

# MAKING A GREAT PLACE



[www.oregonmetro.gov](http://www.oregonmetro.gov)

600 NE Grand Ave.  
Portland, Oregon  
97232-2736



# POPULAR ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2015

# MAKING A GREAT PLACE

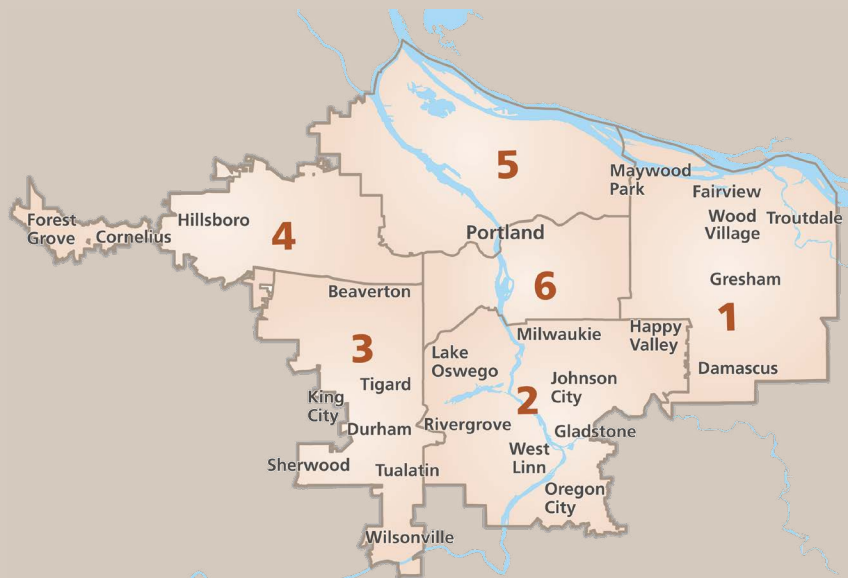


Clean air and clean water do not stop at city limits or county lines. Neither does the need for jobs, a thriving economy, and sustainable transportation and living choices for people and businesses in the region. Voters have asked Metro to help with the challenges and opportunities that affect the 25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

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## **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**

Brian Evans

# FY 2014-15 Popular Annual Financial Report

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Government Finance Officers Association

## Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**Metro  
Oregon**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

*Jeffrey R. Egan*  
Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2014. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. This was the second consecutive year that the government has achieved this prestigious award.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement is valid for a period of one year only. We believe that our current Popular Annual Financial Report continues to meet the Award for Outstanding Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another award.

The information in this report is drawn from Metro's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. Please review the CAFR online at [www.oregonmetro.gov/financial-reports](http://www.oregonmetro.gov/financial-reports) or email [finance@oregonmetro.gov](mailto: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, 2015. This report is part of our continuing effort to increase the transparency of Metro's financial information. It also provides insight into how we make decisions and set priorities.

This report is an overview of Metro's expenditures and revenues for the fiscal year. A more complete report of all Metro funds and financial statements is in our Comprehensive Annual Financial Report, which can be found at [www.oregonmetro.gov/financial-reports](http://www.oregonmetro.gov/financial-reports) or by emailing [finance@oregonmetro.gov](mailto:finance@oregonmetro.gov).

Metro accomplished much in Fiscal Year 2014-2015 on behalf of its citizens. Metro completed the second year of work funded by the voter-approved Parks and Natural Areas levy. The agency has purchased a total of 5,011 acres of land to protect habitat and water quality under the 2006 Natural Areas Bond. The Oregon Zoo made significant progress towards completing the six acre Elephant Lands exhibit. Metro collaborated with citizens and state, city, county, and special district partners to develop innovative plans for the future of the Southwest Corridor and for the Powell/ Division Corridor and to adopt a Climate Smart Scenario. Metro Council also made significant progress in developing a strategy to address the barriers faced by the region's growing population of people of color. These programs and projects continue to show the good work of the employees of Metro and their commitment to Making a Great Place.

I am proud of our efforts to increase better tell the story of Metro. If you have any questions about the report please contact

Tim Collier at [tim.collier@oregonmetro.gov](mailto:tim.collier@oregonmetro.gov) or Don Cox at [don.cox@oregonmetro.gov](mailto: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 2019
Shirley Craddick	Councilor- District 1	January 2011	January 2019
Carlotta Collette	Councilor- District 2	November 2007	January 2019
Craig Dirksen	Councilor- District 3	January 2013	January 2017
Kathryn Harrington	Councilor- District 4	January 2007	January 2019
Sam Chase	Councilor- District 5	January 2013	January 2017
Bob Stacey	Councilor- District 6	January 2013	January 2017
Suzanne Flynn	Metro Auditor	January 2015	January 2019

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, 2015.

- Metro's assets exceed its liabilities (also defined as *net position*) by \$601,001,189 at June 30, 2015, which reflects an increase of 12.9 percent or \$68,773,781 over the prior fiscal year. Of this amount, \$10,303,105 represents unrestricted net position, which may be used to meet Metro's ongoing obligations to citizens and creditors.
- Metro implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* for the fiscal year ended June 30, 2015. Beginning net position was restated at June 30, 2014 (total decrease of \$37,142,622 on a government-wide basis) for this change in accounting principle. For the fiscal year ended June 30, 2015, a *negative* pension expense of \$10,849,478 was recognized which resulted in a net pension asset of \$11,649,721 and deferred outflows and inflows related to pensions (\$4,062,684 and \$23,193,836, respectively) at June 30, 2015. These pension amounts are one of the significant factors for the change in net position noted in the first bullet above.
- Metro completed the fiscal year with its governmental funds reporting *combined* fund balances of \$148,192,734. 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. Of the total amount of governmental combined fund balance, \$16,093,516 or 10.9 percent, is considered available for spending at Metro's discretion (*unassigned* fund balance).
- At the end of fiscal year 2015, unrestricted spendable fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) in the general fund totaled \$21,720,110 and represents 26.3 percent of total general fund expenditures.
- Metro's total outstanding long-term liabilities decreased \$56,992,724 or 17.7 percent during the current fiscal year. Of this amount, outstanding debt decreased \$31,272,864 or 11.1 percent. The two key factors for this decrease were the regular payment of principal on the outstanding bonds during fiscal year 2015 and the refunding of all callable outstanding 2007 Series Natural Areas General Obligation Bonds. This refunding resulted in a reduction of debt service of \$12,862,733 over 12 years and a net present value savings of \$9,656,437. The remaining decrease in long-term liabilities, as restated for the change in accounting principle noted in the second bullet above, is primarily related to the change in the net pension liability of \$26,233,596 at June 30, 2014 becoming a net pension asset of \$11,649,721 at June 30, 2015.
- Metro acquired ownership of 361 acres of additional natural areas (net of easements and disposals) from willing sellers from the proceeds of the Natural Areas general obligation bonds bringing the overall acreage held from this bond to 5,011 acres. The total capitalized cost for the property and easements acquired and stabilized in the current fiscal year under this program was \$11,674,524. Local share bond funding provided to other local governments in the region totaled \$2,097,162 for the fiscal year ended June 30, 2015.
- The Oregon Zoo's construction for the Elephant Lands major capital project work under the Oregon Zoo Infrastructure and Animal Welfare Bond program was nearing 92 percent completion by the end of fiscal year 2015 (including the Wildlife Live facilities, zoo train rerouting and other aspects). Work also began on the zoo's Education Center. These and other related projects are all funded by bond proceeds with total capitalized costs in fiscal year 2015 of \$23,755,625.

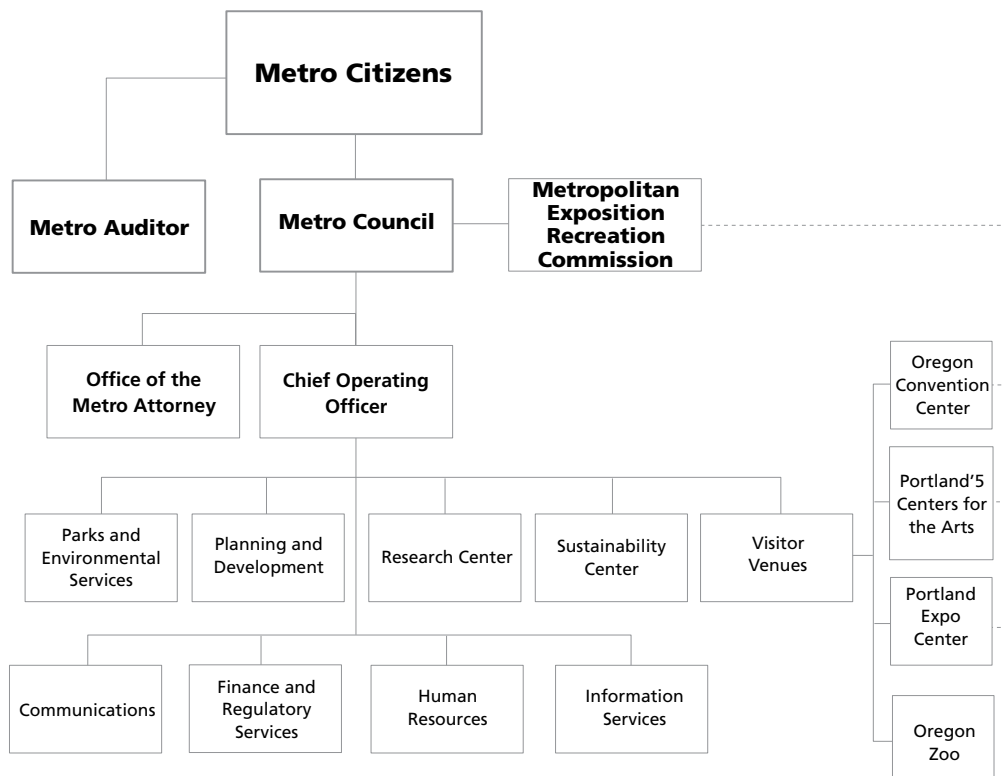
## What is Metro

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.



In addition, the Metro Compass, shown in the diagram below, is used to develop the budget and ensure that Metro's programs and activities achieve the vision for the region, deliver on the core mission, and build public trust. Each of Metro's departments has developed a five-year mission critical plan for their operations. These plans help each department to look ahead to identify key opportunities and threats that face the region, Metro, and its programs to ensure Metro is making decisions today that will be sustainable and strategic for the next three to five years.





## Balance Sheet

The government-wide Statement of Net Position reflects a healthy financial condition as of June 30, 2015.

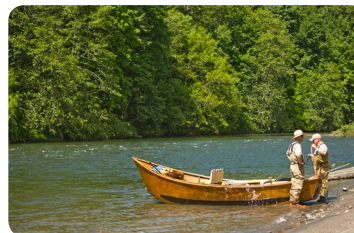
The assets of Metro exceeded its liabilities by \$601 million at the close of the fiscal year. This statement is presented as a high level summary overview of net position. For greater detail, please see the complete CAFR, available for download at [www.oregonmetro.gov/financial-reports](http://www.oregonmetro.gov/financial-reports).

**Assets:** Resources currently owned by Metro, which have future economic value that can be measured and can be expressed in dollars.

**Liabilities:** Present obligations that require payment of cash in a certain stated time period.

**Net position:** The extent at which Metro's assets exceeds its liabilities in a stated time period.

Metro - Statement of Net Position			
	As of June 30, 2015	As of June 30, 2014 (as restated)	As of June 30, 2013
<b>Assets</b>			
Current and other assets	\$300,529,746	\$299,009,456	\$ 330,355,654
Capital assets	629,689,232	594,229,057	566,326,777
Total assets	930,218,978	893,238,513	896,682,431
<b>Liabilities</b>			
Long-Term liabilities	289,032,288	322,831,176	328,630,379
Current and other liabilities	63,379,337	38,179,929	31,020,314
Total liabilities	329,217,789	361,011,105	359,650,693
<b>Net Position</b>	<b>\$ 601,001,189</b>	<b>\$ 532,227,408</b>	<b>\$ 537,031,738</b>



# 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/financial-reports](http://www.oregonmetro.gov/financial-reports).

## Metro - Statement of Activities

	FY 2014-15	FY 2013-14	FY 2012-13
Revenues	\$ 269,709,387	\$ 237,212,930	\$ 225,498,400
Expenses	200,935,605	204,874,639	197,928,156
Increase in Net Assets	68,773,782	32,338,291	27,570,244
Net Position, Beginning of year, restated	532,227,407	499,889,116	509,461,494
<b>Net Position, End of Year</b>	<b>\$ 601,001,189</b>	<b>\$ 532,227,407</b>	<b>\$ 537,031,738</b>



The Metro Council unanimously adopted the annual budget for FY 2015-16 on June 18, 2015. 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](http://www.oregonmetro.gov/budget).

## Metro - Budget Information

	FY 2015-16	FY 2014-15	FY 2013-14
Personnel Services	\$ 95,596,989	\$ 85,996,134	\$83,751,779
Materials and Services	208,053,727	130,460,316	121,872,363
Debt Service	37,214,051	41,971,000	40,937,068
Transfers	49,352,667	25,473,050	23,629,196
<b>Annual Operating Budget</b>	<b>\$390,217,434</b>	<b>\$283,900,500</b>	<b>\$270,190,406</b>
Capital Outlay	64,431,558	73,909,461	66,398,950
Reserves	64,068,522	77,994,192	60,244,356
Ending fund balance	92,776,312	48,036,660	93,801,795
<b>TOTAL</b>	<b>\$611,493,826</b>	<b>\$483,840,813</b>	<b>\$490,635,507</b>



# Financial Policies

Metro's 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 the adopted budget.

## **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-49 in the Budget Summary volume of Metro's Budget document, which is available for download at [www.oregonmetro.gov/budget](http://www.oregonmetro.gov/budget).

## Budgeted 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 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 Centers for the 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 2014-15	FY 2013-14	FY 2012-13
Charges for Services	\$ 136,213,998	\$ 122,048,653	\$ 120,090,179
Grants and Donations	30,169,282	16,306,898	17,569,710
Property Taxes	61,790,542	59,245,166	51,517,060
Excise Taxes	19,257,126	18,540,684	17,706,748
Local Government Shared Revenues	19,654,340	16,370,050	15,019,185
Investment Earnings	1,330,126	1,619,111	985,975
Other Revenues	92,154	1,849,897	560,545
<b>TOTAL</b>	<b>268,507,568</b>	<b>235,980,459</b>	<b>223,449,402</b>



# Budgeted 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.

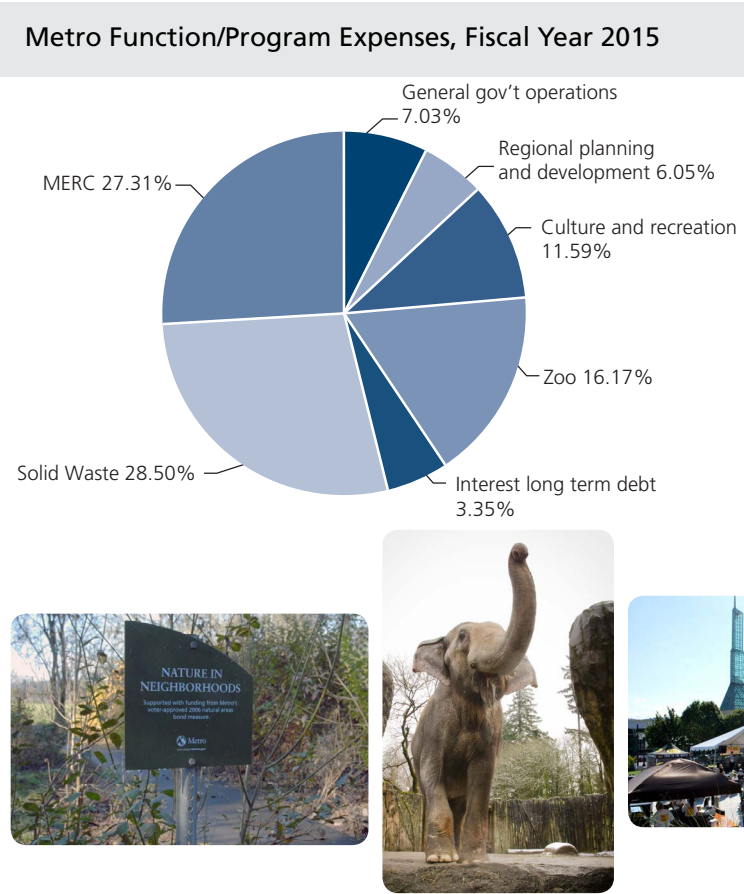
**Personnel Services:** These are expenditures for salaries, wages and related expenses for Metro employees. These expenses include employee-related benefit costs such as health and welfare, pension contributions, as well as fringe benefits.

**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 Metro Regional Center, the Open Spaces Acquisition program, the Natural Areas program, the Portland Expo Center and the Oregon Zoo.

Metro - Expenditure Overview			
	FY 2014-15	FY 2013-14	FY 2012-13
Personnel Services	83,944,515	77,453,540	75,457,497
Materials and Services	113,004,845	103,802,766	99,065,663
Debt Service	106,539,386	40,937,067	67,285,032
Capital Outlay	46,502,991	40,159,489	25,753,073
<b>TOTAL</b>	<b>349,991,737</b>	<b>262,352,862</b>	<b>267,561,265</b>



## 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 in Oregon 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 \$223,625,000. 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
<b>GENERAL OBLIGATION BONDS (Property taxes funded)</b>				
General Obligation Refunding Bonds				
Metro Washington Park Zoo Oregon Project 2005 Series	18,085,000	5/12/05	4,305,000	1/15/2017
Natural Areas 2014 Series	57,955,000	11/5/14	57,765,000	6/1/2020
General Obligation Bonds				
Natural Areas 2007 Series	124,295,000	4/3/07	9,945,000	6/1/2017
Natural Areas 2012A Series	75,000,000	5/23/12	60,960,000	6/1/2026
Oregon Zoo Infrastructure 2012A Series	65,000,000	5/23/12	49,330,000	6/1/2028
<b>TOTAL GENERAL OBLIGATION BONDS OUTSTANDING</b>			<b>\$182,305,000</b>	
<b>FULL FAITH AND CREDIT BONDS (General revenues funded)</b>				
Full Faith and Credit Refunding Bonds				
2006 Series	14,700,000	4/20/06	9,445,000	12/1/2024
2013 Series	12,600,000	2/26/13	10,900,000	8/1/2022
<b>TOTAL FULL FAITH &amp; CREDIT BONDS OUTSTANDING</b>			<b>\$20,345,000</b>	
<b>PENSION OBLIGATION BONDS (Department assessments funded)</b>				
Limited Tax Pension Obligation Bonds				
Series 2005	\$24,290,000	9/23/05	20,975,000	6/1/2028
<b>TOTAL PENSION OBLIGATION BONDS OUTSTANDING</b>			<b>\$20,975,000</b>	
<b>GRAND TOTAL – METRO DEBT OUTSTANDING</b>			<b>\$223,625,000</b>	



