

MAKING A GREAT PLACE



www.oregonmetro.gov

600 NE Grand Ave.
Portland, Oregon
97232-2736



POPULAR ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2013

MAKING A GREAT PLACE



Clean air and clean water do not stop at city limits or county lines. Neither does the need for jobs, a thriving economy, and sustainable transportation and living choices for people and businesses in the region. Voters have asked Metro to help with the challenges and opportunities that affect the 25 cities and three counties in the Portland metropolitan area.

A regional approach simply makes sense when it comes to providing services, operating venues and making decisions about how the region grows. Metro works with communities to support a resilient economy, keep nature close by and respond to a changing climate. Together, we're making a great place, now and for generations to come.

Stay in touch with news, stories and things to do.

www.oregonmetro.gov/connect

Metro Council President

Tom Hughes

Metro Council

Shirley Craddick, District 1
Carlotta Collette, District 2
Craig Dirksen, District 3
Kathryn Harrington, District 4
Sam Chase, District 5
Bob Stacey, District 6

Auditor

Suzanne Flynn



FY 2012-13 Popular Annual Financial Report

Letter from the Chief Operation Officer	2
Metro Council and Leadership	3
Overview of Audited Results	4
What is Metro	5
Major Council Priorities	6
Balance Sheet	7
Income Statement	8
Metro's Budget	9
Financial Policies	10
Revenue Overview	11
Expenditure Overview	12
Debt Overview	13

The information in this report is drawn from Metro's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. Please review the CAFR online at www.oregonmetro.gov/budget or email finance@oregonmetro.gov.



**Letter
from
Metro's
Chief
Operating
Officer**



Metro | *Making a great place*

Dear citizens of the Metro region,

I am pleased to present the Popular Annual Financial Report for the fiscal year ending June 30, 2013. This report is our first attempt to increase transparency and accountability of Metro's financial information and give some insight into how we make decisions and set priorities.

While this report gives a layman's overview of Metro's expenditures and revenues for the fiscal year, a more comprehensive report of all Metro funds and financial statements is in our Comprehensive Annual Financial Report, which can be found at www.oregonmetro.gov/budget or by emailing finance@oregonmetro.gov.

The 2012-13 fiscal year saw some great accomplishments for Metro and its citizens. Voters approved the Parks and Natural Areas Local Option Levy in May, Metro's continuing acquisitions under the 2006 Natural Areas bond measure totaled 4,586 acres and the Metro Council approved \$1.17 million in Nature in Neighborhood grants around the region. The Oregon Convention Center posted record yearly revenues and saw through an updated Visitors Development Agreement to help fund the construction of a convention center hotel. The Oregon Zoo broke annual attendance records and moved forward with its Elephant Lands, Remote Elephant Center and Condors of the Columbia projects. Metro regional parks saw a yearly increase in visitors, upgraded the M. James Gleason boat ramp and signed a new contract for the operations of Glendoveer Golf Course. Long-term planning efforts included a community-oriented approach to solutions for the Southwest Corridor project, updating our Regional Transportation Plan, moving forward with an Active Transportation plan and creating scenarios for a clean climate. These programs and projects continue to show the good work of the employees of Metro and their commitment to Making a Great Place.

The 2012-13 year marked the beginning of a recovery out of several years of recession. Metro's decisions in prior years to make tough budget choices has allowed us to weather financial challenges and prepared us with a healthier outlook for FY 2014-15.

I am very proud of our efforts to increase transparency through this new report format and better tell the story of Metro. If you have any questions about the report please contact Tim Collier at tim.collier@oregonmetro.gov or Don Cox at don.cox@oregonmetro.gov.

Sincerely,

Martha Bennett, Chief Operating Officer

Metro Council and leadership

Metro is the only regional government agency in the U.S. whose governing body is directly elected by the region's voters. The Metro Council consists of a president who is elected region wide and six councilors who are elected by district every four years in nonpartisan races.

The Metro Council provides regional governance and leadership by fulfilling Metro's mission of crossing city limits and county lines to work with communities to create a vibrant and sustainable region for all. As the governing body of Metro, the Council develops long range plans for existing and future Metro activities, and assures the financial integrity of the agency.

The Metro Auditor is elected by the region and is responsible for engaging the external independent financial auditing firm while focusing staff efforts on performance audits.

The Chief Operating Officer (COO) serves at the pleasure of the Council and provides leadership and management authority to agency staff by implementing the Council's policy directives, goals and objectives. The COO and Deputy COO enforce Metro ordinances, provide day-to-day management of Metro's resources, programs, enterprise businesses, facilities and workforce and prepare the budget for Council consideration.



Metro Councilors from left to right: Chase, Stacey, Harrington, Hughes, Collette, Dirksen, Craddick.

Elected officials	Position	Service began	Current term expires
Tom Hughes	Metro Council President	January 2011	January 2015
Shirley Craddick	Councilor- District 1	January 2011	January 2015
Carlotta Collette	Councilor- District 2	November 2007	January 2015
Craig Dirksen	Councilor- District 3	January 2013	January 2017
Kathryn Harrington	Councilor- District 4	January 2007	January 2015
Sam Chase	Councilor- District 5	January 2013	January 2017
Bob Stacey	Councilor- District 6	January 2013	January 2017
Suzanne Flynn	Metro Auditor	January 2007	January 2015

Appointed officials	Position
Martha Bennett	Chief Operating Officer
Alison Kean	Metro Attorney

Overview of Audited Results

The following summary highlights are taken directly from the Management Discussion and Analysis section of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2013.

- Metro's assets and deferred outflows of resources exceed its liabilities (also defined as net position) by \$537,031,738 at June 30, 2013, which reflects an increase of 5.4 percent or \$27,570,244 over the prior fiscal year. Of this amount, \$36,734,730 represents unrestricted net assets, which may be used to meet Metro's ongoing obligations to citizens and creditors
- Metro completed the fiscal year with its governmental funds reporting combined fund balances of \$206,354,642. This is down considerably from the prior fiscal year, due mainly to capital spending on Natural Areas and Oregon Zoo Infrastructure and Animal Welfare bond projects. In addition, with the retirement of the Oregon Convention Center 2001 Series and Open Spaces Parks and Streams 2002 series debt, only one issue still has obligations due early in the fiscal year before property taxes are received resulting in a significantly smaller fund balance restricted for debt service at June 30, 2013. Of the total amount of governmental combined fund balance, \$25,530,229 or 12.4 percent, is considered available for spending at Metro's discretion (unassigned fund balance).
- At the end of fiscal year 2013, unrestricted fund balance (the total of the committed, assigned and unassigned components of fund balance) in the general fund totaled \$30,957,876 and represents approximately 42.1 percent of total general fund expenditures.
- Metro's total outstanding long-term liabilities decreased \$43,320,666 or 11.6 percent during the current fiscal year as a result of the payment of regularly scheduled maturities of principal on outstanding bonds payable and the refunding of Full Faith and Credit Refunding Bonds, 2003 Series. This refunding defeased the bonds and resulted in a reduction in debt service of \$889,376 over 10 years and a present value savings of \$1,284,311. The amount of outstanding long-term debt is after restating fiscal year 2012 and 2011 for the amount of the deferred charge on refunding that is now reflected as a deferred outflow of resources on the Statement of Net Position, and for the amount of previously deferred bond issuance costs which were recognized as an expense in accordance with GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Metro implemented this statement in fiscal year 2013 as discussed in detail in note IV to the financial statements.
- Metro acquired ownership of 471 acres of additional natural areas from willing sellers from the proceeds of the Natural Areas general obligation bonds bringing the overall bond acquisition total to 4,586 acres. The total capitalized cost for the property and easements acquired and stabilized in the current fiscal year under this program was \$11,083,544.
- The Oregon Zoo began construction for the Elephant Lands major capital project work under the Oregon Zoo Infrastructure and Animal Welfare Bond program during fiscal year 2013. The Tiger Plaza was demolished and converted into a catering area and picnic space, and the new Wild Life Live building renovation and a new service road were underway as additional projects during the fiscal year. These and other related projects are all funded by bond proceeds with total capitalized costs in fiscal year 2013 of \$8,432,868.

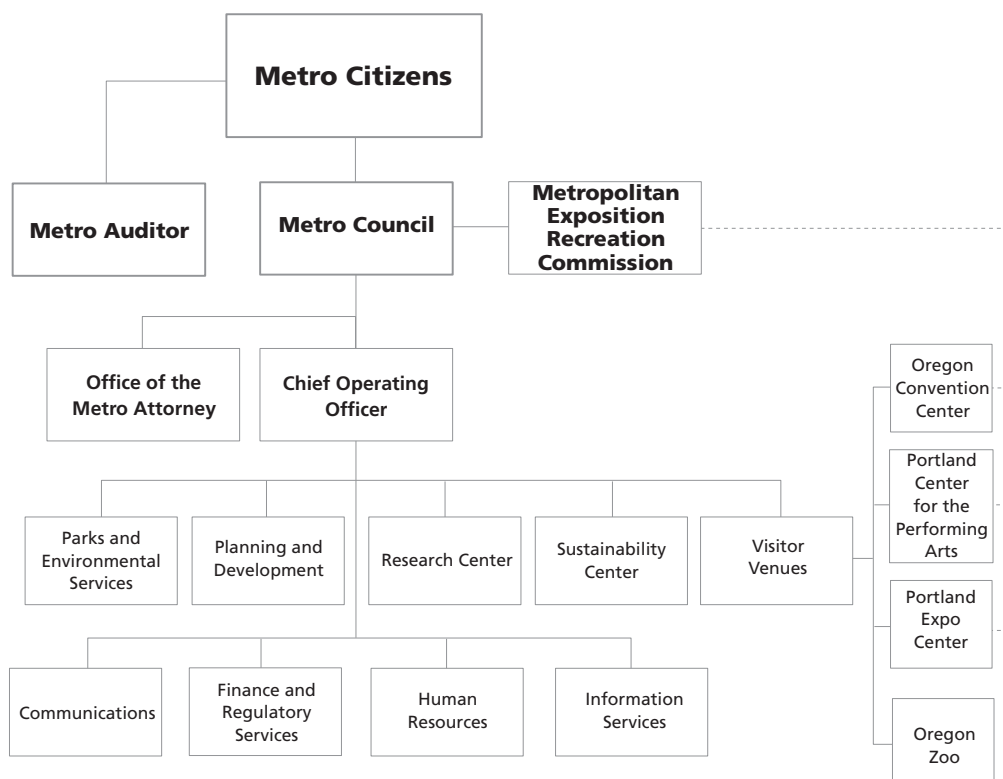
What is Metro

Few metropolitan areas can boast the combined advantages found in the Portland metropolitan area. Thriving communities, cultural amenities, economic vitality, scenic beauty and healthy natural ecosystems make this a great place to live, work and play.

For the region's leaders and citizens alike, nurturing this livability is a constant quest. Metro plays a unique and leading role in that effort. Metro crosses city limits and county lines to make our communities safe, livable and ready for tomorrow. From protecting our region's air, water and natural beauty to supporting neighborhoods, businesses and farms that thrive, Metro makes this a great place. Metro serves more than 1.6 million residents in Clackamas, Multnomah and Washington counties, and the 25 cities in the Portland, Oregon metropolitan area. Metro, the only directly elected regional governing body in the United States, is governed by a president, elected region wide, and six councilors elected by district.

Its home rule charter, approved by the voters in 1992 and amended in 2000, grants broad powers, primarily for regional land use and transportation planning, but also for issues of metropolitan concern. The charter also insists that the Metro Council be elected, visible and accountable.

Metro embodies the region's commitment to maintain and enhance the livability and sustainability of the region. A regional approach simply makes sense when it comes to protecting natural areas, caring for parks, planning for the future of our neighborhoods, managing garbage disposal and increasing recycling. Metro manages world-class facilities such as the Oregon Zoo, which contributes to conservation and education, and the Oregon Convention Center, which benefits the region's economy.



Metro Council Priorities

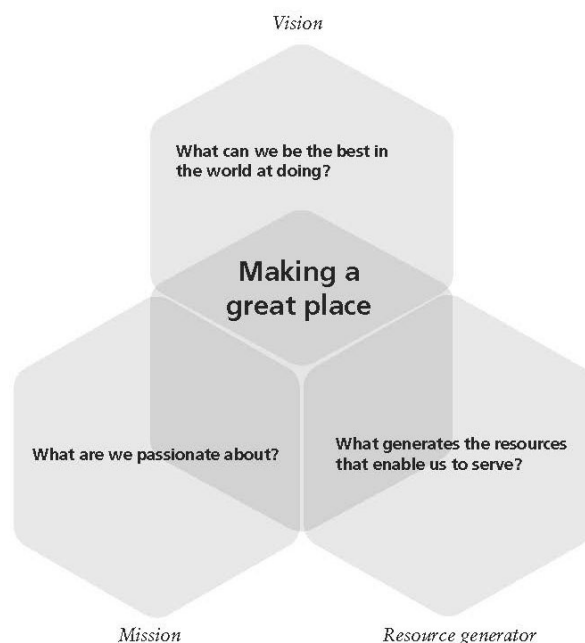
Metro's budgets are anchored by the region's six desired outcomes. Developed by the region and adopted by the Metro Council in 2010 as part of the region's growth management policies, the six outcomes help all leaders and their communities focus on what makes this region a great place. The Metro Council has directed Metro to use the outcomes to guide its strategic decision-making.



As Metro looks toward the future, we remain organized around four principles:

Footprint – How big is Metro and are we organized in the best possible way? *Focus* – Are we focusing on our priorities, applying our expertise in a way that Metro can make the most significant contribution? *Employee Compact* – What is Metro's strategy as an employer? *Resources* – Is Metro moving the resource dial?

Metro uses its Compass (shown in the diagram below) to assess how its efforts and limited resources align with and support the regional outcomes. Each budget proposal is tested against the compass with Metro's values clearly in mind.



Balance Sheet

The government-wide Statement of Net Position reflects a healthy financial condition as of June 30, 2013.

The assets of Metro exceeded its liabilities by \$537 million at the close of the fiscal year. This statement is presented as a high level summary overview of net position. For greater detail, please see the complete CAFR, available for download at www.oregonmetro.gov/budget.

Assets: Resources with present service capacity that Metro presently controls.

Deferred Outflow of Resources: Consumption of net position by Metro that is applicable to a future reporting period.

Liabilities: Present obligations to sacrifice resources that Metro has little or no discretion to avoid.

Deferred Inflow of Resources: Acquisition of net position by Metro that is applicable to a future reporting period.

Net position: The residual of all other elements (defined above) presented in a statement of financial position.

Metro - Statement of Net Position

	As of June 30, 2013	As of June 30, 2012 (restated)	As of June 30, 2011 (restated)
Assets			
Current and other assets	\$328,044,772	\$359,740,797	\$226,619,875
Capital assets	566,326,777	550,176,892	533,076,808
Total assets	894,371,549	909,917,689	759,696,683
Total deferred outflows of resources	2,310,882	2,825,423	4,475,214
Liabilities			
Current liabilities	31,020,314	29,964,656	45,238,622
Long-Term liabilities	328,630,379	371,951,045	217,560,964
Total liabilities	359,650,693	401,915,701	262,799,586
Net Position	\$537,031,738	\$509,461,494	\$501,372,311



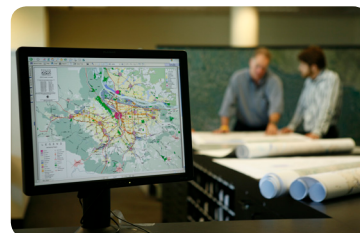
Income Statement

The government-wide Statement of Activities reports all financial activity for the past three fiscal years.

This statement presents high level summary information about how Metro's net position changed during the fiscal year as a result of all financial activity (i.e. revenues and expenses). For greater detail, please see the complete CAFR, available for download at www.oregonmetro.gov/budget.

Metro - Statement of Activities

	FY 2012-13	FY 2011-12	FY 2010-11
Revenues	\$225,498,400	\$201,110,673	\$201,054,779
Expenses	197,928,156	191,655,573	186,333,180
Increase in Net Assets	27,570,244	9,455,100	14,721,599
Net Position, Beginning of year	509,461,494	500,006,394	485,284,795
Net Position, End of Year	\$537,031,738	\$509,461,494	\$500,006,394



The Metro Council unanimously adopted the annual budget for FY 2013-14 on June 20, 2013. To best illustrate trends, below are the fiscal year budget amounts for the most recently adopted budget along with previous fiscal years to compare.

For more information on Metro's annual budget, please visit www.oregonmetro.gov/budget.

Metro - Budget Information

	FY 2013-14	FY 2012-13	FY 2011-12
Personnel Services	\$83,751,779	\$79,683,638	\$80,137,372
Materials and Services	121,872,363	120,819,885	118,358,697
Debt Service	40,937,068	54,769,223	35,261,700
Transfers	23,629,196	23,337,538	22,398,354
Annual Operating Budget	270,190,406	278,610,284	256,156,123
Capital Outlay	66,398,950	67,946,194	39,431,052
Reserves	60,244,356	56,421,152	27,227,184
TOTAL	\$490,635,507	\$542,201,400	\$388,742,551



Financial Policies

These financial policies establish basic principles to guide Metro's elected officials and staff in carrying out their financial duties and fiduciary responsibilities. Metro's financial policies shall be reviewed annually by the Council and shall be published in the adopted budget. The Chief Financial Officer shall establish procedures to implement the policies established in this document.

Accounting, auditing and financial reporting

Metro shall annually prepare and publish a Comprehensive Annual Financial Report including financial statements and notes prepared in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. An independent financial and grant compliance audit shall be performed annually in accordance with generally accepted auditing standards.

Budgeting and financial planning

Metro shall maintain fund balance reserves that are appropriate to the needs of each fund. Targeted reserve levels shall be established and reviewed annually as part of the budget process. Use of fund balance to support budgeted operations in the General Fund, an operating fund, or a central service fund shall be explained in the annual budget document; such explanation shall describe the nature of the budgeted reduction in fund balance and its expected future impact. Fund balances in excess of future needs shall be evaluated for alternative uses. Metro shall prepare, present and adopt its annual budget in accordance with Oregon Budget Law.

Metro staff shall regularly monitor actual revenues and expenditures and report to Council at least quarterly on how they compare to budgeted amounts, to ensure compliance with the adopted budget. Any significant changes in financial status shall be timely reported to the Council.

Capital asset management

Metro shall budget for the adequate maintenance of capital equipment and facilities and for their orderly replacement, consistent with longer-term planning for the management of capital assets.

Cash management and investments

Metro shall manage its investment portfolio with the objectives of safety of principal as the highest priority, liquidity adequate to needs as the second highest priority and yield from investments as its third highest priority.

Debt management

Metro shall issue long-term debt only to finance capital improvements, including land acquisition, that cannot be readily financed from current revenues, or to reduce the cost of long-term financial obligations.

Metro shall strive to obtain the highest credit ratings to ensure that borrowing costs are minimized and Metro's access to credit is preserved.

Revenues

Metro shall estimate revenues through an objective, analytical process. Metro shall also strive to maintain a diversified and balanced revenue system to protect it from short-term fluctuations in any one revenue source.

For Metro's full financial policies, please refer to page C-47 in the Budget Summary volume of Metro's Budget document, which is available for download at www.oregonmetro.gov/budget.

Revenue Overview

Metro's revenues come from a variety of sources.

Charges for services: The largest part of Metro's revenues comes from fees and charges for goods and services established to recoup from its customers the cost of providing those goods and services to them.

Grants and Donations: The primary planning functions of the agency — Planning and Development and the Research Center — receive grant funding from federal, state and local grants to fund most of the transportation planning and modeling programs. Both the zoo and Metro's Parks and Environmental Services also receive grants for capital projects, ongoing work and operations. Metro also receives donations for the zoo, parks and cemeteries.

Property Taxes: Metro has a permanent property tax rate of \$0.0966 per \$1,000 of assessed value. This rate cannot even be changed by the voters. Metro also receives property tax revenues from voter-approved levies. The recently approved five-year Parks and Natural Areas Local Option Levy is \$0.096 per \$1,000 and the outstanding debt levies assess another \$0.28 per \$1,000. The average homeowner with \$200,000 assessed value/\$250,000 market value spends approximately \$95 annually in property taxes assessed by Metro.

Excise Tax: This tax is paid by users of Metro facilities and services in accordance with Metro Charter and Metro Code. It supports the costs of general government activities, such as the Council Office and elections expense. It also supports various planning, parks and venue activities.

Local government shared revenues: Metro receives revenue from both state and local agencies. Among these are transient lodging tax receipts from Multnomah County, funds from the City of Portland to support the Portland Center for the Performing Arts, state marine fuel tax revenues and a portion of the recreational vehicle registration fees passed through Multnomah County from the State of Oregon to support the regional parks.

Investment earnings: Metro receives interest earnings on invested cash balances.

Other Revenues: Any other revenue Metro receives that doesn't fall into the above categories.

Metro - Revenue Overview

	FY 2012-13	FY 2011-12	FY 2010-11
Charges for services	\$120,090,179	\$110,200,570	\$116,145,985
Grants and Donations	17,569,710	17,923,954	13,761,790
Property Taxes	51,517,060	39,333,293	49,747,025
Excise Taxes	17,706,748	16,177,938	15,508,750
Local Government Shared Revenues	15,019,185	13,048,121	12,027,737
Investment Earnings	985,975	898,372	1,297,719
Other Revenues	560,545	497,303	140,940
TOTAL	\$223,449,402	\$198,079,551	\$208,629,946

Expenditure Overview

Metro's CAFR appropriates for expenditures at a very high level, however there are a number of categories that roll up into those appropriations. The major categories are listed and defined below.

Personnel Services: These are expenditures for salaries, wages and related expenses for Metro employees. These expenses include employee-related benefit costs such as health and welfare, pension contributions, as well as fringe benefits.

Materials and Services: These expenses are for contractual and other services, materials, supplies and other charges.

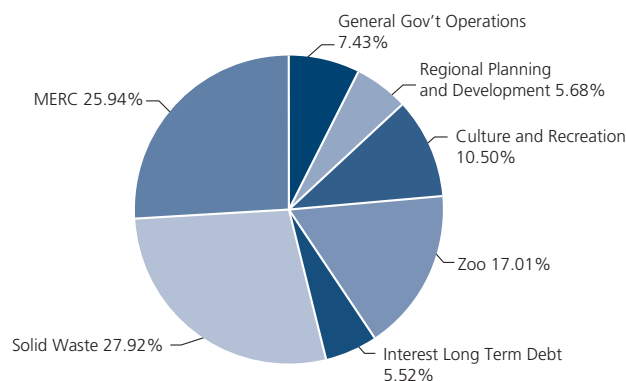
Capital outlay: These funds are for land acquisitions and major capital improvement projects at various facilities.

Debt service: This category is for payment on general obligation and full faith and credit bonds sold for the Oregon Convention Center, Metro Regional Center, the Open Spaces Acquisition program, the Natural Areas program, the Portland Expo Center and the Oregon Zoo.

Metro - Expenditure Overview

	FY 2012-13	FY 2011-12	FY 2010-11
Personal Services	\$75,457,497	\$76,388,508	\$73,984,489
Materials and Services	99,065,663	96,023,267	99,375,899
Debt Service	67,285,032	64,941,026	41,950,078
Capital Outlay	25,753,073	28,293,891	24,477,935
TOTAL	\$267,561,265	\$265,646,692	\$239,788,400

Metro Function/Program Expenses, Fiscal Year 2013



Debt Overview

Metro uses long and short-term debt to finance capital projects and some capital equipment. Metro maintains a Aaa/AAA (“double triple A”) underlying general obligation bond rating, the highest available. Metro was one of only two local governments to receive that rating in 2007 and maintain it through the recession.

Metro has a relatively low level of outstanding debt. Currently, there are only eight outstanding debt issues, totaling \$282,845,000. Metro has authorized but unissued debt remaining from both the 2006 Natural Areas bond measure and the 2008 Oregon Zoo Infrastructure and Animal Welfare bond measure.

	Original Amount	Original Issue Date	Principal Outstanding	Final Maturity
GENERAL OBLIGATION BONDS (Property taxes funded)				
General Obligation Refunding Bonds				
Metro Washington Park Zoo Oregon Project 2005 Series	18,085,000	5/12/05	8,190,000	1/15/2017
Open Spaces, Parks, and Streams 2012B Series	27,575,000	5/23/12	18,685,000	6/1/2015
General Obligation Bonds				
Natural Areas 2007 Series	124,295,000	4/3/07	77,715,000	6/1/2026
Natural Areas 2012A Series	75,000,000	5/23/12	70,920,000	6/1/2026
Oregon Zoo Infrastructure 2012A Series	65,000,000	5/23/12	60,165,000	6/1/2028
TOTAL GENERAL OBLIGATION BONDS OUTSTANDING			\$235,675,000	
FULL FAITH AND CREDIT BONDS (General revenues funded)				
Full Faith and Credit Refunding Bonds				
2003 Series	24,435,000	10/16/03	1,385,000	8/1/2013
2006 Series	14,700,000	4/20/06	10,885,000	12/1/2024
2013 Series	12,600,000	2/26/13	12,600,000	8/1/2022
TOTAL FULL FAITH & CREDIT BONDS OUTSTANDING			\$24,870,000	
PENSION OBLIGATION BONDS (Department assessments funded)				
Limited Tax Pension Obligation Bonds				
Series 2005	\$24,290,000	9/23/05	\$22,300,000	6/1/2028
TOTAL PENSION OBLIGATION BONDS OUTSTANDING			\$22,300,000	
GRAND TOTAL – METRO DEBT OUTSTANDING			\$282,845,000	



