This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 27, 2026

MOORS & CABOT INVESTMENTS
Banking & Advisory Group

NEW ISSUE
Moody's: Aa2
S&P: AA

In the opinion of Pierce Atwood LLP of Portland, Maine, Bond Counsel ("Bond Counsel"), and assuming continuing compliance with certain provisions of the Internal Revenue Code of 1986, as amended (the "Code") and with certain tax covenants, under existing statutes, regulations and court decisions, interest on the Series 2026 Bonds (as defined herein) is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, such interest on the Series 2026 Bonds is not an item of tax for purposes of calculating the alternative minimum tax under Section 55 of the Code; provided, however, that such interest will be taken into account in determining the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Bond Counsel is also of the opinion that the interest paid on the Bonds is exempt from taxation within the State of Maine (the "State") pursuant to Title 30-A, Section 5413 of the Maine Revised Statutes, as amended. **The City *will not* designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code**. See "TAX MATTERS" and "APPENDIX D" herein.

$20,400,000(*)
CITY OF SOUTH PORTLAND, MAINE
Sewer System Revenue Bonds, Series 2026 (Green Bonds)
(Phase 1 - Pearl Street and Dewatering Projects)

Dated: Day of Delivery **Due: September 1, as shown herein**

The City of South Portland, Maine (the "City") Sewer System Revenue Bonds, Series 2026 (Green Bonds) (Phase 1 - Pearl Street and Dewatering Projects) (the "Series 2026 Bonds") are expected to be applied (i) to finance a portion of the costs of upgrades and improvements to the Pearl Street Pump Station and other miscellaneous improvements to the City wastewater treatment, collection and disposal sewer systems, including replacing the force main running from the pump station to the City's Waste Water Treatment Plant (the "Pearl Street Project"), (ii) to finance a portion of the cost of improvements to the City's wastewater treatment facility infrastructure, including the biosolids (sludge) dewatering processes (the "Dewatering System Project" and, together with the Pearl Street Project, the "Projects") and (ii) to pay certain costs of issuance of the Series 2026 Bonds. The Series 2026 Bonds are being issued pursuant to Title 30-A, Chapter 213 of the Maine Revised Statutes, as amended, Resolve #2-26/27 on July 21, 2026 by City Council of the City, the General Certificate as supplemented by the First Supplemental Certificate (each as defined herein).

The Series 2026 Bonds will be issued in fully-registered form without coupons and, when issued, will be registered in the name of Cede and Co., as bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2026 Bonds. Purchases of the Series 2026 Bonds will be made in book-entry form, in the minimum denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. See "DTC BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Series 2026 Bonds will be paid to DTC by U.S. Bank Trust Company, National Association, Boston, Massachusetts, as Trustee, Paying Agent and Registrar. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined herein) is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein. Interest on the Series 2026 Bonds will accrue from their initial date of delivery and will be payable on March 1, 2027 and semi-annually on each September 1 and March 1 thereafter until maturity, or redemption prior to maturity.

The Series 2026 Bonds are payable as to both interest and principal solely from the Revenues of the Sewer System (each as defined herein) on a parity with any Additional Bonds hereafter issued and Parity Debt (each as defined in the General Certificate) hereafter incurred by the City for improvements to the Sewer System, all as set forth in the General Certificate, subject to the provisions of the General Certificate permitting the application of Revenues and other funds for the purposes and on the terms and conditions set forth in the General Certificate. See "SECURITY FOR THE SERIES 2026 BONDS" herein.

THE SERIES 2026 BONDS ARE NOT AND SHALL NOT BE A GENERAL OBLIGATION OF THE CITY. THE SERIES 2026 BONDS ARE A LIMITED OBLIGATION OF THE CITY PAYABLE SOLELY FROM THE REVENUES DERIVED FROM THE OPERATION OF ITS SEWER SYSTEM AND PLEDGED THEREFOR UNDER AND PURSUANT TO THE GENERAL CERTIFICATE. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE CITY BUT ONLY TO THE LIMITED EXTENT PROVIDED IN THE SERIES 2026 BONDS AND IN THE GENERAL CERTIFICATE) SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2026 BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, OF THE STATE OR OF ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT THEREOF. THE CITY IS NOT OBLIGATED TO, AND SHALL NOT, LEVY ANY FORM OF TAXATION WHATEVER THEREFOR OR MAKE ANY APPROPRIATION FOR PAYMENT OF THE SERIES 2026 BONDS EXCEPT FROM THE REVENUES PLEDGED THEREFOR. THE SERIES 2026 BONDS SHALL BE SECURED EQUALLY AND RATABLY WITH ALL OTHER BONDS OR PARITY DEBT ISSUED OR INCURRED ON A PARITY THEREWITH UNDER AND PURSUANT TO THE GENERAL CERTIFICATE.

Series 2026 Bonds maturing on and before _____ are not subject to redemption prior to their stated dates of maturity. Series 2026 Bonds maturing on and after _____ are subject to optional redemption prior to their stated dates of maturity, at the option of the City, on and after _____ as more fully set forth herein. See "THE SERIES 2026 BONDS - REDEMPTION PRIOR TO MATURITY" herein. Series 2026 Bonds maturing on _____ and on _____ are subject to mandatory redemption, as more fully set forth herein (see "THE SERIES 2026 BONDS - REDEMPTION PRIOR TO MATURITY" herein).

This cover page contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of any informed investment decision.

The Series 2026 Bonds are offered when, as and if issued and received by the underwriter listed below (the "Underwriter") and are subject to the approval of legality by Pierce Atwood LLP, Portland, Maine, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by its counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Portland, Maine. Moors & Cabot, Inc. serves as Municipal Advisor to the City. U.S. Bank Trust Company, National Association, Boston, Massachusetts will serve as Trustee, Paying Agent and Registrar. It is expected that the Series 2026 Bonds, in definitive form, will be available for delivery to DTC in New York, New York, on or about _____.

RAYMOND JAMES®

NOTE: (*) Preliminary, subject to change.

$20,400,000(*)
CITY OF SOUTH PORTLAND, MAINE
Sewer System Revenue Bonds, Series 2026 (Green Bonds)
(Phase 1 - Pearl Street and Dewatering Projects)

Due September 1,	Principal Amount (*)	Interest Rate	Yield or Price	CUSIP®
2028	760,000			
2029	760,000			
2030	760,000			
2031	760,000			
2032	760,000			
2033	760,000			
2034	760,000			
2035	760,000			
2036	760,000			
2037	760,000			
2038	760,000			
2039	760,000			
2040	760,000			
2041	760,000			
2042	760,000			
2043	760,000			
2044	755,000			
2045	755,000			
2046	755,000			
2047	755,000			

$2,320,000 Term Bonds(*)
__.__% Term Bonds due September 1, 2051 (*)
_____ Yield [__.__]% **CUSIP®** [_____]

$2,900,000 Term Bonds(*)
__.__% Term Bonds due September 1, 2056 (*)
_____ Yield [__.__]% **CUSIP®** [_____]

NOTE: (*) Preliminary, subject to change.

No dealer, broker, salesman or other person has been authorized by the City or the original purchaser to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. 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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, any party other than the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition or affairs of the City since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CUSIP® is an acronym that refers to Committee on Uniform Security Identification Procedures. The CUSIP® numbers set forth in this Official Statement have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Bonds. Neither the City nor the Underwriter makes any representation with respect to the accuracy of such CUSIP® numbers set forth in this Official Statement or undertakes any responsibility for the selection of the CUSIP® numbers or their accuracy now or at any time in the future. The City is not responsible for the selection or uses of the CUSIP® numbers and no representation is made as to their correctness on the Bonds or as set forth in this Official Statement. The CUSIP® number for a specific maturity of the Bonds is subject to change after the issuance of the Bonds and as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of certain maturities of the Bonds.

CITY OF SOUTH PORTLAND, MAINE

MAYOR

and District 5 Councilor
Elyse Tipton

CITY COUNCIL

District 1	Carter Scott	District 5	Elyse Tipton
District 2	Rachael Coleman	At Large	Richard T Matthews
District 3	Misha Pride	At Large	Natalie West
District 4	Jessica L. Walker		

CITY ADMINISTRATION

Scott Morelli, City Manager
Ellen Sanborn, Director of Finance
Jessica A. Hughes, City Clerk

WATER RESOURCE PROTECTION DEPARTMENT

Frederick Dillon, Director
Lacey Kremer, P.E., Engineering Division Manager
Thomas L. Wiley, Treatment Systems Division
Jeffrey L. Moulton, Collection Sewer System Supervisor

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Pierce Atwood LLP
Portland, Maine

MUNICIPAL ADVISOR

Joseph P. Cuetara, Senior Vice President
Moors & Cabot, Inc.
Boston, Massachusetts

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APPENDIX B – General Certificate and First Supplemental Certificate

APPENDIX C – Series 2026 Feasibility Report

APPENDIX D – Form of Bond Opinion

APPENDIX E – Continuing Disclosure Agreement

CERTIFICATE
CONCERNING OFFICIAL STATEMENT

The information contained herein has been prepared by the City of South Portland, Maine with the assistance of Moors & Cabot, Inc., its Municipal Advisor, from the records of the City and from various other public documents and sources, which are believed to be reliable. There has been no independent investigation of such information by the City's Municipal Advisor, by Pierce Atwood LLP, Bond Counsel, by Raymond James & Associates, Inc., the Underwriter, or by Preti, Flaherty, Beliveau & Pachios, LLP, Portland, Maine, as counsel to the Underwriter, and such information is not guaranteed as to accuracy or completeness and is not intended to be a representation by the Municipal Advisor, Bond Counsel, the Underwriter or counsel to the Underwriter.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Sewer System since the date hereof or any earlier date as of which any information contained herein is given.

This Official Statement contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. The inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the City, its independent auditors, its feasibility consultant or the Underwriters that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

CDM Smith (the "Feasibility Consultant") was engaged in 2025 to prepare a feasibility report which is set forth in this Official Statement relating to the City's Series 2026 Bonds (the "Feasibility Report"). The Feasibility Report is included as APPENDIX C to this Official Statement. Matters addressed in the Feasibility Report are based on various assumptions and methodologies and are subject to certain qualifications. Reference is hereby made to the entire Feasibility Report for such important opinions, projections, qualifications and assumptions. CDM Smith has consented to the inclusion of the Feasibility Report in this Official Statement.

To the best of the knowledge and belief of the Director of Finance of the City, this Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the City is not guaranteed as to accuracy, completeness or fairness, the Director of Finance has no reason to believe that such information is materially inaccurate or misleading. A certificate to this effect, with such if any corrections, changes and additions as may be necessary, will be signed by the Director of Finance and furnished at the closing.

This Official Statement is in a form "deemed final" by the City for purposes of Securities and Exchange Commission's Rule 15c2-12(b) [17 C.F.R. §240.15c2-12(b)] except for the omission from the Preliminary Official Statement of such information as is permitted by such Rule.

Ellen Sanborn
Director of Finance
City of South Portland, Maine

OFFICIAL STATEMENT
$20,400,000(*)
CITY OF SOUTH PORTLAND, MAINE
Sewer System Revenue Bonds, Series 2026 (Green Bonds)
(Phase 1 - Pearl Street and Dewatering Projects)

INTRODUCTION

This Official Statement, which includes the cover page hereof and the appendices attached hereto, is furnished by the City of South Portland, Maine (the "City") to provide information regarding the $__,___,000 aggregate principal amount of the City of South Portland, Maine Sewer System Revenue Bonds, 2026 (Green Bonds) (Phase 1 - Pearl Street and Dewatering Projects) (the "2026 Bonds"). Certain capitalized terms used in this Official Statement are defined and have the meanings set forth in APPENDIX B hereto.

The Act, the City Charter and the General Certificate (as supplemented) do not limit the aggregate principal amount of Bonds that may be outstanding at any time.

The Series 2026 Bonds are not and shall not be a general obligation of the City. The Series 2026 Bonds are limited obligations of the City, payable solely from the Revenues (as defined herein, see "SECURITY FOR THE SERIES 2026 BONDS –Revenue Pledge" herein), of the Sewer System pledged therefor under and pursuant to the General Certificate, subject to the prior payment of Operating Expenses (as defined herein), on a parity with any Additional Bonds (together with the Series 2026 Bonds, "Bonds") or Parity Debt (each as defined in the General Certificate), hereafter issued or incurred by the City for improvements to the Sewer System, all as set forth in the General Certificate, , subject to the provisions of the General Certificate permitting the application of Revenues and other funds for the purposes and on the terms and conditions set forth in the General Certificate.

The Series 2026 Bonds are not and shall not be a general obligation of the City. The Series 2026 Bonds are a limited obligation of the City payable solely from the Revenues from the operation of the Sewer System and pledged therefor under and pursuant to the General Certificate. Neither the State nor any political subdivision thereof (except the City, but only to the limited extent provided in the Series 2026 Bonds and in the General Certificate) shall be obligated to pay the principal or Redemption Price of, premium, if any, or interest on the Series 2026 Bonds, and neither the faith and credit nor the taxing power of the City, of the State or of any other political subdivision thereof is pledged to the payment thereof. The City is not obligated to, and shall not, levy any form of taxation whatever therefor or to make any appropriation for payment of the Series 2026 Bonds except from the Revenues pledged therefor. See "SECURITY FOR THE SERIES 2026 BONDS" herein.

Brief descriptions of, among other things, the Series 2026 Bonds, the City and the Sewer System are included in this Official Statement. The proposed form of opinion of Bond Counsel is included in APPENDIX D hereto. The information and descriptions in this Official Statement do not purport to be complete, comprehensive or definitive. Any capitalized term used but not defined in this Official Statement shall have the meaning ascribed to such term in the Certificates. Statements regarding the Act and specific documents, including the Series 2026 Bonds and the Certificates are summaries of, and subject to, the detailed provisions of the Act and such documents and are qualified in their entirety by reference to each such document, copies of which will be on file with the Director of Finance, City of South Portland, 25 Cottage Road, P.O. Box 9422, South Portland, Maine 04116.

NOTE: (*) Preliminary, subject to change.

AUTHORIZATION AND PURPOSE OF FINANCING

The Series 2026 Bonds will be issued pursuant to the City Charter, Title 30-A, Chapter 213, of the Maine Revised Statutes, as amended (the "Act"), Resolve #2-26/27 adopted on July 21, 2026 by the City Council of the City (the "City Council") and a General Certificate of Terms of Issuance of Sewer System Revenue Bonds dated November 1, 2026 (the "General Certificate") as supplemented by the First Supplemental Certificate thereto authorizing the Series 2026 Bonds, dated as of November __, 2026 (the "Supplemental Certificate" and, together with the General Certificate, the "Certificates"). U.S. Bank Trust Company, National Association., with an office in Boston, Massachusetts, serves as Trustee, Paying Agent and Registrar pursuant to the Certificates. The City has not previously issued Sewer System Revenue Bonds under the General Certificate.

THE PROJECTS

The Series 2026 Bonds are being issued (i) to finance a portion of the costs of upgrades and improvements to the Pearl Street Pump Station and other miscellaneous improvements to the City wastewater treatment, collection and disposal systems, including replacing the force main running from the pump station to the City's Waste Water Treatment Plant (the "Pearl Street Project"), (ii) to finance a portion of the cost of improvements to the City's wastewater treatment facility infrastructure, including the biosolids (sludge) dewatering processes (the "Dewatering System Project" and, together with the Pearl Street Project, the "Projects").

PEARL STREET PROJECT

The Pearl Street Pump Station serves as a critical link for the City, transferring sanitary sewer flows from the western side of the City's collection system to the City's Wastewater Treatment Facility ("WWTF"). The pump station and associated 24-inch force main, originally constructed in 1972, are nearing the end of their useful life. This will require significant upgrades to address aging infrastructure, meet the need for increased capacity to comply with the City's permitted CSO Facilities Plan update, improve grit removal capabilities to protect downstream pumping equipment and WWTF unit processes, and to address sea level rise aligning with the City's goal to address climate change and provide resiliency.

The City is planning an upgrade of the Pearl Street Pump Station due to its deteriorating condition. The peak capacity of the pump station will increase from approximately 15 million gallons per day ("MGD") to 18 MGD to abate CSO discharges, improvements in screening capacity and grit removal efficiency. Also, the replacement of the force main from the Pearl Street Pump Station, running beneath the Fore River to the WWTF located at 111 Waterman Drive will include redundancy considerations. The Pearl Street Project will require the City to obtain permits from Maine DEP, U.S. ACOE, PHC, City of South Portland, and Maine DOT.



Significant upgrades to ensure continued reliability including the following:

- The pumps and electrical systems have exceeded their useful life, and the mechanical systems need repair;

- The wet wells are undersized and cannot be isolated, which recently prevented shutdown for pipe repairs;
- The grit system is inadequate for larger storm events;
- The station is located within a floodplain and at risk of inundation during storm events;
- The existing 600 kW exterior emergency generator, relocated from the WWTF in 2021, serves as the primary backup power source but shows visible corrosion while an older interior generator remains in service as a secondary backup, though it is well beyond its intended service life and reliability is questionable; and
- Safety hazards are present throughout the facility, including inadequate fall protection at floor openings and insufficient lighting.

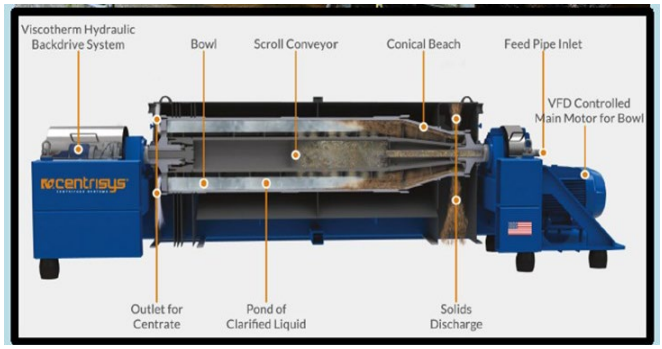
The goals of the project include the following:

- Increase pump station capacity from approximately 15 to 18 MGD Peak Wet Weather Flow in accordance with the recommendation of the City's 2022 CSO Facilities Plan update;
- Improve the pump station's headworks performance for screening and grit removal up to and including the Peak Wet Weather Flow;
- Replace the force main with multiple new force mains to increase capacity, redundancy, and ability to handle wide range of flows; and
- Incorporate climate change considerations, such as sea level rise, in accordance with the City's implemented climate adaptation requirements and measures.

DEWATERING SYSTEM PROJECT

The City is also undertaking a major upgrade of its wastewater treatment infrastructure, including a significant overhaul of its sludge Dewatering System. The Dewatering System Project will result in an upgrade to the WWTF biosolids dewatering system to improve efficiency and reduce operating costs. The existing belt filter presses have reached the end of their useful life and will be replaced with centrifuge technology.

The Dewatering System Project will significantly improve biosolids management, promoting more sustainable and effective sludge disposal while lowering operating costs. The existing belt filter presses (BFPs) have reached the end of their service life, prompting a shift to advanced dewatering technologies that will enhance operational efficiency, minimize maintenance needs, and optimize sludge processing.



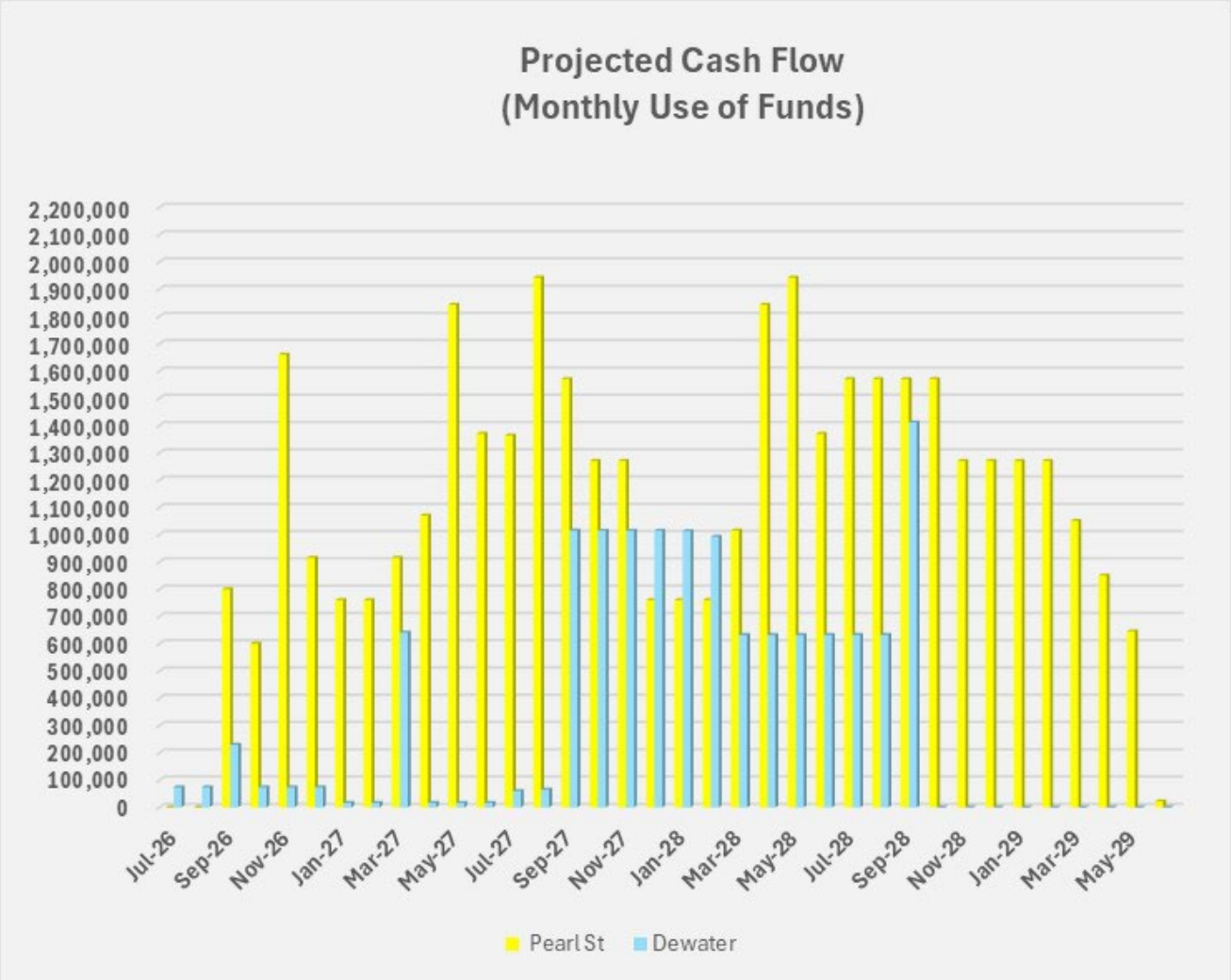
The Dewatering System Project includes the installation of two centrifuges to replace the existing belt filter presses, construction of a new electrical and control room safeguard equipment, and implementation of a new conveyor system. The garage bay will be expanded to enable drive-through access, alleviating current difficulties with truck maneuvering. Additional upgrades will include replacement of waste activated sludge feed pumps and conversion of the sludge storage tank mixing system from fine bubble to coarse bubble mixing.

PLAN OF FINANCING

The estimated cost of the Projects is currently $53,200,000. The City expects to finance the Projects in two tranches, the Series 2026 Bonds and a future issue of Series 2027 Bonds. The City anticipates that the first tranche (the Series 2026 Bonds) will be sufficient to finance Project costs through September 2027. The City intends to issue the second tranche (the Series 2027 Bonds) in an amount sufficient to allow the City to complete the Projects. The City currently expects to issue the Series 2027 Bonds on or about September 2027. The following table reflects the City's currently expected plan of financing:

Project	The Bonds(*)	2027 Bonds(*)	Total Bonds(*)
Pearl Street Project	$16,908,474	$23,576,526	$40,485,000
Dewatering System Project	3,491,526	9,223,474	12,715,001
	$20,400,000	$32,800,000	$53,200,001

The following chart reflects the currently anticipated cash flow requirements of the Projects:



NOTE: (*) Preliminary, subject to change.

Projected Amortization of the Series 2026 Bonds and Series 2027 Bonds (*)

Due	Series 2026 Bonds			Series 2027 Bonds			Consolidated
Sept. 1,	Pearl St	Dewater	Total	Pearl St	Dewater	Total	Totals
2027	$0	$0	$0	$0	$0	$0	$0
2028	585,000	175,000	760,000	0	0	0	760,000
2029	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2030	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2031	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2032	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2033	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2034	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2035	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2036	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2037	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2038	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2039	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2040	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2041	585,000	175,000	760,000	810,000	485,000	1,295,000	2,055,000
2042	585,000	175,000	760,000	810,000	485,000	1,295,000	2,055,000
2043	585,000	175,000	760,000	815,000	485,000	1,300,000	2,060,000
2044	580,000	175,000	755,000	815,000	485,000	1,300,000	2,055,000
2045	580,000	175,000	755,000	815,000	485,000	1,300,000	2,055,000
2046	580,000	175,000	755,000	815,000	485,000	1,300,000	2,055,000
2047	580,000	175,000	755,000	815,000	485,000	1,300,000	2,055,000
2048	580,000		580,000	815,000		815,000	1,395,000
2049	580,000		580,000	815,000		815,000	1,395,000
2050	580,000		580,000	810,000		810,000	1,390,000
2051	580,000		580,000	810,000		810,000	1,390,000
2052	580,000		580,000	810,000		810,000	1,390,000
2053	580,000		580,000	810,000		810,000	1,390,000
2054	580,000		580,000	810,000		810,000	1,390,000
2055	580,000		580,000	810,000		810,000	1,390,000
2056	580,000		580,000	810,000		810,000	1,390,000
2057			0	810,000		810,000	810,000
	$16,900,000	$3,500,000	$20,400,000	$23,585,000	$9,215,000	$32,800,000	$53,200,000

SOURCES AND USES OF FUNDS

SOURCES OF FUNDS

Principal Amount of Series 2026 Bonds
Premium
Total Sources

USES OF FUNDS

Project Fund
Cost of Issuance
Total Uses

NOTE: (*) Preliminary, subject to change.

THE SERIES 2026 BONDS

GENERAL

The Series 2026 Bonds will be issued only in fully-registered form, without coupons, with one certificate per maturity and, when issued, will be registered in the name of Cede & Co., as bond owner and nominee for The Depository Trust Company ("DTC" or the "Securities Depository"). DTC will act as the securities depository for the Series 2026 Bonds. Purchases of the Series 2026 Bonds will be made in book-entry form, in the minimum denomination of $5,000 multiple and in integral of $5,000 in excess thereof. The Series 2026 Bonds will be dated the date of delivery and will bear interest (accrued on the basis of a 360-day year with twelve 30-day months), payable commencing on _____ 20__ and semi-annually thereafter on _____ 1 and _____ 1 of each year until maturity, or redemption prior to maturity. It is expected that the Series 2026 Bonds will be available for delivery on or about ____, 2026.

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by U.S. Bank Trust Company, National Association, Boston, Massachusetts, as paying agent (the "Trustee," "Paying Agent" and "Registrar"). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as defined herein) will be the responsibility of such Participants and other nominees of Beneficial Owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See "THE SERIES 2026 BONDS – DTC BOOK-ENTRY-ONLY SYSTEM" herein.

REDEMPTION PRIOR TO MATURITY

Optional Redemption

Series 2026 Bonds maturing on or before _____, are not subject to redemption prior to maturity at the option of the City. Series 2026 Bonds maturing on and after _____, shall be subject to redemption prior to maturity, at the option of the City, in whole or in part, in any order of maturity, at any time, on and after _____, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

Mandatory Redemption [(*)]

Term Bonds maturing on September 1, 2051 and September 1, 2056 shall be subject to mandatory redemption prior to their stated maturity at 100% of the principal amount thereof to be redeemed, plus accrued interest to the date fixed for redemption, without premium, from installments on September 1 of the years set forth in the following table, in the respective principal amounts set forth opposite such years:

Term Bond due September 1, 2051		**Term Bond due September 1, 2056**	
Year	**Amount[(*)]**	**Year**	**Amount[(*)]**
2048	$580,000	2052	$580,000
2049	580,000	2053	580,000
2050	580,000	2054	580,000
2051[(1)]	580,000	2055	580,000
		2056[(1)]	580,000

NOTE:[(1)] Year of final maturity.
[(*)] Preliminary, subject to change.

GENERAL PROVISIONS REGARDING REDEMPTION

Notice of Redemption

In the case of every redemption of the Series 2026 Bonds, the City shall cause notice of such redemption to be given to the registered owner of any Series 2026 Bonds designated for redemption in whole or in part, at his or her address as the same shall last appear upon the registration books kept by the Paying Agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the bondholder actually receives notice. The failure of the City to give notice to a bondholder or any defect in such notice shall not affect the validity of the redemption of any Series 2026 Bond of any other owner. Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Series 2026 Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Series 2026 Bonds outstanding are to be redeemed, the notice of redemption shall specify the numbers of the Series 2026 Bonds or portions thereof (in denominations of $5,000 or any integral multiple thereof) to be redeemed.

The City shall notify the Securities Depository in the same manner as the bondholders, with a request that the Securities Depository notify its Participants who in turn notify the Beneficial Owners of such Bonds. Any failure on the part of the Securities Depository, or failure on the part of a nominee of a Beneficial Owner (having received notice from the City, a Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption of such Bond.

Series 2026 Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue

On any redemption date, the principal amount of each Series 2026 Bond to be redeemed, together with the premium, if any, and accrued interest thereon to such date, shall become due and payable. Funds shall be deposited with the Paying Agent to pay, and the Paying Agent is authorized and directed to apply such funds to the payment of the Series 2026 Bonds called for redemption, together with accrued interest thereon to the redemption date and redemption premium, if any. After such redemption date, notice having been given and funds deposited in the manner described above, then, notwithstanding that any Series 2026 Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Series 2026 Bonds. From and after such date of redemption (such notice having been given and funds deposited), the Series 2026 Bonds to be redeemed shall not be deemed to be outstanding.

Cancellation

All Series 2026 Bonds that have been redeemed shall be canceled by the Paying Agent and either destroyed by the Paying Agent with counterparts of a certificate of destruction evidencing such destruction furnished by the Paying Agent to the City or returned to the City at its request.

Partial Redemption of Series 2026 Bonds

Series 2026 Bonds or portions of Series 2026 Bonds to be redeemed in part shall be selected when held by a Securities Depository by lot and when not held by a Securities Depository by the City by lot or in such other manner as the City in its discretion may deem appropriate.

RECORD DATE; PAYMENT

The principal of the Series 2026 Bonds is payable upon surrender thereof at the principal corporate trust office of the Paying Agent. Payment of the interest on the Series 2026 Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the 15th day of the month preceding each interest payment date for the Series 2026 Bonds, and if such day is not a regular business day of the Paying Agent the next day preceding that is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person's address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest that is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

DESIGNATION AS GREEN BONDS

The City is designating the Series 2026 Bonds as "Green Bonds" due to what it believes are the environmental benefits of the Projects (as defined herein). The purpose of labeling the Series 2026 Bonds as Green Bonds is to allow purchasers of the Series 2026 Bonds to invest directly in bonds that finance such environmentally beneficial improvements. The holders of the Series 2026 Bonds do not assume any specific project risk or economic benefit related to any of the funded projects as a result of the Green Bonds designation.

The City does not intend to obtain any outside source to certify the Series 2026 Bonds as Green Bonds and the designation of the Series 2026 Bonds as Green Bonds is solely as a result of the internal designation by the City, and is not a third-party evaluation. The use of the term in this Official Statement is solely for identification purposes and is not intended to provide or imply that any owner of any Series 2026 Bonds is entitled to any security other than as provided in the General Certificate. The repayment obligation of the City with respect to the Series 2026 Bonds is not conditioned on the satisfaction of any certification related to the status of the Series 2026 Bonds as Green Bonds. There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green" or "sustainable" and therefore no assurance can be provided to investors that the projects financed with proceeds of the Series 2026 Bonds will continue to meet investor expectations regarding sustainability performance.

The designation of the Series 2026 Bonds as "Green Bonds" is intended to generally comport with the International Capital Market Association ("ICMA") Green Bond Principles and the United Nations Sustainable Development Goals ("UNSDG"). No party, including the City or the Underwriters, assumes any obligation to ensure that the Series 2026 Bonds comply with any legal or other standards or principles that may be related to "Green Bonds."

Portions of the respective Projects adhere to ICMA/UNSDG

Green Bond Principles Project Categories	Pearl Street	Dewater
Renewable energy:		
Energy efficiency:		
Pollution prevention and control:	✓	✓
Sustainable management:		
Biodiversity conservation:		
Clean transportation:		
Sustainable wastewater management:	✓	✓
Climate change adaptation:	✓	
Eco-efficient tech. and processes:		✓
Green buildings:		

Post-issuance Reporting of Projects Financed with Green Bonds

The City will report on the expenditure of the proceeds of the Projects financed by the Series 2026 Bonds. Once all proceeds of the Series 2026 Bonds have been spent, no further reporting will be provided. In the event that any proceeds of the Series 2026 Bonds remain unspent upon completion of the Projects or the City abandons the Projects, the City reserves the right to reallocate unspent proceeds to the costs of other qualified project subject to the terms of the Indenture and requirements under the Internal Revenue Code.

ANNUAL DEBT SERVICE REQUIREMENTS FOR SERIES 2026 BONDS

The following table sets forth the annual amounts required to be made available in such year for payment of the principal and mandatory redemption payments, if any, of and interest on the Bonds:

September 1,	Principal	Interest	Total [(1)]
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
2056			
Totals			

NOTE: [(1)] Figures rounded to the nearest dollar.

SECURITY FOR THE SERIES 2026 BONDS

The Series 2026 Bonds are not and shall not be a general obligation of the City. The Series 2026 Bonds are a limited obligation of the City payable solely from the Revenues from the operation of the Sewer System and pledged therefor under and pursuant to the General Certificate. Neither the State nor any political subdivision thereof (except the City, but only to the limited extent provided in the Series 2026 Bonds and in the General Certificate) shall be obligated to pay the principal or Redemption Price of, premium, if any, or interest on the Series 2026 Bonds, and neither the the faith and credit nor the taxing power of the City, of the State or of any other political subdivision thereof is pledged to the payment thereof. The City is not obligated to, and shall not, levy any form of taxation whatever therefor or to make any appropriation for payment of the Series 2026 Bonds except from the Revenues pledged therefor, subject to the provisions of the General Certificate permitting the application of Revenues and other funds for the purposes and on the terms and conditions set forth in the General Certificate. For a more extensive discussion of the terms and provisions of the General Certificate, including the security for the Series 2026 Bonds, the funds and accounts established by the General Certificate and the purposes to which moneys in such funds

RISK OF INVESTMENT

The Series 2026 Bonds are payable solely from certain moneys available to the City from the Sewer System. For a discussion of some of the risks associated with the purchase of the Series 2026 Bonds, see "RISK FACTORS RELATING TO THE SERIES 2026 BONDS" herein.

PLEDGE OF REVENUES

The Series 2026 Bonds, together with all Additional Bonds and Parity Debt hereafter issued or incurred under the General Certificate, are secured by a first pledge of all of the Revenues of the Sewer System and other funds pledged therefor under the General Certificate, subject to the provisions of the General Certificate permitting the application of Revenues and other funds for the purposes and on the terms and conditions set forth in the General Certificate. The Revenues, when received by the City, shall immediately be subject to the lien of the General Certificate, which lien shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the City. The Revenues shall not be used for any other purposes, except as set forth in the General Certificate.

The General Certificate defines the "System" as the wastewater collection, treatment and disposal system of the City, including the plants, works, instrumentalities or parts thereof and appurtenances thereto, lands, easements, rights in lands, rights of way, contract rights, sewers, conduits, pipe lines, mains, pumping and ventilating stations, sewage treatment or disposal systems, plants and works, connections and outfalls and all plants, buildings, facilities, structures, equipment, boats, conveyances, sewer mains and pipe lines, and any other property, rights and easements, real, personal, tangible or mixed, acquired or leased, incidental to and included in such system or parts thereof, and any improvements, extensions, enlargements, renewals, replacements and betterments, now or hereafter constructed, acquired or made by the City.

The General Certificate defines "Revenues" as all sewer rates, charges, fees, assessments, rents, payments and other income and receipts derived by the City from or for the ownership, operation, use or services of the Sewer System including, without limiting the generality of the foregoing, investment proceeds and, to the extent required by this General Certificate or a Supplemental Certificate to be deposited in the Revenue Fund, proceeds of insurance, condemnation, sales or other disposition of assets, and other income and receipts, in each case derived by or for the account of the City from the operation and ownership of the Sewer System.

The General Certificate defines "Operating Expenses" as actual operating, repair and maintenance costs of the Sewer System paid or incurred by the City in any particular Fiscal Year or period to which said term is applicable or charges made therefor during such Fiscal Year or period, as determined in conformity with GAAP. Operating Expenses include, but are not limited to, amounts payable under Credit Facilities or Liquidity Facilities for any fees, costs, expenses, indemnification or other obligations to any provider thereto, its parent and its assignees and participants or any agent therefor; fees and expenses of the Fiduciaries; and any other current expenses or obligations required to be paid by the City under the provisions hereof or by law, all to the extent properly allocable to the Sewer System. Operating Expenses do not include depreciation or obsolescence charges or reserves therefor; amortization of intangibles or other bookkeeping entries of a similar nature; interest charges and charges for the payment of principal, or amortization, of bonded or other indebtedness of the City; any payments under a Qualified Swap Agreement; unrealized gains and losses from investments, extinguishment of debt and Qualified Swap Agreements; costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to or retirements from the Sewer System which under GAAP are properly chargeable to the capital account or the reserve for depreciation; losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the Sewer System; such items, including taxes and fuel, which are capitalized pursuant to the then existing accounting practices of the City; or costs, charges or losses for any other item that is extraordinary and/or non-recurring.

FLOW OF FUNDS

The City has covenanted under the General Certificate to:

(i) collect the Revenues and any such Revenues so collected shall be deposited by the City, within two (2) business days, into the Revenue Fund, and

(ii) deposit into the Revenue Fund all other amounts required by the General Certificate to be so deposited or any other amounts which the City elects to deposit therein.

From the amounts deposited in the Revenue Fund in each month, the City shall:

first, set aside from the Revenues in the Revenue Fund an amount that, when added to any amounts on deposit in the Revenue Fund to be applied to the purpose, will be sufficient to pay the current Operating Expenses expected to be payable in such month; all amounts so set aside to pay Operating Expenses shall forthwith upon such deposit be forever free and clear of any lien or pledge created by this General Certificate; and

second, to the extent available, transfer to the Trustee for deposit in the following Funds, the amounts set forth below, such transfers to be made no later than the last business day of each month and in the following order of priority:

1) To the Debt Service Fund, (after taking into account any moneys from Bond proceeds on deposit in the Debt Service Fund for capitalized interest and any moneys not constituting Revenues on deposit in the Debt Service Fund to pay interest and Principal Installments), an amount for each Series of Bonds Outstanding equal to the sum of: (A) an amount equal to one-sixth ($1/6^{th}$) of the amount of interest falling due on the Bonds of such Series on the next interest payment date, or such other proportionate amount as shall be necessary to ensure monthly deposits for the payment in full of interest on the next interest payment date, as set forth in the Supplemental General Certificate authorizing such Series; (B) an amount equal to one-twelfth ($1/12^{th}$) of the amount of principal falling due on the next date upon which a Principal Installment falls due on the Bonds of such Series, or such other proportionate amount as shall be necessary to ensure monthly deposits for the payment in full of the Principal Installment on such date, as set forth in the Supplemental General Certificate authorizing such Series and (C) an amount as may be determined by the City for the purposes

of payments under a Parity Swap Agreement, pro rata in accordance with the respective amounts due for such purposes (and simultaneously with the transfer described in this clause, the City may transfer a similar amount from the Revenue Fund for the benefit of the holders of any other Parity Debt);

2) To the Debt Service Reserve Fund for credit to (A) the Common Debt Service Reserve Account therein the amount, if any, necessary to increase the amount on deposit therein, determined as of the first (1st) day of the Fiscal Year, to an amount equal to the Common Debt Service Reserve Account Requirement unless a lesser amount is otherwise applicable pursuant to the provisions of Section 5.05(g) or (h) hereof and (B) each other Debt Service Reserve Account therein, if any, the amounts necessary to satisfy any deficiencies in such Debt Service Reserve Accounts as may be determined and required by the applicable Supplemental Certificate, pro rata on the basis of the amounts so required; and

3) To the Rebate Fund, the amount, if any, necessary to make the amount on deposit therein equal to the Rebate Fund Requirement, if any, determined in accordance with the applicable Supplemental Resolution.

Any amounts retained in the Revenue Fund after making the foregoing payments and transfers may be used for any lawful purpose of the City, including but not limited to the cost of the construction of additions, improvements or betterments to, or the reconstruction of, the Sewer System, emergency repairs of the Sewer System, major or extraordinary repairs, renewals or replacements of the Sewer System, redemption of any Bonds and expenses of such purchase or redemption, reserves for items of Operating Expenses the payment of which is not immediately required, reserves for the payment of any future costs, expenses, payments or transfers, or the payment of other bonds, notes or other evidences of indebtedness of the City heretofore or hereafter issued to finance or refinance costs of the Sewer System, or to the City's General Fund. All amounts so used shall forthwith upon withdrawal be forever free and clear of any lien or pledge created by this General Certificate. Any amounts retained in the Revenue Fund after making the foregoing payments and transfers may also be deposited in the Debt Service Fund.

DEBT SERVICE RESERVE FUND

The Series 2026 Bonds will not be secured by a Debt Service Reserve Fund or account.

RATE COVENANT

The City has covenanted in the General Certificate to at all times fix rates and collect charges for each class of service rendered by the Sewer System, and from time to time, to amend or adjust such rates so that the Revenues of the Sewer System shall always be sufficient to:

(i) provide for the payment of Operating Expenses,

(ii) provide for the payment of the principal of and interest on all Bonds Outstanding (except any part thereof the payment of which has been provided for by the deposit of proceeds of Bonds or other moneys not constituting Revenues in the Debt Service Fund), and the net payments owing under Outstanding Parity Debt and payable on a parity with the Bonds as and when the same become due and payable, together with the maintenance of proper reserves therefor,

(iii) maintain the Funds and Accounts established in the General Certificate,

(iv) provide for the payment of expenses of administration and operation and maintenance of the Sewer System which may be necessary to preserve the same in good repair and working order, including the necessary reserves therefor, and

(v) comply in all respects with the terms and provisions of the General Certificate and to pay and discharge all charges or liens payable out of the Revenues when due and enforceable including without limitation the payment of other bonds, notes or other evidences of indebtedness of the City issued to finance or refinance costs of the Sewer System.

Without limiting the generality of the foregoing, the City further covenants in the General Certificate that the City will, at all times, fix, charge and collect such rates and other charges and adopt a budget as shall be required in order that, in each Fiscal Year, Net Revenues shall be at least 1.15 times the sum of the Aggregate Debt Service and the net amounts owing with respect to Parity Debt and payable in such Fiscal Year (the "Net Revenue Requirement"). The failure in any Fiscal Year to comply with the Net Revenue Requirement covenant with respect to any Fiscal Year shall not constitute a default or an Event of Default under the General Certificate provided the City shall comply with the following paragraph.

On or before the end of each Fiscal Year, in conjunction with preparation of the Annual Budget, the City shall complete a review of the financial condition of the Sewer System for the purpose of estimating whether the Net Revenues for such Fiscal Year and for the next succeeding Fiscal Year will be sufficient to comply with the Net Revenue Requirement covenant and shall by certificate of an Authorized Officer of the City make a determination with respect thereto. Such review shall take into consideration the completion of any uncompleted Project and the issuance of future Series of Bonds if necessary to finance the completion of such Project. A copy of such certificate setting forth a reasonably detailed statement of the actual and estimated Revenues, Operating Expenses, Aggregate Debt Service, and any other estimates or assumptions upon which such determination was based, shall be filed with the Trustee within thirty (30) days of the adoption of the Annual Budget or, if earlier, by the end of such Fiscal Year. If the City determines that the Net Revenues may not be so sufficient in the then current Fiscal Year, it shall forthwith, with advice and recommendations from the Consulting Engineer, develop a corrective plan of action to comply with the Net Revenue Requirement covenant in such following and later Fiscal Years. Such a corrective plan may include an increase in the schedule of rates and other charges, the development of changes to operations or expense reductions designed to lower Operating Expenses and/or a description of extraordinary circumstances which led to an insufficiency of Net Revenues and an explanation as to why such circumstances are unlikely to occur in the following year. The City's corrective plan demonstrating projected compliance in such subsequent Fiscal Year shall be filed with the Trustee and implemented within one hundred and eighty (180) days of the adoption of the Annual Budget for such subsequent Fiscal Year.

ADDITIONAL INDEBTEDNESS

Additional Bonds.

After authentication and delivery of the initial Series of Bonds pursuant to the General Certificate, one or more Series of Additional Bonds may be authenticated and delivered upon original issuance at any time or from time to time for the purposes of (i) financing Costs of Projects, (ii) financing Costs of completing Projects, (iii) refunding as described in the General Certificate and which does not satisfy the requirements of Section 2.05(b)(1)(A) of the General Certificate, (iv) paying the principal of and redemption premium, if any, and interest on any Bond Anticipation Notes, (v) providing additional funds for deposit into the Debt Service Reserve Fund and (vi) paying costs incident to the issuance of such Series of Bonds. The proceeds, including accrued interest, of the Additional Bonds of each Series shall be applied simultaneously with the delivery of such Additional Bonds as provided in the Supplemental Certificate authorizing such Series.

The Additional Bonds of any such Series shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to certain documents and moneys required by the General Certificate) of at least one of the following:

(A) A certificate of an Authorized Officer of the City (i) setting forth the Net Revenues for any period of twelve (12) consecutive calendar months out of the twenty-four (24) consecutive calendar months next preceding the authentication and delivery of the Bonds being issued and (ii) demonstrating that for each future Fiscal Year in which Bonds are Outstanding (including the Additional Bonds to be issued) such Net Revenues equal or exceed 1.15 times the sum of the Aggregate Debt Service in such Fiscal Year (including the estimated Debt Service on the Bonds to be issued and excluding Debt Service on any Bonds being refunded by the Additional Bonds to be issued) and the amounts owing with respect to Parity Debt during such Fiscal Year and payable on parity with the Bonds; or

(B)A certificate of the Consulting Engineer (i) setting forth the estimated Net Revenues for the next five (5) Fiscal Years and (ii) demonstrating that the minimum amount of such estimated annual Net Revenues in the next five (5) Fiscal Years equals or exceeds 1.15 times the sum of the Aggregate Debt Service payable in the current and any succeeding Fiscal Year (including the estimated Debt Service on the Additional Bonds to be issued and excluding Debt Service on any Bonds being refunded by the Additional Bonds to be issued) and the amounts owing with respect to Parity Debt during each such Fiscal Year and payable on parity with the Bonds. For purposes of such certificate, estimated Net Revenues shall include estimated revenue from (a) any adjustment of Rates and Charges that have been reasonably projected for such Fiscal Years in a report of the Consulting Engineer satisfying the requirements of Section 7.09 of the General Certificate and (b) any new facilities or facilities anticipated to be acquired and expected to be placed into use and operation.

Refunding Bonds.

One or more Series of Refunding Bonds may be issued at any time (i) to refund Outstanding Bonds of one or more Series, (ii) to refund one or more maturities within a Series or any Bonds of one or more maturities within one or more Series, (iii) to refund any Parity Debt or (iv) to refund any other bonds, notes or other evidences of indebtedness of the City heretofore or hereafter issued to finance or refinance costs of the Sewer System. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under this General Certificate required by the provisions of the Supplemental Certificate authorizing such Bonds.

Refunding Bonds of any such Series shall be authenticated and delivered by the Trustee only upon receipt by it of a certificate of an Authorized Officer of the City demonstrating that the Debt Service on the Bonds Outstanding and the debt service on Parity Debt Outstanding in each Fiscal Year immediately after the issuance of such Refunding Bonds shall be no greater than the Debt Service on the Bonds Outstanding and the debt service on Parity Debt Outstanding in each Fiscal Year immediately prior to the issuance of such Refunding Bonds.

Parity Debt.

The General Certificate permits the City to incur certain indebtedness that is secured and payable on a parity with Bonds issued under the General Certificate. Such Parity Debt shall be authenticated and delivered by the Trustee only upon satisfaction of the requirements for the issuance of Additional Bonds set forth above.

"Parity Debt" is defined in the General Certificate as any Parity Reimbursement Obligation, any Parity Swap Agreement or any other obligation of the City permitted under the Enabling Act or otherwise by law for or related to borrowed money having an equal lien and charge upon the Revenues and therefore payable on a parity with the Bonds, and with respect to which the Trustee has received the certificates described in the General Certificate.

"Parity Reimbursement Obligation" is defined in the General Certificate as a Reimbursement Obligation, excluding any termination payments and any accelerated payments, the payment of which is secured by a pledge of, and a lien on, Revenues on a parity with the lien created by the General Certificate.

"Parity Swap Agreement" as defined in the General Certificate shall mean a Qualified Swap Agreement with respect to which the obligation of the City to make payments to the Swap Provider, pursuant to such Qualified Swap Agreement, excluding any termination payments and amounts representing fees and expenses, is on a parity with the lien upon the Revenues.

THE CITY AND SEWER SYSTEM

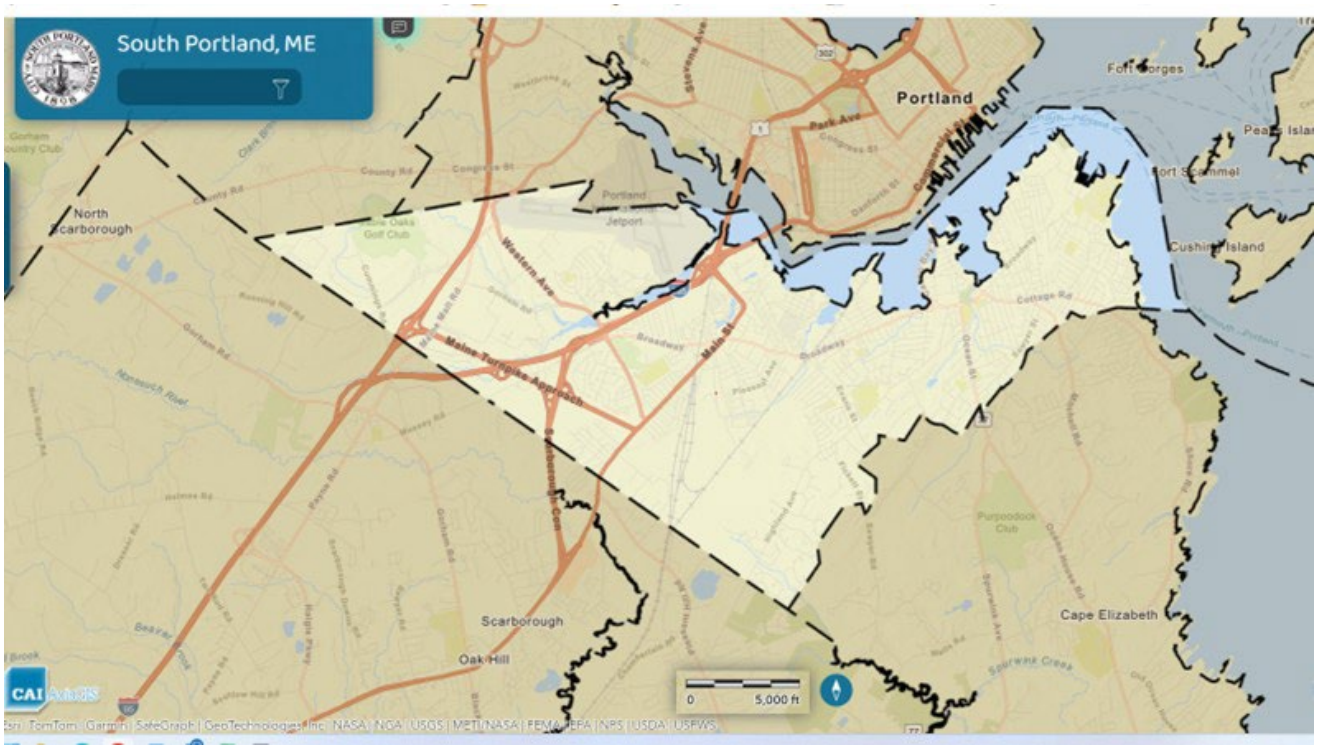
THE CITY

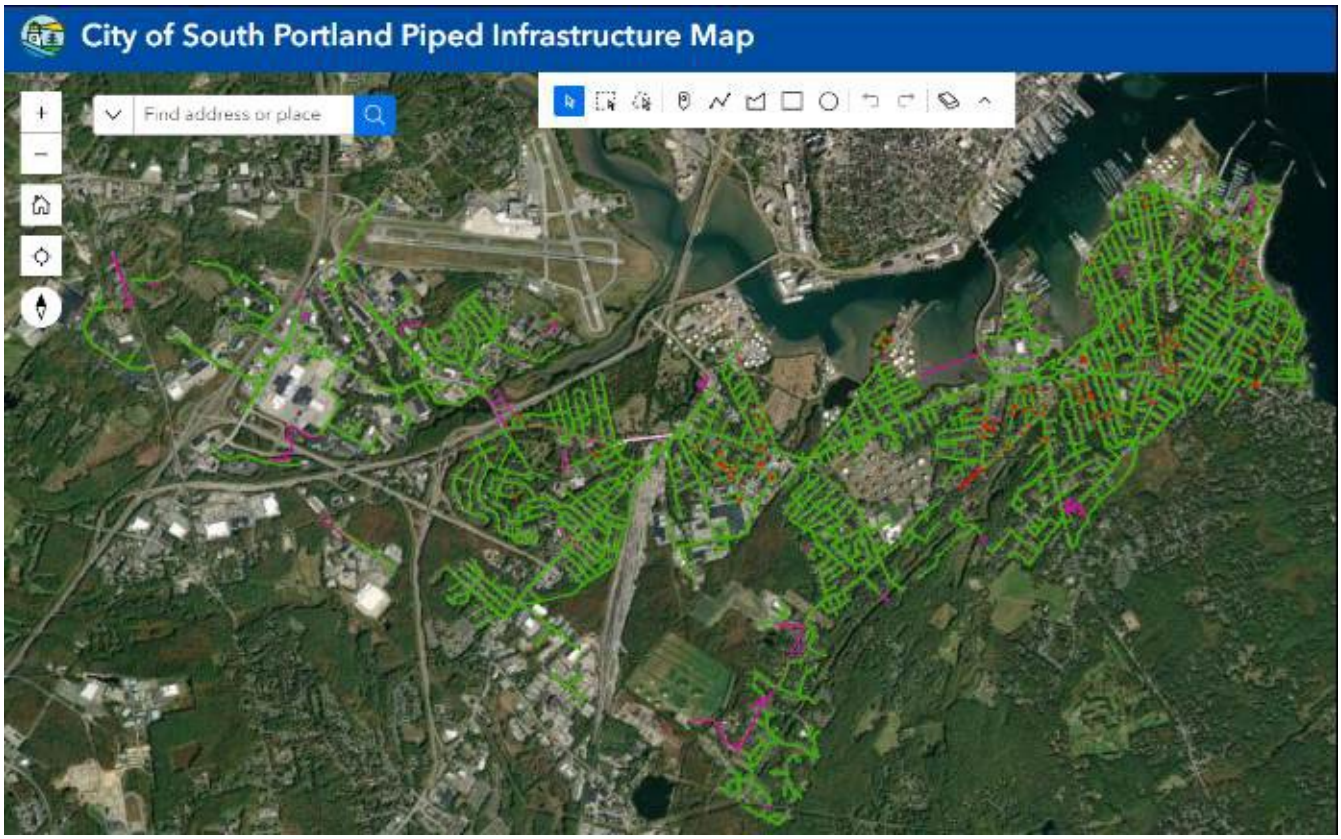
The City of South Portland provides general governmental services for the territory within its boundaries, including police and fire protection, maintenance of highways, streets and sidewalks, parks, recreation, library and coastal areas, sewer service and wastewater treatment. The City also belongs to a public bus service. Public education is provided under the City's supervision for grades kindergarten through 12. Water service is provided by the Portland Water District, a quasi-municipal entity whose operations and direct obligations are not part of the City.

The City is located on the southern coast of the State in the southeastern section of the County of Cumberland, the State's most populous county. The Fore River separates South Portland from the City of Portland for a major portion of its northern border. The remaining portion of the City's northern border is formed by the land portion of the Portland/South Portland line and a portion of the City of Westbrook. South Portland is bordered by the towns of Scarborough at its southwest and Cape Elizabeth at its southeast. The Atlantic Ocean forms South Portland's eastern border as Portland Harbor and Casco Bay. Convenient access to South Portland is provided by Exits 44 and 45 of US Interstate Route 95 (the Maine Turnpike), which diagonally intersects the City's northwestern plain; the U.S. Interstate Route 295 spur, which bisects the City through its western region; US Route 1, which flows through the center of South Portland; State Route 9, which enters the southern section of the City as part of U.S. Route 1 and then departs to the City's northwest; and State Route 77, which intersects the City's eastern plain in a north-south direction, to cross on the Casco Bay Bridge, connecting South Portland and Portland.

Once principally a residential community, South Portland now enjoys a diversified commercial and industrial aspect to its economy. The City has been referred to as two cities, with the eastern half of the City sporting a diverse mix of retail stores, restaurants, residential housing and professional offices, , a traditional downtown district, and waterfront a municipal beach, a municipal boat ramp, numerous scenic parks, several marinas, two lighthouses, a maritime museum, and the State's largest community college; the western half of the City hosts commercial, industrial, and advanced technology property including two world-class semiconductor factories and a number of major hotel chains.

The City is a suburban-urban coastal community with highly developed shorefront areas comprised of several villages, all being contiguous to one another, and major neighborhoods. The land area of the City is comprised of residential, local business, industrial, commercial and resource protection zones, open space, coastal and woodland areas with a total area embracing 12.93 square miles. The property tax collection rate has been consistently high over the years, standing at 97.7% for fiscal year 2025. The tax base is comprised of 66.5% residential section and 33.5% commercial.


South Portland, ME
Portland
North Scarborough
Scarborough
Oak Hill
Cape Elizabeth
Cushing Island
Fort Gorges
Western Ave
Main St
Broadway
Maine Turnpike
0
5,000 ft


City of South Portland Piped Infrastructure Map
Find address or place

Destination Source of Jobs

The following table displays the residential component of the City's workforce, the geographic place of employment for the City's residents; and the respective component of its workers as a percentage of their local (i.e., home) workforce:

South Portland's residents' workplace:	Number of Workers	% City's Workers	Workers in South Portland who live in:	Number of Workforce	% City's Workforce
Portland	4,693	33.72%	South Portland	4,291	18.33%
South Portland	4,291	30.84%	Portland	3,728	15.92%
Scarborough	1,479	10.63%	Scarborough	1,640	7.01%
Westbrook	660	4.74%	Westbrook	1,216	5.19%
Falmouth	465	3.34%	Gorham	1,089	4.65%
Biddeford	246	1.77%	Saco	1,040	4.44%
Freeport	201	1.44%	Windham	1,029	4.40%
Brunswick	190	1.37%	Biddeford	741	3.17%
Cape Elizabeth	175	1.26%	Old Orchard Beach	699	2.99%
Gorham	157	1.13%	Cape Elizabeth	627	2.68%
Yarmouth	114	0.82%	Standish	530	2.26%
Windham	111	0.80%	Buxton	517	2.21%
Saco	103	0.74%	Falmouth	451	1.93%
Standish	69	0.50%	Gray	387	1.65%
Boston	61	0.44%	Cumberland	286	1.22%
Kittery	49	0.35%	New Gloucester	260	1.11%
Auburn	41	0.29%	Hollis	260	1.11%
Augusta	40	0.29%	Brunswick	230	0.98%
York	38	0.27%	Lewiston	224	0.96%
Portsmouth	31	0.22%	Yarmouth	193	0.82%
Chebeague Island	30	0.22%	Waterboro	193	0.82%
Belfast	30	0.22%	Auburn	171	0.73%
Everett	30	0.22%	Sanford	155	0.66%
Buxton	27	0.19%	Arundel	143	0.61%
Kennebunk	25	0.18%	Topsham	140	0.60%
Long Island	24	0.17%	Limington	140	0.60%
Essex	23	0.17%	North Yarmouth	139	0.59%
Lewiston	22	0.16%	Kennebunk	125	0.53%
Sanford	22	0.16%	Naples	112	0.48%
Wells	21	0.15%	Freeport	107	0.46%
Bath	20	0.14%	Lisbon	104	0.44%
Cumberland	18	0.13%	Bridgton	97	0.41%
New Gloucester	18	0.13%	Dayton	96	0.41%
Topsham	18	0.13%	Poland	90	0.38%
Other	374	2.69%	Other	2,160	9.23%
Total Workers	13,916	100.00%	Total Workers	23,410	100.00%

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census - 2020 data.

Demographic Characteristics

Population	City of South Portland	% Change Since Prior Census City	State	USA
1980	22,712	(2.4%)	13.4%	11.4%
1990	23,163	4.0	9.2	9.8
2000	23,324	0.7	3.8	13.2
2010	25,002	7.2	4.2	8.9
2020	26,499	6.0	1.2	6.3

SOURCE: Respective Years' Census, U.S. Department of Commerce, Bureau of the Census.

Population Characteristics	City of South Portland	Cumberland County	State of Maine	USA
Median age (years)	40.6	42.3	43.6	38.8
% under 5 years	4.9%	4.5%	437%	5.4%
% under 18 years	14.7%	17.2%	17.3%	21.0%
% 65 years and over	20.7%	22.5%	24.6%	18.9%
Persons/household	2.16	2.26	2.26	2.53

Income	City of South Portland	Cumberland County	State of Maine	USA
Median household income	$86,838	$95,677	$74,733	$80,734
% below poverty level	6.9%	8.0%	10.6%	10.2%
Per capita income	$50,723	$55,739	$43,742	$44,673

Housing	City of South Portland	Cumberland County	State of Maine	USA
% owner occupied	58.1%	69.8%	74.3%	65.2%
Owner occupied med. value	441,200	451,200	296,600	332,700
Median gross rent	1,812	1,589	1,139	1,413
Households	10,856	123,384	569,551	-

SOURCE: *https://www.census.gov/quickfacts/fact/table/US,ME*, U.S. Department of Commerce, Bureau of the Census.

Unemployment	City of South Portland	Cumberland County	State of Maine	USA
2025	2.6%	2.7%	3.4%	4.3%
2024	2.5	2.5	3.1	4.0
2023	2.5	2.4	2.9	3.6
2022	2.3	2.4	3.0	3.5
2021	4.1	4.0	4.6	5.3
2020	5.7	5.3	5.4	8.1
2019	2.4	2.4	3.0	3.7
2018	2.6	2.7	3.4	3.9
2017	2.5	2.5	3.3	4.4
2016	2.9	2.9	3.9	4.9

SOURCE: Maine Department of Labor, Division of Economic Analysis and Research.

THE SEWER SYSTEM

The Water Resource Protection Department (the "Department") is a department of the City with responsibility for providing reliable, environmentally responsible wastewater collection and treatment services to the community. The Department operates as an enterprise-funded utility (the "Sewer User Fund" as defined herein), with the expectation that user fees, rates, charges and assessments paid or payable from the provision of sewer services, together with other available monies, if any, will be sufficient to provide funds for ongoing operations and maintenance, and to pay obligations, including required debt service on the Bonds. The Department manages the City's Wastewater Treatment Facility, collection system, pump stations (collectively, the "Sewer System"), and the City's combined sewer overflow ("CSO") programs.

Overview of Existing Facilities and Conditions

The South Portland wastewater system is operated by the City's Water Resource Protection Department. The System includes a central wastewater treatment facility located on Waterman Drive, with a design for average flow of 9.3 MGD, with wet weather capacity of up to 22.9 MGD and 28 pump stations that convey sewage to the WWTF. Flow from the east side of the City is ultimately collected and pumped into the treatment process via the main pump station (located at the WWTF) while flow from the west side of the City is conveyed to the facility via the Pearl Street Pump Station. After being treated and disinfected at the WWTF, effluent is released into the Fore River, ultimately flowing into Casco Bay.

The Department provides wastewater service to approximately 8,000 accounts within the City, including four major industrial users operating under discharge permits. Approximately 92 percent of the total accounts are residential customers. The City's collection system consists of both separated sewer system and combined sewer system. Combined sewers transport sanitary sewage and stormwater through a single pipe to the WWTF.

The Sewer System has evolved over more than a century. The Sewer System originated as a combined Sewer System and today includes approximately 119 miles of sewer infrastructure serving roughly 8,000 customer accounts, including residential, commercial, and industrial users. Wastewater is treated at the WWTF, with a design for average flow of 9.3 MGD, with wet weather capacity of up to 22.9 MGD. The WWTF was originally constructed in 1975 and substantially upgraded over the years, including a major secondary treatment expansion, completed in 1995.

The Department also administers ongoing CSO planning and infrastructure improvement programs designed to reduce wet-weather discharges and enhance the resiliency of the Sewer System. The City currently operates under a discharge permit with Maine Department of Environmental Protection ("MEDEP") and periodically updates its Combined Sewer Overflow Facilities Plan consistent with the discharge permit to plan for and track elimination of CSOs. The Department is currently advancing significant capital investments to address aging infrastructure, regulatory requirements, Sewer System resiliency, and operational efficiency. These investments include upgrades to the Pearl Street Pump Station and modernization of the WWTF's biosolids dewatering processes.

The wastewater treatment and collection Sewer System is comprised of one secondary activated sludge treatment plant with an instantaneous peak flow capacity of 56 MGD, 28 pumping stations ranging in flow capacity from 50 gallons per minute to 10 MGD, 105 miles of sewer collection ranging in size from 8" to 48" with 2,566 manhole structures. The separate storm water collection Sewer System is made up of 102 miles of stormwater collection piping ranging in size from 12" to 72" with 4,027 catch basins. User fees charged for use of the Sewer System comprise industrial, commercial, and residential users. These users currently provide sufficient revenue to the Sewer User Fund for the cost of operations and

maintenance, including debt repayment and equipment depreciation. See also "THE CITY AND SEWER SYSTEM INFORMATION - THE SEWER SYSTEM", herein.

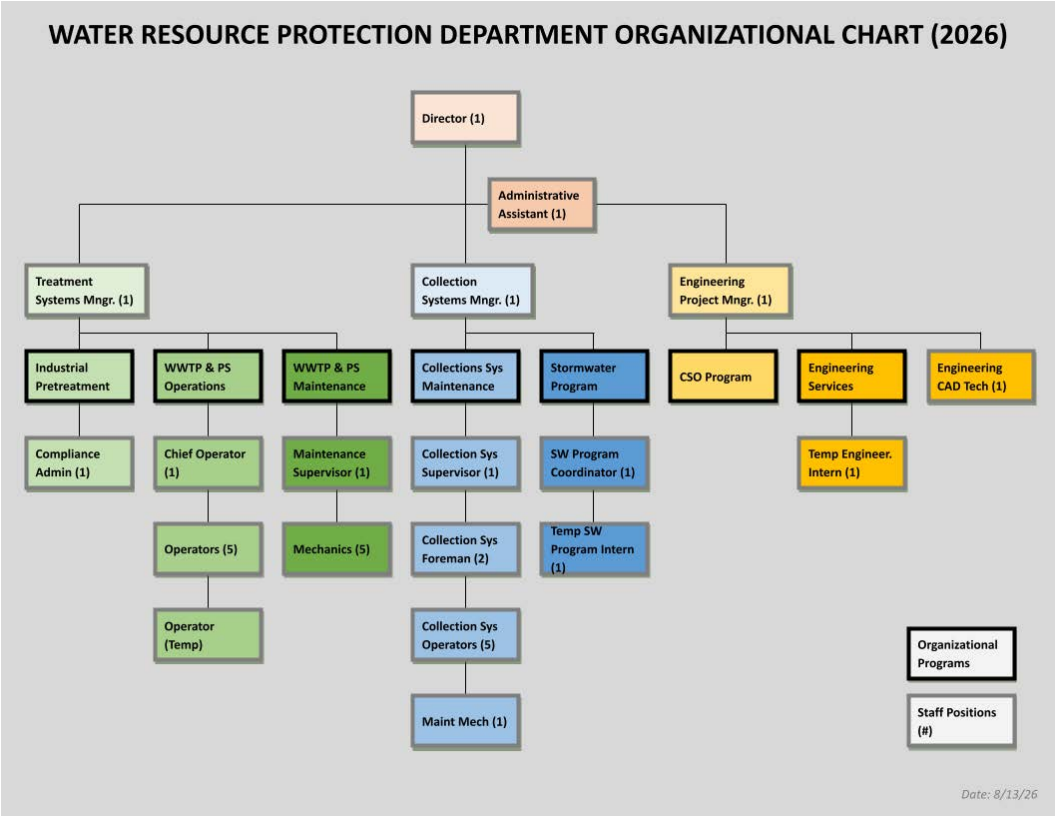
Organizational Structure of the Department

The Department is managed by a Director, who reports to the City Manager. The Director is responsible for the operation of Department's three main divisions: Treatment Systems, Collection Systems, and Engineering. Total Department staffing is currently 29 full-time positions.

The Treatment Systems Division is responsible for operation and maintenance of the WWTF, and 28 pump stations that convey wastewater flows to the WWTF. The Treatment Systems division is also in charge of monitoring wastewater effluent from the WWTF to ensure compliance with State and federal water quality regulations, and is responsible for monitoring discharge from the City's four major industrial users, under permit.

The Collections System Division is responsible for maintaining the City's sewer pipes and storm drains. Responsibilities include CCTV inspection of underground pipes, routine pipe cleaning, pipe repair and pipe replacement. This division is also responsible for implementing the City's Municipal Separate Storm Sewer System and impaired stream restoration programs to ensure compliance with State and federal regulations.

The Engineering Division is responsible for oversight of the City's CSO program, Capital Improvement Plan, Asset Management Program, and oversight of construction projects. Additionally, this division provides engineering support services to other municipal departments, as requested.



Senior Management

Frederick Dillon is the Director of the Department since September 2024. Mr. Dillon has more than three decades of experience in wastewater, stormwater, and environmental management. Prior to his appointment, Mr. Dillon served as South Portland's Stormwater Program Coordinator for approximately 15 years, where he was responsible for implementing the City's stormwater management program, ensuring compliance with state and federal environmental regulations, and leading watershed protection initiatives through the community. Before joining South Portland, he worked as a project manager with FB Environmental Associates and spent 15 years with the Town of Falmouth, Maine Water Pollution Control Department, advancing from laborer to superintendent. His career reflects a strong foundation in utility operations, environmental compliance, watershed management, and municipal infrastructure planning.

The Engineering Division is led by Lacey Kremer, P.E., in the role of Engineering Division Manager since 2025. Prior to Ms. Kremer's appointment to the role, she served as Civil and Transportation Engineer for the City since 2022.

The Treatment Sewer Systems Division is led by Tom Wiley, in the role since 2021, and prior to assuming this role, he served the Department's compliance administrator for 11 years. His career in wastewater began at the Portland Water District in 1987 where he worked in the lab and for compliance. He was on the Maine Water Environment Executive Board for over twenty years.

The Collection Sewer Systems Division is led by Jeffrey Moulton who has worked with the Department since 1993. He became the Collections Sewer Systems Supervisor in 2013, and assumed the role of Division Manager in 2023.

Labor Relations

The Department employs approximately 29 full-time and various part-time personnel. The Department's employees are not represented by a union.

Retirement

A. Defined Benefit Pension Plans

For its participating Departmental employees, the City contributes to the Consolidated Plan for Participating Local Districts ("PLD Plan") a cost-sharing multiple-employer, defined benefit pension plan administered by the Maine Public Employees Retirement Sewer System ("MainePERS"). The MainePERS is established and administered under Maine law, and the authority to establish and amend benefit provisions rests with the State legislature. The MainePERS issues a publicly available financial report which may be obtained by writing the Maine Public Employees Retirement Sewer System, 46 State House Station, Augusta, ME 04333-0046 or at *www.mainepers.org*.

The City reports on the benefits provided and the contributions to the pension plans, associated pension liabilities, pension expense, deferred outflows and deferred inflows of resources related to pensions, as well as the actuarial methodology and assumptions in its ACFR. See APPENDIX A – CITY OF SOUTH PORTLAND, MAINE 2025 ANNUAL COMPREHENSIVE FINANCIAL REPORT, pages 64 *et seq* herein.

B. Deferred Compensation Plan

The City offers, on a voluntary basis to all permanent employees working at least 15 hours per week and covered by the City's Section 215 Agreement (Social Security), and who do not participate in the

MainePERS plan, the following options: with a City contribution: Internal Revenue Code Section 457, Deferred Compensation Plan; or Internal Revenue Code Section 401(a), Defined Contribution Plans. In addition, employees who participate in the MainePERS plan or 401(a) plans may also participate in the 457 Deferred Compensation Plan without a City contribution. The employees' accounts are not available until termination, retirement, death or an unforeseeable emergency.

C. Other Post-Employment Benefits

The City contributes to post-employment defined benefit plans, the City's retiree health plan (the PLD), and Sewer System, the Maine Public Employees Retirement Sewer System PLD Life Plan (City Life Plan)). See APPENDIX A – CITY OF SOUTH PORTLAND, MAINE 2025 ANNUAL COMPREHENSIVE FINANCIAL REPORT, pages 69 *et seq* herein.

Wastewater Treatment Facility

The WWTF is a conventional activated sludge secondary treatment plant designed to provide treatment of domestic, commercial, and industrial wastewater prior to discharge to the Fore River and ultimately Casco Bay. Wastewater enters the facility through the collection system and pump station network and first passes through preliminary treatment processes designed to remove large debris and abrasive materials that could damage downstream equipment. Then screening systems remove rags, plastics, and other coarse solids, while grit removal systems separate sand, gravel, and other inorganic materials from the wastewater stream.

Following preliminary treatment, wastewater enters the activated sludge process, which serves as the core treatment technology utilized at the facility. The facility operates as a secondary treatment plant therefore primary clarifiers, organic matter and suspended solids are removed through a biological treatment process rather than through conventional primary sedimentation. In the aeration basins, microorganisms consume dissolved and suspended organic matter within the wastewater stream and air is continuously supplied through mechanical aeration equipment to maintain oxygen concentrations necessary for biological treatment.

The activated sludge process is designed to remove biochemical oxygen demand ("BOD") and suspended solids prior to discharge. Based on recent operating data, the facility routinely achieves 91 to 95 percent removal of organic material and suspended solids, significantly exceeding the permit requirement of 85 percent removal for both parameters.

After biological treatment, the mixed liquor is conveyed to secondary clarifiers where biological solids are separated from treated wastewater through gravitational settling. A portion of the settled biomass is returned to the aeration basins as return activated sludge to maintain the biological treatment process, while excess biomass is removed as waste activated sludge and conveyed to solids processing facilities. Clarified effluent exiting the secondary clarifiers proceeds to disinfection prior to discharge.

The facility utilizes chlorination followed by de-chlorination prior to discharge. Sodium hypochlorite is added to achieve the required disinfection levels, and sodium bisulfite is subsequently applied to remove residual chlorine prior to discharge to the receiving waters. The treated effluent is then discharged through the facility's outfall to the Fore River in accordance with permit limitations established under the Maine Pollutant Discharge Elimination System ("MEPDES") permit. The facility currently provides seasonal disinfection under its existing permit.

Solids removed during primary and secondary treatment processes are stabilized and dewatered prior to off-site disposal. The facility currently processes approximately 4,800 to 5,000 tons of biosolids

annually. Existing belt filter press dewatering equipment has reached the end of its useful life, and the City is planning replacement with newer centrifuge-based technology. The proposed improvements are expected to increase solids capture efficiency from approximately 16% biosolids to approximately 20% biosolids, reduce hauling and disposal costs, and improve operational reliability.

The Collection Sewer System

The Collection Sewer System includes approximately 106 miles of sanitary sewer mains, approximately 3,000 sewer manholes, approximately 76 miles of storm drain infrastructure, and more than 4,200 stormwater structures, including nearly 2,800 publicly owned catch basins. Wastewater collected throughout the City is conveyed through a network of gravity sewers, interceptor sewers, force mains, and pump stations to the WWTF. The Sewer System also includes portions of South Portland's historic combined sewer system, where both sanitary wastewater and stormwater are conveyed through the same pipes during wet weather events.

The Collection Sewer System also includes 28 pumping stations that transport wastewater from lower-elevation service areas to the treatment facility. These pump stations are essential components of the collection system and receive ongoing preventative maintenance, equipment replacement, and operational monitoring. The City has continued to invest in modernization of pumping infrastructure to improve reliability, operational resiliency, and redundancy within the collection system.

CSO Facilities Planning

The City's collection system contains areas where a single network of piping collects sanitary wastewater in addition to stormwater. This system can be overwhelmed during wet weather events leading to CSO discharges. The City first developed a CSO Facilities Plan in 1993 to identify ways to reduce the amount of combined sanitary and stormwater flows that, over the years, has been updated to reflect new requirements and changing conditions.

Biosolids Management

Solids which originate from the WWTF are processed through an onsite dewatering system prior to being hauled offsite for reuse or disposal. The primary purpose of this system is to significantly reduce the volume of material to be managed. Outlets for dewatered biosolids have typically included land application as a fertilizer/soil amendment, as well as traditional landfills which represent a more costly option. The recent land application ban in Maine (driven by concerns related to per- and polyfluoroalkyl substances (PFAS)) has significantly reduced available outlets for biosolids, making dewatering a critical operational and cost consideration.

Biosolids hauling and disposal services are outsourced by the City under contract with Casella Organics. In 2025, a competitive procurement for sludge disposal services resulted in a new three-year contract with Casella Organics expected to reduce annual disposal costs by approximately $14,000, providing cost savings where many peer communities have seen their costs escalate dramatically.

Customer Base

The Department provides wastewater service to approximately 8,000 accounts, 92% of which are classified as residential. Average annual retail (e.g., residential, commercial) wastewater usage between FY 2023-2025 was approximately 840,000 hundred cubic feet ("HCF"), with residential customers accounting for approximately 70% of overall flow. Since FY 2023, annual billed consumption has

remained relatively stable, with annual variances within 3% of the 3-year average. In FY 2025, total billings for retail wastewater services were approximately $6.0 million.

The Department currently has four significant industrial users ("SIU") that each operate under a discharge permit (in FY 2025, a fifth SIU relocated outside of the City, reducing the number of SIUs from five to the current four). In FY 2025, the SIUs accounted for around $2.0 million, or approximately 25% of total wastewater revenue. The Department assesses charges to these customers based on annual flows and loadings, specifically discharges of BOD and TSS. The largest wastewater system user is Texas Instruments, which accounted for approximately 63% of the SIU revenues in FY 2025.

NOTE: [1] Significant Industrial Users are billed differently from residential and commercial users like the Maine Mall Condo Association. In addition to paying for the volume of sewage they discharge, SIUs also pay for the "strength" of their sewage (as measured by BOD and TSS). Residential and commercial users pay only based on the volume of sewage they discharge.

The top 10 users in terms of annual waste flow and revenues are:

Customer	2025 Usage (HCF)	% Flow	% Actual Revenue	% Billed Revenue[2]
Texas Instruments[1]	250,161	20.6%	$1,275,425	15.9%
Diodes[1]	113,992	9.4%	438,166	5.5%
363 Maine Mall Condo Associates	9,787	0.8%	70,369	0.9%
Clean Harbors[1]	7,266	0.6%	237,191	3.0%
Sable Lodge Ret Comm LLC	6,225	0.5%	44,758	0.6%
Republic Services[1]	1,819	0.1%	41,732	0.5%
New Gen Hospitality	4,594	0.4%	33,031	0.4%
Scrub A Dub	4,417	0.4%	31,758	0.4%
Wingnut Hospitality	4,372	0.4%	31,435	0.4%
WH Nichols Inc	4,242	0.3%	30,500	0.4%

NOTE: [1] Significant industrial user.
[2] Billed revenue includes flow-based and industrial surcharge revenue.

RATES AND REVENUES

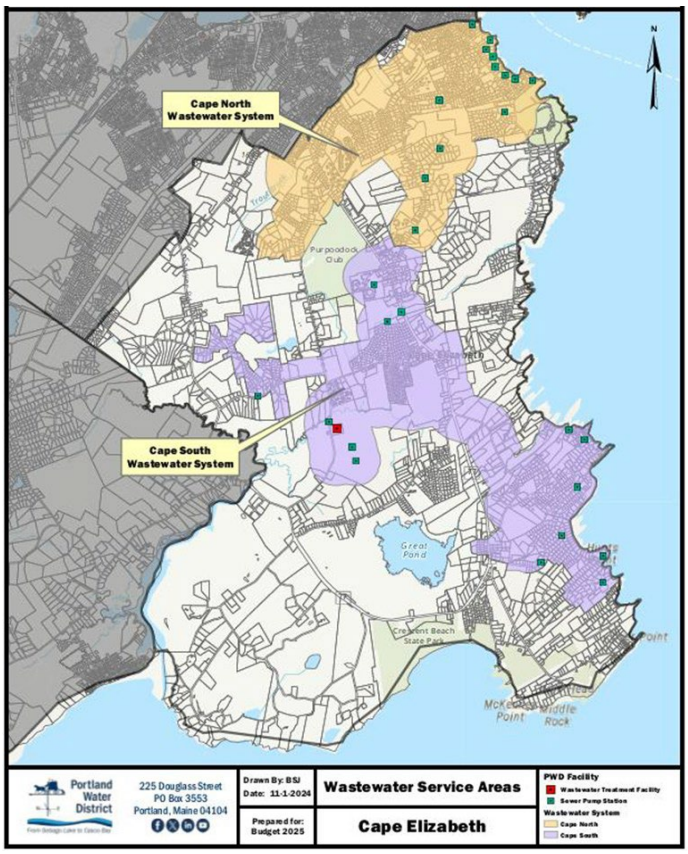
RATE SETTING

As an enterprise department of the City, the Department generates revenues through user rates and charges to sewer customers. The sewer rates and charges are set locally by the City Council through adoption of an ordinance pertaining to the sewer user rates and charges.

The Department utilizes the Portland Water District ("PWD") as its billing agent for retail wastewater customers. Sewer charges are generally based on metered water consumption, with water usage measured through PWD customer meters and sewer rates established by the City Council pursuant to the City's sewer ordinance. PWD is responsible for customer billing, collections, and customer account administration on behalf of the Department and receives an annual fee for providing these services. Through this arrangement, the Department is able to leverage PWD's established metering, billing, and customer service infrastructure while managing utility operations, administering the Sewer User Fund, and maintaining City Council responsibility for setting sewer rates.

ADDITIONAL SERVICE

Wastewater from the northern Cape Elizabeth sewer system is carried for treatment to the City of South Portland facility. Reimbursement for Cape Elizabeth operations, represent allocated costs to Cape Elizabeth for flow treated at South Portland's treatment plant. The reimbursement for Cape Elizabeth operations is increased at the overall rate of O&M increase for the South Portland facility. The Portland Water District owns and maintains a wastewater treatment facility on Spurwink Avenue in Cape Elizabeth to serve the southern Cape Elizabeth neighborhoods as well as the Town Center.



REGIONAL COMPARISON OF SEWER RATES

	Minimum Charge	Additional Charge
Portland	13.50/100 ft^3	+13.50/100 ft^3
Cumberland	46.03/100 ft^3	+8.14/100 ft^3
South Portland	9.30/100 ft^3	+9.30/100 ft^3
Cape Elizabeth	59.86/100 ft^3	+6.84/100 ft^3
Westbrook	13.35/100 ft^3	+8.35/100 ft^3
Gorham	23.69/100 ft^3	+8.84/100 ft^3
Windham	51.00/500 ft^3	+10.20/100 ft^3
Falmouth	70.47/unit [(1)]	$58.72/15 school students

NOTE: [(1)] $70.47 x # units + (# fixtures - 17 x $3.32)

SOURCE: https://www.pwd.org/rates/

PROJECTED RATE INCREASES AND REVENUES

Annual projected rate increases and rate revenue are summarized below. Rate revenue represents the annual projected revenue collected through sewer user rates and charges. The table projects retail rate revenue (e.g. residential, commercial) separately from the SIU revenues, since the latter are charged a different volumetric flow charge in addition to high strength surcharges for BOD and TSS. The proposed rate increases beyond FY 2027 shown in this table, while presented to and considered by the Council, have not been formally adopted. Future year rate increases will need to be adopted by the Council for each subsequent fiscal year in order for the increases to take effect. See APPENDIX C – Series 2026 Feasibility Report, Section 6.1 *et seq* of the report.

Projected Rate Revenue	**2027**	**2028**	**2029**	**2030**	**2031**
Rate Increase	26.0%	26.0%	26.0%	2.0%	2.0%
Retail Rate Revenue					
Minimum Charge ($/Bill)	$9.30	$11.72	$14.76	$15.06	$15.36
Annual Retail Bills	96,084	96,084	96,084	96,084	96,084
Minimum Charge Revenue	$893,581	$1,125,912	$1,418,650	$1,447,023	$1,475,963
Annual Retail Consumption (HCF)	830,000	830,000	830,000	830,000	830,000
(Min. Consumption Allowance (HCF))	(96,084)	(96,084)	(96,084)	(96,084)	(96,084)
Billed Consumption	733,916	733,916	733,916	733,916	733,916
Retail Commodity Rate	$9.30	$11.72	$14.76	$15.06	$15.36
Billed Retail Consumption	733,916	733,916	733,916	733,916	733,916
Commodity Rate Revenue	$6,825,419	$8,600,028	$10,836,035	$11,052,756	$11,273,811
Minimum Charge Revenue	$893,581	$1,125,912	$1,418,650	$1,447,023	$1,475,963
Commodity Rate Revenue	$6,825,419	$8,600,028	$10,836,035	$11,052,756	$11,273,811
Total Retail Rate Revenue	$7,719,000	$9,725,940	$12,254,685	$12,499,779	$12,749,774
Industrial (SIU) User Rate Revenue					
Flow Rate ($/1,000 gallons)	$7.74	$9.75	$12.29	$12.53	$12.78
BOD Rate ($/lb)	$1.13	$1.42	$1.79	$1.83	$1.87
TSS Rate ($/lb)	$1.13	$1.42	$1.79	$1.83	$1.87
Annual Flow and Loadings					
Flow (1,000 gallons)	253,327	253,327	253,327	253,327	253,327
BOD (lbs)	331,596	331,596	331,596	331,596	331,596
TSS (lbs)	39,652	39,652	39,652	39,652	39,652
Flow Revenue	$1,960,754	$2,470,550	$3,112,893	$3,175,151	$3,238,654
BOD/TSS Revenue	$419,510	$528,583	$666,014	$679,335	$692,921
Total Industrial (SIU) User Revenue	$2,380,264	$2,999,133	$3,778,907	$3,854,486	$3,931,575
Retail Rate Revenue	$7,719,000	$9,725,940	$12,254,684	$12,499,778	$12,749,774
Industrial (SIU) User Rate Revenue	$2,380,264	$2,999,133	$3,778,907	$3,854,486	$3,931,575
Projected Rate Revenue	$10,099,264	$12,725,073	$16,033,591	$16,354,264	$16,681,349
Total Projected Revenue					
Miscellaneous Revenue	$373,304	$382,059	$391,172	$400,657	$410,530
Projected Rate Revenue	$10,099,264	$12,725,073	$16,033,591	$16,354,264	$16,681,349
Total Projected Revenue	$10,472,568	$13,107,132	$16,424,763	$16,754,921	$17,091,879

SEWER SYSTEM FINANCIAL INFORMATION

BUDGETARY PROCESS

Article V of the City Charter provides for a budget process. The fiscal year (or "budget year") of the City begins on the first day of July and ends on the thirtieth day of June of the following calendar year. The Charter provides that the City Manager submit a budget compiled from detailed information furnished by the head of each office, department or agency designated by the City Manager. At the Council meeting in which the budget is submitted, the Council determines a place and time for a public hearing. After the conclusion of the public hearing, the Council may insert new items, or increase or decrease the proposed items and the budget is then adopted, by at least a majority of all the Council members, not later than ninety (90) days after the beginning of the budget year. The following table sets forth the trends in the City's Sewer Fund's budget:

Sewer Fund Operating Budgets

	Fiscal Year ended June 30,				
	2022	**2023**	**2024**	**2025**	**2026**
Expenditures					
Sewer Administration	$172,156	$181,594	$196,623	$204,751	$196,438
Treatment Plant	1,132,538	1,303,544	1,323,320	1,436,277	1,462,026
Pump Stations	626,436	682,076	719,827	738,164	851,455
Billing	201,132	208,164	230,339	236,916	252,491
Reserve	1,512,000	1,542,240	1,595,770	1,651,739	1,701,300
Maintenance	916,598	965,670	1,045,338	1,062,590	1,250,936
Engineering	265,234	268,769	293,855	288,416	250,801
Debt Service	95,415	95,193	94,970	94,747	246,398
Compliance	110,902	97,047	113,330	117,646	126,353
Sludge Disposal	504,214	549,139	1,048,620	925,454	875,010
Insurance and Benefits	999,115	1,053,577	1,130,186	1,186,099	1,229,455
Total Expenditures	6,535,740	6,947,013	7,792,178	7,942,799	8,442,663
Revenues					
Licenses & Permits	71,249	74,355	81,842	57,900	58,100
Intergovernmental	181,000	200,000	190,000	260,000	290,000
Use of Money and Property	6,283,491	6,632,591	7,467,334	7,891,097	8,094,563
Fund Balance Use (Contribution)	0	40,067	53,002	(266,198)	0
Total Revenues	$6,535,740	$6,947,013	$7,792,178	$7,942,799	$8,442,663

CAPITAL IMPROVEMENT PROGRAM

Section 514 and Section 515 in Article V of the City's Charter provide that the City will have a Capital Improvement Program ("CIP"). The City Manager is directed by the Charter to prepare and submit a capital program concurrent with submission of the annual budget. The CIP includes a list of all capital improvements proposed (a) within the proposed budget year and (b) within the next six succeeding fiscal years. This includes costs, methods of financing and time schedules as well as the annual cost to operate and maintain the proposed respective improvement. The City's CIP includes an inventory of possible capital projects, some of which contemplate future projects which may be financed through the issuance of indebtedness. The CIP is reviewed by the Council, which adopts the program, as amended if necessary, following a public hearing.

Water Resource Protection Department - Current CIP

	2027	2028	2029	2030	2031	Total
Pearl Street Pump Station Upgrades & Const.	$ 10,692,500	$ 15,865,500	$ 13,927,000	$0	$0	$ 40,485,000
Dewatering Sys. Upgrades	1,321,907	8,717,719	2,675,375	0	0	12,715,001
Main Street PS Force Main Phase 2	300,000	0	0	0	0	300,000
Sewer Lining Program	200,000	300,000	250,000	250,000	250,000	1,250,000
Bypass Pump 1 Rebuild/Motor Overhaul	125,000	0	0	0	0	125,000
Landfill Buyout - Solar	0	0	0	0	0	0
Chlorine Storage Tank Replac.	70,000	0	0	0	0	70,000
Screenings Bldg. Bar Screens/Gates Replac.	75,000	0	0	0	0	75,000
Disinfection Upgrade for Winterization	0	571,376	0	0	0	571,376
Main St. Pump Station Generator Replac.	0	416,000	0	0	0	416,000
Willard Beach Pump Station Elec. Upgrade	335,000	364,000	0	0	0	699,000
Front Street Storm Pump Rebuild	0	78,000	0	0	0	78,000
Willard Beach Storm Pump Rebuild	0	78,000	0	0	0	78,000
West High Pump Station - Force Main Replac.	0	0	648,960	0	0	648,960
Front Street & Willard Isolation Sluice Gate/Oper.	0	0	432,640	0	0	432,640
Bypass Pump 3 Rebuild/Motor Overhaul	0	0	162,240	0	0	162,240
Bisulfite Storage and Piping	0	0	64,896	0	0	64,896
Gannet Generator w/ATS	0	0	43,264	0	0	43,264
Checkerberry Generator w/ATS	0	0	0	39,370	0	39,370
Operations Bldg. HVAC/Windows/Brick	0	0	0	371,205	0	371,205
Main St Storm Drain Pipe Replac.	0	0	0	281,216	0	281,216
Willard Beach Pumps 1 and 3 Replace	0	0	0	140,608	0	140,608
Southborough Generator w/ATS	0	0	0	44,995	0	44,995
Appletree Generator w/ATS	0	0	37,856	0	0	37,856
Increase Cap.- CSO #006 to Pearl St PS - Des.	0	0	432,640	393,702	0	826,342
Increase Cap. - CSO #006 to Pearl St PS - Const.	0	0	0	0	5,000,000	5,000,000
Post-Imp. Ver. CSO Fac. Plan	0	0	0	0	0	0
West High Pump Station Pumps and VFD Des.	0	0	0	84,365	584,929	669,294
WWTF Headworks Upgrade	0	0	0	0	1,403,830	1,403,830
Unit # 14 - Catch Basin Cleaner Truck	150,000	218,400	0	0	0	368,400
Unit # 7 - Pump Station Crane Truck	110,000	0	0	0	0	110,000
Unit # 10 - Const. Utility Truck	80,000	0	0	0	0	80,000
Vacuum Street Sweeper (Cost split with DPW)	0	124,800	0	0	0	124,800
Unit # 25 - 130 Pound Excavator	0	121,680	126,547	0	0	248,227
Unit #19 - Front End Loader Replac.	0	46,800	48,672	134,984	0	230,456
Unit # 16 - Grit Dumpster Hauling Truck	0	0	324,480	0	0	324,480
Unit # 22 - 50 Ton Equipment Hauling Trailer	0	0	0	39,370	0	39,370
Unit # 5 - Pump Station Operators Truck	0	0	0	61,868	0	61,868
Unit # 8 - Sewer Maintenance Truck	0	0	0	61,868	0	61,868
Unit # 30 - Air Compressor	0	0	0	0	64,342	64,342
Unit #20 - Skid Steer	0	0	0	0	0	0
Total Capital Spending	$ 13,459,407	$ 26,902,275	$ 19,174,570	$ 1,903,551	$ 7,303,101	$ 68,742,904

CITY OF SOUTH PORTLAND, MAINE
COMPARATIVE BALANCE SHEET
(SEWER FUND)
As of June 30,

	2021	2022	2023	2024	2025
ASSETS					
Current Assets					
Cash and equivalents	$10,481,955	$11,988,879	$13,412,501	$13,116,439	$13,067,113
Receivables	538,077	1,286,236	1,149,861	1,506,413	1,326,145
Sewer liens	6,061	2,659	540	540	540
Total Current Assets	11,026,093	13,277,774	14,562,902	14,623,392	14,393,798
Noncurrent assets					
Net pension assets	0	81,620	0	0	0
Capital assets, not depreciated	4,508,437	6,851,828	2,082,488	4,392,106	6,760,042
Capital assets	108,800,445	109,018,475	114,939,405	116,325,236	117,595,646
Accumulated depreciation	(55,963,643)	(57,485,543)	(59,640,251)	(61,668,273)	(64,018,494)
Total Noncurrent Assets	57,345,239	58,466,380	57,381,642	59,049,069	60,337,194
TOTAL ASSETS	68,371,332	71,744,154	71,944,544	73,672,461	74,730,992
DEFERRED OUTFLOWS OF RESOURCES					
Outflows to Pensions	-	487,140	432,528	333,048	473,098
Outflows to OPEB	-	72,086	24,121	71,542	50,348
TOTAL DEFERRED OUTFLOWS	-	559,226	456,649	404,590	523,446
LIABILITIES					
Current Liabilities					
Accounts payable	638,227	135,333	174,094	332,920	443,381
Accrued wages	19,796	27,462	1,868	2,835	10,837
Accrued interest	10,867	10,609	10,609	10,609	9,837
Compensated absences	122,945	123,796	129,163	128,722	151,063
Net pension liability	197,102	197,102	197,102	0	219,874
Total OPEB liability	0	0	0	0	5,584
Notes payable	0	0	0	197,102	197,102
Total current liabilities	988,937	494,302	512,836	672,188	1,037,678
Noncurrent liabilities					
Compensated absences	170,118	173,517	174,240	202,877	184,634
Net pension liability	2,583,267	0	601,481	710,797	633,321
Total OPEB liability	0	433,406	372,977	384,457	378,561
Notes payable	0	2,386,165	2,189,062	1,991,960	1,794,858
Total Noncurrent liabilities	2,753,385	2,993,088	3,337,760	3,290,091	2,991,374
TOTAL LIABILITIES	3,742,322	3,487,390	3,850,596	3,962,279	4,029,052
DEFERRED INFLOWS OF RESOURCES					
Inflows to Pensions	-	1,117,251	261,312	129,188	111,987
Inflows to OPEB	-	126,876	85,750	123,438	104,184
TOTAL DEFERRED INFLOWS	-	1,244,127	347,062	252,626	216,171
NET POSITION					
Net investment in capital assets	54,564,870	55,801,493	54,995,478	56,860,007	57,997,778
Unrestricted	10,064,140	11,770,370	13,208,057	13,001,749	13,011,437
TOTAL NET POSITION	$64,629,010	$67,571,863	$68,203,535	$69,861,756	$71,009,215

Prepared from Audited Financial Statements.

CITY OF SOUTH PORTLAND, MAINE
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
AND CHANGES IN NET POSITION
(SEWER FUND)
For the Years Ended June 30,

	2021	2022	2023	2024	2025
OPERATING REVENUES:					
Charges for services	$6,210,998	$6,729,930	$7,246,509	$7,988,543	$8,262,749
Interest and penalties	238	281	343	251	0
Commercial tipping fees	56,234	56,678	57,700	56,830	58,100
Licenses	1,290	1,772	20,939	12,964	1,499
TOTAL OPERATING REVENUES	6,268,760	6,788,661	7,325,491	8,058,588	8,322,348
OPERATING EXPENSES					
Personnel expenses	2,534,999	2,262,880	2,560,755	2,993,649	2,917,109
Contractual	1,222,599	1,396,971	1,467,724	1,394,223	1,814,013
Supplies and materials	535,014	597,653	541,866	539,614	512,305
Fixed charges	72,261	71,022	202,938	107,148	107,603
Capital outlay	40,748	2,130	184,460	266,314	419,033
Depreciation	2,133,697	2,112,067	2,222,215	2,327,058	2,426,733
TOTAL OPERATING EXPENSES	6,539,318	6,442,723	7,179,958	7,628,006	8,196,796
OPERATING INCOME (LOSS)	(270,558)	345,938	145,533	430,582	125,552
NON-OPERATING REVENUES (EXPENSE)					
Interest revenue	57,836	106,523	264,677	376,539	360,226
Insurance reimbursement	(5,491)	0	120,416	0	0
Interest expense	(19,281)	(18,655)	(18,289)	(17,665)	(10,584)
TOTAL NON-OPERATING REVENUES (EXPENSE)	33,064	87,868	366,804	358,874	349,642
INCOME (LOSS) BEFORE TRANSFERS	(237,494)	433,806	512,337	789,456	475,194
TRANSFERS AND CONTRIBUTIONS					
Capital contributions	0	18,100	0	0	0
Transfers in	121,002	3,113,024	120,199	913,476	678,129
Transfers out	(864)	(864)	(864)	0	(5,864)
TOTAL TRANSFERS AND CONTRIBUTIONS	120,138	3,130,260	119,335	913,476	672,265
CHANGE IN NET POSITION	(117,356)	3,564,066	631,672	1,702,932	1,147,459
NET POSITION, BEGINNING OF YEAR	64,746,366	64,007,797	67,571,863	68,203,535	69,861,756
Changes in accounting principles	0	0	0	(44,711)	0
NET POSITION, BEGINNING OF YEAR, RESTATED	64,746,366	64,007,797	67,571,863	68,158,824	69,861,756
NET POSITION, END OF YEAR	$64,629,010	$67,571,863	$68,203,535	$69,861,756	$71,009,215

Prepared from Audited Financial Statements.

DEBT OBLIGATIONS (Sewer System)

The City has issued two series of general obligation bonds for Sewer System improvements issued through the State of Maine Clean Water Revolving Loan Fund Program (the "CWSRF"), administered jointly by the Maine Municipal Bond Bank and the State of Maine, acting by and through the MEDEP to provide funds to finance eligible wastewater projects.

Current and Projected Sewer System Debt

	Amount		Final	Balance	Balance
Date	Issued	Forgiven	Date	6/30/2025	6/30/2026
11/24/2009	$749,716	($207,671)	10/01/2029	$122,289.97	$108,738.84
08/01/2015	3,500,000	(100,000)	08/01/2035	1,870,000.00	1,700,000.00
	$4,249,716	($307,000)		$1,992,289.97	$1,808,738.84
11/19/2026	16,900,000		09/01/2056		
11/19/2026	3,500,000		09/01/2046		
2027	23,585,000		09/01/2057		
2027	9,215,000		09/01/2047		

The following table projected annual debt service for debt issued to finance Sewer System improvements:

	Actual		Projected (*)				
FY End	CWSRF	CWSRF	Series 2026		Series 2027		
June 30,	2009 ARRA	2015	Dewater	Pearl St	Dewater	Pearl St	Totals
2026	$21,702	$176,248	$0	$0	$0	$0	$197,950
2027	21,702	175,653	52,707	257,557	0	0	507,619
2028	21,702	175,058	186,025	909,025	144,234	373,554	1,809,598
2029	21,702	174,463	366,169	1,478,669	489,850	1,268,675	3,799,528
2030	13,551	173,868	356,456	1,447,956	962,119	2,062,281	5,016,231
2031		173,273	346,744	1,417,244	936,656	2,019,494	4,893,411
2032		172,678	337,031	1,386,531	911,194	1,976,706	4,784,140
2033		172,083	327,319	1,355,819	885,731	1,933,919	4,674,871
2034		171,488	317,606	1,325,106	860,269	1,891,131	4,565,600
2035		170,893	307,894	1,294,394	834,806	1,848,344	4,456,331
2036		170,298	298,181	1,263,681	809,344	1,805,556	4,347,060
2037			288,469	1,232,969	783,881	1,762,769	4,068,088
2038			278,756	1,202,256	758,419	1,719,981	3,959,412
2039			269,044	1,171,544	732,956	1,677,194	3,850,738
2040			259,331	1,140,831	707,494	1,634,406	3,742,062
2041			249,619	1,110,119	682,031	1,591,619	3,633,388
2042			239,906	1,079,406	656,569	1,543,963	3,519,844
2043			229,963	1,047,963	631,106	1,501,438	3,410,470
2044			219,788	1,015,788	605,038	1,462,763	3,303,377
2045			204,750	978,750	578,363	1,417,938	3,179,801
2046			194,850	946,850	551,688	1,373,113	3,066,501
2047			184,950	914,950	525,013	1,328,288	2,953,201
2048				883,050	498,338	1,283,463	2,664,851
2049				851,150		1,238,638	2,089,788
2050				819,250		1,193,813	2,013,063
2051				787,350		1,144,125	1,931,475
2052				755,450		1,099,575	1,855,025
2053				723,550		1,055,025	1,778,575
2054				691,650		1,010,475	1,702,125
2055				659,750		965,925	1,625,675
2056				627,850		921,375	1,549,225
2057				595,950		876,825	1,472,775
2058						832,275	832,275
	$100,360	$1,905,998	$5,515,557	$31,372,407	$14,545,096	$43,814,642	$97,254,060

NOTE: (*) Debt service projections are based on most recent available information and figures but are necessarily subject to change. CASH FLOW PROJECTION AND COVERAGE (*)

CASH FLOW PROJECTION AND COVERAGE

	2027	2028	2029	2030	2031
Rate Revenue					
Rate Increase	26.0%	26.0%	26.0%	2.0%	2.0%
Total Rate Revenue	$10,099,264	$12,725,073	$16,033,592	$16,354,263	$16,681,349
Miscellaneous Revenue					
Industry Compliance	$58,104	$58,104	$58,104	$58,104	$58,104
Industrial Application Permits	200	200	200	200	200
Cape Elizabeth Operations	230,000	238,755	247,868	257,353	267,226
Investment Income	85,000	85,000	85,000	85,000	85,000
Total Miscellaneous Revenue	373,304	382,059	391,172	400,657	410,530
Total Revenue	10,472,568	13,107,132	16,424,764	16,754,920	17,091,879
Operating Expenses					
Labor	3,630,610	3,793,988	3,964,717	4,143,129	4,329,570
Utilities (Electricity, Gas, etc.)	630,759	646,528	662,691	679,258	696,240
Sludge	763,125	801,281	841,345	883,412	927,583
Chemicals	185,361	189,995	194,745	199,614	204,604
Treatment O&M	165,725	169,868	174,115	178,468	182,929
Administration	1,240,098	1,271,100	1,302,878	1,335,450	1,368,836
Other O&M	401,650	411,691	421,984	432,533	443,346
Total Operating Expenses	7,017,328	7,284,451	7,562,475	7,851,864	8,153,108
Total Net Revenue for Debt Service	3,455,240	5,822,681	8,862,289	8,903,056	8,938,771
2026 Series Bonds	310,264	1,095,050	1,844,838	1,804,413	1,763,988
Debt Service Coverage on Series 2026 Bonds	**11.14x**	**5.32x**	**4.80x**	**4.93x**	**5.07x**
Series 2027 Bonds	0	517,788	1,758,525	3,024,400	2,956,150
Series 2026, Series 2027 Series	310,264	1,612,838	3,603,363	4,828,813	4,720,138
Debt Service Coverage on Series 2026, Series 2027	**11.14x**	**3.61x**	**2.46x**	**1.84x**	**1.89x**
Existing SRF Debt Service	97,264	92,626	92,407	78,637	64,868
Total Debt Service	407,528	1,705,464	3,695,770	4,907,450	4,785,006
Total Debt Service Coverage from Net Revenues	**8.48x**	**3.41x**	**2.40x**	**1.81x**	**1.87x**

NOTE: Cash flow and debt service projections for future fiscal years are based on most recent available information and figures but are necessarily subject to change.

ENVIRONMENT

In 2019, the City completed a vulnerability assessment to identify hazards the City may likely face from climate change (such as sea level rise, higher temperatures, ocean acidification, flooding, and more extreme storms), as well as ways in which its infrastructure, ecosystems, economies, and community as a whole may be most vulnerable to these impacts, if any. In addition, this assessment, the City has also led, or participated, in a series of ongoing adaptation measures: 1) Since the 1980s, South Portland has invested more than $42 million in sewer and storm water system upgrades. Through collection system upgrades, pump station renovations, treatment plant improvements, and elimination of combined sewer overflows, the City reduced the impact of flooding events and increased water quality; 2) In 2018, the City completed the Maine Flood Resilience Checklist, developed by the Maine Geological Survey; 3) In collaboration with Scarborough and Belfast, South Portland is working with the MDEP, US Army

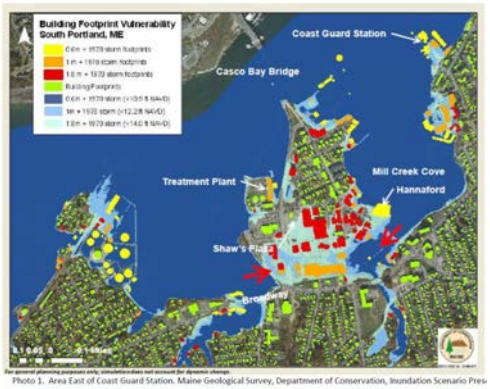


Photo 1. Area East of Coast Guard Station. Maine Geological Survey, Department of Conservation, Inundation Scenario Pres

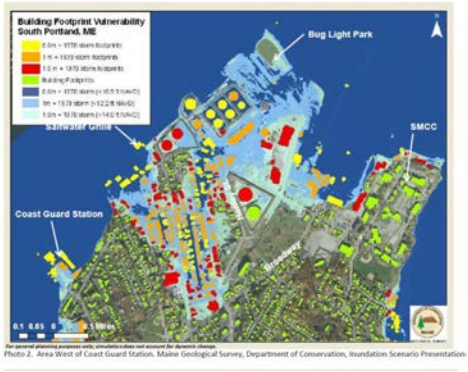


Photo 2. Area West of Coast Guard Station. Maine Geological Survey, Department of Conservation, Inundation Scenario Presentation

Corps of Engineers, Maine Geological Survey, NOAA and others to remove, relocate, and update old "High Water Mark" signs in South Portland and will increase community awareness of future coastal hazards; and 4) The City is developing an online ESRI Story Map, to build local knowledge of the effects sea level rise.



Photo 3. Area South of Coast Guard Station. Maine Geological Survey, Department of Conservation, S. Port. Presentation 2011.

Other Environmental Initiatives

In 2018, South Portland established two aggressive climate action goals that guide municipal and community-wide mitigation efforts: 1) to transition to 100% clean renewable energy for municipal operations by 2040; and 2) to reduce community-wide greenhouse gas ("GHG") emissions by 80% by 2050. Further, in October 2019, the City Council adopted a General Certificate Supporting Accelerated Climate Action that declared climate change an emergency; and expressed its desire to accelerate our community's transition away from fossil fuels toward renewable energy by 2030. The City currently generates 12% of municipal electricity from a 1 MW solar array on the City's landfill and four additional solar projects, on-site and off-site, are expected to be operational in 2021. In 2017, the City adopted a Benchmarking Ordinance that requires energy use disclosures for covered public and private properties. Since 2014, the City has led a transition to sustainable transportation, adding electric vehicles to the municipal fleet and installing five electric vehicle charging stations. Finally, South Portland is minimizing waste through purposeful purchasing, reuse, recycling, and a citywide food waste collection program.

NOTE: The City's website has a *Climate Resilience* link discussing *Preparing for Coastal Flooding in South Portland*. The *Climate Resilience* provides an interactive map with locations of efforts the City has been and is working on. Finally, the home page has *One Climate Future* that comprises information regarding the cooperative work for this. *https://www.southportland.org/departments/sustainability-office/*

RISK FACTORS RELATING TO SERIES 2026 BONDS

The following section describes certain special considerations and risk factors affecting the risk of nonpayment or the security for the Series 2026 Bonds. The following discussion is not meant to be an exhaustive or definitive description of the risks associated with a purchase of the Series 2026 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following special factors regarding the Series 2026 Bonds, together with all other information in this Official Statement, in order to make an informed investment decision with respect to the Series 2026 Bonds. There can be no assurance that other risk factors are not or will not become material in the future.

General

Payment of principal of and interest on the Series 2026 Bonds depends primarily upon the revenues derived from operation of the Sewer System. Some of the events which could affect the revenues received by the Sewer System are set forth below. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Series 2026 Bonds and the order in which the risks are discussed does not necessarily reflect the relative importance of the various risks.

Limited Obligations

The Series 2026 Bonds are not and shall not be a general obligation of the City. The Bonds shall be limited obligations of the City payable solely from the Revenues pledged therefor under the General Certificate. Neither the State nor any other political subdivision thereof (except the City to the limited extent provided in the General Certificate) shall be obligated to pay the principal or Redemption Price of, premium, if any, or interest on any Bonds and neither the faith and credit nor the taxing power of the City, of the State or of any other political subdivision thereof is pledged to the payment of the principal of, premium or interest on any Bonds.

The City is obligated under the General Certificate to make debt service payments solely from Revenues, subject to the provisions of the General Certificate permitting the application of Revenues and other funds for the purposes and on the terms and conditions set forth in the General Certificate. There is no assurance that the City can succeed in operating the Sewer System such that the Revenues in the future will be sufficient for that purpose.

Demand, Sensitivity of Collections to Wastewater Volumes

There can be no assurance that the local demand for services provided by the Sewer System will continue according to historical levels. All residential and some non-residential customer Sewer System service charges are based on wastewater flows. Reduced wastewater flows based on drought conditions, voluntary or mandatory conservation measures, changes in usage, or other factors would result in declines in Sewer System service charge revenues. Reduction in the level of customer flows could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the Net Revenue Requirement. Such rate increases could further decrease customer demand.

Sewer System Expenses

There can be no assurance that the Operating Expenses of the Sewer System will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of energy or other expenses and increased regulatory requirements (including increased regulation of treated wastewater discharge and emissions) would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the Net Revenue Requirement.

Risks Relating to Series 2026 Bond Feasibility Report

The projections developed using the Projected Revenues, Operating Expenses and Debt Service Coverage and described in "APPENDIX C – Series 2026 Bond Feasibility Report" are based in part upon the forecasts contained in the Series 2026 Bond Feasibility Report. No assurance can be given that actual Revenues, Operating Expenses and Debt Service Coverage will be consistent with that which is projected in the Series 2026 Bond Feasibility Report. See "APPENDIX C – Series 2026 Bond Feasibility Report" hereto. The Original Feasibility Report has not been updated since its preparation except for the specific matters and sections described in the Series 2026 Feasibility Report Update. The Original Feasibility

Report is included for reference purposes only and neither the delivery of this Official Statement nor the sale of any of the Series 2026 Bonds implies that there has been no change in the matters and sections of the Original Feasibility Report that have not been updated by the Series 2026 Feasibility Report Update.

Environmental Regulation

The kind and degree of sewer treatment carried out by the Sewer System is regulated, to a large extent, by the federal government and the State. Treatment standards set forth in federal and state law control the operations of the Sewer System and mandate its use of technology. In the event that the federal government, acting through the USEPA, or the State, acting through the MEDEP, or additional federal or state legislation, should impose stricter water quality standards upon the Sewer System, the City's expenses could increase accordingly, and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction federal or state regulation will take with respect to wastewater quality standards, although it is likely that both will impose more stringent standards with attendant higher costs.

Over the past five years, the State has enacted legislation that prohibits the land application of sludge and sludge-derived products (Public Law 2021, Chapter 641) and that prohibits landfill operations from accepting effluent from any entity that has not adopted an MEDEP-approved plan for sampling and testing effluent for PFAS (Public Law 2025, Chapter 172). These laws have reduced the available options for the sale and disposal of dewatered biosolids within the State and may result in future increases to the Sewer System's operating costs.

Limited Recourse on Default

Failure by the City to pay debt service on the Series 2026 Bonds constitutes an Event of Default under the General Certificate and the Trustee is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such payments. The Series 2026 Bonds are not subject to acceleration prior to maturity.

Limitations on Remedies

The ability of the City to comply with its covenants under the General Certificate and to generate Revenues sufficient to pay principal of and interest with respect to the Series 2026 Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. Furthermore, the remedies available to the owners of the Series 2026 Bonds upon the occurrence of an Event of Default under the General Certificate are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the General Certificate, the rights and obligations under the General Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of Maine. The opinion to be delivered by Bond Counsel concurrently with the issuance of the Series 2026 Bonds will be subject to such limitations, and the various other legal opinions to be delivered concurrently with the issuance of the Series 2026 Bonds will be similarly qualified. See "APPENDIX D – Proposed Form of Opinion of Bond Counsel" hereto. If the City fails to comply with its covenants in the General Certificate or fails to pay principal of and

interest due on the Series 2026 Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Series 2026 Bonds.

Bankruptcy

The federal bankruptcy code permits a municipality, such as the City, that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts provided such municipality is authorized by applicable state law. No Maine statute specifically authorizes a Maine municipality, such as the City, to file for bankruptcy under the federal bankruptcy code.

Bankruptcy proceedings by the City could have adverse effects on the holders of the Series 2026 Bonds including (1) delay in the enforcement of their remedies, (2) subordination of their claims to those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Series 2026 Bonds. The federal bankruptcy code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors, such as the holders of the Series 2026 Bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent". The effect of these and other provisions of the federal bankruptcy code cannot be predicted and may be significantly affected by judicial interpretation.

The above references to the federal bankruptcy code are not to be construed as an indication that the City expects to resort to the provisions of the federal bankruptcy code.

Tax Exemption

The City has covenanted in the General Certificate that it will take all actions necessary to assure the exclusion of interest with respect to the Series 2026 Bonds from gross income for federal tax purposes pursuant to Section 103 of the Code. As discussed herein under "TAX MATTERS," interest on the Series 2026 Bonds could become includable in gross income for federal income tax purposes, retroactive to the date of issuance of the Series 2026 Bonds, as a result of future acts or omissions by the City in violation of covenants obtained in connection with this financing, or in connection with changes in tax law. There is no provision in the Series 2026 Bonds or the General Certificate requiring any redemption of the Series 2026 Bonds or changes in the interest rate on the Series 2026 Bonds in such event.

Additional Obligations

The General Certificate permits the issuance of Bonds and Parity Debt secured by Net Revenues on a parity basis to the Outstanding Bonds and the Series 2026 Bonds. Such Additional Bonds and Parity Debt would increase debt service payable from Revenues and could adversely affect debt service coverage with respect to the Outstanding Bonds and the Series 2026 Bonds. In such event, however, the Net Revenue Requirement will remain in effect. See "SECURITY FOR SERIES 2026 BONDS – Rate Covenant" herein. The General Certificate also permits the issuance of indebtedness secured by or payable from Revenues that is not secured on a parity basis with the Outstanding Bonds and the Series 2026 Bonds. The City currently anticipates issuing parity indebtedness and non-parity indebtedness in the next several years with respect to the Sewer System. For a discussion and description of such indebtedness, see "APPENDIX C – 2026 Bond Feasibility Report" hereto.

Climate Change

Climate change is a critical factor in the operation, design, and construction of environmental infrastructure. Current infrastructure was not designed for today's population density, amount of impervious area, and climate change weather events and are under great stress during storm events. Therefore, EPD has taken a pro-active approach in its CIP and climate change is required to be evaluated for impacts as part of every engineering report. EPD has addressed climate change in the sizing of pipes to insure long-term capacity, motor sizes to confirm operating efficiency in a warmer environment, and snow loads on structures.

Cybersecurity

The City relies on computers and technology to conduct its operations, including the operation of the Sewer System. The City and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. While no network is completely immune from all possible compromise, the City exercises its due diligence in protecting the data it possesses and the systems it operates. To date, there have been no significant cyber-attacks on the City's computers and technologies.

While the City is routinely maintaining its technology systems and continuously implementing new information security controls, no assurances can be given that the City's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the City's computer and technology could negatively impact the City's operations and the operation of the Sewer System, and the costs related to such attacks could be substantial.

Cost, Availability and Price Volatility of Fuel

The price of fuel is a critical and uncertain factor affecting economic uncertainty. Fuel prices will continue to affect operations, profitability, and the to provide service. In recent years, fuel prices have been relatively stable, partly as a result of increased supply from U.S. domestic production, although political instability and conflicts in North Africa and the Middle East have contributed to volatility. The City makes no representation whether fuel prices will continue relative stability or if volatility will increase.

Secondary Market

No assurance can be given concerning the existence of any secondary market in the Series 2026 Bonds or its creation or maintenance by the underwriter of the Series 2026 Bonds. Thus, purchasers of Series 2026 Bonds should be prepared, if necessary, to hold their Series 2026 Bonds until their respective maturity dates.

Limitations on Remedies

The Series 2026 Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation on the occurrence or continuance of any Event of Default. Upon the occurrence or continuation of an Event of Default, the City would be liable only for principal and interest payments on the 2026 Bonds as they come due. In addition, the Series 2026 Bonds are payable solely from the Revenues. Under certain circumstances, holders of the Series 2026 Bonds may not be able to pursue certain remedies or enforce covenants contained in the General Certificate.

The remedies available to the holders of the Bonds upon an Event of Default are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies specified by the General Certificate and the Series 2026 Bonds may not be readily available or may be limited.

LITIGATION AND PROCEEDINGS

There is no litigation pending or threatened which seeks to restrain or enjoin the sale, execution, issuance or delivery of the Series 2026 Bonds or in any way contests the validity of the Series 2026 Bonds or any proceedings of the City taken with respect to the authorization, sale, execution, issuance or delivery of the Series 2026 Bonds or the pledge or application of any moneys provided to pay, or to secure the payment of, debt service on the Series 2026 Bonds when due in accordance with the Certificate and will not materially affect the financial position of the City's ability to pay debt service on the Series 2026 Bonds.

TAX MATTERS

Federal Tax Exemption

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Series 2026 Bonds in order that interest on the Series 2026 Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use, investment and expenditure of bond proceeds and the requirement that certain earnings be rebated to the federal government. Failure of the City to comply with such requirements may cause interest on the Series 2026 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2026 Bonds, regardless of when such non-compliance occurs or is ascertained.

In its Tax Matters Certificate delivered concurrently with the delivery of the Series 2026 Bonds, the City will make certain representations with respect to the use, expenditure and investment of the proceeds of the Series 2026 Bonds, the use of the Parking Garage Expansion and the requirement that certain earnings be rebated to the federal government, and will (i) covenant to comply with requirements of the Code applicable to the Series 2026 Bonds to assure that the interest paid on the Series 2026 Bonds is and remains excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) covenant not to take any action or permit any action that would cause the interest paid on the Series 2026 Bonds to be includable in gross income for federal income tax purposes pursuant to Section 103 of the Code. In the opinion of Bond Counsel and in reliance on the representations of the City and assuming the City's compliance with the Tax Matters Certificate and the Code, under existing statutes, regulations and court decisions interest on the Series 2026 Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, such interest is not an item of tax preference for purposes of calculating the alternative minimum tax under the Code; provided, however, such interest will be taken into account in determining the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. See "PROPOSED FORM OF LEGAL OPINION" in APPENDIX D hereto.

Exemption of Interest on Series 2026 Bonds from Taxation Within the State of Maine

In the opinion of Bond Counsel, pursuant to 30-A MRS §5413 interest on the Series 2026 Bonds is free from taxation within the State of Maine.

Not Designated as Qualified Tax-Exempt Obligations

The City ***will not designate*** the Series 2026 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Original Issue Discount

Certain maturities of the Series 2026 Bonds (the "Discount Bonds") may be sold at an issue price that is less than the stated redemption price of the Discount Bonds at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates). The difference between the issue price at which each of the Discount Bonds is sold and the stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) of each of the Discount Bonds constitutes original issue discount ("OID"). Pursuant to Section 1288 of the Code, OID on the Discount Bonds accrues on the basis of economic accrual 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 the Discount Bonds, as applicable. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued OID for purposes of determining gain or loss on the sale, exchange, or other disposition of such Bond.

Prospective purchasers of the Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the OID properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Original Issue Premium

Certain maturities of the Series 2026 Bonds (the "Premium Bonds") may be sold at a purchase price in excess of the amount payable on such Bonds after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code.

Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Additional Federal Income Tax Consequences

Prospective purchasers of the Series 2026 Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Series 2026 Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Series 2026 Bonds should consult their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Internal Revenue Service (the "IRS") has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Series 2026 Bonds will be audited. If an audit is commenced, under current IRS procedures holders of the Series 2026 Bonds may not be permitted to participate in the audit process and the value and liquidity of the Series 2026 Bonds may be adversely affected.

Changes in Federal Tax Law

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 on the Series 2026 Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2026 Bonds from realizing the full current benefit of the tax-exempt 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 Series 2026 Bonds. Prospective purchasers of the Series 2026 Bonds should consult their tax and financial advisors regarding such matters.

Opinion of Bond Counsel

The legal opinion of Bond Counsel (see APPENDIX D hereto) will be furnished to the original purchaser of the Series 2026 Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Series 2026 Bonds to the original purchaser of the Series 2026 Bonds.

Extent of Opinion

Bond Counsel expresses no opinion regarding any tax consequences of holding the Series 2026 Bonds other than its opinion with regard to (a) the interest on the Series 2026 Bonds being excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (b) interest on the Series 2026 Bonds not constituting an item of tax preference for purposes of calculating the alternative minimum tax under the Code; provided, however that such interest will be taken into account in determining the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code, and (c) the exemption of interest on the Series 2026 Bonds from taxation within the State. The opinion of Bond Counsel represents Pierce Atwood's judgment regarding the proper treatment of the interest paid on the Series 2026 Bonds for federal income tax purposes and is not binding on the Internal Revenue Service (the "IRS") or the courts, and is not a guarantee of results. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of changes to the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. Prospective purchasers of

the 2026 Bonds should consult their tax advisors with respect to all other tax consequences (including but not limited to those described above) of holding the Series 2026 Bonds.

DTC BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds 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 bond certificate will be issued for each maturity, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 3.5 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 http://*www.dtcc.com*.

Purchases of the Series 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Series 2026 Bonds 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 Series 2026 Bonds is discontinued. To facilitate subsequent transfers, all Bonds 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 the Series 2026 Bonds 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 Series 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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. 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 the Series 2026 Bonds 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 bond documents. For example, Beneficial Owners of the Series 2026 Bonds may wish to ascertain that the nominee holding the Series 2026 Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2026 Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2026 Bonds 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 the Series 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption and interest payments on the Series 2026 Bonds 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 the Issuer or the Trustee, on the 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, the Trustee, or the 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 the Issuer or the Trustee, 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.

DTC may discontinue providing its services as depository with respect to the Series 2026 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

CONTINUING DISCLOSURE

In order to assist the underwriter of the Series 2026 Bonds in complying with the Securities Exchange Commission's ("SEC") Rule 15c2-12 (the "Rule"), the City will covenant for the benefit of the owners of the Series 2026 Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. Pursuant to the Rule, such filings will be made

with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System ("EMMA"). This undertaking will be contained in a "Continuing Disclosure Agreement" (the "Agreement" or the "CDA"), the proposed form of which is provided in APPENDIX E hereto. The Agreement will be executed by the Director of Finance of the City, and incorporated by reference in the Series 2026 Bonds.

The City's audited financial statements for the fiscal years ending June 30, 2022, June 30, 2023, and June 30, 2024 were posted three days, 24 days, and five days, respectively, after they were required to be posted. In addition, the City failed to post and link its audited financial statements for fiscal year 2022 to its outstanding General Obligation Bonds, Series 2014. On October 19, 2026, the City posted a "Failure to File" event notice with respect to each event described above and posted and linked its fiscal year 2022 audited financial statements to its Series 2014 bonds.

The City's annual financial information and operating data for the fiscal years ending June 30, 2022, June 30, 2023, and June 30, 2024 was posted three days, three days, and five days, respectively, after they were required to be posted. In addition, the City failed to post and link its annual financial information and operating data for fiscal year 2022 to its Series 2014 bonds. On October 19, 2026, the City posted a "Failure to File" event notice with respect to each event described above and posted and linked its fiscal year 2022 annual financial information and operating data to its Series 2014 bonds.

Except as set forth in the preceding paragraphs, within the past five years the City has never failed to comply in all material respects with any previous undertakings to provide financial or operating information or notices of material events in accordance with the Rule.

This is the first issuance of limited obligation sewer revenue bonded debt by the City that is subject to continuing disclosure requirements of the rule, thus heretofore the City has not previously entered into an undertaking under the Rule and has therefore never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

Assurances of Future Compliance

At the closing of the Series 2026 Bonds, the City will incorporate a post-issuance reporting and compliance undertaking, that, among other things, provide for timely filings with EMMA or its successor repository, if any, with respect to its existing and future continuing disclosure undertakings; established written procedures and assigned specific responsibilities that it believes will provide prompt compliance with its continuing disclosure undertakings on a going forward basis. Further, the City will register with the EMMA to receive e-mail reminders to help ensure timely annual filing of required financial and operating data.

RATINGS

The Series 2026 Bonds have been rated "Aa2" by Moody's Investors Service ("Moody's") and "AA" by S&P Global Ratings ("S&P") (S&P, collectively with Moody's, the "Rating Agencies" and, individually, each a "Rating Agency"). The City has furnished the Rating Agencies certain information and materials, some of which may not have been included in this Official Statement.

Generally, a Rating Agency bases any rating established by it on such information and materials and also on such investigations, studies and assumptions as it may undertake or establish independently. Each rating reflects only the view of the Rating Agency which published it at the time such rating is assigned and is subject to revision or withdrawal, which could affect the market price of the Series 2026 Bonds. A

Rating Agency should be contacted directly for its rating on the Series 2026 Bonds and for its explanation of such rating. A rating is not a recommendation to buy, sell or hold the Series 2026 Bonds and such rating should be evaluated independently.

Due to the ongoing uncertainty regarding the debts of the United States of America, obligations issued by state and local governments in the United States, such as the Series 2026 Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding state and local government debt obligations, including the Series 2026 Bonds.

FINANCIAL STATEMENTS

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, and Section 226 of the City Charter provide for independent annual audits of the City's accounts and establishes procedures for such audits. The City, in conformance with this statute and its Charter currently engages the services of Runyon Kersteen Ouellette, Certified Public Accountants.

The City's fiscal year 2025 Annual Comprehensive Financial Report ("ACFR"), audited by Runyon Kersteen Ouellette is presented as APPENDIX A to this Official Statement. The City has not requested the consent of Runyon Kersteen Ouellette for the incorporation of the Financial Statements included in APPENDIX A, nor has it been received.

MUNICIPAL ADVISOR

Moors & Cabot, Inc. is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board and has acted as Municipal Advisor to the City in connection with the issuance of the Series 2026 Bonds pursuant to MSRB Rule G-23. Moors & Cabot, Inc. does not intend to participate in an underwriting syndicate for the public distribution of the Series 2026 Bonds. Moors & Cabot, Inc. 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 including the Appendices hereto.

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc., the Underwriter (the "Underwriter") pursuant to a bond purchase agreement between the City and the Underwriter (the "Bond Purchase Agreement"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at an aggregate purchase price of $_____, which purchase price reflects an Underwriter's discount, from the public offering price of the Bonds, in the amount of $_____ and a net premium of $_____, plus accrued interest, if any. The contract relating to purchasing the Bonds provides that the Underwriter will purchase all of the Bonds, if any Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement. The initial public offering prices of the Bonds may be changed, from time to time, by the Underwriter. The Issuer has been advised by the Underwriter that (i) it presently intends to make a market in the Bonds, (ii) it is not, however, obligated to do so, (iii) any market making may be discontinued at any time and (iv) there can be no assurance that an active public market for the Bonds will develop. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the public offering prices stated on the cover page hereof.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Series 2026 Bonds are subject to the approval of Pierce Atwood LLP, Portland, Maine, Bond Counsel to the City. Certain legal matters will be passed on for the Underwriter by its counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Portland, Maine. Certain legal matters will be passed on for the Trustee by its counsel, Anderson Aquino, LLP , Boston, Massachusetts.

CUSIP® IDENTIFICATION NUMBERS

It is anticipated that CUSIP® (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Series 2026 Bonds. All expenses in relation to the printing of CUSIP® numbers on the Series 2026 Bonds will be paid for by the City provided, however, that the City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

STATUTORY REFERENCES

All quotations from and summaries and explanations of laws herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

MISCELLANEOUS

Any statement in this Official Statement setting forth any opinion or estimate, whether or not expressly so stated, is intended as such and not as a representation of fact. No representation is made that any such statement will be realized. The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Jetport since the date of this Official Statement, except as expressly stated.

The execution and distribution of this Official Statement have been duly authorized by the City Council of the City.

CITY OF SOUTH PORTLAND, MAINE

By:_____
Ellen Sanborn, Director of Finance

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APPENDIX A
CITY OF SOUTH PORTLAND, MAINE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2025

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CITY OF SOUTH PORTLAND, MAINE

Annual Comprehensive Financial Report



For Fiscal Year Ended June 30, 2025

CITY OF SOUTH PORTLAND, MAINE

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Fiscal Year Ended June 30, 2025



Prepared By:
City of South Portland
Department of Finance

CITY OF SOUTH PORTLAND, MAINE
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

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INTRODUCTORY SECTION



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FINANCE DEPARTMENT

ELLEN SANBORN
Director of Finance

RHONDA GLIDDEN
Deputy Director of Finance

February 27, 2026

Honorable Richard T. Matthews, Mayor
Distinguished Members of the City Council,
and Citizens of the City of South Portland, Maine

Maine state statutes and the South Portland City Charter require that the City issue annually a financial report audited in accordance with generally accepted auditing standards. Pursuant to these requirements, we hereby issue the annual comprehensive financial report of the City of South Portland, Maine, for the fiscal year ended June 30, 2025.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Runyon Kersteen Ouellette, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City of South Portland, Maine's financial statements for the year ended June 30, 2025. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The annual comprehensive financial report is presented in three sections: introductory, financial, and statistical. The introductory section, which is not audited, includes this transmittal letter, 2024 ACFR certificate of achievement, an organization chart, and a list of the City's principal elected and appointed officials. The financial section includes management's discussion and analysis of the City's financial activities, the basic financial statements and the combining and individual fund financial statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The statistical section, which is not audited, includes selected financial and demographic information, generally presented on a multi-year basis.

As a recipient of significant Federal grant funds, the City is required to undergo an annual single audit in conformity with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The audit is designed to meet the requirements of federal granting agencies. The standards require the independent auditor to report not only on the fair presentation of the financial statements, but also on the internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to this single audit, including a schedule of expenditures of federal awards, findings, recommendations, and the independent auditor's reports on the internal control and compliance with applicable laws and regulations are included in a separately issued Uniform Guidance report.

Profile of the City of South Portland

The City of South Portland is located on the southern coast of the State of Maine in the southeastern section of the County of Cumberland, the State's most populous county. South Portland is the fourth largest city in Maine and the second largest in its region. The City currently occupies 12.93 square miles and serves an estimated population of 27,026. Under Maine statutes, the City is empowered to levy a property tax on both real and personal property located within its boundaries.

The area of which the City is comprised was originally the northern part of the Town of Cape Elizabeth. Old Falmouth, incorporated in 1718, was formed of the area now encompassing the cities of Portland, South Portland and Westbrook and the towns of Cape Elizabeth and Falmouth. Due to the inconvenience of crossing the Fore River, Cape Elizabeth (then including the City) became established as the Second Parish of Falmouth in 1733, and on November 1, 1765 separated from Falmouth, being incorporated as the Town of Cape Elizabeth. On March 15, 1895, South Portland divided and set off the northern portion of Cape Elizabeth to become a town. A city charter was granted on March 22, 1898 and adopted on December 5, 1898 as the City of South Portland.

The City operates under the charter adopted on December 5, 1898, as amended, most recently in November of 1997, (the "Charter") providing for a Council-Manager form of government. Policy making and legislative authority is vested in a seven-member City Council, all elected on a non-partisan basis. The Council is composed of seven members, one elected from each of the City's five voting districts, and two members who are elected at-large. The Council members are elected for three-year staggered terms. The Charter grants to the City Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the City's property, affairs and government, to preserve the public peace, health and safety, to establish personnel policies and giving effect to any vote of the City and to authorize the issuance of debt subject to referendum approval by the voters of the City. Through its Charter, the Council adopts an annual budget, provides for an annual audit, appoints committees, and hires the City Manager and City Clerk.

The City Manager is the chief executive officer and the head of the administrative branch of the City government. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments. Under the City Charter, the City of South Portland's Education Department is a department of the City with an elected School Board and an appointed

Superintendent of Schools. The City of South Portland provides a full range of services, including police, ambulance and fire protection; construction and maintenance of highways, streets, sidewalks, parks and other infrastructure; sewer service and wastewater treatment; solid waste collection; public education; health and social welfare; public transportation; recreational and cultural activities; general administration and economic development.

The annual budget serves as the foundation for the City of South Portland's financial planning and control. All departments of the City of South Portland, with the exception of the Education Department, are required to submit requests for appropriation to the City Manager in January of each year. The City Manager uses these requests as the starting point for developing a proposed municipal budget. The City Manager then combines the proposed municipal budget with the Board of Education appropriation request for the Education Department and presents the total proposed budget to the City Council for review in March of each year. The City Council holds a public hearing on the proposed budget in April, and holds budget review workshops with the individual departments and the Board of Education in the months of April and May. The budget must be finally adopted by no later than 90 days after July 1, the beginning of the fiscal year, but is typically adopted in June.

The appropriated budget is prepared by fund, function (e.g., public safety) and department (e.g., police). Appropriated Governmental Funds include the General Fund, Golf Course, Street Openings and Community Television. Budget to actual comparisons are provided in this report for the general fund. This comparison is presented on page 34 as part of the basic financial statements for the governmental funds.

Relevant Financial Policies

The City's Fund Balance Policy established a minimum unassigned fund balance in the general fund of 9%. In the event that the unassigned fund balance drops below this minimum level, the City will develop a plan implemented through the annual budget process to bring the balance back to the target level over a period of no more than three fiscal years. According to the Policy, funds in excess of 12% may, with the approval of the City Council be used for capital improvements or other one-time expenditures. For the year ended June 30, 2025, the amount of unassigned fund balance totaled $23,798,746 or 18.7% of the fiscal year 2026 general fund budget, of which $8,527,569 is over the 12% Policy goal.

Local Economy

Once principally a residential community, South Portland now enjoys a diversified commercial and industrial aspect to its economy. The City has been referred to as two cities, with the eastern half of the city sporting residential neighborhoods, a traditional downtown district, a waterfront, and the second busiest oil port on the entire East Coast, and the western half of the city hosting commercial, industrial, and advanced technology property.

The eastern half of the City is home to many of the City's residential neighborhoods, a traditional downtown district with a diverse mix of retail stores, restaurants, residential housing and professional offices, an oil pipeline and storage tank farms, a municipal beach, a municipal boat ramp, numerous scenic parks, several marinas, two lighthouses, a maritime museum, and the State's largest community college.

The western half of the City is home to a regional mall that forms the hub of the largest shopping district in the State. Additionally, there are two world-class semiconductor factories and a number of major hotel chains. Major companies with headquarters or divisions located within the western half of the City include a semiconductor manufacturer, an international financial services company, and two insurance companies. The mall and surrounding businesses increase the population of the City up to over 100,000 per day.

The City exhibits above average wealth and housing levels relative to the State of Maine as a whole. The property tax collection rate has been consistently high over the years, standing at 97.7% for fiscal year 2025. The tax base is comprised of 66.5% residential section and 33.5% commercial, with the largest taxpayer comprising 2.9% of the total tax base. The ten largest taxpayers represent 10%. Non-taxable value is about 8.6% of the total valuation.

Long-term Financial Planning

Capital expenditures are one of the most significant costs for a community, which includes maintaining its infrastructure. The City, as required by City Charter, maintains a 7 year Capital Improvement Program (CIP), which is updated and reviewed annually by the City Council. This Program considers future needs for maintenance and replacement of capital equipment, roads, sidewalks, sewer infrastructure, vehicles and City buildings. Funding for the CIP is through a combination of available General Fund balance, TIF funds, reserves, grants, and financing. The Program allows for the City to plan for and make informed decisions about large expenditures.

Major Initiatives

The City Council approved several projects for funding in fiscal year 2025. The City began work on evaluating uses for a former middle school building, which was turned over to the City when the new middle school was completed last year. Also, the City's public safety building, which houses Central Fire and Police stations, is beyond its life and no longer fits the needs of the departments. A Committee was appointed by the City Council to work with staff and architects on renovation of the school into consolidated City services. Also, the Council directed staff to proceed in designing a new Police Station on the same site, and a new Fire Station on the existing site. It also includes funding for replacement of vehicles and equipment to allow departments to operate with newer, more efficient equipment and reduce maintenance of old vehicles. Water Resources has a number of updates and improvements to their water treatment systems included in the 2025 CIP, as well as the second phase of engineering and design to prepare for an upgrade to its Pearl Street Pump Station, which is reaching capacity and needs the upgrade to allow for greater growth in the community.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) again awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Portland for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2024. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that we continue to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department staff. Each member of the department has a key role in the preparation of this report, with the Deputy Finance Director managing the effort and creating the statements. Appreciation is also extended to the accounting firm of Runyon Kersteen Ouellette for its assistance in the preparation and review of this report. Finally, credit must be given to the South Portland City Council and City Manager for their support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Ellen Sanborn
Director of Finance

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South Portland
Maine

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

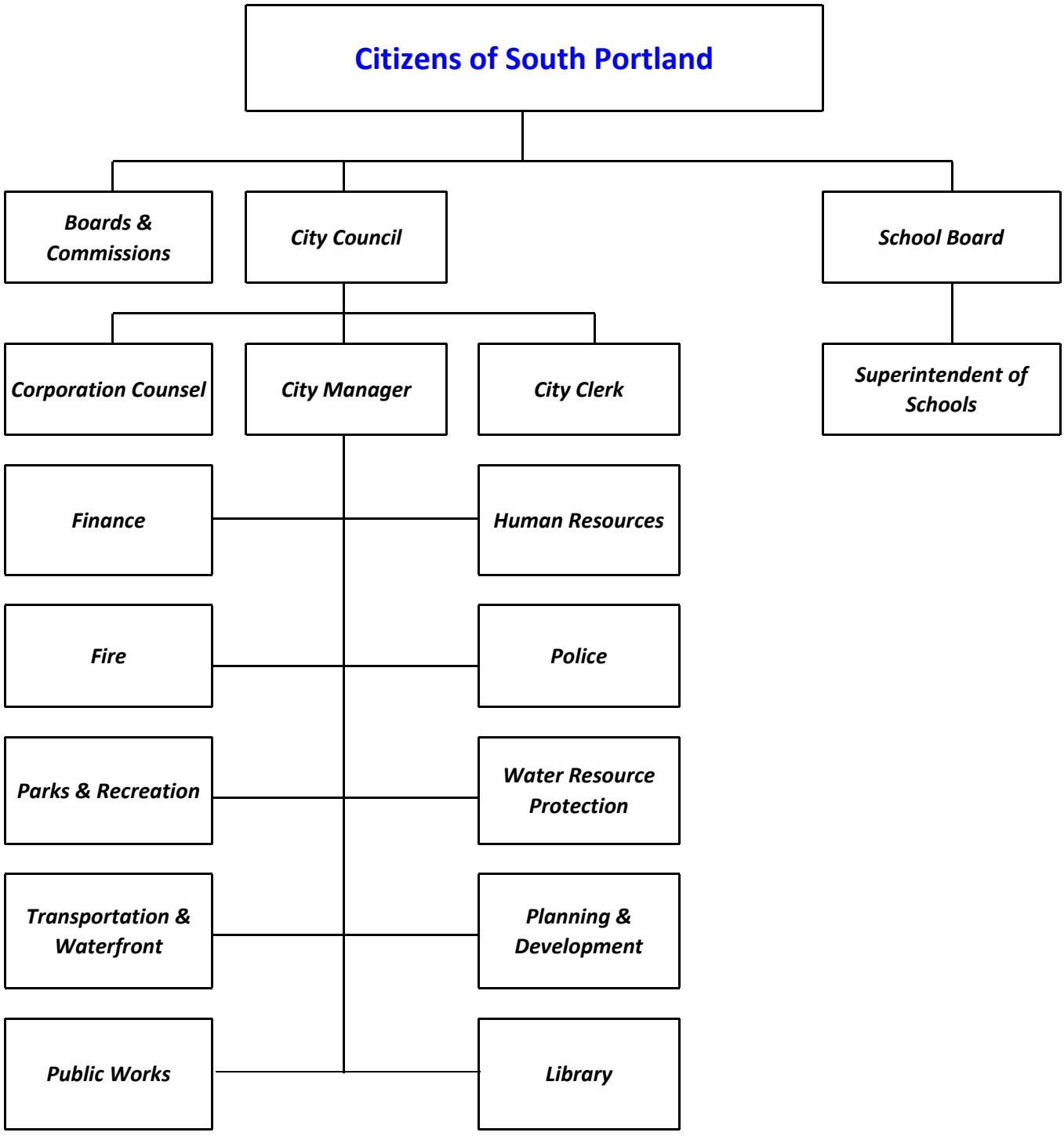


Executive Director/CEO

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CITY OF SOUTH PORTLAND, MAINE

Organizational Chart



CITY OF SOUTH PORTLAND, MAINE

LIST OF PRINCIPAL OFFICIALS (ELECTED AND APPOINTED)

June 30, 2025

Elected Officials

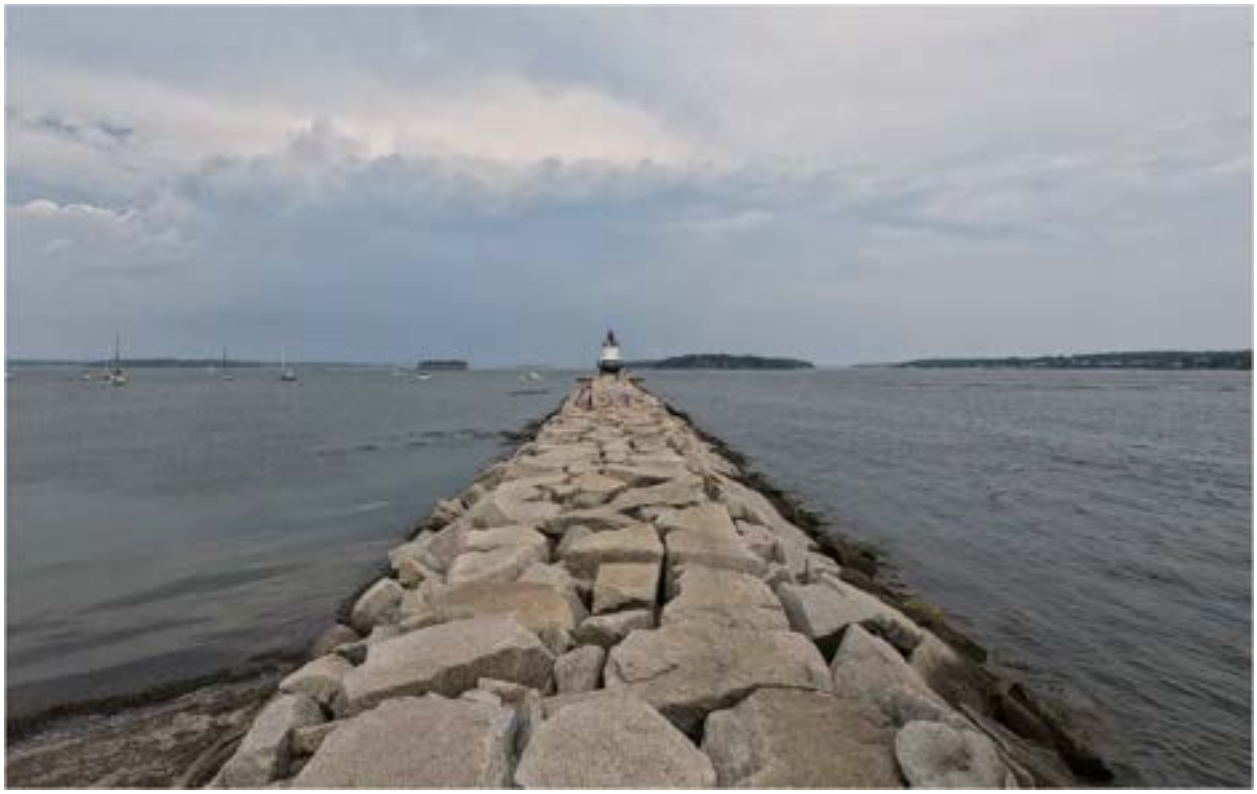
Council Member – District 1	Linda C. Cohen
Council Member – At Large	Natalie West
Council Member – At Large, Mayor	Richard T. Matthews
Council Member – District 2	Rachael Coleman
Council Member – District 3	Misha C. Pride
Council Member – District 4	Jessica L. Walker
Council Member – District 5	Elyse Tipton

Board of Education – At Large	Jennifer Ryan 3/25/25
Board of Education – At Large	Eleni Richardson eff 3/26/25
Board of Education – At Large	Claire Holman
Board of Education – District 1	Susan Rauscher
Board of Education – District 2 – Board Vice Chair	Tandy Ratliff 6/19/25
Board of Education – District 2 – Board Chair	Tandy Ratliff eff 6/20/25
Board of Education – District 3	Rosemarie DeAngelis
Board of Education – District 3 Board Vice Chair	Rosemarie DeAngelis eff 6/20/25
Board of Education – District 4 – Board Chair	Molly Schen 6/19/25
Board of Education – District 5	Adrian Dowling

Appointed Officials

City Manager	Scott T. Morelli
Assistant City Manager	Joshua J. Reny
City Clerk	Jessica Hughes
Code Enforcement Officer	Nicholaus Richard
Economic Development Director	Roselea Duffy
Director of Finance	Ellen Sanborn
Fire Chief	Philip Selberg
Human Resource Director	Robert Nadeau
Parks and Recreation Director	Karl Coughlin
Public Works Director - Interim	Melissa Hutchins
Planning & Development Director	Milan Nevajda
Police Chief	Dan Ahearn
Superintendent of Schools	Timothy Matheney
Transportation & Waterfront Director	Tom Ridge, Interim 12/28/24 METRO eff 12/29/24
Water Resource Protection Director	Frederick Dillon

FINANCIAL SECTION



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Independent Auditor's Report

City Council
City of South Portland, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of South Portland, Maine's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Portland, Maine, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and City Bus Service for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of South Portland, Maine, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in the notes to the financial statements, in 2025, the City adopted new accounting guidance, *GASB Statement No. 101, Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of South Portland, Maine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of South Portland, Maine's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of South Portland, Maine's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules pertaining to the net pension and OPEB liabilities, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

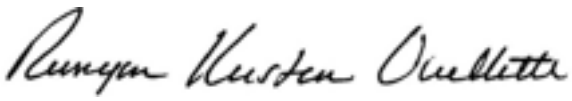
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2026, on our consideration of the City of South Portland, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of South Portland, Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of South Portland, Maine's internal control over financial reporting and compliance.



February 27, 2026
South Portland, Maine

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This section of the Annual Comprehensive Financial Report of the City of South Portland presents a narrative overview and analysis of the financial activities of the City of South Portland for the fiscal year ended June 30, 2025. We encourage readers to use the information presented here in conjunction with the accompanying letter of transmittal, the basic financial statements, and the accompanying notes to those financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City of South Portland exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $210,417,118 (*net position*). Of this amount, $24,384,442 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.

- As of the close of the current fiscal year, the City of South Portland's governmental activities reported ending net position of $139,407,903, an increase of $5,596,541 from the prior year. Approximately 8% of this total amount, $11,373,005, is *available for spending* at the City's discretion (unrestricted net position).

- As of June 30, 2025, the General Fund's unassigned fund balance was $23,798,746 or 18.7% of the City's fiscal year 2026 budget of $127,259,806, including school.

- The City adopted GASB 101 in FY25, which resulted in a restatement of the FY24 Net Position, reducing it by about $6.7 million. The detailed footnote for restatements can be found on page 81 in the notes to the financial statements.

- The City terminated its bus service in December of 2024 and became a member of the Greater Portland Metro (GPM), a regional transit district. The City no longer has assets or employees to run the public bus service. Instead, the City will receive an annual assessment to raise taxes, similar to the assessment for County Taxes, for bus service based on allocation of costs and revenue from GPM. Assets acquired using federal funds were transferred to GPM and employees were also allowed to transfer to GPM. The City initially saved $100,000 on the annual cost of that service. It also allows for more integration with the regional transportation network.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of South Portland's basic financial statements. The City of South Portland's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of South Portland's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of South Portland's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of South Portland is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of South Portland that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of South Portland include general government, public safety, public works, culture and recreation and waterfront, health, welfare and social services, and education. The business-type activities of the City of South Portland include water resource protection (sewage treatment) activities. The government-wide financial statements can be found on pages 29-30 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of South Portland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Portland can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of South Portland maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, TIF fund, Capital projects fund, ARPA Grant, City Bus Service, and City Special Revenue Fund; all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of South Portland adopts an annual appropriated budget for its general and proprietary funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their budgets. The basic governmental fund financial statements can be found on pages 31-32 of this report.

Proprietary funds. The City of South Portland maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

The City of South Portland uses an enterprise fund to account for its sewer user fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the individual enterprise fund, which is considered to be a major fund of the City of South Portland. The basic proprietary fund financial statements can be found on pages 36-38 of this report. The budgetary basis schedule demonstrating compliance can be found on page 115 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of South Portland's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 39-40 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-82 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found on pages 91-124 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

City of South Portland's Net Position

	Governmental Activities		Business-type Activities		Total Activities	
	2025	Restated 2024	2025	2024	2025	Restated 2024
Current and other assets	$ 83,857,862	$ 82,996,006	$ 14,393,798	$ 14,623,092	$ 98,251,660	$ 97,619,098
Capital assets	202,604,224	206,973,714	60,337,194	59,049,069	262,941,418	266,022,783
Total assets	286,462,086	289,969,720	74,730,992	73,672,161	361,193,078	363,641,881
Deferred outflows	8,535,115	7,693,735	523,446	404,500	9,058,561	8,098,235
Long-term liabilities	133,845,589	131,554,413	3,564,997	3,571,204	137,410,586	135,125,617
Other liabilities	13,747,517	17,087,044	464,055	346,364	14,211,572	17,433,408
Total liabilities	147,593,106	148,641,457	4,029,052	3,917,568	151,622,158	152,559,025
Deferred inflows	7,996,192	8,595,884	216,171	252,626	8,212,363	8,848,510
Net investment in capital assets	108,756,131	107,219,129	57,997,778	56,860,007	166,753,909	164,079,136
Restricted	19,278,767	21,705,125	-	-	19,278,767	21,705,125
Unrestricted	11,373,005	11,501,860	13,011,437	13,046,460	24,384,442	24,548,320
Total net position	$ 139,407,903	$ 140,426,114	$ 71,009,215	$ 69,906,467	$ 210,417,118	$ 210,332,581

Changes resulting from the adoption of GASB Statement No. 101 of $6,614,752 and $44,711, for the governmental activities and business-type activities, respectively, are not shown in the chart above. Only changes resulting from error corrections are presented as restatement of prior periods shown above.

The largest portion, 79%, of the City of South Portland's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, net of depreciation) of $166,753,909. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additionally, information regarding the restatement of net position for both the governmental activities and business-type activities can be found on page 81.

An additional portion of the net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the City's on-going obligation to citizens and creditors. At the end of the current fiscal year, the City of South Portland is able to report a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There were various combinations of actual revenues being in excess of estimates and management's efforts to control and reduce budgeted expenditures.

City of South Portland's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Activities	
	2025	Restated 2024	2025	2024	2025	Restated 2024
Revenues:						
Program revenues:						
Charges for services	$ 7,338,564	$ 7,188,435	$ 8,322,348	$ 8,058,588	$ 15,660,912	$ 15,247,023
Operating grants and contributions	31,070,402	34,741,598	-	-	31,070,402	34,741,598
Capital grants and contributions	1,143,812	940,563	-	-	1,143,812	940,563
General revenues:						
Property and other taxes	95,964,986	85,824,443	-	-	95,964,986	85,824,443
Grants and contributions not restricted to specific programs	9,659,824	9,588,119	-	-	9,659,824	9,588,119
Other	3,808,404	4,199,756	360,226	376,539	4,168,630	4,576,295
Total revenues	148,985,992	142,482,914	8,682,574	8,435,127	157,668,566	150,918,041
Expenses:						
General government	22,058,126	19,680,609	-	-	22,058,126	19,680,609
Public safety	19,041,378	18,006,699	-	-	19,041,378	18,006,699
Public works	9,835,529	6,455,860	-	-	9,835,529	6,455,860
Culture and recreation	6,286,692	5,552,621	-	-	6,286,692	5,552,621
Transportation and waterfront	1,140,272	2,357,789	-	-	1,140,272	2,357,789
Health, wealth and social services	1,177,429	1,506,145	-	-	1,177,429	1,506,145
Interest on debt service	4,742,924	2,693,253	-	-	4,742,924	2,693,253
Education	78,434,836	78,885,041	-	-	78,434,836	78,885,041
Sewer	-	-	8,207,380	7,645,671	8,207,380	7,645,671
Total expenses	142,717,186	135,138,017	8,207,380	7,645,671	150,924,566	142,783,688
Increase (decrease) in net position before transfers	6,268,806	7,344,897	475,194	789,456	6,744,000	8,134,353
Transfers	(672,265)	(913,476)	672,265	913,476	-	-
Increase (decrease) in net position	5,596,541	6,431,421	1,147,459	1,702,932	6,744,000	8,134,353
Net position - beginning of year, restated	133,811,362	134,449,563	69,861,756	68,203,535	203,673,118	202,653,098
Prior period restatement	-	(454,870)	-	-	-	(454,870)
Net position - end of year	$ 139,407,903	$ 140,426,114	$ 71,009,215	$ 69,906,467	$ 210,417,118	$ 210,332,581

Changes resulting from the adoption of GASB Statement No. 101 of $6,614,752 and $44,711, for the governmental activities and business-type activities, respectively, are not shown in the chart above. Only changes resulting from error corrections are presented as restatement of prior periods shown above.

Governmental activities. The increase during this past fiscal year in the City's net position represented an increase in the net position of 4.1%. Key elements of this increase are as follows:

- In FY24, about $3.5 million in property tax that was authorized but not committed or billed, so uncollected in FY2024, was picked up in the FY2025 billing.

- The City also experienced increased reimbursement for the State “BETE” personal property tax reimbursement of $1,095,252, motor vehicle excise tax revenues of $307,002, State Revenue Sharing of $146,252 due to increases in related property valuation.

- Interest activity increased by $246,658 due to increases in our cash holdings. However, investment earnings were $266,246 less than FY24.

- State Homestead Reimbursement was also $103,269 less due to related property values and filings submitted to the State.

Business-type activities. The City’s business-type activities, which consists of sewer user operations, net position increased by $1,147,459.

In FY25, sewer operations ended with a net operating income of $125,552. Sewer user fee revenue increased by about 3.4% due to increased flow. This increase was needed to offset the increased cost of wages and operations.

Financial Analysis of the Government's Funds

As noted earlier, the City of South Portland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The financial reporting focus of the City of South Portland's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the City of South Portland's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of South Portland's governmental funds reported combined ending fund balances of $62,827,726, an increase of $3,797,651. Capital projects decreased by $361 thousand reflecting the completion of various projects. The ARPA grant fund expended $2.6 million to support capital expenditures as the expiration gets closer (12-31-2026) for expending funds. TIF funds increased by about $602 thousand, with one major TIF for Diodes (Fairchild) expiring at the end of FY2024. The General Fund increased by $5.8 million as a result of positive budgetary variances and collection of prior years’ grant receivables.

General Fund - The general fund is the central operating fund of the City of South Portland. At the end of the current fiscal year, the total general fund balance was $35,776,868, an increase of $5.8 million. As a measure of the general fund's liquidity, total fund balance represents 28.2% of total fund expenditures. Under the breakdown of fund balance, unspent appropriations related to education are reported as restricted.

At June 30, 2025, general fund restricted balance for education totaled $739,691, a reduction from 2024 of $2,163,612 due to a decrease in fund balance because of a net budgetary deficit of $2.1 million. Additionally, the City maintains various other reserve balances for various future needs.

The City has an established General Fund Balance Policy, which was established to help ensure the future financial stability of the City and to mitigate financial risk that can occur from unforeseen revenue fluctuations or unanticipated expenditures. The policy establishes a minimum unassigned fund balance of 9% of the City's subsequent year general fund budget. Additionally, amounts in excess of 12% can be used for capital improvements or other one-time expenditures as identified by the City Council. The City also may apply some amount of unassigned fund balance to fund its subsequent year operating budget. For FY25 $860,000 was budgeted but used none, as net operating results were an excess of revenues over expenditures of $4.1 million. The City also used $375,000 of 2024 assigned fund balance for capital purchases in fiscal 2025.

The unassigned fund balance was $23,798,746 or 18.7% of the fiscal 2026 budget, with $8,527,569 available future use. The City also maintains a Tax Stabilization fund, for use in periods of economic changes such as decreased or flat property valuation, estimated significant non-tax revenue loss, or estimated significant increases in cost, to mitigate the impact of those events on the tax rate. The balance in that fund at the end of the fiscal year was just over $2.4 million.

TIF - The TIF (Tax Increment Financing) fund includes all of the activity in the City's tax increment financing districts. At the end of the current fiscal year, the total fund balance of the TIF fund was $13.6 million, which must be used for eligible projects as defined by Maine State Law and the approved development district plans. TIF funds are typically used to fund credit enhancement agreements with developers and also to fund capital improvement projects in and around the TIF districts. In fiscal year 2025, the total TIF fund balance increased by about $600,000, reflecting the increase in the property tax rate. This increase is less than prior years due to the expiration of the Fairchild Semiconductor (now Diodes) TIF on 6-30-2024.

Capital Projects - The Capital Projects fund has a total fund balance of $3,527,797, decreasing by $361,040 for various projects.

Proprietary funds. The City of South Portland's proprietary fund, which consists of the sewer user fund, provides the same type of information found in the government-wide financial statements, but in a more detail budgetary basis.

Unrestricted net position of the sewer user fund at the end of the year amounted to $13,011,437, an increase of $9,688. This fund budgets annual appropriations to capital reserves amortize equipment and system replacements costs along with future improvements. On a budgetary basis (Exhibit H), the sewer fund reported a surplus of $405,423, of which revenues came in $227,015 higher than anticipated while expenditures came in $617,210 under budget. Revenues were higher than budget due to more flow than anticipated and an increase in interest income. Expenditures were under budget primarily as a result savings in treatment plant, sludge disposal, estimated insurance premiums and a number of personnel vacancies during the year.

Budgetary Highlights

General Fund:
Actual budgetary revenue for the general fund totaled $125,926,371 in the fiscal year ended June 30, 2025, an increase of $12,666,936. Property taxes were the largest amount of the increase, at $10,444,547 over FY24.

State revenue sharing was $228,000 more than budgeted due to increase in property valuation and recreation programs netted an additional $550,000 due to increased participation and programs offered. Interest earned was $768,000 more than expected as interest rates held and the General Fund cash increased. The City received $328,000 more in State BETE reimbursement than expected, ambulance fees collected $236,000 more than budgeted and Excise Tax collected $1.7 million more than expected. State education subsidy came in over by $111,000 and Mainecare reimbursement to schools was $195,000 more than anticipated.

A few underperforming revenues include building permits coming under by $87,000 due to a slight slow down in building activity in the City. General Assistance State reimbursement, coming in under by $500,000, which is based on lower expenditures.

Budgetary expenditures for the general fund totaled $121,428,342, under budget by $1,092,371 in the fiscal year ended June 30, 2025. The general government expenditures came in $1,064,611 under what was budgeted, General Assistance (Health, Welfare and Social Services) came in $754,856 under budget, and Public Works came in $106,606 under what was budgeted and Public Safety was $72,659 under budget. Primary reasons include staff turnover and vacancies, affecting both wages and benefits cost and lower general assistance costs.

Parks and Recreation was over budget by $30,964; however some of their additional costs were related to recreation programming, which realized greater revenue to offset those costs.

The School department ended the year over budget by $1,162,174, primarily due to not collecting anticipated grant funds but had expenditures which needed to be covered by the general fund budget.

Capital Asset and Debt Administration

Capital assets. The City of South Portland's investment in capital assets for its governmental and business-type activities as of June 30, 2025 amounts to $166,753,909, net of related liabilities. This investment in capital assets includes land, buildings, sewer system, improvements, machinery and equipment, vehicles, park facilities, roads, highways and dams. The total increase in the City of South Portland's investment in capital assets for the current fiscal year was 1.6%, with a 1.4% increase for governmental activities and a 2.0% increase for business-type activities. The change in capital assets in governmental activities, other than new assets purchased and reduction or payment of debt on capital assets, includes the transfer of assets to GP Metro for the elimination of local bus service.

Additional information on the City of South Portland's capital assets can be found in the notes to the financial statements on pages 53-54 of this report.

Long-term Debt

The State allows municipalities to borrow up to 15% of their total state equalized valuation. With the City's valuation at $7,271,250,000 for 2025, the debt limit would be over $1 billion. The current debt outstanding is $91,136,960, which is 1.25% of total valuation and 8.4% of the total allowable debt for the City. There were no bonded debt issuances in the current year and principal reductions totaled $6,692,102.

The City of South Portland maintains an "Aaa" rating from Moody's and an "AAA" rating from Standard & Poor's for general obligation debt. Please refer to the agencies' reports for a comprehensive explanation of their rating assessment.

Additional information on the City of South Portland's long-term debt can be found in the notes to the financial statements on pages 55-57 of this report.

Economic Factors and Next Year's Budgets and Rates

South Portland continues to be the retail center for Northern New England with a diverse economic base that includes a regional mall, numerous large insurance and financial service companies, two semi-conductor manufacturing plants, hotels and restaurants, and petroleum distribution facilities.

In adopting the budget for the ensuing fiscal year 2026, the City officials considered many factors in making judgments and estimates about the finances of the upcoming year. A primary objective was to continue to provide basic City services to the citizens while attempting to keep the property tax rate affordable.

During the upcoming fiscal year (2026), the City's management will continue to monitor and evaluate local economic conditions. In the forefront of our revenue and expenditure concerns are:

Revenue Projections:

- The City was realistic with revenue projections for fiscal year 2026. Excise tax revenues flattened out over previous years, but had a significant increase in activity. There were increases in interest income as rates remain high and recreation fees continued to outperform expectations.

Property Values and Business Development:

- The regional economy continues to see strong growth in property values. Many malls are experiencing vacancies; however, the mall area in South Portland is robust and there is expectation for new development around that area. The two semiconductor plants continue to invest in updated equipment and maintain a strong business presence internationally.

- Southern Maine continues to be a desired place to live and housing prices for real estate continue to increase, with available rental housing stock being limited and at high market rates. The City planning office is currently working with a number of new housing development projects at various stages. Southern Maine continues to be a desired place to live.

Employee Wages and Benefits:

- The City, like many other communities and businesses, continues to compete with the employee market and increased employee wages during 2025 in order to maintain current experienced staff and to attract quality talent to fill vacancies. There are still challenges with hiring in certain disciplines and the City strives to keep the talent it has hired.

- The City is proactive about improving the City’s health insurance experience rating and also has an active Wellness Program that is run by an employee committee. The City feels that by having a healthier workforce its long-term cost for both health and worker’s compensation insurance will be reduced. The health insurance increase for 2026 was estimated at 8%. The City’s Worker’s Compensation cost will increase based on wages, although the other factor for rates is the experience “mod” rate, which has been stable.

- The employer cost for funding the City’s defined benefit retirement plan did not increase for 2025 or 2026.

Major Capital Projects:

- With the exception of the Municipal Services Facility, which houses Public Works, Facilities, Parks and Bus Service departments, the City's buildings are old and tired. The Committee completed its work of evaluating the condition of buildings early of fiscal year 2024. The City Council voted in September 2024 to pursue the redevelopment of the Mahoney School Property for a consolidated City Hall, Library, and Police Station, and to renovate the Central Fire Station on-site. The City hired an owner's rep in 2025 to and also hired an architectural engineer to do conceptual design the work. The City Council established a Building Committee to advise on the Mahoney campus part of the project. The whole project has a preferred option to be recommended by the Building Committee that is expected to go to the City Council for review in early 2026.

- The Water Resources (Sewer) Department is preparing for two significant projects to start over the next two year. They will be replacing the Pearl Street Pump Station and making improvements to the dewatering systems, totaling about $50 million. The City has engaged a firm to do a feasibility study for determining sewer rates needed to support the debt and anticipate issuing revenue bonds in late CY2026.

Other Costs:

- Inflationary increases in supplies and materials increase the cost of maintaining services, facilities and infrastructure, which is reflected in the FY26 budget.

The fiscal year 2026 budget, including County Tax and Metro assessments, was approved in June 2025 with an increase of $4,534,312 in the overall general fund expenditure budget. This increase, as described above, is due to the increase in Wages/Benefits, Paving, facilities maintenance, cost of software systems and County taxes. With changes in various revenues, the impact to property taxes for the City general fund operations was an increase of about $2.8 m, or 7.8%. Taxes to support the municipal School District increased by $3.3m, or 6.2%, as approved by voter referendum. The final tax rate increased by 3.4%.

Requests for Information

This financial report is designed to provide a general overview of the City of South Portland's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of South Portland, Maine, 25 Cottage Road, South Portland, Maine 04106; finance@southportland.gov.

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BASIC FINANCIAL STATEMENTS

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CITY OF SOUTH PORTLAND, MAINE
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 25,641,846	13,067,113	38,708,959
Investments	45,018,025	-	45,018,025
Cash held in escrow	775,000	-	775,000
Receivables, net of allow. of $776,215 and $95,589	3,563,056	1,326,685	4,889,741
Taxes receivable	2,199,696	-	2,199,696
Tax liens and tax acquired property	232,583	-	232,583
Inventory	49,048	-	49,048
Notes receivable	425,419	-	425,419
Lease receivable	5,903,189	-	5,903,189
Restricted assets, cash	50,000	-	50,000
Capital assets, not being depreciated	16,282,771	6,760,042	23,042,813
Capital assets, net of accumulated depreciation	186,321,453	53,577,152	239,898,605
Total assets	286,462,086	74,730,992	361,193,078
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	6,593,249	473,098	7,066,347
Deferred outflows of resources related to OPEB	1,384,372	50,348	1,434,720
Deferred charge on refunding	557,494	-	557,494
Total deferred outflows of resources	8,535,115	523,446	9,058,561
LIABILITIES			
Accounts payable	3,803,200	443,381	4,246,581
Accrued liabilities	1,063,893	10,837	1,074,730
Unearned revenues	1,473,117	-	1,473,117
Accrued interest	964,501	9,837	974,338
Accrued teachers' summer salaries	6,442,806	-	6,442,806
Non-current liabilities:			
Due within one year	17,141,666	573,623	17,715,289
Due in more than one year	116,703,923	2,991,374	119,695,297
Total liabilities	147,593,106	4,029,052	151,622,158
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	1,288,688	111,987	1,400,675
Deferred inflows of resources related to OPEB	1,088,004	104,184	1,192,188
Deferred inflows of resources related to leases	5,619,500	-	5,619,500
Total deferred inflows of resources	7,996,192	216,171	8,212,363
NET POSITION			
Net investment in capital assets	108,756,131	57,997,778	166,753,909
Restricted for:			
Permanent Funds - Nonexpendable principal	25,000	-	25,000
Permanent Funds - Expendable	8,943	-	8,943
Education	1,509,483	-	1,509,483
Other grants	4,146,348	-	4,146,348
Tax Increment Financing	13,588,993	-	13,588,993
Unrestricted	11,373,005	13,011,437	24,384,442
Total net position	**$ 139,407,903**	**71,009,215**	**210,417,118**

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Activities
For the year ended June 30, 2025

Functions/programs	Expenses	Program Revenues: Charges for services	Program Revenues: Operating grants and contributions	Program Revenues: Capital grants and contributions	Net (expense) revenue and changes in net position: Primary Government: Governmental activities	Net (expense) revenue and changes in net position: Primary Government: Business-type activities	Net (expense) revenue and changes in net position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 22,058,126	951,112	1,524,505	345,886	(19,236,623)	-	(19,236,623)
Public safety	19,041,378	2,723,413	645,168	190,599	(15,482,198)	-	(15,482,198)
Public works	9,835,529	464,721	485,537	525,322	(8,359,949)	-	(8,359,949)
Culture and recreation	6,286,692	2,557,938	251,367	82,005	(3,395,382)	-	(3,395,382)
Transportation and waterfront	1,140,272	169,725	690,426	-	(280,121)	-	(280,121)
Health, welfare and social services	1,177,429	-	594,439	-	(582,990)	-	(582,990)
Education	78,434,836	471,655	26,878,960	-	(51,084,221)	-	(51,084,221)
Interest on debt service	4,742,924	-	-	-	(4,742,924)	-	(4,742,924)
Total governmental activities	142,717,186	7,338,564	31,070,402	1,143,812	(103,164,408)	-	(103,164,408)
Business-type activities:							
Sewer	8,207,380	8,322,348	-	-	-	114,968	114,968
Total business-type activities	8,207,380	8,322,348	-	-	-	114,968	114,968
Total primary government	**$ 150,924,566**	**15,660,912**	**31,070,402**	**1,143,812**	**(103,164,408)**	**114,968**	**(103,049,440)**
General revenues:							
Property taxes, levied for general purposes					87,705,318	-	87,705,318
Motor vehicle excise taxes					8,259,668	-	8,259,668
Cable television franchise					101,188	-	101,188
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					3,986,473	-	3,986,473
Homestead exemption					1,435,078	-	1,435,078
Other State aid					4,238,273	-	4,238,273
Unrestricted investment earnings (loss)					3,117,698	360,226	3,477,924
Miscellaneous					589,518	-	589,518
Transfers					(672,265)	672,265	-
Total general revenues and transfers					108,760,949	1,032,491	109,793,440
Change in net position					5,596,541	1,147,459	6,744,000
Net position - beginning, as previously reported					140,880,984	69,906,467	210,787,451
Changes in acounting principles					(6,614,752)	(44,711)	(6,659,463)
Error correction					(454,870)	-	(454,870)
Net position - beginning, as restated					133,811,362	69,861,756	203,673,118
Net position - ending					**$ 139,407,903**	**$ 71,009,215**	**$ 210,417,118**

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Balance Sheet
Governmental Funds
June 30, 2025

	General	Tax Increment Financing	Capital Projects	ARPA Grant	City Bus Service	City Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	$ 5,619,411	13,696,412	3,895,942	1,715,531	-	-	714,550	25,641,846
Investments	44,598,106	-	-	-	-	385,976	33,943	45,018,025
Cash held in escrow	775,000	-	-	-	-	-	-	775,000
Due from other governments	453,997	-	-	-	-	615,657	660,116	1,729,770
Accounts receivable, net of allowance of $776,215	578,597	-	-	-	-	1,254,689	-	1,833,286
Taxes receivable	2,199,696	-	-	-	-	-	-	2,199,696
Tax liens and tax acquired property	232,583	-	-	-	-	-	-	232,583
Interfund loans receivable	-	-	-	-	3,852	7,733,584	-	7,737,436
Notes receivable	-	-	-	-	-	425,419	-	425,419
Lease receivable	5,903,189	-	-	-	-	-	-	5,903,189
Inventory	-	-	-	-	-	-	49,048	49,048
Restricted assets, cash	50,000	-	-	-	-	-	-	50,000
Total assets	**60,410,579**	**13,696,412**	**3,895,942**	**1,715,531**	**3,852**	**10,415,325**	**1,457,657**	**91,595,298**
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Accounts payable	3,330,524	107,181	230,236	83,252	3,852	46,734	201,166	4,002,945
Accrued liabilities	1,045,104	238	-	-	-	18,551	-	1,063,893
Interfund loans payable	6,742,881	-	137,909	155,956	-	-	500,945	7,537,691
Unearned revenue	1,016	-	-	1,472,101	-	-	-	1,473,117
Accrued teachers' summer salaries	6,244,207	-	-	-	-	-	198,599	6,442,806
Total liabilities	17,363,732	107,419	368,145	1,711,309	3,852	65,285	900,710	20,520,452
Deferred inflows of resources:								
Unavailable revenue - property taxes	1,650,479	-	-	-	-	-	-	1,650,479
Unavailable revenue - settlement proceeds	-	-	-	-	-	977,141	-	977,141
Lease related	5,619,500	-	-	-	-	-	-	5,619,500
Total deferred inflows of resources	7,269,979	-	-	-	-	977,141	-	8,247,120
Fund balances:								
Nonspendable	283,689	-	-	-	-	-	74,048	357,737
Restricted	1,514,691	13,588,993	742,017	4,222	-	6,303,461	729,687	22,883,071
Committed	5,880,228	-	2,931,014	-	-	3,232,355	251,859	12,295,456
Assigned	4,299,514	-	-	-	-	-	-	4,299,514
Unassigned	23,798,746	-	(145,234)	-	-	(162,917)	(498,647)	22,991,948
Total fund balances	35,776,868	13,588,993	3,527,797	4,222	-	9,372,899	556,947	62,827,726
Total liabilities, deferred inflows of resources, and fund balances	**$ 60,410,579**	**13,696,412**	**3,895,942**	**1,715,531**	**3,852**	**10,415,325**	**1,457,657**	
Amounts reported for governmental activities in the statement of net position are different because:								
Capital assets and right of use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.								202,604,224
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.								2,627,620
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:								
Bond premiums								(7,142,020)
Deferred charge from refunding								557,494
Accrued compensated absences								(11,368,663)
Other postemployment benefits liabilities with related deferred inflows and outflows of resources								(13,575,946)
Accrued interest								(964,501)
Landfill closure								(71,000)
Financed purchases								(1,377,215)
Lease liabilities								(189,469)
Net pension liability with related deferred inflows and outflows of resources								(5,375,347)
Bonds and notes payable								(89,145,000)
Net position of governmental activities								**$ 139,407,903**

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2025

	General	Tax Increment Financing	Capital Projects	ARPA Grant	City Bus Service	City Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes	$ 91,754,168	3,647,574	-	-	-	-	75,000	95,476,742
Intergovernmental	31,078,173	-	-	2,812,076	690,426	1,600,754	5,117,301	41,298,730
Licenses, permits, fees and fines	1,109,386	-	-	-	-	-	-	1,109,386
Charges for services	5,004,592	-	-	-	168,925	858,360	298,489	6,330,366
Unclassified	447,314	-	142,204	-	-	163,598	411,710	1,164,826
Investment income (loss)	2,358,977	400,152	47,637	-	-	308,866	2,066	3,117,698
Total revenues	131,752,610	4,047,726	189,841	2,812,076	859,351	2,931,578	5,904,566	148,497,748
Expenditures:								
Current:								
General government	15,934,100	544,528	-	851,999	-	2,422,735	-	19,753,362
Public safety	15,720,831	-	-	179,446	-	1,212,259	-	17,112,536
Public works	5,929,736	10,000	-	485,537	-	800,860	-	7,226,133
Culture and recreation	5,099,137	-	-	200,227	-	353,708	-	5,653,072
Transportation and waterfront	89,220	-	-	-	886,398	-	-	975,618
Health, welfare and social services	1,177,429	-	-	-	-	-	-	1,177,429
Education (excluding debt service)	68,701,219	-	-	-	-	-	3,684,342	72,385,561
School lunch program	-	-	-	-	-	-	2,902,575	2,902,575
Intergovernmental	3,417,895	-	-	14,701	-	-	-	3,432,596
Other	16,679	1,865,656	-	937,839	-	-	167	2,820,341
Debt service	10,455,596	-	-	-	-	-	-	10,455,596
Capital expenditures	191,900	-	1,099,376	-	-	-	-	1,291,276
Total expenditures	126,733,742	2,420,184	1,099,376	2,669,749	886,398	4,789,562	6,587,084	145,186,095
Excess (deficiency) of revenues over (under) expenditures	5,018,868	1,627,542	(909,535)	142,327	(27,047)	(1,857,984)	(682,518)	3,311,653
Other financing sources (uses):								
Transfers in	936,639	-	548,495	-	-	58,640	375,641	1,919,415
Transfers out	(1,086,842)	(1,025,105)	-	(142,327)	(229,182)	(108,224)	-	(2,591,680)
Sale of surplus property	-	-	-	-	256,229	-	-	256,229
Issuance of financed purchases	835,623	-	-	-	-	-	-	835,623
Lease financing	66,411	-	-	-	-	-	-	66,411
Total other financing sources (uses)	751,831	(1,025,105)	548,495	(142,327)	27,047	(49,584)	375,641	485,998
Net change in fund balances	5,770,699	602,437	(361,040)	-	-	(1,907,568)	(306,877)	3,797,651
Fund balances, beginning of year, as previously reported	30,176,956	12,986,556	3,905,547	4,222	-	10,798,559	1,535,034	59,406,874
Error correction	(170,787)	-	(16,710)	-	-	170,787	(360,089)	(376,799)
Change within reporting entity	-	-	-	-	-	311,121	(311,121)	-
Fund balances, beginning of year, as restated	30,006,169	12,986,556	3,888,837	4,222	-	11,280,467	863,824	59,030,075
Fund balances, end of year	**$ 35,776,868**	**13,588,993**	**3,527,797**	**4,222**	**-**	**9,372,899**	**556,947**	**62,827,726**

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2025

Net change in fund balances - total governmental funds (from Statement 4)	$	3,797,651
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or amortization expense. This is the amount of:		
Capitalized assets		5,892,600
Right of use assets		66,411
Book value of disposed capital assets		(1,385,654)
Depreciation expense		(8,914,954)
Amortization expense		(27,893)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in unavailable revenues.		488,244
Financed purchase and lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of this principal is an expenditure in the governmental funds, but the repayments reduces long-term liabilities in the statement of net position. This is the amount of:		
Financed purchase principal repayments		353,052
Lease principal payments		26,262
Issuance of finance purchases		(835,623)
Issuance of leases		(66,411)
The amortization of the deferred charge between the principle of debt refunded and the payment to the refunding escrow over the life of the refunding bonds.		(150,122)
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Governmental funds report the effects of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of:		
Bond premium amortization		1,050,548
Bond and note principal repayments		6,495,000
Change in accruals are recorded on the statement of net position, but not on the governmental fund balance sheet. This is the amount of:		
Accrued compensated absences		(1,235,321)
Accrued interest		89,194
Other postemployment benefits and deferred inflows and outflows		(367,238)
Net pension liability and deferred inflows and outflows		306,595
Changes in long-term liabilities on the statement of net position, are expenditures in the governmental funds. This is the change of the landfill closure liability.		14,200
Change in net position of governmental activities (see Statement 2)	$	**5,596,541**

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the year ended June 30, 2025

	General Fund			
	Budget			Variance with final budget positive
	Original	Final	Actual	(negative)
Revenues:				
Taxes	$ 88,959,031	88,959,031	91,754,168	2,795,137
Intergovernmental	24,497,048	24,497,048	24,833,534	336,486
Licenses, permits, fees and fines	1,180,903	1,180,903	1,109,386	(71,517)
Charges for services	3,848,564	3,848,564	4,758,442	909,878
Intercity charges	1,168,839	1,168,839	1,715,860	547,021
Unclassified	137,188	137,188	236,479	99,291
Interest earned	750,000	750,000	1,518,502	768,502
Total revenues	120,541,573	120,541,573	125,926,371	5,384,798
Expenditures:				
Current:				
General government	17,634,616	17,634,616	16,570,005	1,064,611
Public safety	16,098,866	16,098,866	16,026,207	72,659
Public works	6,387,955	6,387,955	6,281,349	106,606
Culture, parks, and recreation	5,053,420	5,053,420	5,084,384	(30,964)
Transportation and waterfront	85,057	85,057	85,000	57
Health, welfare and social services	1,932,285	1,932,285	1,177,429	754,856
Education	69,279,601	69,279,601	70,441,775	(1,162,174)
Intergovernmental	3,417,895	3,417,895	3,417,895	-
Other	90,000	90,000	13,521	76,479
Debt service (excluding education)	2,541,018	2,541,018	2,330,777	210,241
Total expenditures	122,520,713	122,520,713	121,428,342	1,092,371
Excess (deficiency) of revenues over (under) expenditures	(1,979,140)	(1,979,140)	4,498,029	6,477,169
Other financing sources (uses):				
Budgeted use of surplus - City	860,000	860,000	-	(860,000)
Budgeted use of surplus - School	1,050,000	1,050,000	-	(1,050,000)
Transfer in	403,500	403,500	690,156	286,656
Transfers out	(334,360)	(334,360)	(1,086,842)	(752,482)
Total other financing sources (uses)	1,979,140	1,979,140	(396,686)	(2,375,826)
Net change in fund balance - budgetary basis	-	-	4,101,343	4,101,343
Reconciliation to GAAP basis:				
Unspent proceeds from issuance of financed purchases			775,000	
Change in reserves			894,356	
Net change in fund balance - GAAP basis			5,770,699	
Fund balances, beginning of year, as previously reported			30,176,956	
Error correction			(170,787)	
Fund balance, beginning of year, as restated			30,006,169	
Fund balance, end of year	**$**		**35,776,868**	

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - City Bus Service
For the year ended June 30, 2025

	City Bus Service Fund			
	Budget			Variance with final budget positive
	Original	Final	Actual	(negative)
Revenues:				
Taxes	$ 801,058	801,058	-	(801,058)
Intergovernmental	1,381,240	1,381,240	690,426	(690,814)
Charges for services	265,000	265,000	168,925	(96,075)
Total revenues	2,447,298	2,447,298	859,351	(1,587,947)
Expenditures:				
Current:				
Wages and benefits	1,718,777	1,718,777	506,204	1,212,573
Maintenance and utilities	174,966	174,966	97,556	77,410
Contracted services	182,500	182,500	172,992	9,508
Gas and oil	236,075	236,075	59,776	176,299
Supplies	91,600	91,600	30,403	61,197
Other	43,380	43,380	19,464	23,916
Total expenditures	2,447,298	2,447,298	886,395	1,560,903
Excess (deficiency) of revenues over (under) expenditures	-	-	(27,044)	(27,044)
Other financing sources (uses):				
Transfers out	-	-	(229,185)	(229,185)
Sale of surplus property	-	-	256,229	256,229
Total other financing sources (uses)	-	-	27,044	27,044
Net change in fund balance - budgetary basis	-	-	-	-
Fund balance, beginning of year			-	
Fund balance, end of year	**$**		**-**	

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statements of Net Position
Proprietary Funds
June 30, 2025, with comparative totals for June 30, 2024

	Business-type Activities - Enterprise Funds	
	Sewer	
	2025	Restated 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,067,113	13,116,139
Receivables, net of allowance of $95,589 and $107,829, respectively	1,326,145	1,506,413
Sewer liens	540	540
Total current assets	14,393,798	14,623,092
Noncurrent assets:		
Capital assets, not being depreciated	6,760,042	4,392,106
Capital assets	117,595,646	116,325,236
Accumulated depreciation	(64,018,494)	(61,668,273)
Total noncurrent assets	60,337,194	59,049,069
Total assets	**74,730,992**	**73,672,161**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	473,098	333,048
Deferred outflows of resources related to OPEB	50,348	71,452
Total Deferred Outflows of resources	523,446	404,500
LIABILITIES		
Current liabilities:		
Accounts payable	443,381	332,920
Accrued wages	10,837	2,835
Accrued interest	9,837	10,609
Current portion of noncurrent liabilities:		
Compensated absences	151,063	128,722
Net pension lability	219,874	-
Total OPEB Liability	5,584	-
Notes payable	197,102	197,102
Total current liabilities	1,037,678	672,188
Noncurrent liabilities:		
Compensated absences	184,634	202,877
Net pension lability	633,321	710,797
Total OPEB lability	378,561	384,457
Notes payable	1,794,858	1,991,960
Total noncurrent liabilities	2,991,374	3,290,091
Total liabilities	**4,029,052**	**3,962,279**
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	111,987	129,188
Deferred inflows of resources related to OPEB	104,184	123,438
Total Deferred Inflows of resources	216,171	252,626
NET POSITION		
Net investment in capital assets	57,997,778	56,860,007
Unrestricted	13,011,437	13,001,749
Total net position	**$ 71,009,215**	**69,861,756**

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statements of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the fiscal year ended June 30, 2025, with comparative totals for the fiscal year ended June 30, 2024

	Business-type Activities - Enterprise Funds	
	Sewer	
	2025	2024
Operating revenues:		
Charges for services	$ 8,262,749	7,988,543
Interest and penalties	-	251
Licenses	58,100	56,830
Other	1,499	12,964
Total operating revenues	8,322,348	8,058,588
Operating expenses:		
Personnel services	2,917,109	2,993,649
Contractual services	1,814,013	1,394,223
Supplies and materials	512,305	539,614
Fixed charges	107,603	107,148
Capital outlay	419,033	266,314
Depreciation	2,426,733	2,327,058
Total operating expenses	8,196,796	7,628,006
Operating income (loss)	125,552	430,582
Nonoperating revenues (expenses):		
Interest revenue	360,226	376,539
Interest expense	(10,584)	(17,665)
Total nonoperating revenues (expenses)	349,642	358,874
Income (loss) before transfers	475,194	789,456
Transfers in	678,129	913,476
Transfer out	(5,864)	-
Total transfers and contributions	672,265	913,476
Change in net position	1,147,459	1,702,932
Net position, beginning of year, as previously reported	69,861,756	68,203,535
Changes in acounting principles	-	(44,711)
Net position, beginning of year, as restated	69,861,756	68,158,824
Net position, end of year	**$ 71,009,215**	**69,861,756**

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statements of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2025, with comparative totals for the fiscal year ended June 30, 2024

Business-type Activities - Enterprise Funds			
		Sewer	
		2025	2024
Cash flows from operating activities:			
Receipts from customers and users	$	8,502,616	7,702,036
Payments to suppliers		(3,089,949)	(2,148,473)
Payments to employees		(2,918,324)	(2,930,688)
Net cash provided by (used in) operating activities		2,494,343	2,622,875
Cash flows from noncapital financing activities:			
Transfer from other funds		678,129	913,476
Transfers to other funds		(5,864)	-
Net cash provided by (used in) noncapital financing activities		672,265	913,476
Cash flows from capital and related financing activities:			
Purchase of capital assets		(3,367,402)	(3,994,485)
Interest paid on notes		(11,356)	(17,665)
Principal payments on notes		(197,102)	(197,102)
Net cash provided by (used in) capital and related financing activities		(3,575,860)	(4,209,252)
Cash flows from investing activities:			
Interest revenue		360,226	376,539
Net cash provided by (used in) investing activities		360,226	376,539
Net increase (decrease) in cash		(49,026)	(296,362)
Cash and cash equivalents, beginning of year		13,116,139	13,412,501
Cash and cash equivalents, end of year	**$**	**13,067,113**	**13,116,139**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$	125,552	430,582
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation		2,426,733	2,327,058
(Increase) decrease in receivables		180,268	(356,552)
Increase (decrease) in accounts payable		(236,995)	158,826
Increase (decrease) in accrued wages		8,002	967
Increase (decrease) in compensated absences		4,098	(16,515)
Increase (decrease) in pension and OPEB		(13,315)	78,509
Net cash provided by (used in) operating activities	$	2,494,343	2,622,875

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

		Private-purpose Trust Funds
ASSETS		
Cash and cash equivalents	$	22,758
Investments		5,554,383
Total assets		**5,577,141**
LIABILITIES		
Due to others		199,745
Total liabilities		**199,745**
NET POSITION		
Restricted for:		
Individuals and organizations		5,377,396
Total net position	**$**	**5,377,396**

See accompanying notes to basic financial statements.

CITY OF SOUTH PORTLAND, MAINE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2025

		Private-purpose Trust Funds
Additions:		
Donations	$	1,900
Investment earnings:		
Interest		141,940
Unrealized gain (loss)		220,724
Total additions		364,564
Deductions:		
Scholarships and other		367,594
Total deductions		367,594
Net increase (decrease) in fiduciary net position		(3,030)
Net position, beginning of year		5,380,426
Net position, end of year	**$**	**5,377,396**

See accompanying notes to basic financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of South Portland, Maine, functions under a City Manager - City Council form of government.

The financial statements of the City of South Portland have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

This report includes all funds of the City of South Portland, Maine. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to it citizens.

It is the City's judgment, based on all pertinent facts derived from the analysis of these criteria, that there are no entities that would be considered potential component units within the City of South Portland that should be included as part of these financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions, and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including lease liabilities, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due. General capital asset acquisitions, including entering into contracts giving the City of South Portland, Maine, the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Tax Increment Financing Fund accounts for resources accumulated and payments made for the Tax Increment Financing Districts established by the City.

The Capital Projects Fund accounts for the resources accumulated and payments made for the acquisition and construction of major capital facilities (other than those financed by the proprietary fund).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The ARPA Grant Fund is a special revenue fund that accounts for the federal grant obtained and expended under the American Rescue Plan Act.

The City Bus Service Fund is a special revenue fund that accounts for the operations of the City's public bus service.

The City Special Revenue Fund accounts for grants and other funding sources that are designated for specific programs or projects.

The City reports the following major proprietary fund:

The Sewer User Fund accounts for the operation of the sewer treatment plant, sewage pumping stations and collection systems.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. As such, fiduciary funds are not reported in the government-wide financial statements. The City's fiduciary funds include the following:

Private-purpose trust funds account for resources where funds are legally restricted by a formal trust agreement and may be used for purposes that benefit individuals, private organizations, or other governments. These include scholarship, education, land bank, and public library funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's governmental activities and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund is charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as time deposits and certificates of deposit owned by the City. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments are stated at fair value. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

E. Interfund Loans

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund loans receivable" or "interfund loans payable" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

F. Inventories and Prepaid Items

Inventories are valued at cost using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are generally recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. Allowance for Doubtful Accounts

The City develops its estimated allowance for doubtful accounts based on past experience of collectability with customers.

H. Restricted Assets

The City has a $50,000 deposit with the State of Maine related to workers’ compensation self insurance from prior years.

I. Leases

Lessor: The City of South Portland, Maine, is the lessor for two noncancellable leases for lease of communication towers and one lease of land along the City’s waterfront. The City of South Portland, Maine, recognizes a lease receivable and deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City of South Portland, Maine, initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lessee: The City of South Portland is a lessee in a facility lease and an equipment lease. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of $5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. When possible, the City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

J. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, sewer system and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of three years.

As the City of South Portland, Maine, constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at estimated acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Land and construction in process are not depreciated. Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	25 - 50
Right of Use Assets – Buildings	15
Building/land improvements	20
Streets, street lights, and sidewalks	10 - 20
Bridges	50
Collection and distribution systems	65
Vehicles	3 - 20
Machinery and equipment	5 - 20
Right of Use Assets – Office Equipment	5
Right of Use Assets – Buildings	15

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City provides vesting for vacation and sick leave benefits based upon length of employment. The City recognizes a liability (on a government-wide basis) for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee benefit account) during or upon separation from employment. A liability for the estimated value of leave benefits that will be paid upon separation of service or used by employees used by employees as time off is incurred in the liability for compensated absences. The liability for compensated absences includes salary-related benefits, where applicable. On a fund financial statement basis for governmental funds, only matured liabilities and liabilities expected to be liquidated with current assets are accrued. Sick leave benefits are accrued as a liability as employees earn the benefits, but only to the extent that it is probable that the City will compensate the employees through cash contained on the employees' termination or retirement. A compensated absence is liquidated in the fund where the employee's salary was paid at termination, with all compensated absences liquidated in the general fund that are associated with employees' salaries paid from governmental funds.

L. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

M. Fund Balance

Governmental fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the City imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner. The City Council is the highest level of decision making authority, and has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments by passage of an order.
- *Assigned* – resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the City's Finance Director based on prescribed policies previously established by the City Council.
- *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City's fund balance policy states when both restricted and unrestricted resources are available for use, it is the City's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the City's intent to use committed or assigned resources first, and then unassigned resources as they are needed. The City Council approved the fund balance policy and fund classifications on June 20, 2012, in order #166-10/11.

N. Interfund Transactions

Interfund services provided and used are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except internal services provided and used for transactions and reimbursements, are reported as transfers.

O. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data has not been presented in all statements because its inclusion would make certain statements unduly complex and difficult to understand.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

P. Use of Estimates

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Q. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Other Postemployment Benefits (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined based on actuary reports prepared by the OPEB Plan's actuary. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds report three types of deferred inflows of resources; unavailable revenue from property taxes, unavailable revenue from settlement proceeds, and lease related deferred inflows. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The governmental activities have three additional items that qualify for reporting in this category. One is the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The governmental activities also have deferred outflows and inflows that relate to the net pension and OPEB liabilities, which include the City's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension and OPEB liabilities in the subsequent year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

They include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between City contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

T. Net Position

Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable, notes payable, bond premiums, lease liabilities, and financed purchases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City's net investment in capital assets was calculated as follows at June 30, 2025:

	Governmental activities	Business-type activities
Capital assets and right of use assets	$ 348,494,518	124,355,688
Accumulated depreciation and amortization	(145,890,294)	(64,018,494)
Bonds/notes payable and premiums	(96,287,020)	(1,991,960)
Payables and retainage	(230,235)	(347,456)
Add back bond proceeds unexpended	3,678,352	-
Deferred outflows related to refunding of debt	557,494	-
Lease liabilities	(189,469)	-
Financed purchases	(1,377,215)	-
Net investment in capital assets	**$ 108,756,131**	**57,997,778**

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted by the City Council for the General Fund, City Bus Service Fund, and the Sewer Use Fund. The budgets are prepared substantially in accordance with accounting principles generally accepted in the United States of America, except that the general fund revenues and expenditures related to "on-behalf payments" made by the State of Maine to the Maine Public Employees Retirement System for teachers and other school employees are not budgeted. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting versus reporting under accounting principles generally accepted in the United States of America of $6,244,639.

These amounts have been included as an intergovernmental revenue and as an education expense/expenditure on Statements 2 and 4 (GAAP basis). There is no effect on the net position/fund balance at the end of the year. The Sewer Use Fund budgets for debt service principal and interest payments as an expense and does not budget for depreciation expense. In addition, capital contributions from other funds are not budgeted. The legal level of budgetary control is at the department level.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

The City maintains a gross budget model in the General Fund where the gross costs of providing services to other funds is budgeted annually within the General Fund. The City accounts for providing these services as intercity charges revenue ($3,425,209) and an equal expenditure at the department level, under the budgetary basis of accounting. These revenues and expenditures are eliminated for GAAP basis of accounting, there is no effect on fund balance/net position at the end of the year for the elimination.

Additionally, the City maintains reserves within the General Fund for specific purposes. Revenues and expenditures from these funds are not budgeted. The activity for the reserves is included in the reconciliation to GAAP basis at the bottom of Statement 6. More detail for the reserves is shown in Exhibit C.

B. Deficit Fund Balances

At June 30, 2025, the following funds had deficit fund balances:

Special Revenue Funds:			
Other Federal Grants (310157)	$ 7,932		
Other State Grants (300157)	49,811	National Semiconductor (Brown)	3,944
Wellness Committee	2,660	Texas Instruments (Stem Grant)	3
Sustainability Grants	88	United Way Adopt A School	2,778
City Council Donations	2,112	AE United Way Grant	2,214
Body Armor	1,859	Refugee Support Services Program	844
Supplemental Homeland Security	22,191	Staff Computer Training	476
County Hazmat Grant	6,270	Future Builders/Summer School	20,920
Drug Free Committee	391	Robotics	19,602
Other Federal Grants (310263)	6,016	21st Century Donations	15,066
Police Donations	8,265	Brown Friends	693
Engine 4	981	Brown/United Way Grant	766
Other State Grants (300264)	432	Adult Education	2,128
PW Other State Grants (3003720)	51,370	Elementary School Program	768
Other Federal Grants (310476)	824	Sustainability Committee	87
Friends of South Portland Libraries	1,715	School Lunch Fund	408,355
Title IA Program Improvement	7,511		
Local Entitlement	282	Private-purpose Trusts	
Preschool Grant	1	Harvie Scholarship	$ 193
McKinney-Vento Homeless	132	A Varanelli Scholarship	281
Vocational Education – 21st Century	808		
Tittle III – Language Acquisition	325	Capital Projects	
Adult Basic Education	7,595	School FY 02 Projects	$ 10,794
AE College Transitions	403	Facilities/Bus Garage	12,996
High School Musical	1,709	School FY 04 Projects	11,308
Memorial Tech Grant Koelker	1,237	School FY 25 Projects	110,136

These deficits will be funded by future grant revenue, charges for services, bond proceeds, or transfers.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

C. Excess of Expenditures Over Appropriations

The following General Fund appropriations were over-expended by the indicated dollar amounts: Culture, parks, and recreation $30,964 and Education $1,162,174. These over-expenditures were funded by receipt of revenues in excess of appropriations and under-expenditures.

DEPOSITS AND INVESTMENTS

As of June 30, 2025, the City had the following deposits and investments with the following maturities, some of which are classified as cash and cash equivalents:

	Fair value	Less than 1 year	1 – 5 years	Over 5 years
U.S. Treasury Notes	$ 5,836,465	-	4,185,969	1,650,496
Federal National Mortgage Assoc.	240,201	240,201	-	-
Federal Agriculture Mortgage Corp	1,136,990	-	339,839	797,151
Federal Home Loan Bank	2,210,919	999,759	1,211,160	-
Certificates of Deposit	38,395,098	13,983,187	23,912,009	499,902
Stock Mutual Fund	114,430	Not applicable		

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments held by the City are categorized as Level 1 inputs.

Custodial credit risk- deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2025, the City had bank balances of $49,544,781. In accordance with its investment policy, the City's funds should, whenever practicable, be fully covered under FDIC, fully insured or fully collateralized, or covered with an irrevocable stand by letter of credit, with pledged collateral being at least 102% of market value of the principal and accrued interest, and must be marked to market daily. The City's bank balances were either fully insured or collateralized at June 30, 2025.

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2025, the City had fair value investment balances of $47,934,103 of which only the stock mutual fund of $114,430 was subject to custodial credit risk. In accordance with its investment policy, the City minimizes custodial credit risk by doing business with authorized institutions, depositories, and broker/dealers, and that funds should be fully covered under FDIC, fully insured or fully collateralized, with pledged collateral being at least 102% of market value of the principal and accrued interest, and must be marked to market daily.

Credit risk – Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. U.S. Treasury Notes are not rated. As of June 30, 2025, the City's investments in Federal Home Loan Banks, Federal Farm Credit Bank, Federal Agriculture Mortgage Corporation, and Federal National Mortgage Associations were rated AA+ by Standard & Poor's. In accordance with its investment policy, the City minimizes credit risk by limiting the types of investments to be purchased and diversifying the investment portfolio so that the impact of potential losses will be minimalized.

DEPOSITS AND INVESTMENTS, CONTINUED

Interest rate risk – In accordance with its investment policy, the City structures its investment portfolio so securities mature to meet cash requirements for ongoing operations. It invests funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limits the average maturity of the portfolio.

PROPERTY TAX

Property taxes for the current period were committed on July 29, 2024, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value. The City performed a revaluation to bring assessed values in line with market values prior to the commitment date.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to $1,297,124 for the year ended June 30, 2025.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

Property taxes levied during the period were recorded as receivables at the time the levy was made. The receivables collected during the period and in the first sixty days following the end of the period have been recorded as revenues. The remaining receivables have been recorded as unavailable revenues.

The following summarizes the levy:

	2025	2024
Assessed value	$6,634,643,150	5,481,251,900
Tax rate (per $1,000)	13.20	14.14
Commitment	87,577,290	77,504,902
Supplemental	58,156	11,070
Less:		
Abatements	188,319	141,627
Collections	85,456,346	76,260,823
Current year taxes receivable at end of year	1,990,781	1,113,522
Taxes and liens receivable - prior years	441,498	453,494
Total taxes and liens receivable	**$ 2,432,279**	**1,567,016**

		2025	2024
Due dates:	1st quarter*	N/A *	August 24, 2023
	2nd quarter / 1st Half*	November 15, 2024	November 16, 2023
	3rd quarter*	N/A *	February 22, 2024
	4th quarter / 2ns Half *	May 16, 2025	May 16, 2024
Interest rate on delinquent taxes		8.54%	8.00%
Collection rate		97.73%	98.56%

* In fiscal year 2025, the City moved to semi-annual property tax billing. In 2024 and in prior years, the City had quarterly property tax billings.

CAPITAL ASSETS AND RIGHT OF USE ASSETS

Capital asset and right of use asset activity for governmental activities for the year ended June 30, 2025, was as follows:

	Restated Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 10,756,044	1,505,334	-	12,261,378
Construction	4,489,385	463,057	931,049	4,021,393
Total capital assets not being depreciated	15,245,429	1,968,391	931,049	16,282,771
Capital assets, being depreciated:				
Buildings	218,544,587	311,104	68,856	218,786,835
Improvements other than buildings	7,647,184	209,546	-	7,856,730
Machinery and equipment	23,603,076	1,480,846	835,617	24,248,305
Vehicles	21,823,047	1,701,789	5,062,617	18,462,219
Infrastructure	61,675,637	1,151,973	219,555	62,608,055
Right of use assets:				
Equipment	58,508	66,411	-	124,919
Buildings	124,684	-	-	124,684
Total capital assets being depreciated	333,476,723	4,921,669	6,186,645	332,211,747
Less accumulated depreciation for:				
Buildings	63,608,579	4,364,915	26,186	67,947,308
Improvements other than buildings	5,124,755	210,723	-	5,335,478
Machinery and equipment	15,804,211	1,477,527	747,195	16,534,543
Vehicles	13,863,750	1,337,021	3,952,595	11,248,176
Infrastructure	43,307,324	1,524,768	75,015	44,757,077
Right of use assets:				
Equipment	10,726	19,581	-	30,307
Buildings	29,093	8,312	-	37,405
Total accumulated depreciation	141,748,438	8,942,847	4,800,991	145,890,294
Total capital assets being depreciated, net	191,728,285	(4,021,178)	1,385,654	186,321,453
Governmental activities capital assets, net	**$ 206,973,714**	**(2,052,787)**	**2,316,703**	**202,604,224**

Depreciation expense and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 385,061
Public safety	1,161,042
Public works	2,041,355
Culture and recreation	715,458
Transportation and waterfront	164,654
Education	4,475,277
Total depreciation expense – governmental activities	**$ 8,942,847**

CAPITAL ASSETS AND RIGHT OF USE ASSETS , CONTINUED

Capital asset activity for business-type activities for the year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 2,224,499	-	-	2,224,499
Construction in progress	2,167,607	2,802,306	434,370	4,535,543
Total capital assets not being depreciated	4,392,106	2,802,306	434,370	6,760,042
Capital assets, being depreciated:				
Buildings	36,598,018	124,705	-	36,722,723
Improvements other than buildings	80,331	27,550	-	107,881
Machinery and equipment	22,533,837	497,021	-	23,030,858
Vehicles	1,622,090	161,287	76,512	1,706,865
Infrastructure	55,490,960	536,359	-	56,027,319
Total capital assets being depreciated	116,325,236	1,346,922	76,512	117,595,646
Less accumulated depreciation for:				
Buildings	25,490,326	752,661	-	26,242,987
Improvements other than buildings	80,331	689	-	81,020
Machinery and equipment	14,457,860	705,792	-	15,163,652
Vehicles	754,407	140,544	76,512	818,439
Infrastructure	20,885,349	827,047	-	21,712,396
Total accumulated depreciation	61,668,273	2,426,733	76,512	64,018,494
Total capital assets being depreciated, net	54,656,963	(1,079,811)	-	53,577,152
Business-type activities capital assets, net	**$ 59,049,069**	**1,722,495**	**434,370**	**60,337,194**

Depreciation expense ($2,426,733) for proprietary funds was charged entirely to the sewer fund.

LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2025, was as follows:

		Restated, Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:						
General obligation bonds	$	95,640,000	-	6,495,000	89,145,000	6,490,000
Bond premiums		8,192,568	-	1,050,547	7,142,021	957,523
Lease liabilities		149,320	66,411	26,262	189,469	31,631
Financed purchases		894,644	835,623	353,052	1,377,215	357,027
Landfill closure		85,200	-	14,200	71,000	14,200
Other postemployment benefits		13,210,135	662,179	-	13,872,314	388,124
Net pension liability		9,863,956	815,952	-	10,679,908	3,787,263
Compensated absences (a)		10,133,342	1,235,321	-	11,368,662	5,115,898
Governmental activities long-term liabilities	**$**	**138,169,165**	**3,615,486**	**7,939,061**	**133,845,589**	**17,141,666**

The liabilities for the pension-related debt, compensated absences, and other postemployment benefits are fully liquidated by the general fund.

		Restated, Beginning balance	Additions	Reductions	Ending balance	Due within one year
Business-type activities:						
Notes from direct borrowing	$	2,189,062	-	197,102	1,991,960	197,102
Net pension liability		710,797	142,398	-	853,195	219,874
Total OPEB liability		384,457	-	312	384,145	5,584
Compensated absences (a)		331,599	4,098	-	335,697	151,063
Business-type activities long-term liabilities	**$**	**3,615,915**	**146,496**	**197,414**	**3,564,997**	**573,623**

(a) The change in the compensated absences liability is presented as a net change.

Bonds payable and notes from direct borrowing at June 30, 2025, are comprised of the following:

	Date of issue	Original amount issued	Date of maturity	Interest rate	Balance June 30, 2025
Governmental activities:					
2014 HS Construction – School	4/10/2014	$ 8,850,000	4/15/2034	2.25-3.25%	3,960,000
2017 Municipal Service Facility – City	9/8/2016	12,700,000	9/1/2036	2.00-5.00%	7,620,000
2017 Advance Refund 2010 &2012	9/13/2017	15,700,000	7/15/2029	2.375-4.00%	6,940,000
2021 General Obligation Bond	8/20/2020	7,950,000	8/15/2040	2.00-5.00%	6,090,000
2022 Middle School and Traffic Bond	4/7/2022	60,785,000	10/1/2042	3.00-5.00%	54,615,000
2022 Open Space Bond	4/7/2022	4,490,000	4/1/2043	3.25-3.86%	4,040,000
2022 Refund 2012 HS Construction	4/19/2022	5,880,000	7/15/2032	2.50-3.00%	5,880,000
Total governmental activities					89,145,000

LONG-TERM DEBT, CONTINUED

	Date of issue	Original amount issued	Date of maturity	Interest rate	Balance June 30, 2025
Business-type activities:					
2009 SRF (Long Creek) *	10/7/2009	$ 749,716	10/1/2029	0.00%	121,960
2015 CWSRF *	8/30/2015	3,500,000	8/1/2035	0.35%	1,870,000
Total business-type activities					1,991,960
Total bonds and notes payable					**$ 91,136,960**

** Notes from direct borrowing.*

The annual requirements to amortize governmental activities long-term debt outstanding as of June 30, 2025, are as follows:

	Bonds		
June 30,	Principal	Interest	Total
2026	$ 6,490,000	3,279,236	9,769,236
2027	6,490,000	2,992,874	9,482,874
2028	6,485,000	2,707,587	9,192,587
2029	6,480,000	2,434,049	8,914,049
2030	6,495,000	2,172,608	8,667,608
2031-2035	27,450,000	7,278,005	34,728,005
2036-2040	19,235,000	2,963,970	22,198,970
2041-2043	10,020,000	473,095	10,493,095
Total	**$ 89,145,000**	**24,301,424**	**113,446,424**

The annual requirements to amortize business-type activity long-term debt outstanding as of June 30, 2025, are as follows:

	Notes		
June 30,	Principal	Interest	Total
2026	$ 197,102	15,060	212,162
2027	197,102	14,435	211,537
2028	197,103	13,810	210,913
2029	197,102	13,186	210,288
2030	183,551	12,561	196,112
2031-2035	850,000	53,433	903,433
2036	170,000	8,812	178,812
Total	**$ 1,991,960**	**131,297**	**2,123,257**

LONG-TERM DEBT, CONTINUED

Financed purchases payable at June 30, 2025, is comprised of the following:

	Date of issue	Original amount issued	Date of maturity	Interest rate	Balance June 30, 2025
Governmental activities:					
Fire Truck	10/24/2018	$ 963,882	10/24/2025	3.28%	130,377
Streetlights	4/30/2020	1,000,000	4/30/2030	1.83%	522,694
Nissan Leaf	5/26/2024	17,017	4/26/2028	4.90%	12,397
Truck/Ambulance/Loader	2/19/2025	775,000	2/19/2031	4.46%	664,286
Ford F-250	5/23/2025	60,623	6/15/2029	4.90%	47,461
Total governmental activities					**$ 1,377,215**

All finance purchases are secured by the underlying assets.

The annual requirements to amortize governmental activities financed purchases payable outstanding as of June 30, 2025, are as follows:

	Notes		
June 30,	Principal	Interest	Total
2026	$ 357,027	45,874	402,901
2027	229,258	34,052	263,310
2028	231,144	26,437	257,581
2029	229,986	18,891	248,877
2030	219,085	11,361	230,446
2031- 2035	110,715	4,938	115,653
Total	**$ 1,377,215**	**141,553**	**1,518,768**

The City is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the City. At June 30, 2025, the statutory limit for the City was $1,090,685,500. The City's outstanding long-term debt of $91,136,960 at June 30, 2025, was $999,550,540 less than the statutory limit.

In addition to the bonds payable, the City is contingently responsible for the following overlapping debt as of June 30, 2025:

Governmental Unit	Net debt outstanding	Applicable to South Portland	City's share of debt
Cumberland County	$ 27,686,649	2,420,705	8.74%
Portland Water District	65,168,606	8,146,076	12.50%

THE JOINTLY GOVERNED ORGANIZATION

The City of South Portland participates in a jointly governed organization, which is not part of the City's reporting entity.

ecomaine is a solid waste management corporation serving 68 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 20 member communities, ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The City is a member community in ecomaine. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to ecomaine for processing and to make service payments and pay tipping fees for such processing. The City has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in ecomaine.

Selected balance sheet information for ecomaine for the year ended June 30, 2025, includes total assets of $116,182,806, and total liabilities and deferred inflows of resources of $67,996,658 and unrestricted net position of $16,506,145. The liabilities include an accrual for landfill closure and postclosure care amounting to $19,173,138. ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2025 and a projected closing date. The separate audited financial statements of ecomaine may be obtained at their administrative office: ecomaine, 64 Blueberry Road, Portland, Maine, 04102.

LANDFILL

The City records a liability for the estimated costs of landfill closure and postclosure care, as required by government authorities. State and federal laws and regulations require the City to place a final cover on its Highland Avenue landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill ceased accepting waste, effective January 1, 1993, as required by State regulations. Since that time, the twenty-five acre landfill has remained inactive. Although it was not at capacity, its useful life was over. The City completed the landfill closure process in fiscal year 2000. At June 30, 2025, the City had recorded approximately $71,000 of estimated cost remaining related to postclosure care of the landfill. The City has amounts available in the general fund to fund these estimated costs. The actual cost may be higher due to inflation, changes in technology, or changes in regulations.

INTERFUND BALANCES AND TRANSFERS

As of June 30, 2025, interfund loans receivable and payable were as follows:

Fund	Interfund receivable	Interfund payable
General Fund	$ -	6,742,881
Capital Projects	-	137,909
ARPA Grant	-	155,956
City Bus Service	3,852	-
City Special Revenue Fund	7,733,584	-
Nonmajor Special Revenue Funds:		
School Lunch Fund	-	500,945
Private-purpose Trust Funds	-	199,745
Total interfund balances	**$ 7,737,436**	**7,737,436**

INTERFUND BALANCES AND TRANSFERS, CONTINUED

The purpose of interfund loans is to charge revenues and expenditures to the appropriate fund when that activity is accounted for through the centralized checking account. The balances represent each fund's portion of the centralized checking account.

As of June 30, 2025, interfund transfers were as follows:

Fund	Transfers in	Transfers out
General Fund	$ 936,639	1,086,842
Sewer Fund	678,129	5,864
Tax Increment Financing	-	1,025,105
Capital Projects	548,495	-
ARPA Grant	-	142,327
City Bus Service	-	229,182
City Special Revenue Funds	58,640	108,224
Nonmajor Special Revenue Funds:		
School Grant Fund	375,641	-
Total interfund transfers	**$ 2,597,544**	**2,597,544**

The primary purpose of the transfers is to move unrestricted revenues from various funds to finance various programs and capital projects that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or match funds for various grant programs. During 2025, the City's general fund made transfers to fund capital projects, fund projects in special revenue funds, and cover deficits in grant funds. The City Bus Service ended operations in the current year and transferred the remaining fund balance to the General Fund. TIF funds made transfers to fund debt service and eligible projects in the Sewer Fund and the General Fund.

FUND BALANCES

Minimum fund balance policy. The City Council has adopted a financial policy to maintain a minimum level of unassigned fund balance in the general fund. The minimum target level is set at 9% of general fund budgeted expenditures. In the event that the unassigned fund balance drops below this minimum level, the City will develop a plan, implemented through the annual budgetary process, to bring the balance back to the target level over a period of no more than three (3) fiscal years. Amounts in excess of the targeted maximum of 12% of general fund, measured on a GAAP basis, shall be used for capital improvements or other one-time expenditures as identified by the City Council.

The policy was adopted by the City to recognize the financial importance of a stable and sufficient level of unassigned fund balance. However, the City Council reserves the right to appropriate funds from the unassigned fund balance for emergencies and other requirements the City Council believes to be in the best interest of the City of South Portland. At June 30, 2025, the City maintained an unassigned general fund balance of $23,798,746 which is 18.7% of the fiscal year 2026 General Fund budget of $127,259,806.

FUND BALANCES, CONTINUED

Stabilization arrangement. In the periods of economic decline where valuation assessments are flat or decreasing, and/or periods of significant estimated revenue loss or periods of high increases in budgeted expenditures, the City Council may set aside funds in the tax rate stabilization reserve to be used to reduce the needs from taxation for the coming year(s). Funds set aside in the tax rate stabilization reserve should have a planned exit strategy to reduce the use of such reserves in subsequent budgets and should be fully funded to the extent necessary to properly provide a declining (tiered) use of this reserve for a period no greater than 5 years. The objective of this tiered approach is to lessen the impact in subsequent years for the lower estimated revenues from the tax rate stabilization reserve. The committed general fund balances include a $2,406,235 tax rate stabilization reserve at June 30, 2025, with $0 anticipated to be used in the funding of fiscal year ending June 30, 2026, budget.

As of June 30, 2025, fund balance components consisted of the following:

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Lease related	$ 283,689	-	283,689
Permanent funds	-	25,000	25,000
School lunch inventory	-	49,048	49,048
Total nonspendable	283,689	74,048	357,737
Restricted:			
Education	739,691	720,744	1,460,435
TIF funds	-	13,588,993	13,588,993
Unspent financed purchase proceeds	775,000	-	775,000
Capital projects – unspent bond proceeds	-	742,017	742,017
ARPA Fund	-	4,222	4,222
Land Bank - unspent bond proceeds	-	2,161,335	2,161,335
Grants – Housing and business development	-	559,322	559,322
Grants – Other planning and general government	-	305,639	305,639
Grants – Fire and police	-	1,965,462	1,965,462
Grants – Public Works	-	826,785	826,785
Grants – Culture and recreation	-	46,969	46,969
Grants – Public Transit	-	19,185	19,185
Donations –Culture and recreation	$ -	418,764	418,764
Permanent funds	-	8,943	8,943
Total restricted	1,514,691	21,368,380	22,883,071

FUND BALANCES, CONTINUED

	General Fund	Other Governmental Funds	Total
Committed:			
General government:			
Tax stabilization reserve	2,406,235	-	2,406,235
Climate action plan	31,951	-	31,951
Equipment replacement reserve	280,117	-	280,117
Unemployment reserve	69,671	-	69,671
Self-insurance reserve	118,994	-	118,994
Safety reserve	257,691	-	257,691
Computerization reserve	216,093	-	216,093
Litigation legal reserve	90,735	-	90,735
Municipal facilities reserve	9,093	-	9,093
Municipal buidings and land acq.	136,046	-	136,046
Other reserves	9,463	258,387	267,850
South Portland Community TV	-	417,802	417,802
Freshwater wetland fund	-	414,591	414,591
Public safety:			
Fire equipment and vehicle reserve	1,140,117	-	1,140,117
Police equipment reserves	102,418	-	102,418
Call company retirement reserve	41,097	-	41,097
Hazardous materials fund	-	84,941	84,941
Other	-	29,743	29,743
Public works:			
Snow removal reserve	449,070	-	449,070
Cummings Road sewer reserve	243,655	-	243,655
Solid waste reserve	28,910	-	28,910
Other reserves	215,028	-	215,028
Street openings and recycling funds	-	529,540	529,540
Sewer impact fund	-	685,551	685,551
Transit and waterfront:			
Thomas Knight Boat Landing and Boat Ramp	-	10,755	10,755
Culture and recreation:			
Golf course	-	629,135	629,135
Other	33,844	171,910	205,754
Education	-	251,859	251,859
Capital projects	-	2,931,014	2,931,014
Total committed	5,880,228	6,415,228	12,295,456

FUND BALANCES, CONTINUED

	General Fund	Other Governmental Funds	Total
Assigned:			
Compensated absences reserve	$ 860,388	-	860,388
Vehicle replacement – police	173,917	-	173,917
Phone system reserve	78,983	-	78,983
Outside overtime - fire	8,438	-	8,438
Outside overtime - police	32,038	-	32,038
Public works fuel distribution	89,950	-	89,950
Fiscal year 2026 capital	2,516,800	-	2,516,800
Fiscal year 2026 operating budget	539,000	-	539,000
Total assigned	4,299,514	-	4,299,514
Unassigned	23,798,746	(806,798)	22,991,948
Total fund balance	**$ 35,776,868**	**27,050,858**	**62,827,726**

For GAAP reporting of fund balance the South Portland School Department's General Fund fund balance is reported as a single restricted amount in the City's financial statements as both the City and School's fund balances are merged to a single General Fund. At June 30, 2025, the School Department's General fund reported a total fund balance of $793,691. This amount however is not fully available to the School Department to be used in operations as the School Department holds reserves and annually assigns fund balance to future periods. On a standalone basis, the School Department's General Fund fund balance is broken down as follows:

Committed Reserves	$ 246,316
Assigned to 2026 Budget	850,000
Unassigned Fund balance	(302,625)
Total Fund balance	**$ 793,691**

CONSTRUCTION COMMITMENTS

The City has entered into a contract in connection with the waste water treatment plant electrical system upgrade and the Pearl St Pump Station construction projects. The following is a summary of the commitments at June 30, 2025:

	Contract Total	Percentage Complete	Billed to Date	Balance Remaining
Treatment Plant Projects:				
Construction Services Electric	$1,928,531	85%	1,643,861	284,670
Construction Services Pump Station	1,500,000	22%	327,866	1,172,134

TAX INCREMENT FINANCING DISTRICTS

The City has established twelve tax increment financing districts under the terms of applicable state laws.

	Original value	Increase in value	TIF cap	Captured value	Captured tax
Texas Instruments TIF	$ 20,509,000	181,159,200	50%	90,579,600	1,195,651
One Wallace TIF	2,673,885	7,447,015	100%	7,447,015	98,303
Long Creek TIF	1,202,392	11,520,208	0%	-	-
Jared TIF	1,265,626	1,673,574	100%	1,673,574	22,088
Hannaford TIF	388,205	14,086,852	100%	14,086,852	185,947
Downtown TIF	192,803,329	77,998,021	100%	77,998,021	1,029,576
Transit TIF	29,533,558	10,900,842	25%	2,725,210	35,972
Affordable:					
Brick Hill TIF	-	60,685,900	100%	60,685,900	801,054
Thornton Heights TIF	558,100	4,868,700	100%	4,868,700	64,267
Avesta Westbrook TIF	334,800	16,266,400	100%	16,266,4000	214,716

The City may provide financial assistance to local economic development projects by using the new property taxes that result from the commercial investment and corresponding increase in taxable property valuation. This is accomplished by utilizing municipal tax increment financing district (TIF) in accordance with Chapter 260 of MRSA Title 30-A.

The City Council is authorized by statute to establish a Municipal Tax Increment Financing District and establish the Development Plan subject to the approval by the Commissioner of the Maine Department of Economic and Community Development.

Tax Increment Financing Districts allow the City to “shelter” the increase in property valuation from the computation of its State subsidies (General Purpose Aid to Education and Municipal Revenue Sharing) and Cumberland County tax assessments. The City would lose 50%-55% of all new property taxes due to reductions in State subsidies and increase in the City’s share of County taxes.

The Development Plan may authorize the City to enter into a Credit Enhancement Agreement (C.E.A.). The C.E.A. is a mechanism to assist the development project by using all or a portion of the incremental property tax revenues generated by the new investment to pay certain authorized project cost directly to the developer.

The City had ten approved Tax Increment Financing Districts as of June 30, 2025. For fiscal year 2025, the City captured $3,647,574 in TIF tax revenues and disbursed $1,865,656 in C.E.A. payments to four (4) developers. The remaining $1,781,918, was applied toward eligible local expenditures. The following are the C.E.A. payments that each exceed ten (10) percent of the total amount of C.E.A. payments.

The City disbursed $1,195,651 to Texas Instruments, Inc. to reimburse for investments in plant equipment to make the facility more cost competitive in the highly competitive semiconductor industry. The current amended C.E.A. became effective for fiscal year 2013 and the company annually must meet a minimum investment in the plant (three-year average) of at least $6 million, with a sliding scale reimbursement percentage based on the investment. The fiscal year 2025 reimbursement was at a 100% reimbursement of taxes captured rate.

The City disbursed $460,768 in C.E.A. payments to Long Creek Redevelopment LLC (Brick Hill TIF) to reimburse the eligible infrastructure investment that was made by the developer during the initial development. The developer reimbursement is based on a tax shift calculation formula that for fiscal year 2025 was at 57% of taxes captured.

CONTINGENT LIABILITIES

Grant Funds - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NET PENSION LIABILITY

General Information about the Pension Plans

The City contributes to two defined benefit pension plans, (1) the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and (2) the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan). Both Plans are considered cost-sharing multiple employer defined benefit pensions. As of the year ended June 30, 2025, the City had the following balances reported in the government-wide financial statements:

		Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Gain)
PLD Plan	$	9,479,944	5,256,646	1,244,304	2,278,012
SET Plan		2,053,159	1,809,701	156,371	6,486,052
Total	**$**	**11,533,103**	**7,066,347**	**1,400,675**	**8,764,064**

Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at www.mainepers.org.

Benefits Provided - The PLD and SET Plans provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). For SET members, normal retirement age is 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD) or by statute (SET).

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

PLD Plan - Employees are required to contribute 6.75% to 9.2% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2025, was 9.9% of annual payroll for the regular plan and 12.8% of annual payroll for the special plan. Contributions to the pension plan from the City were $2,443,043 for the year ended June 30, 2025.

NET PENSION LIABILITY, CONTINUED

SET Plan - Maine statute requires the State to contribute a portion of the City's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2025, was 18.98% of annual payroll of which 4.47% of payroll was required from the City and 14.51% was required from the State. Contributions to the pension plan from the City were $1,564,094 for the year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

The net pension liabilities were measured as of June 30, 2024, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The City's proportion of the net pension liabilities were based on projections of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan) and of all participating School Administrative Units and the State (SET Plan), actuarially determined.

PLD Plan - At June 30, 2025, the City reported a liability of $9,479,944 for its proportionate share of the net pension liability. $8,626,749 was allocated to government activities and $853,195 was allocated to Business-type Activities. At June 30, 2024, the City's proportion of the PLD Plan was 2.3685%

SET Plan - At June 30, 2025, the City reported a liability in governmental activities for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	$ 2,053,159
State's proportionate share of the net pension liability associated with the City	32,890,319
Total	**$ 34,943,478**

At June 30, 2024, the City's proportion of the SET Plan was 0.1496%.

For the year ended June 30, 2025, the City recognized a pension expense of $2,072,991 for the governmental activities and a pension expense of $205,021 for the business-type activities for the PLD Plan.

NET PENSION LIABILITY, CONTINUED

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the PLD plan from the following sources:

	Governmental Activities		Business-type Activities	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ 2,560,379	-	253,224	-
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	896,960	-	88,710
Changes in proportion and differences between City contributions and proportionate share of contributions	-	235,357	-	23,277
City contributions subsequent to the Measurement date	2,223,169	-	219,874	-
Total	**$ 4,783,548**	**1,132,317**	**473,098**	**111,987**

$2,223,169 for governmental activities and $219,874 for business-type activities is reported as deferred outflows of resources related to the PLD Plan resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Governmental Activities	Business-type Activities
2026	$ (269,161)	(26,620)
2027	1,990,588	196,871
2028	(119,555)	(11,824)
2029	(173,808)	(17,190)

For the year ended June 30, 2025, the City recognized pension expense of $6,486,052 in governmental activities for the SET Plan with revenue of $5,078,375 for support provided by the State.

NET PENSION LIABILITY, CONTINUED

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the SET Plan from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ 207,674	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	156,371
Changes in proportion and differences between City contributions and proportionate share of contributions	37,933	-
City contributions subsequent to the measurement date	1,564,094	-
Total	**$ 1,809,701**	**156,371**

$1,564,094 is reported in governmental activities as deferred outflows of resources related to the SET plan resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	$ (79,557)
2027	294,732
2028	(95,827)
2029	(30,112)

Actuarial Assumptions - The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	PLD Plan	SET Plan
Inflation	2.75%	2.75%
Salary increases, per year	2.75% - 11.48%	2.80% - 13.03%
Investment return, per annum, compounded annually	6.50%	6.50%
Cost of living benefit increases, per annum	1.91%	2.20%

Mortality rates for the PLD Plan were based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. Mortality rates for the SET Plan were based on 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2015, to June 30, 2020, and the economic assumptions are based on this experience study along with advice of the MPERS investment consultants.

NET PENSION LIABILITY, CONTINUED

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	5.6%
U.S. Government	10.0%	2.2%
Private equity	12.5%	7.2%
Real estate	10.0%	5.8%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.1%
Traditional credit	5.0%	2.7%
Alternative credit	10.0%	6.4%
Diversifiers	7.5%	4.8%

Discount Rate - The discount rate used to measure the total pension liability was 6.5% for the PLD Plan and SET Plan. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

Sensitivity of the City's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50% for the PLD Plan and SET Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

PLD Plan	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	$ 23,686,980	9,479,944	(2,225,023)

SET Plan	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	$ 4,308,083	2,053,159	176,316

NET PENSION LIABILITY, CONTINUED

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of June 30, 2025.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plans

The City contributes to four postemployment defined benefit plans, (1) the City's retiree health plan (City Plan), (2) the Maine Public Employees Retirement System State Employee and Teacher Group Term Life Plan (School Life Plan), (3) the Maine Public Employees Retirement System Participating Local District Life Plan (City Life Plan) and (4) the School Department's retiree health plan (School Plan). As of the year ended June 30, 2025, the City had the following balances reported in the government-wide financial statements:

		OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB (Gain) Expense
City Health Plan	$	3,896,613	530,659	1,075,868	76,996
School Life Insurance Plan		-	-	-	119,790
City Life Insurance Plan		371,667	28,763	81,735	(59,894)
School Health Plan		9,988,179	875,298	34,585	351,674
Total	**$**	**14,256,459**	**1,434,720**	**1,192,188**	**488,566**

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE

Plan Description - The City sponsors two post-retirement benefit plans providing group term life insurance to retiring employees. For municipal employees and certain School Department employees the City participates in Group Life Insurance Plan for Participating Local District (PLD). Teachers also participate in the Group Term Life Insurance Plan for State Employees and Teachers (SET). Both plans are a cost-sharing multiple-employer defined benefit OPEB plan administered by the Maine Public Employees Retirement System (MPERS). The MPERS Board of Trustees has the authority to establish and amend the benefit terms and financing requirements for each plan. MPERS issues a publicly available financial reports that are available at www.mainepers.org.

Benefits Provided - Under both the PLD and SET OPEB Plans, MPERS provides basic group life insurance benefits, during retirement, to retirees who participated in the plan prior to retirement for a minimum of 10 years. The level of coverage is initially set to an amount equal to the retirees average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or $2,500.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

Contributions - Premium rates for both the PLD and SET OPEB Plans are determined by the MPERS Board of Trustees to be actuarially sufficient to pay anticipated claims.

PLD OPEB Plan - Premiums total $0.48 per $1,000 of coverage per month during the postemployment retirement period. Contributions to the PLD OPEB plan from the City were $13,052 for the year ended June 30, 2025.

SET OPEB Plan - The State of Maine is required to remit the total dollar amount of each year's annual required contribution. Contributions to the OPEB plan by the State of Maine on-behalf of the City were $119,790 for the year ended June 30, 2025. Employers and employees are not required to contribute to the SET OPEB plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability for both the PLD and SET OPEB plans was measured as of June 30, 2024, and the net OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as that date. The City's proportion of the net OPEB liabilities was based on a projection of the City's long-term share of contributions to the PLD and SET OPEB plans relative to the projected contributions of all participating employers, actuarially determined.

PLD OPEB Plan - At June 30, 2025, the City reported a liability of $371,667 for its proportionate share of the net OPEB liability. $338,217 was allocated to governmental activities and $33,450 to business-type activities. At June 30, 2024, the City's proportion was 3.3598%.

SET OPEB Plan - At June 30, 2025, the City reported no liability related to the plan. The State of Maine's proportionate share of the net OPEB liability associated with the City was $588,775 as of June 30, 2025. At June 30, 2024, the City's proportion was 0.00%.

For the year ended June 30, 2025, the City recognized OPEB gain of $54,503 for governmental activities and a OPEB gain of $5,390 for business-type activities for the PLD OPEB Plan. For the year ended June 30, 2025, the City recognized OPEB expense for governmental activities of $119,790 and revenues of $119,790 for support provided by the State related to the SET OPEB Plan. At June 30, 2025, the City reported no deferred outflows of resources nor deferred inflows of resources related to the SET OPEB Plan.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the PLD OPEB Plan from the following sources:

	Governmental Activities		Business-type Activities	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ -	16,685	-	1,650
Changes of assumptions	-	31,715	-	3,137
Net difference between projected and actual earnings on pension plan investments	-	25,979	-	2,569
Changes in proportion and differences between City contributions and proportionate share of contributions	14,297	-	1,414	-
City contributions subsequent to the measurement date	11,877	-	1,175	-
Total	**$ 26,174**	**74,379**	**2,589**	**7,356**

An amount of $11,877 for governmental activities and $1,175 for business-type activities is reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Governmental Activities	Business-type Activities
2026	$ (50,275)	(4,972)
2027	16,254	1,608
2028	(10,744)	(1,063)
2029	(12,327)	(1,219)
2030	(2,990)	(296)

Actuarial Assumptions - The net OPEB liability in the June 30, 2024, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

	PLD OPEB Plan	SET OPEB Plan
Inflation	2.75%	2.75%
Salary increases	2.75% - 11.48%	2.80%-13.03
Investment rate of return	6.50%	6.50%

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

Mortality rates for the PLD Plan were based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. Mortality rates for the SET Plan were based on 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2015, to June 30, 2020, and the economic assumptions are based on this experience study along with advice of the MPERS investment consultants.

The long-term expected rate of return on both PLD and SET OPEB plan investments was determined using a building-block method which best estimates ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Public equities	5.6%
Traditional credit	2.7%
U.S. government securities	2.2%

Discount Rate - The rate used to measure the net OPEB liabilities for the PLD and SET OPEB plans was 6.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plans fiduciary net position was projected to be available to make all projected OPEB payments for current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net PLD OPEB plan liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net PLD OPEB plan liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability	$ 550,298	371,667	228,015

Sensitivity of the City's proportionate share of the net SET OPEB Plan liability to the changes in the discount rate are not presented as the City does not have any liability related to this plan given that the SET OPEB Plan is 100% funded by contributors from the State of Maine.

OPEB Plan Fiduciary Net Position - Detailed information about both the PLD and SET OPEB Plan's fiduciary net positions are available in a separately issued MPERS financial report.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – MMEHT

Plan Description - The City sponsors a postretirement benefit plan providing health insurance to retiring employees (hereafter referred to as the Health Plan). The plan is a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Benefits Provided - MMEHT provides healthcare benefits for retirees and their dependents. City employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium.

Employees Covered by Benefit Terms – At January 1, 2024, the following employees were covered by the Health Plan benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employee entitled to but not yet receiving benefits	-
Active employees	248
Total	267

Contributions - Eligible retirees are required to pay 100% of health insurance premiums to receive health benefit coverage and therefore, the City makes no actual contributions.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City's total Health Plan OPEB liability of $3,896,613 was measured as of January 1, 2025, and was determined through roll-forward procedures of an actuarial valuation as of January 1, 2024. $350,695 has been allocated to the business-type activities and $3,545,918 has been allocated to the governmental activities.

Changes in the Total Health Plan OPEB Liability

		Total OPEB Liability
Balance at June 30, 2024	$	3,813,686
Changes for the year:		
Service cost		179,865
Interest		128,316
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions or other inputs		(109,398)
Benefit payments		(115,856)
Net changes		82,927
Balance at June 30, 2025	$	3,896,613

Change in assumptions reflects a change in the discount rate from 3.26% to 4.08%.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – MMEHT, CONTINUED

For the year ended June 30, 2025, the City recognized OPEB expense of $6,930 for the business-type activities and $70,066 for the governmental activities related to the Health Plan. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

	Governmental Activities		Business-type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	979,040	-	96,828
Changes of assumption or other inputs	434,360	-	42,959	-
Contributions subsequent to measurement	48,540	-	4,800	-
Total	$ 482,900	979,040	47,759	96,828

An amount of $48,540 for governmental activities and an amount of $4,800 for business-type activities is reported as deferred outflows of resources related to the Health Plan OPEB resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Health Plan OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	**Governmental Activities**	**Business-type Activities**
2026	$ (140,703)	(13,916)
2027	(96,072)	(9,502)
2028	(96,076)	(9,502)
2029	(33,392)	(3,302)
2030	(56,477)	(5,586)
Thereafter	(121,960)	(12,061)

The total OPEB liability in the January 1, 2024, actuarial valuation for the Health Plan was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.38% per annum
Salary increases	2.75% per annum
Discount rate	4.08% per annum
Healthcare cost trend rates	9.76% for 2025, decreasing to 3.81% for 2045
Retirees' share of the benefit related costs	100% of projected health insurance premiums

Mortality rates for the Health Plan were based on the 2010 Public Plan General Benefits Weighted Healthy Retiree Mortality Table, respectively for males and females.

The actuarial assumptions used in the January 1, 2024, valuation for the Health Plan were based on the results of an actuarial experience study for the period June 30, 2016, through June 30, 2020.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – MMEHT, CONTINUED

Discount Rate - The rate used to measure the total OPEB liability for the Health Plan was 4.08%. Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year tax-exempt general obligation municipal bond index. The rate is assumed to be an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

Sensitivity of the Total Health Plan OPEB Liability to Changes in the Discount Rate - The following presents the City's total OPEB liability related to the Health Plan calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.08%) or 1 percentage-point higher (5.08%) than the current rate:

		1% Decrease (3.08%)	Discount Rate (4.08%)	1% Increase (5.08%)
Total OPEB liability	$	4,514,547	3,896,613	3,391,773

Sensitivity of the Total Health Plan OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the City's total OPEB liability related to the Health Plan calculated using the healthcare cost trend rates, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

		1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$	3,304,388	3,896,613	4,654,090

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – MEABT

General Information about the OPEB Plan

Plan Description - The City sponsors a post-retirement benefit plan providing health insurance to retiring employees. The plan is a single-employer defined benefit OPEB plan administered by the Maine Education Association Benefits Trust (MEABT). The State Legislature has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Benefits Provided - MEABT provides healthcare insurance benefits for retirees and their dependents. The employee must have participated in the MEABT health plan for the 12 months prior to retirement and have 10 years of continuous active service and enrollment in the health plan (under age 50), or 5 years of continuous active service and enrollment in the health plan (age 50 or above), in order to be eligible for postretirement benefits. The retiree is eligible for a State subsidy of 60% of the blended single premium for the retiree only. Under State laws, the blended premium is determined by blending rates for active members and retired members. The retiree pays 40% of the blended premium rate for coverage selected. Spouses must contribute 100% of the blended premium amounts. Thus, the total premium is paid for by both the State and the retiree and or spouse.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – MEABT, CONTINUED

Employees Covered by Benefit Terms – At June 30, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	229
Inactive employee entitled to but not yet receiving benefits	-
Active employees	538
Total	767

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City's total OPEB liability for governmental activities of $9,988,179 was measured as of June 30, 2024, and was determined by applying an actuarial valuation as of the same date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2024	$ 9,322,849
Changes for the year:	
Service cost	145,482
Interest	338,717
Changes of benefit terms	-
Differences between expected and actual experience	(102,477)
Changes in assumptions or other inputs	663,849
Benefit payments	(380,241)
Net changes	665,330
Balance at June 30, 2025	$ 9,988,179

Change in assumptions reflects a change in the discount rate from 3.65% to 3.93%.

For the year ended June 30, 2025, The City recognized OPEB expense for governmental activities of $351,674. At June 30, 2025, The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumption or other inputs	$ 520,300	-
Differences between expected and actual experience	-	34,585
City contributions subsequent to the measurement date	354,998	-
Total	$ 875,298	34,585

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – MEABT, CONTINUED

$354,998 is reported for governmental activities as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2026	$ 142,488
2027	142,487
2028	10,649
2029	138
2030	49,607
Thereafter	140,346

Actuarial Assumptions - The total OPEB liability in the June 30, 2024, actuarial valuation for the total OPEB liability was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	2.75% per year
Discount rate	3.93% per annum
Healthcare cost trend rates - Pre-Medicare	9.0% for 2025 grading over 20 years to 4.50%
Healthcare cost trend rates – Medicare	6.0% for 2025, 5.7% for 2026, 6.1% for 2027 grading over 18 years to 4.5%
Retirees' share of the benefit related costs	40% of the blended premium rate with a State subsidy for the remaining 60% of the blended premium rate

Mortality rates were based on the 2010 Public Plan Teacher Benefits Weighted Healthy Retiree Mortality Table.

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period June 30, 2015, through June 30, 2020.

Discount Rate - The rate used to measure the total OPEB liability was 3.93% per annum. Since the plan is pay as you go and is not funded, the discount rate was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the City's total OPEB liability calculated using the discount rate of 3.93%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.93%) or 1 percentage-point higher (4.93%) than the current rate:

		1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability	$	11,444,648	9,988,179	8,806,058

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – HEALTH INSURANCE – MEABT, CONTINUED

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the City's total OPEB liability calculated using the healthcare cost trend rates, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$ 8,727,748	9,988,179	11,562,666

DEFERRED COMPENSATION PLAN

The City of South Portland offers on a voluntary basis to all permanent employees working at least fifteen hours per week and covered by the City's Section 215 Agreement (Social Security), and who do not participate in the Maine Public Employees Retirement System Plan, the following options, with a City contribution: Internal Revenue Code Section 457, Deferred Compensation Plan or Internal Revenue Code Section 401(a), Defined Contribution Plan. In addition, employees who participate in the MPERS plan or 401(a) plans may also participate in the 457 Deferred Compensation Plan without a City contribution. The employees' accounts are not available until termination, retirement, death or an unforeseeable emergency. The City contributed approximately $358,836 to the plans during the year ended June 30, 2025.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions. During fiscal year 2025, the City was a member of the Maine Municipal Association Property and Casualty Risk Pool which provides auto, general liability, and property insurance, as well as the Maine Municipal Associations Workers' Compensation Fund. Members of the pools have joint and several liability. If the assets of the Pool are at any time actuarially determined to be insufficient to enable the Pool to discharge its legal liabilities and other obligations and to maintain actuarially sound reserves, the Pool has the power to make up the deficiency by the levy of a pro-rated assessment upon Pool Members for the amount needed to make up the deficiency. Management believes that no such deficiency exists at June 30, 2025. The City also maintains commercial insurance for other specific liabilities with deductibles from $1,000 to $25,000. There have been no changes in commercial coverage from the prior year and no settlements have exceeded insurance coverage in any of the past three years.

Prior to June 30, 1993, the City was partially self-insured with respect to workers' compensation insurance coverage and maintains a $50,000 restricted deposit with the State of Maine for this program. Deductible amounts under excess workers' compensation insurance coverage range from $250,000 to $350,000 per claim with an aggregate deductible ranging from $459,000 to $1,650,000. The City is also self-insured with respect to unemployment benefits.

RISK MANAGEMENT, CONTINUED

The following summarizes the claims activity with respect to the City's self-insurance programs during 2025:

	Workers' Compensation	Unemployment
Unpaid claims as of the beginning of year	$ 5,566	-
Provision for current year events	-	-
Increase in provision for prior year events	-	-
Total incurred claims	-	-
Payments:		
Claims attributable to current year	-	-
Claims attributable to prior year	-	-
Total payments	-	-
Unpaid claims, end of year	**$ 5,566**	**-**

The following summarizes the claims activity with respect to the City's self-insurance programs during 2024:

	Workers' Compensation	Unemployment
Unpaid claims as of the beginning of year	$ 4,629	-
Provision for current year events	-	
Increase in provision for prior year events	937	-
Total incurred claims	937	
Payments:		
Claims attributable to current year	-	-
Claims attributable to prior year	-	-
Total payments		
Unpaid claims, end of year	**$ 5,556**	**-**

The estimate of unpaid claims is based on a review of actual claims by an independent third party.

LEASES

Lease Receivable

The City leases cell tower space to a third party. The lease matures in 2034 and the City receives monthly payments of $2,070, which is adjusted for inflation every five years. The City recognized $23,997 in lease revenue and $11,573 in interest revenue during the current fiscal year related to this lease. As of June 30, 2025, the City's receivable for lease payments was $376,521. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was $335,959.

LEASES, CONTINUED

The City leases cell tower space to a third party. The lease matures in 2043 and the City receives monthly payments of $2,100, which is adjusted for inflation annually. The City recognized $18,133 in lease revenue and $15,813 in interest revenue during the current fiscal year related to this lease. As of June 30, 2025, the City's receivable for lease payments was $521,746. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was $512,250.

The City leases marina space to a third party. The lease matures in 2050 and the City receives monthly payments of $23,539. The City recognized $189,178 in lease revenue and $150,731 in interest revenue during the current fiscal year related to this lease. As of June 30, 2025, the City's receivable for lease payments was $4,952,691. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was $4,713,691.

The City leases theater space to a third party. The lease matures in 2030 and the City receives monthly payments of $1,200. The City recognized $14,400 in lease revenue and $2,597 in interest revenue during the current fiscal year related to this lease. As of June 30, 2025, the City's receivable for lease payments was $52,231. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was $57,600.

Lease Payable

In January, 2021, the City executed a fifteen-year agreement with Avesta Housing Management to lease a portion of a building for use as office space. The lease does not include an extension period, and rent remains fixed during term of the lease. During the year, the city paid $7,327 in principal and $3,157 of interest.

In July, 2023, the City executed a five-year agreement with OTS Lease Corp to lease photo copiers for the School Department. The lease does not include an extension period and rent remains fixed during term of the lease. During the year, the City paid $11,071 in principal and $2,146 of interest.

In 2025, the City executed a five-year agreement with OTS Lease Corp to lease photo copiers for the School Department. The lease does not include an extension period and rent remains fixed during term of the lease. During the year, the City recorded both a right of use asset and liability of $66,411 and paid $7,863 in principal and $2,148 of interest.

City of South Portland Governmental Activities (Lessee)

Year Ending June 30	Right of use asset net book value	Annual Amortization	Lease Liability – Long Term	Lease Liability – Short Term	Annual Payment	Annual Interest	Annual Principal
2026	$149,569	32,321	124,753	33,084	38,719	7,087	31,632
2027	117,248	32,321	90,147	34,606	38,719	5,635	33,084
2028	84,927	32,321	66,315	23,832	38,719	4,113	34,606
2029	58,457	26,470	52,742	13,573	26,603	2,771	23,832
2030	45,717	12,740	43,839	8,903	15,440	1,867	13,573
2031 - 2035	4,156	41,561	N/A	5,193	52,425	4,876	47,549
2036	N/A	4,156	N/A	N/A	5,242	49	5,193

SUBSEQUENT EVENTS

On November 3, 2025, the citizens of South Portland authorized new bonds in the amount of $4,660,000, with estimated interest costs of $2,201,850 to fund construction of new fields, a track, and lighting at the high school athletic complex.

RESTATEMENT OF FUND BALANCE AND NET POSITION

During the year, it was found that the School Department had recorded grant receivables that were outside of the period of performance for the grants. Due to this error, the receivables were not valid and were overstated. The overstated receivables reported in the prior year totaled $360,090. The effect of the correcting error is shown in column A of the table below.

Additionally, during the year it was discovered that the City posted sale of surplus property in the wrong fund. This error caused General Fund fund balance to be overstated and Other State Grants Fund fund balance to be understated by $170,787. The effect of the correcting error is shown in column A of the table below.

Additionally, during the year it was discovered that the City improperly recorded a receivable for a settlement that had yet to be finalized. This error caused receivables in the Capital Projects Fund to be overstated. The overstated receivables reported in the prior year totaled $94,782.

Additionally, during the year it was discovered that the City overstated retainage payable in the Capital Projects funds by booking retainage twice for the Middle School construction project. This error also caused construction ain progress to be overstated in Governmental Activities. The duplicated retainage payable totaled $78,072. The effect of the correcting error is shown in column A of the table below.

During the current year, the City implemented GASB Statement No. 101, Compensated Absences. In addition to the value of unused leave owed to employees upon termination of employment, the City now recognizes the value of sick leave more likely than not to be used as part of the liability for compensated absences. Certain salary-related payments that are directly and incrementally associated with payments for leave are included in the measurement of the liabilities (e.g., the employer portion of payroll taxes). Salary-related payments related to defined benefit pensions or defined benefit OPEB are no longer included in the measurement of liabilities for compensated absences. The effects of the change in accounting principles are summarized by column B in the table below.

In 2025, additional information was obtained and it was determined that several library trust funds did not have a nonspendable corpus as previously believed. As such, these funds were reclassified to special revenue funds. The effects of this reclassification can be seen on column C in the table below.

RESTATEMENT OF FUND BALANCE AND NET POSITION, CONTINUED

During fiscal year 2025, correction of errors in previously issued reports and the change within the reporting entity resulted in adjustments to and restatements of beginning net position and fund net position, as follows:

	June 30, 2025, as Previously Reported	Error Correction (A)	Change in Accounting Principle (B)	Change in Reporting Entity (C)	June 30, 2025, as Restated
Government-Wide					
Governmental Activities	$140,880,984	$(454,870)	$(6,614,752)	-	133,811,362
Business-Type Activities	69,906,467	-	(44,711)	-	69,861,756
Total Primary Government	210,787,451	(454,870)	(6,659,463)	-	203,673,118
Governmental Funds					
Major Funds					
General	30,176,956	(170,787)	-	-	30,006,169
TIF	12,986,556	-	-	-	12,986,556
Capital Projects	3,905,547	(16,710)	-	-	3,888,837
ARPA	4,222	-	-	-	4,222
City Special Revenue	10,798,559	170,787	-	311,121	11,280,467
Nonmajor Funds	1,535,034	(360,089)	-	(311,121)	863,824
Total Governmental Funds	59,406,874	(376,799)	-	-	59,030,075
Proprietary Funds					
Major Fund					
Sewer	69,906,467	-	(44,711)	-	69,861,756
Total Proprietary Funds	$ 69,906,467	-	(44,711)	-	69,861,756

DISPOSAL OF OPERATIONS

In January 2025, the City transferred the assets and liabilities comprising its bus service operations to the Greater Portland Metro (GPM) for the purpose of enhancing bus services and improving operational efficiency. As a result of the transfer, the City received $256,229 from Greater Portland Metro as compensation to cover the remaining local share for capital items transferred to Greater Portland Metro. This payment was equivalent to the City's net carrying value of the assets and, as a result, there was no gain or loss on the disposal of operations reported in the government-wide financial statements. The City's 2025 expenditures related to its bus service operations totaled approximately $886 thousand. 2025 revenues associated with the City's bus service operations totaled approximately $859 thousand. The City maintains limited involvement with future operations as it seeks to ensure a smooth transition and to properly close out grant funds still held in the City's name on-behalf of the bus service.

CITY OF SOUTH PORTLAND, MAINE
Required Supplementary Information

Schedule of Changes in the City's Total Health Plan OPEB Liability and Related Ratios
Last 10 Fiscal Years*

		2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability									
Service cost	$	179,865	125,659	150,948	164,571	142,250	104,897	119,463	100,023
Interest		128,316	138,446	83,927	86,028	100,308	171,098	153,762	154,034
Changes of benefit terms		-	-	-	-	-	(74,909)	-	-
Differences between expected and actual experience		-	(667,815)	-	(242,162)	-	(1,188,949)	-	50,155
Changes of assumptions or other inputs		(109,398)	686,029	(427,897)	140,622	228,289	569,061	(392,360)	227,448
Benefit payments		(115,856)	(128,098)	(140,681)	(97,965)	(94,197)	(166,351)	(159,953)	(152,457)
Net change in total OPEB Liability		82,927	154,221	(333,703)	51,094	376,650	(585,153)	(279,088)	379,203
Total OPEB liability - beginning		3,813,686	3,659,465	3,993,168	3,942,074	3,565,424	4,150,577	4,429,665	4,050,462
Total OPEB liability - ending	**$**	**3,896,613**	**3,813,686**	**3,659,465**	**3,993,168**	**3,942,074**	**3,565,424**	**4,150,577**	**4,429,665**
Covered-employee payroll	$	16,611,563	16,611,563	14,061,999	14,061,999	14,486,458	14,486,458	12,670,169	12,670,169
Total OPEB liability as a percent of covered-employee payroll		23.5%	23.0%	26.0%	28.4%	27.2%	24.6%	32.8%	35.0%

**Only eight years of information available.*

***There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB plan.*

Schedule of Changes in the School Department's Total Health Plan OPEB Liability and Related Ratios
Last 10 Fiscal Years*

		2025	2024	2023	2022	2021	2020	2019
Total OPEB Liability								
Service cost	$	145,482	144,721	184,720	170,461	89,729	76,048	81,043
Interest		338,717	329,395	207,940	209,638	325,843	339,728	325,956
Changes of benefit terms		-	-	-	-	(879,151)	-	-
Differences between expected and actual experience		(102,477)	-	58,505	-	75,776	-	-
Changes of assumptions or other inputs		663,849	(143,948)	(404,788)	73,583	847,089	479,910	(376,640)
Benefit payments		(380,241)	(332,177)	(325,593)	(328,244)	(398,008)	(358,156)	(345,777)
Net change in total OPEB Liability		665,330	(2,009)	(279,216)	125,438	61,278	537,530	(315,418)
Total OPEB liability - beginning		9,322,849	9,324,858	9,604,074	9,478,636	9,417,358	8,879,828	9,195,246
Total OPEB liability - ending	**$**	**9,988,179**	**9,322,849**	**9,324,858**	**9,604,074**	**9,478,636**	**9,417,358**	**8,879,828**
Covered-employee payroll	$	24,142,381	23,323,862	22,754,988	22,421,039	21,874,185	23,347,539	22,722,666
Total OPEB liability as a percent of covered-employee payroll		41.4%	40.0%	41.0%	42.8%	43.3%	40.3%	39.1%

**Only seven years of information available.*

***There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB plan.*

Schedule of City's Proportionate Share of the Net OPEB Liability
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)
Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018
PLD Plan								
City's proportion of the net OPEB liability	3.3598%	3.3570%	3.3468%	3.3019%	3.1859%	3.1896%	3.1390%	3.1749%
City's proportionate share of the net OPEB liability	$ 371,667	458,057	484,719	340,886	420,295	682,504	634,111	530,896
City's covered payroll	19,521,402	18,840,598	16,426,079	14,937,614	13,408,609	13,675,811	12,667,956	12,293,702
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	1.90%	2.43%	2.95%	2.28%	3.13%	4.99%	5.01%	4.32%
Plan fiduciary net position as a percentage of the total OPEB liability	67.88%	59.71%	55.88%	67.26%	55.40%	43.18%	43.92%	47.42%
SET Plan								
City's proportion of the net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
City's proportionate share of the net OPEB liability	-	-	-	-	-	-	-	-
State's proportionate share of the net OPEB liability associated with the City	588,775	805,369	916,412	450,691	928,551	890,785	893,199	852,965
Total	**$ 588,775**	**805,369**	**916,412**	**450,691**	**928,551**	**890,785**	**893,199**	**852,965**
Plan fiduciary net position as a percentage of the total OPEB liability	66.13%	56.97%	52.39%	62.90%	49.51%	49.22%	48.04%	47.29%

** Only eight years of information available.*
The amounts presented for each fiscal year were determined as of the prior fiscal year.

Schedule of City OPEB Contributions
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018
PLD OPEB Plan								
Contractually required contribution	$ 13,052	11,284	12,080	11,348	12,225	10,976	11,681	11,850
Contributions in relation to the contractually required contribution	(13,052)	(11,284)	(12,080)	(11,348)	(12,225)	(10,976)	(11,681)	(11,850)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
City's covered payroll	$ 21,721,267	19,521,402	18,840,598	16,426,079	14,937,614	13,408,609	13,675,811	12,667,956
Contributions as a percentage of covered payroll	0.06%	0.06%	0.06%	0.07%	0.08%	0.08%	0.09%	0.09%

** Only eight years of information available.*

Schedule of City's Proportionate Share of the Net Pension Liability (Asset)
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
PLD Pension Plan										
City's proportion of the net pension liability (asset)	2.3685%	2.4750%	2.5140%	2.5398%	2.5828%	2.5616%	2.5212%	2.5383%	2.5640%	2.5958%
City's proportionate share of the net pension liability (asset)	$ 9,479,944	7,897,744	6,683,127	(816,199)	10,261,907	7,829,928	6,899,904	10,392,557	13,623,357	8,281,849
City's covered payroll	19,521,402	18,840,598	16,426,079	14,937,614	13,408,609	13,675,811	12,667,956	12,293,702	11,567,444	10,562,181
City's proportionate share of net Pension liability (asset) as a percentage of its covered payroll	48.56%	41.92%	40.69%	-5.46%	76.53%	57.25%	54.47%	84.54%	117.77%	78.41%
Plan fiduciary net position as a percentage of the total pension liability	91.06%	92.34%	93.26%	100.86%	88.35%	90.62%	91.14%	86.43%	81.61%	88.27%
SET Pension Plan										
City's proportion of the net pension liability	0.150%	0.177%	0.135%	0.108%	0.079%	0.089%	0.0868%	0.1057%	0.0960%	0.0951%
City's proportionate share of the net pension liability	$ 2,053,159	2,677,009	2,005,462	916,402	1,289,610	1,304,981	1,171,829	1,534,939	1,695,765	1,284,556
State's proportionate share of the net pension liability associated with the City	32,890,319	30,605,634	27,620,276	16,399,934	32,514,810	28,353,847	26,564,893	28,198,719	33,940,464	25,808,454
Total	**$ 34,943,478**	**33,282,643**	**29,625,738**	**17,316,336**	**33,804,420**	**29,658,828**	**27,736,722**	**29,733,658**	**35,636,229**	**27,093,010**
City's covered payroll	$ 35,144,485	32,218,888	28,085,767	27,347,869	26,774,977	25,636,843	25,252,193	24,703,124	23,686,664	22,885,971
City's proportion share of the net pension liability as a percentage of its covered payroll	5.84%	8.31%	7.14%	3.35%	4.82%	5.09%	4.64%	6.21%	7.16%	5.61%
Plan fiduciary net position as a percentage of the total pension liability	87.59%	86.03%	85.79%	90.90%	81.03%	82.73%	82.90%	80.78%	76.21%	81.18%

The amounts presented for each fiscal year were determined as of the prior fiscal year.

Schedule of City Pension Contributions
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
PLD Plan										
Contractually required contribution	$ 2,443,043	2,234,306	2,207,413	1,658,161	1,732,557	1,551,737	1,565,840	1,398,549	1,300,791	1,197,620
Contributions in relation to the contractually required contribution	(2,443,043)	(2,234,306)	(2,207,413)	(1,658,161)	(1,732,557)	(1,551,737)	(1,565,840)	(1,398,549)	(1,300,791)	(1,197,620)
Contribution deficiency (excess)	**$ -**	-	-	-	-	-	-	-	-	-
City's covered payroll	$ 21,721,267	19,521,402	18,840,598	16,426,079	14,937,614	13,408,609	13,675,811	12,667,956	12,293,702	11,567,444
Contributions as a percentage of covered payroll	11.25%	11.45%	11.72%	10.09%	11.60%	11.57%	11.45%	11.04%	10.58%	10.35%
SET Plan										
Contractually required contribution	$ 1,564,094	1,570,511	1,237,092	1,078,435	1,137,004	1,113,504	1,017,746	1,002,500	829,843	795,989
Contributions in relation to the contractually required contribution	(1,564,094)	(1,570,511)	(1,237,092)	(1,078,435)	(1,137,004)	(1,113,504)	(1,017,746)	(1,002,500)	(829,843)	(795,989)
Contribution deficiency (excess)	**$ -**	-	-	-	-	-	-	-	-	-
City's covered payroll	$ 34,999,139	35,144,485	32,218,888	28,085,767	27,347,869	26,774,977	25,636,843	25,252,193	24,703,124	23,686,664
Contributions as a percentage of covered payroll	4.47%	4.47%	3.84%	3.84%	4.16%	4.16%	3.97%	3.97%	3.36%	3.36%

Net Pension Liability

Changes of Benefit Terms - None

Changes of Assumptions - The following are changes in actuarial assumptions used in the most recent valuations:

Fiscal Year	2021	2020	2019	2018	2016	2015	2014
Discount rate - PLD	6.50%	6.75%	6.75%	6.75%	6.875%	7.125%	7.250%
Discount rate - SET	6.50%	6.75%	6.75%	6.75%	6.875%	7.125%	7.125%
Inflation rate	2.75%	2.75%	2.75%	2.75%	2.75%	3.50%	3.50%
Salary increases - PLD	2.75%-11.48%	2.75% + merit	2.75-9.00%	2.75-9.00%	2.75-9.00%	3.50-9.50%	3.50-9.50%
Salary increases - SET	2.80%-13.03%	2.75% + merit	2.75-14.50%	2.75-14.50%	2.75-14.50%	3.50-13.50%	3.50-13.50%
Cost of living increases - PLD	1.91%	1.91%	1.91%	1.91%	2.20%	2.55%	3.12%
Cost of living increases - SET	2.20%	2.20%	2.20%	2.20%	2.20%	2.55%	2.55%

Mortality rates:
In 2015, mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA. From 2016 to 2020, mortality rates were based on the RP2014 Total Data Set Healthy Annuitant Mortality Table. Starting in 2021, mortality rates were based on the 2010 Public Plan General Benefits (PLD) and Teacher Benefits (SET) Weighted Healthy Retiree Mortality Tables.

Net OPEB Liability

Changes of Benefit Terms - None

Changes of Assumptions - The following are changes in actuarial assumptions used in the most recent valuations:

Fiscal Year	2021	2020	2019	2018	2017
Discount rate - SET	6.50%	6.75%	6.75%	6.75%	6.875%
Discount rate - PLD	6.50%	6.75%	4.98%	5.13%	5.41%

Mortality rates:
In 2017, mortality rates were based on the RP2014 Total Data Set Healthy Annuitant Mortality Table. Starting in 2021, mortality rates were based on the 2010 Public Plan General Benefits (PLD) and Teacher Benefits (SET) Weighted Healthy Retiree Mortality Tables.

Total OPEB Liability

Changes of Benefit Terms - Change for MEABT plan in 2021 due to addition of Medicare Advantage Plan.

Changes of Assumptions - Changes of assumptions and other inputs reflects the changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year	2025	2024	2023	2021	2020	2020	2019	2018	2017
Discount rate - MMEHT Health Plan	4.08%	3.26%	3.72%	2.06%	2.12%	2.12%	4.10%	3.44%	3.78%
Discount rate - MEABT Health Plan	3.93%	3.65%	3.54%	2.16%	2.21%	2.21%	3.87%	3.58%	N/A

Additionally, the valuation method for the Town Health Plan was changed from the Projected Unit Credit funding method in 2017 to the Entry Age Normal funding method in 2018.

Mortality rates:
In 2017-2020, mortality rates were based on the RP2014 Total Data Set Healthy Annuitant Mortality Table. Starting in 2021, mortality rates were based on the 2010 Public Plan General Benefits (MMEHT) and Teacher Benefits (MEABT) Weighted Healthy Retiree Mortality Tables.

Other Information - There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

** This schedule is intended to show information for ten years, but only the years in which changes occurred have been displayed. Additional years' information will be displayed as it becomes available.*

GENERAL FUND

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The fund pays general operating expenditures, fixed charges and capital improvement costs which are not paid through other funds.

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Exhibit A-1

CITY OF SOUTH PORTLAND, MAINE
General Fund
Comparative Balance Sheets
June 30, 2025 and 2024

		2025	Restated 2024
ASSETS			
Cash and cash equivalents	$	5,619,411	5,568,197
Investments		44,598,106	32,970,644
Cash held in escrow		775,000	-
Due from other governments		453,997	528,907
Receivables, net of allowance of $776,215		578,597	893,822
Taxes receivable		2,199,696	1,314,021
Tax liens and tax acquired property		232,583	252,995
Lease Receivable		5,903,189	6,009,459
Prepaid expenditures		-	177,921
Restricted assets, cash		50,000	50,000
Total assets		**60,410,579**	**47,765,966**
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable		3,330,524	3,185,482
Accrued liabilities		1,045,104	1,214,857
Prepaid taxes		-	177,383
Unearned revenue		1,016	20,986
Interfund loans payable		6,742,881	368,536
Accrued teachers' summer salaries and benefits		6,244,207	5,923,237
Total liabilities		17,363,732	10,890,481
Deferred inflows of resources:			
Unavailable revenue - property taxes		1,650,479	1,076,110
Lease related		5,619,500	5,793,206
Total deferred inflows of resources		7,269,979	6,869,316
Fund balances:			
Nonspendable		283,689	394,174
Restricted		1,514,691	2,803,851
Committed		5,880,228	5,895,784
Assigned		4,299,514	2,545,274
Unassigned		23,798,746	18,367,086
Total fund balances		35,776,868	30,006,169
Total liabilities, deferred inflows of resources and fund balances	**$**	**60,410,579**	**47,765,966**

CITY OF SOUTH PORTLAND, MAINE
General Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2025

		Budget	Actual	Variance positive (negative)
Revenues:				
Taxes:				
Property	$	82,019,288	83,045,767	1,026,479
Excise		6,535,000	8,259,668	1,724,668
Interest and penalties		65,000	112,322	47,322
Payments in lieu of taxes		339,743	336,411	(3,332)
Total taxes		88,959,031	91,754,168	2,795,137
Intergovernmental:				
State revenue sharing		3,758,230	3,986,473	228,243
State BETE Revenue		3,000,000	3,328,405	328,405
Homestead reimbursement		1,500,000	1,435,078	(64,922)
State education subsidy		14,665,819	14,776,676	110,857
State agency client		50,000	107,195	57,195
MaineCare		45,000	239,853	194,853
General assistance		1,093,750	594,439	(499,311)
Other State revenue		384,249	365,415	(18,834)
Total intergovernmental		24,497,048	24,833,534	336,486
Licenses, permits, fees, and fines:				
Cable franchise fee		100,000	101,188	1,188
City clerk		201,600	218,965	17,365
Planning		38,000	31,751	(6,249)
Police and Fire		84,143	77,201	(6,942)
Code enforcement		745,000	665,849	(79,151)
Other		12,160	14,432	2,272
Total licenses, permits, fees, and fines		1,180,903	1,109,386	(71,517)
Charges for services:				
Rent and leases		325,812	382,931	57,119
Finance		91,000	98,845	7,845
Fire and Police		1,474,200	1,734,213	260,013
Public works - transfer facility		147,000	169,468	22,468
Culture, Parks, and recreation		1,640,552	2,196,316	555,764
Other		-	3,503	3,503
Education		170,000	173,166	3,166
Total charges for services		3,848,564	4,758,442	909,878
Intercity charges:				
Executive		92,166	92,166	-
Finance		46,460	76,029	29,569
Information technology		125,726	125,726	-
Human resources		5,000	5,000	-
Economic Development		355,619	298,066	(57,553)
Insurance & employee benefits		223,749	174,739	(49,010)
Police and Fire		265,119	322,551	57,432
Public works		55,000	621,583	566,583
Total Intercity		1,168,839	1,715,860	547,021
Unclassified:				
City clerk		25,000	34,114	9,114
Finance		16,000	27,806	11,806
Police and fire		23,000	38,428	15,428
Planning and code enforcement		2,500	4,066	1,566
Public works		9,500	14,037	4,537
Other		11,188	10,568	(620)
Education		50,000	107,460	57,460
Total unclassified		137,188	236,479	99,291
Interest earned		750,000	1,518,502	768,502
Total revenues		120,541,573	125,926,371	5,384,798

CITY OF SOUTH PORTLAND, MAINE
General Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2025

	Budget	Actual	Variance positive (negative)
Expenditures:			
Current:			
General government:			
City council	$ 376,078	353,517	22,561
Executive	563,531	536,728	26,803
City clerk	372,462	364,573	7,889
Corporation council	203,130	166,237	36,893
Finance	1,519,749	1,513,925	5,824
Information technology	999,406	952,172	47,234
Planning	439,486	390,592	48,894
Sustainability	278,395	227,758	50,637
Human resources	530,901	495,888	35,013
Facilities	1,403,029	1,358,788	44,241
Economic Development	355,419	298,066	57,353
Citywide insurance and benefit costs	10,593,030	9,911,761	681,269
Total general government	17,634,616	16,570,005	1,064,611
Public safety:			
Police department	6,671,226	6,777,059	(105,833)
Fire department	7,112,065	7,054,559	57,506
Communications	1,625,246	1,596,647	28,599
Code enforcement	690,329	597,942	92,387
Total public safety	16,098,866	16,026,207	72,659
Public works:			
Administration	336,804	341,106	(4,302)
Streets and sidewalks	3,307,888	3,395,704	(87,816)
Rubbish disposal	1,792,793	1,746,563	46,230
Vehicle maintenance	605,446	510,585	94,861
Transfer facility	345,024	287,391	57,633
Total public works	6,387,955	6,281,349	106,606
Culture:			
Public library	914,274	872,109	42,165
Total culture	914,274	872,109	42,165
Parks and recreation:			
Administration	201,739	203,163	(1,424)
Parks	1,511,117	1,557,339	(46,222)
Pool	425,655	450,141	(24,486)
Recreation	2,000,635	2,001,632	(997)
Total parks and recreation	4,139,146	4,212,275	(73,129)
Total culture, parks, and recreation	5,053,420	5,084,384	(30,964)
Waterfront:			
Waterfront	85,057	85,000	57
Total transportation and waterfront	85,057	85,000	57

CITY OF SOUTH PORTLAND, MAINE
General Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2025

		Budget	Actual	Variance positive (negative)
Expenditures, continued:				
Current, continued:				
Health, welfare, and social services:				
Welfare:				
Administration	$	297,045	280,152	16,893
General assistance		1,597,500	861,372	736,128
Total welfare		1,894,545	1,141,524	753,021
Health		37,740	35,905	1,835
Total health, welfare, and social services		1,932,285	1,177,429	754,856
Intergovernmental - County tax		3,417,895	3,417,895	-
Other:				
Contingency and abatement reserve		90,000	13,521	76,479
Total other		90,000	13,521	76,479
Education		69,279,601	70,441,775	(1,162,174)
Debt service (excluding education):				
Principal		1,906,220	1,703,583	202,637
Interest		634,798	627,194	7,604
Total debt service		2,541,018	2,330,777	210,241
Total expenditures		122,520,713	121,428,342	1,092,371
Excess (deficiency) of revenues over (under) expenditures		(1,979,140)	4,498,029	6,477,169
Other financing sources (uses):				
Budgeted use of surplus - City		860,000	-	(860,000)
Budgeted use of surplus - School		1,050,000	-	(1,050,000)
Transfers in - City		3,500	280,324	276,824
Transfers in - School		400,000	409,832	9,832
Transfers out - City		(334,360)	(718,000)	(383,640)
Transfers out - School		-	(368,842)	(368,842)
Total other financing sources (uses)		1,979,140	(396,686)	(2,375,826)
Net change in fund balance - budgetary basis		-	4,101,343	4,101,343
Reconciliation to GAAP basis:				
Unspent proceeds from issuance of financed purchases			775,000	
Change in reserves			894,356	
Net change in fund balance - GAAP basis			5,770,699	
Fund balance, beginning of year, restated			30,006,169	
Fund balance, end of year	**$**		**35,776,868**	

CITY OF SOUTH PORTLAND, MAINE
General Fund - Education
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2025

		Budget	Actual	Variance positive (negative)
Revenues:				
Local assessment	$	52,848,782	52,848,782	-
State education subsidy		14,665,819	14,776,676	110,857
State agency client		50,000	107,195	57,195
MaineCare		45,000	239,853	194,853
Charges for services		170,000	173,166	3,166
Other		50,000	107,460	57,460
Total revenues		67,829,601	68,253,132	423,531
Expenditures:				
Current:				
Brown Elementary		2,695,602	2,402,281	293,321
Dyer Elementary		2,216,384	2,393,706	(177,322)
Kaler Elementary		2,181,837	2,268,562	(86,725)
Skillin Elementary		3,552,157	3,838,104	(285,947)
Small Elementary		2,397,823	2,422,189	(24,366)
Memorial Middle School		9,093,329	9,449,371	(356,042)
South Portland High School		8,370,972	8,537,210	(166,238)
K-12 instrumental music		161,546	157,522	4,024
6-12 athletics		1,095,594	1,010,465	85,129
Special education		12,808,375	12,792,814	15,561
Health		642,419	652,433	(10,014)
Board of Education		569,122	461,432	107,690
Superintendent of Schools		630,597	636,678	(6,081)
Assistant Superintendent		2,289,001	2,733,418	(444,417)
Curriculum		874,012	803,585	70,427
Technology		1,553,824	1,385,073	168,751
Business office		1,270,918	1,392,075	(121,157)
Operations/maintenance		5,819,242	5,857,834	(38,592)
Transportation		2,932,028	3,122,204	(190,176)
Debt service:				
Principal		5,295,362	5,476,794	(181,432)
Interest		2,829,457	2,648,025	181,432
Total expenditures		69,279,601	70,441,775	(1,162,174)
Excess (deficiency) of revenues over (under) expenditures		(1,450,000)	(2,188,643)	(738,643)
Other financing sources (uses):				
Transfers in		400,000	409,832	9,832
Transfers out		-	(368,842)	(368,842)
Budgeted use of surplus		1,050,000	-	(1,050,000)
Total other financing sources (uses)		1,450,000	40,990	(1,409,010)
Net change in fund balances - budgetary basis		-	(2,147,653)	(2,147,653)
Reconciliation to GAAP basis:				
Change in reserves			(15,959)	
Net change in fund balance - GAAP basis			(2,163,612)	
Fund balance, beginning of year			2,903,303	
Fund balance, end of year	**$**		**739,691**	

CITY OF SOUTH PORTLAND, MAINE
Reserves - General Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2025

		Fund balance beginning of year	Revenues		Expenditures	Other financing sources (uses)	Fund balance end of year
			Other	Investment earnings (loss)		Transfers	
City committed reserves:							
1801	Equipment replacement	$ 257,492	-	10,765	-	11,860	280,117
1803	Unemployment - City	69,671	-	-	-	-	69,671
1804	Self-Insurance - City	247,300	116,170	5,964	262,940	12,500	118,994
1805	Municipal facilities	41,306	-	672	52,885	20,000	9,093
1806	Safety reserve	248,661	-	10,260	1,230	-	257,691
1807	Computerization project	189,823	-	-	12,306	38,576	216,093
1809	Litigation - legal	90,735	-	-	-	-	90,735
1822	Communication equipment - police	40,245	-	-	-	10,000	50,245
1824	Body armor - police	30,712	-	1,461	-	20,000	52,173
1830	Fire	902,851	85,501	43,754	66,989	175,000	1,140,117
1834	Traffic improvements	115,985	-	-	-	-	115,985
1836	Public works equipment	69,574	80,220	3,107	53,858	-	99,043
1840	Snow removal	449,070	-	-	-	-	449,070
1842	Library	4,201	-	-	-	-	4,201
1844	Parks and Recreation equipment	16,373	12,375	895	-	-	29,643
1845	Cummings Road sewer	243,655	-	-	-	-	243,655
1847	Bus	42,641	-	-	-	(42,641)	-
1850	Senior Property Tax Program	9,234	-	-	-	-	9,234
1858	Climate Action Plan	31,951	-	-	-	-	31,951
1861	Tax stabilization	2,406,235	-	-	-	-	2,406,235
1864	Call company retirement	41,097	-	-	-	-	41,097
1869	Energy efficient	229	-	-	-	-	229
1871	Solid waste	39,910	-	-	11,000	-	28,910
1872	Municipal buildings & land acq.	136,046	-	-	-	-	136,046
	Subtotal City committed reserves	5,724,997	294,266	76,878	461,208	245,295	5,880,228
City assigned reserves:							
1828	Vehicle replacement - police	138,450	36,067	-	600	-	173,917
1867	Phone system	97,336	-	3,356	22,897	1,188	78,983
1868	Compensated absences	860,388	-	-	-	-	860,388
1899	Investment unrealized gain (loss)	(768,779)	-	759,880	-	-	(8,899)
2172	Outside OT - Police	41,379	124,582	-	133,923	-	32,038
2173	Outside OT - Fire	8,438	-	-	-	-	8,438
2176	Fuel distribution	102,519	-	-	12,569	-	89,950
	Subtotal City assigned reserves	479,731	160,649	763,236	169,989	1,188	1,234,815
	Total City reserves	6,204,728	454,915	840,114	631,197	246,483	7,115,043
School reserves:							
0202	Restricted school reserve funds:						
	School consolidation	102,832	-	-	5,800	-	97,032
	School tech upgrade	(140,813)	-	-	-	-	(140,813)
	Unemployment - School	(62,967)	-	-	12,590	-	(75,557)
	School elementary	92,581	-	-	-	-	92,581
	Self-insurance - School	7,718	-	-	-	-	7,718
	Musical program	79,410	-	-	-	-	79,410
	Maintenance	16,765	-	-	-	-	16,765
	Adult education	4,147	-	-	-	-	4,147
	Student educational support	6,926	-	-	-	-	6,926
	Laptop repair	(3,057)	2,070	-	-	-	(987)
	Special education	150,000	-	-	-	-	150,000
0456	School facility	8,733	-	361	-	-	9,094
	Total School reserves	262,275	2,070	361	18,390	-	246,316
Total reserves		**$ 6,467,003**	**456,985**	**840,475**	**649,587**	**246,483**	**7,361,359**

TIF FUNDS

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CITY OF SOUTH PORTLAND, MAINE
TIF Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2025

	2501 Fairchild Semiconductor*	2502 Texas Instruments	2503 One Wallace Avenue	2504 Cummings Road	2505 Long Creek	2507 Affordable Housing	2508 Jared	2509 Hannaford	2510 Downtown	2511 Transit	Total
Revenues:											
Taxes	$ -	1,195,651	98,303	-	-	1,080,037	22,088	185,947	1,029,576	35,972	3,647,574
Investment earnings	-	127,381	39,930	3,849	16,332	32,119	6,253	67,347	99,282	7,659	400,152
Total revenues	-	1,323,032	138,233	3,849	16,332	1,112,156	28,341	253,294	1,128,858	43,631	4,047,726
Expenditures:											
Current:											
General government	81,879	182,097	115,230	15,635	124,733	-	4,465	5,489	15,000	-	544,528
Public works	10,000	-	-	-	-	-	-	-	-	-	10,000
Other (CEA Payments)	-	1,195,651	-	-	-	670,005	-	-	-	-	1,865,656
Total expenditures	91,879	1,377,748	115,230	15,635	124,733	670,005	4,465	5,489	15,000	-	2,420,184
Excess (deficiency) of revenues over (under) expenditures	(91,879)	(54,716)	23,003	(11,786)	(108,401)	442,151	23,876	247,805	1,113,858	43,631	1,627,542
Other financing sources (uses):											
Transfers out	(584,105)	-	-	-	-	(409,832)	-	(31,168)	-	-	(1,025,105)
Total other financing sources (uses)	(584,105)	-	-	-	-	(409,832)	-	(31,168)	-	-	(1,025,105)
Net change in fund balances	(675,984)	(54,716)	23,003	(11,786)	(108,401)	32,319	23,876	216,637	1,113,858	43,631	602,437
Fund balances, beginning of year	4,979,036	2,724,528	905,614	99,051	402,815	303,324	138,585	1,536,073	1,735,635	161,895	12,986,556
Fund balances, end of year	**$ 4,303,052**	**2,669,812**	**928,617**	**87,265**	**294,414**	**335,643**	**162,461**	**1,752,710**	**2,849,493**	**205,526**	**13,588,993**

** 2501 Fairchild Semiconductor TIF expired June 30, 2024*

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CAPITAL PROJECTS FUNDS

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Exhibit E

CITY OF SOUTH PORTLAND, MAINE
Capital Project Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2025

			Restated Fund balance (deficit) beginning of year, restated	Revenues				Other financing sources (uses)		Fund balance (deficit) end of year
				Other	Intergov-ernmental	Investment earnings	Expenditures	Issuance of debt	Transfers	
City capital projects:										
4011	Paving	$	75,284	-	-	3,114	-	-	-	78,398
4012	Bug Light Park		19,178	-	-	-	-	-	-	19,178
4018	Chlorination/dechlorinate		17,227	-	-	-	-	-	-	17,227
4045	City FY 03 projects		132	-	-	-	-	-	-	132
4059	City Facilities		7,883	-	-	-	-	-	112,117	120,000
4061	Library CIP		22,067	-	-	-	-	-	-	22,067
4063	Police CIP		174,474	-	-	3,767	10,993	-	-	167,248
4064	Fire CIP		618,958	-	-	6,564	-	-	30,210	655,732
4072	Public works CIP		368,678	-	-	21,861	191,689	-	31,168	230,018
4077	Parks and recreation CIP		250,229	-	-	-	6,965	-	-	243,264
4079	Municipal services facility		41,027	-	-	1,111	3,174	-	-	38,964
4080	Bus CIP		98,285	-	-	-	-	-	-	98,285
4081	Waterfront CIP		12,990	-	-	-	-	-	-	12,990
4151	Municipal projects CIP		248,692	-	-	-	845	-	-	247,847
4155	Information technology CIP		7,180	-	-	-	-	-	-	7,180
4156	Planning CIP		253,287	-	-	-	16,993	-	-	236,294
4157	Sustainability CIP		14,622	-	-	-	-	-	-	14,622
4164	Cash Corner Fire Station		304,642	-	-	-	-	-	-	304,642
4200	CIP		1,069,028	-	-	-	578,372	-	375,000	865,656
	Total City capital projects		3,603,863	-	-	36,417	809,031	-	548,495	3,379,744
School capital projects:										
0300	Middle School Project		287,818	142,204	-	10,798	167,244	-	-	273,576
0301	School FY 02 projects		(10,794)	-	-	-	-	-	-	(10,794)
0304	Facilities/Bus Garage		(12,996)	-	-	-	-	-	-	(12,996)
0400	School FY 03 projects		151	-	-	6	-	-	-	157
0401	School FY 04 projects		1,634	-	-	23	12,965	-	-	(11,308)
0402	School FY 01 projects		235	-	-	10	-	-	-	245
0403	School FY 05 projects		9,256	-	-	383	-	-	-	9,639
0404	School FY 07 projects		2,334	-	-	-	-	-	-	2,334
0407	School FY 25 projects		-	-	-	-	110,136	-	-	(110,136)
0455	School FY 08 projects		7,336	-	-	-	-	-	-	7,336
	Total School capital projects		284,974	142,204	-	11,220	290,345	-	-	148,053
Total capital projects		**$**	**3,888,837**	**142,204**	**-**	**47,637**	**1,099,376**	**-**	**548,495**	**3,527,797**

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ALL OTHER GOVERNMENTAL FUNDS

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CITY OF SOUTH PORTLAND, MAINE
All Other Governmental Funds
Combining Balance Sheet
June 30, 2025

		Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents		714,550	-	714,550
Investments	$	-	33,943	33,943
Due from other governments		660,116	-	660,116
Inventory		49,048	-	49,048
Total assets		**1,423,714**	**33,943**	**1,457,657**
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable		201,166	-	201,166
Interfund loans payable		500,945	-	500,945
Accrued teachers' summer salaries		198,599	-	198,599
Total liabilities		900,710	-	900,710
Fund balances:				
Nonspendable		49,048	25,000	74,048
Restricted		720,744	8,943	729,687
Committed		251,859	-	251,859
Unassigned		(498,647)	-	(498,647)
Total fund balances		523,004	33,943	556,947
Total liabilities and fund balances	**$**	**1,423,714**	**33,943**	**1,457,657**

Exhibit F-2

CITY OF SOUTH PORTLAND, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2025

		Nonmajor Special Revenue Funds	Nonmajor Permanent Fund	Total Other Governmental Funds
Revenues:				
Taxes	$	75,000	-	75,000
Intergovernmental		5,117,301	-	5,117,301
Charges for services		298,489	-	298,489
Investment income (loss)		-	2,066	2,066
Other		411,710	-	411,710
Total revenues		5,902,500	2,066	5,904,566
Expenditures:				
Current:				
Education		3,684,342	-	3,684,342
School lunch program		2,902,575	-	2,902,575
Other		-	167	167
Total expenditures		6,586,917	167	6,587,084
Excess (deficiency) of revenues over (under) expenditures		(684,417)	1,899	(682,518)
Other financing sources (uses):				
Transfers in (out)		375,641	-	375,641
Total other financing sources (uses)		375,641	-	375,641
Net change in fund balances		(308,776)	1,899	(306,877)
Fund balances, beginning of year, as restated		831,780	32,044	863,824
Fund balances, end of year	**$**	**523,004**	**33,943**	**556,947**

NONMAJOR SPECIAL REVENUE FUNDS

Nonmajor special revenue funds account for specific resources, the expenditure of which is restricted by law or administrative action for particular purposes.

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CITY OF SOUTH PORTLAND, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2025

		School Grant Funds	School Adult Education	Student Activity Funds	School Lunch Fund	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and cash equivalents	$	462,468	223	251,859	-	714,550
Due from other governments		566,345	-	-	93,771	660,116
Inventory		-	-	-	49,048	49,048
Total assets		**1,028,813**	**223**	**251,859**	**142,819**	**1,423,714**
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable		199,985	-	-	1,181	201,166
Interfund loans payable		-	-	-	500,945	500,945
Accrued teachers' summer salaries		198,459	140	-	-	198,599
Total liabilities		398,444	140	-	502,126	900,710
Fund balances:						
Nonspendable		-	-	-	49,048	49,048
Restricted		720,661	83	-	-	720,744
Committed		-	-	251,859	-	251,859
Unassigned		(90,292)	-	-	(408,355)	(498,647)
Total fund balances (deficit)		630,369	83	251,859	(359,307)	523,004
Total liabilities and fund balances	**$**	**1,028,813**	**223**	**251,859**	**142,819**	**1,423,714**

CITY OF SOUTH PORTLAND, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2025

		School Grant Funds (Schedule 2)	School Adult Education	Student Activity Funds	School Lunch Fund	Total Nonmajor Special Revenue Funds
Revenues:						
Taxes	$	-	75,000	-	-	75,000
Intergovernmental		3,183,770	16,361	-	1,917,170	5,117,301
Charges for services		-	-	31,029	267,460	298,489
Other		300,520	-	109,137	2,053	411,710
Total revenues		3,484,290	91,361	140,166	2,186,683	5,902,500
Expenditures:						
Current:						
Education		3,472,349	91,527	120,466	-	3,684,342
School lunch program		-	-	-	2,902,575	2,902,575
Total expenditures		3,472,349	91,527	120,466	2,902,575	6,586,917
Excess (deficiency) of revenues over (under) expenditures		11,941	(166)	19,700	(715,892)	(684,417)
Other financing sources (uses):						
Transfers in (out)		375,641	-	-	-	375,641
Total other financing sources and (uses)		375,641	-	-	-	375,641
Net change in fund balances		387,582	(166)	19,700	(715,892)	(308,776)
Fund balances, beginning of year, as restated		242,787	249	232,159	356,585	831,780
Fund balances, end of year	**$**	**630,369**	**83**	**251,859**	**(359,307)**	**523,004**

PROPRIETARY FUND

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CITY OF SOUTH PORTLAND, MAINE

Proprietary Fund
Schedule of Revenues, Expenses, and Changes in Net Position -
Budget and Actual
For the year ended June 30, 2025

	Budget			Variance with final budget positive
	Original	Final	Actual	(negative)
Operating revenues:				
Charges for services	$ 8,076,097	8,076,097	8,262,749	186,652
Licenses	57,900	57,900	58,100	200
Other	-	-	1,499	1,499
Total operating revenues	8,133,997	8,133,997	8,322,348	188,351
Operating expenses:				
Administration	204,607	204,607	197,065	7,542
Treatment plant	1,435,917	1,435,917	1,237,304	198,613
Pump stations	738,164	738,164	659,338	78,826
Billing	236,916	236,916	242,787	(5,871)
Sewer maintenance	1,062,302	1,062,302	1,129,620	(67,318)
Engineering	288,344	288,344	211,066	77,278
Debt service	94,747	94,747	94,747	-
Compliance	117,646	117,646	110,611	7,035
Sludge disposal	925,454	925,454	770,543	154,911
Insurance	1,186,099	1,186,099	1,019,905	166,194
Total operating expenses	6,290,196	6,290,196	5,672,986	617,210
Operating income	1,843,801	1,843,801	2,649,362	805,561
Nonoperating revenue (expense):				
Interest revenue	75,000	75,000	113,664	38,664
Capital reserve	-	(700,000)	(700,000)	-
Equipment reserve	(1,651,739)	(1,651,739)	(1,651,739)	-
Total nonoperating expenses	(1,576,739)	(2,276,739)	(2,238,075)	38,664
Income before transfers	267,062	(432,938)	411,287	844,225
Other financing sources (uses):				
(Contribution to) Use of Surplus	(266,198)	433,802	-	(433,802)
Transfers out	(864)	(864)	(5,864)	(5,000)
Total other financing uses	(267,062)	432,938	(5,864)	(438,802)
Change in net position - budgetary basis	-	-	405,423	405,423
Reconciliation to GAAP basis:				
Revenues and expenditures in the reserve funds are included on the GAAP basis, but not the budgetary basis:				
Reserve revenues			246,562	
Reserve expenditures			(3,351,480)	
Transfers into reserves			2,351,739	
Transfers in/out from other funds			564,419	
Capital outlays are recorded as expenditures on the budgetary basis, but are capitalized and expensed over their useful life on the GAAP basis:				
Purchase of capital assets			3,150,439	
Depreciation expense			(2,426,733)	
Change in accruals are recorded on the GAAP basis, but not on the budgetary basis:				
Pension and OPEB			9,217	
Interest expense			771	
Note proceeds provide current financial resources on a budgetary basis, but issuing debt increases long-term liabilities on the statement of net position.				
Repayment of bond principal is an expenditure on the budgetary basis, but reduces the long-term liability on the GAAP basis:				
Note principal			197,102	
Change in net position - GAAP basis			1,147,459	
Net position, beginning of year			69,861,756	
Net position, end of year			**$ 71,009,215**	

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SCHEDULES

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Schedule 1

CITY OF SOUTH PORTLAND, MAINE
City Special Revenues
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2025

		Fund balance (deficit) beginning of year, restated	Revenues		Expenditures	Other financing sources (uses)		Fund balance (deficit) end of year
			Inter-governmental	Other		Issuance of debt	Transfers	
General Government:								
	Federal grants:							
2115	CDBG - Entitlement Community	$ 9,051	472,001	-	472,899	-	-	8,153
2155	Housing Revolving Loan	414,431	-	14,000	-	-	-	428,431
2251	Brownfields Grant	15,678	37,577	-	37,577	-	-	15,678
3100	Other Federal Grants (310157)	-	-	-	7,932	-	-	(7,932)
3100	Other Federal Grants (310786)	-	33,712	-	-	-	(33,712)	-
	State grants:							
2031	Watershed Plan	28,860	2,496	-	-	-	-	31,356
2138	Greater Portland Public Development	56,970	-	-	-	-	-	56,970
2154	Land Use Regulation Grant	233	-	-	-	-	-	233
3000	Other State Grants (300157)	(34,692)	-	-	15,119	-	-	(49,811)
	Other:							
2008	Restoration of Records	1,254	-	-	-	-	-	1,254
2042	Business Development Revolving Loan	55,090	-	-	5,000	-	-	50,090
2044	Employee Appreciation Fund	69,301	-	22,564	11,377	-	-	80,488
2053	Wallace Avenue Directional	2,556	-	115	-	-	-	2,671
2057	Downeast Energy Traffic Improvement	5,487	-	246	-	-	-	5,733
2058	NE Audio/Tweeter Sidewalks	11,644	-	483	-	-	-	12,127
2067	Toys "R" Us Sidewalks	12,186	-	2,301	-	-	-	14,487
2088	SPCTV	481,022	-	231,316	284,016	-	(10,520)	417,802
2094	Gannett Traffic Signal Escrow	33,986	-	1,368	-	-	-	35,354
2097	Wellness Committee	(1,473)	-	10,620	11,807	-	-	(2,660)
2108	Longhorn Steakhouse Escrow	21,678	-	830	-	-	-	22,508
2114	Millcreek Traffic Impact	16,045	-	664	-	-	-	16,709
2120	Evan/Highland Toddle Inn Escrow	26,410	-	1,093	-	-	-	27,503
2129	Westbrook/Western Escrow	57,972	-	2,398	-	-	-	60,370
2136	Knightville/Mill Creek Plan	7,981	-	-	-	-	-	7,981
2139	Brick Hill Traffic Escrow	1,386	-	57	-	-	-	1,443
2146	Heating Assistance	34,142	-	29,385	17,783	-	-	45,744
2149	Westbrook/South Portland Assessing	915	-	-	-	-	-	915
2161	War Memorial	2,001	-	-	-	-	-	2,001
2165	Freshwater Wetland Fund	374,699	-	39,892	-	-	-	414,591
2169	John Roberts Road Escrow	2,550	-	-	-	-	-	2,550
2179	Land Bank Trust	3,575,157	-	102,253	1,516,075	-	-	2,161,335
2188	Long Creek Tragedy Memorial	237	-	-	-	-	-	237
2196	Solar	125,000	-	-	-	-	50,000	175,000
2257	Sustainability Grants	(88)	-	-	-	-	-	(88)
2400	City Council Donations (240150)	2,875	-	65	5,052	-	-	(2,112)
2400	Planning Donations (240156)	32,489	-	-	27,482	-	-	5,007
2400	Sustainability Donations (240157)	9,539	-	4,215	10,616	-	-	3,138
2400	Facilities Donations (240159)	9,217	-	-	-	-	-	9,217
	Total General Government	5,461,789	545,786	463,865	2,422,735	-	5,768	4,054,473

CITY OF SOUTH PORTLAND, MAINE
City Special Revenues
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2025

		Fund balance (deficit) beginning of year, restated	Revenues: Inter-governmental	Revenues: Other	Expenditures	Other financing sources (uses): Issuance of debt	Other financing sources (uses): Transfers	Fund balance (deficit) end of year
Public Safety:								
Federal grants:								
2023	Distracted Driver/OUI Grants	$ 5,749	-	-	-	-	-	5,749
2050	Asset Forfeiture - Federal	2,040,246	1,551	74,746	621,080	-	-	1,495,463
2064	Seat Belt Enforcement Grant	721	-	-	-	-	-	721
2102	Body Armor	(1,859)	-	-	-	-	-	(1,859)
2121	Supplemental Homeland Security	(47,452)	151,372	-	126,111	-	-	(22,191)
2125	County Hazmat Grant	2,008	15,000	-	23,278	-	-	(6,270)
2126	State Hazmat Grant	5,226	-	-	-	-	-	5,226
2151	Justice Assistance Grant	6,313	-	-	1,784	-	-	4,529
2160	Speed Enforcement	6,077	-	-	-	-	-	6,077
2195	Drug Free Community	-	124,319	-	124,710	-	-	(391)
3100	Other Federal Grants (310263)	(5,446)	31,486	-	35,977	-	3,921	(6,016)
3100	Other Federal Grants (310264)	4,072	27,714	-	31,786	-	-	-
State grants:								
2049	Asset Forfeiture - State	11,643	-	482	-	-	-	12,125
Other:								
2018	Hazardous Materials	84,941	-	-	-	-	-	84,941
2086	Police Donations	(8,835)	-	625	55	-	-	(8,265)
2142	SP Police Youth Program	3,982	-	-	-	-	-	3,982
2156	Engine 4	(981)	-	-	-	-	-	(981)
2174	Fire Donation	8,970	-	425	4,339	-	-	5,056
2178	Outside OT - Code Enforcement	5,041	-	-	-	-	-	5,041
2182	Compliance Check	970	-	-	-	-	-	970
2194	Fire Training	10,600	-	-	-	-	-	10,600
2400	Other Police Donations (240263)	6,647	-	392	3,708	-	-	3,331
2400	Other Fire Donations (240264)	-	-	3,825	3,062	-	-	763
3000	Other State Grants (300263)	-	-	-	-	-	4,719	4,719
3000	Other State Grants (300264)	170,787	-	-	171,219	-	-	(432)
3000	Opioid Settlement Funds (300263)	386,990	109,013	-	65,150	-	-	430,853
	Total Public Safety	2,696,410	460,455	80,495	1,212,259	-	8,640	2,033,741

CITY OF SOUTH PORTLAND, MAINE
City Special Revenues
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2025

		Fund balance (deficit) beginning of year, restated	Revenues: Inter-governmental	Revenues: Other	Expenditures	Other financing sources (uses): Issuance of debt	Other financing sources (uses): Transfers	Fund balance (deficit) end of year
Public Works:								
	Federal grants:							
3100	Other Federal Grants (3103720)	$ -	447,030	-	447,030	-	-	-
	State grants:							
2046	State Aid Highway Block Grant	1,023,505	-	-	136,408	-	(60,312)	826,785
3000	PW Other State Grants (300300 & 3003720)	(30,894)	100,445	-	120,921	-	-	(51,370)
	Other:							
2024	Recycling	6,424	-	-	-	-	-	6,424
2025	Donations	176	-	-	-	-	-	176
2082	Street Openings	491,604	-	114,985	83,541	-	(108)	522,940
2084	Sewer Impact	473,878	-	224,633	12,960	-	-	685,551
	Total Public Works	1,964,693	547,475	339,618	800,860	-	(60,420)	1,990,506
Culture and Recreation:								
	Federal grants:							
3100	Other Federal Grants (310476)	(824)	-	-	-	-	-	(824)
3100	Other Federal Grants (310477)	482	47,038	-	551	-	-	46,969
	Other:							
2035	Tree Fund	6,671	-	-	4,711	-	-	1,960
2037	Debevoise Tennis Court	2,127	-	-	-	-	-	2,127
2056	Library Donations	465,546	-	21,068	95,523	-	-	391,091
2071	Golf Course	477,944	-	342,485	191,222	-	(72)	629,135
2072	Recreation	75	-	-	-	-	-	75
2073	Donations to Parks and Recreation	50,145	-	9,488	31,960	-	-	27,673
2076	Art in the Park	52,964	-	31,819	19,817	-	-	64,966
2116	GE Erskine Park	1,987	-	-	-	-	-	1,987
2152	Friends of South Portland Libraries	(2,094)	-	8,950	8,571	-	-	(1,715)
2189	Communities Promoting Health	575	-	-	-	-	-	575
2317	Brown Hill Cemetery	64,231	-	2,624	-	-	(3,500)	63,355
2400	Other Parks/Rec Donations (240477)	6,806	-	29,612	1,353	-	-	35,065
2400	Other Library Donations (240476)	1,800	-	-	-	-	-	1,800
	Total Culture and Recreation	1,128,435	47,038	446,046	353,708	-	(3,572)	1,264,239
Transportation and Waterfront:								
	Federal grants:							
2041	Planning/Capital Grants	8,194	-	-	-	-	-	8,194
2093	Rural Transit Assistance Grant	2,283	-	-	-	-	-	2,283
3100	Other Federal Grants (310580)	8,708	-	-	-	-	-	8,708
	Other:							
2074	Boat Ramp	3,617	-	-	-	-	-	3,617
2117	Thomas Knight Boat Landing	6,338	-	800	-	-	-	7,138
	Total Transportation and Waterfront	29,140	-	800	-	-	-	29,940
	Total	**$ 11,280,467**	**1,600,754**	**1,330,824**	**4,789,562**	**-**	**(49,584)**	**9,372,899**

CITY OF SOUTH PORTLAND, MAINE
School Grant Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2025

		Restated Fund balance (deficit) beginning of year	Revenues	Expenditures	Transfers	Fund balance (deficit) end of year
Federal Grants:						
0230	Title IA - Disadvantaged	$ -	587,519	587,519	-	-
0231	Title IA - Program Improvement	(7,511)	-	-	-	(7,511)
0240	Title IV - Student Support and AE	(36,219)	77,496	77,496	36,445	226
0247	Local Entitlement	(144,996)	1,187,668	1,187,668	144,714	(282)
0251	Preschool Grant	(17,334)	8,180	8,180	17,333	(1)
0260	Coronavirus Relief	(103,271)	424	-	103,271	424
0261	McKinney-Vento Homeless	(52,950)	120,684	120,816	52,950	(132)
0263	Vocational Education - 21st Century	(808)	-	-	-	(808)
0264	Title V	348	-	-	-	348
0268	Title III - Language Acquisition	-	96,550	96,875	-	(325)
0270	Title II A - Supporting Effective Instruction	7,136	205,128	205,128	5,376	12,512
0271	Pre K Spec Ed	19,127	192,445	192,445	-	19,127
0275	Elementary School Program	(769)	36,956	36,955	-	(768)
0295	Adult Basic Education	(2,700)	28,027	32,922	-	(7,595)
0297	Adult English Language Literature	-	46,625	46,337	-	288
	Total federal grants	(339,947)	2,587,702	2,592,341	360,089	15,503
State Grants:						
0216	MMSA Cooperating School	2,704	-	-	-	2,704
0220	MSLN Grant	16,703	-	-	-	16,703
0221	Health & Wellness Grants:					
	Health & Wellness	420	-	-	-	420
	Dental Study	3,427	-	-	-	3,427
	Action for Healthy Kids	10	-	-	-	10
	Integrated Youth Health Survey	300	-	-	-	300
	AE College Transitions	(401)	27,247	27,249	-	(403)
	Extended Learning	-	15,127	15,127	-	-
0223	State Proficiency Grants	150,642	210,222	210,222	-	150,642
0224	Partners in Arts & Learning	386	-	-	-	386
0225	Reading Recovery	1,248	-	-	-	1,248
0228	Art Department Grant	2,000	-	-	-	2,000
0229	State Agency Clients	17,082	-	-	-	17,082
0262	WAVES / Teens to trails	54	329,293	329,293	-	54
0284	E-Rate	(5,593)	14,179	-	-	8,586
	Total state grants	188,982	596,068	581,891	-	203,159
Local Grants and Other Special Funds:						
0200	SPHS Auditorium:					
	SPHS Auditorium	70,071	47,247	22,822	-	94,496
	Elaine Wolfson Memorial	1,158			-	1,158
0201	Local SPHS:					
	High School Musical	7,348	21,182	30,239	-	(1,709)
	High School Aspirations	4,755	-	720	-	4,035
	SPHS Friends	8,466	-	2,204	-	6,262
	SPHS Class of 1940	100	-	-	-	100
	Readiness Partnership	178	-	-	-	178
	Sustainability Committee	(87)	-	-	-	(87)
	Study Abroad	-	12,714	-	-	12,714
	Vicious Cycle	1,783	-	-	-	1,783
	Substance Abuse Prevention	1,235	-	-	-	1,235
0203	Primary Books	4,810	-	-	-	4,810
		99,817	81,143	55,985	-	124,975

CITY OF SOUTH PORTLAND, MAINE
School Grant Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2025

		Fund balance (deficit) beginning of year	Revenues	Expenditures	Transfers	Fund balance (deficit) end of year
Local Grants and Other Special Funds, Continued:						
0204	Local Grants:					
	Memorial Tech Grant Koelker	$ (1,237)	-	-	-	(1,237)
	National Semiconductor (Morneault)	174	-	-	-	174
	National Semiconductor (Brown)	(3,944)	-	-	-	(3,944)
	National Semiconductor (STEM Grant)	76	-	-	-	76
	Texas Instruments (Stem Grant)	(3)	-	-	-	(3)
	Innovative Idea (Thurlow)	1,558	-	-	-	1,558
	Summer Music (Memorial)	9	-	-	-	9
	Kids Consortium Memorial	477	-	-	-	477
	Memorial Friends	16,563	-	4,974	-	11,589
	Friends of Portland	-	25,000	5,581	-	19,419
	Great Bay Foundation - Kaler	444	-	-	-	444
	Target Kaler Prof. Development Grant	750	-	-	-	750
	Girls Leadership Initiative	31	-	-	-	31
	Donations	10,213	-	-	-	10,213
	Transition Books	1,414	1,000	-	-	2,414
	School Nutrition Donations	13,424	-	-	-	13,424
	Project Based Learning	3,425	-	-	-	3,425
	MEA Wellness Program	2,127	-	-	-	2,127
	Unum/Skillin/Mem Stem Reg	1,045	-	-	-	1,045
	United Way Brick/Beam	3,727	-	-	-	3,727
	ME Communication Foundation Family	(18,470)	54,087	24,294	-	11,323
	United Way Adopt A School	(2,778)	-	-	-	(2,778)
	Community Donation Family	3,965	500	2,913	-	1,552
	East Point Church Homeless Grant	4,069	-	582	-	3,487
	ME Communication Foundation WIFI	7,000	-	-	-	7,000
	King Foundation	3,475	-	1,156	-	2,319
	Catholic Charities	(1,492)	8,072	3,651	-	2,929
	Adult Education United Way Grant	(1,037)	-	1,177	-	(2,214)
	Opportunity Alliance-Completers Coord	22,237	-	378	-	21,859
	Refugee Support Services Program	814	-	1,658	-	(844)
	South Portland Rotary Club	3,610	-	173	-	3,437
	John T. Gorman Foundation	96,782	-	94,183	-	2,599
0205	Local Boosters:					
	MSSPA Playoffs	26,670	2,239	3,356	-	25,553
	SPHS Athletic Shed	5,000	-	-	-	5,000
	Johnson Athletic	65,047	-	-	8,752	73,799
	Athletic Sponsorship Program	40,575	37,134	-	-	77,709
0206	Southern Maine (LCA) Project	137	-	-	-	137
0207	Dyer Friends	420	-	-	-	420
0208	Staff Computer Training	(476)	-	-	-	(476)
0209	Future Builders/Summer School	(20,920)	-	-	-	(20,920)
0211	Robotics	(19,602)	-	-	-	(19,602)
0212	21st Century Donations	(15,066)	-	-	-	(15,066)
0213	Quest	7,551	-	-	-	7,551
0214	Skillin Local:					
	Skillin Playground	655	-	-	-	655
	Friends Skillin Library	2,915	4,275	6,718	-	472
	Skillin Natural Science	1,116	-	-	-	1,116
	Skillin Friends	50	-	-	-	50
	Skillin Winterkids Games	788	-	-	-	788
	Skillin Donations	475	-	-	-	475
0215	Gates Teacher Leader Grant	1,500	-	-	-	1,500
0217	Art Donations	882	-	-	-	882
0218	Small Friends	209	-	-	-	209
0219	Local Friends Grants:					
	Brown Friends	(693)	-	-	-	(693)
	Mary F Marsh Book	5,651	-	-	-	5,651
	Mahoney Friends	2,325	-	-	-	2,325
	Kaler Friends	3,218	-	-	-	3,218
	Brown/United Way Grant	(766)	-	-	-	(766)
	Donations	365	-	-	-	365
0222	Special Education Access Channel	5,924	-	4,269	6,800	8,455
0227	Teamwork for Kids - Fallon	1,000	-	-	-	1,000
0233	Adult Education	(2,129)	87,070	87,069	-	(2,128)
0615	Adult Ed Enrichment	12,666	-	-	-	12,666
	Total local grants and other special funds	393,752	300,520	298,117	15,552	411,707
	Total	**$ 242,787**	**3,484,290**	**3,472,349**	**375,641**	**630,369**

Schedule 3

CITY OF SOUTH PORTLAND, MAINE
Private-purpose Trust Funds
Combining Schedule of Changes in Fiduciary Net Position
For the year ended June 30, 2025

		Net position beginning of year	Additions			Deductions	Net position end of year
			Donations/ other	Interest income	Realized and unrealized gain (loss)		
Private-purpose trusts:							
0801	Dora Small Trust	$ 10,541	-	262	419	52	11,170
0803	Lewis Trust (School)	1,116,025	-	30,110	45,682	58,428	1,133,389
0804	Alley Scholarship	6,953	-	200	296	544	6,905
0805	Davidson Scholarship	1,706	-	69	89	516	1,348
0806	Elliot Scholarship	3,537	-	115	162	526	3,288
0807	Friese Scholarship	1,538	-	65	82	515	1,170
0808	Harvie Scholarship	(206)	-	9	5	1	(193)
0809	Naylon Scholarship	5	-	-	-	-	5
0810	Norwood Scholarship	93,643	-	1,785	9,725	1,488	103,665
0811	Reynolds Scholarship	85	-	2	3	-	90
0812	Robinson Scholarship	34	-	1	1	-	36
0813	Schwartz Scholarship	920	-	23	37	5	975
0814	Smart Scholarship	4,205	-	186	223	544	4,070
0815	Super Runion Scholarship	4,725	-	145	208	532	4,546
0816	Wiggin Scholarship	4,892	-	149	215	533	4,723
0817	Paul Fiore Scholarship	7,095	-	177	280	38	7,514
0818	John Millington Scholarship	6,399	-	213	300	1,043	5,869
0819	Stu Brown Scholarship	91	-	4	-	-	95
0820	William Linskey Memorial	4,419	-	128	189	29	4,707
0821	SPHS Recycle Club Scholarship	1	-	-	-	-	1
0822	Governor's Restaurant Scholarship	3	-	-	-	-	3
0823	Book Trust	208	-	11	12	3	228
0824	Eagles Association Scholarship	1	-	-	-	-	1
0825	Sherrie Libby Scholarship	8,293	-	219	338	546	8,304
0826	Gustaf W Johnson Scholarship	417,593	-	11,428	17,077	24,998	421,100
0827	A Varanelli Scholarship	(259)	-	-	(19)	3	(281)
0828	Downing Trust	198	-	-	-	-	198
0829	Robert Graff Scholarship	112	-	30	31	1	172
0830	Rosella Loveitt Trust	1,407	-	35	57	5	1,494
0831	Deveboise Scholarship	9,518	-	521	-	2,000	8,039
0833	Walker Scholarship	2,450	1,900	81	125	1,018	3,538
0835	Ralph Baxter Scholarship	1,436	-	36	57	8	1,521
0836	Scholars	87,469	-	2,642	-	4,000	86,111
0837	Steve Linskey Scholarship	19,000	-	133	464	2,025	17,572
0838	Class of 1948 Scholarship	3,535,915	-	92,626	143,813	268,088	3,504,266
7506	Eleanor Hatch Trust	16,898	-	421	672	82	17,909
7509	HRC Scholarship	13,576	-	114	181	23	13,848
	Total private-purpose trusts	**$ 5,380,426**	**1,900**	**141,940**	**220,724**	**367,594**	**5,377,396**

STATISTICAL SECTION



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STATISTICAL SECTION

This part of City of South Portland's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Tables
Financial Trends *These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*	1-5
Revenue Capacity *These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.*	6-11
Debt Capacity *These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.*	12-14
Demographic and Economic Information *These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.*	15-16
Operating Information *These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.*	17-19

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Table 1

CITY OF SOUTH PORTLAND, MAINE
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities:										
Net investment in capital assets	$ 79,523,948	$ 82,323,833	$ 82,508,257	$ 84,566,316	$ 88,649,566	$ 99,288,948	$ 99,347,533	$ 100,756,168	$ 107,219,129	$ 108,756,131
Restricted	12,399,159	14,425,257	11,510,846	11,326,214	13,056,972	15,909,639	15,910,094	21,014,273	21,705,125	19,278,767
Unrestricted	13,880,761	15,435,585	13,762,193	9,526,783	8,668,984	5,806,948	10,993,663	11,642,543	11,956,730	11,373,005
Total governmental activities net position	$ 105,803,868	$ 112,184,675	$ 107,781,296	$ 105,419,313	$ 110,375,522	$ 121,005,535	$ 126,251,290	$ 133,412,984	$ 140,880,984	$ 139,407,903
Business-type activities:										
Net investment in capital assets	$ 50,111,131	$ 49,737,946	$ 49,680,645	$ 52,833,701	$ 53,385,092	$ 54,564,870	$ 55,801,493	$ 54,995,478	$ 56,860,007	$ 57,997,778
Restricted	4,617,231	3,434,257	6,901,280	5,418,253	4,042,278	-	-	-	-	-
Unrestricted	8,277,339	8,164,927	7,867,011	6,556,199	7,318,996	10,064,140	11,178,972	13,208,057	13,046,460	13,011,437
Total business-type activities net position	$ 63,005,701	$ 61,337,130	$ 64,448,936	$ 64,808,153	$ 64,746,366	$ 64,629,010	$ 66,980,465	$ 68,203,535	$ 69,906,467	$ 71,009,215
Primary government:										
Net investment in capital assets	$ 129,635,079	$ 132,061,779	$ 132,188,902	$ 137,400,017	$ 142,034,658	$ 153,853,818	$ 155,149,026	$ 155,751,646	$ 164,079,136	$ 166,753,909
Restricted	17,016,390	17,859,514	18,412,126	16,744,467	17,099,250	15,909,639	15,910,094	21,014,273	21,705,125	19,278,767
Unrestricted	22,158,100	23,600,512	21,629,204	16,082,982	15,987,980	15,871,088	22,172,635	24,850,600	25,003,190	24,384,442
Total primary government net position	$ 168,809,569	$ 173,521,805	$ 172,230,232	$ 170,227,466	$ 175,121,888	$ 185,634,545	$ 193,231,755	$ 201,616,519	$ 210,787,451	$ 210,417,118

CITY OF SOUTH PORTLAND, MAINE
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
Expenses	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Governmental activities:										
General government	$ 13,747,918	$ 13,548,355	$ 13,958,497	$ 11,097,687	$ 16,587,038	$ 15,648,947	$ 13,610,118	$ 19,518,522	$ 19,680,609	$ 22,058,126
Public safety	13,000,756	13,344,042	13,857,160	14,378,122	14,715,423	15,538,227	16,888,738	18,023,452	18,006,699	19,041,378
Public works	6,873,549	7,641,727	8,159,709	7,990,357	8,840,505	8,028,758	8,141,159	7,283,330	6,455,860	9,835,529
Culture and recreation	4,587,976	4,372,866	4,938,167	4,911,749	4,762,474	4,474,919	4,958,930	5,376,084	5,552,621	6,286,692
Transportation and waterfront	1,596,383	1,814,621	1,982,271	2,060,680	2,075,168	1,937,271	2,349,034	2,219,244	2,357,789	1,140,272
Health, welfare and social services	521,834	506,108	559,095	566,904	684,709	735,182	1,001,015	1,767,371	1,506,145	1,177,429
Education	47,943,450	50,058,768	51,900,039	53,243,047	53,789,458	58,136,143	60,054,061	65,913,144	76,029,612	75,532,261
School lunch	1,721,538	1,803,337	1,820,284	1,885,962	1,797,884	1,640,669	2,310,607	2,780,287	2,855,429	2,902,575
Interest on debt service	1,328,266	1,695,611	1,272,571	1,100,838	1,273,613	1,382,369	1,952,654	3,188,722	2,693,253	4,742,924
Total governmental activities expenses	91,321,670	94,785,435	98,447,793	97,235,346	104,526,272	107,522,485	111,266,316	126,070,156	135,138,017	142,717,186
Business-type activities:										
Sewer	6,154,095	6,203,347	6,345,116	6,455,769	6,540,614	6,564,090	6,461,378	7,198,247	7,645,671	8,207,380
Total business-type activities expenses	6,154,095	6,203,347	6,345,116	6,455,769	6,540,614	6,564,090	6,461,378	7,198,247	7,645,671	8,207,380
Total primary government expenses	$ 97,475,765	$ 100,988,782	$ 104,792,909	$ 103,691,115	$ 111,066,886	$ 114,086,575	$ 117,727,694	$ 133,268,403	$ 142,783,688	$ 150,924,566
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 831,509	$ 442,734	$ 414,864	$ 414,772	$ 443,867	$ 914,546	$ 890,999	$ 900,631	$ 845,075	$ 951,112
Public safety	1,715,339	2,090,407	1,919,169	1,898,476	2,815,926	2,536,995	2,508,844	2,468,632	2,916,074	2,723,413
Public works	308,979	386,056	242,771	253,305	449,198	332,688	351,645	321,841	364,232	464,721
Culture and recreation	1,078,408	1,119,989	1,316,027	1,410,321	915,697	922,346	1,637,511	2,036,492	2,273,805	2,557,938
Transportation and waterfront	389,317	376,949	374,004	375,738	291,494	166,254	209,253	274,990	318,082	169,725
Education	105,425	126,000	126,463	124,996	125,000	136,500	185,200	143,351	68,435	204,195
School lunch program	559,536	556,652	639,552	659,174	431,029	40,797	221,176	324,023	393,732	267,460
Operating grants and contributions	13,373,025	14,780,259	15,318,974	14,806,576	17,615,005	24,900,449	24,456,740	30,677,045	34,741,598	31,070,402
Capital grants and contributions	1,917,714	1,783,472	468,032	375,205	334,302	501,471	1,420,388	798,230	940,563	1,143,812
Total governmental activities program revenues	20,279,252	21,662,518	20,819,856	20,318,563	23,421,518	30,452,046	31,881,756	37,945,235	42,861,596	39,552,778
Business-type activities:										
Charges for services:										
Sewer	5,922,343	6,008,622	6,015,315	6,080,533	5,865,711	6,268,760	6,788,661	7,325,491	8,058,588	8,322,348
Capital grants and contributions	100,000	254,765	-	-	113,954	-	18,100	-	-	-
Total business-type activities program revenues	6,022,343	6,263,387	6,015,315	6,080,533	5,979,665	6,268,760	6,806,761	7,325,491	8,058,588	8,322,348
Total primary government program revenues	$ 26,301,595	$ 27,925,905	$ 26,835,171	$ 26,399,096	$ 29,401,183	$ 36,720,806	$ 38,688,517	$ 45,270,726	$ 50,920,184	$ 47,875,126

CITY OF SOUTH PORTLAND
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Net (expense)/revenue										
Governmental activities	$ (71,042,418)	$ (73,122,927)	$ (77,627,937)	$ (76,916,783)	$ (81,104,754)	$ (77,070,439)	$ (79,384,560)	$ (88,084,520)	$ (92,267,421)	$ (103,164,408)
Business-type activities	(131,752)	60,040	(329,801)	(375,236)	(560,949)	(295,330)	345,383	127,244	412,917	114,968
Total primary government net (expense)/revenue	$ (71,174,170)	$ (73,062,887)	$ (77,957,738)	$ (77,292,019)	$ (81,665,703)	$ (77,365,769)	$ (79,039,177)	$ (87,957,276)	$ (91,854,504)	$ (103,049,440)
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	$ 63,183,208	$ 64,164,888	$ 65,519,757	$ 68,265,075	$ 70,532,733	$ 72,217,939	$ 71,392,201	$ 75,525,375	$ 77,770,378	$ 87,705,318
Motor vehicle excise tax	7,241,370	7,100,567	7,595,421	7,893,886	6,147,045	7,064,080	6,212,025	6,471,436	7,952,666	8,259,668
Cable television franchise	120,000	120,000	120,000	120,000	120,000	100,000	104,050	142,451	101,399	101,188
Unrestricted grants and contributions	4,427,881	4,911,784	4,883,857	5,165,596	6,218,797	7,374,404	8,987,849	10,823,266	9,588,119	9,659,824
Miscellaneous	945,284	986,617	824,864	1,002,266	956,662	710,746	773,866	351,410	816,387	589,518
Investment income (loss)	630,112	411,583	407,993	1,578,387	2,506,266	206,551	(940,127)	1,230,064	3,383,369	3,117,698
Transfers	(1,856,609) (a)	1,808,295	(3,363,343)	(620,941)	(420,540)	(120,138)	(3,112,160)	(119,335)	(913,476)	(672,265)
Total governmental activities	$ 74,691,246	$ 79,503,734	$ 75,988,549	$ 83,404,269	$ 86,060,963	$ 87,553,582	$ 83,417,704	$ 94,424,667	$ 98,698,842	$ 108,760,949
Business-type activities:										
Interest and investment earnings	76,744	79,684	78,264	113,512	78,622	57,836	106,523	264,677	376,539	360,226
Miscellaneous	-	-	-	-	-	-	-	120,416	-	-
Transfers	1,856,609 (a)	(1,808,295)	3,363,343	620,941	420,540	120,138	3,112,160	119,335	913,476	672,265
Total business-type activities	1,933,353	(1,728,611)	3,441,607	734,453	499,162	177,974	3,218,683	504,428	1,290,015	1,032,491
Total primary government	$ 76,624,599	$ 77,775,123	$ 79,430,156	$ 84,138,722	$ 86,560,125	$ 87,731,556	$ 86,636,387	$ 94,929,095	$ 99,988,857	$ 109,793,440
Change in Net Position										
Governmental activities	$ 3,648,828	$ 6,380,807	$ (1,639,388)	$ 6,487,486	$ 4,956,209	$ 10,483,143	$ 4,033,144	$ 6,340,147	$ 6,431,421	$ 5,596,541
Business-type activities	1,801,601	(1,668,571)	3,111,806	359,217	(61,787)	(117,356)	3,564,066	631,672	1,702,932	1,147,459
Total primary government	$ 5,450,429	$ 4,712,236	$ 1,472,418	$ 6,846,703	$ 4,894,422	$ 10,365,787	$ 7,597,210	$ 6,971,819	$ 8,134,353	$ 6,744,000

(a) The business-type activities transfer was a result of sewer pipe infrastructure entered into Public Works, but should have been attributed to Water Resource Protection.

Table 3

CITY OF SOUTH PORTLAND, MAINE
Program Revenues by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function/Program										
Governmental activities:										
General government	$ 1,404,226	$ 1,109,773	$ 1,069,957	$ 962,243	$ 1,568,829	$ 2,488,145	$ 2,308,846	$ 2,260,844	$ 2,216,100	$ 2,821,503
Public safety	1,919,288	2,472,100	2,289,257	2,284,069	3,363,956	3,580,886	4,088,034	5,389,539	4,224,265	3,559,180
Public works	1,738,026	1,187,743	517,024	582,644	722,018	740,358	843,663	321,841	1,303,552	1,475,580
Culture and recreation	1,078,408	1,119,989	1,316,027	1,410,321	915,697	946,720	1,667,894	2,062,081	2,918,210	2,891,310
Transportation and waterfront	1,438,633	2,084,690	1,294,208	1,189,062	1,436,977	1,117,886	1,941,515	2,012,707	1,577,054	860,151
Health, welfare and social services	284,231	250,007	296,491	254,717	377,708	407,832	523,493	1,796,619	1,364,255	594,439
Education	12,416,440	13,438,216	14,036,892	13,635,507	15,036,333	21,170,219	20,508,311	24,101,604	29,267,160	27,350,615
Total governmental activities	20,279,252	21,662,518	20,819,856	20,318,563	23,421,518	30,452,046	31,881,756	37,945,235	42,870,596	39,552,778
Business-type activities:										
Sewer	6,022,343	6,263,387	6,015,315	6,080,533	5,979,665	6,268,760	6,806,761	7,325,491	8,058,588	8,322,348
Total business-type activities	6,022,343	6,263,387	6,015,315	6,080,533	5,979,665	6,268,760	6,806,761	7,325,491	8,058,588	8,322,348
Total primary government	$ 26,301,595	$ 27,925,905	$ 26,835,171	$ 26,399,096	$ 29,401,183	$ 36,720,806	$ 38,688,517	$ 45,270,726	$ 50,929,184	$ 47,875,126

CITY OF SOUTH PORTLAND, MAINE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General fund:										
Nonspendable	$ 104,615	$ -	$ -	$ -	$ 100,557	$ -	$ 63,665	$ 137,801	$ 394,174	$ 283,689
Restricted	2,708,544	2,662,892	2,338,747	2,022,736	3,212,321	4,930,223	5,918,840	4,963,708	2,803,851	1,514,691
Committed	4,344,471	4,012,592	3,972,242	3,984,988	5,928,768	6,460,667	5,036,637	5,276,027	5,895,784	5,880,228
Assigned	3,273,424	4,028,667	4,129,161	4,044,926	3,949,069	3,392,636	6,015,262	4,080,341	2,545,274	4,299,514
Unassigned	13,320,584	13,189,251	12,400,808	13,521,328	12,909,528	16,133,999	15,286,137	15,893,050	18,537,873	23,798,746
Total general fund	$ 23,751,638	$ 23,893,402	$ 22,840,958	$ 23,573,978	$ 26,100,243	$ 30,917,525	$ 32,320,541	$ 30,350,927	$ 30,176,956	$ 35,776,868
All other governmental funds:										
Nonspendable	$ 241,859	$ 246,523	$ 241,093	$ 229,141	$ 248,438	$ 193,519	$ 242,157	$ 246,842	$ 242,566	$ 74,048
Restricted	9,344,141	15,821,856	9,398,675	9,430,898	9,715,863	12,227,208	48,688,269	24,840,982	14,918,953	21,368,380
Committed	8,585,144	9,154,640	9,643,676	11,056,337	10,773,102	8,113,510	6,474,204	6,879,561	3,400,394	6,415,228
Unassigned	(1,059,302)	(92,080)	(193,496)	(859,755)	(1,541,427)	(5,472,913)	(376,561)	(213,513)	(130,554)	(806,798)
Total all other governmental funds	$ 17,111,842	$ 25,130,939	$ 19,089,948	$ 19,856,621	$ 19,195,976	$ 15,061,324	$ 55,028,069	$ 31,753,872	$ 18,431,359	$ 27,050,858

Table 5

CITY OF SOUTH PORTLAND, MAINE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes	$ 70,623,578	$ 71,188,455	$ 73,137,978	$ 76,229,761	$ 76,680,678	$ 79,302,519	$ 77,698,226	$ 81,923,417	$ 85,168,557	$ 95,476,742
Intergovernmental	19,718,620	21,350,777	20,670,863	20,347,377	24,168,104	32,306,980	34,474,676	41,610,886	44,273,747	41,298,730
Licenses and permits	1,162,225	1,224,384	1,081,073	1,106,919	1,900,262	1,402,409	1,234,166	1,101,573	1,319,198	1,109,386
Charges for services	3,946,288	3,731,786	3,787,149	3,984,213	3,369,846	3,747,717	4,874,512	5,510,838	5,970,636	6,330,366
Unclassified	1,607,267	1,541,682	1,251,377	2,254,358	1,405,155	1,464,791	1,175,277	1,856,004	1,734,304	1,164,826
Investment income (loss)	630,112	411,583	407,993	1,578,387	2,506,266	206,551	(940,127)	1,230,064	3,383,369	3,117,698
Total revenues	97,688,090	99,448,667	100,336,433	105,501,015	110,030,311	118,430,967	118,516,730	133,232,782	141,849,811	148,497,748
Expenditures										
General government	10,826,767	11,397,541	12,397,376	12,788,538	14,053,826	15,103,885	14,156,864	16,418,080	16,258,587	19,753,362
Public safety	11,055,139	11,456,415	11,826,761	12,017,983	12,640,353	13,332,617	14,243,417	14,322,777	15,553,334	17,112,536
Public works	4,856,565	4,521,156	5,085,171	5,547,431	5,851,611	5,081,087	5,727,294	6,990,344	6,619,692	7,226,133
Culture and recreation	3,886,368	3,893,759	4,313,069	4,215,218	4,144,603	3,923,101	4,330,171	4,782,833	5,049,355	5,653,072
Transportation and waterfront	1,288,456	1,465,393	1,503,217	1,561,608	1,575,542	1,476,709	1,911,389	2,745,100	1,904,529	975,618
Health, welfare and social services	521,834	506,108	559,095	566,904	684,709	735,182	1,001,015	1,821,157	1,506,145	1,177,429
Education	45,586,692	47,698,940	49,543,256	51,055,944	52,554,317	59,367,296	57,793,733	63,776,987	71,102,329	72,385,561
School lunch program	1,721,538	1,803,337	1,820,284	1,885,962	1,797,884	1,640,669	2,310,607	2,712,780	2,855,429	2,902,575
County tax	2,434,056	2,504,088	2,598,030	2,785,695	2,952,578	3,084,423	3,119,820	4,746,495	3,339,067	3,432,596
Other	1,036,573	991,155	1,326,066	1,869,725	1,897,901	1,828,319	1,584,506	196,392	1,962,645	2,820,341
Capital projects	6,148,201	14,578,120	7,633,531	4,513,844	5,716,208	15,634,670	33,991,570	31,731,276	7,099,070	1,291,276
Debt Service:										
Principal	4,466,946	4,303,499	4,363,969	4,423,975	4,259,775	4,348,318	4,746,433	4,121,938	7,064,602	6,848,052
Interest	1,625,390	1,683,605	1,743,118	1,560,333	1,465,642	1,491,884	1,492,467	4,022,383	3,890,843	3,607,544
Total expenditures	95,454,525	106,803,116	104,712,943	104,793,160	109,594,949	127,048,160	146,409,286	158,388,542	144,205,627	145,186,095
Excess (deficiency) of revenues over (under) expenditures	2,233,565	(7,354,449)	(4,376,510)	707,855	435,362	(8,617,193)	(27,892,556)	(25,155,760)	(2,355,816)	3,311,653

CITY OF SOUTH PORTLAND, MAINE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Other financing sources (uses)										
Issuance - Bonds and premium	$ -	$ 13,707,015	$ -	$ -	$ -	$ 9,273,091	$ 72,352,806	$ -	$ -	$ -
Issuance financed purchases	190,860	-	456,948	1,412,779	1,850,798	-	-	-	17,017	835,623
Lease financing	-	-	-	-	-	-	-	-	58,508	66,411
Refunding bonds issued and premium	-	-	17,562,444	-	-	-	6,107,174	-	-	-
Payment to refunded bond escrow agent	-	-	(17,372,974)	-	-	-	(6,085,503)	-	-	-
Sale of surplus property	-	-	-	-	-	-	-	-	-	256,229
Transfers in	4,675,598	6,456,501	5,128,822	4,005,186	5,089,530	1,708,891	1,750,402	5,118,925	2,993,458	1,919,415
Transfers out	(6,532,207)	(4,648,206)	(8,492,165)	(4,626,127)	(5,510,070)	(1,829,029)	(4,862,562)	(5,238,260)	(3,906,934)	(2,591,680)
Total other financing sources (uses)	(1,665,749)	15,515,310	(2,716,925)	791,838	1,430,258	9,152,953	69,262,317	(119,335)	(837,951)	485,998
Net change in fund balances	**$ 567,816**	**$ 8,160,861**	**$ (7,093,435)**	**$ 1,499,693**	**$ 1,865,620**	**$ 535,760**	**$ 41,369,761**	**$ (25,275,095)**	**$ (3,193,767)**	**$ 3,797,651**
Total Debt Service including education	6,092,336	5,987,104	6,107,087	5,984,308	5,725,417	5,840,202	6,238,900	8,144,321	10,955,445	10,455,596
Capital Expenditures (per Statement 5)	7,120,178	14,608,302	7,702,848	5,622,353	7,395,789	20,151,891	35,724,137	34,900,659	11,549,148	5,959,011
Debt service as a percentage of noncapital expenditures	6.90%	6.49%	6.30%	6.03%	5.60%	5.46%	5.64%	6.60%	8.26%	7.51%

Table 6

CITY OF SOUTH PORTLAND, MAINE
Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Taxes (b)	Vehicle Taxes	Other (a)	Subtotal	TIF Property Taxes	Total
2016	$ 60,517,323	7,241,370	379,194	68,137,887	2,485,691	70,623,578
2017	61,266,181	7,100,567	351,968	68,718,716	2,469,739	71,188,455
2018	62,618,719	7,595,421	344,268	70,558,408	2,579,570	73,137,978
2019	65,176,305	7,893,886	364,035	73,434,226	2,795,535	76,229,761
2020	67,248,267	6,147,045	374,604	73,769,916	2,910,762	76,680,678
2021	69,201,016	7,064,080	395,990	76,661,086	2,641,433	79,302,519
2022	68,203,859	6,212,025	404,836	74,820,720	2,877,506	77,698,226
2023	73,131,002	6,471,436	291,481	79,893,919	2,029,498	81,923,417
2024	73,315,526	7,952,666	392,513	81,660,705	3,507,852	85,168,557
2025	83,120,767	8,259,668	448,733	91,829,168	3,647,574	95,476,742

(a) Interest and penalties and payments in lieu of taxes.
(b) includes property taxes allocated to adult education.

Table 7

CITY OF SOUTH PORTLAND, MAINE
State Aid Revenues by Source
Last Ten Fiscal Years

Fiscal Year	State Revenue Sharing	School Aid	General Assistance	Homestead Reimb	Business Equipment Tax Exemption (a)	Other State Aid (b)	Total State Aid
2016	$ 1,285,328	6,197,822	284,231	484,938	1,522,086	598,505	10,372,910
2017	1,243,362	6,419,831	250,007	729,461	1,648,477	801,921	11,093,059
2018	1,243,362	6,419,831	250,007	729,461	1,648,477	801,921	11,093,059
2019	1,335,998	6,198,835	254,717	1,185,346	1,960,942	838,927	11,774,765
2020	1,920,227	6,892,853	377,708	1,140,898	2,101,001	158,596	12,591,283
2021	2,592,482	6,820,557	407,832	1,610,759	2,027,429	153,796	13,612,855
2022	3,781,382	8,944,247	357,469	1,460,923	2,565,478	155,243	17,264,742
2023	4,362,821	10,010,391	1,347,350	1,155,086	2,559,167	337,141	19,771,956
2024	3,840,221	13,993,694	999,255	1,538,347	2,233,153	385,547	22,990,217
2025	3,986,473	15,123,724	594,439	1,435,078	3,328,405	365,415	24,833,534

(a) Excludes BETE revenue recognized in the TIF fund

(b) MDEA Revenue, MDOT Revenue, and Veterans exemption reimbursement

Table 8

CITY OF SOUTH PORTLAND, MAINE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Tax Roll Year	Taxable Real Property		Taxable Personal Property	Total Taxable Assessed Value	Less TIF Property Value	Total Taxable General	Total Direct Tax Value	Estimated Actual Taxable Value (a)	Assessed Value as a Percentage of Actual Value
	Residential	Commercial							
2016	$ 1,907,528,200	1,389,683,400	323,423,000	3,620,634,600	142,855,880	3,477,778,720	16.70	3,696,350,000	94.1%
2017	1,894,613,500	1,392,736,100	323,280,800	3,610,630,400	139,533,280	3,471,097,120	16.97	3,738,700,000	92.8%
2018	1,938,556,760	1,374,023,400	328,933,000	3,641,513,160	143,309,419	3,498,203,741	17.25	4,008,050,000	87.3%
2019	1,974,887,460	1,385,473,700	324,903,900	3,685,265,060	151,109,994	3,534,155,066	17.70	4,308,100,000	82.0%
2020	1,991,184,360	1,375,637,400	319,509,800	3,686,331,560	208,057,569	3,478,273,991	18.26	4,622,350,000	75.2%
2021	1,958,911,800	1,349,459,600	314,214,800	3,622,586,200	183,527,837	3,439,058,363	18.86	4,866,700,000	70.7%
2022	2,941,548,800	1,558,449,200	361,957,900	4,861,955,900	311,574,720	4,550,381,180	14.06	5,183,800,000	87.8%
2023	2,879,056,900	1,665,541,900	366,632,600	4,911,231,400	300,363,328	4,610,868,072	14.69	5,847,800,000	78.8%
2024	3,395,362,650	1,671,290,600	414,598,650	5,481,251,900	360,387,720	5,120,864,180	13.46	6,697,050,000	76.5%
2025	4,410,373,850	1,822,561,900	401,707,400	6,634,643,150	276,331,273	6,358,311,877	13.20	7,271,250,000	87.4%

(a) Maine Bureau of Property Taxation, state equalized values.

	Homestead Assessed Values	Homestead Estimated Actual Values	BETE Assessed Values	BETE Estimated Actual Values
2016	$ 55,740,000	55,740,000	215,867,700	215,867,700
2017	82,425,000	82,425,000	218,824,290	218,824,290
2018	109,660,000	109,660,000	216,832,800	216,832,800
2019	109,660,000	109,660,000	235,917,900	235,917,900
2020	109,980,000	109,980,000	276,896,400	276,896,400
2021	141,225,000	141,225,000	291,500,500	291,500,500
2022	141,975,000	141,975,000	405,367,000	405,367,000
2023	142,225,000	142,225,000	384,524,000	384,524,000
2024	143,150,000	143,150,000	381,632,900	381,632,900
2025	143,050,000	143,050,000	450,092,100	45,092,100

Table 9

CITY OF SOUTH PORTLAND, MAINE
Direct and Overlapping Property Tax Rates (Per $1,000 of Assessed Value)
Direct and Overlapping Governments
Last Ten Fiscal Years

	Direct Rates			Overlapping Rate	
Tax Year	General Municipal	Education	Total	Cumberland County (a)	Total
2016	5.30	11.40	16.70	0.71	17.41
2017	5.31	11.66	16.97	0.73	17.70
2018	5.36	11.89	17.25	0.75	18.00
2019	5.39	12.31	17.70	0.80	18.50
2020	5.54	12.72	18.26	0.84	19.10
2021	5.66	13.20	18.86	0.89	19.75
2022	4.72	9.34	14.06	0.64	14.70
2023	4.91	9.78	14.69	0.87	15.56
2024	4.63	8.83	13.46	0.68	14.14
2025	4.61	8.07	12.68	0.52	13.20

The City annually adopts an annual budget for which property taxes are levied. The education and County Tax are part of the total property tax levy. The distribution shown above reflects the amount each component requires of the tax levy.

(a) Cumberland County assesses a county tax to the City of South Portland. The City includes the county assessment in the City's total direct tax rate. The rate shown here reflects the portion of the City's total direct tax rate levied by the City to pay the county tax assessment. Note that the County transitioned from a calendar fiscal year to a July-June fiscal year in 2024.

Table 10

CITY OF SOUTH PORTLAND, MAINE
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer		2025 Assessed Valuation	2025 Rank	2025 Percentage of Total Assessed Value	2016 Assessed Valuation	2016 Rank	2016 Percentage of Total Assessed Value
GGP - MAINE MALL, LLC		$ 192,070,600	1	2.89%	$ 250,956,100	1	6.93%
RED BANK VILLAGE APARTMENTS PROPERTY OWNER LLC	(b)	98,165,600	2	1.48%	55,243,700	4	1.53%
TEXAS INSTRUMENTS		66,177,100	3	1.00%	180,078,200	2	4.97%
CENTRAL MAINE POWER COMPANY		60,058,600	4	0.91%	41,996,200	7	1.16%
350 CLARKS POND LLC	(d)	57,378,200	5	0.86%			
HANNAFORD/DELHAIZE AMERICA DISTRIBUTION LLC	(c)	52,540,100	6	0.79%	58,320,400	3	1.61%
WSL- SABLE LODGE LLC	(d)	42,819,600	7	0.65%			
RIVERPLACE PROPERTIES, LLC		37,555,700	8	0.57%			
CD-HRA (SOUTH PORTLAND) LLC		30,534,400	9	0.46%			
DIODES US MANUFACTURING INC	(a)	28,538,400	10	0.43%	42,168,200	6	1.16%
ASGREC TWO INC/MACY'S					25,709,400	10	0.71%
OPROCK PORTLAND					28,485,300	8	0.79%
PORTLAND PIPE LINE CORP					44,706,800	5	1.23%
ANTHEM					25,799,500	9	0.71%
		665,838,300		10.04%	753,463,800		20.81%
Total Assessed Valuation		$ 6,634,643,150			$ 3,620,634,600		
Includes:							
Municipal valuation		6,358,311,877			3,477,778,720		
TIF valuation		276,331,273			142,855,880		
		$ 6,634,643,150			$ 3,620,634,600		

(a) DIODES US MANUFACTURING INC (FKA Fairchild Semiconductor, which was acquired by ON Semiconductor on September 19, 2016).
(b) Red Bank Village Apartments Property Owner LLC (FKA Home Properties, which was acquired by LSR Lighthouse Acquisitions LLC, then Portland Portfolio I LLC in 2016 before 2021 purchase)
(c) Hannaford and Delhaize Wholesale, Distribution, and Retail Total
(d) 350 Clarks Pond, LLC and WSL-Sable Lodge LLC did not have improvements to land in prior period

Table 11

CITY OF SOUTH PORTLAND, MAINE
Total Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Tax Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	$ 62,846,082	62,226,796	99.01%	600,777	62,827,573	99.97%
2017	63,908,158	63,257,315	98.98%	637,428	63,894,743	99.98%
2018	65,547,237	64,890,327	99.00%	645,289	65,535,616	99.98%
2019	68,177,403	67,337,460	98.77%	826,355	68,163,815	99.98%
2020	70,408,933	69,197,377	98.28%	1,192,451	70,389,828	99.97%
2021	71,546,077	70,617,202	98.70%	904,567	71,521,769	99.97%
2022	71,470,752	70,654,940	98.86%	778,332	71,433,272	99.95%
2023	76,418,761	75,642,128	98.98%	675,843	76,317,971	99.87%
2024	77,504,902	76,391,380	98.56%	875,114	77,266,494	99.69%
2025	87,577,290	85,586,509	97.73%	-	85,586,509	97.73%

CITY OF SOUTH PORTLAND, MAINE
Ratios of Debt Outstanding by Type
Last Ten Fiscal Years

Fiscal Year		Governmental Activities: General Obligation Bonds (f)	Governmental Activities: Lease Liabilities	Governmental Activities: Financed Purchases	Business-type Activities: Notes from Direct Borrowing	Total	Personal Income (a)	Percentage of Personal Income	Population (b)	Per Capita
2016	$	46,348,658	-	2,307,319	3,765,881	52,421,858	569,570,562	9.20%	25,002	2,097
2017	(c)	55,767,421	-	1,910,278	3,568,778	61,246,477	569,570,562	10.75%	25,002	2,450
2018		52,992,634	-	1,943,835	3,371,676	58,308,145	569,570,562	10.24%	25,002	2,332
2019		48,472,852	-	2,582,141	3,174,573	54,229,566	569,570,562	9.52%	25,002	2,169
2020		44,125,111	-	3,461,410	2,977,471	50,563,992	569,570,562	8.88%	26,498	1,908
2021	(d)	49,040,220	-	2,439,128	2,780,369	54,259,717	1,033,501,494	5.25%	26,498	2,048
2022	(e)	116,733,767	114,456	1,739,391	2,583,267	121,170,881	1,033,501,494	11.72%	26,498	4,573
2023		111,827,836	107,589	1,211,735	2,386,164	115,533,324	1,033,501,494	11.18%	26,498	4,360
2024		103,832,568	149,320	894,644	2,189,062	107,065,594	1,317,454,062	8.13%	26,498	4,041
2025		96,287,020	189,469	1,377,215	1,991,960	99,845,664	1,331,474,820	7.50%	26,780	3,728

(a) See Table 17. Amount shown is per capita income multiplied by population.

(b) U.S. Department of Commerce, Bureau of the Census.

(c) $12.7 Million in GOB's issued for new Municipal Services Facility.

(d) $7.95 Million in GOB's issued for a new fire station, public safety improvements, and pedestrian improvements.

(e) $65.27 Million in GOB's issued for a new middle school, traffic improvements, and open space.

(f) Includes unamortized bond premiums and (Governmental) notes from direct borrowing.

Table 13

CITY OF SOUTH PORTLAND, MAINE
Ratios of Outstanding General Obligation Bonded Debt
Last Ten Fiscal Years

Fiscal Year		General Governmental Activities (g)	Personal Income (a)	Percentage of Personal Income	Population (b)	Per Capita	Percentage of Estimated Actual Taxable Value of Property (c)
2016	$	46,348,658	569,570,562	8.14%	25,002	1,854	1.25%
2017	(d)	55,767,421	569,570,562	9.79%	25,002	2,231	1.49%
2018		52,992,634	569,570,562	9.30%	25,002	2,120	1.32%
2019		48,472,852	569,570,562	8.51%	25,002	1,939	1.13%
2020		44,125,111	569,570,562	7.75%	26,498	1,665	0.95%
2021	(e)	49,040,220	1,033,501,494	4.75%	26,498	1,851	1.01%
2022	(f)	116,733,767	1,033,501,494	11.29%	26,498	4,405	2.25%
2023		111,827,836	1,033,501,494	10.82%	26,498	4,220	1.91%
2024		103,832,568	1,317,454,062	7.88%	26,498	3,919	1.55%
2025		96,287,020	1,331,474,820	7.23%	26,780	3,595	1.32%

(a) See Table 17. Amount shown is per capita income multiplied by population.
(b) U.S. Department of Commerce, Bureau of the Census.
(c) See Table 8. General Obligation Bond divided by the Estimated Actual Taxable Value.
(d) $12.7 Million in GOB's issued for new Municipal Services Facility.
(e) $7.95 Million in GOB's issued for a new fire station, public safety improvements, and pedestrian improvements.
(f) $65.27 Million in GOB's issued for a new middle school, traffic improvements, and open space.
(g) Includes unamortized bond premiums and (Governmental) notes from direct borrowing.

Table 14

CITY OF SOUTH PORTLAND, MAINE
Direct and Overlapping Governmental Activities Debt
June 30, 2025

Jurisdiction	Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Direct:			
City of South Portland General Obligation	$ 96,287,020	100.00%	$ 96,287,020
City of South Portland Financed Purchases	1,377,215	100.00%	1,377,215
City of South Portland Lease liabilities	189,469	100.00%	189,469
Total direct debt	97,853,704		97,853,704
Overlapping:			
Portland Water District	65,168,606	12.50%	8,146,076
Cumberland County	27,686,649	8.74%	2,420,705
Total overlapping debt	92,855,255		10,566,781
Total direct and overlapping debt	$ 190,708,959		$ 108,420,485

Note: Annually, Cumberland County assesses each municipality its proportionate share of the County tax required to fund the County budget. The County tax assessment applicable to the City of South Portland is included in the total property tax levy of the City of South Portland.

Sources: The outstanding debt for Cumberland County has been provided by the County. The percentage applicable to the City of South Portland is based on the ratio of the State equalized assessed valuation for the City of South Portland versus the equalized State valuation for Cumberland County.

The outstanding debt for Portland Water District has been provided by the District. The percentage applicable to the City of South Portland is based on the ratio of the State equalized assessed valuation for the City of South Portland versus the equalized State valuation of all municipalities located within the District. South Portland only participates in water related debt because it has it's own Sewer Department.

CITY OF SOUTH PORTLAND, MAINE
Legal Debt Margin Information
June 30, 2025

The amount of debt a Maine municipality may have is governed by title 30-A.M.R.S.A. section 5702. The law limits total debt and debt for specific categories. Total debt cannot exceed 15% of the City's last full State Valuation. Debt for specific categories is limited to a percentage of State Valuation. As the following table indicates, based on the most recent State Valuation, the City is in compliance with the total and categorical debt limits:

Legal Debt Margin Calculation for Fiscal Year 2025

State Valuation	$ 7,271,250,000
Total Debt Limit - 15% of State Valuation	1,090,687,500
Less outstanding debt applicable to debt limit	(91,136,960)
Legal Debt Margin	$ 999,550,540

Debt Limit by Category

Type of Debt	Maximum Percent Allowable	Maximum Amount Allowable	Principal Amount Outstanding	Legal Debt Margin
School	10.00%	$ 727,125,000	$ 72,560,075	$ 654,564,925
Storm or Sanitary Sewer	7.50%	545,343,750	1,991,960	543,351,790
Municipal	7.50%	545,343,750	16,584,925	528,758,825
Total Outstanding			$ 91,136,960	

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt limit	$ 554,452,500	$ 560,805,000	$ 601,207,500	$ 646,215,000	$ 693,352,500	$ 730,005,000	$ 777,570,000	$ 877,170,000	$ 1,004,557,500	$ 1,090,687,500
Total debt applicable to limit	48,067,972	56,569,358	52,225,745	48,072,131	44,073,517	48,049,903	108,776,289	104,872,675	97,829,062	91,136,960
Legal debt margin	$ 506,384,528	$ 504,235,642	$ 548,981,755	$ 598,142,869	$ 649,278,983	$ 681,955,097	$ 668,793,711	$ 772,297,325	$ 906,728,438	$ 999,550,540
Total debt applicable to the limit as a percentage of debt limit	8.67%	10.09%	8.69%	7.44%	6.36%	6.58%	13.99%	11.96%	9.74%	8.36%

(a) Total outstanding debt does not include bond premiums as bond premiums are not subject to the State debt limit.

Table 16

CITY OF SOUTH PORTLAND, MAINE
Principal Employers
Current Year and Nine Years Ago

	2025			2016		
Employer	**Employees**	**Rank**	**(a) Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
City of South Portland	1001 to 1500	1	N/A	861	3	3.44%
UPS Solutons (United Parcel Service)	1001 to 1500	2	N/A	200	8	0.80%
Tyler Technologies Inc	1001 to 1500	3	N/A			
Southern Maine Community College	501 to 1000	4	N/A	739	6	2.96%
Intermed PA	501 to 1000	5	N/A			
Dead River Company	501 to 1000	6	N/A			
Circle K Stores Inc	501 to 1000	7	N/A			
Idexx Operations	501 to 1000	8	N/A			
Target Corporations	501 to 1000	9	N/A			
WEX Inc. (formerly Wright Express)	501 to 1000	10	N/A	744	5	2.98%
UnumProvident Life Insurance Co.				3,500	1	14.00%
Marriott Corporation				148	10	0.59%
ON Semiconductor (formerly Fairchild Semi)				775	4	3.10%
Macy's				150	9	0.60%
Texas Instruments Incorporated				540	7	2.16%
Anthem Health Systems Inc				1,000	2	4.00%
	N/A		N/A	8,657		34.63%

Source: Maine Department of Labor, Center for Workforce Research and Information - 2024
(a) City's Economic Development department is no longer maintaining an employer ranking and the listing from MDOL is the most accurate information available.

Table 17

CITY OF SOUTH PORTLAND, MAINE
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (d)	Personal Income (a)	Per Capita Personal Income (d)	Median Age	School Enrollment (c)	Unemployment Rate (b)
2016	25,002	569,570,562	22,781	39.40	3,080	3.1%
2017	25,002	569,570,562	22,781	39.40	3,068	2.9%
2018	25,002	569,570,562	22,781	39.40	3,045	2.8%
2019	25,002	569,570,562	22,781	39.40	2,979	2.6%
2020	26,498	569,570,562	22,781	39.40	2,968	6.2%
2021	26,498	1,033,501,494	39,003	42.20	2,912	4.6%
2022	26,498	1,033,501,494	39,003	42.20	2,890	2.5%
2023	26,498	1,033,501,494	39,003	42.20	3,081	2.5%
2024	26,498	1,317,454,062	49,719	40.70	3,071	2.5%
2025	26,780	1,331,474,820	49,719	40.70	2,942	2.2%

(a) Personal income equals per capita income times the population.

(b) Portland - South Portland Metropolitan Area, US Bureau of Labor Statistics https://web.bls.gov/web/metro/laummtrk.html

(c) Niche.com https://www.niche.com/k12/d/south-portland-public-schools-me/

(d) https://censusreporter.org/profiles/16000US2371990-south-portland-me/ U.S. Census Bureau (2023). American Community Survey 5-year estimates

CITY OF SOUTH PORTLAND, MAINE
Employees by Function/Program*
Last Ten Fiscal Years

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function										
General Government										
City Council	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Executive department	4.0	4.0	4.5	5.0	5.0	4.0	5.0	5.0	5.0	5.0
City clerk	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Corporation council	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
Economic Development	0.0	0.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Finance department	12.0	11.5	11.5	11.5	11.5	11.5	12.0	12.0	13.0	13.0
Assessing	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Information technology	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	5.0
SPC-TV	3.0	3.0	3.0	3.0	2.5	2.5	2.5	2.5	2.5	2.5
Planning department	3.0	3.0	3.0	4.0	4.0	4.0	5.0	5.0	5.0	5.0
Human resources	3.0	3.5	4.5	4.5	4.5	4.5	5.0	5.0	5.0	5.0
Facilities	1.0	1.0	2.0	9.0	9.0	13.0	12.0	11.0	11.0	13.0
Sustainability	1.0	1.0	1.5	1.5	2.0	3.0	3.0	3.0	3.0	3.0
Public Safety										
Police	59.0	60.0	61.0	62.0	63.0	64.0	62.0	63.6	64.0	60.0
Fire	69.5	69.5	69.5	73.5	73.5	74.0	73.0	73.0	74.5	75.0
Dispatch	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	1.0
Code Enforcement	5.0	5.0	5.0	6.0	6.0	6.0	7.0	7.0	7.0	8.0
Public Works	22.0	22.5	23.0	23.0	23.0	24.0	23.5	25.0	26.0	27.0
Parks and Recreation										
Parks	13.5	13.5	13.5	14.0	14.0	14.0	15.0	15.0	14.0	14.0
Recreation	21.0	21.0	21.0	14.0	14.0	25.0	21.0	21.0	22.0	22.0
Public Library	12.0	12.0	12.0	12.0	12.0	12.0	13.0	13.0	14.0	14.0
Transportation and Waterfront	16.0	17.0	18.0	18.0	18.0	20.0	19.0	19.0	19.0	0.0
Social Services	2.0	2.0	2.0	2.0	2.5	4.0	4.0	4.0	4.0	4.0
Schools	565.0	570.0	605.0	605.0	595.0	595.0	625.0	625.0	635.0	636.0
Water Resource Protection	29.0	29.0	29.0	29.0	29.0	29.0	30.0	30.0	31.0	29.0
Total	**864.0**	**871.5**	**913.0**	**921.0**	**913.5**	**934.5**	**961.0**	**963.1**	**979.0**	**959.5**

Source: Payroll Department.

*NOTE: The above represents the department's best estimates of permanent full and part-time positions for the various fiscal years. Many seasonal and temporary positions have not been included or converted to full-time equivalents and may have varied from year to year. All of the positions may or may not have been filled as of June 30 of any given year.

Table 19

CITY OF SOUTH PORTLAND, MAINE
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police (b)										
Physical arrests	599	551	440	497	424	387	599	324	374	409
Calls for Service	36,337	33,738	33,577	34,825	33,442	30,664	28,363	28,231	27,747	33,127
UCR - Crime Index	804	620	592	565	529	462	511	452	406	462
Fire										
Fire calls	1,222	1,166	1,297	1,191	1,346	1,203	2,412	1,377	1,489	1,929
Medical calls	3,279	3,295	3,328	3,522	3,611	3,782	5,553	4,322	4,153	3,680
Inspections	1,915	2,186	2,040	2,085	1,202	1,202	5,304	1,142	1,513	222
Refuse Collection										
Refuse collected (tons)	5,519	6,147	5,834	5,635	6,199	6,204	5,699	7,500	8,714	5,722
Recyclables collected (tons)	2,243	2,289	2,277	2,307	2,210	2,281	2,026	9,000	9,392	1,993
Other public works										
Street resurfacing (miles)	2.90	2.90	2.25	2.30	2.38	1.50	3.50	3.92	4.07	5.00
Potholes repaired	125	220	162	260	134	121	102	213	271	201
Parks and Recreation										
Community center admissions	190,143	190,143	186,890	190,138	135,093	85,253	134,624	174,096	179,185	185,950
Library										
Items in collection (a)	107,109	107,109	107,489	109,535	103,013	112,434	112,883	108,855	109,000	112,650
Total items circulated (a)	260,865	260,865	192,021	188,391	135,624	134,925	129,163	138,987	153,792	154,956
Total items borrowed (a)	25,836	25,836	25,869	28,190	21,038	20,195	20,684	22,074	22,518	23,186
Water Resource										
Average daily sewage treatment (millions of gallons)	5,496	6,078	5,850	6,107	5,386	4,792	5,480	5,970	5,690	5,010
Treatment Efficiencies										
BOD Removal (%)	92	91	91	91	92	92	92	92	92	93
TSS Removal (%)	95	92	92	93	93	94	94	95	94	96
Annual Biosolids Production (wet tons)	4,558	4,820	4,511	4,996	4,592	4,842	5,088	5,139	4,932	5,092
Transit										
Total route miles	200,557	209,286	218,885	226,251	222,162	195,557	196,401	213,189	207,513	-
Passengers	246,931	270,930	273,167	259,640	208,947	113,838	150,653	243,092	268,755	-

Sources: Various city departments.

(a) Items are books, periodicals, audio, books and music on cassette and CD, tapes and videos and art prints.

Table 20

CITY OF SOUTH PORTLAND, MAINE
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function										
General Government										
Buildings	7	7	7	7	7	7	6	7	7	7
Vehicles	1	1	1	1	1	1	2	2	2	2
Police Department										
Buildings	2	2	2	2	2	2	3	3	3	3
Vehicles	34	35	35	38	39	35	40	38	43	49
Fire Department										
Buildings	7	7	7	7	7	7	7	7	7	7
Vehicles	28	25	25	27	24	24	28	29	30	26
Code Enforcement										
Buildings	1	1	1	1	1	1	1	1	1	2
Vehicles	6	6	6	6	5	5	5	5	2	4
Public Works										
Buildings	7	7	8	8	8	8	7	7	7	6
Streets (miles)	115	115	115	115	115	115	115	115	115	115
Vehicles/Trucks	12	12	12	11	7	8	7	8	13	8
Heavy Vehicles	39	34	34	35	39	38	41	43	42	43
Culture and recreation										
Buildings	15	15	15	15	10	10	16	16	16	16
Vehicles	19	24	24	24	17	19	24	25	25	22
Transportation & Waterfront										
Buildings	3	3	2	2	2	2	3	3	3	1
Buses	10	8	8	7	8	8	8	10	10	-
Vehicles	2	2	2	2	2	4	4	4	4	-
Water Resources										
Buildings	38	38	38	38	38	38	38	40	40	40
Vehicles	23	23	23	22	22	22	22	21	21	21
School Department										
Schools	8	8	8	8	8	8	8	9	9	7
Buildings	4	4	4	4	4	4	5	5	5	5
Portable Classrooms	3	3	3	5	5	5	4	4	4	4
School Buses	23	29	29	31	31	33	26	28	28	28
Vehicles	7	7	7	9	9	7	9	9	9	9

Sources: Various city departments and the City's capital asset database.

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APPENDIX B
GENERAL CERTIFICATE

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CITY OF SOUTH PORTLAND, MAINE

_____

GENERAL CERTIFICATE OF TERMS OF ISSUANCE

OF

SEWER SYSTEM REVENUE BONDS

_____

Dated as of November 1, 2026

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CITY OF SOUTH PORTLAND, MAINE
GENERAL CERTIFICATE OF TERMS OF ISSUANCE OF
SEWER SYSTEM REVENUE BONDS

WHEREAS, the City of South Portland, Maine (the "City") is a Maine municipal corporation and a political subdivision of the State of Maine (the "State") and is authorized by Chapter 213 of Title 30-A of the Maine Revised Statutes, as amended (the "Enabling Act") to issue bonds and notes for the construction of revenue-producing facilities; and

WHEREAS, the City, through its Water Resource Protection Department, owns and operates a sewage/wastewater collection and treatment system (the "Sewer System"); and

WHEREAS, the Sewer System constitutes a revenue-producing municipal facility under Section 5401(7)(B)(2) of the Enabling Act; and

WHEREAS, the City desires to issue its revenue bonds, notes and other evidences of indebtedness secured as hereinafter provided, from time to time, to finance and refinance the Costs of improvements to the Sewer System, and to pledge the revenues of such Sewer System to pay the principal of, the redemption price or purchase price of, and the interest on such revenue bonds; and

NOW, THEREFORE, it is determined by the City, acting by and through its Director of Finance, pursuant to the Enabling Act and the authorizing action of the City Council, to execute and deliver this General Certificate of Terms of Issuance dated November 1, 2026, and to establish the terms and provisions of the Bonds as follows:

ARTICLE I

DEFINITIONS; AUTHORITY AND INTERPRETATION

Section 1.01. Definitions. As used herein, unless a different meaning clearly appears from the context, the following terms shall have the following meaning:

"Account" shall mean any account established pursuant to Article V hereof or any Supplemental Certificate.

"Additional Bonds" shall mean the bonds of the City authorized, authenticated and delivered pursuant to Section 2.04 hereof.

"Aggregate Debt Service" shall mean, for any period of twelve (12) consecutive calendar months and as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds.

"Alternate Interest Rate" shall mean a rate as of any date of determination: (a) with respect to Bonds that were or will be, at the date of the original issuance thereof, the subject of an opinion of Bond Counsel to the effect that the interest thereon is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to, at the

option of the City, either (i) the average of the Variable Rate Tax-Exempt Index for the five (5) years preceding such date of determination or (ii) with respect to Outstanding Variable Rate Bonds, the average of the actual variable rates that were in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period) and (b) with respect to Bonds that were not and will not be, at the date of the original issuance thereof, the subject of an opinion of Bond Counsel to the effect that the interest thereon is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to, at the option of the City, either (i) the average of the Variable Rate Taxable Index for the five (5) years preceding such date of determination or (ii) with respect to Outstanding Variable Rate Bonds, the average of the actual variable rates that were in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period). Notwithstanding the foregoing, in no event shall the Alternate Interest Rate be in excess of the maximum interest rate allowed by law on obligations of the City. Notwithstanding the foregoing, for purposes of calculating compliance with Section 7.11(b) hereof, with respect to Variable Rate Bonds, the actual rate of interest of such Variable Rate Bonds on the date of calculation shall be used.

"Alternate Liquidity Facility" shall mean a replacement liquidity facility that satisfies the requirements specified in a Supplemental Certificate.

"Annual Budget" shall mean any budget or budgets with respect to the Sewer System adopted pursuant to the provisions of Section 7.08 hereof, as such may be amended from time to time in accordance with Section 7.08.

"Authenticating Agent" shall mean, in respect of a particular Series, the agent so described in and appointed pursuant to this General Certificate or the Supplemental Certificate for such Series.

"Authorized Investments" shall mean and includes any of the following securities, if and to the extent the same are at the time legal investments by the City of the funds to be invested therein and conform to the policies set forth in any investment guidelines adopted by the City or by a duly appointed committee of the Governing Body and in effect at the time of the making of such investment:

(a) Government Obligations;

(b) Certificates or receipts representing direct ownership of future interest or principal payments on Government Obligations or any obligations of agencies or instrumentalities of the United States of America that are backed by the full faith and credit of the United States, which certificates or receipts are issued directly by the United States Department of Treasury or by the agency or instrumentality issuing such obligations;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal

National Mortgage Association, Federal Farm Credit Bank, Government National Mortgage Association, Federal Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Export-Import Bank of the United States, Federal Land Banks, United Postal Service or any other agency or instrumentality of the United States of America; or the International Reconstruction Development Bank;

(d) All other obligations issued by an agency, association, authority or an instrumentality of the United States of America pursuant to authority granted by Congress, or any executive order;

(e) (i) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee); provided, however, that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or (ii) interest-bearing time or demand deposits or negotiable or non-negotiable certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Trustee), provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose long-term unsecured debt is rated A-/A3 (or the equivalent) by any one Rating Agency or A-1/P-1 (or the equivalent) by any one Rating Agency;

(f) U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution trust or other entity, including both unsecured debt and asset-backed programs with minimum ratings of A-1/P-1 (or the equivalent) by any one Rating Agency;

(g) Repurchase agreements collateralized by securities described in subparagraph (a), (b) or (c) above with any primary dealer recognized by a Federal Reserve Bank or any commercial bank the long-term unsecured debt of which (or of the corporate parent of which), in either case, is rated in one of the three (3) highest long-term rating categories by Standard & Poor's and Moody's (without regard to gradations within such category) and, if rated by any other Rating Agency, rated in any of the three (3) highest rating categories of such Rating Agency (without regard to gradations within such category); provided, however, that (1) a specific written repurchase agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the City or the Trustee, as the case may be, or an independent third party acting solely as agent for the City or the Trustee, and such third party is (a) a Federal Reserve Bank or (b) a bank that is a member of the Federal Deposit Insurance Corporation and that has combined capital, surplus and undivided profits of not less than $25 million, and the City or the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the City or the Trustee, (3) if the repurchase agreement has a term of more than thirty (30) days then the City or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five (5) Business Days of such valuation and (4) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%;

(h) Money market funds registered under the Federal Investment Company Act of 1940 and rated in the highest rating category by Standard & Poor's and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the highest category of such Rating Agency;

(i) Any other investment authorized pursuant to an amendment or supplement hereto pursuant to Section 10.01(h) hereof.

"Authorized Representative" shall mean, with respect to the City, the Director of Finance, and, when used in reference to an act or document, shall also mean any other person authorized by the Governing Body to perform such act or sign such document.

"Bond Anticipation Notes" shall mean any notes issued pursuant to Section 2.06 hereof.

"Bond" or "Bonds" shall mean any bonds or other evidences of indebtedness of the City authenticated and delivered under and pursuant to a Supplemental Certificate.

"Bond Counsel" shall mean an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

"Bond Registrar" shall mean the Trustee or any other bank or trust company organized under the laws of any state of the United States of America or national banking association, appointed by the City to perform the duties of Bond Registrar enumerated in Article III hereof.

"Bondholder", "Holder", "holder", "owner" or any similar term when used with reference to a Bond or Bonds, shall mean the registered owner of any Outstanding Bond or Bonds; provided, however, that the term "owner" when used with reference to Parity Debt or any Parity Swap Agreement shall mean the party entitled to enforce payment under any Parity Debt obligation or Parity Swap Agreement, respectively.

"Book-Entry Form" shall mean the form of the Bonds that permits book-entry registration as provided in Sections 3.01 and 3.10 hereof.

"Business Day" shall mean unless specified otherwise in the applicable Supplemental Certificate, any day other than a Saturday, a Sunday or a day that shall be in the State of Maine, the State of New York or in the jurisdiction in which the Office of the Trustee or the designated office of the Registrar is located, a legal holiday or any other day on which the Trustee is authorized or required by law to be closed for business.

"City" shall mean the City of South Portland, Maine, duly organized and existing as a municipality under and pursuant to the laws of the State, and any other political subdivision or public instrumentality of the State that shall hereafter succeed to the powers of the City relating to the Sewer System.

"City Council" shall mean the City Council of the City.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and the applicable temporary, proposed, or final regulations promulgated thereunder or under the Internal Revenue Code of 1954, as amended, by the United States Treasury Department.

"Common Debt Service Reserve Account" shall mean the account in the Debt Service Reserve Fund so designated that is created and established by Section 5.02 hereof.

"Common Debt Service Reserve Account Secured Bonds" shall mean the Bonds of any Series designated as being secured by the Common Debt Service Reserve Account in the Supplemental Certificate providing for the issuance of such Series of Bonds.

"Common Debt Service Reserve Account Requirement" shall mean the amount equal to the maximum Aggregate Debt Service due on the Common Debt Service Reserve Account Secured Bonds Outstanding in the current or any succeeding Fiscal Year; provided, however, that if, upon the issuance of a Series of Bonds, such amount would require moneys, in an amount in excess of the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, the Common Debt Service Reserve Account Requirement shall mean an amount equal to the sum of the Common Debt Service Reserve Account Requirement immediately preceding issuance of such Bonds and the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, as certified by an Authorized Representative of the City. For purposes of this definition, "net proceeds" of a Series of Bonds shall mean the face amount of such Series minus original issue discount plus any premium received on the sale of such Series. For the purpose of calculating the Common Debt Service Reserve Account Requirement for any Variable Rate Bonds of a Series, the Debt Service on such Series shall be determined by reference to the Pro Forma Bond Issue for the Variable Rate Bonds of such Series set forth in the Supplemental Certificate authorizing such Series.

"Construction" shall mean the negotiation, acquisition, erection, building, alteration, improvement, testing, increase, enlargement, extension, reconstruction, interconnection, renovation or rehabilitation of a Project; the inspection and supervision thereof; and the engineering, architectural, legal, appraisal, fiscal, economic and environmental investigations, services and studies, surveys, designs, plans, working drawings, specifications, procedures and other actions incidental thereto.

"Consulting Engineer" shall mean the engineer or engineering firm or corporation at the time retained by the City pursuant to Section 7.09 hereof.

"Costs" or "Cost of Construction", when used with reference to a Project, shall mean and includes the cost of Construction; the cost of the acquisition of all property, including real, personal and mixed; the cost of demolishing, removing or relocating any buildings or structures on lands so acquired, including the cost of acquiring any land to which such buildings or structures may be moved or relocated; the cost of all systems, facilities, machinery, apparatus and equipment, financing charges, interest to the extent not paid or provided for from revenues or other sources; the cost of engineering and architectural surveys, plans and specifications; the cost of consultants' and legal services; the cost of lease guarantee, bond insurance or other credit facilities, other expenses necessary, reasonably related or incidental to the Construction of a

Project and the financing of the Construction thereof, including the Costs of Issuance, the amounts authorized in this General Certificate to be paid into any reserve or other special fund from the proceeds of Bonds and the financing of the placing of any project in operation.

"Costs of Issuance" shall mean all items of expense directly or indirectly related to the authorization, issuance, offering and sale of Bonds, including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary or provider of a Credit Facility or Reserve Fund Facility, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, or any other cost, charge or fee in connection with the original issuance of Bonds.

"Counsel's Opinion" shall mean an opinion signed by an attorney or firm of attorneys of recognized standing who may be counsel to the City.

"Credit Facility" shall mean any irrevocable letter of credit, surety bond, policy of bond insurance, loan agreement or other credit arrangement provided by a financial institution or insurance company or association pursuant to which the City or the Trustee is entitled to obtain funds to pay the principal or Redemption Price of and interest on Bonds.

"Credit Facility Provider" shall mean any issuer of a Credit Facility.

"Debt Service" shall mean, for any period, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the sum of (i) interest payable during such period on such Series of Bonds; provided, however, that with respect to Variable Rate Bonds, the aggregate amount of interest shall be calculated at the Alternate Interest Rate per annum (or, if a Qualified Swap Agreement is in effect with respect to a Series of Bonds and the Swap Provider with respect to such Qualified Swap Agreement or its guarantor satisfies the Minimum Rating Requirement, the swap rate or, in the event that such Qualified Swap Agreement, taken together with such Bonds, results in a net fixed rate payable by the City for the term of such Bonds, such net fixed rate, as applicable) and (ii) that portion of each Principal Installment payable during such period on such Series of Bonds, such interest and Principal Installments to be calculated on the assumption that Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding by reason, but only by reason of the payment of each Principal Installment on its due date; provided, further, that, if any Refundable Principal Installment of a Series of Bonds in included in Debt Service for a Fiscal Year, Debt Service shall be determined as if such Refundable Principal Installment had been payable over a period extending from the due date of such Refundable Principal Installment through the last date on which such Series of Bonds could have been stated to mature under the Enabling Act as in effect on the date of issuance of such Series, in installments that would have required equal annual payments of Principal Installments and interest over such period. Debt Service shall not include (a) capitalized interest to be paid from Bond proceeds deposited in the Debt Service Fund or (b) interest and Principal Installments to be paid from moneys not constituting Revenues deposited in the Debt Service Fund.

"Debt Service Fund" shall mean the fund so designated that is created and established by Section 5.02 hereof.

"Defeasance Obligations" shall mean any of the following that are not subject to redemption at the option of anyone other than the holder thereof (except as provided in clause (iii) below):

(i) Any (a) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged and (b) obligations issued by an entity controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) issued or held in Book-Entry Form on the books of the Department of Treasury of the United States of America), which obligations, in either case, are not subject to redemption prior to maturity at the option of anyone other than the holder thereof;

(ii) To the extent not included in (i) above, obligations of the Federal National Mortgage Association, Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Federal Farm Credit Bank, Federal Home Loan Mortgage Association, Export Import Bank of the United States, United States Postal Service or any other agency or instrumentality of the United States of America or any corporation wholly owned by the United States of America, which obligations are not subject to redemption prior to maturity at the option of anyone other than the holder thereof;

(iii) Any evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in clause (i) or (ii) hereof held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the obligations described in clause (i) or (ii) hereof, as the case may be, and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated;

(iv) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) that are not callable at the option of the obligor prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) that are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) or (ii) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate and (c) as to which the principal of and interest on the bonds and obligations of the character described in

clause (i) or (ii) hereof that have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (iv) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (iv), as appropriate;

(v) With respect to any Series of Bonds, any other obligations specified in the Supplemental Certificate authorizing such Series of Bonds.

"Depositary" shall mean any bank or trust company organized under the laws of any state of the United States or any national banking association selected by the City as a depositary of moneys and securities held under the provisions hereof, and may include the Trustee, provided that if the Trustee shall fail to provide such approval, it shall deliver to the City a statement of its reasons for such failure.

"Debt Service Reserve Account" shall mean the Common Debt Service Reserve Account and each other Debt Service Reserve Account in the Debt Service Reserve Fund established pursuant to a Supplemental Certificate.

"Debt Service Reserve Fund" shall mean the fund so designated that is created and established by Section 5.02 hereof.

"Debt Service Reserve Fund Requirement" shall mean, with respect to any Series of Bonds, at the election of the City as set forth in the Supplemental Certificate authorizing such Series, either the Common Debt Service Reserve Account Requirement or a Separate Series Debt Service Reserve Requirement.

"Director of Finance" shall mean the Director of Finance of the City.

"DTC" shall mean The Depository Trust Company, a limited purpose trust company organized under the New York Banking Law, its nominee, Cede & Co., and its successors, to the extent that they act as a registered clearing agency under the Securities Exchange Act of 1934, and as a securities depositary.

"Enabling Act" shall mean Chapter 213 of Title 30-A of the Maine Revised Statutes Annotated, as amended from time to time, unless expressly stated to refer to the Enabling Act as in effect on a specific date.

"Event of Default" shall mean any event so designated and specified in Section 8.01 hereof.

"Fiduciary" shall mean the Trustee, any Depositary, the Bond Registrar, any Authenticating Agent and any Paying Agent, or any or all of them as may be appropriate. The use of the term "Fiduciary" shall not be deemed to mean that a party owes any fiduciary duty to another.

"Fiscal Year" shall mean the twelve-month period commencing July 1 of any calendar year and ending June 30 of the succeeding calendar year or such other period of twelve (12) calendar months authorized by the City. In the event that a different fiscal year is authorized, references herein and any Supplemental Certificate to July 1 or June 30 shall refer, respectively, to the first and last day of such fiscal year.

"Fitch" shall mean Fitch, Inc., located at 300 West 57th Street, New York, New York 10019, and its successors and assigns and if such corporation shall be dissolved or liquidated or shall no longer issue ratings on obligations similar to the Bonds, "Fitch" shall be deemed to refer to any other nationally recognized securities rating organization (other than Moody's or S&P) designated by the City by written notice to the Trustee.

"Fixed Rate" shall mean the fixed rate of interest applicable to any Series of Bonds or portion thereof, established in accordance with the terms hereof and any applicable Supplemental Certificate.

"Fixed Rate Bonds" shall mean Bonds of any Series that bear interest at a Fixed Rate from the date of issue of such Series of Bonds or the date such Series of Bonds or a portion thereof are converted to a Fixed Rate until the specified maturity date thereof or the date fixed for prior redemption, as the case may be.

"Fund" shall mean any fund established pursuant to this General Certificate.

"GAAP" shall mean accounting principles, standards, methods and terminology applicable to government enterprises, followed and construed, as nearly as practicable, in conformity with the pronouncements of the Financial Accounting Standards Board (or any successor) or the Governmental Accounting Standards Board (or any successor) or any other nationally recognized accounting standards, as determined by the City, in each case as amended from time to time.

"General Certificate" shall mean this General Certificate of Terms of Issuance of Sewer System Revenue Bonds, as from time to time amended and supplemented.

"Governing Body" shall mean the City Council, and in the event that the ownership or operation of the Sewer System shall be transferred as provided by law to any public entity other than the City, the duly authorized governing body of such public entity.

"Government Obligations" shall mean direct general obligations of the United States of America.

"Liquidity Agreement" shall mean an agreement between the Trustee and a Liquidity Facility Provider, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with its terms, and any similar agreement entered into in connection with an Alternate Liquidity Facility.

"Liquidity Facility" shall mean any letter of credit, surety bond, loan agreement, standby bond purchase agreement or other arrangement provided by a financial institution or insurance company or association that has been rated not lower than the second (2nd) highest rating

category by any one Rating Agency (without regard to gradations within such category), and that provides for the purchase of any Bonds, but shall not include any Credit Facility.

"Liquidity Facility Provider" shall mean any issuer of a Liquidity Facility.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest, which may be set forth in the Supplemental Certificate authorizing such Bonds, that shall be the maximum rate of interest such Bonds may at any time bear; provided, however, that should the City obtain insurance or other coverage that provides that any increase in the Variable Rate above a threshold rate will be reimbursed or paid by the insurer, such threshold rate will be deemed to be the Maximum Interest Rate. The insurer providing such insurance policy shall be an insurer whose insurance policies are rated in at least the second (2nd) highest rating category by any one Rating Agency (without regard to gradations within such category), or their successors.

"Minimum Interest Rate" shall mean, with respect to any Variable Rate Bond, a numerical rate of interest that may (but need not) be set forth in the Supplemental Certificate authorizing such Bond, that shall be the minimum rate of interest such Bond may at any time bear.

"Minimum Rating Requirement" shall mean, with respect to a Swap Provider or the guarantor of a Qualified Swap Agreement, the long-term indebtedness of the Swap Provider or the guarantor, respectively, or the claims-paying ability of the Swap Provider or the guarantor, respectively, is rated at least Baa2 or BBB by either Standard & Poor's or Moody's, respectively.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Net Revenue Requirement" shall mean, with respect to any period of time, an amount equal to 1.15 times the sum of (a) the Aggregate Debt Service for such period and (b) the net amounts owing with respect to Parity Debt and payable on a parity with the Bonds for such period.

"Net Revenues" shall mean, with respect to any period of time, the Revenues during such period less Revenues deposited in the Revenue Fund to pay Operating Expenses incurred or payable during such period in accordance with GAAP.

"Operating Expenses" shall mean all actual operating, repair and maintenance costs of the Sewer System paid or incurred by the City in any particular Fiscal Year or period to which said term is applicable or charges made therefor during such Fiscal Year or period, as determined in conformity with GAAP. Operating Expenses include, but are not limited to, amounts payable under Credit Facilities or Liquidity Facilities for any fees, costs, expenses, indemnification or other obligations to any provider thereto, its parent and its assignees and participants or any agent therefor; fees and expenses of the Fiduciaries; and any other current expenses or obligations required to be paid by the City under the provisions hereof or by law, all to the extent properly allocable to the Sewer System. Operating Expenses do not include depreciation or obsolescence

charges or reserves therefor; amortization of intangibles or other bookkeeping entries of a similar nature; interest charges and charges for the payment of principal, or amortization, of bonded or other indebtedness of the City; any payments under a Qualified Swap Agreement; unrealized gains and losses from investments, extinguishment of debt and Qualified Swap Agreements; costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to or retirements from the Sewer System that under GAAP are properly chargeable to the capital account or the reserve for depreciation; losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the Sewer System; such items, including taxes and fuel, that are capitalized pursuant to the then existing accounting practices of the City; or costs, charges or losses for any other item that is extraordinary and/or non-recurring.

"Outstanding" shall mean (a) when used with reference to Parity Debt or Parity Swap Agreements, as of any date, all Parity Debt or Parity Swap Agreements, respectively, theretofore or thereupon entered into by the City pursuant to the terms hereof in connection with a Series of Bonds and not terminated or cancelled and (b) when used with reference to Bonds (or a Series of Bonds), as of any date, all Bonds (or all Bonds of such Series), theretofore or thereupon authenticated and delivered under this General Certificate; except:

(1) Any Bonds cancelled by the Trustee, at or prior to such date;

(2) Bonds (or portions of Bonds), for the payment or redemption of which either (i) moneys, (ii) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as are necessary to provide moneys (whether as principal or interest) or (iii) any combination of (i) and (ii), in an amount sufficient to pay when due (after taking into account investment earnings thereon) the principal amount or Redemption Price thereof, together with all accrued and unpaid interest thereon to the principal payment date(s) or the date of redemption, which moneys or Defeasance Obligations shall be held in trust under this General Certificate and set aside for such payment or redemption (whether at or prior to the maturity or redemption date); provided, however, that if such Bonds (or portions of Bonds), are to be redeemed, notice of such redemption shall have been given as in Article IV hereof provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(3) Bonds, in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Sections 3.04, 3.06, 3.07, 3.08, 4.06 or 11.06 hereof;

(4) Bonds deemed to have been paid as provided in Section 13.01(b) hereof; and

(5) Tender Bonds deemed tendered in accordance with the provisions of the Supplemental Certificate authorizing such Bonds on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or

amounts are available for such payment as provided in such Supplemental Certificate.

"Parity Debt" shall mean any Parity Reimbursement Obligation, any Parity Swap Agreement or any other obligation of the City permitted under the Enabling Act or otherwise by law for or related to borrowed money having an equal lien and charge upon the Revenues and therefore payable on a parity with the Bonds, and with respect to which the Trustee has received the certificates described in Section 2.04(b) hereof.

"Parity Reimbursement Obligation" shall mean a Reimbursement Obligation, excluding any termination payments and any accelerated payments, the payment of which is secured by a pledge of, and a lien on, Revenues on a parity with the lien created by Section 5.01 hereof.

"Parity Swap Agreement" shall mean a Qualified Swap Agreement with respect to which the obligation of the City to make payments to the Swap Provider, pursuant to such Qualified Swap Agreement, excluding any termination payments and amounts representing fees and expenses, is on a parity with the lien upon the Revenues created by Section 5.01 hereof and with respect to which, the Trustee has received the certificates described in Section 2.04(b) hereof.

"Paying Agent" shall mean, in respect of a particular Series of Bonds, any bank, national banking association or trust company designated by the City to pay the principal of, premium, if any, or interest on such Bonds, and any successor or successors appointed under this General Certificate.

"Principal Installment" shall mean, as of any particular date of calculation and with respect to any Series, an amount of money equal to (i) the principal amount of Bonds of such Series Outstanding that mature on a single future date, for which no Sinking Fund Installments have been established, (ii) the unsatisfied balance (determined as provided in Section 5.04 hereof) of any Sinking Fund Installments due on a certain future date for Bonds of such Series Outstanding, plus the sinking fund redemption premiums, if any, that may be applicable upon redemption of such Bonds on such future date or (iii) if such future date coincides as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

"Pro Forma Bond Issue" shall mean, when used with reference to the Debt Service Reserve Fund Requirement in connection with a Series of Variable Rate Bonds, the hypothetical fixed rate long-term bond issue set forth in the Supplemental Certificate authorizing such Series, having (i) the same maturities (and sinking fund provisions, if any) as the Series of Variable Rate Bonds to which it relates and (ii) such interest rate or rates as the City shall reasonably deem to be the equivalent of the rates that would have been borne by such Series of Variable Rate Bonds if such Series had been issued as a Series of Fixed Rate Bonds; provided, however, that such interest rate shall be not less than 80% of the "30-year revenue bond index" then most recently published by The Bond Buyer or, if such index is no longer published, such other substantially comparable index as determined by the City.

"Project" shall mean any improvements, extensions, enlargements, renewals, rehabilitations, betterments, alterations, repairs and replacements of the Sewer System, including the planning, development, financing or Construction thereof.

"Project Fund" shall mean the fund so designated that is created and established by Section 5.02 hereof.

"Qualified Swap Agreement" shall mean an interest rate swap agreement, cap agreement, collar agreement, floor agreement or similar hedging agreement between the City and a Swap Provider and relating to a Series of Bonds or portion thereof, (a) (i) the term of which is not less than the term of the Bonds to which such swap agreement relates or (ii) the term of which is ten (10) years or less, which relates to Bonds that bear interest at a variable rate of interest to which a maximum rate is stated pursuant to the terms thereof, and that, taken together with such Bonds, results in a net fixed rate payable by the City for the term of such Bonds, (b) with respect to which Moody's and Standard & Poor's have assigned to the unsecured obligations of the Swap Provider or its guarantor as of the date such agreement is entered into, a rating of at least A3 and A-, respectively, and (c) with respect to which the City has notified each rating agency then rating the Bonds to which such agreement relates (whether or not such rating agency also rates the unsecured obligations of the Swap Provider or its guarantor) in writing of its intention to enter into such agreement and has received from such rating agency a written indication that the entering into of such agreement by the City will not in and of itself cause a reduction or withdrawal by such rating agency of its rating on the Bonds to which such agreement relates.

"Rates and Charges" shall mean all rates and charges, whether denominated as sewer rates, charges, fees, assessments, rents or otherwise, established by the Governing Body for the services provided for the use of the Sewer System.

"Rating Agency" shall mean, at any particular time, each of Fitch, Moody's and S&P, and any other nationally recognized securities rating organization (other than Fitch, Moody's and S&P) designated by the City by written notice to the Trustee.

"Rebate Fund" shall mean the Fund so designated and established by Section 5.02 hereof.

"Rebate Fund Requirement" shall mean, as of any date of calculation, an amount equal to the aggregate of the amounts, if any, specified in each Supplemental Certificate authorizing the issuance of a Series of Bonds as the amount required to be maintained in the Rebate Fund with respect to such Bonds.

"Record Date" shall mean, with respect to a particular Series of Bonds, the fifteenth (15th) day of the calendar month (whether or not a Business Day), if the interest payment date for such Series is the first day of the month, or the first day of the calendar month (whether or not a Business Day), if the interest payment date for such Series is the fifteenth (15th) day of the month, next preceding each interest payment date for such Series, unless otherwise provided by the Supplemental Certificate authorizing such Series.

"Redemption Price" shall mean, with respect to any Bond, or portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof

pursuant to such Bond or this General Certificate and, unless the context indicates to the contrary, includes the Sinking Fund Redemption Price.

"Refundable Principal Installment" shall mean any Principal Installment for any Series of Bonds that the City intends to pay with moneys that are not Revenues, provided that such intent shall have been expressed in the Supplemental Certificate authorizing such Series of Bonds and provided further that such Principal Installment shall be a Refundable Principal Installment only until the date of adoption of the Annual Budget in the Fiscal Year immediately preceding the Fiscal Year in which such Principal Installment comes due unless the City has delivered to the Trustee a certificate of an Authorized Representative of the City that it has made provision for the payment of such Principal Installment from a source other than Revenues.

"Refunding Bonds" shall mean the Bonds authorized, authenticated and delivered pursuant to Section 2.05 hereof.

"Reimbursement Obligation" shall mean the obligation of the City described in Section 2.07(b) hereof to directly reimburse the issuer of a Credit Facility, Reserve Facility or Liquidity Facility for amounts paid by such issuer thereunder, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

"Reserve Fund Facility" shall mean a surety bond, insurance policy, letter of credit (and any confirming letter of credit) or other financial guaranty or instrument, authorized by or pursuant to this General Certificate or a Supplemental Certificate establishing a Debt Service Reserve Account, to be delivered in lieu of or substitution for all or a portion of the moneys otherwise required to be held in such Debt Service Reserve Account.

"Reserve Fund Facility Agreement" shall mean an agreement between the City and a Reserve Fund Facility Provider pursuant to which the Reserve Fund Facility Provider provides a Reserve Fund Facility.

"Reserve Fund Facility Provider" shall mean any provider of a Reserve Fund Facility then in effect for all or part of the Bonds.

"Revenue Fund" shall mean the fund so designated and established by Section 5.02 hereof.

"Revenues" shall mean all sewer rates, charges, fees, assessments, rents, payments and other income and receipts derived by the City from or for the ownership, operation, use or services of the Sewer System including, without limiting the generality of the foregoing, investment proceeds and, to the extent required by this General Certificate or a Supplemental Certificate to be deposited in the Revenue Fund, proceeds of insurance, condemnation, sales or other disposition of assets, and other income and receipts, in each case derived by or for the account of the City from the operation and ownership of the Sewer System.

"Separate Series Debt Service Reserve Requirement" shall mean, for any Series of Bonds for which the Supplemental Certificate authorizes a Separate Series Debt Service Reserve Requirement, the amount, if any, specified in such Supplemental Certificate as the Separate Series Debt Service Reserve Requirement.

"Series" or "Series of Bonds" shall mean all Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Certificate authorizing such Bonds as a separate Series of Bonds.

"Sinking Fund Installment" shall mean each amount so designated that is established pursuant to any Supplemental Certificate.

"Sinking Fund Redemption Price" shall mean, with respect to any Bond, the principal amount thereof, plus the applicable premiums, if any, payable upon the redemption thereof from moneys accumulated in the Debt Service Fund by reason of the payment of Sinking Fund Installments.

"Standard & Poor's" shall mean S&P Global Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"State" shall mean the State of Maine.

"Supplemental Certificate" shall mean a Supplemental Certificate of the City authorizing the issuance of a Series of Bonds or otherwise amending or supplementing this General Certificate, adopted in accordance with and pursuant to Article X hereof.

"Swap Provider" shall mean the counterparty with whom the City enters into a Qualified Swap Agreement.

"System" shall mean the wastewater collection, treatment and disposal system of the City, including the plants, works, instrumentalities or parts thereof and appurtenances thereto, lands, easements, rights in lands, rights of way, contract rights, sewers, conduits, pipe lines, mains, pumping and ventilating stations, sewage treatment or disposal systems, plants and works, connections and outfalls and all plants, buildings, facilities, structures, equipment, boats, conveyances, sewer mains and pipe lines, and any other property, rights and easements, real, personal, tangible or mixed, acquired or leased, incidental to and included in such system or parts thereof, and any improvements, extensions, enlargements, renewals, replacements and betterments, now or hereafter constructed, acquired or made by the City.

"Tax Certificate" shall mean the arbitrage and use of proceeds certificate, tax compliance certificate, or other similar certificate executed by the City in connection with the issuance of a Series of Bonds, the interest on which is intended to be excludable from gross income for federal income tax purposes.

"Tender Bonds" shall mean Bonds that by their terms may be tendered by and at the option of the holder thereof for purchase from the holder prior to the stated maturity thereof.

"Trustee" shall mean US Bank Trust Company, N.A., and its successor or successors and any other corporation that may at any time be substituted in its place pursuant to this General Certificate.

"Variable Rate" shall mean a variable interest rate to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds. The method of computing such variable interest rate shall be specified in the Supplemental Certificate authorizing such Series of Bonds; provided, however, that, such Variable Rate may be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in such Supplemental Certificate.

"Variable Rate Bonds" shall mean Bonds of any Series that bear a Variable Rate, except Bonds of such Series that have been converted to bear interest at a Fixed Rate.

"Variable Rate Taxable Index" shall mean such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is not excludable from gross income for federal income tax purposes, as determined by an Authorized Representative of the City.

"Variable Rate Tax-Exempt Index" shall mean such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code, as determined by an Authorized Representative of the City.

Section 1.02. Interpretation. (a) Articles and Sections mentioned by number only herein are the respective Articles and Sections hereof so numbered;

(b) As used in this General Certificate, the terms "herein", "hereunder", "hereby", "hereto", "hereof" and any similar terms refer to this General Certificate; the term "heretofore" means before the time of adoption hereof; and the term "hereafter" means after the time of adoption hereof;

(c) As used in this General Certificate, words importing persons include firms, associations and corporations, and words importing the singular include the plural and vice versa;

(d) This General Certificate may be cited, or otherwise referred to as the "General Certificate of Terms of Issuance";

(e) Words importing the redemption or redeeming or calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of such Bond;

(f) Any headings preceding the texts of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference, and shall not constitute a part hereof, nor shall they affect its meaning, construction or effect;

(g) Any reference herein to generally accepted accounting principles shall refer to generally accepted accounting principles applicable to government enterprises; and

(h) Whenever, in this General Certificate, the City is named or referred to, it shall and shall be deemed to include its successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the City contained in this General Certificate shall bind and inure to the benefit of such successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law, or who or that is empowered to exercise or perform, any right, power or duty of the City, or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with or perform any of the covenants, stipulations, obligations, agreements or other provisions hereof or comply with or fulfill any conditions set forth in this General Certificate.

(i) Nothing expressed or implied herein is intended or shall be construed to confer upon, or to give to, any person, other than the City, the Trustee and the Holders of the Bonds any right, remedy or claim under or by reason hereof of any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the City, shall be for the sole and exclusive benefit of the City, the Trustee and the Holders of the Bonds.

Section 1.03. General Certificate to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this General Certificate shall be deemed to be and shall constitute a contract between the City and the holders from time to time of the Bonds; and the pledge made in this General Certificate, and the covenants and agreements herein set forth to be performed on behalf of the City, shall be for the equal benefit, protection and security of the holders of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by this General Certificate.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds; Limited Obligations. (a) The City is hereby authorized to issue from time to time as herein provided Bonds of the City to be designated as "City of South Portland, Maine, Sewer System Revenue Bonds" which may be issued in one or more Series as hereinafter provided. The aggregate principal amount of the Bonds that may be executed, authenticated and delivered under this General Certificate is not limited except as provided in this General Certificate or in the Enabling Act or as limited by law.

(b) The Bonds may be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series, as the City may determine and as may be necessary to distinguish such Bonds

from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

(c) The Bonds are not and shall not be a general obligation of the City. The Bonds shall be limited obligations of the City payable solely from the Revenues pledged therefor under and pursuant to this General Certificate. Neither the State nor any other political subdivision thereof (except the City but only to the limited extent provided herein) shall be obligated to pay the principal or Redemption Price of, premium, if any, or interest on any Bonds and neither the faith and credit nor the taxing power of the City, of the State or of any other political subdivision thereof is pledged to the payment of the principal or Redemption Price of, premium, if any, or interest on any Bonds. The City is not obligated to, and shall not, levy any form of taxation whatever therefor or make any appropriation for payment of the Bonds except from the Revenues pledged therefor.

(d) The issuance of each Series of Bonds shall be authorized pursuant to a Supplemental Certificate adopted pursuant to Article X hereof. Each such Supplemental Certificate shall, subject to the express limitations hereof, specify (i) the authorized principal amount of such Series; (ii) the purpose or purposes for which such Series is being issued, that shall be one or more of the purposes specified in Section 2.04 or Section 2.05 hereof; (iii) the date, maturity dates and amounts of each maturity, the Sinking Fund Installment payment dates, if any, the amount of each Sinking Fund Installment, if applicable, and the first and all subsequent interest payment dates of the Bonds of such Series or the manner of determining the same; (iv) if such Bonds will pay current interest for all or any part of their term, the interest rate or rates of the Bonds of such Series or the manner of determining such rate or rates and the interest payment dates therefor and the method of payment thereof, and in the case of Variable Rate Bonds, the Maximum Interest Rate, if any, for such Bonds, the terms of the Pro Forma Bond Issue applicable thereto, and the provisions, if any, as to the calculation or change of or conversion from Variable Rates and, if such Bonds will not pay full current interest for all or any part of their term, the rate or rates to be borne by, the method of accrual or compounding, if any, and the other terms and conditions of such Bonds including the designation, or manner of determining, the "principal amount" of such Bonds; (v) the authorized denomination or denominations of and the manner of dating, numbering and lettering the Bonds of such Series; (vi) the Redemption Price or Redemption Prices, if any, and the redemption terms, if any, of the Bonds of such Series and the place or places of payment of the principal or Redemption Price, if any, of and interest on the Bonds of such Series; (vii) direction for the application and disbursement of the proceeds of the Bonds of such Series; (viii) provisions for the sale of the Bonds of such Series; (ix) a description of the Project or Projects, if any, to be financed by the Bonds of such Series, which description may be amended by the City from time to time without the consent of any other person or entity, notwithstanding the provisions of Article XI hereof; (x) the form of the Bonds of such Series and the form of the Trustee's certificate of authentication; (xi) with regard to Tender Bonds, provisions regarding tender and payment thereof; (xii) if the Bonds of such Series shall be Common Debt Service Reserve Account Secured Bonds; (xiii) the Principal Installments, if any, for such Series which will be Refundable Principal Installments together with a schedule showing the Debt Service for such Series; and (xiv) any other provisions deemed advisable by the City, in lieu of or in substitution for the provisions hereof, which may include such modifications as may be necessary to provide for the issuance of Bonds without certificates and evidenced in Book-Entry Form.

(e) Unless otherwise provided in a Supplemental Certificate in respect of any Series of Bonds, all the Bonds of each Series of like maturity shall be identical in all respects, except as to denominations, numbers and letters. After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Sections 3.04, 3.06, 3.07, 3.08, 4.06 or 11.06 hereof.

(f) Nothing in this General Certificate shall be deemed to preclude or prevent the consolidation into a single Series for purposes of issuance and sale of Bonds otherwise permitted by this General Certificate to be issued at the same time in two or more separate Series; provided, however, that solely for the purpose of satisfying the requirements of Section 2.02, Section 2.04 or Section 2.05 hereof, as the case may be, the Bonds otherwise permitted by this General Certificate to be issued as a separate Series shall be considered separately as if such Bonds were to be issued as a separate Series. In the event that separate Series are combined for purposes of issuance and sale, they may be issued under a single Supplemental Certificate notwithstanding any other provision hereof.

Section 2.02. General Provisions for and Conditions Precedent to Issuance of Bonds. The Bonds shall be executed by the City and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the City upon its order, but only upon the receipt by the Trustee at or prior to such authentication, of:

(a) An opinion of Bond Counsel substantially to the effect that (i) the City has the right and power to adopt this General Certificate under the Enabling Act, (ii) this General Certificate has been duly and lawfully authorized by the City, is in full force and effect and is valid and binding upon the City, is enforceable against the City in accordance with its terms; (iii) this General Certificate creates the valid pledge that it purports to create of the Revenues and amounts on deposit in certain of the Funds established hereunder, subject to the application thereof to the purposes and on the conditions permitted by this General Certificate; (iv) the Bonds of such Series are valid and binding limited obligations of the City enforceable in accordance with their terms and the terms hereof; and (v) all conditions required by this General Certificate precedent to the issuance of the Bonds have been met and upon the execution, authentication and delivery thereof, the Bonds of such Series will have been duly and validly authorized and issued in accordance with the Enabling Act and this General Certificate; provided, however, that such opinion of Bond Counsel as to the matters in clauses (ii) and (iv) above, may take an exception on account of the laws of bankruptcy, reorganization and insolvency and of other laws affecting the rights and remedies of creditors generally and to the exercise of judicial discretion in accordance with general equitable principles;

(b) A written order as to the delivery of the Bonds setting forth the disposition of the proceeds of the sale of the Bonds as in this General Certificate provided, signed by an Authorized Representative of the City;

(c) In the case of each Series of Bonds, a copy of the Supplemental Certificate authorizing such Bonds, and setting forth the form and details of such Bonds, certified by an Authorized Representative of the City;

(d) If a Series of Bonds shall be issued containing an option that requires the City to purchase or redeem such Bonds at the election of the Bondholder at such time or times and in such amount or amounts as the Bondholder may elect, then the City shall furnish to the Trustee a Liquidity Facility in such an amount that would accommodate an election by all Bondholders of such Bonds to purchase or redeem the entire aggregate Outstanding principal amount of such Bonds;

(e) A copy hereof, certified by an Authorized Representative of the City;

(f) If so determined by the City, the creation and provisions for maintenance in the Debt Service Reserve Fund of a Debt Service Reserve Account specifically for the Bonds of such Series, and to the extent determined by the City, for Bonds of any other Series whether or not Refunding Bonds, and the application of moneys therein, the amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Series of Bonds in such Debt Service Reserve Account and any other matters and things relating to such Debt Service Reserve Account, including the Separate Series Debt Service Reserve Requirement, the terms and conditions upon which a Reserve Fund Facility may be used to fund all or a portion of the Separate Series Debt Service Reserve Requirement and the terms upon which any withdrawals from such Debt Service Reserve Account shall be replenished, as are not contrary to or inconsistent with this General Certificate as therefore in effect; and

(g) A copy of the applicable authorizing action of the Governing Body authorizing the Series of Bonds, certified by an Authorized Representative of the City;

(h) Such further documents, moneys and securities as are required by the provisions of Sections 2.04 and 2.05 hereof and as may be required by the Supplemental Certificate.

Section 2.03. Application of Bond Proceeds and Allocation Thereof. Upon receipt thereof, the City shall apply the proceeds of a Series of Bonds as provided in the applicable Supplemental Certificate.

Section 2.04. Conditions Precedent to Issuance of Additional Bonds. (a) After authentication and delivery of the initial Series of Bonds pursuant to this General Certificate, one or more Series of Additional Bonds may be authenticated and delivered upon original issuance at any time or from time to time for the purposes of (i) financing Costs of Projects, (ii) financing Costs of completing Projects, (iii) refunding as described in Section 2.05(a) hereof and that does not satisfy the requirements of Section 2.05(b)(1)(A) hereof, (iv) paying the principal of and redemption premium, if any, and interest on any Bond Anticipation Notes, (v) providing additional funds for deposit into the Debt Service Reserve Fund and (vi) paying costs incident to the issuance of such Series of Bonds. The proceeds, including accrued interest, of the Additional Bonds of each Series shall be applied simultaneously with the delivery of such Additional Bonds as provided in the Supplemental Certificate authorizing such Series.

(b) The Bonds of any such Series shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents and moneys required by Section 2.02 hereof) of:

(1) At least one of the following set forth in clause (A) or (B) hereof:

(A) A certificate of an Authorized Representative of the City (i) setting forth the Net Revenues for any period of twelve (12) consecutive calendar months out of the twenty-four (24) consecutive calendar months next preceding the authentication and delivery of the Bonds being issued and (ii) demonstrating that for each future Fiscal Year in which Bonds are Outstanding (including the Bonds to be issued) such Net Revenues equal or exceed 1.15 times the sum of the Aggregate Debt Service in such Fiscal Year (including the estimated Debt Service on the Bonds to be issued and excluding Debt Service on any Bonds being refunded by the Bonds to be issued) and the amounts owing with respect to Parity Debt during such Fiscal Year and payable on parity with the Bonds; or

(B) A certificate of the Consulting Engineer (i) setting forth the estimated Net Revenues for the next five (5) Fiscal Years and (ii) demonstrating that the minimum amount of such estimated annual Net Revenues in the next five (5) Fiscal Years equals or exceeds 1.15 times the sum of the Aggregate Debt Service payable in the current and any succeeding Fiscal Year (including the estimated Debt Service on the Bonds to be issued and excluding Debt Service on any Bonds being refunded by the Bonds to be issued) and the amounts owing with respect to Parity Debt during each such Fiscal Year and payable on parity with the Bonds. For purposes of such certificate, estimated Net Revenues shall include estimated revenue from (a) any adjustment of Rates and Charges that have been reasonably projected for such Fiscal Years in a report of the Consulting Engineer satisfying the requirements of Section 7.09 and (b) any new facilities or facilities anticipated to be acquired and expected to be placed into use and operation;

(2) The amount, if any, to be deposited in the Debt Service Reserve Fund so that the balance in such Fund shall equal the amount required immediately after delivery of such Additional Bonds; and

(3) A certificate of an Authorized Representative of the City stating that no Event of Default has occurred and is then continuing or that the issuance of the Bonds to be issued will fully cure any such Event of Default, and providing reasonable detail with reference to both the applicable Event of Default and such cure.

Section 2.05. Conditions Precedent to Issuance Refunding Bonds. (a) One or more Series of Refunding Bonds may be issued at any time (i) to refund Outstanding Bonds of one or more Series, (ii) to refund one or more maturities within a Series or any Bonds of one or more maturities within one or more Series, (iii) to refund any Parity Debt or (iv) to refund any other bonds, notes or other evidences of indebtedness of the City heretofore or hereafter issued to finance or refinance costs of the Sewer System. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under this General Certificate required by the provisions of the Supplemental Certificate authorizing such Bonds.

(b) Refunding Bonds of any such Series shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents required by Section 2.02 hereof) of:

(1) At least one of the following set forth in clause (A) or (B) hereof:

(A) A certificate of an Authorized Representative of the City demonstrating that the Debt Service on the Bonds Outstanding and the debt service on Parity Debt Outstanding in each Fiscal Year immediately after the issuance of such Refunding Bonds shall be no greater than the Debt Service on the Bonds Outstanding and the debt service on Parity Debt Outstanding in each Fiscal Year immediately prior to the issuance of such Refunding Bonds; or

(B) The documents and moneys described in of Section 2.04(b) hereof;

(2) Instructions to the Trustee to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions, subject to the provisions of Section 13.01 hereof;

(3) If the Bonds to be refunded are not by their terms subject to redemption or will not be redeemed within the next succeeding sixty (60) days, instructions to the Trustee, satisfactory to it, to mail the notice provided for in Section 13.01 hereof to the holders of the Bonds being refunded;

(4) Either (i) moneys in an amount sufficient, as provided in Section 13.01, to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for the benefit of and assigned to the respective holders of the Bonds to be refunded or (ii) Defeasance Obligations and any moneys, in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of Section 13.01(b) hereof, which Defeasance Obligations and moneys shall be held in trust and used only as provided in said paragraph (b); and

(5) Such further documents and moneys as are required by the provisions of any Supplemental Certificate adopted pursuant to Article X hereof.

(c) The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied, simultaneously with the delivery of such Bonds, for the purposes of making deposits in such Funds and Accounts under this General Certificate as shall be provided by the Supplemental Certificate authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Certificate.

Section 2.06. Bond Anticipation Notes. Whenever the City shall authorize a Series of Bonds, the City may authorize the issuance of notes, including commercial paper notes, and renewals thereof, in anticipation of such Series. The principal of and interest on such notes (and any renewals thereof) shall be payable from the proceeds of such notes or from the proceeds

of the sale of the Series of Bonds in anticipation of which such notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge shall have priority over any other pledge of such proceeds created by this General Certificate. The City may also pledge the Revenues to the payment of the interest on such notes on a parity with the pledge created by Section 5.01 hereof upon providing the Trustee the certificates described in Section 2.04(b) hereof. A copy of the authorizing action of the City authorizing such notes, certified by an Authorized Representative of the City, shall be delivered to the Trustee following its adoption together with such other information concerning such notes as the Trustee may reasonably request.

Section 2.07. Credit Facilities, Liquidity Facilities and Qualified Swap Agreements. (a) In connection with the issuance of any Series of Bonds hereunder, the City may obtain or cause to be obtained one or more Credit Facilities, Liquidity Facilities, Reserve Fund Facilities or Qualified Swap Agreements. In connection therewith the City may enter into such agreements with the issuer of such Credit Facility, Liquidity Facility, Reserve Fund Facility or Qualified Swap Agreement providing for, inter alia: (i) the payment of fees and expenses to such issuer for the issuance of such Credit Facility, Liquidity Facility, Reserve Fund Facility or Qualified Swap Agreement, (ii) the terms and conditions of such Credit Facility, Liquidity Facility, Reserve Fund Facility or Qualified Swap Agreement and the Series of Bonds affected thereby and (iii) the security, if any, to be provided for the issuance of such Credit Facility, Liquidity Facility, Reserve Fund Facility or Qualified Swap Agreement.

(b) The City may secure a Credit Facility or Liquidity Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity or redemption provisions as specified by the City in the applicable Supplemental Certificate. The City may also in an agreement with the issuer of a Credit Facility, Reserve Fund Facility or Liquidity Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, Reserve Fund Facility or Liquidity Facility, together with interest thereon (the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation shall be created, for purposes hereof, until amounts are paid out under such Credit Facility, Reserve Fund Facility or Liquidity Facility. Any such Reimbursement Obligation and any Qualified Swap Agreement, other than any termination payments or accelerated payments thereunder, may be secured by a pledge of, and a lien on, Revenues on a parity with the pledge created by Section 5.01 hereof.

(c) Any such Credit Facility or Liquidity Facility shall be for the benefit of and secure, or provide for the payment or purchase price of, such Series of Bonds or portion thereof as specified in the applicable Supplemental Certificate.

(d) If a Credit Facility is provided for a Series of Bonds or for specific Bonds, unless otherwise provided by the City in the Supplemental Certificate under which such Bonds are issued, the Credit Facility Provider shall have the following rights: (i) the right to make requests, direct or provide consent to actions hereunder or to otherwise direct proceedings all as provided in Article VIII (including, with respect to requests and directions given to the Trustee, upon providing the Trustee with such indemnity as it may require) hereof to the same extent and in place of the owners of the Bonds, when such request, direction or consent is required from owners of Bonds, that are secured by the Credit Facility and for such purposes the Credit Facility Provider shall be

deemed to be the Bondholder of such Bonds and (ii) the right to act in place of the owners of the Bonds that are secured by the Credit Facility for purposes of removing a Trustee or appointing a Trustee under Article IX hereof. The rights granted to any such Credit Facility Provider, with respect to the provisions of Articles VIII and IX hereof, shall be disregarded and be of no effect if the Credit Facility Provider is in default of its payment obligations under its Credit Facility.

Section 2.08. Separate Systems. Nothing contained in this General Certificate shall prevent the City from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Bonds, to acquire, construct, develop, compile or otherwise obtain any separate or other system as permitted by the Enabling Act, and any incidental properties to be constructed, developed, compiled or otherwise acquired in connection therewith, which system shall be a separate system and which bonds, notes, warrants, certificates or other obligations or evidences of indebtedness shall be payable solely from the revenues or other income derived from the ownership or operation of such system and which revenues and other income shall not constitute Revenues; provided, however, that the City will not issue bonds, notes, warrants, certificates or other obligations or evidences of indebtedness for the purpose of acquiring or constructing such a separate system unless and until a report of the Consulting Engineer shall be delivered to the Trustee to the effect that in the opinion of the Consulting Engineer, the acquisition, construction or operation of such separate system will not result in a reduction of the Revenues below the amounts covenanted by Section 7.11 hereof to be maintained.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 3.01. Medium of Payment; Form and Date; Letters and Numbers. (a) The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America that at the time of payment is legal tender for the payment of public and private debts.

(b) The Bonds of each Series shall be issued only in fully registered form without coupons unless otherwise authorized by a Supplemental Certificate. As set forth in the Supplemental Certificate authorizing such Series, the Bonds of each Series may be in certificated form or may be evidenced by Book-Entry Form as provided in Section 3.10 hereof or may be evidenced in Book-Entry Form without certificates. Any Supplemental Certificate may contain such additional provisions regarding registration, discharge and transfer of Bonds of such Series as are not inconsistent with this General Certificate.

(c) The principal and Redemption Price of any Bond shall be payable, upon surrender of such Bond, at such offices or agencies of the City as are provided for in the applicable Supplemental Certificate. Interest on any Bond shall be payable by check or draft mailed to the holder thereof unless some other method of payment shall be provided for in the applicable Supplemental Certificate. Interest on any Bond that is payable, and is punctually paid or provided for, on any interest payment date shall be paid to the person in whose name that Bond is registered at the close of business on the Record Date for such interest.

(d) Each Bond shall be numbered and lettered as provided in the Supplemental Certificate authorizing the Series of which such Bond is a part and so as to be distinguished from every other Bond.

(e) Unless otherwise provided in a Supplemental Certificate in respect of any Series of Bonds, the Bonds shall be dated as of the interest payment date next preceding the date of authentication thereof by the Trustee, unless such date of authentication shall be an interest payment date or the date of original issuance of the Bonds, in which case they shall be dated as of such date of authentication; provided, however, that if, as shown by the records of the Trustee, interest on the Bonds shall be in default, the Bonds issued in lieu of Bonds surrendered for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered; provided, further, that if the date of authentication shall be prior to the first interest payment date for the Bonds of such Series, the Bonds shall be dated as provided in the Supplemental Certificate authorizing the Bonds of such Series. The Bonds of each Series shall bear interest from their date.

Section 3.02. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions hereof as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the City prior to the authentication and delivery thereof.

Section 3.03. Execution and Authentication. (a) The Bonds shall be executed in the name of the City by the manual or facsimile signature of its Director of Finance, countersigned by the Chair of the City Council, and its corporate seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of the Clerk of the City, or in such other manner as may be required by law or by the authorizing action of the Governing Body. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been authenticated and delivered by the Trustee, such Bonds, may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of the City by such persons as at the time of the execution of such Bond shall be duly authorized or hold the proper office in the City, although at the date of such Bond such person may not have been so authorized or have held such office.

(b) The Bonds of each Series shall bear a certificate of authentication, in the form set forth in the Supplemental Certificate authorizing such Series of Bonds, executed manually by the Trustee or Authenticating Agent. Only such Bonds as shall bear such manually executed certificate of authentication shall be entitled to any right or benefit under this General Certificate, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee or Authenticating Agent. Such certificate of the Trustee upon any Bond executed on behalf of the City shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this General Certificate and that the holder thereof is entitled to the benefits hereof.

(c) In the case of any Series of Bonds for which the Bond Registrar is other than the Trustee for such Series of Bonds or the City, and such Bond Registrar has not theretofore been appointed as an Authenticating Agent for such Series, the Trustee may appoint the Bond Registrar as an Authenticating Agent with the power to act on such Trustee's behalf and subject to its direction in the authentication and delivery of Bonds in connection with transfers, exchanges and redemptions under Sections 3.04, 3.06, 3.07, 4.06 and 11.06 hereof and the authentication and delivery of Bonds by an Authenticating Agent pursuant to this Section shall, for all purposes hereof, be deemed to be the authentication and delivery by the Trustee. Either the Trustee, or the Authenticating Agent for a Series of Bonds, shall authenticate all Bonds of such Series upon their initial issuance and any Bonds of the Series issued in substitution for other Bonds pursuant to Section 3.08 hereof.

Section 3.04. Interchangeability of Bonds. Unless otherwise provided in a Supplemental Certificate in respect of any Series of Bonds, the holder of any Bond or Bonds of one or more denominations shall have the right to exchange such Bond or Bonds for a new Bond or Bonds of any denomination of the same aggregate principal amount and Series and maturity as the surrendered Bond or Bonds. Such Bond or Bonds shall be exchanged for a new Bond or Bonds upon the request of the holder thereof in person or by his attorney duly authorized in writing, upon surrender of such Bond or Bonds at the designated office of the Bond Registrar together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered owner or his attorney duly authorized in writing, and upon payment of any charges that the Bond Registrar may make as provided in Section 3.07 hereof.

Section 3.05. Bond Registrar and Bond Register. The Bonds of a Series shall be registered upon original issuance and upon subsequent transfer or exchange as provided in this General Certificate. Any Supplemental Certificate may contain such additional provisions regarding the registration, transfer and exchange of Bonds of a Series as are not inconsistent with this General Certificate. The City shall designate, in respect of each Series of Bonds, a person to act as Bond Registrar for such Series. The Bond Registrar appointed for any Series of Bonds may be either the City, the Trustee, the Authenticating Agent or the Paying Agent for such Series of Bonds. Any person, including the City, undertaking to act as Bond Registrar in respect of a Series of Bonds shall accept the duties of Bond Registrar under this General Certificate and the applicable Supplemental Certificate in a certificate signed by an officer of the Bond Registrar, which certificate shall be filed with the Trustee for that Series. The Bond Registrar in respect of each Series of Bonds shall act as registrar and transfer agent for all Bonds of such Series. The City shall cause to be kept at an office of the Bond Registrar for a Series of Bonds a bond register in which, subject to such reasonable regulations as it may prescribe, the City shall provide for the registration of the Bonds of such Series and for the registration of transfers of such Bonds. The City shall cause the Bond Registrar to designate, by a written notification to the Trustee, a specific office location (which may be changed from time to time, upon similar notification) at which the bond register is kept. The Bond Registrar for a Series of Bonds shall, in any case where it is not also the Trustee in respect of such Series, forthwith following each Record Date in respect of such Series and at any other time as reasonably requested by the Trustee for such Series, certify and furnish to such Trustee, and to any Paying Agent for such Series, as such Trustee shall specify, the names, addresses, and holdings of Bondholders and any other relevant information reflected in the bond register, and the Trustee and any such Paying Agent shall for all purposes be fully entitled to

rely upon the information so furnished to it and shall have no liability or responsibility in connection with the preparation thereof.

Section 3.06. Negotiability, Transfer and Registry. (a) Each Bond shall be transferable only upon the books of the City, which shall be kept for that purpose at the designated office of the Bond Registrar, by the registered owner in person or by his attorney duly authorized in writing, upon surrender with a written instrument of transfer satisfactory to the Bond Registrar and duly executed by the registered owner or such duly authorized attorney. Upon the transfer of any such Bond, the City shall issue in the name of the transferee a new Bond or Bonds of the same Series and of the same aggregate principal amount and maturity as the surrendered Bonds. For the purposes hereof, Tender Bonds that are required to be tendered pursuant to the provisions hereof shall be deemed surrendered for transfer even though such Bonds have not been actually delivered.

(b) The City and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of the City, as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for the payment of the purchase price of any Option Bond tendered to the City and for all other purposes, and all such payments so made to any such registered owner or upon his order, shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the City nor any Fiduciary shall be affected by any notice to the contrary. The City agrees to indemnify and save each Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred, by it, acting in good faith and without negligence under this General Certificate, in so treating such registered owner.

Section 3.07. Regulations with Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the City shall execute and the Trustee or Authenticating Agent shall authenticate and deliver Bonds in accordance with the provisions hereof. All Bonds surrendered to the Bond Registrar in any such exchanges or transfers shall forthwith be delivered to and cancelled by the Trustee. For every such exchange or transfer of Bonds, whether temporary or definitive, other than the first such exchange or transfer with respect to each Bond, the City or the Bond Registrar may make a charge sufficient to reimburse it for any printing costs, tax, fee or other government charge required to be paid. Neither the City nor the Bond Registrar shall be required (a) to transfer or exchange Bonds during a period beginning at the opening of business on the Record Date next preceding an interest payment date on the Bonds or next preceding the date (as determined by the Trustee) of any selection of Bonds of a particular Series to be redeemed and ending on such interest payment date, or for a period of fifteen (15) days next preceding the date (as determined by the Trustee) of any selection of Bonds to be redeemed or thereafter until after the first mailing of notice of redemption of any proposed redemption of Bonds or (b) to transfer or exchange any Bonds called for redemption; provided, however, that the City and the Bond Registrar shall be required to make any exchange, registration or transfer of any Bond or Option Bond remarketed in accordance with the Supplemental Certificate providing for such remarketing of Bonds.

Section 3.08. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the City shall execute, and thereupon the Trustee or Authenticating Agent shall authenticate and deliver, a new Bond of like Series, maturity and

principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the City and the Trustee that such Bond has been destroyed, stolen or lost, and proof of ownership thereof, and upon furnishing the City and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the City and the Trustee may prescribe and paying such expenses as the City and Trustee may incur, including printing expenses. All Bonds so surrendered to the Trustee shall be cancelled by it. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall be at any time enforceable by anyone, shall be entitled to equal and proportionate benefits with all other Bonds issued under this General Certificate and shall be equally secured by the moneys or securities held by the City or the Fiduciaries for the benefit of the Bondholders.

Section 3.09. CUSIP Identification Numbers. CUSIP identification numbers may be printed on the Bonds, but no such number shall be deemed to be a part of any Bond or a part of the contract evidenced thereby, and no liability shall hereafter attach to the City, any Fiduciary or any of their respective officers or agents because of or on account of said CUSIP identification numbers.

Section 3.10. Book-Entry Form. Notwithstanding any other provision hereof, the City may employ a book-entry-only system of registration with respect to any Bonds, and the procedures regarding such registration shall be set forth in a Supplemental Certificate. Any provisions hereof inconsistent with book-entry-only Bonds or the rules or regulations of any securities depository providing such system of regulation shall not be applicable to such book-entry-only Bonds.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to this General Certificate shall be redeemable, upon notice as provided in this Article IV, at such time, at such Redemption Prices and upon such terms in addition to the terms contained in this Article IV as may be specified in any Supplemental Certificate for any Series.

Section 4.02. Redemption at the Election or Direction of the City. In the case of any redemption of Bonds at the election or direction of the City, the City shall give written notice to the Trustee of its election or direction so to redeem and specifying the redemption date, the Series and the principal amounts of the Bonds of each maturity of such Series to be redeemed. Such notice shall be given at least forty-five (45) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 4.05 hereof provided, there shall be paid from the Debt Service Fund or from any other available source, on or prior to the redemption date to the appropriate Fiduciaries, an amount in cash that, in addition to other moneys, if any, available and held therefor, will be

sufficient to redeem all of the Bonds to be redeemed on the redemption date at their Redemption Price plus interest accrued and unpaid to the redemption date.

Section 4.03. Redemption Otherwise than at City's Election or Direction. Whenever by the terms hereof or any Supplemental Certificate in respect of a Series the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the City, the Trustee shall select the Bonds to be redeemed, give notice of redemption and pay the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Article IV and, to the extent applicable, Section 5.04 hereof.

Section 4.04. Selection of Bonds to be Redeemed. The City may elect to redeem less than all Outstanding Bonds of any Series. If the City elects to redeem less than all Outstanding Bonds of any Series, such Bonds shall be redeemable in such order of maturity as the City shall determine. If less than all of the Bonds of any Series of like maturity are called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Trustee by lot or with respect to any Bonds, by such other method as may be prescribed in the Supplemental Certificate authorizing such Bonds; provided, however, that, unless otherwise provided in a Supplemental Certificate authorizing the issuance of a Series of Bonds, the portion of any Bond of a denomination of more than $5,000 to be redeemed shall be in the principal amount of $5,000 or an integral multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of $5,000 denominations that is obtained by dividing the principal amount of such Bonds to be redeemed in part by $5,000.

Section 4.05. Notice of Redemption; Conditional Notice. (a) When the Trustee shall receive notice from the City of its election or direction to redeem Bonds pursuant to Section 4.02 hereof, and when redemption of Bonds is authorized or required pursuant to Section 4.03 hereof, the Trustee shall give notice, in the name of the City, of the redemption of such Bonds, which notice shall specify the Series and the maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any Series of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable the Redemption Price of each Bond to be redeemed, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Unless otherwise provided in a Supplemental Certificate, such notice shall be mailed, postage prepaid, not less than twenty (20) days nor more than sixty (60) days before the redemption date, to the registered owners of any Bonds or portions of Bonds that are to be redeemed, at their last addresses appearing upon the registry books.

(b) Any notice of optional redemption (other than redemptions to satisfy mandatory sinking fund requirements) of Bonds may state that it is conditional upon receipt by the Trustee of moneys sufficient to pay the Redemption Price together with accrued interest to the redemption date, or upon the satisfaction of any other condition, or that it may be rescinded in

whole or in part at the election of the City. Notice of such rescission, failure to fund the Redemption Price or satisfaction of such other condition shall be given by the Trustee to affected holders of such Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event, in the same manner as the conditional notice of redemption was given.

(c) Failure of the registered owner of any Bond that is to be redeemed to receive any notice given pursuant to (a) or (b) of this Section or Section 4.07 hereof shall not affect the sufficiency or validity of the proceedings contemplated thereby.

Section 4.06. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 4.05 hereof, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at any place specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there shall be drawn for redemption less than all of a Bond, the City shall execute and the Trustee or Authenticating Agent shall authenticate and the appropriate Fiduciary shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series and maturity in any authorized denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Section 4.07. Purchase in Lieu of Redemption. Notwithstanding any other provisions of this Article IV, (i) if so provided in the Supplemental Certificate authorizing the issuance thereof, any Bonds subject to optional redemption and cancellation shall also be subject to optional call for purchase and resale by the City upon giving the same notices (which shall include the direction to call such Bonds for purchase and resale) that are required in connection with the optional redemption of such Bonds, which notices may be conditional and may be rescinded in whole or in part as with calls for redemption, (ii) the particular Bonds to be called shall be selected in the same manner as Bonds redeemed, (iii) such Bonds shall be called at the same times and at the same prices as are applicable to the optional redemption of such Bonds and (iv) the City shall provide the Bond Registrar with written instructions for the registration and delivery of the Bonds so purchased. No purchase of Bonds pursuant to this Section shall operate to extinguish the indebtedness of the City evidenced thereby or modify the terms of Bonds, and such Bonds shall remain Outstanding under this General Certificate.

ARTICLE V

ESTABLISHMENT OF FUNDS AND ACCOUNTS

Section 5.01. The Pledge Effected by this General Certificate. (a) There are hereby pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with their terms and the provisions hereof, subject only to the provisions hereof permitting the application thereof for the purposes and on the terms and conditions set forth in this General Certificate, (i) all Revenues and (ii) all Funds and Accounts, other than the Rebate Fund, established by this General Certificate.

(b) It is the intention of the City that, to the fullest extent permitted by law, this pledge shall be valid and binding from the time when it is made, that the Revenues, moneys, securities and other funds so pledged and then or thereafter received by the City shall immediately be subject to the lien of such pledge and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice thereof.

Section 5.02. Establishment of Funds and Accounts. (a) The following Funds and Accounts are hereby established:

(1) Revenue Fund, to be held by the City;

(2) Project Fund, to be held by the City.

(3) Debt Service Fund, to be held by the Trustee;

(4) Debt Service Reserve Fund, consisting of the Common Debt Service Reserve Account and each other Debt Service Reserve Account, if any, as may be established therein by Supplemental Certificate, to be held by the Trustee;

(5) Rebate Fund, to be held by the City; and

(b) The Trustee shall, at the request of the City, establish within any Fund held by the Trustee such Accounts as shall be designated in the written instructions of an Authorized Representative of the City and shall in like manner establish within any Account such sub-accounts for the purposes of such Accounts as shall be so designated, which Accounts and sub-accounts may be available for only one series of Bonds. The City may establish pursuant to a Supplemental Certificate authorizing the issuance of a Series of Bonds, additional Funds and Accounts for the purposes designated in such Supplemental Certificate.

Section 5.03. Disposition of Revenues and Other Amounts. (a) From and after the time of delivery by the Trustee of the first Bond authenticated and delivered under this General Certificate, Revenues shall be collected by the City and deposited, within two (2) Business Days, into the Revenue Fund. In addition, there shall be deposited into the Revenue Fund all other amounts required by this General Certificate to be so deposited or any other amounts that the City elects to deposit therein.

(b) From the amounts first deposited in the Revenue Fund in each month, the City shall set aside an amount from such Revenues that, when added to any amounts on deposit in the Revenue Fund to be applied to the purpose, will be sufficient to pay the current Operating Expenses expected to be payable in such month. Such amounts shall be paid out from time to time by the City for Operating Expenses of the Sewer System. All amounts so set aside to pay Operating Expenses shall forthwith upon being set aside be forever free and clear of any lien or pledge created by this General Certificate.

(c) If the City shall have entered into a Parity Swap Agreement corresponding to the interest rates payable on a Series of Bonds or any portion thereof, the net amounts received by the City, if any, pursuant to such Parity Swap Agreement shall be deposited in the Revenue Fund and applied to the deposits required hereunder, and the net amounts to be paid by the City under such Parity Swap Agreement on a parity with the Bonds (excluding any termination payments) shall be paid on a parity basis with the Bonds as provided by paragraph (d) of this Section and in the Supplemental Certificate authorizing the Series of Bonds to which the Parity Swap Agreement relates.

(d) The City shall, from amounts on deposit in the Revenue Fund, to the extent available and subject to the provisions of paragraph (b) of this Section, transfer to the Trustee or any Depositary, as the case may be, for deposit in the following Funds, the amounts set forth below, such transfers to be made no later than the last Business Day of each month and in the following order of priority:

(1) To the Debt Service Fund (after taking into account any moneys from Bond proceeds on deposit in the Debt Service Fund for capitalized interest and any moneys not constituting Revenues on deposit in the Debt Service Fund to pay interest and Principal Installments), an amount for each Series of Bonds Outstanding equal to the sum of: (A) an amount equal to one-sixth ($1/6^{th}$) of the amount of interest falling due on the Bonds of such Series on the next interest payment date, or such other proportionate amount as shall be necessary to ensure monthly deposits for the payment in full of interest on the next interest payment date, as set forth in the Supplemental Certificate authorizing such Series; (B) an amount equal to one-twelfth ($1/12^{th}$) of the amount of principal falling due on the next date upon which a Principal Installment falls due on the Bonds of such Series, or such other proportionate amount as shall be necessary to ensure monthly deposits for the payment in full of the Principal Installment on such date, as set forth in the Supplemental Certificate authorizing such Series and (C) an amount as may be determined by the City for the purposes of paragraph (c) of this Section, pro rata in accordance with the respective amounts due for such purposes (simultaneously with the transfer described in this clause, the City may transfer a similar amount from the Revenue Fund for the benefit of the holders of any Parity Debt not described in paragraph (c) of this Section); provided, however, that with respect to Variable Rate Bonds, the aggregate amount of interest shall be calculated at the Alternate Interest Rate per annum (or, if a Qualified Swap Agreement is in effect with respect to a Series of Bonds and the Swap Provider with respect to such Qualified Swap Agreement or its guarantor satisfies the Minimum Rating Requirement, the swap rate or, in the event that such Qualified Swap Agreement, taken together with such Bonds, results in a net fixed rate payable by the City for the term of such Bonds, such net fixed rate, as applicable);

(2) To the Debt Service Reserve Fund for credit to (A) the Common Debt Service Reserve Account therein the amount, if any, necessary to increase the amount on deposit therein, determined as of the first (1st) day of the Fiscal Year, to an amount equal to the Common Debt Service Reserve Account Requirement unless a lesser amount is otherwise applicable pursuant to the provisions of Section 5.05(g) or (h) hereof and (B) each other Debt Service Reserve Account therein, if any, the amounts necessary to satisfy any deficiencies in such Debt Service Reserve Accounts as may be determined and required by the applicable Supplemental Certificate, pro rata on the basis of the amounts so required;

(3) To the Rebate Fund, the amount, if any, necessary to make the amount on deposit therein equal to the Rebate Fund Requirement, if any, determined in accordance with the applicable Supplemental Certificate; and

(4) [Reserved].

Any amounts retained in the Revenue Fund after making the foregoing payments and transfers may be used for any lawful purpose of the City, including but not limited to the cost of the construction of additions, improvements or betterments to, or the reconstruction of, the Sewer System, emergency repairs of the Sewer System, major or extraordinary repairs, renewals or replacements of the Sewer System, redemption of any Bonds and expenses of such purchase or redemption, reserves for items of Operating Expenses the payment of which is not immediately required, reserves for the payment of any future costs, expenses, payments or transfers, or the payment of other bonds, notes or other evidences of indebtedness of the City heretofore or hereafter issued to finance or refinance costs of the Sewer System, or to the City's General Fund. All amounts so used shall forthwith upon withdrawal be forever free and clear of any lien or pledge created by this General Certificate. Any amounts retained in the Revenue Fund after making the foregoing payments and transfers may also be deposited in the Debt Service Fund.

Section 5.04. Debt Service Fund. (a) The Trustee shall pay out of the Debt Service Fund to the respective Paying Agents (i) before each interest payment date for any of the Bonds the amount required for the interest payable on such date, (ii) on or before each interest payment date for any of the Bonds, an amount equal to the Principal Installment, if any, due on such date by reason of maturity of any of the Bonds or by reason of the payment of any Sinking Fund Installment and (iii) on or before any redemption date for the Bonds, the amount required for the payment of the Redemption Price and interest on the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. The Trustee shall also pay out of the Debt Service Fund the accrued interest included in the purchase price of Bonds purchased for retirement.

(b) Amounts accumulated in the Debt Service Fund by reason of the payment of any Sinking Fund Installment may, and if so directed in writing by an Authorized Representative of the City shall, be applied by the Trustee, on or prior to the sixtieth (60th) day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established or (ii) the redemption of such Bonds at the applicable Sinking Fund Redemption Price, if then redeemable by their terms. All such purchases of Bonds shall (i) be made at prices not exceeding the applicable Sinking Fund Redemption Price

of such Bonds plus accrued interest, (ii) be made by the Trustee as arranged by the City in such manner and from such sellers or brokers at such prices as the City shall determine and (iii) insure that delivery of the Bonds so purchased shall not occur later than the sixtieth (60th) day next preceding the redemption date to which such Bonds are to be applied. The applicable Sinking Fund Redemption Price of any Bonds (or principal amount of maturing Bonds) so purchased or redeemed shall be deemed to constitute part of the Debt Service Fund until such Sinking Fund Installment date, for the purpose of calculating the amount of such Fund. As soon as practicable after the sixtieth (60th) day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment after making allowance for any Bonds purchased or redeemed pursuant to this Section 5.04 that the City has directed the Trustee to apply as a credit against such Sinking Fund Installment as provided in paragraph (d) of this Section. The Trustee shall pay out of the Debt Service Fund to the appropriate Paying Agents, on or before the redemption date the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(c) The amount, if any, deposited in the Debt Service Fund from the proceeds of sale of the Bonds shall be set aside in such Fund and applied to the payment of interest on the Bonds as the same becomes due and payable. The amount, if any, deposited in the Debt Service Fund not constituting Revenues shall be set aside in such Fund and applied to the payment of interest on and Principal Installments of the Bonds as the same become due and payable.

(d) Upon any purchase or redemption pursuant to paragraph (b) of this Section of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established, (i) if the principal amount of the Bonds so purchased is less than or equal to the next succeeding Sinking Fund Installment for such Series there shall be credited to the next such Sinking Fund Installment an amount equal to the principal amount of the Bonds of such Series so purchased and (ii) if the principal amount of the Bonds so purchased is greater than the next succeeding Sinking Fund Installment, there shall be credited toward each such Sinking Fund Installment thereafter to become due an amount bearing the same ratio to such Sinking Fund Installment as the total principal amount of such Bonds so purchased or redeemed bears to the total principal amount of all such Sinking Fund Installments to be so credited or, at the option of the City, an amount equal to the next succeeding Sinking Fund Installment. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

(e) Upon any purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established, other than as provided in paragraph (d) of this Section, the principal amount of the Bonds so purchased or redeemed shall be credited to such Sinking Fund Installments thereafter as the City may determine at its option. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance

of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

Section 5.05. Debt Service Reserve Fund. (a) Amounts on deposit in any Debt Service Reserve Account, other than the Common Debt Service Reserve Account, established for one or more Series shall be used and withdrawn as provided in the Supplemental Certificates authorizing the issuance of such Series, and any withdrawals therefrom shall be replenished or reimbursed as provided in the related Supplemental Certificates.

(b) Amounts on deposit in the Common Debt Service Reserve Account shall be applied, to the extent other funds are not available therefor pursuant to Section 504 hereof, solely to pay the Principal Installments of and interest on the Common Debt Service Reserve Account Secured Bonds when due. Unless otherwise provided in a Supplemental Certificate, amounts so applied shall be derived first, from cash or Authorized Investments on deposit therein and, second, from draws or demands on Reserve Fund Facilities held as a part thereof upon the terms and conditions set forth in any such Reserve Fund Facilities; provided, however, that if more than one Reserve Fund Facility is held in the Common Bond Reserve Account at the time moneys are to be withdrawn therefrom the Trustee shall obtain payment under each such Reserve Fund Facility pro rata based upon the respective amounts then available to be paid thereunder.

(c) If, as of June 30 or, if such day is not a Business Day, on the next preceding Business Day, the amount in the Common Debt Service Reserve Account exceeds the Common Debt Service Reserve Account Requirement for the Fiscal Year then ending, after giving effect to any Reserve Fund Facility deposited in the Common Debt Service Reserve Account, the Trustee shall withdraw from the Common Debt Service Reserve Account the amount of any excess therein as of the date of such withdrawal and deposit the moneys so withdrawn into the Debt Service Fund.

(d) Whenever the amount (exclusive of Reserve Fund Facilities) in the Common Debt Service Reserve Account, together with the amount in the Debt Service Fund allocable to the Common Debt Service Reserve Account Secured Bonds, is sufficient to pay all Outstanding Common Debt Service Reserve Account Secured Bonds in accordance with their respective terms, the funds on deposit in the Common Debt Service Reserve Account shall be transferred to the Debt Service Fund and applied to the redemption or payment at maturity of all Common Debt Service Reserve Account Secured Bonds Outstanding.

(e) In the event of the refunding of any Common Debt Service Reserve Account Secured Bonds, the Trustee shall, upon the written direction of the City, withdraw from the Common Debt Service Reserve Account all or any portion of the amounts accumulated therein with respect to such Bonds to be refunded and deposit such amounts as provided in such written direction; provided, however, that such withdrawal shall not be made unless (i) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 13.01 hereof and (ii) after giving effect to any amounts being simultaneously deposited therein, the amount remaining in the Common Debt Service Reserve Account after such withdrawal shall not be less than the Common Debt Service Reserve Account Requirement.

(f) In lieu of or in substitution for moneys or Authorized Investments otherwise required to be deposited in the Common Debt Service Reserve Account, the City may deposit or

cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Common Debt Service Reserve Account Secured Bonds for all or any part of the Common Debt Service Reserve Account Requirement; provided, however, (i) that any such surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of which is rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second (2nd) highest rating category by any one Rating Agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association and rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second (2nd) highest rating category by any one Rating Agency and (ii) that any such letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor or provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long-term debt obligations of which, or long-term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second (2nd) highest rating category by any one Rating Agency. Each Reserve Fund Facility shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Common Debt Service Reserve Account and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility. For the purposes of this Section 5.05 and Section 6.04 hereof, in computing the amount on deposit in the Common Debt Service Reserve Account, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation. In connection with a Reserve Fund Facility, the City may enter into a Reserve Fund Facility Agreement with the Reserve Fund Facility Provider of any such Reserve Fund Facility providing for, inter alia: (1) the payment of fees and expenses to such Reserve Fund Facility Provider for the issuance of such Reserve Fund Facility, (2) the terms and conditions of such Reserve Fund Facility and (3) the security, if any, to be provided for any obligations of the City with respect to such Reserve Fund Facility.

(g) If at any time it shall be necessary to use moneys in the Common Debt Service Reserve Account for the purpose of paying principal or interest on Common Debt Service Reserve Account Secured Bonds as to which there would otherwise be a default, then the moneys so used shall be replaced within twenty-four (24) months by depositing in the Common Debt Service Reserve Account twenty-four (24) substantially equal consecutive monthly deposits, commencing not later than the month following the occurrence of such deficiency.

(h) If, as a result of the expiration or termination of a Reserve Fund Facility, a deficiency shall be created in the Common Debt Service Reserve Account, the Common Debt Service Reserve Account Requirement shall be calculated so as to exclude the amount of such deficiency and the Common Debt Service Reserve Account Requirement shall be increased in each of the five (5) Fiscal Years after the date such deficiency was created by an amount equal to twenty per centum (20%) of the aforesaid deficiency.

(i) Notwithstanding any other provision hereof to the contrary and unless otherwise provided in a Supplemental Certificate, the Debt Service Reserve Requirement shall be calculated only at the time of issuance of a Series of Bonds and at such other time or times as the City may determine.

Section 5.06. Rebate Fund. Upon the issuance, sale and delivery of any Series of Bonds subject to the Rebate Fund Requirement, the Trustee shall establish a separate account within the Rebate Fund for such Series. Funds on deposit in the Rebate Fund shall be applied as set forth in the applicable Supplemental Certificate. Unless otherwise specified in the applicable Supplemental Certificate, interest or other income derived from the investment or deposit of moneys in the Rebate Fund shall be transferred to the Revenue Fund.

Section 5.07. Reseved.

Section 5.08. Project Fund. (a) There shall be paid into the Project Fund the amounts required to be so paid by the provisions hereof or any Supplemental Certificate, and there may be paid into the Project Fund, at the option of the City, any moneys received for or in connection with the Sewer System by the City from any other source.

(b) The City shall hereafter establish within the Project Fund a separate account for each Project, the Costs of which are to be paid in whole or in part out of the Project Fund. The City shall hereafter create a separate account, if necessary, in which to deposit the proceeds of insurance and the proceeds of contractors' performance bonds with respect to physical loss or damage to any part of the Sewer System for which a separate account is not then maintained.

(c) The proceeds of insurance maintained pursuant to this General Certificate against physical loss of or damage to the Sewer System and of contractors' performance bonds with respect thereto, shall be paid into the appropriate separate account in the Project Fund.

(d) Amounts in each separate account established for a Project shall be applied to the purpose or purposes specified in the Supplemental Certificate authorizing the Bonds issued to finance such Project or, if no Bonds are so issued, to the purpose or purposes specified in a certificate of an Authorized Representative of the City and filed with the Trustee.

(e) Moneys in the Project Fund shall be invested by the City to the fullest extent practicable in Authorized Investments maturing in such amounts and at such times as may be necessary to provide funds when needed to pay Costs of Construction or such other costs as may be required to be paid from such moneys. The City may, and to the extent required for payments from the Project Fund shall, sell any such Authorized Investments at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the applicable account in the Project Fund. Interest received on moneys or securities in a separate account in such Fund shall be held in such account.

(f) If, upon notice from the Trustee, the moneys in the Debt Service Fund or the Debt Service Reserve Fund, and together with other available moneys held under this General Certificate, shall be insufficient to pay the interest and Principal Installments becoming due on the Bonds, the City shall transfer from the appropriate account or accounts of the Project Fund to the

Trustee for deposit in the Debt Service Fund the amount necessary (or all the moneys in said account or accounts if less than the amount necessary) to satisfy such deficiency.

(g) Upon a determination by certificate of an Authorized Representative of the City that all or a portion of the amounts on deposit in any account in the Project Fund are no longer required for the purposes thereof, all or the specified portion of such account shall be paid over to the Trustee for deposit in the Debt Service Reserve Fund, if and to the extent necessary to satisfy any deficiency in any Debt Service Reserve Account therein, and any balance remaining after such payment and deposit shall be returned by the Depositary to the City for deposit into the Revenue Fund; provided, however, that no such deposits or transfers shall be made unless the Trustee shall have received an opinion of Bond Counsel to the effect that such deposit or transfer shall not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

Section 5.09. Valuation of Funds and Accounts. The Trustee shall, as of the close of business on the last day of each June and December, compute in the manner set forth in Section 6.04 hereof the value of the moneys and Authorized Investments in the Debt Service Fund and the Debt Service Reserve Fund and shall as promptly as practicable thereafter notify the City as to the result of such computation and the amount of deficiency or surplus in such Fund or Account as of such date.

Section 5.10. Compliance with Tax Certificates. The City shall ensure that all transfers of proceeds or deemed proceeds of Bonds held in a Fund or Account to another Fund or Account pursuant to this Article V, including but not limited to Section 5.08(g) hereof, shall comply with applicable Tax Certificates.

ARTICLE VI

DEPOSITARIES, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 6.01. Depositaries. (a) All moneys held by the Trustee under the provisions hereof shall be deposited with the Trustee or with one or more Depositaries in trust for the Trustee. All moneys held by the City under this General Certificate shall be deposited with one or more Depositaries in the name of the City. All moneys deposited under the provisions hereof with the Trustee or any Depositary shall be held in trust and applied only in accordance with the provisions hereof, and each of the Funds established by this General Certificate shall be a trust fund.

(b) Each Depositary shall be a bank or trust company organized under the laws of any state of the United States or a national banking association that is willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions hereof.

Section 6.02. Deposits. (a) All moneys held by any Depositary under this General Certificate may be placed in demand or interest bearing time deposits, as directed in writing by the City, provided that such deposits shall permit the moneys so held to be available for use when

needed. Any such deposit may be made in the commercial banking department of any Fiduciary that may honor checks and drafts on such deposit as if it were not a Fiduciary. All moneys held by any Fiduciary may be deposited with its banking department on demand or, if and to the extent directed in writing by the City, in interest bearing time deposits, provided that such moneys on deposit be available for use when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size.

(b) All moneys deposited with the Trustee and each Depositary shall be credited to the particular Fund or Account to which such moneys belong.

Section 6.03. Investment of Certain Funds. (a) Moneys held in the Debt Service Fund and the Debt Service Reserve Fund shall be invested and reinvested by the Trustee at the written direction of the City to the fullest extent practicable in Authorized Investments maturing or redeemable at the option of the holder thereof no later than necessary to provide moneys when needed for payments to be made from such Funds; provided, however, that moneys in the Debt Service Reserve Fund shall be invested in any Authorized Investment maturing or redeemable at the option of the holder thereof not later than ten (10) years from the date of purchase thereof, but not later than the last maturity date of the Bonds. Moneys in the Revenue Fund and the Rebate Fund may be invested and reinvested by the City in Authorized Investments that mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. The Trustee, or the Depositary, shall make all such investments of moneys held by it in accordance with written instructions from time to time received from any Authorized Representative of the City. In making any investment of moneys in any Fund or Account, the City may instruct the Trustee to combine such moneys with moneys in any other Fund or Account, but solely for the purpose of making such investment in Authorized Investments and provided that a pro rata share of such Authorized Investment shall be credited to each such Fund or Account.

(b) Interest (net of that amount that represents a return of accrued interest paid in connection with the purchase of any investment) earned or any gain realized on any moneys or investments in the Debt Service Reserve Fund shall be held therein and applied as in Section 5.05 hereof provided. Interest earned (net of that amount that represents a return of accrued interest paid in connection with the purchase of any investment) or any gain realized on any moneys or investments in the Debt Service Fund shall be applied as in Section 5.04 hereof provided. Interest earned (net of that amount that represents a return of accrued interest paid in connection with the purchase of any investment) or any gain realized from the investment of moneys in all other Funds and Accounts (except the Rebate Fund) shall be retained therein and applied as a credit against the next succeeding deposit required to be made pursuant to Section 5.03 hereof.

(c) Subject to the limitations of the foregoing provisions, any moneys held by the City may, to the extent permitted by law, be pooled with funds of any other public authority, county, municipality, special district or school district of the State, in order to make any purchase of an Authorized Investment permitted hereunder; provided, however, that the City and the Trustee shall at all times keep accurate and complete records of the Authorized Investments so purchased in sufficient detail as will permit the application of such Authorized Investments and the proceeds thereof solely to the purposes and in the manner provided in this General Certificate.

(d) Notwithstanding the foregoing provisions of this Section 6.03 or any other provision hereof, the City may direct that investment earnings reasonably expected to be subject to the requirements of Section 148(f) of the Code or the Treasury Regulations applicable thereto may be deposited directly to the Rebate Fund to the extent desirable to comply with the requirements of Section 148(f) of the Code or the Treasury Regulations applicable thereto.

Section 6.04. Valuation or Sale of Investments. (a) Authorized Investments in any Fund or Account created under the provisions hereof shall be deemed at all times to be part of such Fund or Account and any profit realized from the liquidation of such investment shall be credited to such Fund or Account and any loss resulting from liquidation of such investment shall be charged to such Fund or Account. Any net profits remaining after accumulating the sum of all profits realized and losses suffered from the liquidation of such investments in any Fund or Account during each quarterly period shall be transferred or paid as provided in Section 6.03(b) hereof.

(b) In computing the amount in any Fund or Account, Authorized Investments therein shall be valued at the market value thereof, exclusive of accrued interest. Authorized Investments shall be valued not less often than annually. Deficiencies in the amount on deposit in any Fund or Account resulting from a decline in the market value of Authorized Investments therein shall be restored no later than the succeeding valuation date.

(c) Except as otherwise provided in this General Certificate, the Trustee or any Depositary shall use its best efforts to sell at the best price obtainable, or present for redemption, any Authorized Investment held in any Fund or Account whenever it shall be necessary, and upon oral request (later confirmed in writing) from an Authorized Representative of the City in order to provide moneys to meet any payment or transfer from such Fund or Account. The Trustee or any Depositary shall not be liable or responsible for any loss resulting from any such investment, sale, liquidation or presentation for investment made in the manner provided above.

ARTICLE VII

PARTICULAR COVENANTS OF THE CITY

The City covenants and agrees with the Trustee and the Bondholders as follows:

Section 7.01. Payment of Bonds. The City shall duly and punctually pay or cause to be paid (but solely from the sources herein provided) the principal or Redemption Price or premium, if any, and interest of the Bonds, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and shall duly and punctually pay all Sinking Fund Installments.

Section 7.02. Extension of Payment of Bonds. The City shall not extend or assent to the extension of the maturity of any Bond or installment of interest, and if the maturity of any Bond or installment of interest shall be extended, such Bond or installment of interest shall not be entitled, in case of any default under this General Certificate, to the benefit hereof or to payment out of Revenues or Funds established by this General Certificate or moneys held by Fiduciaries (except moneys held in trust for the payment of such Bond or installment of interest) until the prior

payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the City to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 7.03. Further Assurance. At any and all times the City shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and other moneys, securities and funds hereby pledged or assigned, or which the City may become bound to pledge or assign.

Section 7.04. Power to Issue Bonds and Pledge Revenues and Other Funds. The City is duly authorized under all applicable laws to issue the Bonds and to adopt this General Certificate and to pledge the Revenues and other moneys, securities and funds purported to be pledged by this General Certificate in the manner and to the extent provided in this General Certificate. Except as provided in Section 5.01 hereof, the Revenues and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by this General Certificate, and all corporate or other action on the part of the City to that end has been and will be duly and validly taken. The Bonds and the provisions hereof are and will be valid and legally enforceable obligations of the City in accordance with their terms and the terms hereof. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other moneys, securities and funds pledged under this General Certificate and all the rights of the Bondholders under this General Certificate against all claims and demands and to that end will at all times keep a copy hereof in its record.

Section 7.05. Power to Operate System and Collect Rates and Charges. The City has, and will have so long as any Bonds are Outstanding, good, right and lawful power to construct, reconstruct, improve, maintain, operate and repair the Sewer System and to fix and collect the Rates and Charges for its use.

Section 7.06. Indebtedness and Liens. So long as the Bonds of any Series shall be Outstanding, the City shall not issue any bonds, notes or other evidences of indebtedness, other than Bonds and Parity Debt that are payable from or secured by a pledge of the Revenues or of the moneys, securities or funds held or set aside by the City or by the Trustee under this General Certificate, and shall not create or cause to be created any lien or charge on the Revenues or such moneys, securities or funds ranking prior to or on a parity with the lien and pledge created by this General Certificate and with any applicable Supplemental Certificate; provided, however, that nothing contained in this Section or this General Certificate shall prevent the City from hereafter issuing bonds, notes or other evidences of indebtedness for the purposes of the Sewer System payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in this General Certificate shall be discharged and satisfied as provided in Section 13.01 hereof or from hereafter issuing bonds, notes or other evidences of indebtedness for the purposes of the Sewer System that are payable out of or secured by the pledge of amounts that may be withdrawn from the Revenue Fund pursuant to and subject to the

limitations of Section 5.03(d) hereof and which recite on their face that such pledge of said amounts is and shall be in all respects subordinate to the provisions hereof and the lien and pledge created by this General Certificate.

Section 7.07. Sale, Lease and Encumbrance of Property. The City will not sell, assign, lease or otherwise dispose of any substantial portion of the Sewer System unless it determines that such disposition would not impair the ability of the City to comply during the current or any future Fiscal Year with the provisions of Section 7.11 hereof. The proceeds of any such disposition not used to acquire other property necessary or desirable for the safe or efficient operation of the Sewer System shall be deposited in the Revenue Fund and used for such purposes as shall be determined by the City, subject to compliance with Section 7.15 hereof and to that end the City shall consult with Bond Counsel if any such property has been financed with debt the interest on which was intended to be excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code.

Section 7.08. Annual Budget. The City shall prepare, adopt and promptly thereafter file with the Trustee an Annual Budget for each Fiscal Year which shall set forth in reasonable detail the estimated Revenues and Operating Expenses and other expenditures of the Sewer System for such Fiscal Year. Such Annual Budget may consist of separate operating and capital budgets as determined by the City. The City also may at any time prepare, adopt and file with the Trustee an amended Annual Budget for the remainder of the then current Fiscal Year.

Section 7.09. Consulting Engineer; Inspection of Sewer System. The City shall, until the Bonds and the interest thereon shall have been paid or provision for such payment shall have been made, when required to assure the performance of the duties imposed on the Consulting Engineer by this General Certificate, employ a Consulting Engineer, whose duties shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineer under this General Certificate. The Consulting Engineer shall make an inspection of the Sewer System at least once during every consecutive three (3) Fiscal Years, and, not more than sixty (60) or less than forty-five (45) days before the end of the third (3rd) such Fiscal Year, shall submit to the City advice and recommendations as to the proper maintenance, repair and operation of the Sewer System during the ensuing three (3) Fiscal Years and an estimate of the amount of money necessary for such purposes. Copies of the reports of the Consulting Engineer and of the advice, recommendations and estimates made as hereinabove provided shall be delivered by the City to the Trustee. Any report prepared by the Consulting Engineer in connection with the issuance of Bonds within the last Fiscal Year in such three (3) year period shall satisfy the requirements of this Section for such three (3) year period.

Section 7.10. Operation and Maintenance of System. The City shall at all times operate or cause to be operated the Sewer System properly and in a sound and economical manner and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Sewer System may be properly and advantageously conducted.

Section 7.11. Rates and Charges; Rate Covenant. (a) The City shall for each Fiscal Year fix and collect Rates and Charges for each class of service rendered by the Sewer System, and will from time to time amend or adjust such Rates and Charges so that the Revenues of the Sewer System shall always be sufficient to (i) provide for the payment of Operating Expenses, (ii) provide for the payment of the principal of and interest on the Bonds Outstanding (except any part thereof the payment of which has been provided for by the deposit of proceeds of Bonds or other moneys not constituting Revenues in the Debt Service Fund), and the net payments owing under Outstanding Parity Debt and payable on a parity with the Bonds as and when the same become due and payable, together with the maintenance of proper reserves therefor, (iii) maintain the Funds and Accounts established in this General Certificate, (iv) provide for the payment of expenses of administration and operation and maintenance of the Sewer System that may be necessary to preserve the same in good repair and working order, including the necessary reserves therefor and (v) comply in all respects with the terms and provisions hereof and to pay and discharge all charges or liens payable out of the Revenues when due and enforceable including without limitation the payment of other bonds, notes or other evidences of indebtedness of the City heretofore or hereafter issued to finance or refinance costs of the Sewer System.

(b) Without limiting the generality of the foregoing, the City shall at all times fix, charge and collect such Rates and Charges and adopt a budget as shall be required in order that, in each Fiscal Year, Net Revenues shall at least equal the Net Revenue Requirement for such Fiscal Year. The failure in any Fiscal Year to comply with the foregoing Net Revenue Requirement covenant with respect to any Fiscal Year shall not constitute a default or an Event of Default under this General Certificate provided the City shall comply with paragraph (c) of this Section.

(c) On or before the end of each Fiscal Year, in conjunction with preparation of the Annual Budget, the City shall complete a review of the financial condition of the Sewer System for the purpose of estimating whether the Net Revenues for such Fiscal Year and for the next succeeding Fiscal Year will be sufficient to comply with the Net Revenue Requirement covenant in paragraph (b) of this Section and shall by certificate of an Authorized Representative of the City make a determination with respect thereto. Such review shall take into consideration the completion of any uncompleted Project and the issuance of future Series of Bonds if necessary to finance the completion of such Project. A copy of such certificate setting forth a reasonably detailed statement of the actual and estimated Revenues, Operating Expenses, Aggregate Debt Service, and any other estimates or assumptions upon which such determination was based, shall be filed with the Trustee within thirty (30) days of the adoption of the Annual Budget or, if earlier, by the end of such Fiscal Year. If the City determines that the Net Revenues may not be so sufficient in the then current Fiscal Year, it shall forthwith, with advice and recommendations from the Consulting Engineer, develop a corrective plan of action to comply with the Net Revenue Requirement covenant in paragraph (b) of this Section in such following and later Fiscal Years. Such a corrective plan may include an increase in the schedule of rates and other charges, the development of changes to operations or expense reductions designed to lower Operating Expenses and/or a description of extraordinary circumstances that led to an insufficiency of Net Revenues and an explanation as to why such circumstances are unlikely to occur in the following year. The City's corrective plan demonstrating projected compliance in such subsequent Fiscal Year shall be filed with the Trustee and implemented within one hundred and eighty (180) days of the adoption of the Annual Budget for such subsequent Fiscal Year.

Section 7.12. Maintenance of Insurance. (a) The City shall at all times maintain to the extent reasonably obtainable, the following kinds and the following amounts of insurance, with such variations as shall reasonably be required to conform to applicable standards or customary insurance practice and subject to such exceptions and permissible deductions as are ordinarily required:

(1) Multi-risk insurance on the facilities of the Sewer System that are of an insurable nature and of the character usually insured by utilities operating similar facilities, covering direct physical loss or damage thereto from causes customarily insured against, in such amounts necessary or advisable to provide against such loss or damage and to protect the interests of the City and the Bondholders;

(2) Public liability insurance covering injuries to persons and property in such amount as adequate to insure the City against claims arising out of the construction, maintenance, reconstruction or operation of the facilities of the Sewer System;

(3) During the construction or reconstruction of any portion of the facilities of the Sewer System, such insurance as is customarily carried by others with respect to similar structures used for similar purposes, provided that the City shall not be required to maintain any such insurance to the extent that such insurance is carried for the benefit of the City by contractors; and

(4) Any additional or other insurance required by law to protect the interest of the City and the Bondholders.

(b) Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City.

(c) The City shall file with the Trustee annually, within one hundred and eighty (180) days after the close of each Fiscal Year, a certificate of an Authorized Representative (i) describing in reasonable detail the insurance then in effect pursuant to this Section and that the City has complied in all respects with the requirements of this Section and (ii) stating whether during such year any portion of the Sewer System has been damaged or destroyed and, if so, the amount of insurance proceeds covering such loss or damage and the City's reasonable and necessary costs of construction or replacement thereof.

Section 7.13. Reconstruction; Application of Insurance Proceeds. The proceeds of any insurance paid on account of damage or destruction of any portion of the Sewer System and the proceeds of any use or occupancy insurance shall be applied as follows:

(a) If any useful portion of the Sewer System shall be damaged or destroyed, the City shall, as expeditiously as possible, continuously and diligently prosecute the reconstruction or replacement thereof. The proceeds of any insurance on account of such damage or destruction shall, to the extent necessary, be applied to the cost of such reconstruction or replacement. The proceeds of any insurance not so applied within eighteen (18) months after receipt shall be paid to the City for deposit to the credit of the Revenue Fund.

(b) If the proceeds of insurance authorized by this Section to be applied to the reconstruction or replacement of any portion of the Sewer System are insufficient for such purpose, the deficiency may be supplied out of moneys in the Revenue Fund to the extent not needed to be reserved for the purposes of such Fund.

(c) The proceeds of insurance against physical loss of or damage to any Project, or of contractors' performance bonds with respect to any Project, received during the period of construction thereof, shall be paid to the City and applied toward the payment of the costs of such Project.

Section 7.14. Accounts and Reports. The City shall keep proper books, records and accounts (separate from all other books, records and accounts) in which complete and correct entries shall be made of its transactions relating to the Sewer System and the Funds established by this General Certificate and that, together with all other books and papers of the City, including insurance policies, shall at all times be subject to the inspection of the Trustee and the Holders of not less than 25% in principal amount of any Series of Bonds then Outstanding or their representatives duly authorized in writing. The City further covenants that it will keep an accurate record of the total cost of construction of the Sewer System, of the Revenues collected and of the application of such Revenues.

Section 7.15. Tax Covenants. The City shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the City to be used directly or indirectly (a) to acquire any securities or obligations the acquisition of which would cause any Bond, the interest on which is intended to be excludable from gross income for federal income tax purposes, to be an "arbitrage bond" as defined in Section 148 of the Code or (b) in a manner that would result in the exclusion of any Bond, the interest on which is intended to be excludable from gross income for federal income tax purposes, from the tax-exempt treatment afforded by Section 103(a) of the Code. The City covenants that with respect to all Bonds, the interest on which is intended to be excludable from gross income for federal income tax purposes, it will take all actions necessary to assure the exclusion of interest from gross income for federal tax purposes pursuant to Section 103 of the Code. Anything contained in this Section 7.15 to the contrary notwithstanding, the City reserves the right to issue one or more Series of Additional Bonds the interest on which is includable in the gross income of the recipient thereof for federal income tax purposes, provided that the issuance of such Series does not adversely affect the federal tax exemption of the interest on any Series of Bonds.

Section 7.16. Conditions Precedent. Upon the date of authentication and delivery of any Series of Bonds, all conditions, acts and things required by the Enabling Act and this General Certificate to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds shall exist, have happened and have been performed, and the issuance of such Bonds, together with all other indebtedness of the City, shall be within every debt and other limit prescribed by the laws of the State.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

Section 8.01. Events of Default and Remedies of Bondholders. If one or more of the following events (in this General Certificate called "Events of Default") shall happen, that is to say:

(a) with respect to the applicable Series of Bonds if a default shall occur in the due and punctual payment of the principal or Redemption Price of any Bond of such Series or the payment of the purchase price of any Tender Bonds when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;

(b) with respect to the applicable Series of Bonds if a default shall occur in the due and punctual payment of any installment of interest on any Bond of such Series;

(c) if a default shall occur in the performance or observance by the City of any other of the covenants, agreements or conditions in this General Certificate, the applicable Supplemental Certificate or in the Bonds of any Series contained, and such default shall continue for a period of ninety (90) days after written notice thereof to the City by the Trustee or to the City and to the Trustee by the Holders of not less than a majority in principal amount of the Bonds of such Series Outstanding; provided, however, that such ninety-day period shall be extended to such longer period of time as the Trustee may deem appropriate in the event of defaults that by their nature will require such longer period of time to cure if the City shall commence such cure within such ninety-day period and pursue the same diligently to completion;

(d) if any default shall exist under any Parity Debt and such default shall continue beyond the grace period, if any, provided for with respect to such default; or

(e) if the City (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver of the whole or any substantial part of the Sewer System or (v) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the City or of the whole or any substantial part of the Sewer System.

Upon the happening and continuance of any Event of Default, the Trustee shall give notice of such occurrence to the registered holders of the Bonds. Upon the happening and continuance of any Event of Default, neither the Trustee nor the holders of the Bonds or Parity Debt shall have the right to declare the principal of any Bonds then Outstanding, or the interest accrued thereon, to be due and payable prior to its stated maturity.

In determining whether an Event of Default has occurred pursuant to paragraphs (a) or (b) of this Section, no effect shall be given to payments made under a Credit Facility.

The provisions of paragraph (c) of this Section are subject to the limitation that if by reason of force majeure the City is unable in whole or in part to observe and perform any of its covenants, conditions or agreements under this General Certificate, the City shall not be deemed

in default during the continuance of such disability. The term "force majeure" as used in this General Certificate shall include without limitation acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; epidemics; landslides; lightning; earthquakes; fires; riots; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the City. The City shall, however, remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements, provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the City and the City shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties.

Section 8.02. Accounting and Examination of Records After Default. (a) The City covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the City and all other records related to the Sewer System shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys, including the engineer or firm of engineers appointed pursuant to Section 8.03 hereof.

(b) The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all available Revenues and other moneys, securities and funds pledged or held under this General Certificate for such period as shall be stated in such demand.

Section 8.03. Application of Revenues and Other Moneys After Default. (a) The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all moneys, securities and funds then held by the City in any Fund or Account under this General Certificate (excluding the Rebate Fund) and (ii) all Revenues as promptly as practicable after receipt thereof.

(b) During the continuance of an Event of Default, the Trustee shall apply such moneys, securities, funds and Revenues and the income therefrom as follows and in the following order:

(1) to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee (including counsel fees) and of any engineer or firm of engineers selected by the Trustee pursuant to this Article;

(2) to the payment of the amounts required for reasonable and necessary Operating Expenses and for the reasonable renewals, repairs and replacements of the Sewer System necessary to prevent loss of Revenues, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the City for other purposes) selected by the Trustee. For this purpose the books of record and accounts of the City relating to the Sewer System shall at all times

be subject to the inspection of such engineer or firm of engineers during the continuance of such Event of Default;

(3) to the payment of the interest and principal or Redemption Price then due on all Series of Bonds and to the payment of any amount owing under Parity Debt, as follows:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption and any Parity Debt, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

SECOND: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds and Parity Debt that shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all Bonds and Parity Debt then Outstanding due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price of such Bonds and Parity Debt due on such date, to the persons entitled thereto, without any discrimination or preference;

(c) If and whenever all overdue installments of interest on all Bonds and Parity Debt, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums payable by the City under this General Certificate, including the principal and Redemption Price of and accrued unpaid interest on all Bonds that shall then be payable, shall either be paid by or for the account of the City, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under this General Certificate or the Bonds shall be cured or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the City all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms hereof to be deposited or pledged, with the Trustee) and thereupon the City and the Trustee shall be restored, respectively to their former positions and rights under this General Certificate. No such payment over to the City by the Trustee nor such restoration of the City and the Trustee to their former positions and rights shall extend to or affect any subsequent default under this General Certificate or impair any right consequent thereon.

Section 8.04. Proceedings Brought by Trustee. (a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the holders of not less than 25% in principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the holders of the Bonds under this General Certificate forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the City as if the City

were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under this General Certificate.

(b) All rights of action under this General Certificate may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

(c) The holders of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

(d) Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Trustee to enforce any right under this General Certificate, the Trustee shall be entitled to exercise any and all rights and powers conferred in this General Certificate and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(e) Regardless of the happening of an Event of Default, the Trustee shall have power, but unless requested in writing by the holders of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation, to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under this General Certificate and to preserve or protect its interests and the interests of the Bondholders.

Section 8.05. Restriction on Bondholder's Action. (a) No holder of any Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement of any provision hereof or the execution of any trust under this General Certificate or for any remedy under this General Certificate, unless such holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the holders of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in this General Certificate or by the laws of the State to institute such suit or proceedings in its own name, and unless such holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or failed to comply with such request within sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by this General Certificate, or to enforce any right under this General Certificate, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision hereof shall be instituted, had and maintained in the

manner provided in this General Certificate and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 7.02 hereof.

(b) Nothing in this General Certificate or in the Bonds contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any holder to enforce such payment of its Bond.

Section 8.06. Remedies not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under this General Certificate or existing at law or in equity or by statute on or after the date of adoption hereof.

Section 8.07. Effect of Waiver and Other Circumstances. (a) No delay or omission of the Trustee or any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or be an acquiescence therein.

(b) The holders of not less than two-thirds in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized in writing, may on behalf of the holders of all of the Bonds waive any past default under this General Certificate and its consequences, except a default in the payment of interest on or principal or Redemption Price of any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 8.08. Notice of Default. The Trustee shall promptly mail to holders of Bonds written notice of the occurrence of any Event of Default of which the Trustee has knowledge. The Trustee shall mail to the issuer of any Credit Facility and Liquidity Facility notice of an Event of Default described in Section 8.01(a) or (b) hereof as soon as possible and notice of the occurrence of any other Event of Default of which the Trustee has knowledge within thirty (30) days of the Trustee's knowledge thereof.

ARTICLE IX

CONCERNING THE FIDUCIARIES

Section 9.01. Trustee; Appointment and Acceptance of Duties. US Bank Trust Company, N.A., is hereby appointed Trustee under this General Certificate. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this General Certificate by executing and delivering to the City a written certificate of acceptance thereof and by executing such certificate the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in this General Certificate.

Section 9.02. Paying Agents; Appointment and Acceptance of Duties. The City may appoint one or more Paying Agents for the Bonds and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 9.14 hereof for a successor Paying Agent. The Trustee may be appointed a Paying Agent. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this General Certificate by executing and delivering to the City and to the Trustee a written acceptance thereof. Unless otherwise provided, the principal or corporate trust offices of the Paying Agents are designated as the respective offices or agencies of the City for the payment of the interest and principal or Redemption Price of the Bonds.

Section 9.03. Depositaries; Appointment and Acceptance of Duties. The City may appoint one or more Depositaries as of the date of original issuance and delivery of the Bonds and may at any time or from time to time appoint one or more other Depositaries having the qualifications set forth in Section 6.01 hereof. The Trustee may be appointed as a Depositary. Each Depositary shall signify its acceptance of the duties and obligations imposed upon it by this General Certificate by executing and delivering to the City and the Trustee a written acceptance thereof.

Section 9.04. Responsibilities of Fiduciaries. (a) The recitals of fact herein and in the Bonds contained shall be taken as the statements of the City and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency hereof or of any Bonds issued thereunder or as to the security afforded by this General Certificate, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for any representation contained in its authentication certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to the City or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act that would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of paragraph (b) of this Section, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds. The permissive right of the Trustee to do things enumerated in this General Certificate shall not be construed as a duty. The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of agents or attorneys appointed with due care.

(b) The Trustee, prior to the occurrence of an Event of Default and after the remedy of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this General Certificate and no implied covenants shall be read into this General Certificate against the Trustee. In case an Event of Default has occurred and has not been remedied, the Trustee shall exercise such of the rights and powers vested in it by this General Certificate, and shall use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision hereof relating to action taken or to be taken by the Trustee or to evidence upon

which the Trustee may rely shall be subject to the provisions of this Section. The Trustee shall not take any Credit Facility into account in determining whether the rights of Bondholders are adversely affected by actions taken pursuant to the terms and provisions hereof.

(c) Although the City recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the City agrees that confirmations of permitted investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered.

(d) The Trustee shall have no duty to review, verify or analyze financial statements and shall hold such financial statements solely as a repository for the benefit of the Bondholders and the Trustee shall not be deemed to have notice of any information contained therein, default or event of default that may be disclosed therein in any manner. Delivery of such reports, information and documents to the Trustee is for information purposes only and the Trustee's receipt of such shall not constitute notice or constructive notice of any information contained therein or determinable from information contained therein, including the City's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on a certificate of an Authorized Representative of the City).

Section 9.05. Evidence on Which Fiduciaries May Act. (a) Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to and conforming to the requirements hereof, and believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this General Certificate, such matter (unless this General Certificate specifically requires other evidence thereof) may be deemed to be conclusively proved and established by a certificate of an Authorized Representative of the City, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

(c) Except as otherwise expressly provided in this General Certificate, any request, order, notice or other direction required or permitted to be furnished by the City to any Fiduciary shall be sufficiently executed if signed by an Authorized Representative of the City.

(d) In the administration of the trusts under this General Certificate, the Trustee may consult with counsel, accountants and other skilled persons to be selected and retained by it, and the Trustee shall not be liable for anything done, suffered or omitted in good faith by them in accordance with the written advice or written opinion of any such counsel, accountants or other skilled persons.

(e) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this General Certificate and delivered using Electronic Means (as hereinafter defined); provided, however, that the City shall provide to the Trustee an incumbency certificate listing officials with the authority to provide such Instructions ("Authorized Officials") and containing specimen signatures of such Authorized

Officials, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Official listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Official. The City shall be responsible for ensuring that only Authorized Officials transmit such Instructions to the Trustee and that the City and all Authorized Officials are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

(f) In connection with any transfer or exchange of Bonds outside the book-entry-only system, the transferor or owner shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045. The Trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 9.06. Compensation. Unless otherwise determined by contract between the City and a Fiduciary, the City shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this General Certificate, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this General Certificate, and each Fiduciary shall have a lien therefor prior to that of the Bonds on any and all funds at any time held by it under this General Certificate. Subject to the provisions of Section 9.04 hereof, the City further agrees to indemnify and save each Fiduciary harmless against any liabilities that it may incur in the exercise and performance of its powers and duties hereunder, and that are not due to its negligence or willful misconduct.

Section 9.07. Certain Permitted Acts. Any Fiduciary may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted

by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this General Certificate, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

Section 9.08. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by this General Certificate by giving not less than sixty (60) days written notice to the City, and the City shall mail notice thereof to the Bondholders, specifying the date when such resignation shall take effect; provided, however, that such resignation shall not take effect until the appointment of such successor as provided in Section 9.10 hereof and the acceptance by such successor as provided in Section 9.11 hereof. The City shall send a copy of such notice to the issuer of any Credit Facility and Liquidity Facility then in effect.

Section 9.09. Removal of Trustee. The Trustee may be removed (i) by the City at any time, upon thirty (30) days written notice, except during the existence of an Event of Default, with or without cause in the sole discretion of the City by an instrument in writing signed by an Authorized Representative of the City and (ii) at any time, upon thirty (30) days written notice, by the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed and duly acknowledged by such holders or their attorneys-in-fact duly authorized, and delivered to the City and the Trustee; provided, however, that such removal shall not take effect until the appointment of such successor as provided in Section 9.10 hereof and the acceptance by such successor as provided in Section 9.11 hereof. Copies of each such instrument shall be delivered by the City to each other Fiduciary. The City shall send notice of such removal to the issuer of any Credit Facility and Liquidity Facility then in effect.

Section 9.10. Appointment of Successor Trustee. (a) In the event that the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer or court shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the City and the predecessor Trustee. Pending such appointment, the City by a duly executed written instrument signed by an Authorized Representative of the City shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders. The successor Trustee shall mail notice of any such appointment to the Bondholders. The City shall send a copy of such notice to the issuer of any Credit Facility and Liquidity Facility then in effect. Any successor Trustee appointed by the City shall, immediately and without further act, be superseded by a Trustee appointed by a majority of the Bondholders as aforesaid.

(b) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Trustee

shall have given to the City written notice of resignation as provided in Section 9.08 hereof or after a vacancy in the office of the Trustee shall have occurred, the Trustee or the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee.

(c) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank or trust company organized under the laws of any state of the United States of America or a national banking association, and having combined capital stock, surplus and undivided profits aggregating at least $50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this General Certificate.

Section 9.11. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this General Certificate shall execute, acknowledge and deliver to its predecessor Trustee, and also to the City, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee; but the predecessor Trustee shall nevertheless, on the written request of the City, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all its right, title and interest in and to any property held by it under this General Certificate, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trust and conditions herein set forth. Should any deed, conveyance or instrument from the City be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such moneys, estates, properties, rights, powers and duties, such deed, conveyance or instrument shall be executed, acknowledged and delivered by the City. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

Section 9.12. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which all or substantially all of the corporate trust business of any Fiduciary may be sold or transferred, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this General Certificate.

Section 9.13. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this General Certificate shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee or in its own name.

Section 9.14. Resignation or Removal of Paying Agent and Appointment of Successor. (a) Any Paying Agent may at any time resign and be discharged of the duties and

obligations imposed upon it by this General Certificate by giving at least sixty (60) days written notice to the City and the other Fiduciaries.

(b) Any Paying Agent may be removed at any time, upon thirty (30) days written notice, by an instrument signed by an Authorized Representative of the City and filed with such Paying Agent and the Trustee. Any successor Paying Agent shall be appointed by the City and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock and surplus aggregating at least $10,000,000, willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this General Certificate.

(c) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

ARTICLE X

SUPPLEMENTAL CERTIFICATES

Section 10.01. Supplemental Certificates Effective upon Filing. A Supplemental Certificate for any one or more of the following purposes shall be fully effective in accordance with its terms and upon the filing with the Trustee of a copy thereof certified by an Authorized Representative of the City:

(a) to close this General Certificate against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this General Certificate on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(b) to add to the covenants and agreements of the City in this General Certificate, other covenants and agreements to be observed by the City that are not contrary to or inconsistent with this General Certificate as theretofore in effect;

(c) to add to the limitations and restrictions in this General Certificate, other limitations and restrictions to be observed by the City that are not contrary to or inconsistent with this General Certificate as theretofore in effect;

(d) to authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Section 2.02 hereof, and also any other matters and things relative to such Bonds that are not contrary to or inconsistent with this General Certificate as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(e) to confirm, as further assurance, any pledge or assignment under and the subjection to any security interest, pledge or assignment created or to be created by this General Certificate of the Revenues or of any other moneys, securities or funds;

(f) to surrender any right, power or privilege reserved to or conferred upon the City by this General Certificate, including without limitation any reserved rights and remedies of Bondholders or the Trustee following an Event of Default;

(g) to authorize the establishment of a fund or funds to enable the City to self-insure against the risks and hazards relating to a Project and the interests of the City and of the Bondholders as described in Section 7.13 hereof;

(h) to modify the definition of Authorized Investments as directed by the City, provided that the City shall have provided evidence to the Trustee that the details of such modification have been provided in writing to each Rating Agency then assigning a rating on Outstanding Bonds and that each such Rating Agency has either (i) confirmed in writing that such modification will not adversely affect such ratings or (ii) issued a rating on a Series of Bonds to be issued that is not lower than the rating assigned by such Rating Agency to Outstanding Bonds prior to such modification, or any other evidence satisfactory to the Trustee that such modification will not adversely affect the then current ratings, if any, assigned to the Bonds by any Rating Agency;

(i) to modify, amend or supplement this General Certificate in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America and, if the City so determines, to add hereto such other terms, conditions and provisions as may be permitted by said Trustee Indenture Act of 1939 or similar federal statute;

(j) to comply with regulations and procedures as are from time to time in effect relating to any book-entry-only system, whether within or without the United States, for the registration of beneficial ownership interests in Bonds;

(k) to comply with additional requirements that a Rating Agency may impose in order to issue or maintain a rating on the Bonds, provided that any Supplemental Certificate, the purpose of which is to effect such changes shall be effective only upon delivery to the City and the Trustee of an opinion of Bond Counsel that such changes shall not adversely affect the validity of the Bonds or the exclusion of interest on the Bonds from the gross income of the Holders thereof for federal income tax purposes;

(l) to modify any of the provisions hereof in any other respect whatever with respect to any Bonds, provided that (i) (A) such modification relates only, and is to be effective prior to the issuance of, such Bonds or (B) such modification relates only, and is to be effective only upon the remarketing of, such Bonds in connection with an optional or mandatory tender thereof for purchase by or on behalf of the City or purchase in lieu of redemption pursuant to Section 4.06 hereof and (ii) such modification is disclosed in an offering or reoffering document applicable to such issuance or remarketing; or

(m) to modify any of the provisions hereof in any other respect whatever, provided that such modification shall be and shall be expressed to be, effective only after all Bonds Outstanding, and outstanding or unpaid Qualified Swap Agreements and Reimbursement

Obligation, at the date of the execution and delivery of such Supplemental Certificate shall cease to be Outstanding or owing, as the case may be.

Section 10.02. Supplemental Certificates Effective upon Consent of Trustee. A Supplemental Certificate for any one or more of the following purposes shall be fully effective in accordance with its terms upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Representative of the City and (ii) the filing with the Trustee and the City of the Trustee's written consent thereto:

(a) to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision in this General Certificate;

(b) to insert such provisions clarifying matters or questions arising under this General Certificate as are necessary or desirable and are not contrary to or inconsistent with the General Certificate as theretofore in effect;

(c) to modify or amend any of the terms or provisions hereof if no Bonds are Outstanding at the time such written consent is filed;

(d) to modify or amend any of the terms or provisions hereof, provided that such modification by its terms shall not take effect until all Bonds Outstanding on the date of adoption of such Supplemental Certificate shall have ceased to be Outstanding;

(e) to make any modification or amendment to this General Certificate that does not materially and adversely affect the interests of the Bondholders;

(f) to comply with the provisions of Section 3.10 hereof; or

(g) to modify, amend or insert such provisions relating to Parity Debt as are necessary or desirable and not adverse to the rights and interests of the Bondholders.

Section 10.03. Supplemental Certificates Effective upon Consent of Bondholders. Any Supplemental Certificate not effective in accordance with Sections 10.01 or 10.02 hereof shall take effect only if permitted and in the manner prescribed by Article XI hereof.

Section 10.04. Filing of Counsel's Opinion. Each Supplemental Certificate described in Section 10.01 or Section 10.02 hereof shall be accompanied, when filed with the Trustee, by a Counsel's Opinion to the effect that such Supplemental Certificate has been duly and lawfully adopted by the City in accordance with the provisions hereof, is authorized or permitted by this General Certificate and, when effective, will be valid and binding upon the City, the Bondholders and the Trustee; provided, however, that such Counsel's Opinion may take an exception on account of the laws of bankruptcy, reorganization and insolvency and of other laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general equitable principles. The Trustee shall be fully protected in relying on Counsel's Opinion that such Supplemental Certificate is authorized or permitted by the provisions hereof. No Supplemental Certificate shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE XI

AMENDMENTS

Section 11.01. Mailing. Any provision in this Article for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid or delivered only (i) to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the bond register kept at the designated office of the Bond Registrar and (ii) to the Trustee.

Section 11.02. Powers of Amendment. Any modification or amendment hereof and of the rights and obligations of the City and of the Holders of the Bonds thereunder, in any particular, may be made by Supplemental Certificate of the City, with the written consent given as provided in Section 11.03 hereof (i) of the Holders of not less than a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Holders of not less than a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of not less than a majority in principal amount of the Bonds of the particular maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this Section, a Bond shall be deemed to be affected by a modification or amendment hereof if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion determine whether or not the rights of the Holders of Bonds of any particular maturity would be adversely affected or diminished by any such modification or amendment, and its determination shall be binding and conclusive on the City and all Holders of Bonds. The Trustee shall be entitled to rely upon an opinion of counsel to such effect.

Section 11.03. Consent of Bondholders. The City may at any time adopt a Supplemental Certificate making a modification or amendment permitted by the provisions of Section 11.02, to take effect when and as provided in this Section. Upon the adoption of such Supplemental Certificate, a copy thereof, certified by an Authorized Representative of the City, shall be delivered to and held by the Trustee for the inspection of the Bondholders. A copy of such Supplemental Certificate (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to

the Trustee shall be mailed by the City to Bondholders. Such Supplemental Certificate shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Holders of the required principal amount of Outstanding Bonds and (ii) a Counsel's Opinion stating that such Supplemental Certificate has been duly adopted by the City in accordance with the provisions hereof, is authorized or permitted by this General Certificate and, when effective, will be valid and binding upon the City, the Bondholders and the Trustee, provided that such Counsel's Opinion (A) may take exceptions for limitations imposed by or resulting from applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights, or the application of principles of equity relating to or affecting the enforcement of contractual obligations and (B) need not express any opinion as to the availability of any particular remedy and (b) a notice shall have been mailed to the Bondholders as hereinafter in this Section provided. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Holder has notice thereof; provided, however, that any consent may be revoked by any Holder of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter in this Section referred to is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. The fact that a consent has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it. Any consent, or revocation thereof, may be delivered or filed prior to any mailing required by this Article and shall not be deemed ineffective by reason of such prior delivery or filing. Within thirty (30) days of any date on which the consents on file with the Trustee and not theretofore revoked shall be sufficient under this Section, the Trustee shall make and file with the City and the Trustee a written statement that the consents of the Holders of the required principal amount of Outstanding Bonds have been filed with it. Such written statement that the consents of the Holders of the required principal amount of Outstanding Bonds have been filed with the Trustee shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Certificate has been consented to by the Holders of the required principal amount of Outstanding Bonds and will be effective as provided in this Section, may be given by mailing to Bondholders (but failure to mail such notice shall not prevent such Supplemental Certificate from becoming effective and binding) and mailing at least once within sixty (60) days after such statement of the Trustee has been so filed. The Trustee shall file with the City proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed by or with the Trustee, shall be proof of the matters therein stated. Notwithstanding the foregoing provisions of this Section 11.03, the consent of Bondholders of any Series of Bonds to be issued under a Supplemental Certificate to an amendment hereof that requires consent pursuant to the provisions of Section 11.02 hereof shall be deemed given by such Bondholders if: (1) the nature of the proposed amendment hereof is disclosed in the official statement or other offering document pursuant to which such Series of Bonds is offered and sold to the public or (2) the underwriters or initial purchasers for resale of such Series of Bonds consent in writing to such Supplemental Certificate and file such written consent with the Trustee, or are deemed by their purchase of Bonds of such Series to have consented to such Supplemental Certificate, which consent will have the same effect as a consent of a Bondholder filed with the Trustee pursuant to this Section 11.03.

Section 11.04. Modifications by Unanimous Action. This General Certificate and the rights and obligations of the City and of the Holders of the Bonds thereunder may be modified or amended in any respect by a Supplemental Certificate effecting such modification or

amendment and the consents of the Holders of all the Bonds then Outstanding, each such consent to be accompanied by proof of the holding at the date of such consent of the Bonds with respect to which such consent is given. Such Supplemental Certificate shall take effect upon the filing (a) with the Trustee of (i) a copy thereof certified by an Authorized Representative of the City, (ii) such consents and accompanying proofs and (iii) the Counsel's Opinion referred to in Section 10.04 hereof and (b) with the City and the Trustee of the Trustee's written statement that the consents of the Holders of all Outstanding Bonds have been filed with it. No mailing of any Supplemental Certificate (or summary thereof) or of any request or notice shall be required. No such modification or amendment, however, shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Section 11.05. Exclusion of Bonds. Bonds owned or held by or for the account of the City shall not be deemed Outstanding and shall be excluded for the purpose of any calculation required by this Article. At the time of any consent or other action taken under this Article, the City shall furnish the Trustee a certificate of an Authorized Representative of the City, upon which the Trustee may rely, identifying all Bonds so to be excluded.

Section 11.06. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article X hereof or this Article provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to such action, and upon demand of the holder of any Bond Outstanding at such effective date and presentation of his Bond to the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If the City or the Trustee shall so determine, new Bonds so modified that, in the opinion of the Trustee and the City, conform to such action may be prepared, authenticated and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for such Bond then Outstanding.

Section 11.07. Notice to Rating Agencies. The Trustee shall provide to each rating agency then rating the Bonds notice of each proposed amendment to this General Certificate and a copy thereof at least fifteen (15) days in advance of its adoption; provided, however, that the failure of the Trustee to comply with this provision shall not affect the validity or effectiveness of any amendment or supplement to this General Certificate.

Section 11.08. Amendment Prior to the Issuance of Initial Series of Bonds. Prior to issuance of the initial Series of Bonds hereunder and notwithstanding anything contained in this General Certificate to the contrary, the City may, by resolution or other authorizing action, or by a certificate executed by the Director of Finance of the City, make minor modifications to the terms and provisions hereof in any respect or for any purpose and the version hereof delivered at the closing of the initial Series of Bonds hereunder shall constitute the final version hereof. The other provisions hereof relating to amendments (including Article X hereof and this Article XI) shall not be applicable to any amendment made pursuant to this Section.

ARTICLE XII

BOND FORMS

Section 12.01. Form of Bonds and Trustee's Authentication Certificate. The Bonds shall be printed with engraved borders or, upon request of the purchasers of the Bonds or the Bondholders, as the case may be, the Bonds may be typewritten, or the Bonds of a particular Series may be in such other form (including book entry) as may be otherwise provided in the Supplemental Certificate authorizing the issuance of such Series. A statement with respect to the limited obligation of the Bonds as more fully set forth in Section 2.01(c) hereof shall be recited upon the face of the Bonds.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Defeasance. (a) If the City shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all Bonds of a Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, and all other sums payable by the City pursuant to this General Certificate and the applicable Supplemental Certificate, at the times and in the manner stipulated therein and in this General Certificate and applicable Supplemental Certificate, then the pledge of any Revenues, and other moneys and securities pledged under this General Certificate and applicable Supplemental Certificate and all covenants, agreements and other obligations of the City to such Bondholders, shall thereupon be released, discharged and satisfied. In such event, the Trustee, upon request of the City, shall cause an accounting and all other sums payable by the City pursuant to this General Certificate and the applicable Supplemental Certificate to be prepared and filed with the City, and shall execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the City all moneys and securities held by them pursuant to this General Certificate and applicable Supplemental Certificate that are not required for the payment of Bonds not theretofore surrendered for such payment or redemption. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all Outstanding Bonds of a particular Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this General Certificate and applicable Supplemental Certificate, such Bonds shall cease to be entitled to any lien, benefit or security under this General Certificate and applicable Supplemental Certificate, and all covenants, agreements and obligations of the City to the holders of such Bonds shall thereupon be discharged and satisfied.

(b) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee and/or the Paying Agents at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section. Any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section if the City shall have delivered to or deposited

with the Trustee (i) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts, and on specified dates no later than the respective due dates, of their Principal Installments, (ii) irrevocable instructions to mail to the holders thereof notice of redemption in accordance with Section 4.05 hereof of any Bonds so to be redeemed, (iii) either moneys in an amount that shall be sufficient, or Defeasance Obligations the principal of or the principal of and the interest on which, when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be and (iv) if any of said Bonds are not to be redeemed within the next succeeding sixty (60) days, irrevocable instructions to mail a notice to the holders of such Bonds that the deposit of moneys referred to in clause (iii) hereof has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable of said Bonds. Any notice of redemption with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing marks of each such Bond. The Defeasance Obligations and moneys deposited with the Trustee pursuant to this Section 13.01 shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds. Payments of principal of and interest on any such Defeasance Obligations which are in excess of the amounts required for payment of such principal or Redemption Price of, or interest on, said Bonds may be withdrawn for any purposes of the City.

(c) Amounts deposited with the Trustee for the payment of Principal Installments of and interest on any Bonds deemed to be paid pursuant to this Section 13.01, if so directed by the City, shall be applied by the Trustee to the purchase of such Bonds in accordance with this paragraph. Bonds for which a redemption date has been established may be purchased on or prior to the sixtieth (60th) day preceding the redemption date of Bonds so purchased. Bonds that mature on a single future date may be purchased at any time prior to the maturity date. All such purchases shall be made at prices not exceeding the applicable principal amount or Redemption Price established pursuant to paragraph (b) of this Section, plus accrued interest thereon, and such purchases shall be made in such manner as the Trustee shall determine. No purchase shall be made by the Trustee pursuant to this paragraph if such purchase would result in the Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Bonds deemed to be paid pursuant to this Section 13.01.

(d) The City may purchase with any available funds any Bonds determined to be paid pursuant to this Section 13.01 in accordance with this paragraph. Bonds for which a redemption date has been established may be purchased by the City on or prior to the sixtieth (60th) day preceding the redemption date. On or prior to the sixtieth (60th) day preceding the redemption date the City shall give notice to the Trustee of its intention to surrender such Bonds on the redemption date. The Trustee shall proceed to call for redemption the remainder of the Bonds due on the redemption date and shall pay to the City on the redemption date the Redemption Price of and interest on such Bonds upon surrender of such Bonds to the Trustee. Bonds that mature on a single future date may be purchased at any time prior to the maturity date. The Trustee shall pay to the City the principal amount of and interest on such Bonds upon surrender of such Bonds on the maturity date.

(e) Tender Bonds shall be deemed to have been paid within the meaning and effect expressed in paragraph (a) of this Section only if, in addition to satisfying the requirements thereof, the requirements of the Supplemental Certificate authorizing the issuance of such Tender Bonds have been satisfied.

(f) For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, Defeasance Obligations and moneys, if any, in accordance with the second sentence of paragraph (b) of this Section, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and investment securities on deposit with the Trustee for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Rate Bonds in order to satisfy the second sentence of paragraph (b) of this Section, the Trustee shall, if requested by the City in writing, pay the amount of such excess to the City free and clear of any lien or pledge securing the Bonds or otherwise existing under this General Certificate.

(g) Anything in this General Certificate to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds that remain unclaimed on a date that is one day prior to the date on which such moneys would otherwise escheat to the state in which such Fiduciary is located shall be repaid by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto; provided, however, that before making any such payment to the City, the Fiduciary shall, at the expense of the City, provide notice as required by law that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than ten (10) nor more than twenty (20) days after the date such notice is first given, the balance of such moneys then unclaimed will be returned to the City.

(h) Upon the defeasance of any of the Bonds pursuant to an advance refunding, the Trustee shall be entitled to receive and to rely upon a verification report and an opinion of counsel.

Section 13.02. Evidence of Signatures of Bondholders and Ownership of Bonds. (a) Any request, consent, revocation of consent or other instrument that this General Certificate may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose hereof (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, that may nevertheless in its discretion require further or other proof in cases where it deems the same desirable.

The fact and date of the execution of any Bondholder or such Bondholder's duly authorized attorney of such instruments may be proved by a guarantee of the signature thereon by a bank, national banking association or trust company or by the certificate of any notary public or

other officer authorized to take acknowledgments of deeds that the person signing such request or other instrument acknowledged to such person the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of such person's authority.

(b) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

(c) Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the City or any Fiduciary in accordance herewith.

Section 13.03. Moneys Held for Particular Bonds. The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

Section 13.04. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions hereof shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, any other Fiduciary and any Bondholder and their agents and their representatives, any of which may make copies thereof.

Section 13.05. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with all Bonds purchased by the City or the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be destroyed by the Trustee, who shall execute a certificate of destruction in duplicate by the signature of one of its Authorized Representatives describing the Bonds so destroyed, and one executed certificate shall be filed with the City and the other retained by the Trustee.

Section 13.06. Parties Interested Herein. Nothing in this General Certificate expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the City, the Fiduciaries and the holders of the Bonds, any right, remedy or claim under or by reason hereof or any covenant, condition, or stipulation thereof; and all the covenants, stipulations, promises and agreements in this General Certificate by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Fiduciary and the holders of the Bonds.

Section 13.07. No Recourse on Bonds. No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this General Certificate against any member or officer of the City or any person executing the Bonds.

Section 13.08. Consents. All consents and approvals hereby required to be given shall be neither unreasonably withheld nor delayed.

Section 13.09. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this General Certificate on the part of the City or the Fiduciaries to be performed should be contrary to law, then such provision or provisions, covenant or covenants, or agreement or agreements, shall be deemed severable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions hereof or of the Bonds.

Section 13.10. Captions and Index. Any captions, titles or headings preceding the text of any Article or Section herein and any table of contents or index attached to this General Certificate or any copy thereof are solely for convenience of reference and shall not constitute part hereof or affect its meaning, construction or effect.

Section 13.11. Payments on Saturdays, Sundays and Holidays. In any case where the date of any payment required to be made under this General Certificate shall be a Saturday or a Sunday or shall be, at the place designated for such payment a legal holiday or a day on which banking institutions are authorized by law to close, then such payment shall not be made on such date but shall be made on the next succeeding Business Day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close.

Section 13.12. Law Applicable. This General Certificate being adopted pursuant to statutes of the State of Maine, the law of said State shall be applicable to its interpretation and construction.

Section 13.13. Effective Date. This General Certificate shall take effect, after its adoption, upon execution of a certificate of the Director of Finance to the effect that the final form hereof has been approved.

[Signature Page Follows]

(Signature page to General Certificate of Terms of Issuance)

The foregoing General Certificate of Terms of Issuance is hereby adopted on behalf of the City of South Portland, Maine, by the Director of Finance of the City, all as of the date first set forth ave.

CITY OF SOUTH PORTLAND, MAINE

By: _____

Its Director of Finance

FIRST SUPPLEMENTAL CERTIFICATE
AUTHORIZING
$_____ CITY OF SOUTH PORTLAND, MAINE
SEWER SYSTEM REVENUE BONDS, SERIES 2026 (GREEN BONDS)
(PHASE 1 - PEARL STREET AND DEWATERING PROJECTS)

WHEREAS, the City of South Portland, Maine (the "City") has determined that it is necessary and desirable at this time to issue its Series 2026 Bonds pursuant to the Enabling Act and the General Certificate, to finance the Costs of the Series 2026 Projects;

NOW, THEREFORE, it is hereby determined by the City, acting by and through its Director of Finance, pursuant to the Enabling Act and authorizing resolutions of the City Council of the City, to execute and deliver this First Supplemental Certificate dated November __, 2026, and to establish the terms and provisions of the Series 2026 Bonds as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.1. Definitions. (a) Capitalized words and terms used herein and not otherwise defined herein or in the recitals hereto shall have the respective meanings accorded such terms in the General Certificate.

(b) The following terms shall have the following meanings herein unless the context otherwise requires:

"Continuing Disclosure Agreement" shall have the meaning set forth in Section 5.4 hereof.

"Dewatering System Project" means improvements to the City's wastewater treatment facility infrastructure, including the biosolids (sludge) dewatering system.

"DTC" shall have the meaning set forth in Section 2.13 hereof.

"First Supplemental Certificate" means this First Supplemental Certificate as from time to time amended and supplemented.

"Official Statement" shall have the meaning set forth in Section 5.3 hereof.

"Pearl Street Project" means improvements to the Pearl Street Pump Station and other miscellaneous improvements to the City wastewater treatment, collection and disposal systems, including replacing the force main running from the pump station to the City's Waste Water Treatment Plant.

"Preliminary Official Statement" shall have the meaning set forth in Section 5.1 hereof.

"Purchase Contract" shall have the meaning set forth in Section 5.2 hereof.

"Record Date" means the February 15 and August 15 immediately preceding each interest payment date.

"Rule 15c-12" shall have the meaning set forth in Section 5.1 hereof.

"Series 2026 Debt Service Account" means the account so designated which is created and established by Section 4.3 hereof.

"Series 2026 Bonds" means the Bonds authorized in Section 2.1 hereof.

"Series 2026 Projects" means the following Projects: (a) the Pearl Street Project, and (b) the Dewatering System Project.

"Series 2026 Project Account" means the account so designated which is created and established by Section 4.2 hereof.

"Series 2026 Rebate Account" means the account so designated which is created and established by Section 4.1(a) hereof.

"Series 2026 Rebate Account Requirement" shall have the meaning set forth in Section 4.1(b) hereof.

"Underwriters" shall have the meaning set forth in Section 5.2 hereof.

Section 1.2. Authority for this First Supplemental Certificate. This First Supplemental Certificate is adopted pursuant to the provisions of the General Certificate.

ARTICLE II

AUTHORIZATION AND TERMS OF SERIES 2026 BONDS

Section 2.1. Principal Amount, Designation and Series. Pursuant to the terms of the General Certificate, there are hereby authorized a Series of Bonds entitled to the benefit, protection and security of the provisions of the General Certificate which shall be designated and shall be distinguished from the Bonds of all Series by the title "Sewer System Revenue Bonds, Series 2026 (Green Bonds) (Pearl Street and Dewatering System Projects)" in the aggregate principal amount of $_____.

Section 2.2. Certain Determinations. The Series 2026 Bonds shall be Fixed Rate Bonds. The Series 2026 Bonds shall not be secured by the Bond Reserve Fund and, therefore, shall not be Common Bond Reserve Account Secured Bonds. The Bond Reserve Fund Requirement with respect to the Series 2026 Bonds shall be $0.

Section 2.3. Purposes. The Series 2026 Bonds shall be issued for the purposes of (a) paying a portion of the Costs of the Series 2026 Projects and (b) paying the costs of issuance of the Series 2026 Bonds.

Section 2.4. Date, Maturities and Interest Rates. Upon original issuance, the Series 2026 Bonds shall be dated their date of delivery and thereafter shall be dated in accordance with the provisions of Section 3.01(e) of the General Certificate. The Series 2026 Bonds shall mature on September 1 of the years and in the principal amounts and shall bear interest payable semi-annually on each March 1 and September 1, commencing March 1, 2027, until maturity or earlier redemption at the respective interest rates per annum, all as set forth below:

[Serial Bonds]

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate
2027			2042		
2028			2043		
2029			2044		
2030			2045		
2031			2046		
2032			2047		
2033			2028		
2034			2049		
2035			2050		
2036			2051		
2037			2052		
2038			2053		
2039			2054		
2040			2055		
2041			2056		

[Term Bonds

$_____,000 ___% Term Bond due _____

$_____,000 ___% Term Bonds due _____]

Section 2.5. Form, Denominations, Numbers and Letters. The Series 2026 Bonds shall be issued in the form of fully registered bonds in the minimum denomination of $5,000 and in integral multiples of $5,000 in excess thereof. Unless the City shall otherwise direct, each Series 2026 Bond shall be lettered "2026-__" followed by the number of such Series 2026 Bond. The Series 2026 Bonds shall be numbered consecutively from one upward.

Section 2.6. Place of Payment and Paying Agent. The Trustee is hereby appointed the Paying Agent for the Series 2026 Bonds and shall signify its acceptance of the duties and obligations imposed upon it by the General Certificate by executing and delivering to the City a written acceptance thereof. The principal or Redemption Price, and premium, if any, of the Series 2026 Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Series 2026 Bonds shall be payable by the Trustee by check mailed to the registered holders, at their addresses as the same appear on the Record Date on the books of the

City kept at the corporate trust office of the Trustee. The provisions of this Section shall be subject to the provisions of Section 2.13 hereof relating to DTC.

Section 2.7. Bond Registrar and Authenticating Agent. The Trustee is hereby appointed to act as the Bond Registrar and the Authenticating Agent for the Series 2026 Bonds and shall signify its acceptance of the duties and obligations imposed upon it by the General Certificate by executing and delivering to the City a written acceptance thereof.

Section 2.8. Redemption Prices and Terms. (a) Series 2026 Bonds maturing on and before September 1, _____, are not subject to redemption prior to maturity at the option of the City. Series 2026 Bonds maturing on and after September 1, 20__ are subject to redemption prior to maturity, at the option of the City, in whole or in part in any order of maturity and by lot within a maturity if less than all the Series 2026 Bonds of such maturity are to be redeemed on any date on and after September 1, 20__, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

(b) If less than all the Series 2026 Bonds are to be redeemed, the City will select the maturities to be redeemed and the Trustee will select the Series 2026 Bonds within a maturity to be redeemed by lot. For this purpose, the Trustee will consider each Series 2026 Bond in a denomination larger than the minimum authorized denomination permitted by the General Certificate at the time to be separate Series 2026 Bonds each in the minimum authorized denomination. During the period that DTC or DTC's partnership nominee is the registered owner of the Series 2026 Bonds, if less than all of the Series 2026 Bonds of any maturity are to be redeemed, the particular Series 2026 Bonds or portions of the Series 2026 Bonds of such maturity to be redeemed shall be selected by DTC in such manner as DTC may determine.

Section 2.9. Reserved.

Section 2.10. Notice of Redemption. (a) Notice of redemption of the Series 2026 Bonds prior to maturity, specifically identifying by designation, series, letters, numbers or other distinguishing marks (including CUSIP numbers), the Series 2026 Bonds or portions thereof to be redeemed, the redemption price to be paid, the date fixed for redemption, the name and address of the place or places where the amounts due upon such redemption are payable, and the maturity dates of the Series 2026 Bonds to be redeemed shall be given by the Trustee on behalf of the City by mailing a copy of the redemption notice by registered or certified mail, postage prepaid, not less than twenty (20) days and not more than sixty (60) days prior to the date fixed for redemption, to the registered holder of each such Series 2026 Bond to be redeemed at the address shown on the registration books kept by the Trustee. Such notice shall further state that on such date there shall become due and payable upon each Series 2026 Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Series 2026 Bonds to be redeemed in part only, together with interest accrued to the dated fixed for redemption, and that from and after such date interest thereon shall cease to accrue and be payable. In the case of any redemption of Series 2026 Bonds prior to maturity to be made at the direction of the City, the Trustee shall give the notices required by this Section 2.10 as soon as practicable after receipt of written notice from the City

of such direction and shall not be required to give such notices until such time. The provisions of this Section shall be subject to the provisions of Section 2.13 hereof relating to DTC.

(b) Any notice of optional redemption (other than redemptions to satisfy mandatory sinking fund requirements) of Series 2026 Bonds may state that it is conditional upon receipt by the Trustee of moneys sufficient to pay the Redemption Price together with accrued interest to the redemption date, or upon the satisfaction of any other condition, or that it may be rescinded in whole or in part upon the occurrence of any other event, and any conditional notice so given may be rescinded in whole or in part if any such other event occurs. Notice of such rescission, failure to fund the Redemption Price or satisfaction of such other condition shall be given by the Trustee to affected holders of such Series 2026 Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event, in the same manner as the conditional notice of redemption was given.

(c) Any scheduled optional redemption shall be deemed canceled once the City or the Trustee, at the written direction of the City, has given notice of the failure to fund the Redemption Price or such other condition, or rescission. The City or the Trustee, at the written direction of the City, shall give such notice of the failure to fund the Redemption Price or such other condition, or rescission by the same means as is provided for the original giving of notice of redemption. Any Series 2026 Bonds subject to a conditional redemption that has been canceled shall remain outstanding, and neither the failure to fund the Redemption Price nor such other condition, nor rescission date shall constitute an event of default.

(d) Failure of the registered owner of any Series 2026 Bond which is to be redeemed to receive any notice given pursuant to subsection (a) or (b) of this Section or Section 2.13 hereof shall not affect the sufficiency or validity of the proceedings contemplated thereby.

Section 2.11. Form of Series 2026 Bonds. The Series 2026 Bonds, including the Trustee's certificate of authentication thereon, shall be in substantially the form of Exhibit A attached hereto and by this reference incorporated as if set forth in full herein.

Section 2.12. Exchange and Transfer. The City shall not be obligated to make any transfer or exchange of any Series 2026 Bonds during the fifteen-day period preceding a payment date.

Section 2.13. Book-Entry Form. (a) In accordance with Section 3.10 of the General Certificate, the City hereby determines that the Series 2026 Bonds shall be issued exclusively in "book-entry" form. The initial owner of the Series 2026 Bonds shall be Cede & Co., on behalf of The Depository Trust Company ("DTC"), which shall hold one or more immobilized certificates representing each maturity of the Series 2026 Bonds. With respect to the Series 2026 Bonds so registered in the name of Cede & Co., the City and the Trustee shall have no obligation or responsibility to any DTC participant, indirect participant or beneficial owner of the Series 2026 Bonds. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC participant or indirect participant with respect to any beneficial ownership interest in the Series 2026 Bonds, (ii) the delivery to any DTC participant, indirect participant, beneficial owner or any other person, other than DTC, of any notice with respect to

the Series 2026 Bonds, including any notice of redemption or (iii) the payment to any DTC participant, beneficial owner or any other person other than DTC of any amount with respect to the principal or redemption price, if any, of or interest on the Series 2026 Bonds. The City and the Trustee may treat as, and deem DTC to be, the absolute owner of the Series 2026 Bonds for the purposes of (i) payment of the principal or redemption price, if any, of and interest on the Series 2026 Bonds, (ii) giving notices of redemption and other matters with respect to the Series 2026 Bonds and (iii) registering transfers with respect to the Series 2026 Bonds, and for all other purposes whatsoever. The Trustee shall pay all principal or redemption price, if any, of and interest on the Series 2026 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to such principal or redemption price and interest to the extent of the sum or sums so paid. No person other than DTC shall receive a Series 2026 Bond evidencing the obligation of the City to make payments of principal or redemption price, if any, and interest thereon pursuant to this First Supplemental Certificate or the General Certificate. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions hereof, the words "Cede & Co." in this First Supplemental Certificate shall refer to such new nominee of DTC. All transfers of Series 2026 Bonds shall be effected as set forth in Section 3.07 of the General Certificate; provided, however, that the City acknowledges and agrees that DTC shall establish procedures with its participants for recording and transferring the ownership of beneficial interests in the Series 2026 Bonds. The City and the Trustee may enter into a letter of representation and other documentation necessary or desirable to effectuate the issuance of the Series 2026 Bonds in book-entry form.

(b) For purposes of determining consents of the owners of any Series 2026 Bonds under the General Certificate, the Trustee shall establish a record date for determination of ownership of such Series 2026 Bonds and shall give to DTC at least fifteen (15) calendar days' notice of any record date so established.

(c) DTC may determine to discontinue providing its services with respect to the Series 2026 Bonds at any time by giving written notice to the City and discharging its responsibilities with respect thereto under applicable law. The City, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2026 Bonds if the City determines, and shall terminate the services of DTC with respect to the Series 2026 Bonds upon receipt by the City and the Trustee of written notice from DTC to the effect that DTC has received written notice from DTC participants or indirect participants having interests, as shown in the records of DTC, in an aggregate amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Series 2026 Bonds, that (i) DTC is unable to discharge its responsibilities with respect to the Series 2026 Bonds or (ii) a continuation of the requirement that all of the Outstanding Series 2026 Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Series 2026 Bonds. Upon the termination of the services of DTC with respect to the Series 2026 Bonds after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the City, is willing and able to undertake such functions upon reasonable and customary terms, the Series 2026 Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, or in the name of any substitute securities depository or its nominee, but may be registered in whatever

names the registered holder transferring or exchanging the Series 2026 Bonds shall designate, in accordance with the provisions of Article III of the General Certificate. The City may hereafter amend this First Supplemental Certificate without notice to or consent of the owners of any of the Series 2026 Bonds in order to (x) effect the certification of the Series 2026 Bonds pursuant to this Section 2.13(c) or (y) substitute another securities depository for DTC pursuant to this Section 2.13(c).

(d) Notwithstanding any other provision of this First Supplemental Certificate or the General Certificate to the contrary, so long as any Series 2026 Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or redemption price, if any, of and interest on, and all notices with respect to, such Series 2026 Bond shall be made and given, respectively, to DTC pursuant to the Blanket Issuer Letter of Representations dated as of April 1, 2014 between the City and DTC, as the same may have heretofore been or may hereafter be updated from time to time. Similar arrangements may be made with any substitute securities depository.

(e) While DTC or its nominee, or any other securities depositary, is the registered owner of the Series 2026 Bonds all notices of redemption with respect to Series 2026 Bonds shall be sent for receipt by the registered owner at least two (2) days prior to the date of general publication or release to the public.

Section 2.14. Purchase in Lieu of Redemption. The Series 2026 Bonds are subject to purchase in lieu of redemption in accordance with the provisions of Section 4.07 of the General Certificate.

ARTICLE III

ESTABLISHMENT OF ACCOUNTS

Section 3.1. Establishment of a Rebate Account. (a) There is hereby created and established pursuant to Section 5.02(b) of the General Certificate, a "Series 2026 Rebate Account" in the Rebate Fund with respect to the Series 2026 Bonds.

(b) The Rebate Fund Requirement with respect to the Series 2026 Bonds (the "Series 2026 Rebate Account Requirement") and date of any required payments into and from the Series 2001 Rebate Account, together with other matters relating thereto and to compliance with the Code, shall be determined and provided for in the Tax Certificate relating to the Series 2026 Bonds.

Section 3.2. Establishment of a Project Account. There is hereby created and established pursuant to Section 5.08(b) of the General Certificate, a "Series 2026 Project Account" in the Project Fund with respect to the Series 2026 Bonds.

Section 3.3. Establishment of a Debt Service Account. There is hereby created and established pursuant to Section 5.02(b) of the General Certificate, a "Series 2026 Debt Service Account" in the Debt Service Fund with respect to the Series 2026 Bonds.

ARTICLE IV

APPLICATION OF PROCEEDS

Section 4.1. Application of Proceeds. Pursuant to Section 201(c)(vii) and Section 203 of the General Certificate, the City hereby directs that the proceeds of sale of the Series 2026 Bonds, net of underwriter's discount, shall be deposited as directed by a certificate of an Authorized Officer delivered on or before the date of issuance of the Series 2026 Bonds, who shall direct that such moneys shall be applied to fund the Series 2026 Debt Service Account, the Series 2026 Project Account and the Revenue Fund, in the respective amounts, if any, determined by the Authorized Officer.

ARTICLE V

DOCUMENT AUTHORIZATIONS

Section 5.1. Preliminary Official Statement. The City hereby approves and authorizes the distribution of the Preliminary Official Statement, dated _____, 2026, relating to the Series 2026 Bonds (the "Preliminary Official Statement"). The Preliminary Official Statement is hereby deemed "final", as such term is used in Section (b)(1) of Rule 15c2-12 ("Rule 15c2-12") of the Securities and Exchange Commission, as of its date, except for the omission of certain information permitted by Rule 15c2-12. All action taken to date by the officers, employees and agents of the City with respect to the sale of the Series 2026 Bonds, including the dissemination of the Preliminary Official Statement, be and the same are hereby approved, ratified, adopted and confirmed.

Section 5.2. Bond Purchase Agreement. The City hereby authorizes the execution and delivery by the Director of Finance of a bond purchase agreement with Raymond James & Associates, Inc., as representative of the underwriters (the "Underwriters"), with respect to the Series 2026 Bonds (the "Purchase Contract") in such form and containing such terms and conditions as may be deemed necessary or desirable by the Director of Finance, the definitive form of the Purchase Contract to be evidenced conclusively by the execution thereof by the Director of Finance. The Director of Finance is hereby authorized to approve any and all of the terms of such sale and such approval shall be evidenced conclusively by the execution of the Purchase Contract by the Director of Finance. The sale of the Series 2026 Bonds to the Underwriters, on the terms and conditions so approved by the Director of Finance, is hereby approved.

Section 5.3. Final Official Statement. A final Official Statement, dated _____, 2026,, with respect to the Series 2026 Bonds (the "Official Statement") is hereby approved in substantially the same form as the Preliminary Official Statement, and the Director of Finance of the City is hereby authorized to permit the distribution of the Official Statement, with such changes, omissions, insertions and revisions as the Director of Finance, each of whom are hereby authorized and directed to execute the Official Statement, shall deem necessary or desirable and as shall be consistent with the terms of this First Supplemental Certificate. The definitive form of the Official Statement shall be evidenced conclusively by the execution thereof by the Director of Finance.

Section 5.4. Continuing Disclosure Agreement. The City hereby authorizes the execution and delivery by each of the Director of Finance of the City, acting singly, of a continuing disclosure agreement with the Trustee (the "Continuing Disclosure Agreement") providing for continuing disclosure pursuant to Rule 15c2-12. The City hereby designates the registered owners and beneficial owners of the Series 2026 Bonds as beneficiaries of the Continuing Disclosure Agreement in accordance with and subject to the terms of the Continuing Disclosure Agreement.

Section 5.5. Tax Certificate. There is hereby delegated to the Director of Finance the power to execute and deliver the Tax Certificate with respect to the Series 2026 Bonds. Any such execution by the Director of Finance shall be conclusive evidence of the approval required hereby.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Captions and Index. Any captions, titles or headings preceding the text of any Article or Section herein and any table of contents or index attached to this First Supplemental Certificate or any copy thereof are solely for convenience of reference and shall not constitute part of this First Supplemental Certificate or affect its meaning, construction or effect.

Section 6.2. Further Action. Each Authorized Officer is hereby authorized and directed to do all matters necessary, useful, convenient or desirable to give effect to the General Certificate and this First Supplemental Certificate and to accomplish the sale, issuance and delivery of the Series 2026 Bonds, including, without limitation the negotiation, execution and delivery of any agreements, instruments, documents or closing paperwork as the Authorized Officer, in consultation with counsel, shall deem necessary, useful, convenient or desirable to effectuate the purposes and transactions contemplated herein and in the General Certificate.

Section 6.3. Prior Action. All action taken to date by City officials, employees and professionals with respect to the issuance and sale of the Series 2026 Bonds be and the same hereby are ratified, approved, confirmed and adopted in all respects.

Section 6.4. Amendment of this First Supplemental Certificate. Prior to issuance of any of the Series 2026 Bonds and notwithstanding anything contained in this First Supplemental Certificate or the General Certificate (including Article XI thereof) to the contrary, the City may, by resolution or by a certificate executed by the Chair of the City Council and the Director of Finance of the City, modify or amend or add to or delete any of the terms or provisions of the Series 2026 Bonds or of this First Supplemental Certificate in any respect or for any purpose.

Section 6.5. Effective Date. This First Supplemental Certificate shall be fully effective in accordance with its terms upon the filing with the Trustee of a copy hereof certified by the Director of Finance of the City acting singly with such changes and insertions as may be approved by such officer, the filing of such certified copy to be conclusive evidence of approval.

[Signature Page Follows]

(Signature page of First Supplemental Certificate

The foregoing First Supplemental Certificate is hereby adopted on behalf of the City of South Portland, Maine, by the Director of Finance of the City all as of the date first set forth above.

CITY OF SOUTH PORTLAND, MAINE

By: _____

Its Director of Finance

EXHIBIT A

Form of Series 2026 Bonds

THE SERIES 2026 BONDS (DEFINED BELOW), OF WHICH THIS BOND IS A PART, ARE NOT AND SHALL NOT BE A GENERAL OBLIGATION OF THE CITY. THE SERIES 2026 BONDS ARE A LIMITED OBLIGATION OF THE CITY PAYABLE SOLELY FROM THE REVENUES DERIVED FROM THE OPERATION OF ITS SEWER SYSTEM AND PLEDGED THEREFOR UNDER AND PURSUANT TO THE GENERAL CERTIFICATE (DEFINED BELOW). NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE CITY BUT ONLY TO THE LIMITED EXTENT PROVIDED HEREIN AND IN THE GENERAL CERTIFICATE) SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2026 BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, OF THE STATE OR OF ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2026 BONDS. THE CITY IS NOT OBLIGATED TO, AND SHALL NOT, LEVY ANY FORM OF TAXATION WHATEVER THEREFOR OR MAKE ANY APPROPRIATION FOR PAYMENT OF THE SERIES 2026 BONDS EXCEPT FROM THE REVENUES PLEDGED THEREFOR. THE SERIES 2026 BONDS SHALL BE SECURED EQUALLY AND RATABLY WITH ALL OTHER BONDS ISSUED ON A PARITY THEREWITH OR PARITY DEBT INCURRED BY THE CITY UNDER AND PURSUANT TO THE GENERAL CERTIFICATE

No. 2026-__

CITY OF SOUTH PORTLAND, MAINE
SEWER SYSTEM REVENUE BONDS, SERIES 2026 (GREEN BONDS)
(PHASE 1 - PEARL STREET AND DEWATERING PROJECTS)

CUSIP Number:	_____
Registered Owner:	Cede & Co.
Principal Amount:	$_____
Interest Rate:	___%
Dated Date:	November __, 2026
Maturity Date:	September 1, 20__

FOR VALUE RECEIVED, THE CITY OF SOUTH PORTLAND, MAINE (the "Issuer"), a municipality and a political subdivision of the State of Maine (the "State"), hereby promises to pay, but solely in the manner and from the sewer system revenues and sources hereinafter provided, the Principal Amount stated above to the Registered Owner, or registered assigns, on the Maturity Date, upon presentation and surrender hereof at the designated corporate trust office of US Bank Trust Company, N.A., as Trustee, and to pay to the Registered Owner interest on the balance of said Principal Amount from time to time remaining unpaid at the Interest Rate per annum stated above, based on a 360-day year consisting of twelve 30-day months, on each March 1 and September 1 (each an "Interest Payment Date") commencing on March 1, 2027

until maturity or redemption prior to maturity. The principal and Redemption Price of this Bond shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts; and payment of the semiannual interest hereon shall be paid by check, wire or draft delivered to the person who is the Registered Owner as of the close of business on the fifteenth day of the month immediately preceding an Interest Payment Date (the "Record Date") at the address of such registered owner as it appears on the registration books of the City maintained at the designated corporate trust office of the Trustee.

While DTC (hereinafter defined) or its nominee is the Registered Owner of the Series 2026 Bonds (hereinafter defined), principal, Redemption Price of and interest on this Bond shall be paid by wire to the Registered Owner in accordance with procedures established by the City and DTC.

This Bond is one of a duly authorized issue of Bonds designated as "City of South Portland, Maine Sewer System Revenue Bonds, Series 2026 (Green Bonds) (Phase 1 - Pearl Street and Dewatering Projects)" issued in the aggregate principal amount of $_____ (the "Series 2026 Bonds"). The Series 2026 Bonds are issued under and by virtue of Title 30-A, Chapter 213 of the Maine Revised Statutes, as amended (the "Act"), the City Charter and an approving Order of the City Council duly adopted on July 21, 2026 and under and pursuant to the General Certificate of Terms of Issuance of Sewer System Revenue Bonds dated as of November 1, 2026 (the "General Certificate"), as the same from time to time may be amended or supplemented by the City and the First Supplemental Certificate thereto, dated as of November __, 2026 and delivered pursuant to Section 10.01(d) of the General Certificate (the "Supplemental Certificate" and herein collectively with the "General Certificate" referred to as the "Certificates"). This Bond is a Fixed Rate Bond. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed thereto in the Certificates.

The proceeds of the Series 2026 Bonds will be used (i) to finance a portion of the costs of certain improvements (A) to the Pearl Street Pump Station and other miscellaneous improvements to the City wastewater treatment, collection and disposal systems, including replacing the force main running from the pump station to the City's Waste Water Treatment Plant, (B) to the City's wastewater treatment facility infrastructure, including the biosolids (sludge) dewatering system, and (ii) to pay certain costs of issuance incurred in connection with the issuance of the Series 2026 Bonds.

The Series 2026 Bonds are being issued in fully registered form by means of a book-entry system, with bond certificates immobilized at The Depository Trust Company, New York, New York ("DTC"), and not available for distribution to the public, evidencing ownership of the Series 2026 Bonds in principal amounts of $5,000 or any integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The principal of and interest on this Bond is payable to Cede & Co., as nominee of DTC, as registered owner of this Bond. Transfer of principal and interest payments to participants of DTC is the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City is not

responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The Series 2026 Bonds mature on September 1 in the year indicated as follows:

[Serial Bonds]

Year of Maturity	Amount	Interest Rate	Year of Maturity	Amount	Interest Rate
2027			2042		
2028			2043		
2029			2044		
2030			2045		
2031			2046		
2032			2047		
2033			2028		
2034			2049		
2035			2050		
2036			2051		
2037			2052		
2038			2053		
2039			2054		
2040			2055		
2041			2056		

[Term Bonds

$_____,000 ___% Term Bond due _____

$_____,000 ___% Term Bonds due _____]

As provided in the General Certificate, the principal or Redemption Price of, premium, if any, and interest on the Series 2026 Bonds, and all other Bonds issued under the General Certificate on a parity therewith (the "Bonds") are limited obligations of the City payable solely from, and equally secured solely by a pledge of and a charge and lien upon the Revenues and certain Funds established by the General Certificate, subject to the application thereof to the purposes and on the conditions permitted by the General Certificate.

Copies of the Certificates are on file at the office of the City Clerk of the City, in South Portland, Maine, and at the corporate trust office of the Trustee, in _____.

As provided in the General Certificate, additional Series of Bonds may be issued from time to time pursuant to the General Certificate and additional Supplemental Certificates in one or more series and in various principal amounts, interest rates, maturities and payment dates (collectively, including the Series 2026 Bonds, the "Bonds") The aggregate principal amount of Bonds that may be issued under the General Certificate is not limited, and all Bonds issued and to be issued

under the General Certificate are and will be equally secured by the pledge and covenants made therein, except as otherwise provided or permitted in the General Certificate.

Reference to the Act, the Certificates, and any and all modifications and amendments thereof, is hereby made for a description of the pledge and covenants securing the Bonds, including the Series 2026 Bonds, the nature, extent and manner of enforcement of such pledge, and the terms and conditions upon which the Series 2026 Bonds and other Bonds on a parity therewith are issued and may be issued thereunder, a statement of the rights and remedies of the registered owners hereof, and a statement of the rights, duties, immunities and obligations of the City and of the Trustee. Such pledge and other obligations of the City under the Certificates may be discharged at or prior to the maturity or redemption of the Series 2026 Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Certificates.

To the extent and in the respects permitted by the Certificates, the Certificates may be modified or amended by action on behalf of the City taken in the manner and subject to the conditions and exceptions prescribed in the Certificates. The owner of this Bond shall have no right to enforce the provisions of the Certificates or to institute an action with respect to an event of default under the Certificates (an "Event of Default") or to institute, appear in, or defend any suit or other proceeding with respect thereto, except as provided in the Certificates. The Certificates do not provide for acceleration of the maturity the principal of this Bond upon an Event of Default.

This Bond is transferable, as provided in the Certificates, only upon the books of the City kept for that purpose at the designated corporate trust office of the Trustee, by the Registered Owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the Registered Owner or his duly authorized attorney. This Bond may not be transferred or exchanged in a manner which would involve the delivery of bond certificates to the beneficial owners of Series 2026 Bonds unless the book-entry system has been discontinued by the City in accordance with the Certificates. Upon transfer of this Bond, there shall be issued in the name of the transferee a new registered Series 2026 Bond or Bonds of the same tenor and maturity, all as provided in the Certificates and upon the payment of the changes therein prescribed. The City, the Trustee and any paying agent may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest hereon and for all other purposes whatsoever, irrespective of any notice to the contrary.

The Series 2026 Bonds maturing on and before September 1, 20__ are not subject to redemption prior to maturity. The Series 2026 Bonds maturing on and after September 1, 20__ are subject to redemption prior to maturity, at the option of the City, in whole or in part in any order of maturity and by lot within a maturity if less than all the Series 2026 Bonds of such maturity are to be redeemed, on any date on and after September 1, 20__, at the Redemption Price of one hundred percent (100%) of the principal amount thereof, plus accrued interest, if any, to the date of redemption. The Series 2026 Bonds are payable upon redemption at the designated office of the Trustee.

Any notice of redemption of the Series 2026 Bonds shall include the information set forth in Section 2.10 of the Supplemental Certificate shall be mailed by registered or certified mail,

postage prepaid, to the registered owners of the Series 2026 Bonds to be redeemed, at the last address appearing on the registration books kept by the Trustee, not less than twenty (20) days or more than sixty (60) days prior to the redemption date, all in the manner and upon the terms and conditions set forth in the General Certificate. The foregoing paragraph is subject to the provisions of Section 2.13 of the Supplemental Certificate relating to DTC.

Notice having been given as aforesaid, the Series 2026 Bonds or portions thereof specified in said notice shall become due and payable on the redemption date, and if moneys for the redemption of all the Series 2026 Bonds and portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Series 2026 Bonds or portions thereof so called for redemption shall cease to accrue and be payable. Failure of the registered owner of any Series 2026 Bonds to be redeemed to receive any such notice shall not affect the validity of the proceedings for the redemption of Series 2026 Bonds.

Any notice of optional redemption of Series 2026 Bonds may state that it is conditional upon receipt by the Trustee of moneys sufficient to pay the Redemption Price of such Series 2026 Bonds or upon any other condition, and that it may be rescinded at the election of the City. Notice of failure to fund the Redemption Price or such other condition, or rescission shall be given, as promptly thereafter as practicable, to affected Holders of Series 2026 Bonds in the same manner as the conditional notice of redemption was given. Any Series 2026 Bond, if subject to optional redemption, also may be subject to call for purchase and resale as provided in the General Certificate.

Any scheduled optional redemption shall be deemed canceled once the City or the Trustee, at the written direction of the City, has given notice of the failure to fund the Redemption Price or such other condition, or rescission. The City or the Trustee, at the written direction of the City, shall give such notice of the failure to fund the Redemption Price or such other condition, or rescission by the same means as is provided for the original giving of notice of redemption. Any Series 2026 Bonds subject to a conditional redemption that has been canceled shall remain outstanding, and neither the failure to fund the Redemption Price nor such other condition, nor rescission date shall constitute an Event of Default.

If less than all the Series 2026 Bonds are to be redeemed, the City will select the maturities to be redeemed and the Trustee will select the Series 2026 Bonds within a maturity to be redeemed by lot; provided, however, that the portion of any Series 2026 Bond of a denomination of more than $5,000 to be redeemed shall be in the principal amount of $5,000 or an integral multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Series 2026 Bond as representing that number of Series 2026 Bonds of $5,000 denominations that is obtained by dividing the principal amount of such Series 2026 Bonds to be redeemed in part by $5,000. During the period that DTC or DTC's partnership nominee is the registered owner of the Series 2026 Bonds, if less than all of the Series 2026 Bonds of any maturity are to be redeemed, the particular Series 2026 Bonds or portions of the Series 2026 Bonds of such maturity to be redeemed shall be selected by DTC in such manner as DTC may determine.

The City has covenanted and agreed in a Continuing Disclosure Agreement executed and delivered by the City's Director of Finance upon the original issuance of the Series 2026 Bonds

and does hereby covenant and agree to comply with certain undertakings for the benefit of the holders from time to time of the Series 2026 Bonds, as provided in paragraph (b)(5)(i) of SEC Rule 15c2-12. Said Continuing Disclosure Agreement is hereby incorporated in and made a part of this Series 2026 Bond.

Except as otherwise provided herein and unless the context clearly indicates otherwise, words and phrases used herein shall have the same meanings as assigned to such words and phrases in the Certificates.

It is hereby certified and recited that all acts, formalities, conditions and things required by the Constitution or laws of the State of Maine and by the Certificates to be done, to happen, and to be performed, precedent to and in the issuing of this Bond, and essential to the validity hereof have been done, have happened, and have been performed, complied with and exist in regular and due form. This Bond, and the whole issue of which it forms a part are within every debt and other limit prescribed by the Constitution and laws of the State of Maine.

This Bond shall not be valid until the Certificate of Authentication hereon shall have been manually signed by the Trustee.

[Signature Page Follows]

IN WITNESS WHEREOF, the said City of South Portland has caused this Bond to be signed in its name and on its behalf by its Director of Finance, countersigned by the Chair of its City Council, sealed with the seal of the City attested by its Clerk, and all as of the Dated Date first set forth above.

ATTEST:

_____

Clerk

{Seal}

CITY OF SOUTH PORTLAND

By:_____

Its Director of Finance

Countersigned:

By:_____

Its Chair, City Council

APPENDIX C
SERIES 2026 BOND FEASIBILITY REPORT

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City of South Portland, Maine

Water Resource Protection Department

Bond Feasibility Report

Proposed Series 2026 Revenue Bonds

CDM Smith

September 30, 2026

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Section 1
Introduction

This Bond Feasibility Report has been prepared by CDM Smith for the City of South Portland, Maine Water Resource Protection Department (Department), to project future revenues and expenses based on recent history and the impact of financing and implementing the Department's proposed capital improvement program. The focus of this evaluation is for the five year period fiscal year (FY) 2027 through FY 2031.

1.1 Purpose and Structure

This report includes financial projections for FY 2027 through FY 2031 developed in conjunction with a review of the City's FY 2027 Approved Budget, FY 2027 Approved CIP, the City's long-term capital planning projections, Combined Sewer Overflow Facilities Plan Update, Annual Reports, as well as reviews of ongoing compliance programs.

This report provides an overview and assessment of City's wastewater system. CDM Smith has visited and evaluated key facilities related to two upcoming infrastructure projects to be funded through issuance of sewer revenue bonds. Additionally, CDM Smith has interviewed key staff regarding the operations and maintenance of the system.

This report is organized as follows:

Section 1 focuses on the purpose and scope of the report, including background information on the City's Water Resource Protection Department.

Section 2 provides a review of the Department's organizational and management structure, including a discussion of key leadership positions and staffing levels.

Section 3 provides an overview of the City's wastewater system. In addition to a description of the system, the discussion includes an overview of facility operations and capital planning efforts.

Section 4 provides a summary and evaluation of the capital projects, project costs, and project timing included in the Department's FY 2027 CIP. This section includes an assessment of the two upcoming capital projects intended to be financed through issuance of sewer revenue bonds.

Section 5 provides a summary of the Department's operations and maintenance (O&M) history, including a discussion on treatment system operations, collection system operations, stormwater management, and ongoing asset renewal.

Section 6 provides a financial projection for FY 2027 through FY 2031, including projections of future revenues, expenses, debt service and debt service coverage ratios.

1.2 Water Resource Protection Department Background

The Department is an enterprise department of the City of South Portland, Maine, and responsible for providing reliable, environmentally responsible wastewater collection and treatment services

to the community. Operating as an enterprise-funded utility, the Department manages the City's wastewater treatment facility, collection system, pump stations, and combined sewer overflow (CSO) programs. The Department is funded through user charges and is committed to protecting public health, preserving water quality, and maintaining compliance with state and federal environmental regulations.

South Portland's wastewater system has evolved over more than a century. The collection system originated as a combined sewer system and today includes approximately 119 miles of sewer infrastructure serving roughly 8,000 customer accounts, including residential, commercial, and industrial users. Wastewater is treated at the City's Wastewater Treatment Facility (WWTF). The WWTF was originally constructed in 1975 and substantially upgraded over the years, including a major secondary treatment expansion completed in 1995. The Department also administers ongoing CSO planning and infrastructure improvement programs designed to reduce wet-weather discharges and enhance the resiliency of the system.

The City currently operates under a discharge permit with Maine Department of Environmental Protection (MEDEP) and periodically updates its Combined Sewer Overflow Facilities Plan consistent with the discharge permit to plan for and track elimination of CSOs.

The Department is currently advancing significant capital investments to address aging infrastructure, regulatory requirements, system resiliency, and operational efficiency. These investments include upgrades to the Pearl Street Pump Station (Pearl Street Pump Station Upgrade) and modernization of the wastewater treatment facility's biosolids dewatering processes (WWTF Dewatering System Upgrade). Through these efforts, the Department continues to support South Portland's long-term environmental stewardship goals while ensuring the reliable delivery of essential wastewater services to the community.

Section 2

Organizational Structure and Rate Setting Authority

This section provides an institutional analysis related to Department's organizational structure, key management positions, and staff levels.

2.1 Organizational Structure and Staffing Levels

The Department operates as an enterprise department within the City of South Portland. The Department is managed by a Director, who reports to the City Manager. The Director is responsible for the operation of Department's three main divisions: Treatment Systems, Collection Systems, and Engineering. Total Department staffing is currently 29 full-time positions.

The Treatment Systems division is responsible for operation and maintenance of the WWTF located at Waterman Drive, and 28 pump stations that convey wastewater flows to the treatment plant. The Treatment Systems division is also in charge of monitoring wastewater effluent from the WWTF to ensure compliance with state and federal water quality regulations, and is responsible for monitoring discharge from the City's four major industrial users under permit.

The Collections System division is responsible for maintaining the City's sewer pipes and storm drains. Responsibilities include CCTV inspection of underground pipes, routine pipe cleaning, pipe repair and pipe replacement. This division is also responsible for implementing the City's Municipal Separate Storm Sewer System (MS4) and impaired stream restoration programs to ensure compliance with state and federal regulations.

The Engineering division is responsible for oversight of the City's CSO program, Capital Improvement Plan, Asset Management Program, and oversight of construction projects. Additionally, this division provides engineering support services to other municipal departments, as requested.

Figure 2-1 provides an organizational chart of the Department, and the divisions that fall within the Department.

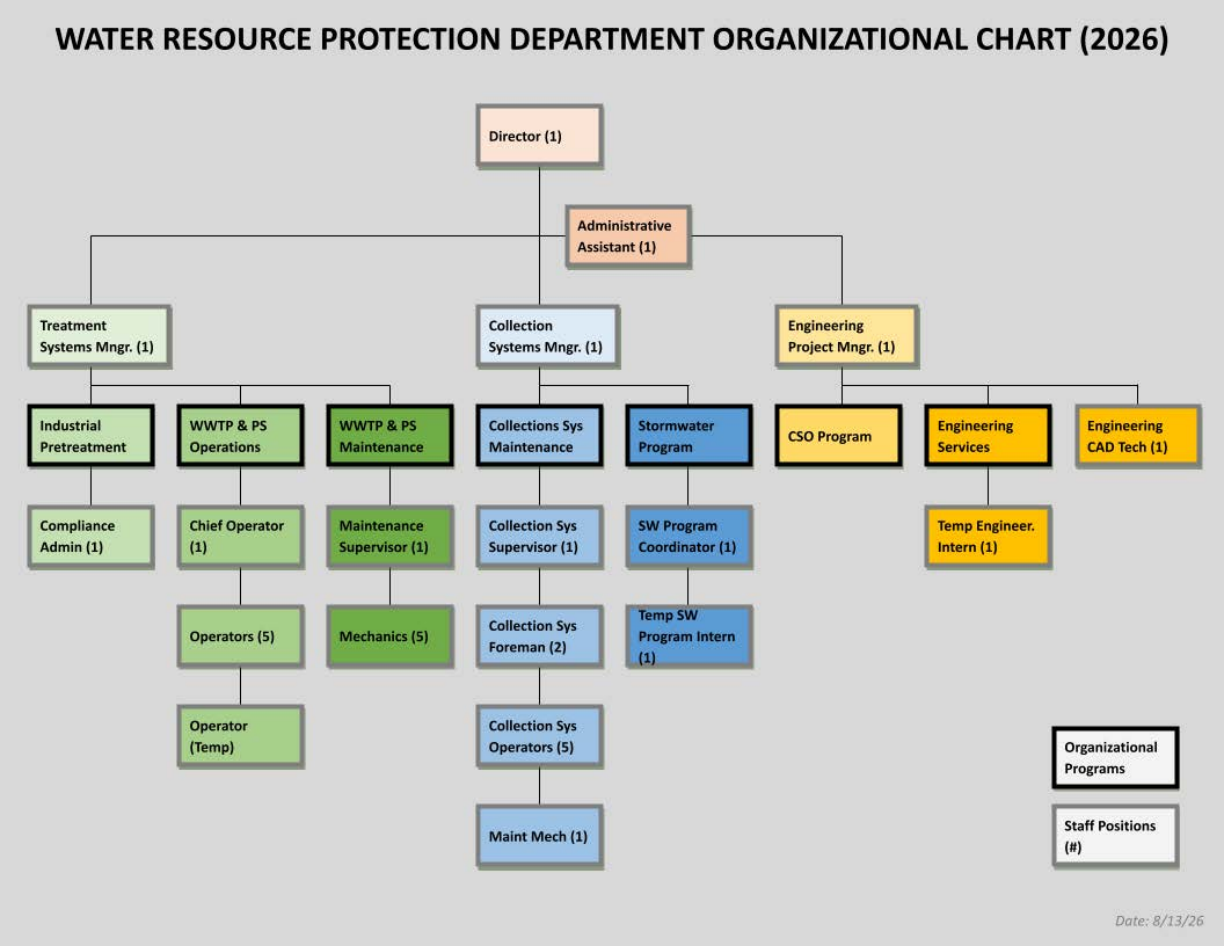


Figure 2-1 Organizational Chart

2.2 Key Leadership Positions

Frederick Dillon is the Director of the Department. He was appointed in September 2024 following the retirement of the prior director Brad Weeks. Mr. Dillon has more than three decades of experience in wastewater, stormwater, and environmental management. Prior to his appointment, Mr. Dillon served as South Portland's Stormwater Program Coordinator for approximately 15 years, where he was responsible for implementing the City's stormwater management program, ensuring compliance with state and federal environmental regulations, and leading watershed protection initiatives through the community.

Before joining South Portland, he worked as a project manager with FB Environmental Associates and spent 15 years with the Town of Falmouth, Maine Water Pollution Control Department, advancing from laborer to superintendent. His career reflects a strong foundation in utility operations, environmental compliance, watershed management, and municipal infrastructure planning.

The Engineering Division is led by Lacey Kremer, P.E., who was promoted to the role of Engineering Division Manager in 2025. Prior to Ms. Kremer's appointment to the role, she served as Civil and Transportation Engineer for the City since 2022.

The Treatment Systems Division is led by Tom Wiley, who was promoted to the role in 2021. Prior to his appointment to the role, he served the compliance administrator for 11 years. His career in wastewater began at the Portland Water District in 1987 where he worked in the lab and for compliance. He was on the Maine Water Environment Executive Board for over twenty years.

The Collections Systems Division is led by Jeffrey Moulton. He has worked with the Department since 1993. He became the Collections Systems Supervisor in 2013, and assumed the role of Division Manager in 2023.

Based on our review, we have concluded that the Department is well managed by well-qualified individuals with the appropriate training and experience.

2.3 Rate Setting Authority

As an enterprise department of the City, the Department generates revenues through user rates and charges to sewer customers. The sewer rates and charges are set locally by the City Council through adoption of an ordinance pertaining to the sewer user rates and charges.

The Department utilizes the Portland Water District (PWD) as its billing agent for retail wastewater customers. Sewer charges are generally based on metered water consumption, with water usage measured through PWD customer meters and sewer rates established by the City Council pursuant to the City's sewer ordinance. PWD is responsible for customer billing, collections, and customer account administration on behalf of the Department and receives an annual fee for providing these services. Through this arrangement, the Department is able to leverage PWD's established metering, billing, and customer service infrastructure while managing utility operations, administering the Sewer User Fund, and maintaining City Council responsibility for setting sewer rates.

Section 3

Overview of Existing Facilities and Conditions

3.1 Overview

The South Portland wastewater system is operated by the City's Water Resource Protection Department and provides a critical service to protect environmental health and community safety. The system includes a central wastewater treatment facility located on Waterman Drive, with a design for average flow of 9.3 MGD, with wet weather capacity of up to 22.9 MGD. The system includes 28 pump stations that convey sewage to the WWTF. Flow from the east side of the City is ultimately collected and pumped into the treatment process via the main pump station (located at the WWTF) while flow from the west side of the City is conveyed to the facility via the Pearl Street Pump Station. After being treated and disinfected at the WWTF, effluent is released into the Fore River, ultimately flowing into Casco Bay.

The Department provides wastewater service to approximately 8,000 accounts within the City, including four major industrial users operating under discharge permits. Approximately 92 percent of the total accounts are residential customers.

The City collection system consists of both separated sewer system and combined sewer system. Combined sewers transport sanitary sewage and stormwater through a single pipe to the WWTF. The City has periodically prepared CSO Facilities Plans to identify projects to reduce CSOs.

3.2 Wastewater Treatment Facility

The WWTF is a conventional activated sludge secondary treatment plant designed to provide treatment of domestic, commercial, and industrial wastewater prior to discharge to the Fore River and ultimately Casco Bay. The facility was originally constructed in 1975 and underwent a significant modernization in 1995 to comply with secondary treatment requirements and improve treatment performance.

Wastewater enters the facility through the collection system and pump station network and first passes through preliminary treatment processes designed to remove large debris and abrasive materials that could damage downstream equipment. Screening systems remove rags, plastics, and other coarse solids, while grit removal systems separate sand, gravel, and other inorganic materials from the wastewater stream. These processes protect pumps, aeration equipment, and sludge handling facilities from excessive wear and clogging.

Following preliminary treatment, wastewater enters the activated sludge process, which serves as the core treatment technology utilized at the facility. Because the facility operates as a secondary treatment plant without primary clarifiers, organic matter and suspended solids are removed through the biological treatment process rather than through conventional primary sedimentation. In the aeration basins, microorganisms consume dissolved and suspended organic matter within the wastewater stream. Air is continuously supplied through mechanical aeration equipment to maintain oxygen concentrations necessary for biological treatment.

The activated sludge process is designed to remove biochemical oxygen demand (BOD) and suspended solids prior to discharge. Based on recent operating data, the facility routinely achieves 91 to 95 percent removal of organic material and suspended solids, significantly exceeding the permit requirement of 85 percent removal for both parameters.

After biological treatment, the mixed liquor is conveyed to secondary clarifiers where biological solids are separated from treated wastewater through gravitational settling. A portion of the settled biomass is returned to the aeration basins as return activated sludge to maintain the biological treatment process, while excess biomass is removed as waste activated sludge and conveyed to solids processing facilities. Clarified effluent exiting the secondary clarifiers proceeds to disinfection prior to discharge.

The facility utilizes chlorination followed by dechlorination prior to discharge. Sodium hypochlorite is added to achieve the required disinfection levels, and sodium bisulfite is subsequently applied to remove residual chlorine prior to discharge to the receiving waters. The treated effluent is then discharged through the facility's outfall to the Fore River in accordance with permit limitations established under the Maine Pollutant Discharge Elimination System (MEPDES) permit (see Section 3.3). The facility currently provides seasonal disinfection under its existing permit.

During extreme wet weather events, the facility utilizes additional tankage as storm clarifiers to provide additional primary treatment followed by disinfection to maintain treatment performance and regulatory compliance during high flow periods associated with the combined sewer system.

Solids removed during primary and secondary treatment processes are stabilized and dewatered prior to off-site disposal. The facility currently processes approximately 4,800 to 5,000 tons of biosolids annually. Existing belt filter press dewatering equipment has reached the end of its useful life, and the City is planning replacement with newer centrifuge-based technology. The proposed improvements are expected to increase solids capture efficiency, reduce hauling and disposal costs, and improve operational reliability.

3.3 MEPDES Permit

As a permitted municipal wastewater treatment facility under the MEPDES, the facility must meet strict state and federal water quality standards as outlined in MEPDES Permit No. ME0100633. The facility's permit expired in 2022 and has been administratively extended since that time. The current permit includes specific limits related to total suspended solids (TSS), BOD, fecal coliform bacteria, and other traditional wastewater parameters. Currently, disinfection is only required on a seasonal basis. Though a draft of the next permit has yet to be received by the City from MEDEP, it is currently anticipated to include year-round disinfection and likely a nutrient (nitrogen) discharge limitation. As required by the current permit, the City currently monitors levels of nitrogen in the effluent which fluctuate seasonally but is generally in the vicinity of 10 mg/l. Based on other MEDEP studies and projected timelines, the City estimates that the permit will be issued around 2027 with compliance for nitrogen discharge limits required by 2032 or 2033. The Department has maintained a strong compliance record under its existing permit and

continues to advance capital improvements that will support future regulatory compliance and long-term system reliability.

3.4 Collection System

The collection system includes approximately 106 miles of sanitary sewer mains, more than 3,000 sewer manholes, approximately 76 miles of storm drain infrastructure, and more than 4,200 stormwater structures, including nearly 2,800 publicly owned catch basins. Wastewater collected throughout the City is conveyed through a network of gravity sewers, interceptor sewers, force mains, and pump stations to the WWTF. The system also includes portions of South Portland's historic combined sewer system, where both sanitary wastewater and stormwater are conveyed through the same pipes during wet weather events.

Much of the older collection system consists of vitrified clay pipe and brick manholes that were installed decades ago and are approaching or exceeding their original design lives. As a result, the City has implemented a comprehensive maintenance and rehabilitation program to assess system conditions, prioritize repairs, and guide long-term infrastructure renewal investments.

The collection system also includes 28 pumping stations that transport wastewater from lower-elevation service areas to the treatment facility. These pump stations are essential components of the collection system and receive ongoing preventative maintenance, equipment replacement, and operational monitoring. The City has continued to invest in modernization of pumping infrastructure to improve reliability, operational resiliency, and redundancy within the collection system.

Particular attention has been focused on the Pearl Street Pump Station, one of the most critical pumping facilities within the system. Originally constructed in the early 1970s, the Pearl Street Pump Station conveys wastewater from a substantial portion of the City to the treatment facility via a force main crossing beneath the Fore River. The facility is nearing the end of its useful life and has been identified as a priority capital investment due to its significance to system operations, potential vulnerability to sea level rise, and its role in future CSO mitigation efforts. Planned improvements include increased pumping capacity, enhanced screening and grit removal systems, replacement of the force main, and resiliency upgrades intended to improve long-term operational reliability. The upgrades to the Pearl Street Pump Station are further described in Section 4 of this report.

3.5 CSO Facilities Planning

As with many communities in the northeast, the South Portland collection system contains areas where a single network of piping collects sanitary wastewater in addition to stormwater. This system can be overwhelmed during wet weather events leading to CSO discharges. The City of South Portland first developed a CSO Facilities Plan in 1993 to identify ways to reduce the amount of combined sanitary and stormwater flows. Over the years, this plan has been updated to reflect new requirements and changing conditions.

The CSO Facilities Plan was updated in 2008 (ultimately revised in 2011) and set out a 12-year schedule to address the six remaining CSOs in the city. The main objective was to eliminate or reduce overflows caused by a design storm, which was selected to be a 2-year, 24-hour event.

Numerous projects were successfully implemented by the City as part of the 2011 plan achieving a significant reduction in total volume of annual CSO discharge. Currently, only 4 CSOs remain.

Extensive west-side sewer separation projects have resulted in a high level of CSO control upstream of Pearl Street; however, the Elm Street CSO 006 remains the most active in the system and is the focus of additional investments. Recent flow metering in this catchment area shows sustained high flows following wet weather events, indicating that most of the flow stems from infiltration rather than direct inflow. As a result, conveying these flows to the treatment facility was deemed more cost-effective than conducting complex and costly sewer system investigations and rehabilitation.

In May 2022, Woodard & Curran prepared the Combined Sewer Overflow Facilities Plan Update. This update included an evaluation of the existing infrastructure and identified strategies to further reduce CSO events. After analyzing various alternatives, the plan update recommended increasing the capacity of the Pearl Street Pump Station. In addition, the plan update also recommended CSO-related improvements including raising of the CSO #006 weir, increasing the conveyance capacity from CSO #006 to the Pearl Street Pump Station (scheduled for implementation around 2031), and a targeted infiltration study and renewal program. These recommendations are being pursued by the City. Based on collection system modeling, these upgrades are expected to significantly reduce overflows at CSO structures #005, #006, and #024.

3.6 Biosolids Management

Like many regional wastewater treatment facilities, solids which originate from the South Portland WWTF are processed through an onsite dewatering system prior to being hauled offsite for reuse or disposal. The primary purpose of this system is to significantly reduce the volume of material to be managed. Outlets for dewatered biosolids have typically included land application as a fertilizer/soil amendment, as well as traditional landfills which represent a more costly option. The recent land application ban in Maine (driven by concerns related to per- and polyfluoroalkyl substances (PFAS)) has significantly reduced available outlets for biosolids, making dewatering a critical operational and cost consideration.

Biosolids hauling and disposal services are outsourced by the City under contract with Casella Organics. In 2025, a competitive procurement for sludge disposal services resulted in a new three-year contract with Casella Organics expected to reduce annual disposal costs by approximately $14,000, providing cost savings where many peer communities have seen their costs escalate dramatically.

3.7 Customer Base

The Department provides wastewater service to approximately 8,000 accounts, over 90 percent of which are classified as residential.

Average annual retail (e.g., residential, commercial) wastewater usage between FY 2023-2025 was approximately 840,000 hundred cubic feet (HCF), with residential customers accounting for approximately 70 percent of overall flow. Since FY 2023, annual billed consumption has remained relatively stable, with annual variances within three percent of the 3-year average. In FY 2025, total billings for retail wastewater services were approximately $6.0 million.

The Department currently has four significant industrial users (SIU) that each operate under a discharge permit. In FY 2025, these four SIUs accounted for around $2.0 million, or approximately 25 percent of total wastewater revenue. The Department assesses charges to these customers based on annual flows and loadings, specifically discharges of BOD and TSS. In FY 2025, a fifth SIU relocated outside of the City, reducing the number of SIUs from five to the current four. The largest wastewater system user is Texas Instruments, which accounted for approximately 63 percent of the SIU revenues in FY 2025.

Table 3-1 lists the top 10 users in terms of annual wastewater flow and revenues. Texas Instruments accounts for the largest share, with an estimated 21 percent of billed flow and 16 percent of system revenue.

Table 3-1 Top 10 Users

Customer	2025 Usage (HCF)	% Flow	Actual Revenue	% Billed Revenue†
Texas Instruments*	250,161	20.6%	$1,275,425	15.9%
Diodes*	113,992	9.4%	$438,166	5.5%
363 Maine Mall Condo Association	9,787	0.8%	$70,369	0.9%
Clean Harbors*	7,266	0.6%	$237,191	3.0%
Sable Lodge Ret Comm LLC (RLC Portland Retirement Community)	6,225	0.5%	$44,758	0.6%
New Gen Hospitality (Home2 Suites by Hilton)	4,594	0.4%	$33,031	0.4%
Scrub A Dub	4,417	0.4%	$31,758	0.4%
Wingnut Hospitality (Homewood Suite by Hilton Portland)	4,372	0.4%	$31,435	0.4%
W H Nichols Inc	4,242	0.3%	$30,500	0.4%
Avesta Westbrook St One LP (West End Apartments)	3,915	0.3%	$28,149	0.4%

*SIU

†Billed Revenue include flow-based and industrial surcharge revenue

3.8 Conclusions

While a detailed asset condition assessment was beyond the scope of this engagement, our review of facility operations, maintenance practices, capital planning efforts, and observations made during site visits indicates that the Department is operating and maintaining its facilities in a reasonable manner. No significant conditions were identified during our review that would suggest an inability of the utility to continue providing reliable wastewater services.

Section 4

Capital Improvement Plan

This section provides an overview of the Department's capital improvement plan, based on the FY 2027 Approved Capital Improvement Plan (CIP), which captures planned capital projects through FY 2033. The Department develops an annual CIP and submits the requested CIP to the City Manager. The City Manager submits a recommended CIP to the City Council for approval. For internal planning purposes, the Department maintains a longer-term capital plan which is periodically revised to reflect most current information.

This section includes an assessment of two upcoming sewer infrastructure projects proposed to be funded through sewer revenue bonds: the Pearl Street Pump Station Upgrade and the WWTF Dewatering System Upgrade.

4.1 CIP Overview

The FY 2027 CIP was approved by the City Council in June 2026. The CIP approved by the City Council includes total appropriated capital costs by project. The actual cash flow for each capital project may differ in timing for projects with a multi-year construction period.

Table 4-1 displays the cash flow for the capital projects submitted by the Department, including the inflated project spending and timing of estimated expenditures for FY 2027 through FY 2031. As noted, since this table represents the projected cash flows and accounts for impacts of inflation while the CIP focuses on total project cost, the annual amounts may not align with the FY 2027 approved CIP.

The Department plans to undertake two major sewer infrastructure projects, the Pearl Street Pump Station Upgrade, and the WWTF Dewatering System Upgrade. The estimated combined cost of these two projects is $53.2 million, which represents 77% of the total 5-year capital spending.

Table 4-1 Capital Spending (Inflated $)

	2027	2028	2029	2030	2031
Pearl Street Pump Station Upgrades & Construction	$10,692,500	$15,865,500	$13,927,000	$0	$0
Dewatering System Upgrades	$1,321,907	$8,717,719	$2,675,375	$0	$0
Main Street PS Force Main Phase 2	$300,000	$0	$0	$0	$0
Sewer Lining Program	$200,000	$300,000	$250,000	$250,000	$250,000
Bypass Pump 1 Rebuild and Motor Overhaul	$125,000	$0	$0	$0	$0
Chlorine Storage Tank Replacement	$70,000	$0	$0	$0	$0
Screenings Building Bar Screens and Gates Replacement	$75,000	$0	$0	$0	$0
Disinfection Upgrade for Winterization	$0	$571,376	$0	$0	$0
Main St. Pump Station Generator Replacement	$0	$416,000	$0	$0	$0
Willard Beach Pump Station Electrical Upgrade	$335,000	$364,000	$0	$0	$0
Front Street Storm Pump Rebuild	$0	$78,000	$0	$0	$0
Willard Beach Storm Pump Rebuild	$0	$78,000	$0	$0	$0
West High Pump Station - Force Main Replacement	$0	$0	$648,960	$0	$0
Front Street & Willard Isolation Sluice Gate & Operator	$0	$0	$432,640	$0	$0
Bypass Pump 3 Rebuild and Motor Overhaul	$0	$0	$162,240	$0	$0
Bisulfite Storage and Piping	$0	$0	$64,896	$0	$0
Gannet Generator w/ATS	$0	$0	$43,264	$0	$0
Checkerberry Generator w/ATS	$0	$0	$0	$39,370	$0
Operations Building HVAC/Windows/Brick Pointing	$0	$0	$0	$371,205	$0
Main St Storm Drain Pipe Replacement	$0	$0	$0	$281,216	$0
Willard Beach Pumps 1 and 3 Replace	$0	$0	$0	$140,608	$0

	2027	2028	2029	2030	2031
Southborough Generator w/ATS	$0	$0	$0	$44,995	$0
Appletree Generator w/ATS	$0	$0	$37,856	$0	$0
Increase Conveyance Capacity from CSO #006 to Pearl Street Pump Station - Design	$0	$0	$432,640	$393,702	$0
Increase Conveyance Capacity from CSO #006 to Pearl Street Pump Station - Construction	$0	$0	$0	$0	$5,000,000
West High Pump Station Pumps and VFD Design	$0	$0	$0	$84,365	$584,929
WWTF Headworks Upgrade	$0	$0	$0	$0	$1,403,830
Unit # 14 - Catch Basin Cleaner Truck	$150,000	$218,400	$0	$0	$0
Unit # 7 - Pump Station Crane Truck	$110,000	$0	$0	$0	$0
Unit # 10 - Construction Utility Truck	$80,000	$0	$0	$0	$0
Vacuum Street Sweeper (Cost split with DPW)	$0	$124,800	$0	$0	$0
Unit # 25 - 130 Pound Excavator	$0	$121,680	$126,547	$0	$0
Unit #19 - Front End Loader Replacement	$0	$46,800	$48,672	$134,984	$0
Unit # 16 - Grit Dumpster Hauling Truck	$0	$0	$324,480	$0	$0
Unit # 22 - 50 Ton Equipment Hauling Trailer	$0	$0	$0	$39,370	$0
Unit # 5 - Pump Station Operators Truck	$0	$0	$0	$61,868	$0
Unit # 8 - Sewer Maintenance On-Call and Locate Truck	$0	$0	$0	$61,868	$0
Unit # 30 - Air Compressor	$0	$0	$0	$0	$64,342
Total Capital Spending	**$13,459,407**	**$26,902,275**	**$19,174,570**	**$1,903,550**	**$7,303,102**

CDM Smith has reviewed the Pearl Street Pump Station Upgrade and WWTF Dewatering System Upgrade projects. As part of this assessment, CDM Smith visited the two project locations and met with City staff to discuss the history of the projects and specifics of the proposed upgrades. In addition, the following reports were reviewed:

- Combined Sewer Overflow Facilities Plan Update, Wright Pierce, September 2008 (Revised October 2011);
- WWTF Facility Plan Update, Wright Pirece, October 2014;
- Combined Sewer Overflow Facilities Plan Update, Woodard & Curran, May 2022;
- Pearl Street Pump Station Upgrades Conceptual Design Supplemental Report, Woodard & Curran, June 2024;
- WWTF Dewatering System Conceptual Design Report, Woodard & Curran, June 2025; and
- Pearl Street Pump Station Upgrades Preliminary Design Report, Woodard & Curran, November 2025.

Other aspects of department operations and planning were also reviewed and/or discussed with the City to confirm that the proposed projects aligned with operational objectives, other long-term capital needs, facility permits and other regulatory considerations.

4.1.1 Pearl Street Pump Station Upgrades

The Pearl Street Pump Station serves as a critical link for the City of South Portland, transferring sanitary sewer flows from the western side of the City's collection system to the WWTF. Both the pump station and its 24-in force main, constructed in 1972, are approaching the end of their useful lifespan and require significant upgrades to ensure continued reliability.

As noted in the above-referenced studies, the pump station is facing multiple critical issues that compromise reliability and safety. Some of these issues include the following:

- The pumps and electrical systems have exceeded their useful life, and the mechanical systems need repair;
- The wet wells are undersized and cannot be isolated, which recently prevented shutdown for pipe repairs;
- The grit system is inadequate for larger storm events;
- The station is located within a floodplain and at risk of inundation during storm events;
- The existing 600 kW exterior emergency generator, relocated from the WWTF in 2021, serves as the primary backup power source but shows visible corrosion while an older interior generator remains in service as a secondary backup, though it is well beyond its intended service life and reliability is questionable; and
- Safety hazards are present throughout the facility, including inadequate fall protection at floor openings and insufficient lighting.

As identified in the design reports associated with the proposed Pearl Street Pump Station Upgrade, the goals of the project include the following:

- Increase pump station capacity from approximately 15 to 18 MGD Peak Wet Weather Flow in accordance with the recommendation of the City's 2022 CSO Facilities Plan update;
- Improve the pump station's headworks performance for screening and grit removal up to and including the Peak Wet Weather Flow;
- Replace the force main with multiple new force mains to increase capacity, redundancy, and ability to handle wide range of flows; and
- Incorporate climate change considerations, such as sea level rise, in accordance with the City's implemented climate adaptation requirements and measures.

CDM Smith performed both a desktop review and a site visit to the Pearl Street Pump Station. In its review, noted a few risk areas consistent with projects of this type and complexity but, in the opinion of CDM Smith, the proposed design is generally consistent with operational objectives and regulatory compliance related to CSO mitigation. It is also our opinion that this project is necessary to address a significant infrastructure upgrade need that will help protect the residents of the City of South Portland and the local environment.

The City advertised for bids for the Pearl Street Pump Station Upgrade in March 2026 and in May 2026 received three responsive bids. The lowest bid was approximately 10% above the engineer's estimate. The bid results confirmed the need for the planned revenue bond financing and were incorporated into the City's updated project funding and cash flow projections.

4.1.2 Dewatering System Upgrades

The WWTF Dewatering System Upgrade will significantly improve biosolids management, promoting more sustainable and effective sludge disposal while lowering operating costs. The existing belt filter presses (BFPs) have reached the end of their service life, prompting a shift to advanced dewatering technologies that will enhance operational efficiency, minimize maintenance needs, and optimize sludge processing.

The City carried out an assessment of possible methods for improving the current dewatering system. The recommendation was to conduct pilot trials with equipment from several dewatering technology suppliers, as described in the "Evaluation of Dewatering Technologies for the Wastewater Treatment Plant Technical Memorandum" dated April 12, 2024. The City subsequently organized pilot demonstrations of centrifuge and screw press systems to explore options for enhancing dewatering operations at the WWTF. These pilot trials took place at the WWTF during June, July, and August 2024, involving four manufacturers: Centrisys and Flottweg provided centrifuge units, while Huber and Andritz supplied screw press machines. The outcomes of these tests, along with a life cycle analysis of the technologies evaluated, were compiled in the "WWTP Dewatering Pilot Testing – Summary of Results & Life Cycle Evaluation Technical Memorandum," dated December 13, 2024.

The proposed WWTF Dewatering System Upgrade includes the installation of two centrifuges to replace the existing belt filter presses, construction of a new electrical and control room to

safeguard equipment, and implementation of a new conveyor system. The garage bay will be expanded to enable drive-through access, alleviating current difficulties with truck maneuvering. Additional upgrades will include replacement of waste activated sludge feed pumps and conversion of the sludge storage tank mixing system from fine bubble to coarse bubble mixing.

In general, CDM Smith is of the opinion that the proposed WWTF Dewatering System Upgrade design concept is consistent with operational objectives and will improve the reliability of the WWTF dewatering system.

The engineer's opinion of probable cost for the proposed WWTF Dewatering System Upgrade totals approximately $13.2 million. Major costs include over $5.0 million for dewatering equipment upgrades and $1.4 million for sludge container area improvements, with additional allocations for contractor overhead, contingencies, escalation, engineering, and permitting.

Though CDM Smith has not completed a detailed cost estimate for this project, it is our opinion that the above numbers represent a reasonable projection of project costs.

4.2 Projected Cash Flow - Capital

Table 4-2 summarizes the projected cash flow related to capital expenses for the projection period.

The Beginning Balance Available for Capital is the annual amount of projected funds the Department has available to pay for capital projects, before factoring in bond proceeds. The balance available for capital includes projected operating surpluses or deficits, and projected transfers to and from the Department's other funds. Each year, if the Department is projected to generate sewer rate revenue in excess of the projected rate revenue requirement, the resulting operating surplus is assumed available for use to pay for capital projects. Conversely, in a year where projected rate revenue is lower than the projected rate revenue requirement, the operating deficit is assumed to reduce the available balance for capital projects.

The Revenue Bond Proceeds represents the projected cash deposited from the 2026 issuance and the 2027 issuance to be used to pay for capital expenses. The total of the Balance Available for Capital and the Revenue Bond Proceeds represents the annual amount of funds available for capital expenses, shown in the total for Available Funds – Before Use.

The Use of Funds – Outflows represent the annual capital expenditures, grouped by project funding source. Cash Funded capital is annual pay-go capital, which are projects that the Department would pay for the expenditures directly through available fund balances in the year of the expense. The capital expenditures for revenue bond financed capital are the annual cash payments projected during project duration, for projects assumed financed through proceeds from revenue bond issuances.

The difference between the cash available for capital and the capital expenditures is the Ending Balance, representing the projected fund balance available at the end of the fiscal year, after paying for all capital expenditures. The ending balance is then applied to the next fiscal year as the Beginning Balance for that year.

The Department is projected to maintain adequate levels of cash balances to fund its capital program for the forecast period, with the proposed rate increases.

Table 4-2 Projected Cash Flow - Capital

	2027	2028	2029	2030	2031
Rate Increase	26.0%	26.0%	26.0%	2.0%	2.0%
Beginning Balance	$3,621,055	$13,609,360	$23,624,302	$9,616,250	$11,708,306
Transfer from Operating	$3,047,712	$4,117,217	$5,166,519	$3,995,606	$4,153,765
Balance Available for Capital	$6,668,767	$17,726,577	$28,790,821	$13,611,856	$15,862,071
Revenue Bond Proceeds	$20,400,000	$32,800,000	$0	$0	$0
Available Funds - Before Use	**$27,068,767**	**$50,526,577**	**$28,790,821**	**$13,611,856**	**$15,862,071**
Capital Expenditures - Cash Funded	$1,445,000	$2,319,056	$2,572,195	$1,903,550	$7,303,102
Capital Expenditures - Revenue Bond Financed	$12,014,407	$24,583,219	$16,602,375	$0	$0
Total Fund Uses	**$13,459,407**	**$26,902,275**	**$19,174,570**	**$1,903,550**	**$7,303,102**
Available Funds - Before Use	$27,068,767	$50,526,577	$28,790,821	$13,611,856	$15,862,071
Use of Funds	$13,459,407	$26,902,275	$19,174,570	$1,903,550	$7,303,102
Ending Cash Balance	**$13,609,360**	**$23,624,302**	**$9,616,250**	**$11,708,306**	**$8,558,969**

Section 5

Operation and Maintenance Summary

This section provides a summary of the Department's recent operations and maintenance history. The Department is responsible for the operation, maintenance, repair, and long-term management of the City's wastewater treatment, collection, pumping, and stormwater infrastructure. The Department's operations encompass wastewater treatment, biosolids management, industrial pretreatment, sewer and stormwater system maintenance, MS4 program implementation, watershed protection, regulatory compliance, and implementation of a comprehensive capital improvement program. Over the FY22 through FY25 period, the Department demonstrated a sustained commitment to infrastructure maintenance, proactive asset management, environmental stewardship, and regulatory compliance while continuing to provide reliable wastewater service to the community.

5.1 Treatment System Operations

The Treatment Systems Division operates and maintains the City's WWTF and network of pump stations that convey wastewater from residential, commercial, and industrial customers throughout South Portland. During the review period, the Division largely maintained compliance with State permit requirements while managing significant wet-weather flow events and advancing critical facility upgrades.

Treatment plant flows ranged from approximately 2.27 billion gallons in FY23 to 1.75 billion gallons in FY25. Average daily flows in this period ranged between approximately 5.1 and 6.2 million gallons per day. Throughout this period, the facility consistently achieved removal efficiencies exceeding permit requirements, removing an average of 92% of BOD and 95% of TSS before discharge to Casco Bay. These removal efficiencies exceeded the State of Maine's required minimum removal standard of 85 percent on a monthly average basis.

The WWTF has maintained a strong regulatory compliance record over the FY23-FY25 period. In FY23, the facility achieved compliance of 99.8% across 1,542 permit monitoring analyses. In both FY24 and FY25, the Department reported no effluent discharge violations while completing 1,542 required analyses across 21 monitoring parameters.

The Department has also continued to successfully manage significant wet-weather flows and extreme weather events. In FY23, the City experienced eleven secondary treatment bypass events totaling 8.29 million gallons. In FY24, a series of severe coastal storms, including a historic January storm surge reaching 14.57 feet above sea level, resulted in eight bypass events totaling 33.65 million gallons. In FY25, the number of bypass events declined to three, with a total overflow volume of 15.8 million gallons. Even during these circumstances, bypass volumes represented less than two percent of total annual flow processed by the facility. The Department utilizes available storage capacity within the collection system and treatment plant to manage these events and reduce impacts on receiving waters whenever possible.

Biosolids management remains a major operational responsibility. The facility processed approximately 5,051 tons of biosolids in FY23, more than 4,800 tons in both 2024 and 2025, averaging approximately 92 to 93 tons per week. During this period, the Department initiated planning and design for replacement of the plant's aging dewatering equipment, with the objective of increasing solids content, reducing hauling requirements, and lowering long-term biosolids disposal costs.

5.2 Collection System Operations

The Collection Systems Division is responsible for maintenance of the City's sanitary sewer and stormwater systems, including approximately 106 miles of sewer mains, over 3,000 manholes, approximately 76 miles of storm drain infrastructure, and nearly 2,800 publicly owned catch basins. The system includes many aging clay pipe segments and brick manholes, making proactive inspection and rehabilitation essential to maintaining reliability and minimizing inflow, infiltration, and structural failures.

The Department has established an extensive asset management and condition assessment program utilizing the VUEWorks® platform. Since implementation, staff have significantly improved data collection capabilities and can now prioritize maintenance and capital investments based on asset condition, operational history, and lifecycle cost considerations. Staff track hundreds of thousands of dollars in maintenance-related investments through the system and complete annually more than 2,000 work orders associated with sewer and stormwater infrastructure. On an annual basis approximately 75% of these activities involved corrective maintenance, 15% general maintenance, and 10% preventive maintenance.

Routine sewer system inspection and cleaning activities have continued to be a core operational focus. Staff televised more than seven miles annually each during 2024 and 2025. Hydraulic cleaning activities ranged from approximately 7.8 miles in 2024 to 9.5 miles in 2025, while root intrusion removal was performed on between 3.2 and 5.3 miles of sewer mains annually. Additional repairs included rehabilitation of aging sewer pipe segments, replacement or repair of deteriorated manholes, and elimination of direct stormwater inflow sources, including removal of four catch basins improperly connected to the sanitary sewer system in 2025.

Catch basin cleaning remains one of the City's most important stormwater maintenance activities. The Department cleans essentially all publicly owned catch basins annually, with approximately 2,700 to 2,800 structures serviced each year. These efforts removed approximately 385 tons of sediment and debris in 2022 and prevented an estimated 266 tons of sediment from entering local waterways during both 2024 and 2025. The annual cost of the program has been significantly lower than comparable outsourced services while providing substantial environmental benefits.

5.3 Stormwater Management and Watershed Protection

The Department serves as the lead agency for the City's Municipal Separate Storm Sewer System (MS4) permit program and impaired waters restoration efforts. Through implementation of the six Minimum Control Measures required under state and federal stormwater regulations, the Department continues to maintain compliance with stormwater permit requirements while reducing pollutant loading to local streams, Fore River and Casco Bay.

Its implementation of those measures includes extensive public education and outreach activities to increase awareness of stormwater impacts; provides opportunities for public participation in stormwater program development and implementation; and maintains a comprehensive Illicit Discharge Detection and Elimination (IDDE) program, including routine inspections, enforcement mechanisms, and implementation of a formal IDDE Plan. The City also administers robust construction site erosion and sediment control requirements, enforces post-construction stormwater management standards for new development and redevelopment projects, and conducts annual inspections of stormwater treatment facilities to verify continued performance. To support pollution prevention and good housekeeping objectives, the City provides annual staff training on stormwater best management practices and maintains Stormwater Pollution Prevention Plans and Spill Prevention, Control, and Countermeasure plans for key municipal facilities. Through these integrated efforts, the City continues to reduce pollutant loading to local waterways while maintaining compliance with state and federal stormwater regulations.

The Department has maintained a longstanding partnership with the Long Creek Watershed Management District to support restoration and protection of Long Creek, one of five impaired streams within South Portland. The Department also partnered with the Cumberland County Soil and Water Conservation District to advance restoration of Trout Brook. In 2021, the Department secured a $42,500 MEDEP grant supporting Phase 4 of the Trout Brook Restoration Project. Building upon these efforts, the City received a $272,000 National Fish and Wildlife Foundation National Coastal Resilience Fund grant in 2024 to support engineering and design of five Stream Smart culvert crossings intended to improve fish passage, reduce flooding, and restore more natural watershed functions within the Trout Brook system.

During 2025, the Department implemented intensive water quality monitoring within the Willard Beach watershed to identify pollutant sources and support corrective actions. Monitoring results contributed to successful pollutant reduction efforts and ongoing protection of one of the City's most heavily used recreational resources.

5.4 Ongoing Capital Improvements and Asset Renewal

Over the review period, the Department continued a capital reinvestment program focused on pump stations, treatment plant infrastructure, sewer rehabilitation, in addition to the CSO reduction.

Between FY23 and FY25 the Department completed annual sewer lining programs, wastewater treatment plant electrical upgrades, replacement of major pump station force mains, electrical, aeration basin rehabilitation, chlorine/dechlorination upgrades, and modernization of plant electrical distribution systems. The treatment plant electrical upgrade project included installation of a new electrical distribution system, emergency generator, motor control center, and dedicated electrical room, significantly improving operational reliability and resiliency.

The Department has increasingly completed smaller capital and maintenance projects using in-house staff. Examples include pump replacements, electrical upgrades, force main improvements, and collection system rehabilitation work. This approach has reduced project costs, expanded staff technical capabilities, and accelerated implementation of needed improvements while reducing dependence on outside contractors.

Overall, the Department's operating and maintenance program reflects a mature and proactive approach to utility management characterized by strong regulatory compliance, extensive preventive maintenance, data-driven asset management, watershed stewardship, and sustained reinvestment in critical wastewater infrastructure.

Section 6
Financial Projections

This section contains financial projections for the period FY 2027 through FY 2031, including projected revenues, expenses, debt service and debt service coverage. For purposes of these projections, projected rate increases are calculated and assumed implemented July 1 of each year by the City Council.

6.1 Assumptions

The projections are impacted by various financial assumptions, which include:

- The projections incorporate the FY 2027 Approved Budget.
- Operations and maintenance (O&M) expenses are inflated annually at the following rates:
  - Labor – 4.5%
  - Sludge – 5.0%
  - All Other – 2.5%
- Capital expenses are inflated at an annual rate of 4.0 percent.
- Debt service for currently outstanding debt has been provided by the City, which includes annual debt service for the City's 2009 CWSRF Bond and 2015 CWSRF Bond. Although the City has in the past and expects to pay debt service on the 2009 CWSRF Bond and 2015 CWSRF Bond from sewer revenues, both are general obligation debt of the City.
- The debt service schedule for the Series 2026 Bonds is projected based on $20.4M in revenue bonds. Of the total, $16.9M is for the Pearl Street Pump Station Upgrade with a payback schedule of 30 years, and $3.5M is for the WWTF Dewatering System Upgrade with a payback schedule of 20 years. The debt service schedule is provided by the City's municipal advisor, Moors & Cabot.
- The projections also include a future revenue bond issuance of $32.8M in FY 2028 (2027 Series) to support financing the remainder of the capital spending for the Pearl Street Pump Station Upgrade and the WWTF Dewatering System Upgrade.
- The Pearl Street Pump Station Upgrade and the WWTF Dewatering System Upgrade are assumed to be financed through revenue bonds. All other capital is included in the projections as cash funded pay-go capital.
- Miscellaneous revenue is assumed to remain constant at proposes FY 2027 levels through the projection period. The exception is the reimbursement for Cape Elizabeth operations, representing allocated costs to Cape Elizabeth for flow treated at South Portland's

treatment plant. The reimbursement for Cape Elizabeth operations is increased at the overall rate of O&M increase for the sewer utility.

- The balance in the Department's operating fund at the start of FY 2026 was approximately $3,060,000 and the balance in the Department's capital reserves at the start of FY 2026 was approximately $2,940,000. Each of these has been assumed to remain stable over the forecast period.
- The City approved a 26% sewer rate increase, effective at the start of FY 2027. The retail sewer rate for FY 2027 is $9.30 per HCF of water consumption.
- Estimated sewer rate revenue in FY 2026 was $8,010,000. Budgeted sewer rate revenue for FY 2027 is $10,100,000.

Incorporating the information received from the and the assumptions listed above, annual revenue requirements and coverage calculations are developed through FY 2031.

6.1.1 Projected Rate Increases

As part of the FY 2027 budget process, a proposed 5-year sewer rate schedule was presented to City Council. The rate schedule included proposed rate increases of 26% annually for FY 2027-2029, followed by annual 2% rate increases for FY 2030-2031. The Council approved a 26% sewer rate increase for FY 2027, effective July 1, 2026.

The proposed rate increases beyond FY 2027 shown in this report, while presented to and considered by Council, have not been formally adopted. Future year rate increases will need to be adopted by Council for each subsequent fiscal year in order for the increases to take effect.

6.2 Financial Projections

The financial projections include projections of operations and maintenance (O&M) expenses, debt service payments on outstanding and future debt, cash funded capital, miscellaneous or non-rate revenue, and rate revenue. For the Pearl Street Pump Station Upgrade, and the WWTF Dewatering System Upgrade, the capital expenses during the project construction period are paid with revenue bond proceeds. The annual debt service payments on those loans are included as an expense in the projection. The annual capital cash flow is summarized in Section 4.

6.2.1 Operations and Maintenance

The Department's O&M expenses are summarized by major category in **Table 6-1**. The labor category represents salaries and benefits for District employees and represents approximately 52 percent of the total O&M. The administration category represents 15 percent of the total O&M and includes contracted services. Payments for sludge disposal represent 11 percent of total O&M, which are the projected payments to Casella Organics under the existing disposal contract. O&M expenses in the projections increase from $7.0 million in FY 2027 to $8.2 million in FY 2031, representing an average annual increase of 3.8 percent.

Table 6-1 Operations and Maintenance

	2027	2028	2029	2030	2031
Labor	$3,630,610	$3,793,988	$3,964,717	$4,143,129	$4,329,570
Utilities (Electricity, Gas, etc.)	$630,759	$646,528	$662,691	$679,258	$696,240
Sludge	$763,125	$801,281	$841,345	$883,413	$927,583
Chemicals	$185,361	$189,995	$194,745	$199,614	$204,604
Treatment O&M	$165,725	$169,868	$174,115	$178,468	$182,929
Administration	$1,240,098	$1,271,100	$1,302,878	$1,335,450	$1,368,836
Other O&M	$401,650	$411,691	$421,984	$432,533	$443,346
Total Operations and Maintenance	**$7,017,328**	**$7,284,452**	**$7,562,475**	**$7,851,864**	**$8,153,109**

6.2.2 Debt Service

The projections include annual payments for debt service on currently outstanding debt and projected debt service for future borrowings.

Existing debt service represents debt service on the Department's outstanding obligations: 2009 CWSRF Bond, and its 2015 CWSRF Bond. **Table 6-2** includes the debt service schedules for each of these outstanding obligations, through maturity.

Table 6-2 Existing Outstanding Debt Service, through Maturity

Fiscal Year	2009 CWSRF	2015 CWSRF	Total
2027	$31,521	$65,742	$97,264
2028	$27,102	$65,524	$92,626
2029	$27,102	$65,305	$92,407
2030	$13,551	$65,086	$78,637
2031		$64,868	$64,868
2032		$64,649	$64,649
2033		$64,430	$64,430
2034		$64,212	$64,212
2035		$63,993	$63,993
2036		$63,774	$63,774

The projected revenue bonds include $20.4M for the 2026 Series and $32.8M for the projected 2027 Series. **Table 6-3** includes the debt service schedules through maturity for the projected revenue bonds.

Table 6-3 Anticipated Revenue Bond Debt Service, through Maturity

Fiscal Year	2026 Series	2027 Series	Total
2027	$310,264	$0	$310,264
2028	$1,095,050	$517,788	$1,612,838
2029	$1,844,838	$1,758,525	$3,603,363
2030	$1,804,413	$3,024,400	$4,828,813
2031	$1,763,988	$2,956,150	$4,720,138
2032	$1,723,563	$2,887,900	$4,611,463
2033	$1,683,138	$2,819,650	$4,502,788
2034	$1,642,713	$2,751,400	$4,394,113
2035	$1,602,288	$2,683,150	$4,285,438
2036	$1,561,863	$2,614,900	$4,176,763
2037	$1,521,438	$2,546,650	$4,068,088
2038	$1,481,013	$2,478,400	$3,959,413
2039	$1,440,588	$2,410,150	$3,850,738
2040	$1,400,163	$2,341,900	$3,742,063
2041	$1,359,738	$2,273,650	$3,633,388
2042	$1,319,313	$2,200,531	$3,519,844
2043	$1,277,925	$2,132,544	$3,410,469
2044	$1,235,575	$2,067,800	$3,303,375
2045	$1,183,500	$1,996,300	$3,179,800
2046	$1,141,700	$1,924,800	$3,066,500
2047	$1,099,900	$1,853,300	$2,953,200

Fiscal Year	2026 Series	2027 Series	Total
2048	$883,050	$1,781,800	$2,664,850
2049	$851,150	$1,238,638	$2,089,788
2050	$819,250	$1,193,813	$2,013,063
2051	$787,350	$1,144,125	$1,931,475
2052	$755,450	$1,099,575	$1,855,025
2053	$723,550	$1,055,025	$1,778,575
2054	$691,650	$1,010,475	$1,702,125
2055	$659,750	$965,925	$1,625,675
2056	$627,850	$921,375	$1,549,225
2057	$595,950	$876,825	$1,472,775
2058		$832,275	$832,275

The Department's total projected debt service is summarized in **Table 6-4**. This represents the total annual debt service on existing borrowings and projected future bonds issued between FY 2027 and FY 2031 to fund the anticipated CIP in those years.

Table 6-4 Total Projected Debt Service

Fiscal Year	Existing Debt Service	Anticipated Revenue Bond Debt Service	Total Debt Service
2027	$97,264	$310,264	$407,528
2028	$92,626	$1,612,838	$1,705,464
2029	$92,407	$3,603,363	$3,695,770
2030	$78,637	$4,828,813	$4,907,450
2031	$64,868	$4,720,138	$4,785,005
2032	$64,649	$4,611,463	$4,676,111
2033	$64,430	$4,502,788	$4,567,218

Fiscal Year	Existing Debt Service	Anticipated Revenue Bond Debt Service	Total Debt Service
2034	$64,212	$4,394,113	$4,458,324
2035	$63,993	$4,285,438	$4,349,430
2036	$63,774	$4,176,763	$4,240,537
2037		$4,068,088	$4,068,088
2038		$3,959,413	$3,959,413
2039		$3,850,738	$3,850,738
2040		$3,742,063	$3,742,063
2041		$3,633,388	$3,633,388
2042		$3,519,844	$3,519,844
2043		$3,410,469	$3,410,469
2044		$3,303,375	$3,303,375
2045		$3,179,800	$3,179,800
2046		$3,066,500	$3,066,500
2047		$2,953,200	$2,953,200
2048		$2,664,850	$2,664,850
2049		$2,089,788	$2,089,788
2050		$2,013,063	$2,013,063
2051		$1,931,475	$1,931,475
2052		$1,855,025	$1,855,025
2053		$1,778,575	$1,778,575
2054		$1,702,125	$1,702,125
2055		$1,625,675	$1,625,675
2056		$1,549,225	$1,549,225

Fiscal Year	Existing Debt Service	Anticipated Revenue Bond Debt Service	Total Debt Service
2057		$1,472,775	$1,472,775
2058		$832,275	$832,275

6.2.3 Miscellaneous Non-Rate Revenue

Miscellaneous non-rate revenue is summarized in **Table 6-5**. Miscellaneous non-rate revenue represents revenue sources separate from billed rate revenue. To be conservative, these miscellaneous revenue sources are held constant over the forecast period, except for reimbursements for services to treat a portion of Cape Elizabeth's wastewater, which has been increased at the annual rate of increase for Department O&M expenses.

Table 6-5 Miscellaneous Non-Rate Revenue

	2027	2028	2029	2030	2031
Industry Compliance	$58,104	$58,104	$58,104	$58,104	$58,104
Industrial Application Permits	$200	$200	$200	$200	$200
Cape Elizabeth Operations	$230,000	$238,755	$247,868	$257,353	$267,226
Investment Income	$85,000	$85,000	$85,000	$85,000	$85,000
Total Miscellaneous Revenue	**$373,304**	**$382,059**	**$391,172**	**$400,657**	**$410,530**

6.2.4 Rate Increases and Rate Revenue

Annual projected rate increases and rate revenue are summarized in **Table 6-6**. Rate revenue represents the annual projected revenue collected through sewer user rates and charges. The table projects retail rate revenue (e.g. residential, commercial) separately from the Significant Industrial User (SIU) revenues, since the latter are charged a different volumetric flow charge in addition to high strength surcharges for BOD and TSS.

Table 6-6 Projected Rate Revenue

	2027 (Approved)	2028	2029	2030	2031
Rate Increase	26.0%	26.0%	26.0%	2.0%	2.0%
Retail Rate Revenue					
Minimum Charge ($/Bill)	$9.30	$11.72	$14.76	$15.06	$15.36
Annual Retail Bills	96,084	96,084	96,084	96,084	96,084
Minimum Charge Revenue	$893,581	$1,125,912	$1,418,650	$1,447,023	$1,475,963
Annual Retail Consumption (HCF)	830,000	830,000	830,000	830,000	830,000
Less: Minimum Consumption Allowance (HCF)	96,084	96,084	96,084	96,084	96,084
Billed Consumption	733,916	733,916	733,916	733,916	733,916
Retail Commodity Rate	$9.30	$11.72	$14.76	$15.06	$15.36
Billed Retail Consumption	733,916	733,916	733,916	733,916	733,916
Commodity Rate Revenue	$6,825,419	$8,600,028	$10,836,035	$11,052,756	$11,273,811
Minimum Charge Revenue	$893,581	$1,125,912	$1,418,650	$1,447,023	$1,475,963
Commodity Rate Revenue	$6,825,419	$8,600,028	$10,836,035	$11,052,756	$11,273,811
Total Retail Rate Revenue	**$7,719,000**	**$9,725,940**	**$12,254,684**	**$12,499,778**	**$12,749,774**
Industrial (SIU) User Rate Revenue					
Flow Rate - $/1,000 gallons	$7.74	$9.75	$12.29	$12.53	$12.78
BOD Rate - $/lb	$1.13	$1.42	$1.79	$1.83	$1.87
TSS Rate - $/lb	$1.13	$1.42	$1.79	$1.83	$1.87
Annual Flow and Loadings					

	2027 (Approved)	2028	2029	2030	2031
Flow - 1,000 gallons	253,327	253,327	253,327	253,327	253,327
BOD - lbs	331,596	331,596	331,596	331,596	331,596
TSS - lbs	39,652	39,652	39,652	39,652	39,652
Flow Revenue	$1,960,754	$2,470,550	$3,112,893	$3,175,151	$3,238,654
BOD / TSS Revenue	$419,510	$528,583	$666,014	$679,335	$692,921
Total Industrial (SIU) User Revenue	**$2,380,264**	**$2,999,133**	**$3,778,907**	**$3,854,485**	**$3,931,575**
Retail Rate Revenue	$7,719,000	$9,725,940	$12,254,684	$12,499,778	$12,749,774
Industrial (SIU) User Rate Revenue	$2,380,264	$2,999,133	$3,778,907	$3,854,485	$3,931,575
Projected Rate Revenue	**$10,099,264**	**$12,725,073**	**$16,033,592**	**$16,354,263**	**$16,681,349**

Table 6-7 summarizes the total annual projected revenue, consisting of miscellaneous revenue and rate revenue.

Table 6-7 Total Projected Revenue

	2027	2028	2029	2030	2031
Miscellaneous Revenue	$373,304	$382,059	$391,172	$400,657	$410,530
Projected Rate Revenue	$10,099,264	$12,725,073	$16,033,592	$16,354,263	$16,681,349
Total Revenue	**$10,472,568**	**$13,107,132**	**$16,424,763**	**$16,754,920**	**$17,091,879**

6.3 Cash Flow Projection and Coverage

Table 6-8 summarizes the projected cash flow and coverage calculations for FY 2027 through FY 2031.

Table 6-8 Projected Cash Flow and Coverage

	2027	2028	2029	2030	2031
Rate Revenue					
Rate Increase	26.0%	26.0%	26.0%	2.0%	2.0%
Total Rate Revenue	$10,099,264	$12,725,073	$16,033,592	$16,354,263	$16,681,349
Miscellaneous Revenue					
Industry Compliance	$58,104	$58,104	$58,104	$58,104	$58,104
Industrial Application Permits	$200	$200	$200	$200	$200
Cape Elizabeth Operations	$230,000	$238,755	$247,868	$257,353	$267,226
Investment Income	$85,000	$85,000	$85,000	$85,000	$85,000
Total Miscellaneous Revenue	$373,304	$382,059	$391,172	$400,657	$410,530
Total Revenue	**$10,472,568**	**$13,107,132**	**$16,424,763**	**$16,754,920**	**$17,091,879**
Operating Expenses					
Labor	$3,630,610	$3,793,988	$3,964,717	$4,143,129	$4,329,570
Utilities (Electricity, Gas, etc.)	$630,759	$646,528	$662,691	$679,258	$696,240
Sludge	$763,125	$801,281	$841,345	$883,413	$927,583
Chemicals	$185,361	$189,995	$194,745	$199,614	$204,604
Treatment O&M	$165,725	$169,868	$174,115	$178,468	$182,929
Administration	$1,240,098	$1,271,100	$1,302,878	$1,335,450	$1,368,836
Other O&M	$401,650	$411,691	$421,984	$432,533	$443,346
Total Operating Expenses	**$7,017,328**	**$7,284,452**	**$7,562,475**	**$7,851,864**	**$8,153,109**

	2027	2028	2029	2030	2031
Total Net Revenue for Debt Service	**$3,455,240**	**$5,822,680**	**$8,862,289**	**$8,903,056**	**$8,938,770**
2026 Series Bonds	$310,264	$1,095,050	$1,844,838	$1,804,413	$1,763,988
Debt Service Coverage on 2026 Series Bonds	**11.14**	**5.32**	**4.80**	**4.93**	**5.07**
2027 Series Bonds	$0	$517,788	$1,758,525	$3,024,400	$2,956,150
2026 Series, 2027 Series	$310,264	$1,612,838	$3,603,363	$4,828,813	$4,720,138
Debt Service Coverage on 2026 Series, 2027 Series	**11.14**	**3.61**	**2.46**	**1.84**	**1.89**
Existing SRF Debt Service	$97,264	$92,626	$92,407	$78,637	$64,868
Total Debt Service	$407,528	$1,705,464	$3,695,770	$4,907,450	$4,785,005
Total Debt Service Coverage from Net Revenues	**8.48**	**3.41**	**2.40**	**1.81**	**1.87**

As discussed in Section 4 and shown in **Table 4-2**, the Department is projected to have sufficient cash balances to fund the proposed capital plan assuming the approval of the proposed rate increases and the projected bond issuances.

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APPENDIX D
PROPOSED FORM OF OPINION OF BOND COUNSEL

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PIERCE ATWOOD LLP

Merrill's Wharf
254 Commercial Street
Orono, ME 04101-1110

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pierceatwood.com

Upon issuance and delivery of the Bonds described herein, Bond Counsel proposes to issue its opinion in substantially the following form:

_____, 2026

City of South Portland, Maine
25 Cottage Road
South Portland, Maine 04116

RE: $20,400,000* City of South Portland, Maine Sewer System Revenue Bonds, Series 2026 (Green Bonds)

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of South Portland, as issuer (the "City") in connection with the issuance of the City's $20,400,000* Sewer System Revenue Bonds, Series 2026 (Green Bonds) dated _____, 2026 (the "Series 2026 Bonds"). In such capacity, we have examined the law, including the Revenue Producing Municipal Facilities Act, Title 30-A, c. 213 of the Maine Revised Statutes, as amended, and the record of proceedings certified to us by the City of South Portland, Maine (the "City") in connection with the execution and delivery of the Series 2026 Bonds, including among other documents, Resolve #2-27/28 of the South Portland City Council duly adopted at a regular meeting of the City Council on July 21, 2026 (the "Authorizing Vote"), authorizing the execution, issuance and delivery of the Series 2026 Bonds. The Series 2026 Bonds are being issued pursuant to a General Certificate of Terms of Issuance of Sewer System Revenue Bonds dated as of November 1, 2026 (the "General Certificate") and a First Supplemental Certificate thereto dated as of November __, 2026 (the "First Supplement").

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials without undertaking to verify such facts by independent investigations. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the originals of all documents submitted to us as copies.

Capitalized terms used herein and not defined herein shall have the meaning assigned to such terms in the General Certificate and the First Supplement.

The Series 2026 Bonds are limited obligations of the City, payable solely from certain revenues of the Sewer System pledged therefor as specified in and pursuant to the General Certificate

*Preliminary, subject to change

(the "Revenues") on a parity with any Additional Bonds and Parity Debt (as each is defined in the General Certificate) that may hereafter be issued or incurred by the City for Sewer System improvements pursuant to the General Certificate.

The Series 2026 Bonds are not and shall not be a general obligation of the City. The Series 2026 Bonds are limited obligations of the City payable solely from the Revenues pledged therefor under and pursuant to the General Certificate. Neither the State nor any other political subdivision thereof (except the City but only to the limited extent provided herein) shall be obligated to pay the principal or Redemption Price of, premium, if any, or interest on any Bonds and neither the faith and credit nor the taxing power of the City, of the State or of any other political subdivision thereof is pledged to the payment of the principal or Redemption Price of, premium, if any, or interest on any Series 2026 Bonds. The City is not obligated to, and shall not, levy any form of taxation whatever therefor or make any appropriation for payment of the Series 2026 Bonds except from the Revenues pledged therefor.

The Series 2026 Bonds have been signed by the Director of Finance of the City, countersigned by the Chair of the City Council, sealed with the seal of the City attested by its Clerk, and bear the signed certificate of the certifying agent identified thereon.

We understand the Series 2026 Bonds are dated as of _____, 2026, and have been issued as serial and term bonds in the denominations, bearing interest payable on March 1, 2027 and each September 1 and March 1 thereafter until maturity, or redemption prior to maturity, and maturing on September 1 of each year as reflected below:

Serial Bonds

Year of Maturity	Principal Amount*	Interest Rate	Year of Maturity	Principal Amount*	Interest Rate
2028	$760,000		2038	$760,000	
2029	$760,000		2039	$760,000	
2030	$760,000		2040	$760,000	
2031	$760,000		2041	$760,000	
2032	$760,000		2042	$760,000	
2033	$760,000		2043	$760,000	
2034	$760,000		2044	$755,000	
2035	$760,000		2045	$755,000	
2036	$760,000		2046	$755,000	
2037	$760,000		2047	$755,000	

Term Bonds

$2,320,000* ___% Term Bond due September 1, 2051

$2,900,000* ___% Term Bonds due September 1, 2056

Series 2026 Bonds maturing on and before _____, are not subject to redemption prior to maturity at the option of the City. Series 2026 Bonds maturing on and after _____, shall be subject to redemption prior to maturity, at the option of the City, in whole or in part, in any order of maturity, at any time, on and after _____, at a redemption price equal

*Preliminary, subject to change

to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

The Term Bonds maturing on September 1, 2051 and September 1, 2056 are subject to mandatory redemption prior to their stated maturity at 100% of the principal amount thereof to be redeemed, plus accrued interest to the date fixed for redemption, without premium, from installments on September 1 of the years set forth in the following table, in the respective principal amounts set forth opposite such years:

Term Bond due September 1, 2051		Term Bond due September 1, 2056	
Year	Amount*	Year	Amount*
2048	$580,000	2052	$580,000
2049	$580,000	2053	$580,000
2050	$580,000	2054	$580,000
2051[1]	$580,000	2055	$580,000
		2056[1]	$580,000

In such capacity, we have also examined such documents, records of the City and other instruments as we deemed necessary to enable us to express the opinions set forth below in connection with the issuance of the Series 2026 Bonds, including the original counterparts or certified copies of the following (the "Financing Documents"):

a. The General Certificate;

b. The First Supplement;

c. The Series 2026 Bonds;

d. A Tax Matters Certificate (the "Tax Certificate") dated as of _____, 2026; and

e. [TBD - Such other agreements, documents and certificates as we deemed relevant and necessary in rendering this opinion as identified in the Closing Agenda dated _____, 2026, prepared and delivered with respect to the issuance of the Series 2026 Bonds.]

We note that the Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements regarding the use, expenditure and investment of the proceeds of the Series 2026 Bonds and timely payment of certain investment earnings to the U.S. Treasury that must be met on a continuing basis subsequent to the issuance and delivery of the Series 2026 Bonds in order to assure that interest thereon will be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code.

In rendering the opinion set forth in paragraph 6 below, we have examined and relied upon the Tax Certificate, which contain certain covenants, representations, certifications, provisions and procedures regarding compliance with the requirements of the Code. The City, in executing such Tax Certificate (i) has set forth facts, estimates, circumstances and reasonable expectations of the City as of the date hereof as to future events regarding the amount, use, investment and expenditure of the proceeds of the Series 2026 Bonds and the use of the improvements financed and refinanced with the proceeds of the Series 2026 Bonds that are material for purposes of Section 141 and Section 148 of the Code, and (ii) has certified that

*Preliminary, subject to change
[1]Year of final maturity.

the information therein is true, accurate, correct and complete and that the City will comply with the covenants, representations, certifications and provisions set forth therein and with the requirements of the Code, and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Series 2026 Bonds is and will remain excludable from the gross income of the owners thereof, for federal income tax purposes. In rendering the opinions set forth in paragraph 3 hereinbelow, we have relied upon the representations, certifications, facts, estimates, circumstances and reasonable expectations of the City set forth in such Tax Certificates, and we have assumed that the City will comply with the requirements of the Code and with the covenants, representations, certifications and provisions set forth in such Tax Certificates. The City's failure to comply with such requirements may cause interest on the Series 2026 Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Series 2026 Bonds, regardless of when such noncompliance occurs.

We also note that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Owners of the Series 2026 Bonds should consult their tax advisors regarding the applicability of any such collateral tax consequences of owning the Series 2026 Bonds.

On the basis of the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the State of Maine, the City has been duly created and validly exists as a body corporate and politic and a municipality under the name of the City of South Portland with lawful power and authority to adopt the Authorizing Vote and to execute, issue and deliver the General Certificate, the First Supplement and the Series 2026 Bonds.

2. The General Certificate and the First Supplement have been duly authorized, are in full force and effect, and are valid and binding upon the City, enforceable in accordance with their respective terms.

3. The General Certificate and the First Supplement create a valid pledge of the Revenues, the proceeds of the Series 2026 Bonds and the amounts on deposit in certain of the Funds established in the General Certificate, subject to the application thereof to the purposes and on the conditions permitted by the General Certificate and the First Supplement.

4. All conditions required by the General Certificate and the First Supplement authorizing the Series 2026 Bonds precedent to the issuance of the Series 2026 Bonds have been met.

5. The Series 2026 Bonds are in proper form, and have been duly authorized, executed and issued by the City and are valid and binding limited obligations of the City, payable as to the principal or Redemption Price of, premium, if any, and interest on the Series 2026 Bonds solely from the Revenues pledged therefor, enforceable in accordance with their terms.

6. In reliance on and assuming compliance by the City with the Tax Certificates and the requirements of the Code, under existing statutes, regulations and court decisions, interest payable on the Series 2026 Bonds is excludable from the gross income of the

owners thereof for purposes of federal income taxation pursuant to Section 103 of the Code. In addition, such interest is not a specific preference item for purposes of calculating the alternative minimum tax under the Code; provided, however that such interest will be taken into account in determining the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code

7. Pursuant to Title 30-A, §5413 of the Maine Revised Statutes, as amended, interest on the Series 2026 Bonds is free from taxation within the State of Maine.

The foregoing opinions are qualified to the extent that the enforceability of the obligations of the City, including the Series 2026 Bonds, is subject to and may be limited by bankruptcy, moratorium or insolvency or other laws affecting the rights and remedies of creditors generally and are subject to general principles of equity (regardless of whether the enforceability of such obligations is considered in a proceeding in equity or at law), and that the availability of equitable relief may be subject to the discretion of the Court before which it is requested.

We have not examined and assume no responsibility for the financial condition of the City or the Sewer System and nothing set forth herein shall be construed as assurance as to the City's or the Sewer System's financial condition or ability to make required debt service payments on the Series 2026 Bonds.

We have not been engaged to examine or review, and have not examined or reviewed, and are not passing upon and do not assume any responsibility for the completeness, accuracy or adequacy of, any statements made in any Preliminary Official Statement or Official Statement, or any other offering material, document or information relating to the City, the Sewer System, or the Series 2026 Bonds prepared or provided by the City with respect to the Series 2026 Bonds, and we express no opinion, advice or representation to any person with respect to the completeness, accuracy or adequacy of any statements made in any such Preliminary Official Statement or Official Statement, other offering material, document or information.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequence of acquiring, carrying, owning or disposing of the Series 2026 Bonds.

The opinions rendered herein are given and speak as of the date hereof. We have addressed only the laws of the United States and of the State of Maine referenced herein and the opinions stated herein are limited solely to the matters expressly set forth above. We assume no obligation to update, revise or supplement this opinion to reflect on any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. No assurance can be given that future legislation or common law will not contain provisions or create precedent which could directly or indirectly affect the matters set forth herein.

Very truly yours,

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APPENDIX E
PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

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CITY OF SOUTH PORTLAND, MAINE
Sewer System Revenue Bonds, Series 2026 (Green Bonds)

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

In connection with the issuance by the City of South Portland, Maine (the "City") of its $Sewer System Revenue Bonds, Series 2026 (Green Bonds), dated, November ___, 2026 (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the City hereby covenants under this Continuing Disclosure Agreement (the "Agreement") that it will engage in the undertakings described in Sections 2, 3 and 4 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein.

Under this Agreement, the City is obligated to provide certain updated financial information and operating data annually, and timely notice of specified listed events, to the MSRB (defined below). This information will be available from the MSRB via the Electronic Municipal Market Access ("EMMA") system at *www.emma.msrb.org*. The City reserves the right to incorporate by reference its final Official Statement dated, November ___, 2026 relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

SECTION 1. Definitions.In addition to the definitions set forth above, which apply to any capitalized term used in this Agreement unless otherwise defined, if used the following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean the financial information and operating data of the type included in the final Official Statement, including audited financial statements, provided at least annually by the City pursuant to, and as described in, Section 2 of this Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), (b) is treated as the owner of any Bonds for federal income tax purposes or (c) is a Holder.

"Business Day" shall mean a day other than a Saturday or a Sunday or a day on which banks in Maine are authorized or required by law to close.

"Dissemination Agent" shall mean the City or any Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Holders" shall mean the registered Holders of the Bonds, as recorded in the registration books of the Registrar.

"Municipal Securities Rulemaking Board" or "MSRB" shall mean the Municipal Securities Rulemaking Board, established under the Securities and Exchange Act of 1934, as amended, or any successor thereto, with an address of 1300 I Street NW, Suite 1000, Washington, DC 20005.

"Person" shall mean any natural person, corporation, limited liability company, partnership, limited partnership, association and is otherwise to be construed broadly.

"State" shall mean the State of Maine.

SECTION 2.Provision of Annual Financial Information.

(a) The City will provide, or cause to be provided, to the MSRB in an electronic format, accompanied by identifying information, as prescribed by MSRB, and otherwise in accordance with the provisions of the Rule and of this Agreement the following Annual Financial Information of the City, commencing with information and data for the fiscal year ending June 30, 2027.

(i) the annual audited financial statements of the City; and

(ii) certain annual financial information and operating data relating to the City for the preceding fiscal year of the type presented in the Official Statement the headings: THE CITY AND SEWER SYSTEM, RATES AND REVENUES, SEWER SYSTEM FINANCIAL INFORMATION, ENVIRONMENT, and LITIGATION AND PROCEEDINGS.

(b) Any such financial statements will be prepared in accordance with generally accepted accounting principles or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

(c) The Annual Financial Information described above will be provided not later than 270 days after the close of the fiscal year for which such information is being provided. The City's fiscal year currently ends on June 30th of each year. The City agrees that if audited information is not available 270 days after the close of any fiscal year, it shall submit unaudited information, if available, by such time and will submit audited information when available.

(d) The City reserves the right to modify from time to time the specific types of information provided under this Section 2 or the format of the presentation of such information to reflect changed circumstances, provided that any such modification will be done in a manner consistent with the Rule.

(e) The City may file information with the MSRB, from time to time, in addition to that specifically required by this Agreement (a "Voluntary Filing"). If the City chooses to make a Voluntary Filing, the City shall have no obligation under this Agreement to update information contained in such Voluntary Filing or include such information in any future filing. Notwithstanding the foregoing provisions of this Section 2(e), the City is under no obligation to provide any Voluntary Filing

SECTION 3.Reporting of Listed Events.

(a) The City will provide in a timely manner, not in excess of ten (10) Business Days, after the occurrence of an event listed in this Section 3 to the MSRB through EMMA (in an electronic format as prescribed by the MSRB) unless otherwise required by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, if material;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) Modifications to the rights of Holders of the Bonds, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the City (Note: For the purposes of the event identified in this subparagraph (12), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.);

(13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, material;

(15) Incurrence of a Financial Obligation of the City or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City or obligated person, any of which affect the Holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial Obligation of the City or obligated person, any of which reflect financial difficulties.

(b) The City from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

SECTION 4.Notice of Failure to Provide Annual Financial Information. The City will provide to the MSRB, in a timely manner, notice of a failure to satisfy the requirements of Section 2 hereof. The City hereby agrees that all documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 5.Amendments. The intent of the City's undertaking in this Agreement is to provide on a continuing basis the information described in the Rule. The provisions of the Agreement may be amended by the City without the consent of, or notice to, any Beneficial Owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission ("SEC") or its staff (whether required or optional), (b) to add a Dissemination Agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the City for the benefit of the Beneficial Owners of the Bonds, (d) to modify the contents, presentation and format of the Annual Financial Information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended,

would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the Beneficial Owners of the Bonds, as determined either by a party unaffiliated with the City (such as bond counsel), or by the vote or consent of Beneficial Owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

SECTION 6.Termination. The City's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment of in full of all of the Bonds or to the extent that the Rule, as in effect from time to time, no longer requires the City to provide all or any portion of the information the City has agreed to provide pursuant to this Agreement, the obligation of the City to provide such information also shall cease immediately.

SECTION 7.Enforcement. The purpose of the City's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the Beneficial Owners of the Bonds, from time to time, to specifically enforce the City's obligations hereunder, not to create new contractual or other rights for any Beneficial Owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC or any other person. The sole remedy in the event of any actual or alleged failure by the City to comply with any provision herein shall be an action for the specific performance of the City's obligations hereunder and not for money damages in any amount. Any failure by the City to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.

SECTION 8.Miscellaneous.

(a) The City shall have no obligation to provide any information, data or notices other than as set forth in in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the City from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the City elects to provide any such additional information, data or notices, the City shall have no obligation to under this Agreement to update or continue to provide further information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State.

The City's Director of Finance, or such official's designee from time to time, shall be the contact person on behalf of the City from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is Ellen Sanborn, Director of Finance, City of South Portland, Maine, 25 Cottage Road, South Portland, ME 04106; Telephone (207) 767-7613; email: *esanborn@southportland.gov*.

CITY OF SOUTH PORTLAND, MAINE

Dated: _____ ____, 2026

By:_____
Name:
Title:

CITY OF SOUTH PORTLAND, MAINE • SEWER SYSTEM REVENUE BONDS, SERIES 2026 (GREEN BONDS) (PHASE 1 - PEARL STREET AND DEWATERING PROJECTS)

CITY OF
SOUTH
PORTLAND

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