



Popular Annual Financial Report

for the fiscal year ended June 30, 2018



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.
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Metro Council President

Tom Hughes

Metro Councilors

Shirley Craddick, District 1

Betty Dominguez, District 2

Craig Dirksen, District 3

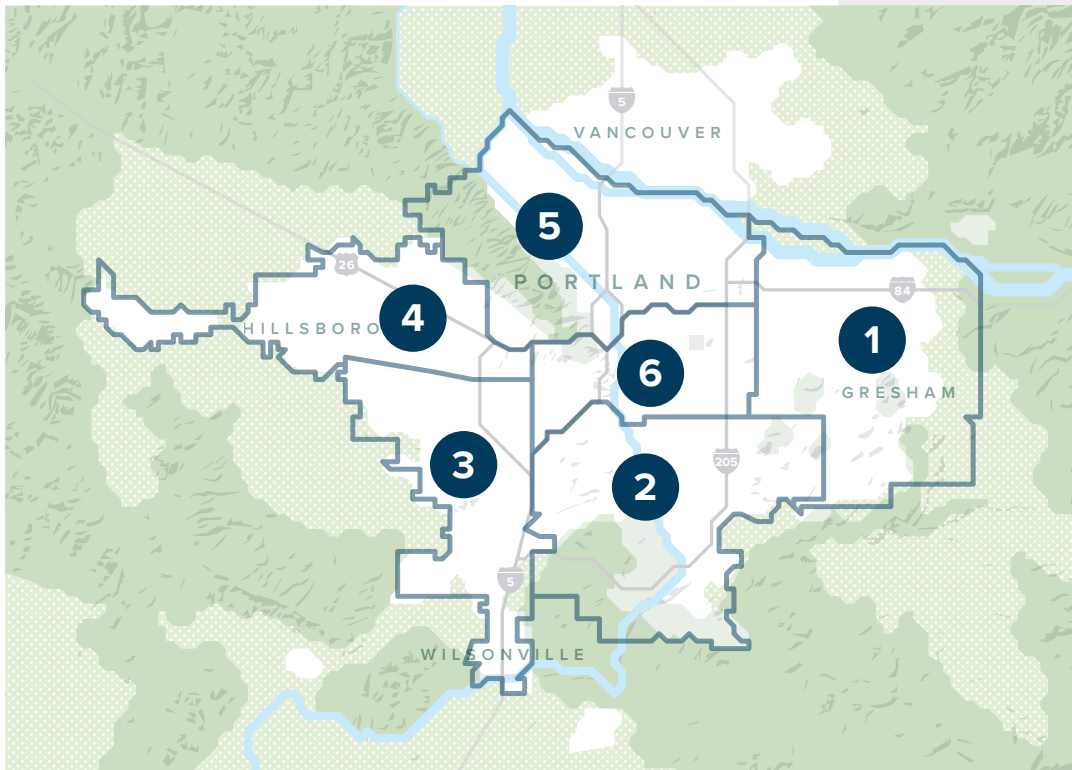
Kathryn Harrington, District 4

Sam Chase, District 5

Bob Stacey, District 6

Auditor

Brian Evans



FY 2017-18 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, 2017

Christopher P. Morrell

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, 2017. 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 fifth 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, 2018. 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, 2018. 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 2017-18 on behalf of its citizens. Metro completed the fifth year of work funded by the voter-approved Parks and Natural Areas Local Option Levy. The agency has purchased a total of 6,171 acres of land to protect habitat and water quality under the 2006 Natural Areas Bond. The Oregon Zoo started construction on new habitats for polar bears, primates and rhinos. Metro collaborated with citizens and state, city, county, and special district partners to move forward the innovative plans for Southwest Corridor. The Metro Council completed the second year of its 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 Christine Balcazar at christine.balcazar@oregonmetro.gov.

Sincerely,

A handwritten signature in purple ink, appearing to read "Martha Bennett".

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: Stacey, Chase, Craddick, Hughes, Harrington, Dominguez and Dirksen

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
Betty Dominguez	Councilor- District 2	March 2018	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, 2018.

- Metro's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources (also defined as *net position*) by \$605,627,498 at June 30, 2018, which reflects a decrease of 6.1 percent or \$39,172,434 over the prior fiscal year, including the change in accounting principle for the implementation of GASB Statement No. 75.
- Metro completed the fiscal year with its governmental funds reporting *combined* fund balances of \$179,947,518. Of the total amount of governmental combined fund balance, \$29,180,618 or 16.2 percent, is considered available for spending at Metro's discretion (*unassigned* fund balance).
- At the end of fiscal year 2018, unrestricted spendable fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) in the general fund totaled \$39,703,432 and represents 51.3 percent of total general fund expenditures.
- Metro's total outstanding long-term liabilities increased \$79,495,188 or 24.6 percent during the current fiscal year. The significant increase in this amount is due to Metro's support for the construction of the Oregon Convention Center Hotel. Metro issued \$52.3 million in Dedicated Tax Revenue bonds and disbursed \$74.0 million to the hotel developer to meet the agency's commitment to the project.

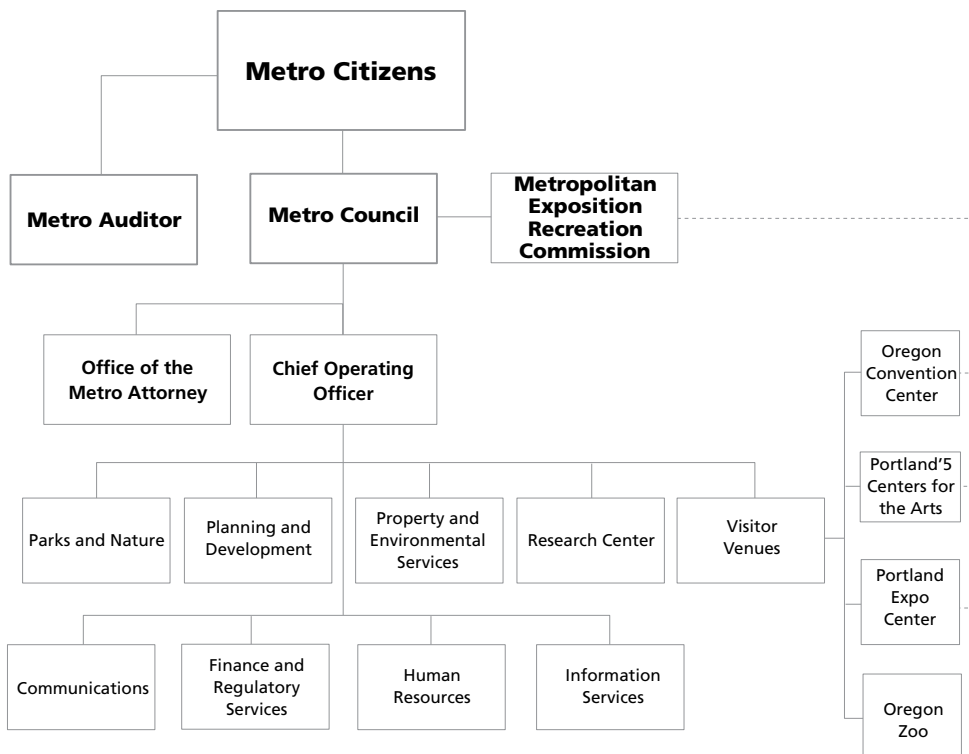
What is Metro

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 24 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, 2018.

The assets of Metro exceeded its liabilities by \$606 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 to which Metro's assets exceeds its liabilities in a stated time period.

Metro - Statement of Net Position

	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016
Assets			
Current and other assets	\$ 353,155,099	\$ 300,742,719	\$ 314,263,795
Capital assets	666,527,548	662,647,556	644,736,250
Total assets	1,019,682,647	963,390,275	959,000,045
Total deferred outflows of resources	32,218,952	45,059,763	11,154,365
Liabilities			
Current and other liabilities	40,848,387	37,532,812	46,709,820
Long-Term liabilities	403,296,386	323,801,198	301,878,997
Total liabilities	444,144,773	361,334,010	348,588,817
Total deferred inflows of resources	2,129,328	2,316,096	8,821,749
Net Position	\$ 605,627,498	\$ 644,799,932	\$ 612,743,844



Income Statement (Statement of Activities)

The government-wide Statement of Activities reports all financial activity for the fiscal year.

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 2017-18	FY 2016-17	FY 2015-16
Revenues	311,361,346	\$ 289,889,943	\$ 271,467,102
Expenses	350,317,940	257,833,855	259,724,447
Increase (decrease) in Net Position	(38,956,594)	32,056,088	11,742,655
Net Position, Beginning of year	644,799,932	612,743,844	601,001,189
Change in accounting principle - GASB 75	(215,840)	-	-
Net Position, End of Year	\$605,627,498	\$ 644,799,932	\$ 612,743,844



The Metro Council unanimously adopted the annual budget for FY 2018-19 on June 21, 2018. To best illustrate trends, below are the fiscal year budget amounts for the most recently adopted budget compared with previous fiscal years.

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

Metro - Adopted Budget Information

	FY 2018-19	FY 2017-18	FY 2016-17
Personnel Services	\$ 113,630,871	\$ 104,597,790	\$ 98,263,030
Materials and Services	189,397,730	219,410,128	206,337,585
Debt Service	55,263,767	44,899,768	38,474,577
Transfers	61,195,486	42,720,609	51,180,558
Annual Operating Budget	419,487,854	411,628,295	394,255,750
Capital Outlay	70,250,429	59,687,284	49,142,148
Reserves	67,831,363	91,959,726	96,962,105
Ending fund balance	111,789,917	83,051,096	95,743,931
TOTAL	\$669,359,563	\$646,326,401	\$636,103,934



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 Local 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-34 of Metro's Adopted Budget document, which is available for download at www.oregonmetro.gov/metro-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's 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 \$0.0960 per \$1,000 and the outstanding debt levies assess another \$0.2203 per \$1,000. The average homeowner with \$200,000 assessed value/\$250,000 market value spends approximately \$83 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 2017-18	FY 2016-17	FY 2015-16
Charges for Services	161,952,493	156,777,006	151,547,225
Operating & Capital Grants & Contributions	55,427,767	47,365,717	37,501,051
Property Taxes	64,369,020	59,562,938	55,397,507
Excise Taxes	18,343,257	18,830,032	18,144,768
Construction Excise Tax	3,792,595	3,561,675	3,338,479
Investment Earnings	3,782,171	2,040,812	2,275,120
Other Revenues	1,001,920	517,500	401,581
Other Financing Sources: Bond Proceeds	118,365,081	8,153,178	33,479,164
TOTAL	\$ 427,034,304	\$ 296,808,859	\$ 302,084,896

Expenditure Overview (Budgetary Basis)

Metro appropriates for expenditures at a very high level, hence 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.

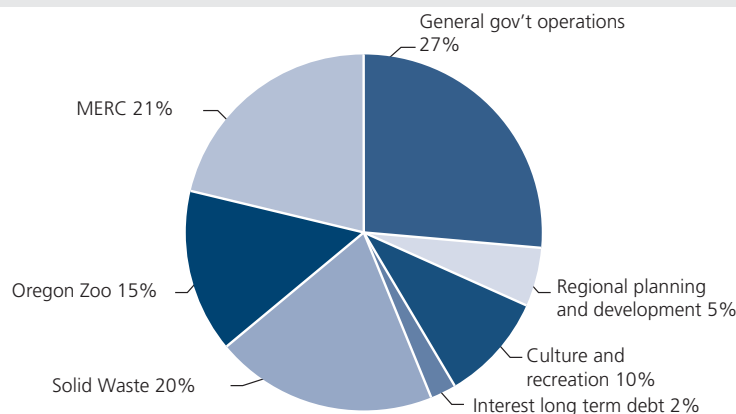
Debt service: This category is for payment on general obligation, full faith and credit, pension obligation, and dedicated tax revenue bonds sold for the Metro Regional Center, the Natural Areas program, the Portland Expo Center, the Oregon Zoo and the Oregon Convention Center Hotel project.

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

Metro - Expenditure Overview

	FY 2017-18	FY 2016-17	FY 2015-16
Personnel Services	100,470,194	93,694,403	90,552,133
Materials and Services	210,713,909	130,250,240	119,906,114
Debt Service	42,295,982	44,039,089	34,714,050
Capital Outlay	23,770,108	30,427,380	28,764,397
TOTAL	\$ 377,250,193	\$ 298,411,112	\$ 273,936,693

Metro Function/Program Expenses, Fiscal Year 2018



Debt Overview

Metro uses long and short-term debt to finance capital projects and some capital equipment. In April 2018 Standard & Poor's reaffirmed its AAA rating on Metro general obligation bonds, while Moody's Investor Services reaffirmed its Aaa rating. The rating agencies' reports emphasized the strong financial reserves of the agency, the low debt ration, significantly broad tax base and the strength of its financial policies.

Metro has a relatively low level of outstanding debt. Currently, there are eleven outstanding debt issues, totaling \$275,440,000.

	Original Amount	Original Issue Date	Principal Outstanding	Final Maturity
GENERAL OBLIGATION BONDS (Property tax funded)				
General Obligation Refunding Bonds				
2014 Series	57,955,000	11/5/2014	29,230,000	6/1/2020
General Obligation Bonds				
Natural Areas 2012A Series	75,000,000	5/23/2012	52,590,000	6/1/2026
Natural Areas 2018 Series	28,105,000	5/15/2018	28,105,000	6/1/2026
Oregon Zoo Infrastructure 2012A Series	65,000,000	5/23/2012	42,560,000	6/1/2028
Oregon Zoo Infrastructure 2016 Series	30,000,000	3/24/2016	16,930,000	6/1/2020
Oregon Zoo Infrastructure 2018 Series	10,000,000	5/15/2018	10,000,000	6/1/2028
TOTAL GENERAL OBLIGATION BONDS OUTSTANDING			\$179,415,000	
FULL FAITH AND CREDIT BONDS (General revenue funded)				
Full Faith and Credit Refunding Bonds				
2013 Series	12,600,000	2/26/2013	6,610,000	8/1/2022
2016 Series	7,385,000	9/7/2016	6,420,000	12/1/2024
Full Faith and Credit				
2018 Series	13,290,000	5/24/2018	13,290,000	6/1/2033
TOTAL FULL FAITH & CREDIT BONDS OUTSTANDING			\$26,320,000	
PENSION OBLIGATION BONDS (Department assessments funded)				
Limited Tax Pension Obligation Bonds				
Series 2005	24,290,000	9/23/2005	\$18,170,000	6/1/2028
TOTAL PENSION OBLIGATION BONDS OUTSTANDING			\$18,170,000	
DEDICATED TAX REVENUE BONDS (Transient Lodging Tax funded)				
Dedicated Tax Revenue Bonds				
OCC Hotel Project, Series 2017	52,260,000	8/8/2017	51,535,000	6/15/2047
TOTAL DEDICATED TAX REVENUE BONDS OUTSTANDING			\$51,535,000	
GRAND TOTAL – METRO DEBT OUTSTANDING			\$275,440,000	



