which includes Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon, and Clark and Skamania counties in Washington.

Historical data have been collected from generally accepted standard sources, usually from public bodies. This statement bases information on the Portland PMSA, the County and the cities of Lake Oswego and Oregon City.

Population

The following table shows the historical population for the State, and the County:

Population

July 1[1]	State of Oregon	Clackamas County
2020	4,268,055	426,515
2019	4,236,400	423,420
2018	4,195,300	419,425
2017	4,141,100	413,000
2016	4,076,350	404,980
2015	4,013,845	397,385
April 1[2]		
2010	3,831,074	375,992
2000	3,421,399	338,391
1990	2,842,321	278,850

(1) Source: Center for Population Research and Census, Portland State University.

(2) Source: U.S. Census Count on April 1.

Economic Overview

The current spread of COVID-19 is altering the behavior of businesses and people in a manner that has negative effects on local, state, national and global economic activity, and therefore may adversely affect the financial condition of the County, either directly or indirectly. Certain historical economic information presented herein that predates the pandemic does not reflect the impacts of the pandemic. See "Recent Economic and Health Developments" herein.

Over the past two decades, the County has developed a commercial base, which includes metals fabrication, machinery, high technology firms, and retail trade and distribution as well as participation in the Portland-metropolitan area economy to supplement its long-standing strong agricultural businesses utilizing prime agricultural land. Large employers in the County include the County, the North Clackamas School District, Providence Health, Clackamas Community College, State of Oregon, Tigard-Tualatin School District, and Kaiser Sunnyside.

As of 2020, transportation and utilities accounted for 20.8 percent of the total non-farm employment in the County, while education and health services accounted for 15.1 percent, professional and business services 13.6 percent, manufacturing 10.9 percent, and government jobs 10.8 percent.

Income. Historical personal income and per capita income levels for the County and the State are shown below:

Clackamas County and State of Oregon
Total Personal and Per Capita Income

	Clackamas County				State of Oregon			
Year	Personal Income ($000 Omitted)	Dividends, Interest, Rent ($000 Omitted)	Per Capita Income	Per Capita Dividends, Interest, Rent	Personal Income ($000 Omitted)	Dividends, Interest, Rent ($000 Omitted)	Per Capita Income	Per Capita Dividends, Interest, Rent
2020(1)	N/A	N/A	N/A	N/A	$ 245,039,900	$ 46,222,300	$ 57,532	$ 10,852
2019	$ 25,812,808	$ 5,541,782	$ 61,726	$ 13,252	224,346,429	47,225,659	53,191	11,197
2018	24,730,939	5,476,753	59,533	13,184	215,365,405	46,576,084	51,500	11,138
2017	23,016,541	5,038,668	55,806	12,217	202,051,500	43,456,647	48,762	10,488
2016	21,842,453	4,671,951	53,716	11,490	190,534,203	39,791,014	46,586	9,729
2015	20,368,315	4,334,317	50,966	10,845	181,367,038	37,382,851	45,163	9,309

(1) As of third quarter, annualized, subject to change.

Note: Dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis. County data as of November 17, 2020; State data as of December 17, 2020.

Employment. Non-farm employment within the County is described in the following tables:

Clackamas County
Labor Force Summary (1)
(by place of residence)

						2020 Change from			
	2016	2017	2018	2019	2020	2016	2017	2018	2019
Civilian Labor Force	213,012	218,947	220,694	219,468	218,893	5,881	-54	-1,801	-575
Unemployment	9,461	8,191	8,048	7,425	16,735	7,274	8,544	8,687	9,310
Percent of Labor Force	4.4%	3.7%	3.6%	3.4%	7.6%	xx	xx	xx	xx
Total Employment	203,551	211,265	212,646	212,043	202,158	-1,393	-9,107	-10,488	-9,885

Non-Agricultural Wage & Salary Employment (2)

						2020 Change from			
	2016	2017	2018	2019	2020	2016	2017	2018	2019
Total nonfarm employment	155,200	159,500	162,600	165,800	154,700	-500	-4,800	-7,900	-11,100
Total Private	137,700	141,600	145,900	148,600	138,000	300	-3,600	-7,900	-10,600
Natural resources and mining	200	200	200	200	200	0	0	0	0
Construction	11,400	12,100	13,600	14,200	13,700	2,300	1,600	100	-500
Manufacturing	17,400	17,800	17,900	18,400	16,800	-600	-1,000	-1,100	-1,600
Trade, transportation, and utilities	34,100	34,400	34,300	34,100	32,200	-1,900	-2,200	-2,100	-1,900
Information	2,100	2,100	2,000	2,300	2,300	200	200	300	0
Financial activities	8,900	9,000	9,100	9,300	9,000	100	0	-100	-300
Professional and business services	19,700	20,900	21,300	21,800	21,100	1,400	200	-200	-700
Educational and health services	22,200	22,600	24,300	24,700	23,400	1,200	800	-900	-1,300
Leisure and hospitality	15,800	16,500	17,000	17,300	13,400	-2,400	-3,100	-3,600	-3,900
Other services	6,000	6,100	6,200	6,300	5,900	-100	-200	-300	-400
Government	17,500	17,900	16,700	17,200	16,700	-800	-1,200	0	-500

(1) Civilian labor force includes employed and unemployed individuals 16 years and older by place of residence. Employed includes nonfarm payroll employment, self-employed, unpaid family workers, domestics, agriculture and labor disputants. Data are adjusted for multiple job-holding and commuting.
(2) Nonfarm payroll data are based on the 1987 Standard Industrial Classification manual. The data are by place of work. Persons working multiple jobs are counted more than once. The data excludes the self-employed, volunteers, unpaid family workers, and domestics.

Source: State of Oregon Employment Department.

Major Employers in the County

Company	Service	Location	No. Employees
Clackamas County	Government	County-wide	2,425
North Clackamas School District	Education	Clackamas	2,017
Providence Health	Hospital/Medical offices	County-wide	1,960
Clackamas Community College	Education	Oregon City	1,600
State Government	Government	County-wide	1,400
Tigard-Tualatin School District	Education	Tualatin	1,400
Kaiser Sunnyside	Health services	Clackamas	1,393
U.S. Government	Government	County-wide	1,100
Oregon City School District	Education	Oregon City	850
West Linn-Wilsonville School District	Education	West Linn	820
Lake Oswego Public Schools	Education	Lake Oswego	800
Southern Wine & Spirits-Pacific Northwest Holdings, LLC	Alcoholic Beverage Wholesale	Wilsonville	788
Columbia Bank	Banking	Lake Oswego	735
Mattei Insurance Services Inc.	Finance and Insurance	Portland	715
Tyco International	Electronic component manufacturing	Wilsonville	700
Benefit Health Solutions	Insurance Agent	Milwaukie	700
Safeway	Grocery & Bakery	County-wide	700
Cash & Carry Stores LLC	Grocery/Retail/Warehouse	Milwaukie	650
Canby School District	Education	Canby	600
AFA Forest Products Inc.	Forest Products	Lake Oswego	600
Precision Interconnect, LLC	Electronic component manufacturing	Wilsonville	566
Apollo Sheet Metal Inc.	Plumbing & HVAC Contractors	Wilsonville	503
PCC Structurals Inc.	Aircraft parts and equipment	Milwaukie	500
Oregon Trail School District	Education	Sandy	500
Pacific Seafood	Food manufacturing	Tualatin	500
Avamere	Health services	County-wide	460
Legacy Meridian Park Hospital	Healthcare	Tualatin	458
Sysco Foods Services of Portland	Food products	Wilsonville	450
Estacada School District	Education	Estacada	450
Oregon Pacific Building Products	Construction products	Wilsonville	425
Biotronik Inc.	Medical and hospital equipment	Lake Oswego	425
Oeco LLC	Manufactures magnetic cores	Milwaukie	425
Timberline Lodge	Resort/Hotel	Government Camp	400
Flir Systems	Electronic component manufacturing	Wilsonville	400

Note: The above list of employers does not reflect layoffs or furloughs that may have occurred due to the impacts of the current pandemic. Total number of employees may include full, part-time, temporary and seasonal employment.

Source: Hoovers Business Database.

Building Permits. Residential building permits are an indicator of growth within a region. The number and valuation of new single-family and multi-family residential building permits in the County are listed below:

Clackamas County
Residential Building Permits

	New Single Family		New Multi Family			Total
Year	**Number**	**Construction Cost**	**Number**	**Units**	**Construction Cost**	**Construction Cost**
2020 (1)	1,246	$ 397,910,084	33	588	$ 72,188,062	$ 470,098,146
2019	1,354	418,618,183	27	398	49,780,081	468,398,264
2018	1,244	395,237,172	32	510	75,091,076	470,328,248
2017	1,228	404,549,139	34	474	59,510,826	464,059,965
2016	1,368	404,959,931	65	1,082	120,599,743	525,559,674
2015	1,607	465,615,045	31	224	29,014,675	494,629,720

(1) Permits issued as of November 2020.
Source: U.S. Census Bureau.

Transportation. The County is served by Interstate 5 and Interstate 205. Bus service to most of the County is provided by Tri-Met, the Portland Metropolitan Area's transportation authority. In addition, some cities in the County operate their own bus systems. Greyhound also provides services to the area. Southern Pacific Railroad supplies freight service to the County.

Commercial air transportation is available at Portland International Airport ("PDX"). PDX, operated by the Port of Portland (the "Port"), is served by 17 scheduled passenger air carriers and three charter services. Fourteen cargo carriers service PDX. The Port also operates three general aviation airports in Troutdale, Hillsboro and Mulino. The Hillsboro Airport is the State's second busiest general aviation site and maintains the largest corporate jet fleet in the state.

Healthcare. Kaiser Permanente maintains Kaiser Sunnyside Medical Center, which includes medical and dental facilities, and a medical and surgical hospital. Willamette Falls Hospital, located in Oregon City, has 143 licensed beds. Providence Milwaukie Hospital is a 77-bed community-centered hospital. The hospital features emergency room, intensive care, occupational health and wellness services and private birthing rooms.

Higher Education. Institutions of higher learning in the area include independent institutions such as Reed College, Lewis and Clark College, Pacific University, Oregon Institute of Technology, the University of Portland, Warner Pacific College, and Columbia Pacific College. Portland State University, which is part of the Oregon University System of Higher Education, and the Oregon Health and Science University are located in the area. Clackamas Community College, Portland Community College, and Mt. Hood Community College are part of the State's community college system.

Colleges and universities may move to full or partial remote learning as the COVID-19 pandemic continues. Long-term facility closures could have a negative financial impact on the colleges and universities themselves and a negative economic impact on the cities and regions in which they operate. See "Global Health Emergency" herein.

The Initiative and Referendum Process

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

Because many proposed statewide initiative measures are submitted to the Oregon Secretary of State's office that do not qualify for the ballot, the District does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. The District also does not formally or systematically monitor efforts to qualify measures for the ballot that would initiate new provisions for, or amend, the District's charter and ordinances. Consequently, the District does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

Pursuant to ORS 250.125, a five-member Committee composed of the Secretary of State, the State Treasurer, the Director of the Department of Revenue, the Director of the Department of Administrative Services, and a local government representative must prepare an estimate of the direct financial impact of each measure ("Financial Estimate Statements") to be printed in the voters' pamphlet and on the ballot.

Referendum

"Referendum" generally means measures that have been passed by a legislative body, such as the Legislative Assembly or the governing body of a district, county or other political subdivision and referred to the electors by the legislative body, or by petition prior to the measure's effective date.

In Oregon, both houses of the Legislative Assembly must vote to refer a statute or constitutional amendment for a popular vote. Such referrals cannot be vetoed by the governor. Any change to the Oregon Constitution passed by the Legislative Assembly requires referral to voters. In the case of a referendum by petition, proponents of the referendum must obtain a specified number of signatures from qualified voters. The required number of signatures is equal to four percent of the votes cast for all candidates for governor at the preceding gubernatorial election.

Initiative Process

To place a proposed statewide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. Statewide initiatives may only be filed for general elections in even-numbered years.

A statewide initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact.

Historical Initiative Petitions. Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

Recent Initiative Petitions

Number of Year of General Election	Number of Initiatives that Qualified	Initiatives that were Approved
2008	8	0
2010	4	2
2012	7	2
2014	4	2
2016	4	3
2018	4	0
2020	2	2

Source: Elections Division, Oregon Secretary of State, Initiative, Referendum and Referral Log, Elections Division.

Legal Matters and Litigation

Legal Matters

Legal matters incident to the authorization, issuance and sale of Obligations are subject to the approving legal opinion of Bond Counsel, substantially in the form attached hereto as Appendix A. Bond Counsel has reviewed this document only to confirm that the portions of it describing the Obligations and the authority to issue them conform to the Obligations and the applicable laws under which they are issued.

Litigation

There is no litigation pending questioning the validity of the Obligations nor the power and authority of the District to issue the Obligations. There is no litigation pending which would materially affect the finances of the District or affect the District's ability to meet debt service requirements on the Obligations.

Under the Oregon law local public bodies, such as the District, are subject to the following limits on liability. The State of Oregon is subject to different limits.

Personal Injury and Death Claim. The liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed $769,200, for causes of action arising on or after July 1, 2020, and before July 1, 2021. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence may not exceed $1,538,300 for causes of action arising on or after July 1, 2020, and before July 1, 2021.

Property Damage or Destruction Claim. The liability limits of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2020: (a) $126,200, adjusted as described below, to any single claimant, and (b) $630,800, adjusted as described below, to all claimants.

For causes of action arising on or after July 1, 2021, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the statutory formula. The adjustment may not exceed three percent for any year.

Tax Matters

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) the portion of the payments made under the Financing Agreement designated and constituting interest ("Interest") is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) Interest is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Obligations, and Bond Counsel has assumed compliance by the District with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of Interest from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, Interest is exempt from State of Oregon personal income tax.

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

Certain Ongoing Federal Tax Requirements and Covenants

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

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Obligations. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of an Obligation. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Obligations.

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

Original Issue Discount

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

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

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

Bond Premium

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

Information Reporting and Backup Withholding

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

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

Miscellaneous

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

Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

Continuing Disclosure

The Securities and Exchange Commission Rule 15c2-12 (the "Rule") requires at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Obligations. Pursuant to the Rule, the District has agreed to provide audited financial information and certain financial information or operating data at least annually, and timely notice of certain events (collectively, "Continuing Disclosure") to the MSRB through its EMMA system (so long as such method of disclosure continues to be approved by the Securities and Exchange Commission for such purposes).

Prior Undertakings. During the last five fiscal years, the Clackamas County Service District No. 1 was obligated to provide Continuing Disclosure filings for its Sewer System Revenue Obligation Bonds, Series 2009A, Series 2009B, and Series 2010; and Sewer Revenue Refunding Bonds, Series 2016 ("Outstanding Debt"). The undertakings for Outstanding Debt require annual financial information filing by March 30. To its knowledge, the District has not failed to comply in any material respect with any prior undertaking under the Rul in the past five years.

All information needed to meet disclosure requirements are included in the statistical section of the District's annual Audited Financial Statements. A copy of the form of the District's Continuing Disclosure Certificate for the Obligations is attached hereto as Appendix D.

Municipal Advisor

In connection with the authorization and issuance of the Obligations, the District has retained Piper Sandler & Co., Portland, Oregon, as its Municipal Advisor (the "Municipal Advisor").

The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement.

Preliminary Official Statement

The District has executed a "deemed final" letter that deemed final the Preliminary Official Statement pursuant to Securities and Exchange Commission Rule 15c2-12 (except for the omission of the following information: offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, credit enhancement, if any, ratings, insurance, and other terms of the securities depending on such matters).

Rating

As noted on the cover page of this Official Statement, S&P Global Ratings, a Division of Standard & Poor's Financial Services LLC, has assigned its underlying rating of "__" to the Obligations. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Obligations.

Purchaser of the Obligations

The Obligations are being purchased by _____________ and they will receive compensation of $________. The purchaser of the Obligations may offer and sell the Obligations to certain dealers (including dealers depositing the Obligations into investment trusts) and others at prices lower than the initial offering prices corresponding to the yields set forth on page i of this Official Statement, and such initial offering prices may be changed from time to time by such purchaser. After the initial public offering, the public offering prices may be varied from time to time.

In connection with the offering of the Obligations, the purchaser of the Bonds may overallot or effect transactions which stabilize or maintain the market price of the Obligations at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued or recommenced at any time.

Certificate with Respect to Official Statement

At the time of the original delivery of and payment for the Obligations, the District will deliver a certificate of its authorized representative to the effect that to his or her knowledge, the Official Statement, both as of its date and as of the date of delivery of the Obligations, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Provided, however, that in no instance does the District may any representations related to the portions of the Official Statement related to DTC and its book-entry system, the Paying Agent, the information under the headings "Municipal Advisor," and "Purchaser of the Obligations," and the statement regarding the Municipal Advisor in the italicized paragraph on page ii.

Appendix A

Form of Bond Counsel Opinion

Appendix B

Financial Statements

The District's Auditor has not performed any further review of the District's financial statements since the date of the audit contained herein. The Auditor was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of its report on the 2020 Fiscal Year.

Appendix C

Book Entry Only System

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC--bracketed material may apply only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[**6**. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[**9.** A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Appendix D

Form of Continuing Disclosure Certificate

Appendix E

Form of Financing Agreement and Form of Escrow Agreement

Appendix F

Master Declaration