

Popular Annual Financial Repot

FY 2015-16



If you picnic at Blue Lake or take your kids to the Oregon Zoo, enjoy symphonies at the Schnitz or auto shows at the convention center, put out your trash or drive your car – we’ve already crossed paths.

So, hello. We’re Metro – nice to meet you.

In a metropolitan area as big as Portland, we can do a lot of things better together. Join us to help the region prepare for a happy, healthy future.

Stay in touch with news, stories and things to do.
oregonmetro.gov/parksandnaturenews

Follow oregonmetro



Metro Council President

Tom Hughes

Metro Councilors

Shirley Craddick, District 1

Carlotta Collette, District 2

Craig Dirksen, District 3

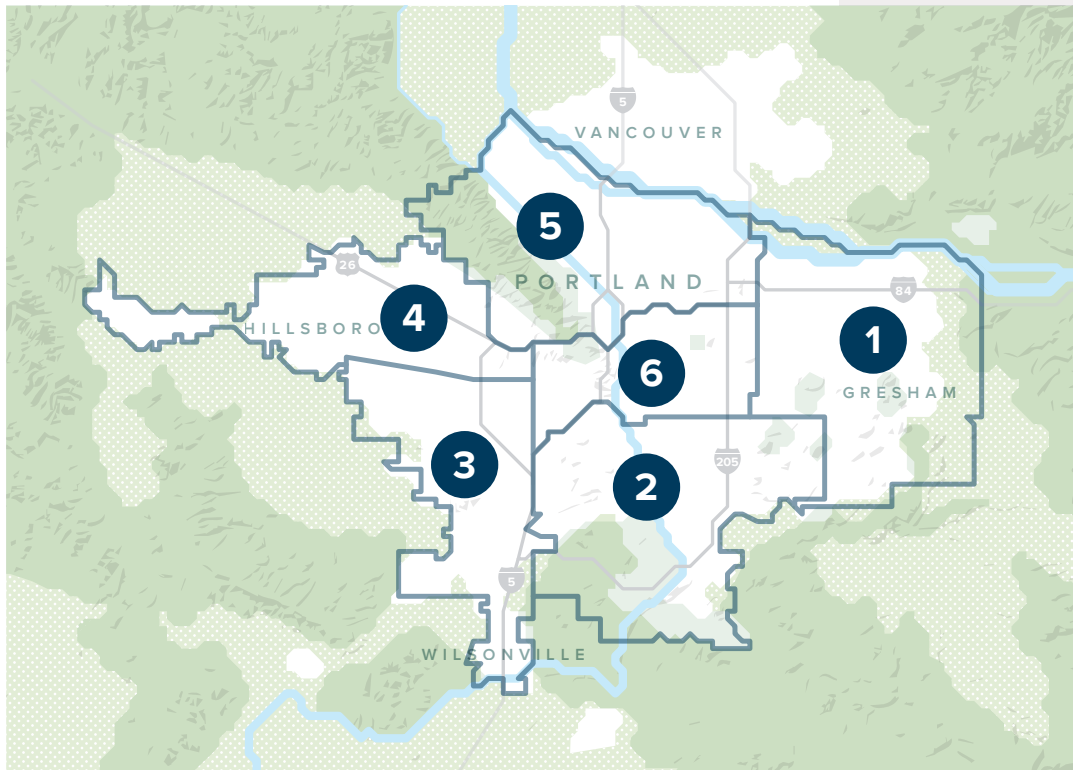
Kathryn Harrington, District 4

Sam Chase, District 5

Bob Stacey, District 6

Auditor

Brian Evans



FY 2015-16 Popular Annual Financial Report

Letter from the Chief Operating Officer	2
Metro Council and Leadership	3
Overview of Audited Results	4
What is Metro	5
Metro 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



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, 2015

Jeffrey R. Enen
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 to Metro for the fiscal year ended June 30, 2015. 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 third 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, 2016. Please review the CAFR online at www.oregonmetro.gov/financial-reports or email finance@oregonmetro.gov.

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



Dear citizens of the Metro region,

I am pleased to present the Popular Annual Financial Report for the fiscal year ending June 30, 2016. 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 or by emailing finance@oregonmetro.gov.

Metro accomplished much in Fiscal Year 2015-16 on behalf of its citizens. Metro completed the third year of work funded by the voter-approved Parks and Natural Areas Local Option Levy. The agency has purchased a total of 5,196 acres of land to protect habitat and water quality under the 2006 Natural Areas Bond. The Oregon Zoo completed the six acre Elephant Lands exhibit and began construction on the Zoo Education Center. 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. The Metro Council also adopted the Strategic Plan to Advance Racial Equity, Diversity and Inclusion, a plan that outlines a path for improving equity at Metro, and measuring whether we are meeting our equity goals in our programs, services and policies. 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 better tell the story of Metro. If you have any questions about the report please contact Tim Collier at tim.collier@oregonmetro.gov or Karla Lenox at karla.lenox@oregonmetro.gov.

Sincerely,

A handwritten signature in dark ink, appearing to read "Martha Bennett", written over a light gray circular background.

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 2021
Kathryn Harrington	Councilor- District 4	January 2007	January 2019
Sam Chase	Councilor- District 5	January 2013	January 2021
Bob Stacey	Councilor- District 6	January 2013	January 2021
Brian Evans	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, 2016.

- Metro's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources (also defined as *net position*) by \$612,743,844 at June 30, 2016, which reflects an increase of two percent or \$11,742,655 over the prior fiscal year.
- The impacts of GASB Statements 68 and 71 for the fiscal year ended June 30, 2016, resulted in a pension expense of \$30,601,855, a net pension liability of \$31,586,277 and deferred outflows and inflows related to pensions of \$7,054,166 and \$8,821,749 at June 30, 2016.
- Metro completed the fiscal year with its governmental funds reporting *combined* fund balances of \$157,465,026. Of the total amount of governmental combined fund balance, \$17,162,433 or 10.9 percent, is considered available for spending at Metro's discretion (*unassigned* fund balance).
- At the end of fiscal year 2016, unrestricted spendable fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) in the general fund totaled \$28,298,402 and represents 18 percent of total general fund expenditures.
- Metro's total outstanding long-term liabilities increased \$36,040,545 or 13.6 percent during the current fiscal year. The significant increases in this amount are due to the recording of a net pension liability of \$31,586,277 and an increase in bonds payable. The outstanding debt increased \$5,019,654 or 2.0 percent. The key factor for this increase was the issuance of \$30,000,000 for the Oregon Zoo Infrastructure and Animal Welfare Bond program.
- The Oregon Zoo's construction for the Elephant Lands major capital project work under the Oregon Zoo Infrastructure and Animal Welfare Bond program was completed. Work also continued on the zoo's Education Center. These and other related projects are all funded by bond proceeds with total capitalized costs in fiscal year 2016 of \$26,700,063.
- The operations of the Oregon Zoo were moved to a stand-alone enterprise fund reported in business-type activities in the fiscal year ending June 30, 2016. The Zoo operations were formerly reported as part of the General Fund, in governmental activities.

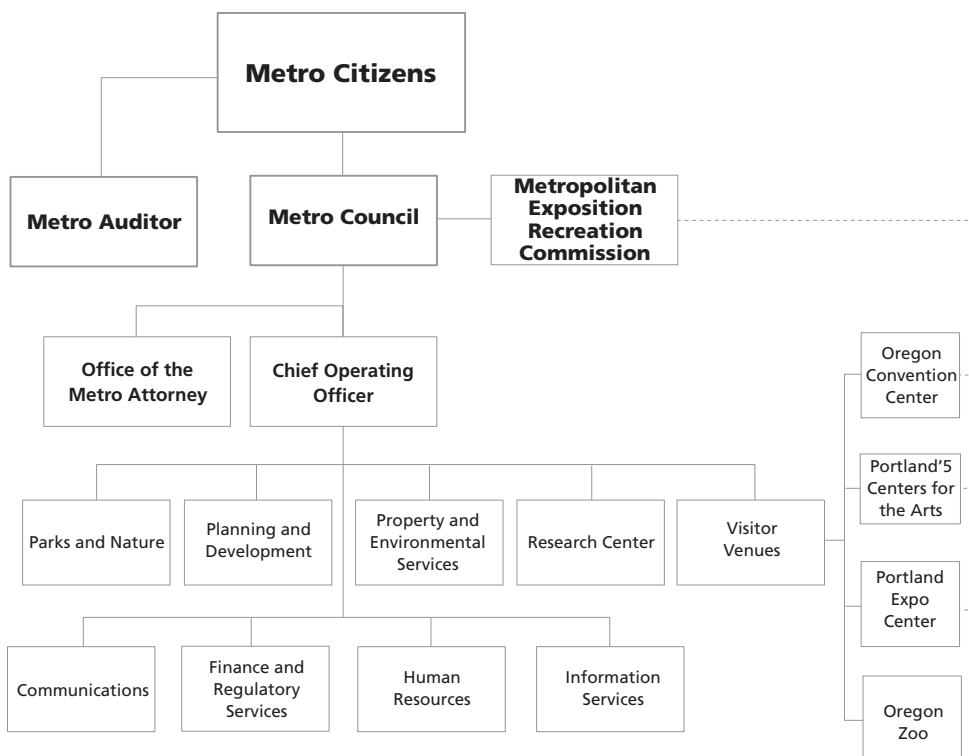
What is Metro

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 (Statement of Net Position)

The government-wide Statement of Net Position reflects a healthy financial condition as of June 30, 2016.

The assets of Metro exceeded its liabilities by \$613 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.

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

Deferred outflows of resources: Expenses incurred, but applicable to a future period.

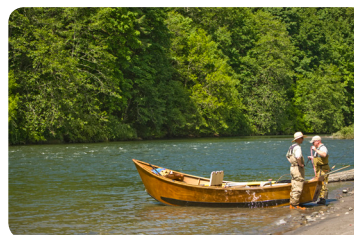
Liabilities: Present obligations that require payment of cash in a certain stated time period.

Deferred inflows of resources: Income received, but applicable to a future 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, 2016	As of June 30, 2015	As of June 30, 2014
Assets			
Current and other assets	\$ 314,263,795	291,391,807	301,976,940
Capital assets	644,736,250	629,689,232	594,229,057
Total assets	959,000,045	921,081,039	902,205,997
Total deferred outflows of resources	11,154,365	9,137,939	1,941,541
Liabilities			
Current and other liabilities	46,709,820	40,185,501	38,179,929
Long-Term liabilities	301,878,997	265,838,452	296,597,580
Total liabilities	348,588,817	306,023,953	334,777,509
Total deferred inflows of resources	8,821,749	23,193,836	-
Net Position	612,743,844	\$ 601,001,189	569,370,029

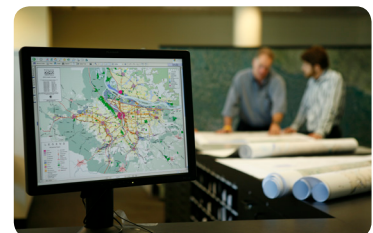


Income Statement (Statement of Activities)

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.

Metro - Statement of Activities			
	FY 2015-16	FY 2014-15	FY 2013-14
Revenues	271,467,102	\$ 269,709,387	\$ 237,212,930
Expenses	259,724,447	200,935,605	204,874,639
Increase in Net Assets	11,742,655	68,773,782	32,338,291
Net Position, Beginning of year	601,001,189	569,370,029	537,031,738
Change in accounting principle - GASB 68	-	(37,142,622)	-
Net Position, End of Year	612,743,844	\$ 601,001,189	\$ 569,370,029



The Metro Council unanimously adopted the annual budget for FY 2016-17 on June 18, 2016. 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 2016-17	FY 2015-16	FY 2014-15
Personnel Services	\$ 98,263,030	\$ 95,596,989	\$ 85,996,134
Materials and Services	206,337,585	208,053,727	130,460,316
Debt Service	38,474,577	37,214,051	41,971,000
Transfers	51,180,558	49,352,667	25,473,050
Annual Operating Budget	\$394,255,750	\$390,217,434	\$283,900,500
Capital Outlay	49,142,148	64,431,558	73,909,461
Reserves	96,962,105	64,068,522	77,994,192
Ending fund balance	95,743,931	92,776,312	48,036,660
TOTAL	\$636,103,934	\$611,493,826	\$483,840,813



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.

Revenue Overview (Budgetary Basis)

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 Contributions: 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. In addition to the above 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.

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.

Construction Excise Tax: This is a tax assessed on construction permits issued by local cities and counties in the Metro region. The tax is assessed at 0.12 percent of the value of the improvements for which a permit is sought, unless the project is exempted from the tax. For example, for improvements valued at \$250,000, the tax will be \$300. The construction excise tax then funds a competitive grant program to provide cities and counties with the planning resources necessary to prepare land for development

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 2015-16	FY 2014-15	FY 2013-14
Charges for Services	151,547,225	136,213,998	122,048,653
Operating & Capital Grants & Contributions	37,501,051	49,823,622	32,676,948
Property Taxes	55,397,507	61,790,542	59,245,166
Excise Taxes	18,144,768	16,587,938	16,002,790
Construction Excise Tax	3,338,479	2,669,188	2,537,894
Investment Earnings	2,275,120	1,330,126	1,619,111
Other Revenues	401,581	92,154	1,849,897
Other Financing Sources: Bond Proceeds	33,479,164	64,735,891	-
TOTAL	302,084,896	333,243,459	235,980,459

Expenditure Overview (Budgetary Basis)

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.

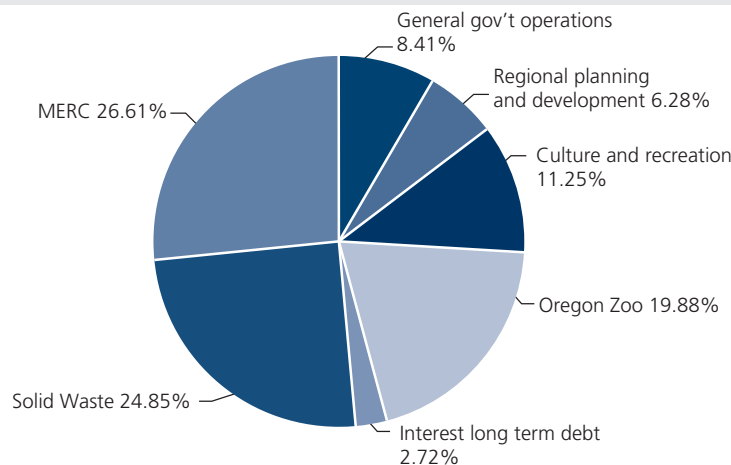
Capital outlay: These funds are for land acquisitions and major capital improvement projects at various facilities.

Debt service: This category is for payment on general obligation and full faith and credit bonds sold for the 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	90,552,133	83,944,515	77,453,540
Materials and Services	119,906,114	113,004,845	103,802,766
Debt Service	34,714,050	106,539,386	40,937,067
Capital Outlay	28,764,397	46,502,991	40,159,489
TOTAL	273,936,693	349,991,737	262,352,862

Metro Function/Program Expenses, Fiscal Year 2016



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 \$228,690,000. 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	2,210,000	1/15/2017
Natural Areas 2014 Series	57,955,000	11/5/14	47,200,000	6/1/2020
General Obligation Bonds				
Natural Areas 2007 Series	124,295,000	4/3/07	5,095,000	6/1/2017
Natural Areas 2012A Series	75,000,000	5/23/12	58,730,000	6/1/2026
Oregon Zoo Infrastructure 2012A Series	65,000,000	5/23/12	47,330,000	6/1/2028
Oregon Zoo Infrastructure 2016 Series	30,000,000	3/24/16	30,000,000	6/1/2020
TOTAL GENERAL OBLIGATION BONDS OUTSTANDING			\$190,565,000	
FULL FAITH AND CREDIT BONDS (General revenues funded)				
Full Faith and Credit Refunding Bonds				
2006 Series	14,700,000	4/20/06	8,680,000	12/1/2024
2013 Series	12,600,000	2/26/13	9,290,000	8/1/2022
TOTAL FULL FAITH & CREDIT BONDS OUTSTANDING			\$17,970,000	
PENSION OBLIGATION BONDS (Department assessments funded)				
Limited Tax Pension Obligation Bonds				
Series 2005	\$24,290,000	9/23/05	\$20,155,000	6/1/2028
TOTAL PENSION OBLIGATION BONDS OUTSTANDING			\$20,155,000	
GRAND TOTAL – METRO DEBT OUTSTANDING			\$228,690,000	



