A G E N D A

600 NORTHEAST GRAND AVENUE | PORTLAND, OREGON 97232 2736
TEL 503 797 1542 | FAX 503 797 1793

METRO

Agenda

MEETING: METRO COUNCIL REGULAR MEETING
DATE: January 21, 1999
DAY: Thursday
TIME: 2:00 PM
PLACE: Council Chamber

CALL TO ORDER AND ROLL CALL

1. **INTRODUCTIONS**

2. **CITIZEN COMMUNICATIONS**

3. **EXECUTIVE OFFICER COMMUNICATIONS**

4. **AUDITOR COMMUNICATIONS**

4.1 Presentation of the Audited Financial Statement for FY 1998 — Deloitte/Touche

5. **MPAC COMMUNICATIONS**

6. **CONSENT AGENDA**

6.1 Consideration of Minutes for the December 17, 1998 and January 7, 1999 Metro Council Regular Meetings.

7. **ORDINANCES - FIRST READING**

7.1 **Ordinance No, 99-792,** Amending the FY 1998-99 Budget and Appropriations Schedule in the Support Services Fund by Transferring $270,000 from Contingency to Materials and Services and Capital Outlay in the Administrative Services Department for Unanticipated Expenditures in Information Management Services; and increasing the Total FTE in the Administrative Services Department by 1.0 FTE System Analyst; and Declaring an Emergency.

7.2 **Ordinance No. 99-794**, For the Purpose of Repealing Ordinance No. 98-786C which added the Urban Reserve Areas 14 and 15 to the Urban Growth Boundary.

8. **EXECUTIVE SESSION, Held pursuant to ORS 192.660 (1)(h), to consult with legal counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.**

9. **COUNCILOR COMMUNICATION**

ADJOURN

CABLE VIEWERS: Council Meetings, the second and fourth Thursdays of the month are shown on City Net 30 (Paragon and TCI Cablevision) the first Sunday after the meeting at 8:30 p.m. The entire meeting is also shown again on the second Monday after the meeting at 2:00 p.m. on City Net 30. The meeting is also shown on Channel 11 (Community Access Network) the first Monday after the meeting at 4:00 p.m. The first and third Thursdays of the month are shown on Channel 11 the Friday after the meeting at 2:00 p.m. and the first Sunday and Wednesday after the meeting on Channels 21 & 30 at 7:00 p.m.

PUBLIC HEARINGS: Public Hearings are held on all Ordinances second read and on Resolutions upon request of the public. Agenda items may not be considered in the exact order. For questions about the agenda, call Clerk of the Council, Chris Billington, 797-1542. For assistance per the American Disabilities Act (ADA), dial TDD 797-1804 or 797-1540 (Council Office).

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Agenda Item Number 4.1

Presentation of the Audited Financial Statement for FY 1998.

Metro Council Meeting
Thursday, January 21, 1999
Council Chamber

COPIES AVAILABLE IN THE
METRO'S ACCOUNTING DIVISION

MetroCAFR

Comprehensive Annual Financial Report

for the year ended June 30, 1998

Administrative Services Department

Director/Chief Financial Officer
Jennifer Sims

Prepared by
Accounting Services Division

Accounting Manager
Donald R. Cox Jr., CPA

METRO
Regional Services
Creating livable communities

Oregon

Agenda Item Number 6.1

Consideration of the December 17, 1998 and January 7, 1999 Metro Council Meeting minutes.

Metro Council Meeting
Thursday, January 21, 1999
Council Chamber

MINUTES OF THE METRO COUNCIL MEETING

December 17, 1998

Council Chamber

Councilors Present: Jon Kvistad (Presiding Officer) Ruth McFarland, Don Morissette, Patricia McCaig, Susan McLain, Rod Monroe, Ed Washington

Councilors Absent:

Presiding Officer Kvistad convened the Regular Council Meeting at 2:03 p.m.

1. INTRODUCTIONS

Presiding Officer Kvistad introduced his father, Rod Kvistad.

2. CITIZEN COMMUNICATION

Art Lewellan, 3205 SE 8th, #9, Portland, OR 97212, spoke of his work concerning the LOTI system. He complained about the JPACT comments made in the Oregonian story about the replacement of the Ross Island bridge.

Councilor McFarland noted that the Oregonian may have misquoted the JPACT member.

Mr. Lewellan continued to review his plan to update the Ross Island bridge and corridor access. He felt his plan would solve the Sellwood Bridge problem.

Councilor McFarland noted a point of privilege. She commented that Mr. Lewellan had grown from an amateur presenter to a polished speaker and presenter of information before the Council. She thanked Mr. Lewellan for coming.

3. EXECUTIVE OFFICER COMMUNICATIONS

None.

4. AUDITOR COMMUNICATIONS

None.

5. MPAC COMMUNICATION

None.

6. CONSENT AGENDA

6.1 Consideration meeting minutes of the December 10, 1998 Regular Council Meeting.

Motion: **Councilor McFarland** moved to adopt the meeting minutes of December 10, 1998 Regular Council Meeting.

Seconded: **Councilor Washington** seconded the motion.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed unanimously.

7. ORDINANCES - SECOND READING

7.1 **Ordinance No. 98-791,** For the Purpose of Adopting a New Chapter in the Metro Code Making the Local Government Boundary Changes and Declaring an Emergency.

Motion: **Councilor McLain** moved to adopt Ordinance No. 98-791.

Seconded: **Councilor McFarland** seconded the motion.

Councilor McLain reviewed that MPAC had been working on this ordinance and it had been to the state legislature as well and returned. The outstanding issues were the number of days for the notification to interested parties and dealing with definitions and issues at the final decision. She noted letters from the Cities of Lake Oswego and West Linn which laid out issues they felt needed more conversation. MPAC had agreed to forward this with a do pass recommendation with the understanding that some amendments could be made at the discussions in the new year.

Councilor Morissette asked Mr. Cooper what protections were in place for the people who did not wish to be annexed.

Mr. Cooper said the ordinance reflected that with the boundary commission being dissolved, annexations decisions would be made under state law with the added requirements set forth in this ordinance. He said state law already provided persons who did not want to be annexed with several deep protections. If the property being proposed for annexation was not supported by at least half of the owners and voters in the proposed area, or if 10% of the voters asked for one, there was a right to an election. He said that continued in place as a basic overall protection and there were public hearing requirements and procedural safeguards both in state law and in this ordinance.

Councilor Morissette asked now to reconcile the part about the "necessary party does not include property owners".

Mr. Cooper said the 1997 legislature set forth that Metro was to set up a process for appeal to the Metro Boundary Appeal Commission in this ordinance. He said that appeal right to the Metro Commission was reserved only to local governments. He said these governments were the necessary parties in this ordinance to define how they get notice to trigger their potential appeal rights to the commission. He said citizens were affected by boundary changes and retained the same appeal rights they had under state law anywhere else in the state which was to take the matter to LUBA or to court depending on the circumstances of the proposed change.

Councilor Morissette asked for clarification about special service districts, specifically how a fire department would fit in.

Mr. Cooper said the city itself would be a necessary party so the city council would take into account all of the interests of that city in deciding what position to take.

Councilor Morissette asked if the final decision being an election was state statute.

Mr. Cooper responded state law provided for elections in some boundary change circumstances. He said some city charters provided for elections as a home rule matter. He continued that those election issues were preserved under the ordinance and were allowed either under local government home rule authority or in elections. He said the timing of such appeals was an issue still being discussed at MPAC.

Councilor Morissette said that answered the questions he had.

Presiding Officer Kvistad opened a public hearing on Ordinance No. 98-791.

Councilor McLain noted page 2 of Exhibit A, item (g) showed the definition for "final decision", and (j) showed "necessary party". She also noted that the Lake Oswego letter called for the boundary change election to be the last step, and the West Linn letter mentioned the boundary change issue that was still being discussed.

Mayor Jill Thorn, City of West Linn, PO Box 48, West Linn, OR 97068, delivered a letter (a copy of which can be found with the permanent record of this meeting) which she felt had all the necessary information and requested this amendment be sent back to committee rather than opening a Pandora's box. She said West Linn needed fairly quick action to solve this problem.

Chris Eaton, planner with W & H Pacific, entered a letter to the record in support of the adoption of the ordinance. (A copy of this letter can be found in the permanent record of this meeting.) If the issue came back before council, she urged consideration of amendments dealing with a more efficient annexation process than what was in the ordinance. She said her letter detailed areas to consider.

Presiding Officer Kvistad closed the public hearing.

Discussion: **Presiding Officer Kvistad** asked Councilor McLain about Mayor Thorn's request and her recommendations.

Councilor McLain understood that Mayor Thorn wanted to be sure her letter would go directly back to MPAC for further discussion in January, but she was supporting passage of the document in front of council today. She also understood that the issues brought up by the two previous speakers were within the discussion items that MPAC and the Chair, Rob Drake, agreed to discuss more. They felt it was valuable to go forward with this document because the issues were not new.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed unanimously.

8. RESOLUTIONS

8.1 **Resolution No. 98-2733**, For the Purpose of Appointing New Members to the Water Resources Policy Advisory Committee in November 1998.

Motion: **Councilor McLain** moved to adopt Resolution No. 98-2733.

Seconded: **Councilor McFarland** seconded the motion.

Discussion: **Councilor McLain** said this resolution would update the WRPAC membership list. She noted the 8 persons listed on the resolution and said they had been through the process.

Councilor Washington asked Councilor McLain to explain to the audience what WRPAC meant.

Councilor McLain responded that it was the Water Resources Policy Advisory Committee and had been in place for at least 15 years dealing with technical issues as they faced water quality and Title 3 (water quality and stream buffer protection) work ahead.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed unanimously.

9. FINAL ACTION ON URBAN GROWTH BOUNDARY ORDINANCES AND RESOLUTIONS.

Presiding Officer Kvistad said he would open a public hearing for argument but not evidence because the record closed on December 8, 1998. He asked if there was any preference as to how the final action ordinances and resolutions proceeded.

Councilor McCaig said the point at which having a preference mattered was two weeks ago. She said this was the final vote and she felt it was a little disingenuous to put it forward now as if it wasn't significant 2 weeks ago when it was very important how they did it. She said she had no concern today as to how they did it because the decisions had already been made.

Councilor Monroe said he would prefer to go from east to west.

9.4 **Ordinance No. 98-781D,** For the Purpose of Amending Metro Urban Growth Boundary and the 2040 Growth Concept Map in Ordinance 95-625A in the Pleasant Valley Area of Clackamas County.

Motion: **Councilor Kvistad** moved to adopt Ordinance No. 98-781D.

Seconded: **Councilor McFarland** seconded the motion.

Presiding Officer Kvistad opened a public hearing on Ordinance No. 98-781D. No one came forward. Presiding Officer Kvistad closed the public hearing.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed unanimously.

9.3 **Ordinance No. 98-786C,** For the Purpose of Amending Metro Urban Growth Boundary and the 2040 Growth Concept Map in Ordinance 95-625A in the Sunnyside Area of Clackamas County.

Motion: **Councilor Kvistad** moved to adopt Ordinance No. 98-786C.

Seconded: **Councilor Morissette** seconded the motion.

Presiding Officer Kvistad opened a public hearing on Ordinance No. 98-786C.
No one came forward. Presiding Officer Kvistad closed the public hearing.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed unanimously.

9.5 **Ordinance No. 98-782C,** For the Purpose of Amending Metro Urban Growth Boundary and the 2040 Growth Concept Map in Ordinance 95-625A in the Stafford Area of Clackamas County.

Motion: **Councilor Kvistad** moved to adopt Ordinance No. 98-782C.

Seconded: **Councilor Monroe** seconded the motion.

Councilor Morissette summarized his lack of support. He felt Metro was playing an inappropriate role in forcing a local government to urbanize when there was adequate supply in other areas.

Councilor McLain said she would be voting no on this issue because they had, in good faith, agreed with MPAC that there was opportunity for these folks to go forward with planning in the new year. She did not believe this was the right way to have that planning start. She said it was paramount that the council try to find the planning and infrastructure dollars to make this a success and not set them up to fail. She thought the only way to do that was to recognize that the plan had bridges over the Tualatin River and other very expensive infrastructure costs that needed to be addressed or the plan would just be a pretty picture.

Presiding Officer Kvistad opened a public hearing on Ordinance No. 98-782C.

Judie Hammerstad, Chair of the Clackamas County Commission, 906 Main St., Oregon City, OR 97045-1819, said she had testified regarding this issue several times and commented that at the last meeting council had imposed conditions which Clackamas County had not seen until the last couple of days. She reported they had great difficulty with some of the conditions, notably paragraph 6 imposing the conditions. She said they assumed certain actions prior to urban development must occur and were intended as pre-requisites to such development, not to impose independent requirements on the county or affected cities to take the specified action at any particular time. She said if the latter was the case and they were being expected to impose these as requirements on themselves, they would object to such conditions as beyond Metro's authority, including 6-g which required them to provide an urban level of law enforcement prior to development. She said this was not a land use action and they did not have a functional plan on law enforcement. She said when she called Dan Cooper to ask from whence the authority came, she did not get a satisfactory answer. They also objected to a number of specific conditions proposed. She said 6-f provided for an urban service agreement "based on the Rosemont Village concept plan". She said while they recognized an urban service plan was required, there was no justification for requiring it to be based on a privately developed plan which had not been reviewed by the affected jurisdictions. She continued that conditions 6-h, subsection 3 and subsection 4, were also inappropriate as both precluded options available under the cited provisions of Title 6. She realized that the record was closed but she thought they needed to call council's attention to their objections to the conditions imposed and their objections to not having an opportunity to be advised or involved in the conditions.

David Adams, 19621 S. Hazelhurst Lane, West Linn, OR 97068, was distressed that much of the information distributed for their decision making had been engineered by private developers and the informational meetings were not scheduled well so people could attend. He argued that they had received much of their information too late and felt the discord in his community had been engineered by the private sources. He said the people had a credibility problem and the RPOA's plan from the outset had been a very clever and expensive end run around the process, the citizens and the county. He asked council to admit they had been deceived and do the right thing.

Councilor McFarland could not resist commenting that they would watch the events a little more closely than the referees and that Vinnie Testeverde had not made that touchdown.

Presiding Officer Kvistad closed the public hearing.

Discussion: None.

Vote: The vote was 4 aye/ 3 nay/ 0 abstain. The motion passed with Councilors McCaig, McLain and Morissette voting no.

9.8 **Resolution No. 98-2729C,** For the Purpose of Expressing Council Intent to Amend the Urban Growth Boundary to Add Urban Reserve Areas 39, 41, 42, 62 and 63 in the West Metro Subregion.

Motion: **Councilor Kvistad** moved to adopt Resolution No. 98-2729C.

Seconded: **Councilor McFarland** seconded the motion.

Councilor McLain said she would be supporting this resolution but thought it was important to remember this was a resolution. She said since they had just put Stafford into the boundary today it would be important to scrutinize all resolutions to see if they were needed in the next year. She said this one had some interesting areas in that there would be state action on a prison site that could change the configuration of the resolution. She said if and when an ordinance was written from this resolution, there would be many issues to decipher as far as need assessment and other peculiarities to this resolution's statements.

Presiding Officer Kvistad opened a public hearing on Resolution No. 98-2729C. No one came forward. Presiding Officer Kvistad closed the public hearing.

Vote: The vote was 6 aye/ 1 nay/ 0 abstain. The motion passed with Councilor McCaig voting no.

9.1 **Ordinance No. 98-779D,** For the Purpose of Amending Metro Urban Growth Boundary and the 2040 Growth Concept Map in Ordinance 95-625A in Urban Reserve Areas 43 and 47 of Washington County and Urban Reserve Areas 33 and 34 of Clackamas County.

Motion: **Councilor Kvistad** moved to adopt Ordinance No. 98-779D.

Seconded: **Councilor Morissette** seconded the motion.

Councilor McLain pointed out the amendment from December 10 which added the first tier land in sites #33 and #34 and for which the City of Lake Oswego had submitted a letter of intent and willingness to plan.

Presiding Officer Kvistad opened a public hearing on Ordinance No. 98-779D. No one came forward. Presiding Officer Kvistad closed the public hearing.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed unanimously.

9.7 **Resolution No. 98-2728C,** For the Purpose of Expressing Council Intent to Amend the Urban Growth Boundary to Add Urban Reserve Areas 51, 52, 53, 54 and 55 to the Hillsboro Regional Center Area.

Motion: **Councilor Kvistad** moved to adopt Resolution No. 98-2728C.

Seconded: **Councilor Morissette** seconded the motion.

Discussion: **Councilor McLain** indicated that because of the number of dwelling units the productivity analysis said they could achieve on the 5 ordinances in front of them today, she thought it was extremely important to remember this was not a land use decision. She said if and when this resolution came forward in an ordinance form, there were many issues she would need answered before she could go forward. She said she had indicated at the last two meetings that she saw some value in bringing this into the boundary at this time and some questions she had whether this prime exclusive farm use land (primarily St. Mary's) met the status of a special need. She said there had been recommendations and findings put forward in appeal and the courts and LUBA would have to indicate to her that special need was met in that area. She also noted throughout the public testimony there had been a great deal said about the transportation issues and urban reserve planning in transportation. She was not comfortable with the lack of level of detail to specificities to transportation issues, both on-site and off-site, between the responsible parties of Hillsboro and Washington County. She noted they had put in 5 ordinances today that would actually change the UGB. She said she would want to review the need assessment in 1999, including issues brought up by the state and MPAC dealing with the 200' buffers and what was actually buildable land. She wanted to see what the buildable land inventory looked like in 1992. She said because of the 100s of phone calls she had received, in favor and against the resolution, she was looking forward to Hillsboro continuing the citizen involvement with their planning commission.

Councilor McCaig said this was farmland and they could meet the basic requirements of the state without including it. She felt they could avoid an appeal process and revisit this with future councils and future needs. She said she would be voting no.

Councilor Morissette stated one of the reasons he found this to be an important parcel was the large amount of infrastructure they had put into Washington County. He felt this was closer to solving their ability to have a more compact urban form and had a better chance of being built than anything they had at this time. He felt it would go a long way toward stopping some of the sprawl they were experiencing with the overly large urban growth boundary that people were currently leapfrogging like crazy.

Councilor McLain said she had promised the Washington County Farm Bureau at 885 SW Baseline Rd., Hillsboro, that she would make sure their letter was given to the council. The letter was signed by Larry Dyke, President.

Presiding Officer Kvistad said it would be considered argument but would be available if anyone wanted to see it. He said it would be part of today's record as what was brought to the discussion.

Presiding Officer Kvistad opened a public hearing on Resolution No. 98-2728C.

Steve Lawrence reaffirmed that he agreed with Councilors McLain and McCaig but respectfully disagreed with Councilor Morissette's statement that this was close to the jobs you are looking to balance. He said it was not close to the jobs you are looking to balance, it was at least $200 million away. He said if the process had included all of the lands they could have done everything they needed to do and provide the best services they were looking for. He did not know why the council was in such a hurry to do unwise investment when wise investment could be less than a year away. He noted that the next ordinance, site #55, was not a stand alone project and not the wisest place to make an investment.

Presiding Officer Kvistad closed the public hearing.

Vote: The vote was 4 aye/ 3 nay/ 0 abstain. The motion passed with Councilors McCaig, Monroe and Washington voting no.

9.2 **Ordinance No. 98-788C,** For the Purpose of Amending Metro Urban Growth Boundary and the 2040 Growth Concept Map in Ordinance 95-625A in Urban Reserve Area 55 of Washington County.

Motion: **Councilor Kvistad** moved to adopt Ordinance No. 98-788C.

Seconded: **Councilor Morissette** seconded the motion.

Presiding Officer Kvistad opened a public hearing on Ordinance No. 98-788C.
No one came forward. Presiding Officer Kvistad closed the public hearing.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed.

9.6 **Resolution No. 98-2726B,** For the Purpose of Expressing Council Intent to Amend the Urban Growth Boundary to Add Urban Reserve Areas 65 in Washington County.

Motion: **Councilor Kvistad** moved to adopt Resolution No. 98-2726B.

Seconded: **Councilor Monroe** seconded the motion.

Presiding Officer Kvistad opened a public hearing on Resolution No. 98-2726B. No one came forward. Presiding Officer Kvistad closed the public hearing.

Vote: The vote was 4 aye/ 3 nay/ 0 abstain. The motion passed with Councilors McCaig, Morissette and McLain voting no.

Presiding Officer Kvistad declared the ordinances being duly voted for and signed were adopted. He said this ended 6 years of work toward development of the 2040 concept. This was a major triumph for the community and was the first movement of the UGB in 20 years. He commended his fellow councilors for all of their tolerance and hard work. He thanked the members of the public who testified and the community at large for allowing them the opportunity to make this positive step. He noted this was his last major item as presiding officer.

Councilor Monroe thanked Presiding Officer Kvistad for his leadership through this process. He said he was particularly impressed with the way the Presiding Officer handled lengthy public hearings across the region and the patience he showed in dealing with some acrimonious situations. He felt the Presiding Officer did an outstanding job.

Councilor Morissette said he felt Presiding Officer Kvistad had done a good job and said it had been an honor to serve with him and the rest of the councilors as well as the Executive and the Auditor.

Councilor Washington said the Presiding Officer had done a great job and thanked the councilors who were leaving. He felt the council had done the best they could for the public and wanted them to know that none of their testimony had gone unnoticed.

Councilor McCaig said this was not rocket science, it was work they were elected to do and she believed they could have done a better job. She said the total number added was around 5,400 acres, 3,400 of them done by ordinance. She said the total would be challenged and the net result would not be very different from where they had started 4 years ago. She felt they had angered and confused a lot of people in the process and had chosen controversial paths that did not need to be chosen. She was not sure the benefits were clear as a result of those paths. She believed most of the sites would have been included regardless of the process but was sad that at the end they had left a clear indication of their policies about growth. She felt they left a hodgepodge of sites that had been discussed on an individual basis without collectively looking at the region and talking about where they should grow, and not going around the region to look at where the growth was needed to benefit the community they were trying to create. She felt they had merely expanded. She noted there was logic to the way she had voted. She appreciated the work everyone had done and believed their intentions were good. She felt the next council should work at doing a better job. She said she did not think the public involvement process needed to be an endurance test.

Councilor McLain agreed with Councilor McCaig that this was a continuing decision that would be refined and improved. She also agreed they had learned from the process and would improve in the next year. She did not feel it was an unclear process and said they had documents to explain the goal of the land use system and the 2040 growth concept. She said they must be heartened that it was important to continue to strive to improve the livability of the region.

Councilor Morissette thanked the staff for their work.

Councilor McFarland said in her 9½ years on the council she had watched it grow into a very cohesive unit. She felt a large part of that was thanks to Presiding Officer Kvistad's leadership and ability over the last 3 years to keep an even playing field and have everyone testify. She noted that they did not always agree as a group. She said the calls she had received regarding the sites that had divided votes today had been about 50/50, so some folks would have been unhappy no matter what the result of the vote. She commended the council as a whole on being amicable about arriving at their conclusions. She appreciated working with the council and staff and said she had learned a great deal from this very interesting experience and enjoyed it very much.

Presiding Officer Kvistad said this was the only jurisdiction in the US that had been able to accomplish what they had done to direct growth and urban sprawl. He said they could be proud of what they had done no matter if they agreed or not.

10. COUNCILOR COMMUNICATION

Presiding Officer Kvistad presented a plaque to Councilor Morissette. He said it had been an honor and a pleasure to work with him.

Presiding Officer Kvistad presented a plaque to Councilor McCaig. He said he had enjoyed serving with her.

Presiding Officer Kvistad presented a plaque to Deputy Presiding Officer McFarland. He said it had been a true honor to work with her and he would miss her presence on the council.

Councilor Morissette introduced his son Teddy who greeted the audience.

Councilor Washington presented a plaque to Presiding Officer Kvistad thanking him for his service to the region and to the council. He noted it was not an easy job and Councilor Kvistad had done it for 3 years which was remarkable.

11. ADJOURN

There being no further business to come before the Metro Council, Presiding Officer Kvistad adjourned the meeting at 3:16 p.m.

Prepared by,

Chris Billington
Clerk of the Council

Document Number	Document Date	Document Title	TO/FROM	RES/ORD
121798c-01	12/17/98	FAX letter RE: Local Government Boundary	Jon Kvistad	Ord. No. 98-781

		Changes		
121798c-02	12/16/98	Letter RE: Local Government Boundary Changes	Jon Kvistad	Ord. No. 98-781
121798c-03	12/17/98	FAX letter RE#: stopping changes to WRPAC by-laws	Scott Forrester	Res. No. 98-2733

MINUTES OF THE METRO COUNCIL MEETING

January 7, 1999

Council Chamber

Councilors Present: Jon Kvistad (Presiding Officer), Susan McLain, Rod Monroe, Ed Washington, Rod Park, David Bragdon, Bill Atherton

Councilors Absent:

Presiding Officer Kvistad convened the Regular Council Meeting at 2:03 p.m.

1. OATH OF OFFICE

Presiding Officer Kvistad introduced Justice Ted Kulongoski who administered the oath of office to newly elected and returning councilors.

Justice Kulongoski appreciated the invitation to swear in the council. He said this was the week for the swearing in process for governmental bodies around the state, and that as he and the Chief Justice had been sharing swearing in duties for a number of governmental entities, they were amazed at the quality of people who were stepping forward to be public officials. He noted that David Bragdon was one of those, and because of his long association with Mr. Bragdon it was his great pleasure to swear in the Council today. He noted that the public interest would be well served by the election of these Metro Councilors.

Swearing in ceremony here.

2. COUNCIL REORGANIZATION

Presiding Officer Kvistad thanked everyone for the opportunity and pleasure of serving as the Presiding Officer for the past 3 years. He said it had been a tremendous honor for him and he still had 2 years on the council which he was looking forward to. He called for nominations for presiding officer.

2.1 Presiding Officer Nominations

Motion: **Councilor McLain** nominated Councilor Rod Monroe as Presiding Officer.

Seconded: **Councilor Bragdon** seconded the motion.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed unanimously.

2.2 **Resolution No. 99-2742**, For the Purpose of Reorganizing the Metro Council for 1999.

Motion: **Councilor McLain** moved to adopt Resolution No. 99-2742.

Seconded: **Councilor Washington** seconded the motion.

Vote: The vote was 7 aye / 0 nay/ 0 abstain. The motion passed unanimously.

Presiding Officer Monroe said he had been thinking about his speech a lot and it humbled him a great deal that the Council had decided to bestow the honor and tremendous responsibility of presiding officer on him. He said because he was an old history professor he had been thinking about that about this time 176 years ago, his great-great-great-great uncle was giving his state of the union. He noted that a major portion of that speech had come down to us as the Monroe Doctrine. He said he did not want anyone to think this would be the Monroe Doctrine II, but:

"We begin today anew with a sense of optimism and hope for a new year. I would like to thank my fellow councilors for their faith in me. I understand the tasks and responsibility that is incumbent upon me and look forward to working on behalf of this region.

I want to take a moment to thank Councilor Jon Kvistad. Jon, you were our leader for the past 3 years and cannot say enough how much this region should be grateful for your leadership. This council made some tough, yes controversial, decision. I want to take this moment and give you this ceremonial gavel and extend my thanks to you on behalf of the citizens of this region.

We are in a new era. I pledge to you that I will work hard to ensure that this council leads by example and brings in the views of our local partners. We need to work on common goals and reach positive outcomes.... not for our own personal agenda, but for the results that our region demands and yes, expects.

This council faces many challenges and opportunities in the year 1999. During the next 30 days, we must, and yes we will, pass a workable ethics code for the Metro Council. We must continue our leadership role in this region's nationally-recognized land use planning, completing the work begun last year on the Urban Growth Boundary while protecting fragile open spaces, stream corridors, and prime farm and forest lands.

Portland is the transportation hub of the Pacific Northwest. We must renew our efforts to produce a multi-faceted transportation system that includes a highway system that works, freight mobility to strengthen our growing jobs base, an improved regional transit system, and connected bicycle and pedestrian routes that make sense. People must have viable choices in how they move about this region. To achieve this we will need to increase our efforts to secure necessary transportation funding from the federal government and particularly from the State Legislature.

Because of the recent merger of Waste Management and USA Waste, we have a unique opportunity to significantly reduce wholesale garbage rates and possibly even get the garbage off of the trucks traveling through the Columbia Gorge and onto trains or barges instead!

Tourism is a growing part of our region's economic viability. To compete successfully for tourist dollars we must find a way to fund the planned expansion of the Convention Center without the use of property tax dollars. We must also carry out the mandate of last year's council to complete major improvements at the Expo Center. This region leads the nation in recycling with a current rate of about 42%. We can do even better. I want to see us reach our goal of over 50% by the end of the year 2000. Other issues that we will face include the future of Civic Stadium, OMSI, and of course our performing arts centers. I expect a lot of this council but I want you to know you should expect a lot out of me. I will over the next 2 months be meeting with every local partner and jurisdiction to discuss Metro, to ask for their help in making this a better region. My door is always open to each one of you. So let's get to work."

He announced his choice for Deputy Presiding Officer. He said he had decided to select Councilor Susan McLain as his deputy.

He reviewed the committee assignments for the next year. (A copy of these assignments is attached to the permanent record of this meeting.) He noted that there would be 4 standing committees which was far fewer than in the past. The Metro Operations Committee was a new committee and would include the old Regional Facilities Committee. He noted that JPACT would be chaired by Councilor Kvistad. He hoped the appointments would bring balance and allow the council to work effectively and allow each member of the council to serve the region to the best of their abilities.

Presiding Officer Monroe asked Chief Justice Wally Carson to swear in Auditor Alexis Dow and Executive Officer Mike Burton who afterwards thanked their respective supporters and told of their future goals for Metro over the next 4 years. Executive Officer Burton also noted that this was the 20th anniversary of Metro and said it could no longer be considered an experimental government.

Presiding Officer Monroe announced that the Executive Officer had agreed to weekly meetings to discuss issues related to Metro and at least every other week with the full council for the same so there would be good communication at Metro.

3. INTRODUCTIONS

Councilor Bragdon said the person who would be the best judge of how Metro was doing was Jane Bragdon, his 5-month old niece, who was, he said, probably out in the hallway with a lobbyist as she was not present at the time of this introduction. He mentioned he had other friends and family present.

Councilor Atherton introduced Carole Atherton, Meryl Haber, and Jean Noltensmeyer who had helped him for many months, Sue Lester, Diane Davis and David Dodds, and especially old friends, Andy and Rondi Leonard. He also introduced Monroe Sweetland who had been in the public eye for over 60 years.

Councilor Park introduced his parents, Harry and Raksoon Park and his aunt Chun Ghi, and his wife Joy. He also noted the three mayors from his district, Chuck Becker, Don Robertson, Paul Tallifer. He appreciated them supporting him here. He also introduced Bruce Andrews, the former director of agriculture and Gussie McRobert, former mayor of Gresham. He also thanked Sharon Wiley, former state representative, for her guidance on his campaign.

Councilor McLain noted that she was starting her ninth year at Metro. She introduced her mother and her husband, Cliff McLain. She said they had provided her with the support she needed to be here for as long as she had.

Presiding Officer Monroe noted the number of former state legislators in the room. He introduced his wife, Billie Monroe, and his mother-in-law, Bernice Hampton. He thanked them for their support.

8. COUNCILOR COMMUNICATION

Councilor Atherton noted a memo that he had prepared and handed to council. He said he had new information and insight on the review of the conclusions of the Growth Report. He asked for a new growth report and a strong clear communication with the legislature on growth management and planning matters. He noted his suggested resolution regarding the 20 year land law. His third request of the council was to review the Regional Framework Plan and the process for carrying capacity. He announced his intention to prepare ordinances in the next 2 weeks that would delete a number of areas recently added to the UGB. He expected some to be noticed for the January 21 meeting of the council.

Councilor McLain indicated to Councilor Atherton that she believed the issues he had brought up were definitely part of the procedures and work they had ahead of them. She suggested that some of the ideas be taken up at January work sessions and at the Growth Committee. She said she would be happy to work with him on that.

Presiding Officer Monroe added that any resolutions and ordinances that were filed would be referred to the appropriate committee and dealt with there in a timely and serious manner.

Councilor Bragdon said in his enthusiasm about his niece he had neglected to say he did have parents in the room. He also noted that Councilor Washington had taken responsibility for his ties and haircuts.

Councilor Washington said he was going to introduce mom and dad if he hadn't.

Presiding Officer Monroe said Councilor Washington had also mentioned his clothing. He invited everyone to the reception in the foyer.

9. ADJOURN

There being no further business to come before the Metro Council, Presiding Officer Monroe adjourned the meeting at 2:45 p.m.

Prepared by,

Chris Billington
Clerk of the Council

Document #	Document Date	Document Title	TO/FROM	RES/ORD
010799c-01	1/7/99	List of Proposals for Council consideration	TO: Metro Council FROM: Councilor Atherton	Draft Resolution No. 99-2748

Agenda Item Number 7.1

Ordinance No. 99-792, Amending the FY 1998-99 Budget and Appropriations Schedule in the Support Services Fund by Transferring $270,000 from Contingency to Materials and Services and Capital Outlay in the Administrative Services Department for Unanticipated Expenditures in Information Management Services; and increasing the Total FTE in the Administrative Services Department by 1.0 FTE System Analyst; and Declaring an Emergency,

First Reading

Metro Council Meeting
Thursday, January 21, 1999
Council Chamber

BEFORE THE METRO COUNCIL

AN ORDINANCE AMENDING THE FY 1998-99 BUDGET AND APPROPRIATIONS SCHEDULE IN THE SUPPORT SERVICES FUND BY TRANSFERRING $270,000 FROM CONTINGENCY TO MATERIALS AND SERVICES AND CAPITAL OUTLAY IN THE ADMINISTRATIVE SERVICES DEPARTMENT FOR UNANTICIPATED EXPENDITURES IN INFORMATION MANAGEMENT SERVICES; AND INCREASING TOTAL FTE IN ADMINISTRATIVE SERVICES DEPARTMENT BY 1.0 FTE SYSTEM SPECIALIST; AND DECLARING AN EMERGENCY	)	ORDINANCE NO. 99-792 Introduced by Mike Burton, Executive Officer

WHEREAS, The Metro Council has reviewed and considered the need to transfer appropriations with the FY 1998-99 Budget; and

WHEREAS, The need for a transfer of appropriation has been justified; and

WHEREAS, Adequate funds exist for other identified needs; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

1. That the FY 1998-99 Budget and Schedule of Appropriations for the Support Services Fund are hereby amended as shown in the column entitled "Revision" of Exhibit A to this Ordinance for the purpose of transferring $270,000 from Contingency to Materials and Services and Capital Outlay in the Administrative Services Department for unanticipated expenditures in Information Management Services.

2. That the total full-time-equivalents (FTE) in the Administrative Services Department be increased by 1.0 FTE System Specialist.

3. That the Executive Officer is authorized to execute contracts related to this ordinance in accordance with Metro Code 2.04

4. This Ordinance being necessary for the immediate preservation of the public health, safety or welfare of the Metro area in order to meet obligations and comply with Oregon Budget Law, an emergency is declared to exist, and this Ordinance takes effect upon passage.

ADOPTED by the Metro Council this _______ day of _______________, 1999.

____
Rod Monroe, Presiding Officer

ATTEST:

____
Recording Secretary

Approved as to Form:

____
Daniel B. Cooper, General Counsel

Exhibit A
Ordinance No. 99-792
FY 1998-99 SCHEDULE OF APPROPRIATIONS

	Current Budget	Revision	Proposed Budget
Support Services Fund			
Administrative Services/Human Resources			
Personal Services	$4,395,358	0	$4,395,358
Materials & Services	1,289,406	258,000	1,547,406
Debt Services	128,979	0	128,979
Capital Outlay	412,779	12,000	424,779
Subtotal	6,226,522	270,000	6,496,522
Office of General Counsel			
Operating Expenses (PS and M&S)	755,526	0	755,526
Subtotal	755,526	0	755,526
Office of Citizen Involvement			
Operating Expenses (PS and M&S)	67,320	0	67,320
Subtotal	67,320	0	67,320
Office of the Auditor			
Operating Expenses (PS and M&S)	617,578	0	617,578
Subtotal	617,578	0	617,578
General Expenses			
Interfund Transfers	1,099,398	0	1,099,398
Contingency	357,448	(270,000)	87,448
Subtotal	1,456,846	(270,000)	1,186,846
Unappropriated Balance	358,003	0	358,003
Total Fund Requirements	$9,481,795	$0	$9,481,795

ALL OTHER APPROPRIATIONS REMAIN AS PREVIOUSLY ADOPTED

STAFF REPORT

CONSIDERATION OF ORDINANCE 99-792 AMENDING THE FY 1998-99 BUDGET AND APPROPRIATIONS SCHEDULE IN THE SUPPORT SERVICES FUND BY TRANSFERRING $270,000 FROM CONTINGENCY TO MATERIALS AND SERVICES AND CAPITAL OUTLAY IN THE ADMINISTRATIVE SERVICES DEPARTMENT FOR UNANTICPATED EXPENDITURES IN INFORMATION MANAGEMENT SERVICES; AND INCREASING THE TOTAL FTE IN THE ADMINISTRATIVE SERVICES DEPARTMENT BY 1.0 FTE SYSTEM SPECIALIST; AND DECLARING AN EMERGENCY.

Date: January 4, 1998 Presented by: Jennifer Sims

FACTUAL BACKGROUND AND ANALYSIS

Through the end of March 1998, the core PeopleSoft financial applications have been implemented. These financial applications include: General Ledger, Purchasing, Accounts Payable, Human Resources, Benefits, and Payroll. These implementations have resulted in several successes including a significant enhancement of information processing and retrieval capabilities for Metro's key financial operations and the year 2000 (Y2K) compliance for these functions.

The implementation of the Accounts Receivable and Billing modules has been delayed due to problems with the software as originally received from PeopleSoft, but it is now imperative that these modules be installed within the next few months. In addition, several needs have emerged for which adequate resources are not available. Additional funding is needed to address these issues:

- The already-installed PeopleSoft financial modules must be upgraded to the next release (version 6.0) by midyear 1999 since the current version 5.1 is now unsupported by PeopleSoft. In addition, the PeopleSoft Accounts Receivable and Billing modules require version 6.

- In order for the full benefits of PeopleSoft to be realized throughout Metro, an in-house training program for non-technical users must be established. This need is confirmed by the recent InfoLink audit. Also, several key technical and functional staff who had extensive experience and knowledge in PeopleSoft have left Metro for other opportunities. Recruitment for qualified technical replacements has been difficult due to significantly higher salaries in the private sector and competition for highly qualified PeopleSoft technical staff. New IMS hires do not have technical training in the systems currently in place at Metro. It is critical that IMS provide new staff a baseline of substantive technical training.

- IMS has had three in-house Database Administrators (DBA) since April 1997. The most current incumbent resigned in July of 1998. IMS has tried several times to recruit for a DBA, but has not been able to offer salaries commensurate with the private sector. Finally, after issuing an RFP in September 1998, Metro was able to locate a highly skilled DBA consultant through Natural Data. IMS has determined that a current IMS employee will be trained to assume the duties of the DBA by mid-1999. In the interim, IMS is proposing an extension of the current DBA consultant on a half-time basis through the end of FY 1998-99.

- IMS is requesting an additional 1.0 FTE Systems Specialist position that would be assigned to ongoing PeopleSoft technical support to work closely with functional users. The December 1998 audit recommended additional staffing based on a survey of support typically required for PeopleSoft applications. The budget review committee also supported this recommendation of additional staffing for Administrative Services.

Listed below are areas requiring funding to complete ongoing support for Metro's PeopleSoft application in FY 1998-99:

1. ***PeopleSoft Financials Version 6 Upgrade*** - Funds would support the acquisition of external technical and functional consulting services to enhance ASD technical and functional staff. **Cost: $130,000**

2. ***Training in report writing and Query for PeopleSoft functional users, and technical training for IMS staff*** - Funds would provide instructional support equipment for IMS' in-house training for functional users of PeopleSoft. Funds would also be used to ensure IMS technical staff develops and maintains critical technical skills. **Cost: $33,000**

3. ***Database Administrator Consultant*** - Funds would support the continuation of the current DBA consultant through the end of FY 1998-99 to ensure optimum data integrity for our PeopleSoft upgrades. **Cost: $110,000**

4. ***New Systems Specialist position to begin April 1, 1999*** - Funds would support the hiring of one additional FTE to support PeopleSoft. **Cost: $17,000**

ASD has identified savings of $20,000 that can be applied to meet the above. Also, due to IMS vacancies, adequate Personal Services appropriation exists to cover the proposed new FTE. The remaining amount of $270,000 must come from Contingency in the Support Services Fund.

Total Required funding	**$290,000**
Identified Savings in Administrative Services	**(20,000)**
Requested Budget Adjustment	***$270,000***

BUDGET IMPACT

The general contingency in the Support Services Fund is currently budgeted at $357,448. This proposed action would transfer appropriations from Contingency to the following areas:

Budget Classification	Amount
Materials and Services	$258,000
Capital Outlay	12,000
Total	*$270,000*

After the transfer, the amount remaining in the Support Service Fund Contingency will be $87,448.

EXECUTIVE OFFICER RECOMMENDATION

The Executive Officer recommends approval of Ordinance No. 99-792.

CY:rs

i\budget\FY98-99\BudOrd\staff report

Agenda Item Number 7.2

Ordinance No. 98-794, For the Purpose of Repealing Ordinance No. 98-786C which added the Urban Reserve Areas 14 and 15 to the Urban Growth Boundary.

First Reading

Metro Council Meeting
Thursday, January 21, 1999
Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF REPEALING ORDINANCE NO. 98-786C WHICH ADDED URBAN RESERVE AREAS 14 AND 15 TO THE URBAN GROWTH BOUNDARY	)))))	ORDINANCE NO 99-794 Introduced by Councilor Atherton

WHEREAS, the Metro Council adopted Ordinance No. 98-786C on December 17, 1998 to add Urban Reserve Areas 14 and 15, as amended, to the regional urban growth boundary (UGB); and

WHEREAS, this ordinance is now acknowledged because the time for appeal of that ordinance has passed without a Notice of Intent to Appeal, after proper notice of decision under the Post Acknowledgment process in state law; and

WHEREAS, this ordinance was based on Metro's new legislative amendment process allowing amendment of the UGB prior to completion of an urban reserve plan; and

WHEREAS, the City of Happy Valley was identified as the city providing governance over this area; and

WHEREAS, circumstances have changed since the Metro Council and City of Happy Valley consideration of this UGB amendment making this UGB amendment prior to completion of an urban reserve plan premature; and

WHEREAS, those changed circumstances include the failure of the South-North Light Rail Transit Project which would have extended the regional transit system to Clackamas Town Center, relieving the road system for this area; and

WHEREAS, the lack of this light rail project by 2007 has the following air quality and transportation impacts in relationship to this UGB amendment:

- the regional air quality maintenance plan includes Metro's commitment to not move the UGB unless the new area can be adequately served by transit and an assumption that the South-North Light Rail Transit Project would be in service by 2007;
- the failure of light rail puts greater traffic volumes on Sunnyside Road, even with planned improvements;
- this area is a difficult area to serve with adequate transit due to the rural road and topography at the outer limits of the transit system;
- improvements to 145th Avenue with increased urban densities on the lands in this UGB using 145th Avenue and Sunnyside Roads would overload the transportation system in the absence of adequate transit; and

WHEREAS, this area should be reconsidered as open space to protect the Happy Valley community consistent with Metro's acknowledged RUGGO Objective 26.1, encouraging separation of communities; and

WHEREAS, prematurely adding these lands to the regional UGB will reduce the ability of the City of Happy Valley to plan for the land inside the unamended UGB that it has committed to serve; and

WHEREAS, prematurely adding these lands to the UGB limits the ability of the Metro Council to consider other lands better suited for future urbanization; now, therefore,

/////

/////

/////

/////

THE METRO COUNCIL ORDAINS AS FOLLOWS:

That Ordinance No. 98-786C is hereby repealed and urban reserve areas 14 and 15 shall be reconsidered for amendment of the regional urban growth boundary upon completion of the urban reserve plan for this area.

ADOPTED by the Metro Council this _____ day of _______________ 1999.

____
Rod Monroe, Presiding Officer

ATTEST:

____
Recording Secretary

Approved as to Form:

____
Daniel B. Cooper, General Counsel

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STAFF REPORT

CONSIDERATION OF ORDINANCE NO. 99-794, FOR THE PURPOSE OF REPEALING ORDINANCE NO. 98-786C, WHICH ADDED URBAN RESERVE AREAS 14 & 15 TO THE URBAN GROWTH BOUNDARY.

Date: Jan. 20, 1999 Prepared by: Michael Morrissey

Proposed Action: Ordinance No. 99-794 repeals Ordinance 98-786C which was adopted by the Metro Council on Dec. 17, 1998 as part of a legislative amendment process to the Metro regional urban growth boundary. The practical effect of this ordinance, with an emergency clause, is that urban reserve areas 14 and 15 in the Sunnyside area of Clackamas County, remain urban reserves, rather than being included within the urban growth boundary on March 7, 1999, which would have been the effective date of Ordinance 98-786C (90 days from its passage).

Factual Background and Analysis: Urban reserve areas 14 and 15 are comprised of approximately 665 acres, almost totally exception land, in the Sunnyside area of Clackamas County, near the city of Happy Valley. These areas can accommodate approximately 3,147 dwelling units and 908 jobs, according to Metro's Productivity Analysis.

They are tier 1 areas, which indicates an initial assessment by Metro staff and nearby jurisdictions that these areas appeared easier to serve (with urban services). In addition, tier 1 status, as clarified in Metro code, allows movement of the urban growth boundary to include such sites, when they receive commitment from a local jurisdiction to complete an urban reserve plan. This was the case for Urban Reserve areas 14 and 15, when the Metro Council adopted Ordinance 98-786C, after receiving commitment from Clackamas County to complete the necessary urban reserve planning, in conjunction with the City of Happy Valley.

Metro has in fact, awarded a $50,000 planning grant to Clackamas County to complete the urban reserve plan. The county is in the process of hiring a consultant to do the planning, which is expected to be completed within this fiscal year.

Transportation

Testimony was offered at public hearings on the need to improve transportation along Sunnyside road for current and future traffic. Clackamas County support for the inclusion of urban reserve areas #14 and 15, include the ability to improve and reopen 147th, including its intersection with Sunnyside Road.

The findings and staff reports for Ordinance 98-786C cite several potential transportation projects, including East Sunnyside Road, which are contained in the draft Regional Transportation Plan (RTP). The RTP has progressed through several drafts and a summer/fall, 1999 completion date is anticipated. East Sunnyside road in particular, is on of a list of projects identified as most critical in the Portland region for the next 20 years. In addition, a TGM Grant was awarded to Clackamas County to conduct a corridor study for Sunnyside Road, which should assist in providing transportation-related requirements of the urban reserve plan. The results of this grant should be completed within this fiscal year.

While neither the transportation section of findings, nor the staff report for Ordinance 98-786C directly mention the S/N Light Rail project, it was identified in both the 2040 Growth Concept and as an element of the draft preferred Regional Transportation Plan.

<u>Neighbor Cities/ Separation of Communities</u>
RUGGO objective 26 is identified as <u>Neighbor Cities</u>. It reads:

> Growth in cities outside the Metro UGB, occurring in conjunction with the overall population and employment growth in the region, should be coordinated with Metro's growth management activities through cooperative agreements that provide for:
>
> 26.1 Separation. The communities within the Metro UGB, in neighbor cities, and in the rural areas in between will all benefit form maintaining the separation between these places as growth occurs. Coordination between neighboring cities, counties and Metro about the location of rural reserves and policies to maintain separation should be preserved.

Examples of neighbor cities are later cited to be those such as Canby, Sandy and Newberg.

Urban reserves 14 and 15 are to the SE of Happy Valley, and urban reserve 14 abuts other urban reserves to the east.

<u>HB 2709</u>
House bill 2709 requires Metro to identify the regional 20-year land supply needed for dwelling unit capacity. Upon that identification, Metro is then required to move the UGB to include an area necessary to meet 1/2 that need within 1 year. The Department of Land Conservation and Development (DLCD) staff has recently agreed that Metro has met that requirement when, in December of 1998 it moved the region's UGB to include 3,527 acres, by ordinance. This in turn would accommodate approximately 15,718 dwelling units. Ordinance 99-794 would reduce this acreage and dwelling unit capacity by 665 acres and 3,147 dwelling units, possibly reopening a discussion with DLCD.

012199c-01

SCHWABE WILLIAMSON & WYATT P.C.
ATTORNEYS AT LAW

PACWEST CENTER, SUITES 1600-1800
1211 SOUTHWEST FIFTH AVENUE ▪ PORTLAND, OREGON 97204-3795
TELEPHONE: 503 222-9981 ▪ FAX: 503 796-2900 ▪ TELEX: 650-686-1360

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Mr. Rod Monroe, Presiding Officer METRO	797-1793	

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HON. EUGENE L. GRANT
Mayor

RANDY NICOLAY
MICHAEL SCHAUFLER
JONATHAN EDWARDS
ROBERT BROOKS

City Administrator
WILLIAM BRANDON

City Recorder
CAROL K. PETERS

City of Happy Valley

TELEPHONE (503) 760-3325
12915 S.E. KING ROAD
HAPPY VALLEY, OR 97236-6298
FAX (503) 760-9397

January 20, 1999

VIA FACSIMILE [797 1793] AND U.S. MAIL

Mr. Rod Monroe
Presiding Officer
METRO
600 NE Grand Ave.
Portland, OR 97232-2736

Re: Reserve Areas 14 and 15 and the City of Happy Valley

Dear Presiding Officer:

I was recently elected Mayor of Happy Valley. I am writing this letter as directed by a unanimous vote of the Happy Valley City Council. At our meeting last night, we discussed with a great deal of interest the ordinance proposed by Councilor Bill Atherton to withdraw the Reserve Areas 14 and 15 from the UGB. We feel any consideration of this ordinance is premature and should be delayed until the newly elected Happy Valley City Council has an opportunity to formulate its position on this subject. As I explained to Councilor Atherton when I talked to him on the phone last week, our City Council has a work session scheduled for next Tuesday, January 26th where this subject will be the first order of business. We are hopeful that we will be able to reach a consensus at that meeting or in a matter of days thereafter. We believe this is a front burner issue of great import to our City and the region which deserves careful consideration.

We want to get off to a good start with METRO as a constructive partner in resolving regional issues of concern to Happy Valley. To that end, I previously communicated to Councilor Atherton an invitation to meet with our City Council to discuss and, hopefully, reach a consensus with the METRO Council on the appropriate resolution of the key issues of joint concern to METRO and Happy Valley. I am hopeful we can arrange such a joint meeting that would include most if not all of our respective councilors, sometime early in February. We have regularly scheduled City Council meetings at 7:00 P.M. on February 2nd and 16th where we could jointly discuss these issues or perhaps there is a METRO Council meeting where you could put us on your agenda for such a discussion. Because both of our Councils have a majority of new members, it would be appropriate to defer action on the proposed ordinance and any other matters of joint interest until we have had sufficient time to develop a position and discuss that position with the METRO Council.

One last point we want to make is that there are a number of reasons why Happy Valley may in fact oppose Councilor Atherton's proposed ordinance to withdraw these reserve areas. The City Council unanimously opposes any action that would require increased density of residential development inside the current Happy Valley City limits. According to our staff, withdrawal of these reserve areas would do exactly that. The adoption of the required voter approval of future annexations to the City should not be read as an indication that the Happy Valley voters are opposed to annexation and development of these reserve areas. During the November City Council election, a consensus developed among all the candidates that annexation and development of these reserve areas may be in the best interests of the City for a number of reasons, not the least of which is the ability to avoid unduly increasing density in the heart of the City. We want to hear both sides of the issues and make a well reasoned decision.

Our City is very unusual in that it currently consists of relatively low density residential development surrounded by unincorporated high density multi-family and commercial development. Solutions to Happy Valley's problems require some counter intuitive, outside the box, thinking as a result. We have some very creative ideas we hope to discuss with the METRO Council very soon, and we hope to develop a joint strategy that will be beneficial to all of us. We look forward to working with you.

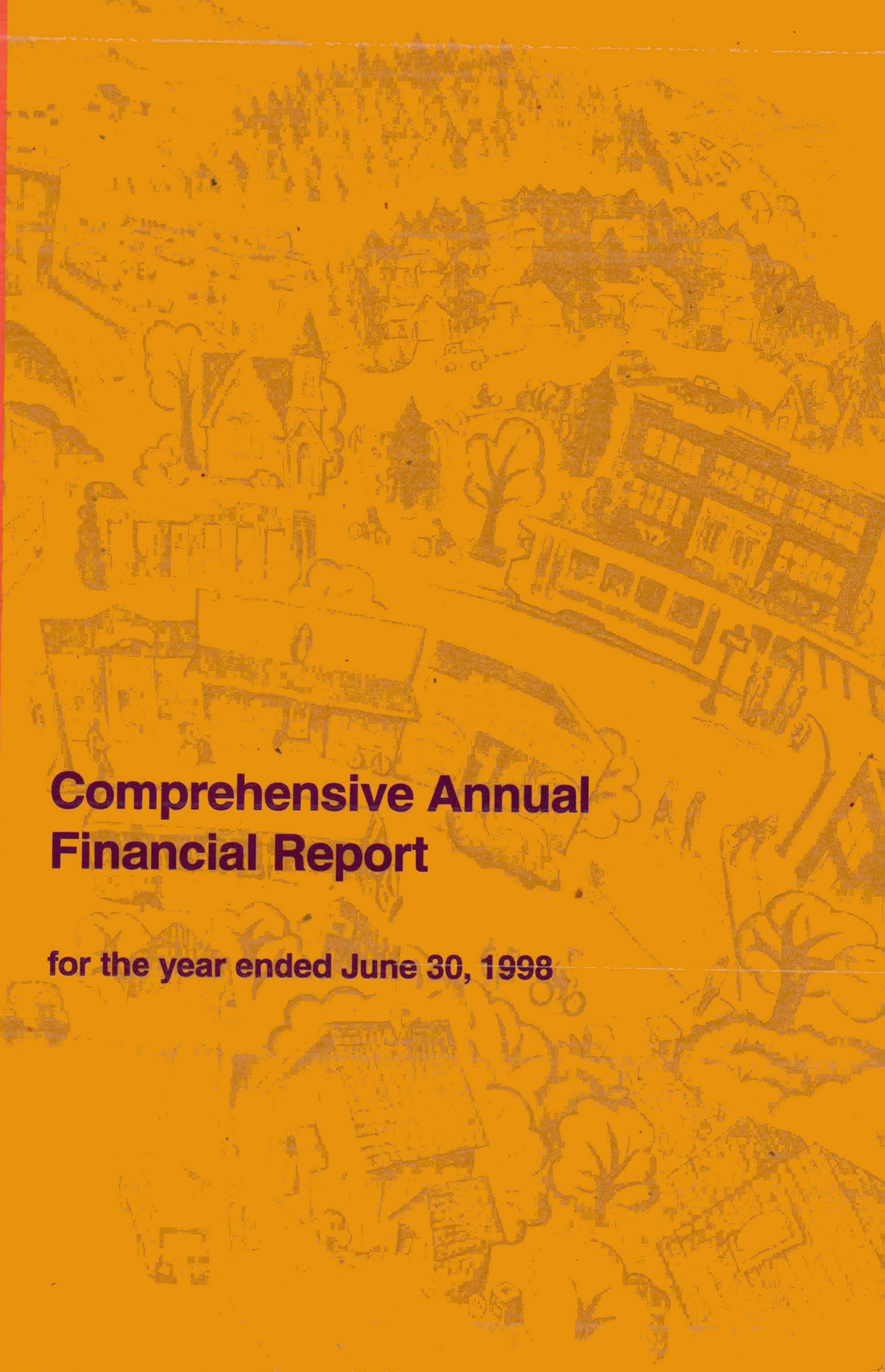
Respectfully submitted,

Eugene L. Grant

Eugene L. Grant
Mayor

ELG:elg
cc: Bill Brandon
Jim Crumley
Happy Valley City Council
METRO Councilors and Executive officer

MetroCAFR



Comprehensive Annual Financial Report

for the year ended June 30, 1998

METRO
Regional Services
Creating livable communities

Oregon

Metro
Creating livable communities

If you live, work and play in the metropolitan area, Metro regional services matter to you and your family. That's because Metro is working to help ensure that you have

- access to nature
- clean air and water
- balanced transportation choices
- safe and stable neighborhoods
- a strong regional economy
- resources for future generations

Metro serves 1.3 million people who live in Clackamas, Multnomah and Washington counties and the 24 cities in the Portland metropolitan area. Metro provides transportation and land-use planning services and oversees regional garbage disposal and recycling and waste reduction programs.

Metro manages regional parks and greenspaces and the Metro Washington Park Zoo. It also oversees operation of the Oregon Convention Center, Civic Stadium, the Portland Center for the Performing Arts and the Portland Metropolitan Exposition (Expo) Center, all managed by the Metropolitan Exposition-Recreation Commission.

For more information about Metro or to schedule a speaker for a community group, call 797-1510 (public affairs) or 797-1540 (council).

Metro's web site:
www.metro-region.org

Metro is governed by an executive officer, elected regionwide, and a seven-member council elected by districts. Metro also has an auditor who is elected regionwide.

Executive Officer
Mike Burton

Auditor
Alexis Dow, CPA

Council
Presiding Officer
District 3
Jon Kvistad

Deputy Presiding Officer
District 1
Ruth McFarland

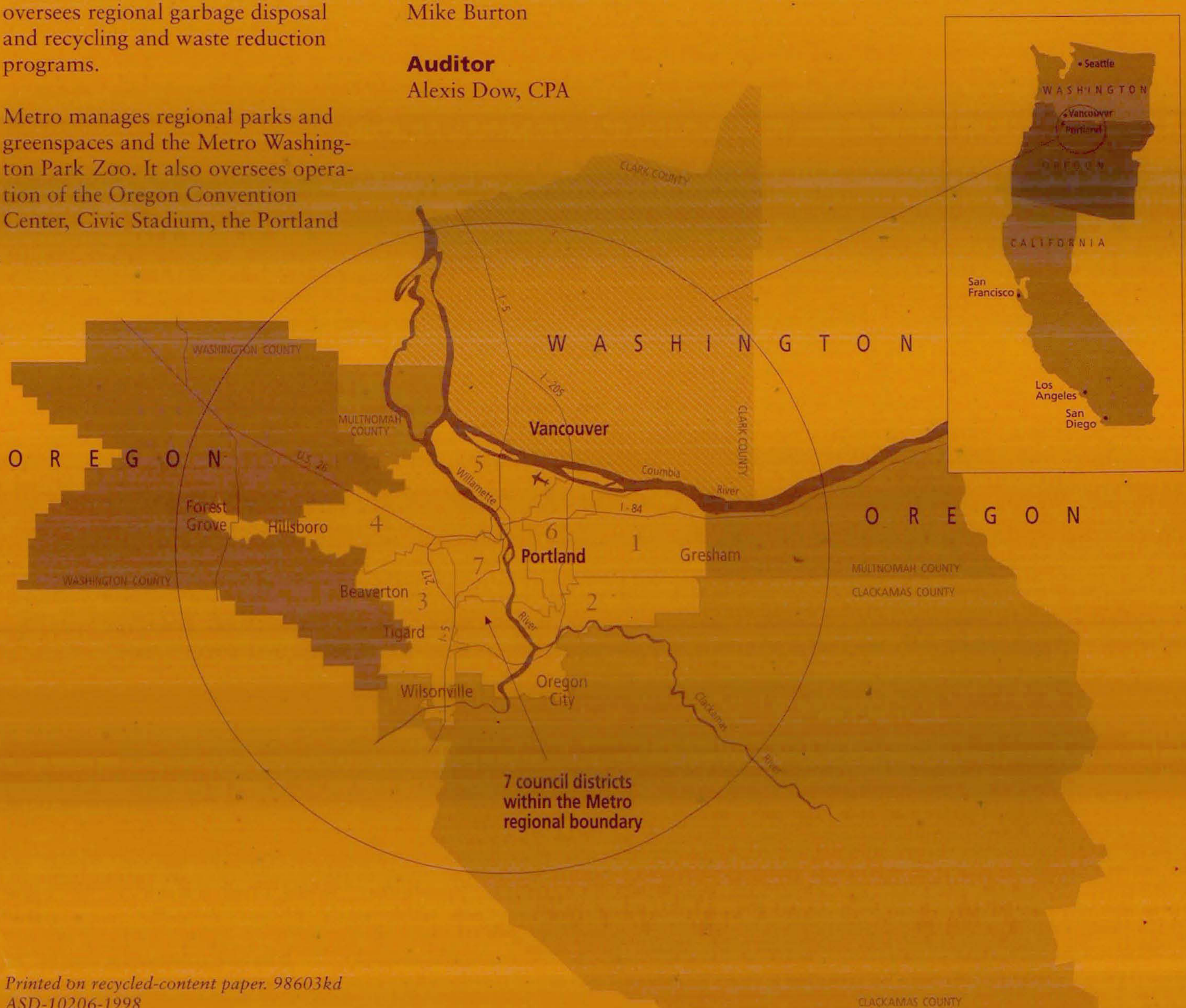
District 2
Don Morissette

District 4
Susan McLain

District 5
Ed Washington

District 6
Rod Monroe

District 7
Patricia McCaig



7 council districts within the Metro regional boundary

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Metro, the regional government that serves the 1.3 million people living in Clackamas, Multnomah and Washington counties and the 24 cities in the Portland metropolitan area, provides services that guide growth and help create livable communities.

MetroCAFR

Comprehensive Annual Financial Report

for the year ended June 30, 1998

Administrative Services Department

Director/Chief Financial Officer
Jennifer Sims

Prepared by
Accounting Services Division

Accounting Manager
Donald R. Cox Jr., CPA

METRO
Regional Services
Creating livable communities

Oregon

METRO

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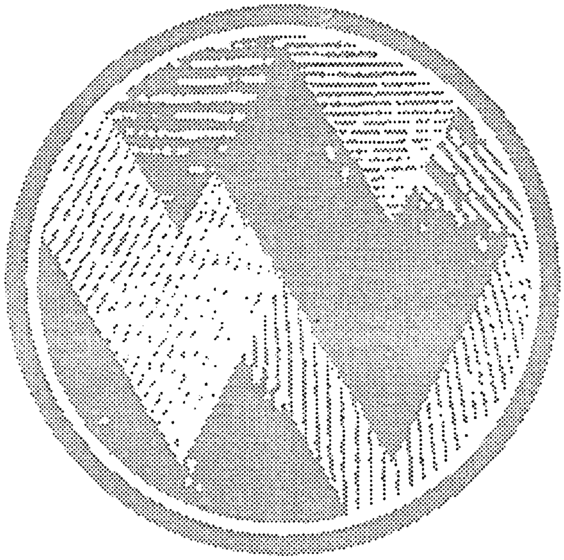


Introductory Section

600 NORTHEAST GRAND AVENUE | PORTLAND, OREGON 97232 2736
TEL 503 797 1700 | FAX 503 797 1797

METRO

December 11, 1998

To the Councilors and Citizens of the Metro Region:

I hereby transmit the Comprehensive Annual Financial Report (CAFR) of Metro as of June 30, 1998, and for the year then ended. Management is responsible for the information and representations contained in this report, and I believe that the information presented is accurate in all material respects and fairly sets forth the financial position and results of operations of Metro.

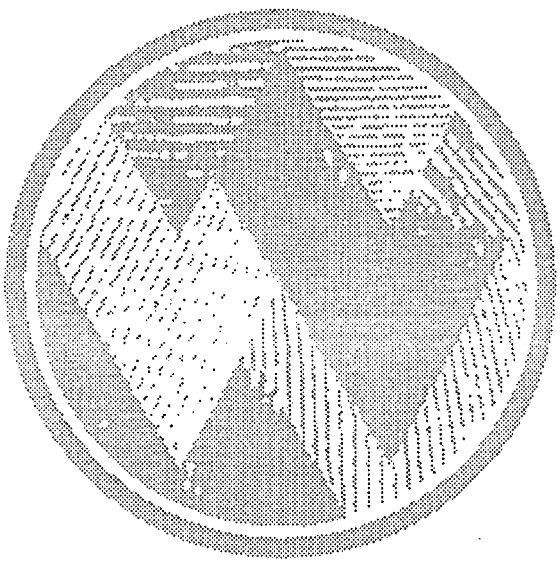
This CAFR provides information on Metro's use of resources to accomplish Metro's mission of providing regional services that guide growth and create livable communities, focusing resources to functions that help to ensure that people in the region have: *access to nature, clean air and water, the ability to get around the region easily, safe and stable neighborhoods, resources for future generations, and a strong regional economy.* Metro's Charter directs that its most important service is "planning and policy making to preserve and enhance the quality of life and the environment for ourselves and future generations." Metro complied with its Charter mandate to adopt a Regional Framework Plan and will continue to work on the implementation of the plan. Metro continues to provide the broad range of services to the citizens of the region to manage growth and concentrate on keeping our region an excellent place to live, raise families, and earn a living. Metro continues to be an innovator and a model for other urban regions - both in this country and abroad - in the ways the agency is working to preserve livability while accommodating growth.

Metro and its staff strive to continually improve its financial operations, systems and reporting to provide full accountability to citizens of the region. This effort has resulted in the receipt, by Metro, of the Certificate of Achievement for Excellence in Financial Reporting for the past six consecutive fiscal years. I extend my appreciation to Jennifer Sims, Chief Financial Officer, and to the staff of the Accounting Services Division in the Administrative Services Department for this accomplishment and for their efforts in preparing this CAFR.

I encourage you to read the information contained in this CAFR and see how Metro used the resources provided to serve the citizens of the Metro region during the fiscal year ended June 30, 1998.

Sincerely,

Mike Burton
Executive Officer



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METRO

December 11, 1998

To the Executive Officer, Council and Citizens of the
Metro Region:

In accordance with ORS 297.425, we are pleased to submit the Comprehensive Annual Financial Report of Metro, for the fiscal year ended June 30, 1998, together with the report thereon of our independent auditors, Deloitte & Touche LLP. Metro management is responsible for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the data contained in this report is accurate in all material respects and is organized in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of Metro. All disclosures necessary to enable the reader to gain an understanding of Metro's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory section includes this transmittal letter, Metro's organizational charts and a list of principal officials. The Financial section includes the general purpose financial statements and the combining and individual fund, account group and component unit financial statements and schedules, as well as the independent auditors' report on the financial statements and schedules as identified in their report. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis for analysis purposes. The Comprehensive Annual Financial Report also includes Audit Comments and Disclosures, including comments required under the Minimum Standards for Audits of Oregon Municipal Corporations Section of the Oregon Administrative Rules.

The Comprehensive Annual Financial Report includes all funds and account groups of Metro, including information for the Metropolitan Exposition-Recreation Commission (MERC) component unit as required by Governmental Accounting Standards Board Statement No. 14. Metro is responsible for the operation and management of MERC and appoints each of the seven members of the MERC Commission. Metro is financially accountable for the operations of MERC and is able to impose its will in MERC's operations through review of resolutions, budget approval and fiscal management.

In addition to the above report, Metro is required to have an audit of its expenditures of federal awards in accordance with the U. S. Office of Management and Budget Circular A-133 and the provisions of *Government Auditing Standards* issued by the Comptroller General of the United

States. Reports on Metro's internal control, compliance with applicable laws, regulations, grants and contracts, and the Schedule of Expenditures of Federal Awards for the year ended June 30, 1998, have been issued under separate cover.

ECONOMY

Metro is located in the urbanized portion of Oregon's Clackamas, Multnomah and Washington counties. Twenty-four cities are within Metro's boundaries which comprise the Portland metropolitan area, the largest of these being Portland, Gresham, Beaverton, Hillsboro, Tigard, Lake Oswego, Oregon City, Milwaukie, Tualatin and West Linn.

The Portland metropolitan area is the financial, trade, transportation and service center for Oregon, southwest Washington state and the Columbia River basin. The manufacturing base continues to diversify with growth during the last eleven years in the machinery, electronics, transportation equipment, and fabricated metal products industries. Nonagricultural wage and salary employment for Oregon have increased 2.9% (44,500 jobs) from April 1997 to April 1998, according to the US Bancorp Department of Economics. Services employment was up 14,800 jobs or 3.7% over the prior year accounting for more than one-third of the job gain. Total unemployment in the Portland Primary Metropolitan Statistical Area (PMSA) appears to have been about 3% through the second quarter of calendar year 1998. The areas unemployment rate averaged about 4% throughout fiscal year 1998. This is somewhat lower than the state of Oregon, which overall reflected an adjusted unemployment rate of 5.2%, down from 5.7% in May of 1997.

According to US Bank, the April multiple listing report for the Portland Metropolitan Area showed that new listings, pending sales, and closed sales were all above the numbers for April 1997. For the first four months of calendar year 1998, listing activity was up 13.4%, pending sales increased 14.6%, and closed sales gained 5.6%.

Inflation in the Portland area as measured by the Portland consumer price index continues to outpace price level increases at the national level. The local price index rose 3.3% from the second half of calendar 1996 to the second half of calendar 1997. For the first half of calendar year 1998, prices increased by only 0.4%, pointing to potential lower inflation in the near term.

The Asian economic events continue to impact the Portland area, with curtailments at Nike impacting the company's advertising agency, and more sawmills are being affected. Sequent Computer has announced cutbacks and in early July 1998, Intel scheduled a partial two-week shutdown, in part to balance inventories. Most economic forecasters see slower growth over the next twelve to eighteen months, but while weaker they remain positive.

Within Portland, three large "class A" office buildings are under construction, as well as Phase II of the Rouse Pioneer Place Retail Pavilion. Also, 36 additional projects are in the planning phase, under construction, or recently built - including a number of hotels totaling approximately 1,000 rooms.

These economic factors will challenge Metro in implementing the plans for regional growth through the Region 2040 project and its transportation planning functions, while continuing to provide a sound economy to support the Metro Washington Park Zoo, Oregon Convention Center and Expo Center, and other spectator and recreational facilities under Metro's management. Strong operations and programs for solid waste reuse, reduction and recycling handled by Metro's Regional Environmental Management Department will be necessary to handle the waste volumes generated by increased industry, construction and population.

ORGANIZATIONAL STRUCTURE AND SERVICES PROVIDED

Metro, the nation's only directly elected regional government, operates under the authority of a home rule Charter. Metro is governed by the seven-member Metro Council. An Executive Officer and Auditor are elected region-wide. The Executive Officer's role is to carry out the policies of the Council and administer the functions of Metro. The Metro Council conducts all legislative business in weekly meetings, supplemented by various Council committee meetings held throughout the month. The Auditor is responsible for financial and performance audits of Metro's programs and activities. Metro's current primary Charter mandated responsibilities include regional planning (transportation, urban growth boundary management and other planning activities), solid waste disposal and waste reduction programs, operation of a first class zoo, and operation of the metropolitan region's spectator facilities through the Metropolitan Exposition-Recreation Commission (MERC).

DEPARTMENTAL ACTIVITY

Transportation Department

During fiscal year 1998, Metro's Transportation Department continued to perform its designated functions as the region's Metropolitan Planning Organization to secure and allocate federal highway and transit funds. Planning and decision making for assigning project priorities and funding for the region's transportation program are performed in close cooperation with local governments, state and other regional agencies. The Joint Policy Advisory Committee on Transportation (JPACT) and the Transportation Policy Alternatives Committee provide forums for coordination and decision making with state, regional and local government staff, elected representatives and citizens. The Transportation Department contains three major components – *Transportation Planning, High-Capacity Transit Planning,* and *Travel Forecasting.*

During fiscal year 1998, the department's *Transportation Planning* section completed or continued work on a number of activities related to its main mission of updating and maintaining the Regional Transportation Plan (RTP) and Metropolitan Transportation Improvement Program (MTIP), coordinating with local jurisdictions, conducting corridor and sub-area studies, and working with the State of Oregon Department of Environmental Quality (DEQ) on Clean Air Act requirements. The system component of the Federal RTP update completed the alternatives analysis phase. The recommendation phase will go through mid-FY 1999. The section revised criteria heading into another MTIP allocation process. *Transportation Planning* worked with the Growth Management Services Department to update the transportation section of the Urban Growth Management Functional Plan and complete the Regional Framework Plan. Section staff have assisted local governments on compliance actions required under the Urban Growth Management Functional Plan and reviewed local plans and projects for consistency with regional objectives. The section continues to work on the South Willamette River Crossing Study, completing the analysis stage and moving to the recommendation stage. Metro continued to work with the Oregon Department of Transportation and six participating agencies on the Traffic Relief Options Study. The study task force has narrowed the list of potential demonstrations to nine, and will make final recommendations and conclusions in FY 1999.

The *High-Capacity Transit (HCT) Planning* section completed the South/North Draft Environmental Impact Statement (DEIS) and dozens of supporting documents, in cooperation with the Federal Transit Administration, Tri-Met and several participating jurisdictions. Publication of the South/North DEIS was followed by an eight week public comment period that included three public hearings hosted by the South/North Steering Committee. The Locally Preferred Strategy decision making process and the Land Use Final Order adoption process for the South/North project were initiated following the public comment period and were completed, except for JPACT and Metro Council action, by the end of the fiscal year.

The *Travel Forecasting* section administered a major household activity survey in fiscal year 1995. Using the data derived from this effort, a state-of-the-art travel demand model has been developed. This model relates the activity patterns of an individual and the means to travel to them. A noteworthy feature of the model is the full interaction and interdependence of the traveler's choices regarding trip generation, time of day, trip chaining, destination, and mode of travel. Attention has also focused on the development of a database and tools to improve the analytical capabilities for freight transport. Commodity flow movements in the region have been quantified and stratified by commodity groups, international and domestic market segments, inbound/outbound directionality, mode of transport (sea, air, rail, truck), and corridor distribution. Based on the flow patterns, truck usage on the road infrastructure can be estimated. This information is essential for freight project development, analysis, and prioritization. Modeling services were provided for projects within Metro, such as: the South/North DEIS, the RTP, the MTIP, Congestion Pricing analysis, and the South Willamette Corridor Study. Assistance was also provided to external entities such as the Oregon Department of Transportation, Tri-Met, the Port of Portland, and the cities and counties of this region.

Growth Management Services Department

The Growth Management Services Department facilitates decisions to maintain a regional consensus on growth management. The priorities are to preserve and enhance the livability of the region and promote livable communities. The Metro Charter directs growth management to be a primary function of Metro and requires Metro to coordinate land-use planning within the region. The Growth Management Services Department consists of four divisions -- *Community Development, Long Range Planning, Data Resource Center and Administration.*

The *Community Development* staff oversee the implementation of and compliance with the Regional Framework Plan, adopted in December 1997, and the Urban Growth Management Functional Plan, adopted in November 1996. The Regional Framework Plan is a comprehensive set of policy guidelines for managing the region's future. The Functional Plan requires local governments to change local comprehensive plans and implementing ordinances to comply with plan goals. Staff provide technical assistance and training to local planners, review plans and codes and coordinate with staff from various agencies and jurisdictions. Division staff are also responsible for administering Metro's Urban Growth Boundary and began processing amendments to change the boundary. This division is responsible for the compliance process to be undertaken in the upcoming fiscal year.

During fiscal year 1998, the *Long-Range Planning* staff worked with the Metro Policy Advisory Committee and the Metro Council to adopt the Regional Framework Plan. As part of this work, a Housing Needs Analysis and an Urban Growth Report were completed. Work also began on performance measures, a management tool for evaluating growth management efforts. Staff also assisted a variety of advisory groups as well as the Metro Council in adopting Title 3 of the Urban Growth Management Functional Plan, which sets policies for protecting stream corridors.

The *Data Resource Center (DRC)* maintains an extensive network of information about the Portland metropolitan region's land, population and economy. The DRC maintains the Regional Land Information System (RLIS), a computer mapping system which provides land records, urban development patterns and environmental data for businesses, local jurisdictions and other Metro departments. During fiscal year 1998, work began on developing an "electronic" storefront on the internet to serve clients.

The *Administration Division* provides support services to the department including contract administration, grants management, personnel administration and budget preparation and monitoring. The department's public involvement staff is also housed in this division. Public involvement staff produced newsletters, fact sheets and other written materials, coordinated public outreach for Title 3 (water quality), and completed a major outreach effort on the Regional Framework Plan.

Metro Washington Park Zoo

The Metro Washington Park Zoo is Oregon's largest paid tourist attraction. The Zoo has averaged in excess of one million annual visitors for a decade. In fiscal year 1998, the Zoo opened the first phase of the voter approved project called "The Great Northwest" that included education classrooms and a return path from the Africa Exhibit. The project is financed by $28.8 million in general obligation bonds approved by voters in September 1996.

In October, the Zoo achieved a successful birth of a rare black rhino. The birth was especially significant because the baby was female, which are under-represented in the population. Other significant births included a reticulated giraffe, a musk ox, and humboldt penguins. In Spring and Summer, the Zoo hosted a traveling education and conservation program featuring koalas, which helped boost attendance for the summer. Light rail station construction finally neared completion at the end of the fiscal year.

During the year the Zoo was under major construction for the opening of the second phase of the Great Northwest Project, which included a new entrance adjacent to the light rail station. The project features a Mountain Goat exhibit, new restaurant and banquet facility, and retail facility. The project will make the Zoo easier to use, eliminate antiquated facilities, and will help the Zoo become increasingly self-sufficient.

Total enterprise revenues totaled $7.5 million in fiscal year 1998 and continued to grow as a source of Zoo funding. Property taxes have fallen to 40% of the Zoo's revenue, well below the Council mandated 50% limit. This is a result of both growth in enterprise revenues and impacts of ballot measures that have limited the growth of property taxes. In fiscal year 1998, these ballot measures (47/50) resulted in a decrease in property tax revenue of $1.26 million from previously anticipated amounts. The Zoo's entrepreneurial efforts enable the Zoo to meet its goals of providing visitors unique educational and recreational opportunities to experience wildlife in a naturalistic setting and to learn to "*care now for the future of life*," the Zoo's stated vision.

Regional Environmental Management Department

Metro's Regional Environmental Management Department (REM) is responsible for regional solid waste management. The Department aims at all times to contribute to the livability of the Metro region by taking actions that reduce and manage the region's solid waste in an effective, economical, and environmentally sound manner.

The Department owns and contracts for the operation of Metro's two solid waste transfer stations, owns and operates two hazardous waste facilities, and arranges for disposal at landfills and other facilities. REM develops and administers a solid waste management plan for the region as part of Metro's planning responsibilities.

In June 1998, Metro lowered the regional disposal rate from $70 per ton to $62.50 per ton plus $5 per transaction. This second consecutive reduction in the disposal rate was due to significant savings in the cost of disposal, lower than projected costs of transfer station operations, and the amount in excess of department requirements for the Solid Waste Revenue Fund's unappropriated fund balance.

With the second major reduction in the Metro disposal rate in two years, a one-year pilot recovery-incentive program was initiated in June of 1998. This program, the Regional System Fee Credit program, rewards recovery efforts at solid waste processing facilities by granting a credit on Metro's Regional System Fee based on the facility's rate of material recovery.

Regional disposal tonnage remained flat during fiscal year 1998 at 1,265,000 tons, compared to 1,264,000 tons in the previous year. Tonnage delivered to Metro transfer stations in fiscal year 1998 dropped 12,000 tons or 1.6% from that delivered in fiscal year 1997.

During fiscal year 1998, Browning Ferris, Inc. was awarded a five year contract for operation of both of Metro's transfer stations. The total number of transactions, including commercial and public customers, reached 313,000, which was a 2% increase from the prior year. Commercial transactions at the Metro transfer stations were automated during the year, including 24-hour operational capability. A number of major facility improvements were made at the two transfer stations which improved customer service and safety. These improvements, in conjunction with a comprehensive health and safety program, have resulted in a significant reduction in injuries and costs associated with chemical spills at these facilities.

The total number of household customers served at the permanent hazardous waste facilities increased to 20,366, a 14% increase over fiscal year 1997. The number of customers served by Metro's mobile household hazardous waste collection events continues to increase dramatically. These events served 7,740 customers during the fiscal year, 44% more than the prior year and 21% higher the record-breaking year in fiscal year 1996. Collection events included six full-scale events and fifteen neighborhood-scale events. The Conditionally Exempt Generator (CEG) program, which provides incentive for small businesses throughout the region to properly dispose of hazardous wastes, was expanded to the Metro South transfer station. The program served 261 businesses in fiscal year 1998.

St. Johns Landfill methane gas began flowing from the landfill through a 9,400 foot underground pipeline to Ash Grove Cement Company. The energy recovered is equal to that needed to heat 3,500 homes for one year. Metro will receive revenue of approximately $1.4 million over 13 years from this recovery operation, helping to offset the cost of maintaining the landfill's gas recovery system. A number of projects enhancing and protecting the adjacent Columbia Slough area were completed, including repair of a section of the perimeter dike, planting of native shrubs and trees, and construction and vegetation of experimental terraces in the slough. These rock and sand terraces will provide information about the effectiveness in resisting erosion of the protective dike. Metro also began a five-year test to determine whether it is feasible to establish native vegetation on the St. Johns Landfill cover cap.

In fiscal year 1998, REM managed more than $500,000 in grants through its Enhancement Program, which promotes enhancement of the communities surrounding the Metro transfer stations. In addition, more than $100,000 in Disposal Vouchers were awarded, allowing neighborhood organizations and other non-profits throughout the region to conduct clean-up events without incurring large disposal costs.

Through REM's Waste Reduction, Planning and Outreach Division, over $900,000 in waste reduction grants were awarded to provide financial assistance to local governments for recycling and other waste reduction programs, and to businesses for commercial organic waste diversion programs.

The region's recycling rate continues to set standards for jurisdictions around the country, due in large part to the efforts of REM. The recycling rate for the Metro region for calendar year 1996 (most current data available) was 41%. Nearly 40,000 students participated in REM sponsored waste reduction education programs. The Metro Recycling Information Center (RIC), the clearinghouse for waste reduction, recycling and solid waste disposal information for the Metro region, answered 95,000 inquiries. In the annual survey of callers, on average, respondents rated the information provided by RIC 4.8 on a five point scale, with "5" being the highest rating of satisfaction.

Regional Parks and Greenspaces Department

Metro offers a variety of park facilities and recreation opportunities for citizens and visitors in the metropolitan region. Over a million visitors each year enjoy picnicking, hiking, camping, swimming, boating, fishing, canoeing, field sports and wildlife watching. Metro manages and operates 15 park, greenspace and marine facilities including Blue Lake Regional Park, Oxbow Regional Park, Howell Territorial Park, Beggars-tick Wildlife Refuge, Smith and Bybee Lakes Wildlife Refuge, Chinook Landing Marine Park and Glendoveer Golf Course.

The Metropolitan Greenspaces Master Plan approved by Metro Council in 1992 identifies 57 regionally significant natural areas and 34 regional trail and greenway corridors to be cooperatively managed as a regional system for wildlife and people. In support of the master plan, voters of the region approved a $135.6 million general obligation bond issue in fiscal year 1995. Funds from the bond measure are being used to acquire about 6,000 acres of open space in 14 regional target areas, acquire six regional trail and greenway corridors and fund about 100 local government greenspace projects. Through June 30, 1998, Metro had acquired 3,388 acres of open space, representing 56% of the acquisition goal. In addition, Metro has funded 58 local parks projects in the amount of $11,118,783 out of the $25 million "local share" component of the bond measure which was reserved for the 26 jurisdictions and local parks providers.

Newly acquired parks and open spaces property will be managed as landbanked property. These acquisitions, as well as existing park facilities, require a comprehensive assessment and planning process to assure protection of the natural resources and to identify appropriate recreational uses of the land. Master planning efforts for Oxbow Park and Columbia River Management Unit were completed in fiscal year 1998.

Funds from the U.S. Fish and Wildlife Service supported seven habitat restoration grants, fourteen environmental education grants and the publication of the *Metro GreenScene* in fiscal year 1998. Grant funding leveraged an additional $265,764 in local community cash and in-kind support. Metro GreenScene, a calendar of hikes, tours, classes and events published three times annually offered over 300 opportunities for citizens to learn and experience their urban natural areas conducted by Metro staff and cooperators.

Metro Regional Parks and Greenspaces Department will continue to provide a variety of ways for people to enjoy and support their parks and greenspaces. Offering recreational, educational, planning and volunteer opportunities will help build public awareness and citizen involvement to establish and maintain a quality system of parks, greenspaces, trails and greenways.

Metropolitan Exposition-Recreation Commission (MERC)

The Metropolitan Exposition-Recreation Commission (MERC) manages the regional convention, trade and performing arts facilities. These facilities include the Civic Stadium, the Portland Center for the Performing Arts (PCPA), the Oregon Convention Center (OCC) and the Portland Metropolitan Exposition Center (Expo Center). MERC experienced some flattening of revenues in fiscal year 1998 due in part to reaching near maximum capacity in OCC and PCPA. Additionally, growth in hotel/motel tax revenues was not as strong as in prior years.

Fiscal year 1998 was the tenth anniversary celebration season for the expanded performing arts complex; the New Theatre Building had opened in August-September 1987. Acceptance of a naming gift of $650,000 for the Newmark Theatre (formerly Intermediate), was a highlight of the year. These funds will be disbursed by the Oregon Jewish Community Foundation in accordance with the terms of the donor agreement. In addition, PCPA had a very strong year of activity, hosting 971 events with a total attendance of 1,123,665 (close to the record set in fiscal year 1996). A record number of commercial events were garnered, led by a six-week return engagement for the Phantom of the Opera, bringing 48 performances to Civic Auditorium in July and August. Major reinvestment in theatre buildings and equipment was accomplished through the Capital Improvement Program, including exterior cleaning, restoration and painting of the Arlene Schnitzer Concert Hall, along with replacement of lighting control systems; installation of a new cooling tower at Civic Auditorium, along with phase 2 of plumbing replacement to backstage areas; and construction of American Disabilities Act restrooms at the New Theatre Building.

The Oregon Convention Center had another near capacity year. OCC continues to experience a flattening of attendance and operating revenues as a result of reaching capacity. Subsequent to year end, an effort to expand the facility by taking a funding package to the voters for approval in November 1998 was unsuccessful. MERC is continuing to investigate options to enhance OCC capacity.

Fiscal year 1998 was the first full year of operating the Expo Center's new building totaling nearly 130,000 square feet. The Expo Center has enjoyed an ever increasing number of events to date with the marketability and success of its newest hall. The addition of the new hall contributed to another financially successful year.

Civic Stadium hosted the Portland Rockies 1998 baseball season, two men's United States National Team soccer matches, Major League Soccer exhibition, the Lilith Fair and other events making this a financially successful year for the facility. The Civic Stadium Advisory Committee completed their work and presented their recommendations to MERC, Metro and the City of Portland. The recommendations included: retaining Civic Stadium as a multi-use facility, making necessary renovations to produce additional revenue and funding for renovations from a mix of public and private dollars. MERC and City of Portland will begin reviewing proposals for the public/private funding package in early fiscal year 1999.

FUTURE PLANS

During fiscal year 1999, Metro will continue to focus on the future and work to preserve and enhance the region's livability, enhance Metro's ability to serve the public, increase Metro's efficiency and continue building relationships with local governments.

The *Growth Management Services Department* work program for fiscal year 1999 will center on legislative Urban Growth Boundary amendments to satisfy state requirements and various functional plans required by the Regional Framework Plan including school facility siting, natural hazards mitigation and fiscal/funding analysis. The department's staff will be providing technical assistance to local governments, developing education materials and coordinating public outreach efforts for Growth Management's various programs.

In the coming year, the *Transportation Department* will be publishing the South/North Final Environmental Impact Statement and complete preliminary engineering. The Transit Oriented Development Revolving Fund/Implementation program will encourage construction by the private sector of high-density housing and mixed-use projects that increase transit use. Also in fiscal year 1999, the Congestion Pricing project will focus on specific program objectives to complete the remaining work on Phase I and Phase II work elements. The 21-month Transportation Improvement Plan update process will begin during the coming fiscal year and the Regional Transportation Plan emphasis will continue toward implementation.

The *Regional Environmental Management Department* will identify changes and determine responses to emerging regulatory functions as they relate to existing and proposed franchised facilities in fiscal year 1999. REM will step-up regional waste prevention and reduction programs to meet statutory goals and continue to facilitate implementation of the Regional Solid Waste Management Plan. Also, during fiscal year 1999, the department will implement a lower tip fee and Regional System Fee credits, renovate the Metro South Transfer Station to accommodate customer demand and increase recycling and material recovery activities, enhance the outreach program to system users and rate payers, conduct a market analysis to assess service demand and provide information to DEQ to gain approval for the remaining element of the St. Johns Landfill Closure Plan.

The *Metro Washington Park Zoo* will become the *Oregon Zoo*, a name change approved in Spring 1998, but effective September 1999. During fiscal year 1999, the Zoo will begin construction of Phase III of the Great Northwest project, including a stellar sea lion exhibit and sea otter exhibit. The exhibit will open in Summer 2000. The Zoo will open its new entry with the Mountain Goat exhibit, retail shop, and a restaurant/banquet facility. The Zoo will also work to increase the Zoo's animal collection, opening several smaller exhibits in order to diversify the collection and continue to increase attendance.

The *Regional Parks and Greenspaces Department* will, in support of the Regional Framework Plan, begin the first phase of the Regional Parks and Greenspaces System Plan including natural areas inventory update, region-wide parks inventory update and assist with regional Goal 5 inventory. The department will continue implementation of the Open Spaces, Parks and Streams bond measure, including land acquisition, stabilization, completion of the Peninsula Crossing Trail construction, and providing local share coordination. The land use approval process will be completed during fiscal year 1999 and construction of local share bond measure projects at Metro owned and managed facilities (including the Ancient Forest Preserve, Howell Territorial Park and Oxbow Regional Park) will be begun. The department will also implement Burlington Boat Ramp facility upgrades and remove the dam at Smith and Bybee Lakes and replace it with a water control structure which will allow natural water level fluctuation.

MERC will be studying options to increase available dates for larger conventions at the Oregon Convention Center, possibly by adding space at the Expo Center and moving certain shows to that facility. Marketing of the Oregon Convention Center will also be expanded through a national marketing program. MERC staff will also be developing a master plan for the Expo Center, while operating and marketing the new exhibit hall. The Civic Stadium will be host to several soccer matches as part of the 1999 Women's World Cup. MERC will also continue its efforts of maximizing commercial events at the Portland Center for the Performing Arts, while continuing to address the backlog of deferred maintenance projects at the facility.

The *Administrative Services Department (ASD)* will complete the final work of the first phase of the InfoLink management information system project by implementing the Accounts Receivable and Billing applications, as well as moving to a newer version of the core financial systems. ASD will also implement a customer service evaluation program, develop and implement the FY 1999-2003 Capital Improvement Plan and conduct a simulated disaster exercise to practice Metro's Emergency Operations Plan.

The above efforts will be accomplished with a $3.1 million reduction in Metro's overall budget. The Metro excise tax rate is proposed to remain unchanged for fiscal year 1999. The fiscal year 1998-99 budget adopted by the Metro Council and available from Metro's Financial Planning Division of ASD describes in more detail plans for the coming year.

FINANCIAL AND ACCOUNTING POLICIES

This report is prepared in conformance with the guidelines for financial reporting developed by the Government Finance Officers Association of the United States and Canada and the principles established by the Governmental Accounting Standards Board (GASB), including all effective GASB pronouncements. Metro has implemented the provisions of GASB Statement 14 concerning the Reporting Entity. The operations of the Metropolitan Exposition-Recreation Commission (MERC) component unit are reported in a discrete column in the report in accordance with the provisions of this Statement. This report presents fairly the financial position of the various funds and account groups of Metro at June 30, 1998, and the results of operations and cash flows of such funds for the year then ended in conformity with generally accepted accounting principles (GAAP).

Metro budgets a total of 22 funds of which seven are governmental fund types, eleven are reported in proprietary fund types and three are fiduciary fund types. One budgetary fund, the General Revenue Bond Fund, is comprised of two components that are separated and combined with a governmental fund (Zoo Operating Fund) and a proprietary fund (Building Management Fund) to present the activities applicable to each facility in accordance with GAAP. The following bases of accounting are used for the respective funds:

Fund to which applied	Accounting Basis
* Governmental Fund Types:	Modified Accrual Basis
General Fund	
Special Revenue Funds	
Debt Service Fund	
Capital Projects Fund	

* Proprietary Fund Types:	Accrual Basis
Enterprise Funds	
Internal Service Funds	
* Fiduciary Fund Types:	
Pension Trust Fund	Accrual Basis
Expendable Trust Funds	Modified Accrual Basis

INTERNAL ACCOUNTING CONTROLS AND BUDGETARY PROCESS

Metro maintains, and management relies upon, a system of internal accounting and administrative controls designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that accounting transactions are executed in accordance with management's authorization and properly recorded so that financial statements can be prepared in accordance with generally accepted accounting principles (GAAP) and Metro's budgetary requirements. The design and operation of internal controls also ensures that federal and state financial assistance funds are expended in compliance with applicable laws and regulations related to those programs. In establishing internal controls, management considers the inherent limitations of various control procedures and weighs their cost against the benefit derived. Metro constantly monitors and revises, where necessary, the accounting policies, procedures and systems, together with the related internal controls when required, to assure that reliable and timely information is prepared in the most efficient manner possible.

Metro's budget is prepared on the modified accrual basis of accounting. In accordance with applicable state statutes, Metro budgets all funds except the Pension Trust Fund. The budget is adopted by the Metro Council by ordinance prior to the beginning of Metro's fiscal year (July 1 through June 30). The ordinance authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay, and other expenditures by department in certain funds and by fund as a whole in certain other funds, as disclosed in the Notes to the Financial Statements (Note 2D), are the levels of control established by the budget ordinance. The expenditure appropriations lapse at the end of the fiscal year. Unexpected additional resources and budget revisions may be added to the budget through the use of a supplemental budget or by an ordinance passed by the Metro Council amending the budget. A supplemental budget requires hearings before the public, publication in newspapers and approval by the Council. Original, amended and supplemental budgets may be modified by the use of appropriations transfers between the levels of control when approved by Council. Metro adopted 12 budget amendments during the fiscal year. Metro also adopted one supplemental budget during fiscal year 1998, to consolidate a number of budgetary funds into a single MERC Operating Fund.

FINANCIAL SUMMARY OF GENERAL GOVERNMENT FUNCTIONS

The following financial data is summarized from the more detailed information included in this financial report.

Metro's general revenues, which exclude those of the component unit, include revenues of the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Funds which may be classified and summarized from the financial data as follows:

Taxes – Property taxes levied on property in the region and excise taxes charged on Metro provided services.

Intergovernmental Revenue – Federal, state and local grants, and shared revenues.

Charges for Services – Admission, rental fees, vending and concessions/catering revenue, professional and contract service fees and other charges for services provided at Metro operated facilities.

Contributions and Donations – Amounts received from donors.

Investment Income – Interest earned on investments and realized and unrealized gains and losses on the changes in fair value of investments.

Miscellaneous – Revenue from other sources not otherwise provided for in the categories noted above.

The revenues accounted for in the Governmental Fund Types and percentage of total revenue by source and changes from 1997 are:

Revenue Source	Amount	Percent of Total	Change From FY 1997
Taxes	$ 33,293,816	51.2%	$ 3,820,378
Intergovernmental	10,512,444	16.2%	(215,541)
Charges for Services	10,999,508	16.9%	(357,200)
Contributions and Donations	806,277	1.2%	9,071
Investment Income	9,328,785	14.4%	1,193,714
Miscellaneous	63,205	0.1%	(289,834)
Total	$ 65,004,035	100.0%	$ 4,160,588

Overall revenues in this category increased 6.8% from the previous year. The major increases and decreases are:

- The increase in taxes consists primarily of an increase in property tax revenues of $4,121,004 related to property taxes collected for debt service in the General Obligation Bond Debt Service Fund. Property tax revenues for Zoo operations decreased $693,752 from the prior year. In addition, excise taxes on Metro's own services increased $393,126 or 5.4% over the prior year.

- The 2.0% decrease in intergovernmental revenue is composed of a decrease in state and local grant funds of $208,069 (11.2%), primarily programs of the Transportation and Growth Management Services Departments. The fiscal year also reflected a slight decrease in federal grants of $11,987.

- Charges for services revenues decreased 3.2% ($357,200) from fiscal year 1997. Contract and professional services increased $1,035,150 in the Planning Fund due primarily to significant contract work performed in Transportation on the South/North Environmental Impact Statement, and work on behalf of other agencies. Attendance at the Metro Washington Park Zoo increased approximately 6.3% from fiscal year 1997, resulting in enterprise related revenues increasing 7.5% or $522,935 from the prior year. Enterprise revenues at Metro's Regional Parks declined $652,992, primarily due to a one time contract payment received in the prior year for natural areas programs ($1,006,584). Other Regional Parks revenues increased 20.1% ($353,592), with gains in rental revenue ($66,328), grave openings ($29,125), food service revenue ($23,251), and boat launch fees ($20,065).

- Donations received at the Metro Washington Park Zoo increased $51,410, or 7.6%, from fiscal year 1997, whereas donations to the Zoo Capital Projects Fund decreased $68,296. Open Spaces Fund contributions increased by $3,957, whereas donations received in Parks increased $22,000 over the prior year.

- Investment Income increased $1,193,714 (14.9%) over fiscal year 1997 primarily due to the implementation of GASB Statement 31 and the resulting changes in current and prior year revenues due to changes in the fair value of investments, which accounted for an decrease in the prior year of $672,012 and increase in fiscal year 1998 of $757,976, for a total increase over the prior year of $1,429,988. Interest revenue, a component of Investment Income decreased $222,851 from the prior year on lower investment balances as the various bonded capital projects continued to be completed.

Expenditures accounted for in the Governmental Fund Types are shown below by function, percentage of total by function and changes from the previous year:

Function	Amount	Percent of Total	Change From FY 1997
General government	$ 2,524,722	2.7%	$ 519,455
Zoo operations/development	13,866,883	14.7%	523,447
Regional planning/ development	14,690,941	15.5%	(125,318)
Recreation and development	8,619,779	9.1%	3,095,784
Capital outlay	35,426,490	37.4%	13,380,068
Debt service	19,469,296	20.6%	2,638,149
Total	$94,597,111	100.0%	$ 20,031,585

Expenditures increased 26.9% in fiscal year 1998 over the previous year. Some of the significant changes include:

- General government expenditures increased 25.9%, primarily due to increased special appropriation expenditures due to election costs paid by Metro , which were $343,687 higher than fiscal year 1997. Expenditures for the Council and Office of the Executive Officer increased $72,365 (9.3%) and $12,853 (3.8%), respectively.

- Zoo operations expenditures increased 3.9% during the year. Personal services costs across all Zoo divisions increased by only 1.3%, whereas materials and services expenditures were up 14.0% ($583,192) overall. Animal management materials and services costs decreased 11.5%, while other divisions reflected increases, led by Marketing (up $259,375 or 40.9%), Visitor Services (up $187,622 or 16.5%) and Design Services (up $91,331 or 81.6%). Zoo costs for central support services decreased 11.6% ($157,653).

- Regional planning and development expenditures decreased 0.9% during fiscal year 1998. Materials and services expenditures fell in the Transportation Department, reflecting a $501,656 (8.0%) decrease from the prior year. Similarly, Growth Management materials and services expenditures decreased 29.3% ($391,956). Personal services costs increased 10.6% ($344,087) and 8.7% ($188,110) in the Transportation and Growth Management Services departments, respectively, as increased staff resources were used to complete work programs. Costs for central support services were up $236,097 from the prior year.

- Overall, recreation and development expenditures increased by 56.0% from the prior year. Expenditures, primarily those for contributions made to other governments for approved local share projects funded by the Open Spaces program accounted for 97% of this increase or $3,301,075. Recreation and development expenditures for the Regional Parks Fund were held to an increase of $73,441 or 2.4%. Regional Parks payroll costs were up only 2.8% ($53,235), whereas materials and services expenditures rose only 1.8% ($20,206).

- Capital outlay reflects a significant increase as major acquisitions of open spaces continued during fiscal year 1998, accounting for $6,289,415 of the increase. Construction of the Great Northwest Exhibit at the Metro Washington Park Zoo resulted in expenditure increases of $7,841,677 over the prior year in the Zoo Capital Fund. The Washington Park parking lot was completed in 1998 which resulted in a decrease in capital outlay of $1,536,996 from the prior year. Capital outlay in the Regional Parks Fund increased by $103,748 over the prior year.

PROPRIETARY OPERATIONS

Proprietary fund operating revenues, exclusive of the MERC component unit, decreased 5.8% from fiscal year 1997 to a total of $69,213,577 for the fiscal year ended June 30, 1998. Operating expenses in the proprietary funds, exclusive of MERC, totaled $63,624,541, or an increase of 4.0% from the prior year. The net income for the fiscal year ended June 30, 1998, was $6,067,676 compared to $12,358,123 in fiscal year 1997. Specific results by proprietary activity are discussed in further detail below.

Solid Waste Enterprise Fund
The solid waste enterprise operations accounted for 80.2% of proprietary revenues or approximately $55.5 million, which was down 11.6% from the prior year. Tonnage processed at Metro facilities decreased 1.6% (approximately 12,000 tons) over the prior fiscal year. Charges for services revenues decreased $7,159,731 or 11.4% due to the lower tonnage processed and the reduction in rates over the past two years. Operating expenses decreased 2.8% to a total of $50,291,969 for the fiscal year ended June 30, 1998. Payroll and fringe benefits increased 4.6% ($252,950) from fiscal year 1997. Expenses of operating the Metro South Transfer Station increased $238,913, whereas Metro Central Transfer Station operating costs decreased $279,125. Costs to transport waste to designated facilities decreased 8.7% ($950,510), and disposal costs decreased 4.1% ($794,608). The resulting net income for the Solid Waste enterprise was $6,086,898 compared to net income of $11,614,914 in fiscal year 1997. Unreserved retained earnings at June 30, 1998, reached $39,770,522.

Internal Service Funds

The *Building Management, Support Services* and *Risk Management Funds* comprise Metro's internal service funds. The combined internal service funds reflected operating revenues of $13,697,033 for the fiscal year ended June 30, 1998, which was an increase of 28.2% from fiscal year 1997. Operating expenses increased $3,928,971 from fiscal year 1997. The funds had a net loss of $19,222 for the fiscal year ended June 30, 1998, compared to a net income of $743,209 in fiscal year 1997.

Building Management Fund. Revenues, composed primarily of receipts in lieu of rent from Metro departments, were down $184,939 from 1997. Operating expenses decreased 1.7% ($22,709). The *Building Management Fund* ended the fiscal year with a net income of $47,221, decreasing the deficit in retained earnings to $1,158,061. This deficit will be reduced over the long-term operations of the fund as interest payments on debt are reduced and payments on principal increase.

Support Services Fund. Charges for services revenues increased 0.8% ($59,890) from the prior year, while operating expenses increased 6.4% ($460,181). Operating expenses of the fund include accounting, financial planning, budget, information systems, legal, human resources, Office of the Auditor, certain pubic outreach activities and other administrative services costs. During fiscal year 1998, the increased operating expenses were primarily attributable to increased costs in the Office of General Counsel ($208,229), Office of the Auditor ($79,307), public outreach efforts ($26,220) and higher depreciation expenses ($94,110). Other Administrative Service Department costs were down $14,129 from the prior year. Support Services Fund operating expenses were 4.12% of total expenses and expenditures for Metro in fiscal year 1998, compared to 4.05% in fiscal year 1997.

Risk Management Fund. During fiscal year 1998, the fund began responsibility for employee health, welfare and unemployment programs, which was the primary reason for the $3,308,157 increase in charges for services revenue over the prior year. Likewise, operating expenses increased $3,491,499 due, primarily, to premiums paid to health, welfare, and unemployment insurance providers. Claims expense increased by $453,889 in other risk categories primarily due to recording revised estimates of incurred but not reported claims as determined by Metro's actuary. Net loss for the year (after an operating transfer of $340,000 to the Support Services Fund to buy down reserves) was $464,506, compared to net income of $260,800 in the prior year.

Component Unit - MERC Enterprise Fund

The MERC managed *MERC Enterprise Fund* had a decrease in operating revenue of $475,879 or 1.8%. Local government shared revenue, consisting of hotel/motel taxes within Multnomah County, decreased 11.8% ($733,268) during fiscal year 1998. Charges for services, including parking fees and reimbursed labor, decreased to $19,786,156 which was a loss of 0.1% from the prior year. *Oregon Convention Center* charges for services increased 2.8% ($238,161). *Expo Center* charges for services were down $51,496 (1.3%), while *Civic Stadium* charges for services were up $884,316 (53.2%) on the strength of new events, such as men's U.S. National Team Soccer. *PCPA* revenues were off $1,099,430 (19.1%) from fiscal year 1997, primarily due to a decline in

Reimbursed Services revenues, down $1,303,246 from the prior year, which is offset to a great degree by expense reductions for the associated labor costs which are no longer provided by PCPA. Operating expenses increased 0.7% over fiscal year 1997 to a total of $25,758,778. The net loss for the fiscal year ended June 30, 1998, was $173,070, compared to net income of $1,377,395 in the prior year.

FIDUCIARY OPERATIONS

Metro manages and accounts for moneys received from various sources in a fiduciary capacity. Such moneys are reported in the Trust Funds within the Fiduciary Fund Type. Disbursements are made in accordance with the agreement or applicable legislative enactment for each fund.

RISK MANAGEMENT

Metro has established the Risk Management Fund (an internal service fund) to account for risk management activities, including the payment of insurance policy premiums, payment of claims, and to finance uninsured risks of loss. Metro is self-insured in certain areas. The Risk Management Fund provides risk of loss coverage for general liability, bodily injury or property damage of third parties resulting from the negligence of Metro or its employees, errors and omissions and unemployment. These risks are self-insured by the Risk Management Fund. Property damage to Metro-owned facilities, subject to a $100,000 deductible, is covered through a commercial primary all risk, property insurance policy. A paid loss retro program purchased through the commercial carrier SAIF Corporation is used for workers' compensation coverage. Health and Welfare benefits are provided by third party benefit providers under contracts managed by Risk Management. An actuarial valuation as of June 30, 1998, was performed in October 1998 to determine estimates of liabilities for unpaid claims.

The *Risk and Contracts Management Division* of the Administrative Services Department has responsibility in five areas: *insurance administration, benefits administration, risk assessment, emergency management* and *safety*. Benefits administration was transferred to this Division from Human Resources in fiscal year 1998. As part of this transfer, all activities under health and welfare contracts are now accounted for in the Risk Management Fund, which receives payments from operating departments for the services provided to them by the fund. Risk Management takes an active role in identifying, evaluating and reducing risks to the organization. The division provides instruction to employees to promote safe behavior and helps make Metro a safe place to visit and work. As part of the safety program, the employees of Metro are recognized for their achievement of reducing the cost of claims.

GENERAL FIXED ASSETS

The general fixed assets of Metro are those fixed assets used in the performance of general governmental functions, including the Metro Washington Park Zoo, and exclude the fixed assets of the Enterprise and Internal Service Funds. Also excluded are certain fixed assets used by MERC's Enterprise Fund, the Civic Stadium and Portland Center for the Performing Arts (PCPA) components, as title to the assets remains with the City of Portland under the terms of an intergovernmental agreement. The Civic Stadium and PCPA fixed assets can be found in the City of Portland Comprehensive Annual Financial Report, when issued. As of June 30, 1998, the general fixed assets of Metro amount to $121,988,532. This amount represents the original or estimated cost of the assets and is considerably less than the estimated replacement value.

CASH AND INVESTMENT MANAGEMENT

Metro pools most funds for investment purposes to obtain maximum return on investments while minimizing the risk of loss of principal due to credit and market risk. Metro's investment manager uses automated information from the bank and detailed internal data to manage the investment program.

Metro's investment transactions are governed by a written Investment Policy adopted by the Metro Council. The Investment Policy regulates Metro's investment objectives, diversification, limitations and reporting requirements. Metro utilizes an independent Investment Advisory Board to review and advise Metro on its investment plan and investment performance. Quarterly investment reports are presented to the Investment Advisory Board and the Metro Council's Finance Committee.

Investment income on all funds under Metro's management was $13,862,674 for the fiscal year ended June 30, 1998, inclusive of the effects of realized and unrealized gains and losses resulting from valuing investments at fair value as required by GASB Statement 31. This compares to $12,727,886 for fiscal year 1997 (as adjusted for the retroactive effect of GASB Statement 31 requirements), with the decrease resulting primarily from lower cash and investment balances related to Open Spaces and Zoo Oregon Exhibit (now named the Great Northwest Exhibit) project bond proceeds which are being spent down as the projects continue. The average yield earned on Metro's pooled cash investments varied with the market in fiscal year 1998, from a high of 5.892% in July 1997 to a low of 5.641% in May 1998. The average yield for the year was 5.760%. The pooled cash portfolio does not include bond related investments which are restricted in terms of maturity and yield. At June 30, 1998, the yield on the pooled cash portfolio was 5.645% compared to 5.145% for three-month treasury bills and 5.631% for the State of Oregon's Local Government Investment Pool.

The investments are displayed in Note 6 to the financial statements disclosing the carrying amounts and fair values both by investment type and in total. The Note discloses the level of custodial credit risk associated with the investment types.

DEBT ADMINISTRATION

As of June 30, 1998, Metro had a total of eight bond issues outstanding for a total of $271,844,512. These issues included $211,002,003 of general obligation bonds and $60,842,509 of revenue bonds. The general obligation bonds are accounted for in the General Long-Term Debt Account Group.

During fiscal year 1998 Metro did not issue any additional bonds.

At June 30, 1998, Metro had general government loans payable of $4,669,840. Metro received loan proceeds from the Oregon Economic Development Department for construction of parking lot improvements and related equipment at the Washington Park parking lot. The loan was made in two installments and is drawn as Metro requires funds. The first loan bears a true interest cost of 5.49%; $2,723,000 was borrowed against this loan in prior years. A second loan bears a true interest cost of 5.44%; $1,851,491 was borrowed against this loan.

The total outstanding net general bonded debt at June 30, 1998, was $198,196,159, as compared with $205,846,342 at June 30, 1997. The ratio of net bonded debt to assessed increased from the prior year by 0.04% to 0.30% in fiscal year 1998. Under ORS 268.520, Metro's general obligation bond issuances are subject to a legal limitation based on 10% of the true cash value of all taxable property within the Metro district. As of June 30, 1998, Metro's general obligation debt of $211,002,003 was well below the legal limit of $8,521,052,645.

In accordance with IRS regulations, Metro is required to periodically pay a rebate on arbitrage earnings for certain bond issues. As of June 30, 1998, Metro has calculated arbitrage payable to the federal government of $15,457. Metro has set aside investments with the trustee in a rebate account which has accumulated an amount to be used for payment.

Metro may finance additional projects in the future. Metro is considering debt financing for an expansion to the Oregon Convention Center and additional exhibit space at the Expo Center.

In 1998, Metro's bond ratings on general obligation debt were Aa and AA+ from Moody's and Standard and Poor's, respectively. Metro revenue bonds were rated A, A, and A+ by Moody's, Standard and Poor's and Fitch, respectively. These ratings tell investors that Metro is a good risk when it sells bonds and reduces the interest rate required to be paid by Metro and its citizens.

YEAR 2000 MATTERS

Metro recognizes that the arrival of the Year 2000 poses a unique worldwide challenge to the ability of all systems to recognize the date change from December 31, 1999 to January 1, 2000 and, like other entities, has assessed and is taking steps to resolve any problems with computer applications and business processes in order to provide for their continued functionality. The Year 2000 Issue is the result of computer programs being written using two digit data fields rather than four to define the applicable year. Any of Metro's (or third parties) computer systems and other equipment could recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities. As of June 30, 1998, Metro had made progress in its Year 2000 Project as noted below:

Awareness Stage - Metro has developed a project plan for dealing with the year 2000 issue and communicated the plan and required tasks to key staff. Applications and vendor software, computer hardware and other equipment will be considered year 2000 compliant when certified for compliance, in writing, by the vendor or when tested.

Assessment Stage - Metro has completed an inventory of all of its systems with the exception of embedded systems within the Regional Environmental Management Department, whose system inventory is in progress. Metro's component unit, MERC, is in the final phase of inventory completion. As part of this inventory of systems, Metro has determined which systems are deemed mission critical and require priority compliance efforts.

Metro has initiated formal communication with others with whom it does significant business to determine and document the extent to which Metro is vulnerable to those third parties' failure to obtain Year 2000 compliance. Written documentation from these third parties is being placed in Metro's "Year 2000 Project Notebook" to document the third parties' year 2000 readiness.

Remediation Stage - Metro is in the process of replacing all of its central financial software and hardware systems with an Enterprise Resource Planning (ERP) system from PeopleSoft. The general ledger, accounts payable, purchasing, human resources and payroll systems have been replaced. Metro expects to complete the conversion in the one remaining area, Accounts Receivable/Billing, during fiscal year 1999. In addition, Metro continues to work with its vendor, PeopleSoft, to apply any additional corrections identified during their on-going testing to assure year 2000 compliance in these systems. Over the past two years, Metro has capitalized approximately $2.1 million on this project and has contract commitments for completion of this work , as well as additional work in implementing new financial applications of $240,000.

Other mission critical applications include, but may not be limited to, the geographic information system, transportation forecast modeling system, weighing systems at Metro's solid waste transfer stations, records management systems, time clock systems, facility maintenance systems, telephone systems, cash register/point-of-sale systems and event tracking systems. These systems are in various stages of remediation, including vendor identification of compliance issues, application of corrections from vendors, and solicitation of replacement costs. Commitments of approximately $400,000 exist for this work as of June 30, 1998.

Validation/Testing Stage - Metro is developing various validation and testing options. As noted earlier, for certain systems Metro is relying on the vendor's written certification statement. For the various mission critical systems, additional testing and validation is being planned for future periods.

Metro will utilize both internal and external resources to reprogram, or replace, and test any systems requiring Year 2000 modifications. Metro anticipates completing the Year 2000 project earlier than December 31, 1999, prior to any anticipated impact on its operating systems.

In addition to those *internal* steps Metro may undertake to achieve Year 2000 readiness, *external* Year 2000 issues may arise that could impact Metro's operations, credit worthiness and ability to make timely payment of its obligations. For example, property tax collections in support of general obligation debt payments are dependent, in part, upon the systems maintained by the three counties in Metro's district. In addition, revenue bond debt payments are dependent upon the operations of various contractors and customers. Metro's plans include contacting these third party entities to assess their Year 2000 readiness and identify any adverse impacts on Metro's ability to meet its obligations.

The commitments and costs of the project and the date on which Metro believes it will complete the Year 2000 project modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

INDEPENDENT AUDIT

Oregon state law requires an annual audit of the financial records and transactions of Metro by independent certified public accountants. This requirement has been complied with and the general purpose financial statements have been audited and have received a report from Deloitte & Touche LLP, our independent auditors. The report contains a qualification related to the disclosure provided by Metro, as required by GASB, of Year 2000 issues and the future uncertainties. Please refer to the Financial Section for the full text of our auditors' report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Metro has received a Certificate of Achievement for the last six consecutive years (fiscal years ended 1992 - 1997.) We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

As a final note, we wish to acknowledge the hard work of the employees in the Accounting Services Division of the Administrative Services Department who assisted in the preparation of this report and completed this effort in a very efficient and timely manner. We especially acknowledge the efforts of Karla Lenox, CPA, Financial Reporting and Control Supervisor, for her efforts and dedication in the preparation of this report. We wish to acknowledge the professional and technical assistance of the audit staff of Deloitte & Touche LLP. Finally, we acknowledge the cooperation received from other Metro staff in providing information required to fairly present Metro's financial information. Appreciation is also extended to the Executive Officer, Metro Auditor and Metro Council for their support.

Respectfully submitted,

Donald R. Cox, Jr.

Donald R. Cox, Jr., MBA, CPA, CGFM
Accounting Manager

Jennifer Sims

Jennifer Sims
Chief Financial Officer

GFOA award

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metro, Oregon

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Douglas R Ellsworth
President

Jeffrey L. Esser
Executive Director

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A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

June 30, 1998

Elected Officials

Executive Officer

Mike Burton
Term expires Dec. 31, 1998

Auditor

Alexis Dow, CPA
Term expires Dec. 31, 1998

Councilors

Presiding Officer
Jon Kvistad
Council District 3
Term expires Dec. 31, 2000

Deputy Presiding Officer
Ruth McFarland
Council District 1
Term expires Dec. 31, 1998

Don Morissette
Council District 2
Term expires Dec. 31, 1998

Susan McLain
District 4
Term expires Dec. 31, 1998

Ed Washington
Council District 5
Term expires Dec. 31, 2000

Lisa Naito*
Council District 6
Term expires Dec. 31, 2000

Patricia McCaig
Council District 7
Term expires Dec. 31, 1998

Appointed Officials

Jennifer Sims
Director of Administrative Services/
Chief Financial Officer

Daniel B. Cooper
General Counsel

Andrew Cotugno
Director of Transportation

Elaine Wilkerson
Director of Growth Management
Services

Tony Vecchio
Director of Metro Washington Park
Zoo

Bruce Warner
Director of Regional
Environmental Management

Charles S. Ciecko
Director of Regional Parks and
Greenspaces

Mark Williams
General Manager, Metropolitan
Exposition-Recreation Commission

Judy Gregory
Director of Human Resources

Registered Agent

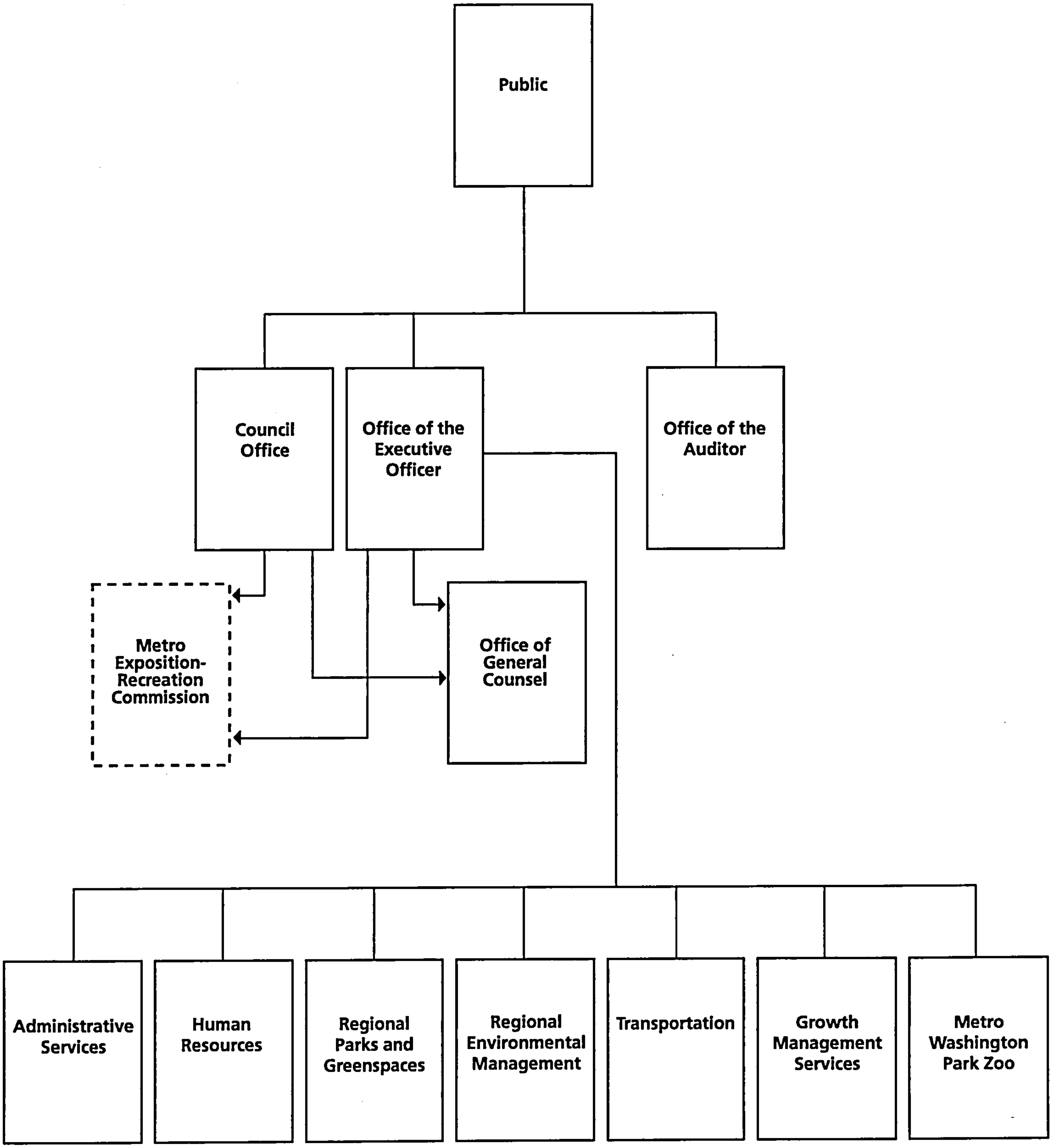
Jeff Stone

Address of Registered and Administrative Office

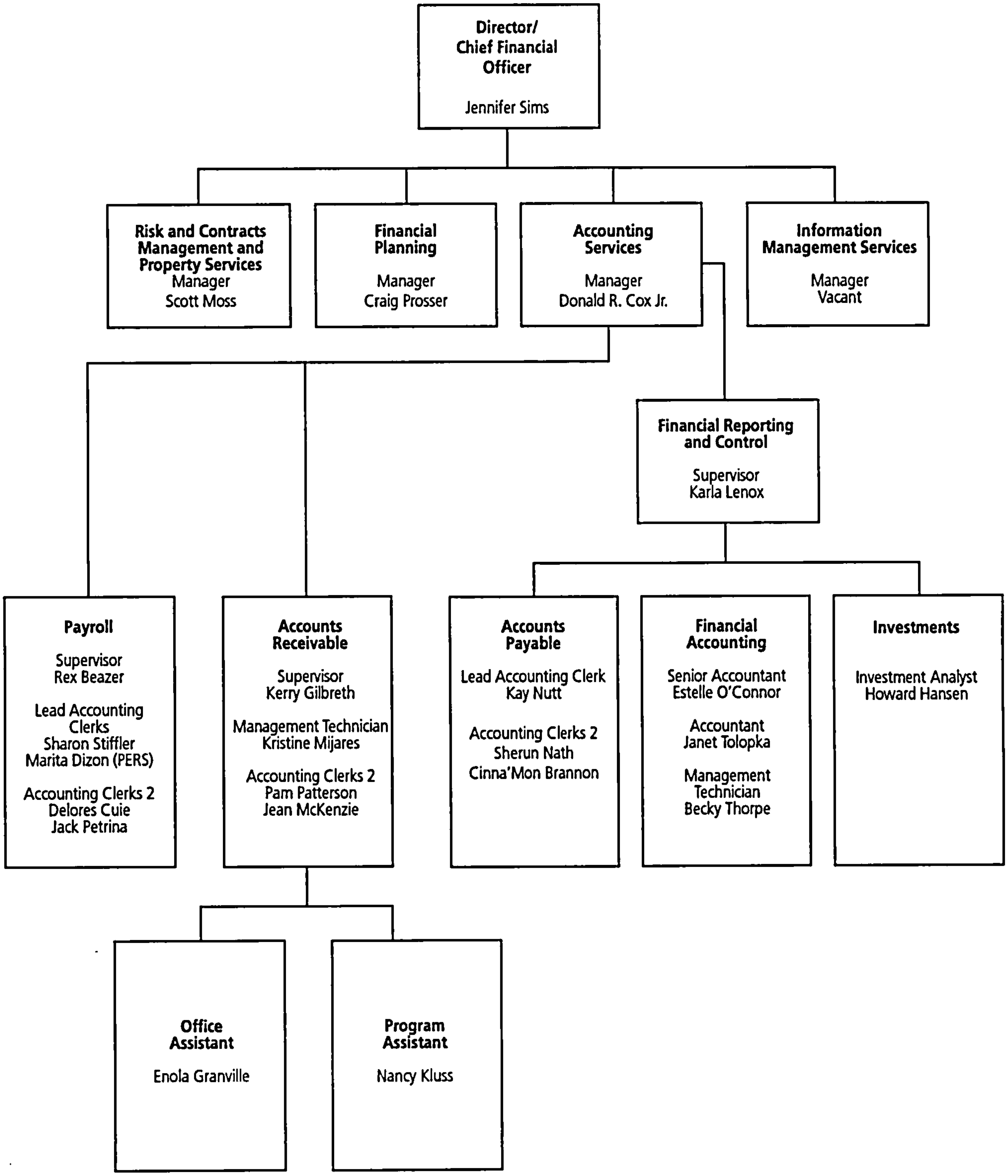
600 NE Grand Ave.
Portland, OR 97232-2736

* *Elected councilor resigned 6/19/98, replacement sworn in 7/2/98*

Metro Organization Structure



Administrative Services Department and Accounting Services Division



Financial Section

600 NORTHEAST GRAND AVENUE | PORTLAND, OREGON 97232 2736
TEL 503 797 1891 | FAX 503 797 1831

METRO

OFFICE OF THE AUDITOR

December 11, 1998

To the Metro Council, Executive Officer and Citizens of the Metro Region:

Oregon state law requires an annual audit of Metro's financial records and transactions by independent certified public accountants. In accordance with Metro Charter Section 18(3) and Metro Code Section 2.15.080, I have appointed Deloitte & Touche LLP, Certified Public Accountants, to conduct an independent audit of Metro's general-purpose financial statements. My office coordinated and monitored this audit.

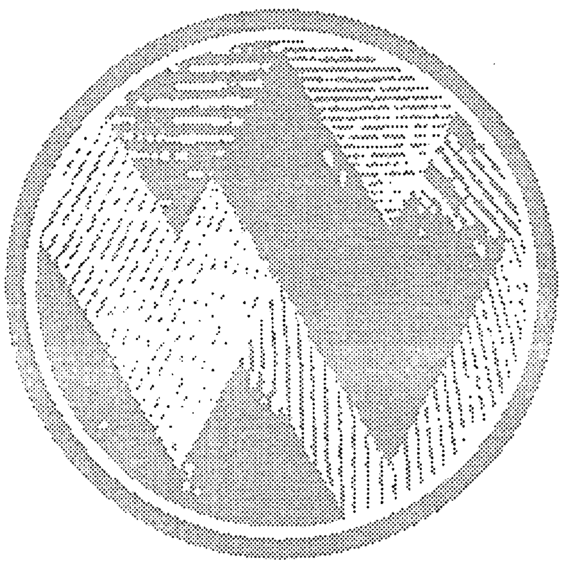
Presented at page 2 is the report of Deloitte & Touche LLP on Metro's general-purpose financial statements as of and for the year ended June 30, 1998. They have issued a qualified opinion this year due solely to Year 2000 issues. The effects and the success of Year 2000 remediation efforts will not be fully determinable until 2000 and thereafter. Accordingly, Deloitte & Touche LLP was unable to obtain sufficient audit evidence to support Metro's disclosure of the effects of Year 2000 issues and related remediation efforts.

In addition to the above report, Metro is required to have an audit of its expenditures of federal awards in accordance with the U.S. Office of Management and Budget Circular A-133, and the provisions of *Government Auditing Standards* issued by the Comptroller General of the United States. The necessary reports pertaining to Metro's internal control, compliance with applicable laws, regulations, grants and contracts, and the Schedule of Expenditures of Federal Awards for the year ended June 30, 1998, have been issued under separate cover.

Respectfully submitted,

Alexis Dow

Alexis Dow, CPA
Metro Auditor



Deloitte & Touche LLP

Suite 3900
111 S.W. Fifth Avenue
Portland, Oregon 97204-3642

Telephone: (503) 222-1341
Facsimile: (503) 224-2172

INDEPENDENT AUDITORS' REPORT

To the Council, Executive Officer, and Auditor of
Metro
Portland, Oregon

We have audited the accompanying general purpose financial statements of Metro as of June 30, 1998, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of Metro. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted accounting principles and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. Metro has included such disclosures in Note 21. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support Metro's disclosures with respect to the year 2000 issue made in Note 21. Further, we do not provide assurance that Metro is or will be year 2000 ready, that year 2000 remediation efforts will be successful in whole or in part, or that parties with which Metro does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, such general purpose financial statements present fairly, in all material respects, the financial position of Metro at June 30, 1998, the results of its operations, the cash flows of its proprietary fund types, and the changes in net assets of its nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of Metro. These financial statements and schedules are also the responsibility of the management of Metro. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

The statistical data on pages 106-122 are presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of Metro. Such additional information has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 1998 on our consideration of Metro's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

DELOITTE & TOUCHE LLP

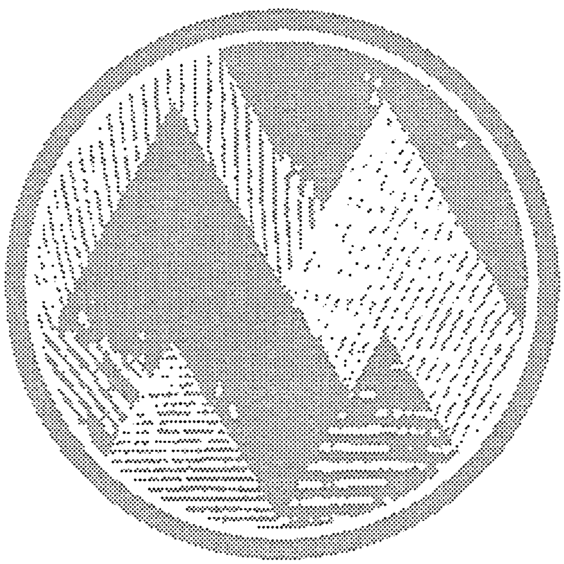
By Donald P. Riggs

Donald P. Riggs, Partner

December 9, 1998

General Purpose Financial Statements

"Liftable" combined financial statements



METRO

Combined Balance Sheet -
All Fund Types, Account Groups and Discretely Presented Component Unit

June 30, 1998

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Solid Waste Enterprise	Internal Service
Assets and Other Debits:						
Assets:						
Equity in internal cash and investment pool	$ 1,513,941	16,865,025	12,508,797	3,008,373	33,992,211	11,143,721
Investments	-	-	-	109,370,529	4,295,801	-
Investments: pension trust	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles):						
Property taxes	-	349,820	936,326	-	-	-
User and landfill fees	-	-	-	-	5,058,510	-
Trade	1,173	796,852	-	-	-	55,837
Other	192,406	134,193	-	-	994,549	2,414
Interest	31,127	217,660	160,417	985,595	516,788	144,431
Federal grants	-	2,650,807	-	-	-	-
State and local grants/contracts	-	422,391	-	-	-	-
Inventory of materials and supplies	-	229,208	-	-	-	-
Other assets	185	165,016	-	-	-	48,137
Restricted assets:						
Equity in internal cash and investment pool	-	20,781	-	-	10,054,371	-
Investments	-	-	-	-	-	2,358,497
Loans receivable	-	-	-	-	5,000,000	-
Fixed assets, net	-	-	-	-	30,749,430	20,914,328
Other debits:						
Amount available for debt service	-	-	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-
Total assets and other debits	$ 1,738,832	21,851,753	13,605,540	113,364,497	90,661,660	34,667,365

Fiduciary Fund Types	Account Groups		Total (memorandum only) -	Component Unit Proprietary Fund Type	Total (memorandum only) -
Trust	General Fixed Assets	General Long-term Debt	Primary Government	MERC Enterprise	Reporting Entity
6,245,722	-	-	85,277,790	11,784,760	97,062,550
-	-	-	113,666,330	50,000	113,716,330
18,937,070	-	-	18,937,070	-	18,937,070
-	-	-	1,286,146	-	1,286,146
-	-	-	5,058,510	-	5,058,510
-	-	-	853,862	821,418	1,675,280
722,236	-	-	2,045,798	1,380,936	3,426,734
82,761	-	-	2,138,779	222,157	2,360,936
-	-	-	2,650,807	-	2,650,807
-	-	-	422,391	-	422,391
-	-	-	229,208	299,218	528,426
76,995	-	-	290,333	9,909	300,242
-	-	-	10,075,152	3,878,057	13,953,209
-	-	-	2,358,497	-	2,358,497
-	-	-	5,000,000	-	5,000,000
-	121,988,532	-	173,652,290	99,609,192	273,261,482
-	-	12,805,844	12,805,844	-	12,805,844
-	-	204,018,722	204,018,722	-	204,018,722
26,064,784	121,988,532	216,824,566	640,767,529	118,055,647	758,823,176

(Continued)

METRO

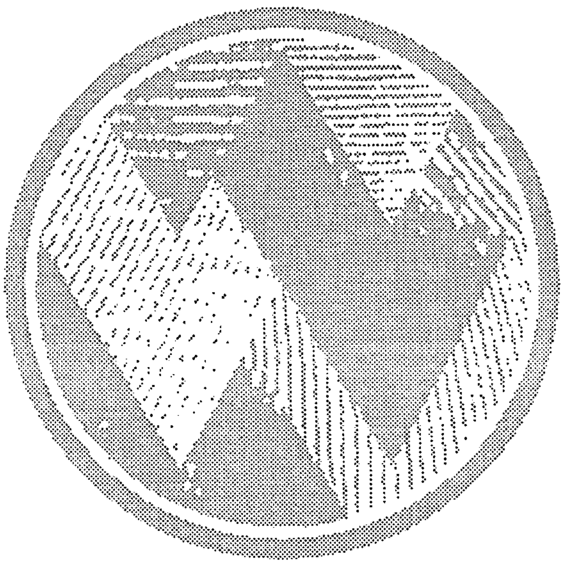
Combined Balance Sheet -
All Fund Types, Account Groups and Discretely Presented Component Unit, Continued

June 30, 1998

	Governmental Fund Types				Proprietary Fund Types	
Liabilities, Fund Equity and Other Credits:	General	Special Revenue	Debt Service	Capital Projects	Solid Waste Enterprise	Internal Service
Liabilities:						
Accounts payable	$ 22,932	3,041,583	-	2,285,534	3,220,860	706,952
Salaries, withholdings and payroll taxes payable	71,341	982,332	-	75,709	560,201	427,891
Accrued self-insurance claims	-	-	-	-	-	1,143,248
Contracts payable	-	215,584	-	35,119	-	-
Accrued interest payable	-	-	-	-	439,337	523,960
Deferred revenue	-	354,182	799,696	-	-	-
Unearned grant/contract revenue	-	1,327,040	-	-	-	-
Deposits payable	-	101,238	-	1,100	-	-
Other liabilities	98	949	-	-	434	14,809
Payable from restricted assets:						
Contracts payable	-	-	-	-	2,631,511	-
Arbitrage payable	-	-	-	-	15,457	-
Post-closure costs payable	-	-	-	-	6,849,805	-
Bonds payable (net of unamortized discount and deferred amount on refunding)	-	-	-	-	27,847,564	22,373,339
Loans payable	-	-	-	-	-	220,121
Obligations under capital leases	-	-	-	-	-	160,750
Liability for compensated absences	-	-	-	-	-	-
Total liabilities	94,371	6,022,908	799,696	2,397,462	41,565,169	25,571,070
Fund equity and other credits:						
Contributed capital, net	-	-	-	-	895,019	-
Retained earnings:						
Reserved for debt service	-	-	-	-	1,403,656	-
Reserved for renewal and replacement	-	-	-	-	7,027,294	-
Unreserved	-	-	-	-	39,770,522	9,096,295
Fund balances:						
Reserved for debt service	-	-	12,805,844	-	-	-
Reserved for pension benefits	-	-	-	-	-	-
Unreserved	1,644,461	15,828,845	-	110,967,035	-	-
Other credits-						
Investment in general fixed assets	-	-	-	-	-	-
Total fund equity and other credits	1,644,461	15,828,845	12,805,844	110,967,035	49,096,491	9,096,295
Total liabilities, fund equity and other credits	$ 1,738,832	21,851,753	13,605,540	113,364,497	90,661,660	34,667,365

See accompanying notes to general purpose financial statements.

Fiduciary Fund Types	Account Groups		Total (memorandum only) -	Component Unit	Total (memorandum only) -
	General	General		Proprietary Fund Type	
	Fixed	Long-term	Primary	MERC	Reporting
Trust	Assets	Debt	Government	Enterprise	Entity
128,681	-	-	9,406,542	1,311,362	10,717,904
1,919	-	-	2,119,393	831,906	2,951,299
-	-	-	1,143,248	-	1,143,248
-	-	-	250,703	50,000	300,703
-	-	-	963,297	19,125	982,422
120,000	-	-	1,273,878	-	1,273,878
-	-	-	1,327,040	200,165	1,527,205
-	-	-	102,338	1,175,012	1,277,350
-	-	-	16,290	13,570	29,860
-	-	-	2,631,511	-	2,631,511
-	-	-	15,457	-	15,457
-	-	-	6,849,805	-	6,849,805
-	-	211,002,003	261,222,906	2,086,389	263,309,295
-	-	4,669,840	4,889,961	-	4,889,961
-	-	481,000	641,750	561,521	1,203,271
-	-	671,723	671,723	-	671,723
250,600	-	216,824,566	293,525,842	6,249,050	299,774,892
-	-	-	895,019	87,206,630	88,101,649
-	-	-	1,403,656	-	1,403,656
-	-	-	7,027,294	3,485,697	10,512,991
-	-	-	48,866,817	21,114,270	69,981,087
-	-	-	12,805,844	-	12,805,844
19,616,301	-	-	19,616,301	-	19,616,301
6,197,883	-	-	134,638,224	-	134,638,224
-	121,988,532	-	121,988,532	-	121,988,532
25,814,184	121,988,532	-	347,241,687	111,806,597	459,048,284
26,064,784	121,988,532	216,824,566	640,767,529	118,055,647	758,823,176



METRO

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds

For the year ended June 30, 1998

	Governmental Fund Types				Fiduciary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Total (memorandum only)
Revenues:						
Property taxes	$ -	6,403,840	19,268,277	-	-	25,672,117
Excise taxes	7,621,699	-	-	-	-	7,621,699
Grants:						
Federal	-	8,379,592	-	-	-	8,379,592
State and local	-	1,657,759	-	-	-	1,657,759
Local government shared revenues	-	458,793	-	-	-	458,793
Government contributions	-	12,800	-	3,500	-	16,300
Charges for services	-	10,999,508	-	-	48,258	11,047,766
Rehabilitation, enhancement and end use fees	-	-	-	-	436,251	436,251
Investment income	135,689	949,135	522,444	7,721,517	359,109	9,687,894
Contributions and donations	-	757,683	-	48,594	-	806,277
Miscellaneous	534	57,169	-	5,502	299	63,504
Total revenues	7,757,922	29,676,279	19,790,721	7,779,113	843,917	65,847,952
Expenditures:						
Current:						
General government operations	2,524,722	-	-	-	-	2,524,722
Zoo operations and development	-	13,866,883	-	-	-	13,866,883
Regional planning and development	-	14,690,941	-	-	-	14,690,941
Recreation and development	-	3,668,939	-	4,950,840	4,000	8,623,779
Rehabilitation and enhancement	-	-	-	-	639,748	639,748
Capital outlay	17,838	1,859,429	-	33,548,223	1,344	35,426,834
Debt service	-	347,941	19,121,355	-	-	19,469,296
Total expenditures	2,542,560	34,434,133	19,121,355	38,499,063	645,092	95,242,203
Revenues over (under) expenditures	5,215,362	(4,757,854)	669,366	(30,719,950)	198,825	(29,394,251)
Other financing sources (uses):						
Loan proceeds	-	310,724	-	-	-	310,724
Capital lease proceeds	-	461,000	-	-	-	461,000
Operating transfers in	-	5,607,347	-	-	8,342	5,615,689
Operating transfers out	(5,807,347)	(8,342)	-	-	-	(5,815,689)
Revenues and other sources over (under) expenditures and other uses	(591,985)	1,612,875	669,366	(30,719,950)	207,167	(28,822,527)
Fund balances - July 1, 1997	2,228,458	14,893,817	12,134,616	142,425,582	5,968,988	177,651,461
Cumulative effect of the change in accounting for investments	7,988	56,735	1,862	(738,597)	21,728	(650,284)
Fund balances - July 1, 1997 as restated	2,236,446	14,950,552	12,136,478	141,686,985	5,990,716	177,001,177
Residual equity transfers out - component unit	-	(734,582)	-	-	-	(734,582)
Fund balances - June 30, 1998	$ 1,644,461	15,828,845	12,805,844	110,967,035	6,197,883	147,444,068

See accompanying notes to general purpose financial statements.

METRO

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds

For the year ended June 30, 1998

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
Revenues:						
Property taxes	$ -	-	-	5,789,824	6,403,840	614,016
Excise taxes	7,291,615	7,621,699	330,084	-	-	-
Grants:						
Federal	-	-	-	15,565,299	8,379,592	(7,185,707)
State and local	-	-	-	2,899,715	1,657,759	(1,241,956)
Local government shared revenues	-	-	-	372,000	458,793	86,793
Government contributions	-	-	-	65,300	12,800	(52,500)
Charges for services	-	-	-	9,263,120	10,302,577	1,039,457
Investment income	60,000	133,884	73,884	644,382	928,400	284,018
Contributions and donations	-	-	-	676,500	757,683	81,183
Miscellaneous	-	534	534	179,556	57,169	(122,387)
Total revenues	7,351,615	7,756,117	404,502	35,455,696	28,958,613	(6,497,083)
Expenditures:						
Current:						
General government operations	1,642,757	1,677,985	(35,228)	-	-	-
Zoo operations and development	-	-	-	12,859,374	12,663,077	196,297
Regional planning and development	-	-	-	16,622,714	12,613,902	4,008,812
Recreation and development	-	-	-	4,005,729	3,095,647	910,082
Contingency	544,401	-	544,401	962,824	-	962,824
Capital outlay	33,500	17,838	15,662	6,539,744	1,398,429	5,141,315
Debt service	-	-	-	530,123	347,941	182,182
Total expenditures	2,220,658	1,695,823	524,835	41,520,508	30,118,996	11,401,512
Revenues over (under) expenditures	5,130,957	6,060,294	929,337	(6,064,812)	(1,160,383)	4,904,429
Other financing sources (uses):						
Loan proceeds	-	-	-	630,685	310,724	(319,961)
Operating transfers in	-	-	-	7,885,614	6,304,278	(1,581,336)
Operating transfers out	(6,740,957)	(6,654,084)	86,873	(4,128,332)	(3,862,479)	265,853
Revenues and other sources over (under) expenditures and other uses	(1,610,000)	(593,790)	1,016,210	(1,676,845)	1,592,140	3,268,985
Fund balances, budgetary basis - July 1, 1997	1,810,000	2,228,458	418,458	13,758,507	14,893,817	1,135,310
Residual equity transfers out	-	-	-	(981,443)	(734,582)	246,861
Fund balances, budgetary basis - June 30, 1998	$ 200,000	1,634,668	1,434,668	11,100,219	15,751,375	4,651,156
Adjustments to GAAP basis:						
Cumulative effect of the change in accounting for investments - beginning GAAP balance		7,988			56,735	
Change in the fair value of investments		1,805			20,735	
Fund balances, GAAP basis - June 30, 1998		$ 1,644,461			15,828,845	

See accompanying notes to general purpose financial statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds			Total (memorandum only)		
Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
18,655,443	19,268,277	612,834	-	-	-	-	-	-	24,445,267	25,672,117	1,226,850
-	-	-	-	-	-	-	-	-	7,291,615	7,621,699	330,084
-	-	-	-	-	-	100,000	-	(100,000)	15,665,299	8,379,592	(7,285,707)
-	-	-	-	-	-	-	-	-	2,899,715	1,657,759	(1,241,956)
-	-	-	-	-	-	-	-	-	372,000	458,793	86,793
-	-	-	494,000	3,500	(490,500)	365,000	-	(365,000)	924,300	16,300	(908,000)
-	-	-	-	-	-	50,985	48,258	(2,727)	9,314,105	10,350,835	1,036,730
275,000	507,099	232,099	6,822,685	7,001,426	178,741	307,108	351,415	44,307	8,109,175	8,922,224	813,049
-	-	-	300,000	48,594	(251,406)	-	-	-	976,500	806,277	(170,223)
-	-	-	-	5,502	5,502	250	299	49	179,806	63,504	(116,302)
18,930,443	19,775,376	844,933	7,616,685	7,059,022	(557,663)	823,343	399,972	(423,371)	70,177,782	63,949,100	(6,228,682)
-	-	-	-	-	-	-	-	-	1,642,757	1,677,985	(35,228)
-	-	-	-	-	-	-	-	-	12,859,374	12,663,077	196,297
-	-	-	-	-	-	1,019,807	572,567	447,240	17,642,521	13,186,469	4,456,052
-	-	-	16,486,451	6,839,912	9,646,539	-	-	-	20,492,180	9,935,559	10,556,621
-	-	-	32,000,000	-	32,000,000	335,352	-	335,352	33,842,577	-	33,842,577
-	-	-	40,848,731	30,970,301	9,878,430	438,000	1,344	436,656	47,859,975	32,387,912	15,472,063
19,121,356	19,121,355	1	-	-	-	-	-	-	19,651,479	19,469,296	182,183
19,121,356	19,121,355	1	89,335,182	37,810,213	51,524,969	1,793,159	573,911	1,219,248	153,990,863	89,320,298	64,670,565
(190,913)	654,021	844,934	(81,718,497)	(30,751,191)	50,967,306	(969,816)	(173,939)	795,877	(83,813,081)	(25,371,198)	58,441,883
-	-	-	-	-	-	-	-	-	630,685	310,724	(319,961)
-	-	-	10,000	-	(10,000)	489,663	444,593	(45,070)	8,385,277	6,748,871	(1,636,406)
-	-	-	(2,209,125)	(688,850)	1,520,275	(93,416)	(71,181)	22,235	(13,171,830)	(11,276,594)	1,895,236
(190,913)	654,021	844,934	(83,917,622)	(31,440,041)	52,477,581	(573,569)	199,473	773,042	(87,968,949)	(29,588,197)	58,380,752
11,634,000	12,134,616	500,616	129,443,479	142,425,582	12,982,103	5,691,268	5,968,988	277,720	162,337,254	177,651,461	15,314,207
-	-	-	-	-	-	-	-	-	(981,443)	(734,582)	246,861
11,443,087	12,788,637	1,345,550	45,525,857	110,985,541	65,459,684	5,117,699	6,168,461	1,050,762	73,386,862	147,328,682	73,941,820
	1,862			(738,597)			21,728			(650,284)	
	15,345			720,091			7,694			765,670	
	12,805,844			110,967,035			6,197,883			147,444,068	

Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types and Discretely Presented Component Unit

For the year ended June 30, 1998

	Proprietary Fund Types		Total (memorandum only) -	Component Unit	Total (memorandum only) -
	Solid Waste Enterprise	Internal Service	Primary Government	MERC Enterprise	Reporting Entity
Operating revenues:					
Federal grants	$ 75,000	-	75,000	-	75,000
State and local grants	18,071	9,360	27,431	-	27,431
Local government shared revenue	-	-	-	5,477,493	5,477,493
Government contributions	-	-	-	600,000	600,000
Charges for services	55,444,967	13,646,800	69,091,767	19,786,156	88,877,923
Miscellaneous	(21,494)	40,873	19,379	17,047	36,426
Total operating revenues	55,516,544	13,697,033	69,213,577	25,880,696	95,094,273
Operating expenses:					
Payroll and fringe benefits	5,789,055	5,781,315	11,570,370	9,750,491	21,320,861
St. Johns Landfill operating expenses	23,484	-	23,484	-	23,484
Metro South Station operating expenses	2,640,703	-	2,640,703	-	2,640,703
Metro Central Station operating expenses	3,931,492	-	3,931,492	-	3,931,492
Waste transport costs	9,984,193	-	9,984,193	-	9,984,193
End use fees	4,897	-	4,897	-	4,897
Disposal fees	18,834,046	-	18,834,046	-	18,834,046
MERC operating expense	-	-	-	5,061,041	5,061,041
Marketing expense	-	-	-	1,786,388	1,786,388
Concessions expense	-	-	-	5,596,254	5,596,254
Depreciation and amortization	1,129,417	970,025	2,099,442	3,564,604	5,664,046
Rent and payments in lieu of rent	387,871	712,092	1,099,963	-	1,099,963
Administrative expenses paid to Support Services Fund	2,303,505	-	2,303,505	-	2,303,505
Payments to Planning Fund for services	394,686	-	394,686	-	394,686
Insurance expense	83,455	3,282,513	3,365,968	-	3,365,968
Claims expense	-	868,195	868,195	-	868,195
Purchased professional/technical services	-	75,634	75,634	-	75,634
Payment of rehabilitation fees	431,354	-	431,354	-	431,354
Consulting services	1,646,296	-	1,646,296	-	1,646,296
Waste reduction grants	367,534	-	367,534	-	367,534
Payments to other governments	717,602	225,640	943,242	-	943,242
Other materials and services	1,622,379	1,417,158	3,039,537	-	3,039,537
Total operating expenses	50,291,969	13,332,572	63,624,541	25,758,778	89,383,319

(Continued)

METRO

Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types and Discretely Presented Component Unit, Continued

For the year ended June 30, 1998

	Proprietary Fund Types		Total (memorandum only) -	Component Unit	Total (memorandum only) -
	Solid Waste Enterprise	Internal Service	Primary Government	MERC Enterprise	Reporting Entity
Operating income	$ 5,224,575	364,461	5,589,036	121,918	5,710,954
Non-operating revenues (expenses):					
Investment income	2,582,564	803,687	3,386,251	788,529	4,174,780
Contributions to other governments	-	-	-	(915,888)	(915,888)
Loss on disposal of fixed assets	(2,348)	(1,948)	(4,296)	-	(4,296)
Interest expense	(1,717,893)	(1,385,422)	(3,103,315)	(167,629)	(3,270,944)
Total non-operating revenues (expenses)	862,323	(583,683)	278,640	(294,988)	(16,348)
Income (loss) before operating transfers	6,086,898	(219,222)	5,867,676	(173,070)	5,694,606
Operating transfers in-primary government	-	578,000	578,000	-	578,000
Operating transfers out-primary government	-	(378,000)	(378,000)	-	(378,000)
Net income (loss)	6,086,898	(19,222)	6,067,676	(173,070)	5,894,606
Depreciation on fixed assets that reduces contributed capital	31,623	11,701	43,324	3,440,832	3,484,156
Increase (decrease) in retained earnings	6,118,521	(7,521)	6,111,000	3,267,762	9,378,762
Retained earnings - July 1, 1997	41,902,109	9,067,272	50,969,381	21,295,299	72,264,680
Cumulative effect of the change in accounting for investments	180,842	36,544	217,386	36,906	254,292
Retained earnings - July 1, 1997 as restated	42,082,951	9,103,816	51,186,767	21,332,205	72,518,972
Retained earnings - June 30, 1998	$ 48,201,472	9,096,295	57,297,767	24,599,967	81,897,734

See accompanying notes to general purpose financial statements.

METRO

Combined Statement of Cash Flows - All Proprietary Fund Types and Discretely Presented Component Unit

For the year ended June 30, 1998

	Proprietary Fund Types		Total (memorandum only) -	Component Unit	Total (memorandum only) -
	Solid Waste Enterprise	Internal Service	Primary Government	MERC Enterprise	Reporting Entity
Cash flows from operating activities:					
Cash receipts from customers	$ 56,362,864	643,729	57,006,593	12,889,324	69,895,917
Cash receipts from other governments	93,071	-	93,071	6,727,109	6,820,180
Cash receipts from quasi-external transactions	-	12,851,813	12,851,813	-	12,851,813
Other operating cash receipts	36,728	594,624	631,352	-	631,352
Cash payments to suppliers for goods and services	(39,744,105)	(4,503,130)	(44,247,235)	(12,061,401)	(56,308,636)
Cash payments for claims	-	(652,279)	(652,279)	-	(652,279)
Cash payments to other governments	(1,085,137)	(225,640)	(1,310,777)	-	(1,310,777)
Cash payments to employees for services	(5,677,935)	(5,802,419)	(11,480,354)	(9,543,318)	(21,023,672)
Cash payments for quasi-external transactions	(3,600,871)	(759,678)	(4,360,549)	-	(4,360,549)
Net cash provided by (used in) operating activities	6,384,615	2,147,020	8,531,635	(1,988,286)	6,543,349
Cash flows from noncapital financing activities:					
Transfers from other funds	-	578,000	578,000	734,582	1,312,582
Transfer to other funds	-	(378,000)	(378,000)	-	(378,000)
Net cash provided by noncapital financing activities	-	200,000	200,000	734,582	934,582
Cash flows from capital and related financing activities:					
Principal payment on revenue bonds	(1,735,000)	(375,000)	(2,110,000)	(395,000)	(2,505,000)
Interest payments	(931,910)	(1,280,586)	(2,212,496)	(171,296)	(2,383,792)
Acquisition and construction of capital assets	(2,149,882)	(807,431)	(2,957,313)	(1,813,237)	(4,770,550)
Retainage payments	-	-	-	(1,147)	(1,147)
Principal payments on loans	-	(15,920)	(15,920)	-	(15,920)
Principal payments on capital leases	-	(25,000)	(25,000)	(161,834)	(186,834)
Net cash used in capital and related financing activities	(4,816,792)	(2,503,937)	(7,320,729)	(2,542,514)	(9,863,243)

(Continued)

METRO

Combined Statement of Cash Flows -
All Proprietary Fund Types and Discretely Presented Component Unit, Continued

For the year ended June 30, 1998

	Proprietary Fund Types		Total (memorandum only) -	Component Unit	Total (memorandum only) -
	Solid Waste Enterprise	Internal Service	Primary Government	MERC Enterprise	Reporting Entity
Cash flows from investing activities:					
Investment income	$ 2,696,737	864,613	3,561,350	719,863	4,281,213
Proceeds from sale of investments	6,912,088	2,519,866	9,431,954	116,227	9,548,181
Purchase of investments	(6,892,489)	(2,985,374)	(9,877,863)	-	(9,877,863)
Net cash provided by investing activities	2,716,336	399,105	3,115,441	836,090	3,951,531
Net increase (decrease) in cash and cash equivalents including restricted amounts	4,284,159	242,188	4,526,347	(2,960,128)	1,566,219
Cash and cash equivalents at beginning of year including restricted amounts	39,762,423	10,901,533	50,663,956	18,622,945	69,286,901
Cash and cash equivalents at end of year including restricted amounts	$ 44,046,582	11,143,721	55,190,303	15,662,817	70,853,120

(Continued)

METRO

Combined Statement of Cash Flows - All Proprietary Fund Types and Discretely Presented Component Unit, Continued

For the year ended June 30, 1998

	Proprietary Fund Types: Solid Waste Enterprise	Proprietary Fund Types: Internal Service	Total (memorandum only) - Primary Government	Component Unit: MERC Enterprise	Total (memorandum only) - Reporting Entity
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	$ 5,224,575	364,461	5,589,036	121,918	5,710,954
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,129,417	970,025	2,099,442	3,564,604	5,664,046
Miscellaneous fees	-	750	750	-	750
Change in assets and liabilities:					
Trade/other accounts receivable	976,118	393,133	1,369,251	(757,155)	612,096
Other assets	7,524	(20,147)	(12,623)	528,858	516,235
Accounts payable	(462,167)	248,988	(213,179)	656,682	443,503
Salaries, withholdings and payroll taxes payable	111,120	(23,163)	87,957	207,173	295,130
Accrued self-insurance claims	-	215,916	215,916	5,330	221,246
Contracts payable	(69,537)	-	(69,537)	-	(69,537)
Unearned revenue	-	-	-	(6,762,993)	(6,762,993)
Deposits payable	-	-	-	595,163	595,163
Other liabilities	334	(2,943)	(2,609)	(147,866)	(150,475)
Post-closure costs payable	(532,769)	-	(532,769)	-	(532,769)
Total adjustments	1,160,040	1,782,559	2,942,599	(2,110,204)	832,395
Net cash provided by (used in) operating activities	$ 6,384,615	2,147,020	8,531,635	(1,988,286)	6,543,349
Non-cash investing, capital, and financing activities:					
Borrowing under capital lease	$ -	135,750		8,355	

Acquisition/construction of capital assets in the component unit includes $915,888 that becomes fixed assets of the City of Portland under terms of an intergovernmental agreement.

See accompanying notes to general purpose financial statements.

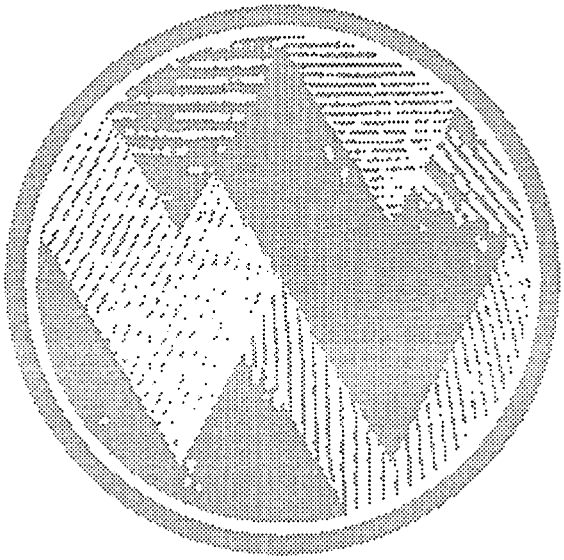
METRO

Statement of Changes in Plan Net Assets -
Pension Trust Fund

For the year ended June 30, 1998

	Pension Plan Fund
Additions:	
Employees' contributions	$ 1,328,366
Investment income	2,936,251
Total additions	4,264,617
Deductions:	
Benefit payments	624,419
Total deductions	624,419
Net increase	3,640,198
Net assets held in trust at beginning of the year	15,976,103
Net assets held in trust at end of the year	$ 19,616,301

See accompanying notes to general purpose financial statements.



METRO

Notes to General Purpose Financial Statements

For the Year Ended June 30, 1998

NOTE 1 - HISTORICAL INTRODUCTION

Metro, the nation's only directly elected regional government, was organized under the provisions of Oregon Revised Statutes (ORS) Chapter 268 to make available, in the Portland, Oregon metropolitan area, public services not adequately available through previously authorized governmental agencies. Under the 1992 Metro Charter, Metro's primary function is regional planning services. Metro is also authorized to exercise the following functions and is permitted by Charter to assume additional functions if approved by ordinance:

- Acquisition, development, maintenance and operation of:
  - a metropolitan zoo,
  - public cultural, trade, convention, exhibition, sports, entertainment, and spectator facilities,
  - facilities for disposal of solid and liquid wastes, and
  - a system of parks, open spaces and recreational facilities of metropolitan concern
- Metropolitan aspects of natural disaster planning and response coordination
- Development and marketing of data
- Performance of any other function required by state law or assigned to Metro by the voters.

The Metro Council is the governing body and consists of seven part-time councilors, each elected on a nonpartisan basis from a single district within the Metro area. The office of Metro Executive Officer, whose primary duty is to enforce Metro ordinances and otherwise execute the policies of the Council, is elected from the Metro area at large. The office of Metro Auditor is elected at large to perform financial and performance audit functions and make reports to the Council and Executive Officer.

The Metropolitan Exposition-Recreation Commission (MERC) was established by Metro ordinance to operate, maintain and renovate metropolitan convention, trade and spectator facilities pursuant to appropriate state statutes. The Commission consists of seven members appointed by the Executive Officer and confirmed by the Council.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of Metro have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following summary of Metro's significant accounting policies is presented to assist the reader in interpreting the general purpose financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying general purpose financial statements.

A. The Reporting Entity

Metro is a municipal corporation governed as described in Note 1. As required by generally accepted accounting principles, these general purpose financial statements present Metro (the primary government) and its sole component unit - the Metropolitan Exposition-Recreation Commission (MERC). The component unit discussed below is included in Metro's reporting entity because of the significance of its operational and financial relationship with Metro.

Metropolitan Exposition-Recreation Commission (MERC) - Based upon criteria established by the Governmental Accounting Standards Board, the assets, liabilities, revenues and expenses related to the facilities operated by MERC are discretely presented in the component unit column of Metro's general purpose financial statements except as discussed below. Unless noted otherwise in this report, the accounting policies of the component unit are consistent with those described for the primary government. MERC does not prepare a separate comprehensive annual financial report. Metro is responsible for the operation and management of MERC and appoints each of the seven members of the MERC Commission. Metro is financially accountable for the operations of MERC and is able to impose its will in MERC's operations through review of resolutions, budget approval and fiscal management.

MERC operates the Metro-owned Oregon Convention Center and Expo Center. In addition, under the provisions of an intergovernmental agreement with the City of Portland (the City), MERC is responsible for operation and management of the City-owned Civic Stadium and Portland Center for the Performing Arts. Because the City retains title to these facilities and all fixed assets purchased, and because the City remains obligated to pay certain bonded debt remaining on these facilities, the fixed assets, bonded debt and related interest and depreciation expenses are not included in the accompanying general purpose financial statements.

B. Fund Accounting

The accounts of Metro are organized on the basis of funds and account groups, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general purpose financial statements of this report, into three broad fund categories, seven generic fund types, and two account groups. Metro's funds and account groups are as follows:

Governmental Funds - The governmental funds are accounted for under a spending measurement focus. Only current assets and current liabilities are generally reported on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "current financial resources" during a period. Funds included in this fund category are as follows:

General Fund - The *General Fund* accounts for all activities not required to be accounted for in another fund. This fund accounts primarily for Metro's general government activities, including Council and Office of the Executive Officer functions. The principal resources of the fund are interest and excise taxes on Metro's facilities and services levied in accordance with the Metro Code.

Special Revenue Funds - These funds account for revenues from specific sources. Included are the following:

Planning Fund - This fund accounts for funding and operation of Metro's regional planning functions, including land use, urban growth management, and environmental and transportation planning. Principal sources of revenues are federal, state and local grants, charges for services, and a share of the excise tax transferred from the General Fund.

Regional Parks Fund - This fund accounts for funding and operation of Metro's greenspaces program and recreation activities, including parks, marine facilities, and pioneer cemeteries. Principal sources of revenue are federal grants, shared revenue, and charges for services.

Zoo Fund - This fund accounts for funding and operation of the Metro Washington Park Zoo. Principal sources of revenues are charges for services and property taxes derived from a property tax base. This fund consists of two budgetary funds (Zoo Operating Fund and General Revenue Bond Fund - Zoo) that are combined as one Special Revenue Fund to be in accordance with generally accepted accounting principles.

Debt Service Fund - The *General Obligation Bond Debt Service Fund* accounts for payments of general obligation bond principal and interest to bond holders. The principal source of revenue is property taxes.

Capital Projects Funds - These funds are used to account for resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Metro's Capital Projects Funds are:

Zoo Capital Fund - This fund accounts for major improvement projects at the Metro Washington Park Zoo. Principal resources are interest and contributions and donations.

Open Spaces Fund - This fund accounts for the activities to acquire and protect regional open spaces, parks, trails, and streams. The principal resource is interest.

Proprietary Funds - Proprietary Funds are accounted for under an "economic resources" measurement focus. All assets and all liabilities (whether current or non-current) associated with the operation of these funds are reported on the balance sheets, and their operating statements present net income and cash flows.

Enterprise Funds - These funds account for the financing of predominantly self-supporting activities that are funded through service charges and user fees to customers. Enterprise Funds are as follows:

Primary government - Metro

Solid Waste Fund - This fund accounts for revenues, primarily charges for services for the disposal of solid waste, and expenses for the implementation, administration and enforcement of Metro's Solid Waste Management Plan. This fund also accounts for Metro South Station and Metro Central Station solid waste transfer and recycling facilities, and the closed St. Johns Landfill.

Component unit - MERC

MERC Fund - This fund accounts for revenues and expenses related to the management and operation of facilities managed by MERC, including the Oregon Convention Center, Expo Center, Portland Center for the Performing Arts (PCPA), and Civic Stadium. The principal sources of revenue are local government shared revenue and charges for services. Expenses consist primarily of management, marketing and operation costs. This fund consists of three budgetary funds (MERC Operating Fund, Convention Center Project Capital Fund, and MERC Renewal and Replacement Fund) that are combined as one Enterprise Fund to be in accordance with generally accepted accounting principles. Beginning budgetary balances in the Oregon Convention Center Operating, Spectator Facilities Operating, and Coliseum Operating Funds were transferred to the new MERC Operating Fund at the beginning of fiscal year 1998.

Internal Service Funds - Internal Service Funds are used to account for activities or services furnished by designated departments to other organizational units within Metro. Charges are made to the various user departments to support these activities. Metro's Internal Service Funds are as follows:

Building Management Fund - This fund accounts for revenues and expenses related to the management of Metro's headquarters facility and parking structure. Principal sources of revenue are interest and charges for services to user funds. Expenses primarily consist of maintenance, utilities and professional services costs. This fund consists of two budgetary funds (Building Management Fund and General Revenue Bond Fund - Building Management) that are combined as one Internal Service Fund to be in accordance with generally accepted accounting principles.

Support Services Fund - This fund accounts for central services provided to other Metro operating units. These central services consist of Administrative Services, Office of General Counsel, Office of Public and Government Relations, Council Office of Public Outreach, Office of Citizen Involvement, and Office of the Auditor. Primary sources of revenue are interest and charges for services to user funds, established through a cost allocation plan that distributes the central services costs based upon the benefit received.

Risk Management Fund - This fund accounts for risk management and self-insurance programs provided for other organizational units within Metro. Primary revenues are charges for services to user funds and interest. Primary expenses are insurance premiums, claims costs and studies related to insurance issues.

Fiduciary Funds - Metro's fiduciary funds account for resources received and held in a fiduciary capacity. Disbursements from these funds are made in accordance with the trust agreement or applicable legislative enactment for each particular fund. The terms "nonexpendable" and "expendable" refer to whether or not Metro is required to preserve the trust principal balance. Metro's Fiduciary Funds are as follows:

Expendable Trust Funds - Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds. Metro's Expendable Trust Funds are as follows:

Rehabilitation and Enhancement Fund - This fund accounts for funds received and expenditures for rehabilitation and enhancement of the area in and around the various solid waste disposal facilities. Primary resources are rehabilitation and enhancement fees and interest. Expenditures are for planning and implementation of rehabilitation and enhancement programs in the area.

Smith and Bybee Lakes Trust Fund - This fund accounts for the implementation of the Smith and Bybee Lakes Management Plan, managed by Metro's Regional Parks and Greenspaces Department. A Natural Resources Plan for Smith and Bybee Lakes was adopted by the City of Portland and Metro in prior years. The primary resource is interest.

Regional Parks Trust Fund - This fund accounts for four activities dedicated to: construction of a nature center, construction of a concert stage, funding the care and maintenance of a family plot and the purchase of flowers for the pioneer cemeteries. The primary resources are interest and charges for services.

Pension Trust Fund - A nonexpendable Pension Trust Fund is used to account for net assets held in the defined contribution plan since capital maintenance is critical.

Pension Plan Fund - This fund accounts for employee contributions to a defined contribution plan and earnings on such plan participant balances. Additions are contributions, based upon a percentage of participants' wages, and investment income.

Account Groups - Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. Metro's account groups are as follows:

General Fixed Assets Account Group - This group accounts for Metro's investment in fixed assets not recorded in Proprietary Fund types.

General Long-term Debt Account Group - This group accounts for Metro's obligations not recorded in the Proprietary Fund types: general obligation bonds, retirement of loans, obligations under capital leases, and liabilities for compensated absences payable from future resources.

C. Basis of Accounting

Metro's financial operations are organized and accounted for on the basis of funds and account groups, each of which is considered a separate fiscal and accounting entity. The segregation by fund is for the purpose of carrying on specific activities or attaining certain objectives in accordance with ordinances, special regulations, restrictions or limitations. The various funds are grouped in the accompanying general purpose financial statements into three broad fund categories - Governmental, Proprietary and Fiduciary Fund types (see note 2B).

The Governmental Fund types and the Expendable Trust Funds (a Fiduciary Fund type) are maintained using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become measurable and available and expenditures are recorded when the liability is incurred, except for:

- interfund transactions which are recorded on the accrual basis;
- revenues from grants and contracts which are recorded as earned; and
- accrued interest on general long-term debt that is recorded on its due date.

Significant revenues that are considered to be measurable and available under the modified accrual basis of accounting are:

- interest earned on temporary investments; and
- property taxes received within approximately 60 days of the end of a fiscal year.

The Proprietary Fund types and Pension Trust Fund are accounted for utilizing the accrual basis of accounting, under which revenues are recorded at the time they are earned and expenses are recorded at the time liabilities are incurred. The proprietary funds have applied all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

D. Budgets

A budget is prepared for each fund, except the Pension Trust Fund, in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The original budget is adopted for all funds, except the Pension Trust Fund, by the Council by ordinance prior to the beginning of Metro's fiscal year. The ordinance authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The legal level of control is set by department in the functional categories of personal services, materials and services, capital outlay, and other expenditures in these funds:

General Fund
Planning Fund
Solid Waste Revenue Fund
General Revenue Bond Fund
Support Services Fund

The functional categories of personal services, materials and services, capital outlay, and other expenditures are the established legal level of control in these funds:

Regional Parks Fund
Zoo Operating Fund
General Obligation Bond Debt Service Fund
Zoo Capital Fund
Open Spaces Fund
Building Management Fund
Risk Management Fund
Rehabilitation and Enhancement Fund
Smith and Bybee Lakes Trust Fund
Regional Parks Trust Fund
MERC Operating Fund (Personal services and materials and services are combined)
Convention Center Project Capital Fund
MERC Renewal and Replacement Fund
Oregon Convention Center Operating Fund
Spectator Facilities Operating Fund
Coliseum Operating Fund

The General Revenue Bond Fund is a budgetary fund comprised of two components that are separated and combined with other budgetary funds for reporting under generally accepted accounting principles.

The detail budget document is required to contain more specific, detailed information about the aforementioned expenditure categories. Appropriations that have not been expended at year end lapse and subsequent actual expenditures are charged against ensuing year appropriations. Encumbrances are recorded in Metro's internal accounting records for management reporting and control. Encumbrances are closed at June 30 and re-established in the ensuing fiscal year against appropriations for that year.

Unexpected additional resources and budget revisions may be added to the budget through the use of a supplemental budget or by an ordinance passed by the Council amending the budget. A supplemental budget requires hearings before the public, publication in newspapers and approval by the Council. Original, amended and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require the approval of the Council. Management may amend the budget within the appropriated levels of control without the approval of the Council.

Budget amounts shown in the general purpose financial statements include the original budget amounts and all appropriation transfer and amendment amounts approved by the Council. Metro adopted 12 budget amendments during the year ended June 30, 1998. The amount of such amendments was not significant, except for a change in the Open Spaces Fund moving appropriations from contingency to capital outlay to allow additional land purchases. One supplemental budget was adopted for approximately $3,000,000 to consolidate the various budgetary funds of MERC into one operating fund.

E. Cash and Investments

Effective July 1, 1997, Metro adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools.* This statement requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, Metro has stated certain investments at fair value and has restated fund equity as of July 1, 1997 to reflect the cumulative effect of the change on prior years.

Cash and investments consist of each fund's portion of pooled cash balances, time certificates of deposit, money market investments, U.S. Government securities, banker's acceptances, commercial paper and investments in the State Treasurer's investment pool. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity date within three months of the date acquired. Interest earned on investments is allocated monthly based upon each fund's average monthly cash balance. Investments are generally carried at fair value. However, money market investments (such as short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less, are carried at amortized cost. The fair value of investments is determined annually and is based on current market prices. The fair value of Pension Trust investments, which consist of mutual funds that are self-directed by participants, is based on the fund's current share price.

F. Receivables

Uncollected property taxes are shown on the combined balance sheet as a receivable. Property taxes collected and remitted to Metro by county treasurers within approximately 60 days of fiscal year end are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Property taxes are assessed and become a lien against the property as of July 1 each year. Property taxes are levied on November 15 and are payable in three installments that are due on November 15, February 15 and May 15. Taxes unpaid and outstanding after May 16 are considered delinquent.

G. Grants

Unreimbursed expenditures in the Governmental Fund types for all grants due from grantor agencies are reflected in the general purpose financial statements as receivables and revenues. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the combined balance sheet. In Enterprise Funds, capital grants restricted by the grantor for capital outlay projects are credited directly to contributed capital as received and the related project costs are capitalized as fixed assets.

Metro allocates indirect costs, primarily of an administrative nature, to grants in compliance with cost allocation plans that are subject to the approval of Metro's cognizant agency. The plan in effect for fiscal 1998 allocated indirect costs to grants at a rate of approximately 31% of the related direct personnel costs.

H. Inventory of Materials and Supplies

Inventories for the Zoo Fund and the MERC Fund within the component unit, consisting of consumable food and gift shop items held for resale, are valued at cost (first-in, first-out method). Inventories are charged as expenditures upon sale.

I. Restricted Assets and Liabilities

A portion of the equity in the internal cash and investment pool has been restricted for future payment of certain long-term contracts, certain long-term liabilities and for operating contracts requiring segregated customer deposits. Such restrictions in the Solid Waste Enterprise Fund include amounts for the payment of the post-closure liability at the St. Johns Landfill.

J. Fixed Assets

General Fixed Assets Account Group - Fixed assets are stated at cost. Donated fixed assets are stated at estimated fair market value when received. Purchases of fixed assets are recorded as capital outlay expenditures in the Governmental Funds and capitalized in the General Fixed Assets Account Group. The capitalization threshold is $1,000. No depreciation is recorded on general fixed assets, and maintenance and repairs are charged to expenditures in various Governmental Funds as incurred and not capitalized. Upon disposal, the General Fixed Assets Account Group is relieved of the asset's original cost or other basis; any moneys received from such disposal are accounted for as revenue in the General Fund or Special Revenue Funds as appropriate.

Proprietary Fund Type Fixed Assets - Fixed assets in the enterprise and internal service funds are stated at cost. Normal maintenance and repairs are charged to operations as incurred. Replacements exceeding $1,000 that improve or extend the lives of property are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

- Buildings and improvements — 20-40 years
- Equipment — 5-10 years
- Office furniture — 5-7 years

Depreciation provided on certain assets acquired through contributions is recorded as a reduction of contributed capital. Gains or losses realized from sales or retirements are credited or charged to operations.

Pursuant to an intergovernmental agreement with the City of Portland, Metro (through MERC) operates and manages activities for the Stadium and PCPA, but fixed assets purchased from funds derived from these operations become property of the City. As such, these expenses are reflected as contributions to other governments and are not capitalized.

K. Leases

Leases that meet certain criteria established by the FASB and adopted by the GASB are classified as capital leases. The assets and related liabilities are recorded at amounts equal to the lesser of the present value of future minimum lease payments or the fair value of the leased property at the beginning of the lease term.

Capital leases of general fixed assets are recorded at the inception of the leases as expenditures and other financing sources in Governmental Fund types and as assets and obligations in the General Fixed Assets and General Long-term Debt Account Groups, respectively. Lease payments are recorded as expenditures on the due date; the portion of the payments applicable to principal, determined by using interest rates implicit in the leases, is reported as a reduction of the capitalized lease obligation in the General Long-term Debt Account Group.

Leases that do not meet the criteria of capital leases are classified as operating leases and related rentals are charged to expenditures or expenses as appropriate.

L. Zoo Specimens and Animal Food

The cost of acquiring zoo specimens and the cost of animal food is charged against operations as such costs are incurred.

M. Donated Materials and Volunteer Services

Donated materials relating to improvements are recorded at estimated fair values when received. Volunteer services and donated supplies are not accounted for in the general purpose financial statements as there is no reasonable basis for valuing these donations.

N. Liability for Compensated Absences

Accumulated unpaid vacation benefits in the Governmental Fund types are recorded as expenditures to the extent they are expected to be liquidated with expendable available resources. The amount payable from future resources is recorded in the General Long-term Debt Account Group. Accumulated unpaid vacation benefits in the Proprietary Fund types are accrued as earned. Accumulated sick leave does not vest and is, therefore, recorded in all funds when leave is taken.

O. Long-term Obligations

Long-term debt expected to be paid with the resources of the proprietary funds is reported in those funds. Long-term debt of governmental funds is reported in the general long-term debt account group.

Bond premiums, discounts, issuance costs and deferred amounts on refundings in the proprietary fund types are amortized over the life of the bonds using the effective interest method. Bonds payable are reported on the balance sheet net of the unamortized portion of those costs. For governmental fund types, bond premiums, discounts and issuance costs are recognized during the current period.

P. Reserved Retained Earnings

A portion of retained earnings of the Solid Waste Enterprise Fund has been segregated from unreserved retained earnings for amounts legally required to be set aside to pay debt service and to fund renewal and replacement costs in accordance with the revenue bond ordinance authorizing the Metro Central Station Project, Waste Disposal System Revenue Bonds. A portion of retained earnings of the MERC Enterprise Fund has been segregated from unreserved retained earnings for amounts required to be set aside to fund renewal and replacement.

Q. Interfund Transactions

Metro's policy is to record certain administrative, maintenance and insurance expenditures for other funds in the Support Services, Building Management and Risk Management Funds, respectively. These costs are charged to other funds as expenditures or expenses and reflected as charges for services revenue in the Support Services, Building Management and Risk Management Funds. The amounts of such interfund charges are based upon management's estimates of total costs and are identified in the cost allocation plan as reflected in the operating budgets. The cost allocation plan adjusts such interfund charges to reflect actual costs at year end.

Certain operating revenues and expenditures and capital costs under generally accepted accounting principles have been presented as transfers between funds for budgetary purposes in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds.

R. Total (Memorandum Only) Columns

The total (memorandum only) columns in the general purpose financial statements represent an aggregate of the columnar statements by fund type and account group; they do not represent consolidated financial information.

NOTE 3 - DEFICIT FUND EQUITY

The Building Management Fund had a retained deficit of $1,158,061 as of June 30, 1998. Metro plans to cover the deficit through normal operations in future years.

NOTE 4 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 1998, materials and services expenditures exceeded appropriations by $118,687 in the special appropriations category of the General Fund and by $288 in the Council Office of Public Outreach area of the Support Services Fund. The General Fund overexpenditure is due to election costs apportioned by the counties that are extremely difficult to project.

The overexpenditures were funded by available fund balance.

NOTE 5 - RECONCILIATION OF REVENUES AND EXPENDITURES - BUDGETARY BASIS TO GAAP BASIS

Oregon Budget Law requires accounting for certain transactions to be on a basis other than generally accepted accounting principles (GAAP). The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds is presented on the budgetary basis and is adjusted to the GAAP basis in the presentation in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds. The accounting for capital lease proceeds and expenditures and the reclassification of interfund transfers as quasi-external transactions cause no difference between the excess of revenues and other sources over expenditures and other uses on a budget basis and such amounts on a GAAP basis. A reconciliation of the differences between budgetary basis and GAAP basis due to the application of GASB Statement No. 31 on valuation of investments is presented on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds.

NOTE 6 - CASH AND INVESTMENTS

A. Deposits

At June 30, 1998, the carrying amounts of the primary government and component unit cash deposits with the county treasurers and various financial institutions presented in the accompanying general purpose financial statements were $2,263,852 and ($28,788), respectively. The corresponding bank balances associated with the carrying amounts disclosed above total $4,190,302 and $328,448, respectively. The entire amount of the bank balances is covered by federal depository insurance or is collateralized with securities held by financial institutions acting as agents for Metro in Metro's name. Cash on hand totals $46,000 for the primary government and $57,744 for the component unit. Oregon statutes require each depository throughout the period of its possession of public funds to maintain on deposit securities having a value of not less than 25% of the certificates of participation issued by its pool manager.

B. Investments

Policies officially adopted by Metro's Investment Advisory Board and the Metro Council authorize Metro to invest in obligations of the U.S. Treasury and agencies, time certificates of deposit, repurchase agreements, money market investments, banker's acceptances, commercial paper, State of Oregon and local government securities, and the State Treasurer's investment pool. The Pension Trust Fund is also authorized to invest in, but is not limited to, stocks, mortgages, insurance contracts, bonds and other evidence of indebtedness or ownership through mutual funds that are self-directed by participants.

During the fiscal year, there were no known violations of legal or contractual provisions for deposits and investments.

Metro's investments at year end are categorized below to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered or for which the securities are held by Metro or its agent in Metro's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in Metro's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in Metro's name. The risk level indicated below is generally reflective of the risk assumed by Metro during the year ended June 30, 1998.

	Category 1	Category 2	Category 3	Reported amount	Fair value
Primary Government:					
Commercial paper	$ 36,480,443	-	-	36,480,443	36,471,448
U.S. Govt. securities - treasury	105,520,294	-	-	105,520,294	105,071,654
U.S. Govt. securities - agencies	45,363,062	-	-	45,363,062	45,522,055
Total	$187,363,799	-	-	187,363,799	187,065,157
Investments not subject to categorization:					
Pension trust investments in mutual funds				18,937,070	18,937,070
State Treasurer's investment pool				21,704,118	21,704,118
Total investments- Primary Government				$228,004,987	227,706,345
Component Unit - MERC:					
Commercial paper	$ 1,115,355	-	-	1,115,355	1,115,145
U.S. Govt. securities - treasury	3,101,626	-	-	3,101,626	3,047,995
U.S. Govt. securities - agencies	5,084,517	-	-	5,084,517	5,109,099
Repurchase agreements	3,881,891	-	-	3,881,891	3,881,891
Total	$ 13,183,389	-	-	13,183,389	13,154,130
Investments not subject to categorization:					
State Treasurer's investment pool				2,500,472	2,500,472
Total investments- Component Unit				$15,683,861	15,654,602

Metro's cash and investments are reflected on the combined balance sheet as follows:

	Primary Government	Component Unit	Total
Unrestricted	$217,881,190	11,834,760	229,715,950
Restricted	12,433,649	3,878,057	16,311,706
	$230,314,839	15,712,817	246,027,656

Equity in internal cash and investment pool in the General Fund includes pooled investments reported above of $108,676,951.

NOTE 7 - FIXED ASSETS

Fixed assets by major class for the General Fixed Assets Account Group and the Proprietary Funds are as follows:

	Balance July 1, 1997	Additions	Disposals and Transfers	Balance June 30, 1998
General Fixed Assets Account Group				
Land	$ 35,935,543	23,449,587	(300,380)	59,084,750
Buildings and exhibits	54,347,499	10,696,833	(15,157,856)	49,886,476
Improvements	4,505,384	507,679	(125,628)	4,887,435
Equipment	3,548,115	564,136	(636,403)	3,475,848
Office furniture/equipment	2,679,834	164,749	(51,476)	2,793,107
Railroad equipment/facilities	1,817,066	43,850	-	1,860,916
	$102,833,441	35,426,834	(16,271,743)	121,988,532
Proprietary Funds				
Primary Government - Metro				
Land	$ 4,638,560	-	-	4,638,560
Buildings	48,132,343	1,504,993	-	49,637,336
Improvements	3,226,768	64,388	-	3,291,156
Equipment	2,395,561	743,566	(19,550)	3,119,577
Office furniture/equipment	4,109,588	779,366	(32,189)	4,856,765
Leasehold improvements	9,089,857	-	-	9,089,857
	71,592,677	3,092,313	(51,739)	74,633,251
Less accumulated depreciation and amortization	20,917,494	2,099,442	(47,443)	22,969,493
	$50,675,183	992,871	(4,296)	51,663,758

Proprietary Funds	Balance July 1, 1997	Additions and Transfers	Disposals	Balance June 30, 1998
Component Unit - MERC				
Land	$14,979,562	300,380	-	15,279,942
Buildings	84,768,870	15,793,365	-	100,562,235
Improvements	594,330	195,548	-	789,878
Equipment	1,385,120	792,598	(1,889)	2,175,829
Office furniture/equipment	3,911,020	55,513	-	3,966,533
	105,638,902	17,137,404	(1,889)	122,774,417
Less accumulated depreciation and amortization	18,618,064	4,549,050	(1,889)	23,165,225
	$87,020,838	12,588,354	-	99,609,192

An agreement between the City of Portland and Metro regarding the real property at the Zoo provides that the property must be used for zoo or zoo-related purposes and, if such property ceases to be used for such purposes or is used for other purposes, title reverts to the City of Portland. Metro was in compliance with this agreement for the year ended June 30, 1998.

The accounting for all MERC managed facilities was converted to a proprietary activity in fiscal year 1998. Assets of the Expo Center were transferred from the General Fixed Assets Account Group to the Proprietary Funds as shown above.

Proprietary fund fixed assets for the component unit (MERC) are those of Metro owned facilities. Fixed assets used in operating the Stadium and PCPA are not included in the General Fixed Assets Account Group or Proprietary funds of Metro or MERC as title to the assets remains with the City of Portland in accordance with an intergovernmental consolidation agreement. These fixed assets will be included in the Comprehensive Annual Financial Report of the City of Portland when issued.

NOTE 8 - PENSION PLANS

A. Defined Contribution Plan

Metro offers its employees a 401(k) plan in accordance with Internal Revenue Code provisions. The Metro Employee Salary Savings Plan is available to all Metro employees and permits employees to contribute a portion of their salary to the plan to obtain favorable tax treatment for amounts contributed. Moneys accumulated under the plan are deposited with a trustee and are invested in mutual funds that are self-directed by participants. Metro's Executive Officer is the plan administrator and has appointed a five-member Advisory Committee which has the authority to define, monitor, manage and interpret the provisions of the plan, contained in the Plan Document.

In past years, Metro contributed amounts to this plan for a certain number of its full-time employees who had elected not to participate in the State of Oregon Public Employees Retirement System (PERS). Currently, all eligible employees are members of PERS and Metro makes no further contributions to the plan. In a defined contribution plan, benefits depend solely on amounts contributed plus investment earnings. Employees' contributions to the plan amounted to $1,328,366 during the fiscal year 1998.

B. Defined Benefit Plan

Plan Description

Substantially all full-time employees, and other employees who meet certain eligibility requirements, are participants in PERS, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for political subdivisions in the State of Oregon.

PERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 73, Portland, Oregon 97207-0073 or by calling 1-503-229-5824.

Benefits vest after five years of continuous service. Retirement with unreduced benefits is allowed for employees at age 58, but retirement with reduced benefits is generally available after age 55. Retirement benefits are based on salary and length of service, are calculated using a formula and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

Funding Policy

The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. Metro's required employer contribution rate is 8.09% of covered employees' salaries. Under the provisions of state statutes, all covered employees, except elected officials, are required to contribute 6% of their gross earnings to PERS. The required employee contribution is paid by Metro for certain employees in conformance with its personnel policies. Some Metro and MERC employees are required to pay the 6% contribution. It is Metro's policy to recognize pension expenditures or expenses as currently funded.

Annual Pension Cost

For fiscal 1998, Metro's annual pension cost of $2,286,827 was equal to Metro's required and actual contribution. The required contribution was determined as part of an actuarial valuation at December 31, 1995 using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include:

- A rate of return on the investment of present and future assets of 8.0% per year,
- Projected salary increases of 5.0% per year attributable to general wage adjustments, with additional increases for promotion and longevity that may vary by age and service, and
- Projected automatic cost-of-living benefit increases of 2.0% per year.

Metro does not maintain a separate PERS account for MERC employees. Accordingly, trend information for employees of MERC is not separable from Metro's statistics.

Three year historical trend information:

Fiscal year ended June 30:	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1996	$2,064,931	100%	$0
1997	2,292,466	100%	0
1998	2,286,827	100%	0

Schedule of funding progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/93	$14,022,434	24,156,434	10,134,000	58%	22,332,313	45%
12/31/95	24,603,201	34,666,467	10,063,266	71	24,469,431	41
12/31/97	50,010,247	51,512,838	1,502,591	97	29,175,599	05

NOTE 9 - COMMITMENTS

Columbia Ridge Landfill

Metro has a waste disposal services contract with the owner and operator of the Columbia Ridge Landfill, for disposal of approximately 17 million tons of solid waste or for the period of twenty years (ending December 31, 2009), whichever is earlier.

The contract requires a per ton unit price of $27.25 for the first 550,000 tons and a declining incremental price scale for each ton of waste in excess of 550,000 tons. The per ton rate is adjusted annually on July 1 to reflect changes in the Consumer Price Index (CPI).

Waste Transport

Solid waste transport from Metro facilities to the Columbia Ridge Landfill and other disposal sites is privately contracted through December 31, 2009. The contract requires fixed payments of approximately $830,000 per year, in addition to a per load unit price that equates to an approximate per ton rate of $13. The unit price is adjusted annually on January 1 in an amount equivalent to 75% of the CPI.

Metro South Station and Metro Central Station

Operations of the Metro South Station, a solid waste transfer facility, and Metro Central Station, a solid waste materials recovery and transfer station that emphasizes recovery of waste materials, are contracted through September 30, 2002. The agreement sets a lump sum price for the first 21,000 tons of waste received each month: $93,000 at Metro South and $144,000 at Metro Central. Above 21,000 tons, payment is calculated by reference to sliding tonnage ranges that begin at $4.20 per ton for Metro South and $6.55 per ton for Metro Central. In addition, the contractor receives incentives for materials recovered from the waste stream and therefore not sent to the Columbia Ridge Landfill. The unit price is adjusted annually on July 1 in accordance with the CPI.

The following table presents the approximate annual commitment based on forecasted refuse tons and a 3% annual inflation factor for all of the previously described contracts:

	Columbia Ridge Landfill	Waste Transport		Metro South	Metro Central
Fiscal year ended June 30:	Variable payment based on tons	Fixed payments	Variable payment based on tons	Variable payment based on tons	Variable payment based on tons
1999	$ 16,970,001	829,400	8,115,710	1,774,119	3,198,582
2000	17,440,481	829,400	8,130,338	1,789,215	3,214,611
2001	17,951,162	829,400	8,470,686	1,877,908	3,374,328
2002	18,474,678	829,400	8,828,607	1,971,258	3,541,562
2003	19,015,169	829,400	9,201,768	661,636	1,087,165
Later years	141,848,332	5,391,100	60,399,803	-	-
Total	$231,699,823	9,538,100	103,146,912	8,074,136	14,416,248

NOTE 10 - LEASE OBLIGATIONS

A. Operating Leases

The Portland Center for the Performing Arts Theater Complex leases the grounds for the Complex under an operating lease expiring in 2083. The term of the original agreement may be extended in ten year increments for a total of 50 additional years. Rent adjustments may be negotiated every five years commencing on November 1, 1994. The scheduled lease payments are $8,384 monthly through October 31, 1999.

Metro owns the St. Johns Landfill and certain adjacent property but continues to lease from the City of Portland a smaller parcel of property at the entry to the St. Johns Landfill. An addendum to the original lease extended the term through October 31, 1998 and set the yearly payments at $7,230. A second addendum extends the term through October 31, 1999 and sets the yearly payments at $7,380.

The future minimum rental payments for these leases are as follows:

Fiscal year ended June 30:	Ground Lease	Landfill Lease
1999	$ 100,608	7,330
2000	100,608	2,460
2001	100,608	-
2002	100,608	-
2003	100,608	-
Thereafter	7,981,568	-
Total	$8,484,608	9,790

B. Capital Leases

Metro has capital lease agreements for computers, printers, copiers and other equipment. These agreements provide Metro the right to purchase the asset at a nominal price at the end of the lease term. The agreements are for varying periods through 2001. Interest rates range from 4.1% to 5.0%. Amortization charges applicable to capital lease assets in the proprietary fund types are included in depreciation and amortization expense.

The future minimum lease payments are:

Fiscal year ended June 30:	Primary Government	Component Unit
1999	$ 248,268	206,088
2000	225,786	207,689
2001	215,039	205,958
Total minimum lease payments	689,093	619,735
Less amount representing interest	(47,343)	(58,214)
Net present value of future minimum lease payments	$ 641,750	561,521

NOTE 11 - BONDS PAYABLE

A. Open Spaces Program 1995 Series A, B, and C General Obligation Bonds

In prior years, Metro issued the following Open Spaces Program General Obligation Bonds: $74,170,000 of 1995 Series A, $5,219,923 of 1995 Series B (Capital Appreciation), and $56,210,000 of 1995 Series C. The Open Spaces Bonds were issued by Metro under authority granted by voters for $135.6 million in general obligation bonds to finance land acquisition and capital improvements pursuant to Metro's Open Spaces Program. The program will establish a cooperative regional system of parks, natural areas, open spaces, trails and greenways for wildlife and people.

The bonds are to be repaid with proceeds of Metro's ad valorem property tax levied each year. Interest rates range from 4.15% to 7.0%.

Bond principal and interest outstanding at June 30 and the corresponding maturities are as follows:

Fiscal year ended	1995 Series A		1995 Series B		1995 Series C	
June 30:	Principal	Interest	Principal	Interest	Principal	Interest
1999	$ 2,370,000	3,732,716	444,050	55,950	1,690,000	2,760,913
2000	2,520,000	3,583,616	423,755	76,245	1,790,000	2,656,512
2001	2,655,000	3,447,773	403,200	96,800	1,905,000	2,545,663
2002	2,795,000	3,304,710	383,625	116,375	2,020,000	2,427,912
2003	2,945,000	3,157,716	363,060	136,940	2,145,000	2,302,963
2004-16	56,535,000	22,781,636	2,254,313	1,748,687	43,575,000	16,766,641
	$69,820,000	40,008,167	4,272,003	2,230,997	53,125,000	29,460,604

B. Convention Center 1992 Series A General Obligation Refunding Bonds

In prior years, Metro issued $65,760,000 in Convention Center 1992 Series A General Obligation Refunding Bonds to advance refund the 1987 Series bonds. The net proceeds plus additional moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1987 Series bonds. The remaining balance of $53,500,000 of defeased bonds were paid off December 1, 1997 and the escrow account was closed.

The 1992 bonds are to be repaid with proceeds of Metro's ad valorem property tax levied each year. The bonds have interest rates ranging from 5.5% to 6.25%.

Bond principal and interest outstanding at June 30 and the corresponding maturities on 1992 Series A are as follows:

Fiscal year ended June 30:	Principal	Interest
1999	$ 2,230,000	3,380,383
2000	2,375,000	3,252,235
2001	2,530,000	3,113,958
2002	2,700,000	2,964,237
2003	2,890,000	2,799,385
2004-13	42,855,000	15,572,116
	$55,580,000	31,082,314

C. Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds

In prior years, Metro issued $28.8 million in general obligation bonds to finance capital improvements at the Metro Washington Park Zoo including new exhibits, a new entry, and other improvements. The bonds are to be repaid with proceeds of Metro's ad valorem property tax levied each year. Interest rates range from 5.0% to 6.0% on various maturities, with an average interest cost for the entire issue of 5.3119%.

Bond principal and interest outstanding at June 30 and the corresponding maturities are as follows:

Fiscal year ended June 30:	Principal	Interest
1999	$ 890,000	1,529,260
2000	940,000	1,484,760
2001	990,000	1,437,760
2002	1,040,000	1,388,260
2003	1,095,000	1,336,260
2004-17	23,250,000	10,595,440
	$28,205,000	$17,771,740

D. Solid Waste Disposal System Revenue and Refunding Revenue Bonds

These bonds are subject to covenants which specify the order of application of gross revenues to requirements and which require Metro to: maintain its existing solid waste disposal system; establish rates to produce net revenues each year which at least equal 110% of annual debt service; maintain and enforce regulations governing the disposal of solid waste in the service area; and comply with the Internal Revenue Code to maintain the tax exempt status of the bonds. Other covenants also apply. Metro is in compliance with all covenants as of and for the year ended June 30, 1998.

Metro Central Transfer Station Project, Waste Disposal System Revenue and Refunding Revenue Bonds

In prior years, Metro issued $12,895,000 in Waste Disposal System Refunding Revenue Bonds 1993 Series A to advance refund certain maturities of outstanding Waste Disposal System Revenue Bonds 1990 Series A. The net proceeds plus additional moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded portion of the 1990 Series bonds. Accordingly, the trust account assets and the liability for the maturities of the 1990 Series bonds that were defeased are not included in Metro's general purpose financial statements. At June 30, 1998, $16,100,000 of defeased bonds are outstanding.

Both the remaining maturities of the Waste Disposal System Revenue Bonds 1990 Series A which were not defeased and the 1993 Series A Refunding Bonds mature serially each January 1 and July 1 (through 2008 and 2012 respectively). Interest is payable semiannually on July 1 and January 1. Interest rates range from 6.75% to 7.10% on the remaining 1990 Series A bonds and from 4.0% to 5.125% (initial average rate of 4.99%) on the 1993 Series A Refunding bonds.

Bond principal and interest outstanding at June 30 and the corresponding maturities are:

	1990 Series A		1993 Series A Refunding	
Fiscal year ended June 30:	Principal	Interest	Principal	Interest
1999	$ 1,720,000	215,431	135,000	600,627
2000	1,840,000	95,979	140,000	594,916
2001	-	-	1,110,000	568,041
2002	1,066,120	-	2,125,000	497,427
2003	2,140,000	-	75,000	448,951
2004-12	9,630,000	-	8,745,000	2,961,299
	$16,396,120	311,410	12,330,000	5,671,261

The above principal amounts are reported on the balance sheet net of $271,961 in unamortized costs and discount, $1,148,029 in deferred amount on refunding, and $4,458,566 in unamortized accretion.

Metro/Riedel Oregon Compost Co. Project, Waste Disposal System Project Revenue Bonds

On June 20, 1990, Metro sold $5,000,000 of Waste Disposal Project Revenue Bonds 1990 Series 1 that mature on July 1, 2011. US National Bank secures the bonds through an irrevocable direct-pay letter of credit. Metro is not legally obligated to make payments for debt service on the bonds that were issued as non-recourse to Metro, however, Metro acts as a conduit for payments. Accordingly, the balance sheet reflects the bonds payable and a loan receivable of $5,000,000 for amounts due from USNB. As interest rates are variable, interest payments over the life of the bonds are not determinable.

E. Metro Regional Center Project 1993 Series A General Revenue Refunding Bonds

These bonds are subject to covenants which specify the order of application of total assessments to requirements and which require Metro to: establish and collect fees and charges sufficient to fund the total assessments necessary to pay all debt service due; budget and collect total assessments necessary to pay debt service plus 10%; make assessments against departments based on use or benefit; and comply with the Internal Revenue Code to maintain the tax exempt status of the bonds. Other covenants also apply. Metro is in compliance with all covenants as of and for the year ended June 30, 1998.

In prior years, Metro issued $26,160,000 in General Revenue Refunding Bonds 1993 Series A to advance refund General Revenue Bonds 1991 Series A. The net proceeds were used to purchase

U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in Metro's general purpose financial statements. At June 30, 1998, $21,655,000 of defeased bonds are outstanding.

Interest rates range from 4.0% to 5.25%, with an initial average interest cost for the entire issue of 5.122%.

Bond principal and interest outstanding at June 30 and the corresponding maturities are as follows:

Fiscal year ended June 30:	Principal	Interest
1999	$ 545,000	1,246,605
2000	570,000	1,224,020
2001	590,000	1,199,650
2002	615,000	1,173,435
2003	640,000	1,145,505
2004-23	22,070,000	13,333,411
	$25,030,000	19,322,626

The above principal amounts are reported on the balance sheet net of $548,133 in unamortized costs and discount, and $2,108,528 in deferred amount on refunding.

F. Expo Center 1996 Series A Revenue Bond

In prior years, Metro sold a $2,500,000 privately placed, unrated revenue bond to complete financing of construction of a new building at the Expo Center. The bond bears an interest rate of 5.5% and matures serially each November 1 with final maturity on May 1, 2006. Interest is payable semiannually on May 1 and November 1. The bonds are secured by and payable from the operating revenues of the Expo Center.

Bond principal and interest outstanding at June 30 and the corresponding maturities are:

Fiscal year ended June 30:	Principal	Interest
1999	$ 75,000	131,588
2000	80,000	127,325
2001	85,000	122,787
2002	90,000	117,975
2003	95,000	112,888
2004-06	1,661,389	305,387
	$2,086,389	917,950

NOTE 12 - OTHER LONG-TERM DEBT

Energy Loan

The Building Management Fund entered into an energy services agreement with Pacific Power and Light Company in fiscal year 1993 in which $293,672 was provided to Metro to finance various conservation measures in the new headquarters building. The loan agreement calls for monthly payments of $2,515 at 6.23% interest for 15 years.

Sewer System Development Loan

Sewer system development charges are being paid over a 20 year period under a loan agreement with the City of Portland. Payments are made semi-annually at a fixed principal amount of $3,076 per payment and interest of 7.32% on the outstanding balance. The loan is payable through fiscal year 2014.

Oregon Economic Development Department Loan

In prior years, Metro borrowed funds through the Oregon Economic Development Department's (OEDD) Special Public Works Fund loan program. The first phase of the loan totaled $2,723,000 and was obtained to retire a $2,000,000 Bond Anticipation Note due to Tri-Met and to finance certain costs of the Zoo parking lot project. This loan is payable in yearly installments through December 1, 2015 and bears a true interest cost of 5.49%.

Metro later borrowed an additional $2,217,000 through the OEDD loan program. The second phase of the loan was obtained to finance the construction of the parking lot improvements and necessary equipment for the operation of a paid parking facility. This loan bears a true interest cost of 5.44% and will be repaid in annual installments through December 1, 2016.

Amounts are drawn as Metro requires funds. A total of $4,574,491 ($2,723,000 for the 1995 loan and $1,851,491 for the 1996 loan) has been borrowed through fiscal year 1997-98.

Debt service requirements to maturity for other long-term debt are as follows:

Fiscal year ended	Primary Government							
	Energy Loan Payable		Sewer System Development Loan Payable		OEDD 1995 Loan Payable		OEDD 1996 Loan Payable	
June 30:	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999	$ 16,941	13,242	6,152	6,867	92,592	218,777	74,472	173,276
2000	18,028	12,155	6,152	6,417	102,914	141,917	74,874	112,353
2001	19,184	10,999	6,152	5,966	108,262	137,389	80,310	109,059
2002	20,415	9,768	6,152	5,516	108,642	132,409	85,778	105,404
2003	21,724	8,459	6,152	5,066	114,052	127,249	86,285	101,373
2004-17	123,829	19,555	64,589	26,004	2,196,538	962,800	1,449,772	823,512
	$220,121	74,178	95,349	55,836	2,723,000	1,720,541	1,851,491	1,424,977

NOTE 13 - CHANGES IN GENERAL LONG-TERM LIABILITIES

The following changes occurred during fiscal year 1998 in liabilities reported in the General Long-term Debt Account Group:

GENERAL LONG-TERM DEBT ACCOUNT GROUP	Balance July 1, 1997	Increase	Decrease	Balance June 30, 1998
Bonds payable	$217,980,958	-	(6,978,955)	211,002,003
Loans payable	4,203,813	472,178	(6,151)	4,669,840
Obligations under capital leases	523,803	461,000	(503,803)	481,000
Liability for compensated absences	675,276	671,723	(675,276)	671,723
	$223,383,850	1,604,901	(8,164,185)	216,824,566

NOTE 14 - DEFERRED REVENUE

Deferred revenue at June 30, 1998 consists of taxes receivable not collected within 60 days after year end and other receivables not available under the modified accrual basis of accounting:

Special Revenue Funds	$ 354,182
Debt Service Fund	799,696
Trust Funds	120,000
	$1,273,878

NOTE 15 - ARBITRAGE PAYABLE

Under certain conditions, the Tax Reform Act of 1986 requires governmental units to remit excess arbitrage earnings arising from invested bond proceeds to the Internal Revenue Service. At June 30, 1998, Metro recorded a liability of $15,457 for the primary government in the accompanying general purpose financial statements for such estimated excess arbitrage earnings.

NOTE 16 - POST-CLOSURE COST PAYABLE

The St. Johns Landfill was closed for operations in a prior year. Closure and post-closure care costs were recognized while the St. Johns Landfill was still in operation based on the then current estimate of total costs to complete such efforts, regardless of when cash disbursements were to be made. Such costs include methane gas and leachate collection systems, final cover, seeding, roads, drainage, ground water monitoring wells, liner systems, storm water management and operations and maintenance costs.

The post-closure cost of the St. Johns Landfill is estimated to be $41,393,901 under current Federal and state regulations. Actual cost may vary due to inflation or deflation, changes in technology, or changes in regulations. During the fiscal year, Metro paid $532,769 in closure costs as the closure process continued ($34,544,096 cumulative to date), reducing the remaining estimated liability to $6,849,805 at June 30, 1998. Metro has accumulated $7,452,404 in restricted cash for future payment of post-closure liabilities and will establish disposal charges at other Metro facilities to accumulate additional resources if necessary. This closure plan is in compliance with the plan filed with the Oregon Department of Environmental Quality.

NOTE 17 - CONTRIBUTED CAPITAL

Changes in contributed capital in the Proprietary Funds for the year ended June 30, 1998 are as follows:

	Enterprise Solid Waste Fund	Internal Service Support Services Fund	Component Unit MERC Enterprise Fund
Balance, July 1, 1997	$926,642	11,701	78,002,491
Additions-General fixed assets transferred to proprietary funds	-	-	15,247,254
-Residual equity transfer to proprietary funds	-	-	734,582
Reductions-General long-term debt transferred to proprietary funds	-	-	(3,336,865)
-Depreciation on fixed assets ($22,980,256 accumulated depreciation at June 30, 1998)	(31,623)	(11,701)	(3,440,832)
Balance, June 30, 1998	$895,019	-	87,206,630

NOTE 18 - INSURED RISKS

Metro is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Metro has established a Risk Management Fund (an internal service fund) to account for risk management activities, including payment of insurance policy premiums, payment of claims, and to finance its uninsured risks of loss. Under this program, the Risk Management Fund provides risk of loss coverage for the primary government and the component unit as follows:

- General liability, bodily injury to or property damage of third parties resulting from the negligence of Metro or its employees and errors and omissions risks: these risks are fully covered by the Risk Management Fund. Metro is protected by ORS Chapter 30, the Oregon Tort Claims Act, that limits public entities' liability to $100,000 per person and $500,000 per occurrence for the acts of Metro, its employees and agents. Possible liability outside the Oregon Tort Claims Act is covered by an excess liability policy with a $500,000 deductible.

- Property damage to Metro-owned facilities: this risk is covered with a commercial primary, all risk, property insurance policy. The property coverage is in the amount of $270,748,260 with a $100,000 deductible.

- Workers' compensation, bodily injury or illness to an employee while in the course of employment: this risk is covered through a purchased paid loss retro program from SAIF Corporation, a commercial carrier, in amounts that meet statutory requirements.

Metro has not experienced settlements in excess of insurance coverage in any of the last three fiscal years. An actuarial valuation and estimates of liabilities for unpaid claims was prepared by an independent actuary in September 1998. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Metro also monitors risk activity to ensure that proper reserves are maintained. All operating funds of Metro participate in the program and make payments to the Risk Management Fund based upon actuarial estimates of the amounts needed to pay prior and current year claims and to establish sufficient reserves.

The estimated claims liability of $1,143,248 reported as accrued self-insurance claims in the Risk Management Fund at June 30, 1998 was established in accordance with the requirements of GASB Statement No. 30, *Risk Financing Omnibus,* effective July 1, 1996, which requires that a liability for total estimated claims be reported if information prior to the issuance of the general purpose financial statements indicates that it is probable that a liability has been incurred at the date of the general purpose financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. A portion of the loss reserves have been discounted, with the actuary using a discount factor of .936 for liability and .925 for workers' compensation and an assumed investment rate of 5.5% in preparing the estimates. Metro does not purchase annuity contracts from commercial insurers to pay any aggregate amount of outstanding claims liabilities.

Changes in Risk Management Fund claims liability for the previous fiscal year and current fiscal year were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
1996-1997	$927,332	414,306	414,306	927,332
1997-1998	$927,332	868,195	652,279	1,143,248

NOTE 19 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Metro and its component unit maintain two Enterprise Funds. The Solid Waste Fund accounts for self-supporting activities which are rendered to the general public on a user charge basis. The MERC Fund accounts for marketing and operations of MERC operated facilities which are operated on a user charge basis, supplemented by intergovernmental revenues. Segment information for the Enterprise Funds is presented in the following schedule:

	Solid Waste Fund	Component Unit MERC Fund
Operating revenues	$55,516,544	25,880,696
Depreciation and amortization expense	1,129,417	3,564,604
Operating income	5,224,575	121,918
Net income (loss)	6,086,898	(173,070)
Fixed asset additions	2,149,882	1,813,237
Net working capital	40,637,027	10,967,258
Total assets	90,661,660	118,055,647
Bonds and other long-term liabilities:		
Payable from operating revenues	30,479,075	2,647,910
Payable from other sources	6,865,262	-
Contributed capital, net	895,019	87,206,630
Total equity	49,096,491	111,806,597

NOTE 20 - RELATED PARTY TRANSACTION

The Oregon Zoo Foundation is an organization that exists exclusively for the support and benefit of the Metro Washington Park Zoo. It is a public benefit corporation organized and operated exclusively for charitable, scientific, and educational purposes under Section 501(c)(3) of the Internal Revenue Code of 1986. The Foundation conducts fundraising efforts on behalf of the Zoo, receiving donations from both individuals and corporations that are provided as financial support to the Zoo. During fiscal year 1997-98, the Foundation provided support to the Zoo totaling $710,210.

NOTE 21 - CONTINGENT LIABILITIES

A. Reviews by Grantor Agencies

Grant costs are subject to review by the grantor agencies. Any costs disallowed as the result of the review would be borne by Metro and may require the return of such amount to the grantor agency. However, should costs be disallowed on a grant for which Metro acts in a pass-through capacity, Metro should be able to require repayment of amounts disallowed from the subgrantees.

B. Legal Matters

Metro is involved as a defendant in several claims and disputes which are normal to Metro's activities. Management intends to vigorously contest these matters and does not believe their ultimate resolution will have a material effect upon its financial position or operations.

C. Year 2000 Matters (Unaudited)

The Year 2000 issue is the result of computer programs being written using two digit data fields rather than four to define the applicable year. Any of Metro's (or third party resource providers' and customers') computer systems and other equipment could recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, but not limited to, a temporary inability to process transactions, send invoices or engage in similar normal business activities. As of June 30, 1998, Metro had made progress in its Year 2000 Project as follows:

Awareness Stage - Metro has completed a project plan for dealing with the year 2000 issue and communicated the plan and required tasks to key staff. Applications and vendor software, computer hardware and other equipment will be considered year 2000 compliant when certified for compliance, in writing, by the vendor or when tested.

Assessment Stage - Metro has completed an inventory of all of its systems with the exception of embedded systems within the Regional Environmental Management Department, which inventory is in progress. Metro's component unit, MERC, is in the final phase of inventory completion. As part of this inventory of systems, Metro has determined which systems are deemed mission critical and require priority compliance efforts.

Metro has initiated formal communication with others with whom it does significant business to determine and document the extent to which Metro is vulnerable to those third parties' failure to resolve their own Year 2000 issue. Written documentation from these third parties is being placed on file to document their year 2000 readiness.

Remediation Stage - Metro is in the process of replacing all of its central financial software and hardware systems. The general ledger, accounts payable, purchasing, human resources and payroll systems have been replaced. Metro expects to complete the conversion in one remaining area, Accounts Receivable/Billing, during fiscal year 1999. Metro continues to work with the vendor to assure year 2000 compliance in these systems. Metro has capitalized approximately $2.1 million on this project and has contract commitments of approximately $240,000 for completion of this work, and additional work in new financial applications.

Other mission critical systems are in various stages of remediation, including vendor identification of compliance issues, application of corrections from vendors, and solicitation of replacement costs. Commitments of approximately $400,000 exist for this work as of June 30, 1998.

Validation/Testing Stage - Metro is developing various validation and testing options to be performed in future periods. For certain systems, Metro is relying on the vendor's written certification statement.

The commitments and costs of the project and the date on which Metro believes it will complete the Year 2000 project modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

Supplementary Data

General Fund

The General Fund accounts for all activities not required to be accounted for in another fund. This fund accounts primarily for Metro's general government activities, including Council and Office of the Executive Officer functions. The principal resources of the fund are interest and excise taxes on Metro's facilities and services levied in accordance with the Metro Code.

METRO

General Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Excise taxes	$ 7,291,615	7,621,699	330,084
Interest	60,000	133,884	73,884
Miscellaneous	-	534	534
Total revenues	7,351,615	7,756,117	404,502
Expenditures:			
Council:			
Personal services	785,665	769,716	15,949
Materials and services	135,980	85,283	50,697
Capital outlay	30,000	14,654	15,346
Total council	951,645	869,653	81,992
Office of the executive officer:			
Personal services	339,862	325,019	14,843
Materials and services	31,250	29,280	1,970
Capital outlay	3,500	3,184	316
Total office of the executive officer	374,612	357,483	17,129
Special appropriations:			
Materials and services	350,000	468,687	(118,687)
Contingency	544,401	-	544,401
Total expenditures	2,220,658	1,695,823	524,835
Revenues over expenditures	5,130,957	6,060,294	929,337
Other financing uses:			
Operating transfers out	(6,740,957)	(6,654,084)	86,873
Revenues under expenditures and other uses	(1,610,000)	(593,790)	1,016,210
Beginning fund balance available for appropriation - July 1, 1997	1,810,000	2,228,458	418,458
Unappropriated ending fund balance - June 30, 1998	$ 200,000	1,634,668	1,434,668

Special Revenue Funds

Planning Fund

This fund accounts for funding and operation of Metro's regional planning functions, including land use, urban growth management, and environmental and transportation planning. Principal sources of revenues are federal, state and local grants, charges for services, and a share of the excise tax transferred from the General Fund.

Regional Parks Fund

This fund accounts for funding and operation of Metro's greenspaces program and recreation activities, including parks, marine facilities, and pioneer cemeteries. Principal sources of revenue are federal grants, shared revenue, and charges for services.

Zoo Fund

This fund accounts for funding and operation of the Metro Washington Park Zoo. Principal sources of revenues are charges for services and property taxes derived from a property tax base. This fund consists of two budgetary funds (Zoo Operating Fund and General Revenue Bond Fund - Zoo) that are combined as one Special Revenue Fund to be in accordance with generally accepted accounting principles.

METRO

Special Revenue Funds

Combining Balance Sheet

June 30, 1998

Assets and Other Debits	Planning Fund	Regional Parks Fund	Zoo Fund	Total
Assets:				
Equity in internal cash and investment pool	$ 1,126,300	3,041,192	12,697,533	16,865,025
Receivables (net of allowance for uncollectibles):				
Property taxes	-	-	349,820	349,820
Trade	154,238	121,113	521,501	796,852
Other	1,066	57	133,070	134,193
Interest	11,708	36,608	169,344	217,660
Federal grants	2,486,672	151,770	12,365	2,650,807
State and local grants/contracts	422,391	-	-	422,391
Inventory of materials and supplies	-	-	229,208	229,208
Other assets	2,367	2,399	160,250	165,016
Restricted assets:				
Equity in internal cash and investment pool	-	-	20,781	20,781
Total assets and other debits	$ 4,204,742	3,353,139	14,293,872	21,851,753
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 1,855,101	222,722	963,760	3,041,583
Salaries, withholdings and payroll taxes payable	350,082	115,468	516,782	982,332
Contracts payable	215,584	-	-	215,584
Deferred revenue	-	-	354,182	354,182
Unearned grant/contract revenue	1,136,854	2,251	187,935	1,327,040
Deposits payable	6,874	3,356	91,008	101,238
Other liabilities	53	-	896	949
Total liabilities	3,564,548	343,797	2,114,563	6,022,908
Fund balances - unreserved	640,194	3,009,342	12,179,309	15,828,845
Total liabilities and fund balances	$ 4,204,742	3,353,139	14,293,872	21,851,753

METRO

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 1998

	Planning Fund	Regional Parks Fund	Zoo Fund	Total
Revenues:				
Property taxes	$ -	-	6,403,840	6,403,840
Federal grants	7,965,274	234,337	179,981	8,379,592
State and local grants	1,604,559	53,200	-	1,657,759
Local government shared revenues	-	458,793	-	458,793
Government contributions	-	12,800	-	12,800
Charges for services	1,368,982	2,116,079	7,514,447	10,999,508
Investment income	87,176	158,987	702,972	949,135
Contributions and donations	-	27,000	730,683	757,683
Miscellaneous	21,211	10,825	25,133	57,169
Total revenues	11,047,202	3,072,021	15,557,056	29,676,279
Expenditures:				
Current:				
Zoo operations and development	-	-	13,866,883	13,866,883
Regional planning and development	14,690,941	-	-	14,690,941
Recreation and development	-	3,668,939	-	3,668,939
Capital outlay	527,991	388,266	943,172	1,859,429
Debt service	158,319	13,469	176,153	347,941
Total expenditures	15,377,251	4,070,674	14,986,208	34,434,133
Revenues over (under) expenditures	(4,330,049)	(998,653)	570,848	(4,757,854)
Other financing sources (uses):				
Loan proceeds	-	-	310,724	310,724
Capital lease proceeds	461,000	-	-	461,000
Operating transfers in	3,774,918	1,613,329	219,100	5,607,347
Operating transfers out	-	(8,342)	-	(8,342)
Revenues and other sources over (under) expenditures and other uses	(94,131)	606,334	1,100,672	1,612,875
Fund balances - July 1, 1997	726,771	3,129,279	11,037,767	14,893,817
Cumulative effect of the change in accounting for investments	7,554	8,311	40,870	56,735
Fund balances - July 1, 1997 as restated	734,325	3,137,590	11,078,637	14,950,552
Residual equity transfers out	-	(734,582)	-	(734,582)
Fund balances - June 30, 1998	$ 640,194	3,009,342	12,179,309	15,828,845

METRO

Planning Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Federal grants	$ 14,663,783	7,965,274	(6,698,509)
State grants	359,375	358,298	(1,077)
Local grants	1,956,820	1,246,261	(710,559)
Charges for services	492,391	967,304	474,913
Interest	-	85,793	85,793
Miscellaneous	153,300	21,211	(132,089)
Total revenues	17,625,669	10,644,141	(6,981,528)
Expenditures:			
Transportation planning:			
Personal services	3,644,106	3,579,584	64,522
Materials and services	9,196,092	5,734,487	3,461,605
Capital outlay	2,733,466	43,852	2,689,614
Debt service	152,500	72,061	80,439
Total transportation planning	15,726,164	9,429,984	6,296,180
Growth management services:			
Personal services	2,418,778	2,351,998	66,780
Materials and services	1,363,738	947,833	415,905
Capital outlay	23,542	23,139	403
Debt service	188,000	86,258	101,742
Total growth management services	3,994,058	3,409,228	584,830
Contingency	378,378	-	378,378
Total expenditures	20,098,600	12,839,212	7,259,388
Revenues under expenditures	(2,472,931)	(2,195,071)	277,860

(Continued)

METRO

Planning Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual, Continued

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Other financing sources (uses):			
Operating transfers in:			
General Fund	$ 3,774,918	3,774,918	-
Regional Parks Fund	16,000	1,133	(14,867)
Open Spaces Fund	10,000	5,859	(4,141)
Solid Waste Revenue Fund	381,989	394,686	12,697
Smith and Bybee Lakes Trust Fund	1,440	-	(1,440)
Operating transfers out	(2,194,536)	(2,077,039)	117,497
Total other financing sources (uses)	1,989,811	2,099,557	109,746
Revenues and other sources under expenditures and other uses	(483,120)	(95,514)	387,606
Beginning fund balance available for appropriation - July 1, 1997	519,770	726,771	207,001
Unappropriated ending fund balance - June 30, 1998	$ 36,650	631,257	594,607

METRO

Regional Parks Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

		Budget	Actual	Variance favorable (unfavorable)
Revenues:				
Federal grants	$	821,516	234,337	(587,179)
State grants		564,520	43,000	(521,520)
Local grants		19,000	10,200	(8,800)
Local government shared revenues		372,000	458,793	86,793
Government contributions		65,300	12,800	(52,500)
Charges for services		1,700,555	1,820,826	120,271
Interest		104,925	155,238	50,313
Contributions and donations		11,800	27,000	15,200
Miscellaneous		-	10,825	10,825
Total revenues		3,659,616	2,773,019	(886,597)
Expenditures:				
Personal services		2,092,412	1,978,495	113,917
Materials and services		1,913,317	1,117,152	796,165
Capital outlay		2,407,803	388,266	2,019,537
Debt service		13,469	13,469	-
Contingency		175,030	-	175,030
Total expenditures		6,602,031	3,497,382	3,104,649
Revenues under expenditures		(2,942,415)	(724,363)	2,218,052

(Continued)

METRO

Regional Parks Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual, Continued

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Other financing sources (uses):			
Operating transfers in:			
General Fund	$ 1,674,622	1,613,329	(61,293)
Open Spaces Fund	1,788,545	281,253	(1,507,292)
Smith and Bybee Lakes Trust Fund	15,000	10,000	(5,000)
Regional Parks Trust Fund	4,000	4,000	-
Operating transfers out	(622,822)	(581,634)	41,188
Total other financing sources (uses)	2,859,345	1,326,948	(1,532,397)
Revenues and other sources over (under) expenditures and other uses	(83,070)	602,585	685,655
Beginning fund balance available for appropriation - July 1, 1997	3,036,655	3,129,279	92,624
Residual equity transfers out	(981,443)	(734,582)	246,861
Unappropriated ending fund balance - June 30, 1998	$ 1,972,142	2,997,282	1,025,140

METRO

Zoo Operating Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Property taxes	$ 5,789,824	6,403,840	614,016
Federal grants	80,000	179,981	99,981
Charges for services:			
Admission fees	2,793,035	3,122,137	329,102
Rentals	59,139	68,453	9,314
Food service revenue	2,301,562	2,469,669	168,107
Retail sales	906,977	903,725	(3,252)
Tuition and lectures	462,461	475,576	13,115
Exhibit shows	13,953	11,816	(2,137)
Railroad rides	507,907	454,139	(53,768)
Miscellaneous charges for services	25,140	8,932	(16,208)
Interest	539,457	687,369	147,912
Contributions and donations	664,700	730,683	65,983
Miscellaneous	26,256	25,133	(1,123)
Total revenues	14,170,411	15,541,453	1,371,042
Expenditures:			
Personal services:			
Administration	715,715	657,676	58,039
Animal management	2,364,250	2,237,009	127,241
Facilities management	1,902,075	1,878,092	23,983
Educational services	538,177	550,459	(12,282)
Marketing	466,524	471,829	(5,305)
Visitor services	1,779,012	1,827,982	(48,970)
Design services	285,753	282,919	2,834
Total personal services	8,051,506	7,905,966	145,540
Materials and services:			
Administration	167,989	199,499	(31,510)
Animal management	480,505	413,404	67,101
Facilities management	1,597,093	1,580,187	16,906
Educational services	138,265	140,297	(2,032)
Marketing	894,476	893,517	959
Visitor services	1,383,221	1,326,968	56,253
Design services	146,319	203,239	(56,920)
Total materials and services	4,807,868	4,757,111	50,757

(Continued)

METRO

Zoo Operating Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual, Continued

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Expenditures, continued:			
Capital outlay:			
Administration	$ 10,270	16,217	(5,947)
Animal management	11,500	10,236	1,264
Facilities management	681,232	637,239	43,993
Educational services	13,800	19,281	(5,481)
Marketing	9,500	8,107	1,393
Visitor services	38,400	33,244	5,156
Design services	155,700	84,277	71,423
Total capital outlay	920,402	808,601	111,801
Contingency	409,416	-	409,416
Total expenditures	14,189,192	13,471,678	717,514
Revenues over (under) expenditures	(18,781)	2,069,775	2,088,556
Other financing sources (uses):			
Operating transfers in:			
General Fund	219,100	219,100	-
Operating transfers out	(1,310,974)	(1,203,806)	107,168
Total other financing sources (uses)	(1,091,874)	(984,706)	107,168
Revenues and other sources over (under) expenditures and other uses	(1,110,655)	1,085,069	2,195,724
Beginning fund balance available for appropriation - July 1, 1997	10,202,082	11,037,767	835,685
Unappropriated ending fund balance - June 30, 1998	$ 9,091,427	12,122,836	3,031,409

METRO

General Revenue Bond Fund - Zoo

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Interest	$ -	-	-
Total revenues	-	-	-
Expenditures:			
Debt service account:			
Debt service	176,154	176,153	1
Project account:			
Capital outlay	454,531	134,571	319,960
Total expenditures	630,685	310,724	319,961
Revenues under expenditures	(630,685)	(310,724)	319,961
Other financing sources:			
State bond bank loan proceeds	630,685	310,724	(319,961)
Revenues and other sources over expenditures	-	-	-
Beginning fund balance available for appropriation - July 1, 1997	-	-	-
Unappropriated ending fund balance - June 30, 1998	$ -	-	-

Debt Service Fund

The General Obligation Bond Debt Service Fund accounts for payments of general obligation bond principal and interest to bond holders. The principal source of revenue is property taxes.

METRO

General Obligation Bond Debt Service Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Property taxes	$ 18,655,443	19,268,277	612,834
Interest	275,000	507,099	232,099
Total revenues	18,930,443	19,775,376	844,933
Expenditures:			
Debt service	19,121,356	19,121,355	1
Total expenditures	19,121,356	19,121,355	1
Revenues over (under) expenditures	(190,913)	654,021	844,934
Beginning fund balance available for appropriation - July 1, 1997	11,634,000	12,134,616	500,616
Unappropriated ending fund balance - June 30, 1998	$ 11,443,087	12,788,637	1,345,550

Capital Projects Funds

Zoo Capital Fund

This fund accounts for major improvement projects at the Metro Washington Park Zoo. Principal resources are interest and contributions and donations.

Open Spaces Fund

This fund accounts for the activities to acquire and protect regional open spaces, parks, trails, and streams. The principal resource is interest.

METRO

Capital Projects Funds

Combining Balance Sheet

June 30, 1998

Assets	Zoo Capital Fund	Open Spaces Fund	Total
Equity in internal cash and investment pool	$ 2,018,540	989,833	3,008,373
Investments	19,761,189	89,609,340	109,370,529
Interest receivable	170,771	814,824	985,595
Total assets	$ 21,950,500	91,413,997	113,364,497
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 1,577,465	708,069	2,285,534
Salaries, withholdings and payroll taxes payable	5,043	70,666	75,709
Contracts payable	35,119	-	35,119
Deposits payable	-	1,100	1,100
Total liabilities	1,617,627	779,835	2,397,462
Fund balances:			
Unreserved	20,332,873	90,634,162	110,967,035
Total fund balances	20,332,873	90,634,162	110,967,035
Total liabilities and fund balances	$ 21,950,500	91,413,997	113,364,497

METRO

Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 1998

		Zoo Capital Fund	Open Spaces Fund	Totals
Revenues:				
Government contributions	$	-	3,500	3,500
Investment income		1,543,221	6,178,296	7,721,517
Contributions and donations		44,487	4,107	48,594
Miscellaneous		4,817	685	5,502
Total revenues		1,592,525	6,186,588	7,779,113
Expenditures:				
Recreation and development		-	4,950,840	4,950,840
Capital outlay		10,036,748	23,511,475	33,548,223
Total expenditures		10,036,748	28,462,315	38,499,063
Revenues under expenditures		(8,444,223)	(22,275,727)	(30,719,950)
Fund balances - July 1, 1997		28,800,432	113,625,150	142,425,582
Cumulative effect of the change in accounting for investments		(23,336)	(715,261)	(738,597)
Fund balances - July 1, 1997 as restated		28,777,096	112,909,889	141,686,985
Fund balances - June 30, 1998	$	20,332,873	90,634,162	110,967,035

METRO

Zoo Capital Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Interest	$ 1,675,192	1,503,759	(171,433)
Contributions and donations	-	44,487	44,487
Miscellaneous	-	4,817	4,817
Total revenues	1,675,192	1,553,063	(122,129)
Expenditures:			
Personal services	91,846	90,008	1,838
Capital outlay	15,775,597	9,946,740	5,828,857
Contingency	5,000,000	-	5,000,000
Total expenditures	20,867,443	10,036,748	10,830,695
Revenues under expenditures	(19,192,251)	(8,483,685)	10,708,566
Beginning fund balance available for appropriation - July 1, 1997	31,708,033	28,800,432	(2,907,601)
Unappropriated ending fund balance - June 30, 1998	$ 12,515,782	20,316,747	7,800,965

METRO

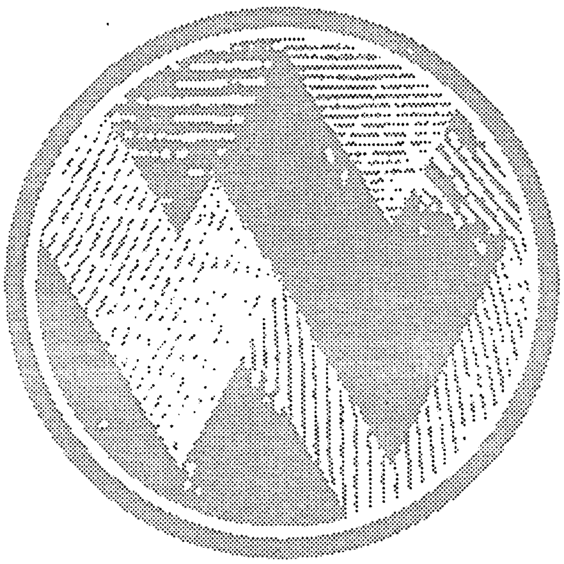
Open Spaces Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Government contributions	$ 494,000	3,500	(490,500)
Interest	5,147,493	5,497,667	350,174
Contributions and donations	300,000	4,107	(295,893)
Miscellaneous	-	685	685
Total revenues	5,941,493	5,505,959	(435,534)
Expenditures:			
Personal services	1,177,634	1,012,966	164,668
Materials and services	15,216,971	5,736,938	9,480,033
Capital outlay	25,073,134	21,023,561	4,049,573
Contingency	27,000,000	-	27,000,000
Total expenditures	68,467,739	27,773,465	40,694,274
Revenues under expenditures	(62,526,246)	(22,267,506)	40,258,740
Other financing sources (uses):			
Operating transfers in:			
Regional Parks Fund	10,000	-	(10,000)
Operating transfers out	(2,209,125)	(688,850)	1,520,275
Total other financing sources (uses)	(2,199,125)	(688,850)	1,510,275
Revenues and other sources under expenditures and other uses	(64,725,371)	(22,956,356)	41,769,015
Beginning fund balance available for appropriation - July 1, 1997	97,735,446	113,625,150	15,889,704
Unappropriated ending fund balance - June 30, 1998	$ 33,010,075	90,668,794	57,658,719

Note: Certain expenditures of the fund are attributable to the local share portion of the bond measure and are therefore not capitalized. They are recorded under "recreation and development" expenditures on a GAAP basis.



Enterprise Fund

Solid Waste Fund

This fund accounts for revenues, primarily from charges for services for the disposal of solid waste, and expenses for the implementation, administration and enforcement of Metro's Solid Waste Management Plan. This fund also accounts for Metro South Station and Metro Central Station solid waste transfer and recycling facilities, and the closed St. Johns Landfill.

METRO

Solid Waste Revenue Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Federal grants	$ -	75,000	75,000
State and local grants	10,000	18,071	8,071
Charges for services:			
Disposal fees	25,800,995	26,523,158	722,163
User fees	21,070,296	21,789,255	718,959
Regional transfer charge	5,011,128	5,162,164	151,036
Rehabilitation and enhancement fees	186,907	187,918	1,011
Transaction fee	-	139,959	139,959
Host fees	268,869	228,892	(39,977)
Tire/yard debris disposal fees	295,447	342,452	47,005
Orphan site/DEQ fees	846,282	850,313	4,031
Refrigeration unit/household hazardous waste disposal fees	147,378	106,358	(41,020)
Miscellaneous charges for services	76,915	79,242	2,327
Interest	1,640,130	2,515,200	875,070
Pass-through debt service receipts	350,000	197,884	(152,116)
Miscellaneous	23,336	(21,494)	(44,830)
Total revenues	55,727,683	58,194,372	2,466,689
Expenditures:			
Operating Account:			
Personal services:			
Budget and finance	1,031,897	984,163	47,734
Environmental services	2,511,710	2,433,608	78,102
Waste reduction and planning services	1,212,992	1,044,861	168,131
Engineering and analysis	1,139,312	1,063,220	76,092
Administration	261,903	266,021	(4,118)
Total personal services	6,157,814	5,791,873	365,941

(Continued)

METRO

Solid Waste Revenue Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual, Continued

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Expenditures, continued:			
Materials and services:			
Budget and finance	$ 1,660,053	1,539,092	120,961
Environmental services	36,958,847	35,756,924	1,201,923
Waste reduction and planning services	2,252,611	1,758,678	493,933
Engineering and analysis	1,272,395	618,695	653,700
Administration	126,442	94,340	32,102
Total materials and services	42,270,348	39,767,729	2,502,619
Landfill Closure Account:			
Materials and services	314,400	193,813	120,587
Capital outlay	1,213,500	338,956	874,544
Total Landfill Closure Account	1,527,900	532,769	995,131
Renewal and Replacement Account:			
Capital outlay	658,900	269,377	389,523
General Account:			
Capital outlay	3,262,332	1,880,505	1,381,827
Master Project Account:			
Debt service	350,000	197,884	152,116
Debt Service Account:			
Debt service	2,673,426	2,666,026	7,400
Contingency	11,871,901	-	11,871,901
Total expenditures	68,772,621	51,106,163	17,666,458

(Continued)

METRO

Solid Waste Revenue Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual, Continued

For the year ended June 30, 1998

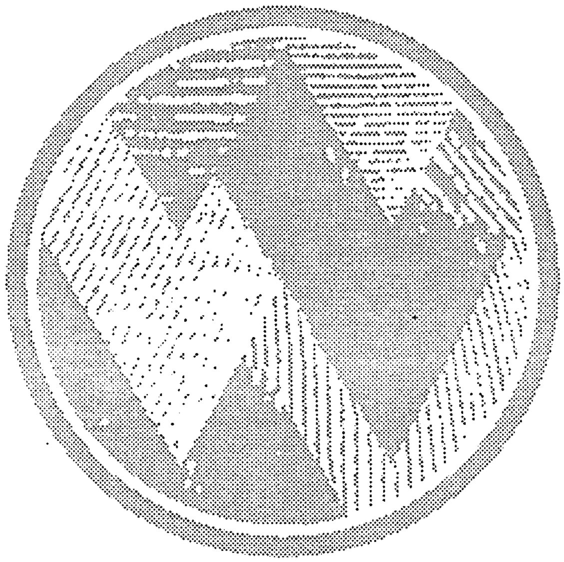
	Budget	Actual	Variance favorable (unfavorable)
Revenues over (under) expenditures	$ (13,044,938)	7,088,209	20,133,147
Other financing sources (uses):			
Operating transfers in:			
Smith and Bybee Lakes Trust Fund	15,000	-	(15,000)
Rehabilitation and Enhancement Fund	35,256	35,256	-
Operating transfers out	(3,742,909)	(3,605,768)	137,141
Total other financing sources (uses)	(3,692,653)	(3,570,512)	122,141
Revenues and other sources over (under) expenditures and other uses	(16,737,591)	3,517,697	20,255,288
Beginning fund balance available for appropriation - July 1, 1997	38,709,596	44,941,710	6,232,114
Unappropriated ending fund balance - June 30, 1998	$ 21,972,005	48,459,407	26,487,402

METRO

Reconciliation of Solid Waste Enterprise Fund Revenues and Expenditures (Budgetary Basis) to Combined Statement of Revenues, Expenses and Changes in Retained Earnings (GAAP Basis)

For the year ended June 30, 1998

Excess of revenues and other financing sources over expenditures and other financing uses on a budgetary basis	$ 3,517,697
Budget requirements not qualifying as expenses under GAAP:	
Payment of post-closure liability	532,769
Fixed assets additions	2,149,882
Principal and interest payments on bonds	2,230,580
Additional revenues (expenses) required by GAAP:	
Change in the fair value of investments	67,364
Depreciation and amortization	(1,129,417)
Loss on disposal of fixed assets	(2,348)
Amortization of bond accretion, discount and costs	(843,110)
Vacation benefits	2,818
Accrued interest on bonds	(439,337)
Net income presented in combined statement of revenues, expenses and changes in retained earnings	$ 6,086,898



Internal Service Funds

Building Management Fund

This fund accounts for revenues and expenses related to the management of Metro's headquarters facility and parking structure. Principal sources of revenue are interest and charges for services to user funds. Expenses primarily consist of maintenance, utilities and professional services costs. This fund consists of two budgetary funds (Building Management Fund and General Revenue Bond Fund - Building Management) that are combined as one Internal Service Fund to be in accordance with generally accepted accounting principles.

Support Services Fund

This fund accounts for central services provided to other Metro operating units. These central services consist of Administrative Services, Office of General Counsel, Office of Public and Government Relations, Council Office of Public Outreach, Office of Citizen Involvement, and Office of the Auditor. Primary sources of revenue are interest and charges for services to user funds, established through a cost allocation plan that distributes the central services costs based upon the benefit received.

Risk Management Fund

This fund accounts for risk management and self-insurance programs performed for other organizational units within Metro. Primary revenues are charges for services to user funds and interest. Primary expenses are insurance premiums, claims costs and studies related to insurance issues.

METRO

Internal Service Funds

Combining Balance Sheet

June 30, 1998

Assets	Building Management Fund	Support Services Fund	Risk Management Fund	Total
Current assets:				
Equity in internal cash and investment pool	$ 1,023,279	2,120,876	7,999,566	11,143,721
Receivables (net of allowance for uncollectibles):				
Trade	44,637	11,200	-	55,837
Other	-	2,414	-	2,414
Interest	13,360	22,587	108,484	144,431
Other assets	-	45,637	2,500	48,137
Total current assets	1,081,276	2,202,714	8,110,550	11,394,540
Restricted assets:				
Investments	2,358,497	-	-	2,358,497
Fixed assets, net	18,577,719	2,317,644	18,965	20,914,328
Total assets	$ 22,017,492	4,520,358	8,129,515	34,667,365
Liabilities and Fund Equity (Deficit)				
Current liabilities:				
Accounts payable	$ 44,670	656,300	5,982	706,952
Salaries, withholdings and payroll taxes payable	13,463	395,535	18,893	427,891
Accrued self-insurance claims	-	-	1,143,248	1,143,248
Bonds payable within one year	545,000	-	-	545,000
Accrued interest payable	523,960	-	-	523,960
Other liabilities	-	14,809	-	14,809
Total current liabilities	1,127,093	1,066,644	1,168,123	3,361,860
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discount and deferred amount on refunding)	21,828,339	-	-	21,828,339
Loans payable	220,121	-	-	220,121
Obligations under capital leases	-	160,750	-	160,750
Total liabilities	23,175,553	1,227,394	1,168,123	25,571,070
Fund equity (deficit):				
Retained earnings (deficit)	(1,158,061)	3,292,964	6,961,392	9,096,295
Total fund equity (deficit)	(1,158,061)	3,292,964	6,961,392	9,096,295
Total liabilities and fund equity (deficit)	$ 22,017,492	4,520,358	8,129,515	34,667,365

METRO

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

For the year ended June 30, 1998

	Building Management Fund	Support Services Fund	Risk Management Fund	Total
Operating revenues:				
State grants	$ -	-	9,360	9,360
Charges for services	2,539,099	7,355,776	3,751,925	13,646,800
Miscellaneous	13,069	27,804	-	40,873
Total operating revenues	2,552,168	7,383,580	3,761,285	13,697,033
Operating expenses:				
Payroll and fringe benefits	225,852	5,318,592	236,871	5,781,315
Depreciation and amortization	645,432	316,289	8,304	970,025
Payment in lieu of rent	-	712,092	-	712,092
Insurance expense	-	47,586	3,234,927	3,282,513
Claims expense	-	-	868,195	868,195
Purchased professional and technical services	75,634	-	-	75,634
Payments to other governments	-	225,640	-	225,640
Other materials and services	405,837	980,836	30,485	1,417,158
Total operating expenses	1,352,755	7,601,035	4,378,782	13,332,572
Operating income (loss)	1,199,413	(217,455)	(617,497)	364,461
Non-operating revenues (expenses):				
Investment income	193,456	117,240	492,991	803,687
Loss on disposal of fixed assets	(14)	(1,934)	-	(1,948)
Interest expense	(1,383,634)	(1,788)	-	(1,385,422)
Total non-operating revenues (expenses)	(1,190,192)	113,518	492,991	(583,683)
Income (loss) before operating transfers	9,221	(103,937)	(124,506)	(219,222)
Operating transfers in	38,000	540,000	-	578,000
Operating transfers out	-	(38,000)	(340,000)	(378,000)
Net income (loss)	47,221	398,063	(464,506)	(19,222)
Depreciation on fixed assets that reduces contributed capital	-	11,701	-	11,701
Increase (decrease) in retained earnings (deficit)	47,221	409,764	(464,506)	(7,521)
Retained earnings (deficit) - July 1, 1997	(1,206,297)	2,876,776	7,396,793	9,067,272
Cumulative effect of the change in accounting for investments	1,015	6,424	29,105	36,544
Retained earnings (deficit) - July 1, 1997 as restated	(1,205,282)	2,883,200	7,425,898	9,103,816
Retained earnings (deficit) - June 30, 1998	$ (1,158,061)	3,292,964	6,961,392	9,096,295

METRO

Internal Service Funds

Combining Statement of Cash Flows

For the year ended June 30, 1998

	Building Management Fund	Support Services Fund	Risk Management Fund	Total
Cash flows from operating activities:				
Cash receipts from customers	$ 643,729	-	-	643,729
Cash receipts from quasi-external transactions	2,065,778	7,034,110	3,751,925	12,851,813
Other operating cash receipts	13,069	387,505	194,050	594,624
Cash payments to suppliers for goods and services	(514,951)	(692,190)	(3,295,989)	(4,503,130)
Cash payments for claims	-	-	(652,279)	(652,279)
Cash payments to other governments	-	(225,640)	-	(225,640)
Cash payments to employees for services	(223,284)	(5,351,368)	(227,767)	(5,802,419)
Cash payments for quasi-external transactions	-	(759,678)	-	(759,678)
Net cash provided by (used in) operating activities	1,984,341	392,739	(230,060)	2,147,020
Cash flows from noncapital financing activities:				
Transfer from other funds	38,000	540,000	-	578,000
Transfer to other funds	-	(38,000)	(340,000)	(378,000)
Net cash provided by (used in) noncapital financing activities	38,000	502,000	(340,000)	200,000
Cash flows from capital and related financing activities:				
Principal payment on revenue bonds	(375,000)	-	-	(375,000)
Interest payments	(1,278,799)	(1,787)	-	(1,280,586)
Acquisition and construction of capital assets	(137,022)	(661,455)	(8,954)	(807,431)
Principal payments on loans	(15,920)	-	-	(15,920)
Principal payments on capital leases	-	(25,000)	-	(25,000)
Net cash used in capital and related financing activities	(1,806,741)	(688,242)	(8,954)	(2,503,937)
Cash flows from investing activities:				
Investment income	198,094	137,678	528,841	864,613
Proceeds from sale of investments	2,519,866	-	-	2,519,866
Purchase of investments	(2,985,374)	-	-	(2,985,374)
Net cash provided by (used in) investing activities	(267,414)	137,678	528,841	399,105
Net increase (decrease) in cash and cash equivalents	(51,814)	344,175	(50,173)	242,188
Cash and cash equivalents at beginning of year	1,075,093	1,776,701	8,049,739	10,901,533
Cash and cash equivalents at end of year	$ 1,023,279	2,120,876	7,999,566	11,143,721

(Continued)

METRO

Internal Service Funds

Combining Statement of Cash Flows, Continued

For the year ended June 30, 1998

	Building Management Fund	Support Services Fund	Risk Management Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 1,199,413	(217,455)	(617,497)	364,461
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	645,432	316,289	8,304	970,025
Miscellaneous fees	-	750	-	750
Change in assets and liabilities:				
Trade/other accounts receivable	170,408	38,035	184,690	393,133
Other assets	-	(21,307)	1,160	(20,147)
Accounts payable	(33,480)	314,205	(31,737)	248,988
Salaries, withholdings and payroll taxes payable	2,568	(34,835)	9,104	(23,163)
Accrued self-insurance claims			215,916	215,916
Other liabilities	-	(2,943)	-	(2,943)
Total adjustments	784,928	610,194	387,437	1,782,559
Net cash provided by (used in) operating activities	$ 1,984,341	392,739	(230,060)	2,147,020
Non-cash investing, capital, and financing activities:				
Borrowing under capital lease	-	135,750	-	

METRO

Building Management Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Charges for services:			
Rentals	$ 50,430	25,231	(25,199)
Parking fees	453,475	448,090	(5,385)
Interest	44,877	61,109	16,232
Miscellaneous	-	13,069	13,069
Total revenues	548,782	547,499	(1,283)
Expenditures:			
Personal services	234,165	225,852	8,313
Materials and services	587,562	511,654	75,908
Capital outlay	140,933	137,022	3,911
Contingency	13,667	-	13,667
Total expenditures	976,327	874,528	101,799
Revenues under expenditures	(427,545)	(327,029)	100,516
Other financing sources (uses):			
Operating transfers in:			
General Fund	345,053	332,298	(12,755)
Planning Fund	469,278	450,864	(18,414)
Regional Parks Fund	119,244	114,336	(4,908)
Open Spaces Fund	66,584	63,972	(2,612)
General Revenue Bond Fund-Building Management	20,000	20,000	-
Solid Waste Revenue Fund	401,264	387,871	(13,393)
Support Services Fund	779,176	750,092	(29,084)
Smith and Bybee Lakes Trust Fund	4,463	4,345	(118)
Operating transfers out	(1,549,537)	(1,543,027)	6,510
Total other financing sources (uses)	655,525	580,751	(74,774)
Revenues and other sources over expenditures and other uses	227,980	253,722	25,742
Beginning fund balance available for appropriation - July 1, 1997	727,984	734,774	6,790
Unappropriated ending fund balance - June 30, 1998	$ 955,964	988,496	32,532

METRO

General Revenue Bond Fund - Building Management

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Interest	$ 115,175	128,548	13,373
Total revenues	115,175	128,548	13,373
Expenditures:			
Construction account:			
Capital outlay	23,200	-	23,200
Debt service account:			
Debt service	1,639,537	1,639,536	1
Contingency	460,593	-	460,593
Total expenditures	2,123,330	1,639,536	483,794
Revenues under expenditures	(2,008,155)	(1,510,988)	497,167
Other financing sources (uses):			
Operating transfers in:			
Building Management Fund	1,549,537	1,543,027	(6,510)
Operating transfers out	(20,000)	(20,000)	-
Total other financing sources (uses)	1,529,537	1,523,027	(6,510)
Revenues and other sources over (under) expenditures and other uses	(478,618)	12,039	490,657
Beginning fund balance available for appropriation - July 1, 1997	2,362,638	2,376,292	13,654
Unappropriated ending fund balance - June 30, 1998	$ 1,884,020	2,388,331	504,311

METRO

Support Services Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Charges for services	$ 1,234,230	1,117,792	(116,438)
Interest	68,477	114,626	46,149
Miscellaneous	15,000	27,804	12,804
Total revenues	1,317,707	1,260,222	(57,485)
Expenditures:			
Administrative services:			
Personal services	4,367,424	4,049,458	317,966
Materials and services	1,126,419	961,013	165,406
Capital outlay	1,088,547	620,255	468,292
Debt service	28,432	26,787	1,645
Total administrative services	6,610,822	5,657,513	953,309
Office of general counsel:			
Personal services	655,656	620,590	35,066
Materials and services	47,356	40,355	7,001
Capital outlay	28,144	27,630	514
Total office of general counsel	731,156	688,575	42,581
Office of public and government relations:			
Personal services	75,758	61,218	14,540
Materials and services	60,427	55,716	4,711
Capital outlay	1,750	1,592	158
Total office of public and government relations	137,935	118,526	19,409
Council office of public outreach:			
Personal services	100,049	83,596	16,453
Materials and services	31,185	31,473	(288)
Capital outlay	8,033	8,000	33
Total council office of public outreach	139,267	123,069	16,198

(Continued)

METRO

Support Services Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual, Continued

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Expenditures, continued:			
Office of citizen involvement:			
Personal services	$ 61,631	52,662	8,969
Materials and services	22,480	21,719	761
Total office of citizen involvement	84,111	74,381	9,730
Office of the auditor:			
Personal services	402,617	400,065	2,552
Materials and services	153,013	95,449	57,564
Capital outlay	4,006	3,978	28
Total office of the auditor	559,636	499,492	60,144
Contingency	297,634	-	297,634
Total expenditures	8,560,561	7,161,556	1,399,005
Revenues under expenditures	(7,242,854)	(5,901,334)	1,341,520
Other financing sources (uses):			
Operating transfers in:			
General Fund	714,499	704,227	(10,272)
Zoo Operating Fund	1,126,282	1,056,055	(70,227)
Planning Fund	1,690,149	1,598,088	(92,061)
Regional Parks Fund	439,174	434,013	(5,161)
Open Spaces Fund	328,935	325,717	(3,218)
Solid Waste Revenue Fund	2,374,016	2,303,505	(70,511)
Risk Management Fund	340,000	340,000	-
Smith and Bybee Lakes Trust Fund	17,057	16,380	(677)
Operating transfers out	(826,762)	(797,678)	29,084
Total other financing sources (uses)	6,203,350	5,980,307	(223,043)
Revenues and other sources over (under) expenditures and other uses	(1,039,504)	78,973	1,118,477
Beginning fund balance available for appropriation - July 1, 1997	1,363,443	1,322,545	(40,898)
Unappropriated ending fund balance - June 30, 1998	$ 323,939	1,401,518	1,077,579

METRO

Risk Management Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

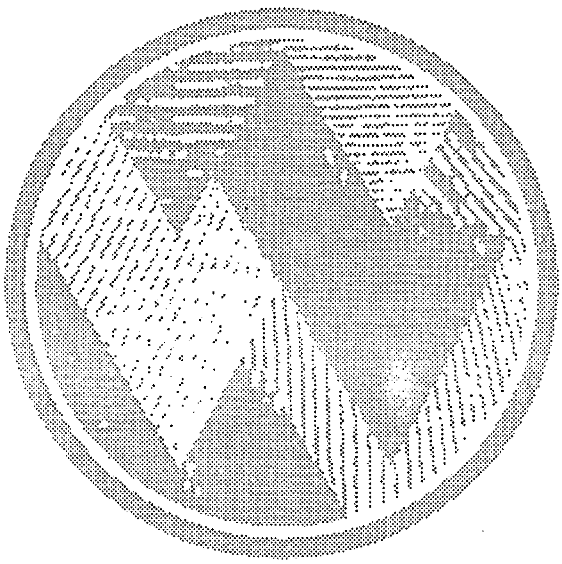
	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
State grants	$ 10,000	9,360	(640)
Charges for services	3,771,036	3,397,775	(373,261)
Interest	450,000	483,138	33,138
Total revenues	4,231,036	3,890,273	(340,763)
Expenditures:			
Personal services	256,078	236,871	19,207
Materials and services	4,741,122	4,133,607	607,515
Capital outlay	15,156	8,954	6,202
Contingency	200,000	-	200,000
Total expenditures	5,212,356	4,379,432	832,924
Revenues under expenditures	(981,320)	(489,159)	492,161
Other financing sources (uses):			
Operating transfers in:			
General Fund	12,765	10,212	(2,553)
Zoo Operating Fund	184,692	147,751	(36,941)
Planning Fund	35,108	28,087	(7,021)
Regional Parks Fund	30,062	23,810	(6,252)
Open Spaces Fund	15,061	12,049	(3,012)
Solid Waste Revenue Fund	104,319	83,455	(20,864)
Support Services Fund	47,586	47,586	-
Smith and Bybee Lakes Trust Fund	1,200	1,200	-
Operating transfers out	(340,000)	(340,000)	-
Total other financing sources (uses)	90,793	14,150	(76,643)
Revenues and other sources under expenditures and other uses	(890,527)	(475,009)	415,518
Beginning fund balance available for appropriation - July 1, 1997	7,190,541	7,378,478	187,937
Unappropriated ending fund balance - June 30, 1998	$ 6,300,014	6,903,469	603,455

METRO

Reconciliation of Internal Service Funds Revenues
and Expenditures (Budgetary Basis) to Combining
Statement of Revenues, Expenses and Changes
in Retained Earnings (GAAP Basis)

For the year ended June 30, 1998

	Building Management Fund	Support Services Fund	Risk Management Fund	Total
Excess of revenues and other financing sources over (under) expenditures and other financing uses on a budgetary basis:				
Building Management Fund	$ 253,722	-	-	253,722
General Revenue Bond Fund - Building Management	12,039	-	-	12,039
Support Services Fund	-	78,973	-	78,973
Risk Management Fund	-	-	(475,009)	(475,009)
Budget requirements not qualifying as expenses under GAAP:				
Fixed assets additions	137,022	661,455	8,954	807,431
Loan payments	15,920	-	-	15,920
Principal payments on capital leases	-	25,000	-	25,000
Principal and interest payments on bonds	904,819	-	-	904,819
Additional revenues (expenses) required by GAAP:				
Change in the fair value of investments	3,799	2,614	9,853	16,266
Depreciation and amortization	(645,432)	(316,289)	(8,304)	(970,025)
Loss on disposal of fixed assets	(14)	(1,934)	-	(1,948)
Amortization of bond discount and costs	(110,694)	-	-	(110,694)
Vacation benefits	-	(51,006)	-	(51,006)
Accrued interest on bonds	(523,960)	-	-	(523,960)
Miscellaneous fees	-	(750)	-	(750)
Net income (loss) presented in combining statement of revenues, expenses and changes in retained earnings	$ 47,221	398,063	(464,506)	(19,222)



Fiduciary Funds

Expendable Trust Funds

Rehabilitation and Enhancement Fund

This fund accounts for funds received and expenditures for rehabilitation and enhancement of the area in and around various solid waste disposal facilities. Primary resources are rehabilitation and enhancement fees and interest. Expenditures are for planning and implementation of rehabilitation and enhancement programs in the area.

Smith and Bybee Lakes Trust Fund

This fund accounts for the implementation of the Smith and Bybee Lakes Management Plan, managed by Metro's Regional Parks and Greenspaces Department. A Natural Resources Plan for Smith and Bybee Lakes was adopted by the City of Portland and Metro in prior years. The primary resource is interest.

Regional Parks Trust Fund

This fund accounts for four activities dedicated to: construction of a nature center, construction of a concert stage, funding the care and maintenance of a family plot and the purchase of flowers for the pioneer cemeteries. The primary resources are interest and charges for services.

Pension Trust Fund

Pension Plan Fund

This fund accounts for employee contributions to a defined contribution plan and earnings on such plan participant balances. Additions are contributions, based upon a percentage of participants' wages, and investment income.

METRO

Trust Funds

Combining Balance Sheet

June 30, 1998

	Expendable Trust Funds			Pension Trust Fund	
Assets	Rehabilitation and Enhancement Fund	Smith and Bybee Lakes Trust Fund	Regional Parks Trust Fund	Pension Plan Fund	Total
Equity in internal cash and investment pool	$ 2,308,349	3,550,390	386,983	-	6,245,722
Investments				18,937,070	18,937,070
Other receivables	120,000	-	-	602,236	722,236
Interest receivable	30,317	47,345	5,099	-	82,761
Other assets	-	-	-	76,995	76,995
Total assets	$ 2,458,666	3,597,735	392,082	19,616,301	26,064,784
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 119,375	9,306	-	-	128,681
Salaries, withholdings and payroll taxes payable	-	1,919	-	-	1,919
Deferred revenue	120,000	-	-	-	120,000
Total liabilities	239,375	11,225	-	-	250,600
Fund balances:					
Reserved for pension benefits	-	-	-	19,616,301	19,616,301
Unreserved	2,219,291	3,586,510	392,082	-	6,197,883
Total fund balances	2,219,291	3,586,510	392,082	19,616,301	25,814,184
Total liabilities and fund balances	$ 2,458,666	3,597,735	392,082	19,616,301	26,064,784

METRO

Expendable Trust Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the year ended June 30, 1998

	Rehabilitation and Enhancement Fund	Smith and Bybee Lakes Trust Fund	Regional Parks Trust Fund	Totals
Revenues:				
Charges for services	$ 40,000	151	8,107	48,258
Rehabilitation, enhancement and end use fees	431,354	4,897	-	436,251
Investment income	127,742	209,464	21,903	359,109
Miscellaneous	-	299	-	299
Total revenues	599,096	214,811	30,010	843,917
Expenditures:				
Recreation and development	-	-	4,000	4,000
Rehabilitation and enhancement	473,751	165,997	-	639,748
Capital outlay	-	1,344	-	1,344
Total expenditures	473,751	167,341	4,000	645,092
Revenues over expenditures	125,345	47,470	26,010	198,825
Other financing sources:				
Operating transfers in	-	-	8,342	8,342
Revenues and other sources over expenditures	125,345	47,470	34,352	207,167
Fund balances - July 1, 1997	2,086,074	3,526,454	356,460	5,968,988
Cumulative effect of the change in accounting for investments	7,872	12,586	1,270	21,728
Fund balances - July 1, 1997 as restated	2,093,946	3,539,040	357,730	5,990,716
Fund balances - June 30, 1998	$ 2,219,291	3,586,510	392,082	6,197,883

METRO

Rehabilitation and Enhancement Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Charges for services	$ 40,000	40,000	-
Interest	109,378	124,898	15,520
Total revenues	149,378	164,898	15,520
Expenditures:			
North Portland Enhancement Account:			
Materials and services	187,859	66,256	121,603
Oregon City Enhancement Account:			
Materials and services	175,882	182,700	(6,818)
Metro Central Enhancement Account:			
Materials and services	353,889	142,176	211,713
Forest Grove Enhancement Account:			
Materials and services	42,987	47,363	(4,376)
Total materials and services	760,617	438,495	322,122
Contingency	300,000	-	300,000
Total expenditures	1,060,617	438,495	622,122
Revenues under expenditures	(911,239)	(273,597)	637,642
Other financing sources (uses):			
Operating transfers in:			
Solid Waste Revenue Fund	455,776	431,354	(24,422)
Operating transfers out	(35,256)	(35,256)	-
Total other financing sources (uses)	420,520	396,098	(24,422)
Revenues and other sources over (under) expenditures and other uses	(490,719)	122,501	613,220
Beginning fund balance available for appropriation - July 1, 1997	1,988,694	2,086,074	97,380
Unappropriated ending fund balance - June 30, 1998	$ 1,497,975	2,208,575	710,600

METRO

Smith and Bybee Lakes Trust Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Federal grants	$ 100,000	-	(100,000)
Government contributions	365,000	-	(365,000)
Charges for services	985	151	(834)
Interest	177,929	205,091	27,162
Miscellaneous	250	299	49
Total revenues	644,164	205,541	(438,623)
Expenditures:			
Personal services	84,536	79,470	5,066
Materials and services	144,654	54,602	90,052
Capital outlay	438,000	1,344	436,656
Contingency	35,352	-	35,352
Total expenditures	702,542	135,416	567,126
Revenues over (under) expenditures	(58,378)	70,125	128,503
Other financing sources (uses):			
Operating transfers in:			
Solid Waste Revenue Fund	25,545	4,897	(20,648)
Operating transfers out	(54,160)	(31,925)	22,235
Total other financing sources (uses)	(28,615)	(27,028)	1,587
Revenues and other sources over (under) expenditures and other uses	(86,993)	43,097	130,090
Beginning fund balance available for appropriation - July 1, 1997	3,342,571	3,526,454	183,883
Unappropriated ending fund balance - June 30, 1998	$ 3,255,578	3,569,551	313,973

METRO

Regional Parks Trust Fund

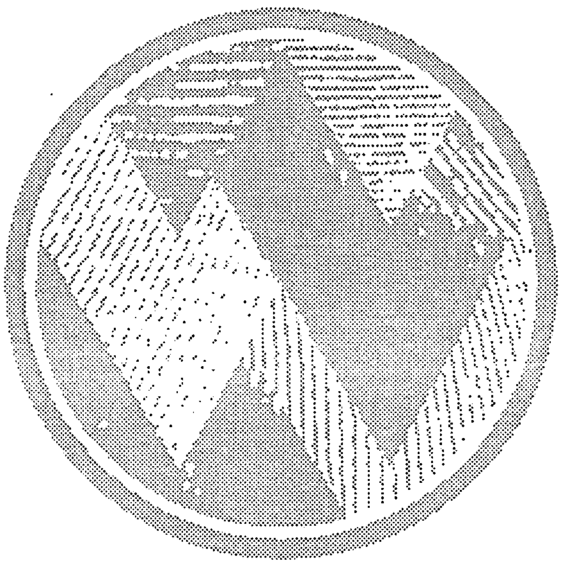
Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

		Budget	Actual	Variance favorable (unfavorable)
Revenues:				
Tibbets Flowers:				
Interest	$	62	63	1
Blue Lake Concert Stage:				
Interest		4,956	5,271	315
Oxbow Park Nature Center:				
Charges for services		10,000	8,107	(1,893)
Interest		10,293	11,103	810
Willamina Farmer Family Plot:				
Interest		4,490	4,989	499
Total revenues		29,801	29,533	(268)
Expenditures:				
Materials and services		30,000	-	30,000
Total expenditures		30,000	-	30,000
Revenues over (under) expenditures		(199)	29,533	29,732
Other financing sources (uses):				
Operating transfer in:				
Regional Parks Fund		8,342	8,342	-
Operating transfers out		(4,000)	(4,000)	-
Total other financing sources (uses)		4,342	4,342	-
Revenues and other sources over expenditures and other uses		4,143	33,875	29,732
Beginning fund balance available for appropriation - July 1, 1997		360,003	356,460	(3,543)
Unappropriated ending fund balance - June 30, 1998	$	364,146	390,335	26,189

General Fixed Assets Account Group

This account group accounts for Metro's investment in fixed assets not recorded in Proprietary Fund types.



METRO

Schedule of General Fixed Assets by Source

June 30, 1998

General fixed assets:	
Land	$ 59,084,750
Buildings and exhibits	49,886,476
Improvements	4,887,435
Equipment	3,475,848
Office furniture/equipment	2,793,107
Railroad equipment and facilities	1,860,916
Total general fixed assets	$ 121,988,532
Investment in general fixed assets from:	
General Fund	$ 226,797
Special Revenue Funds:	
Planning Fund	2,818,191
Regional Parks Fund	8,023,686
Zoo Fund	37,246,340
Capital Projects Funds:	
Zoo Capital Fund	21,482,538
Open Spaces Fund	51,820,893
Smith and Bybee Lakes Trust Fund	370,087
Total investment in general fixed assets	$ 121,988,532

METRO

Schedule of General Fixed Assets by Function and Activity

June 30, 1998

		Land	Buildings and exhibits
General Fund	$	-	1,180
Special Revenue Funds:			
Planning Fund		-	1,350
Regional Parks Fund		4,897,141	2,958,323
Zoo Fund		2,573,450	26,156,632
Capital Projects Funds:			
Zoo Capital Fund		-	20,762,895
Open Spaces Fund		51,297,590	651
Smith and Bybee Lakes Trust Fund		316,569	5,445
Total	$	59,084,750	49,886,476

Note: Due to the dynamic nature of Metro's operations and organization, further detail as provided on the schedule of changes in general fixed assets by function and activity would not be meaningful. Therefore, general fixed assets have been summarized by function and activity as shown above.

Improvements	Equipment	Office furniture/ equipment	Railroad equipment and facilities	Total
1,695	12,555	211,367	-	226,797
-	1,380,229	1,436,612	-	2,818,191
82,441	38,396	47,385	-	8,023,686
3,862,129	1,779,624	1,014,079	1,860,426	37,246,340
449,990	251,747	17,416	490	21,482,538
455,528	6,304	60,820	-	51,820,893
35,652	6,993	5,428	-	370,087
4,887,435	3,475,848	2,793,107	1,860,916	121,988,532

METRO

Schedule of Changes in General Fixed Assets by Function and Activity

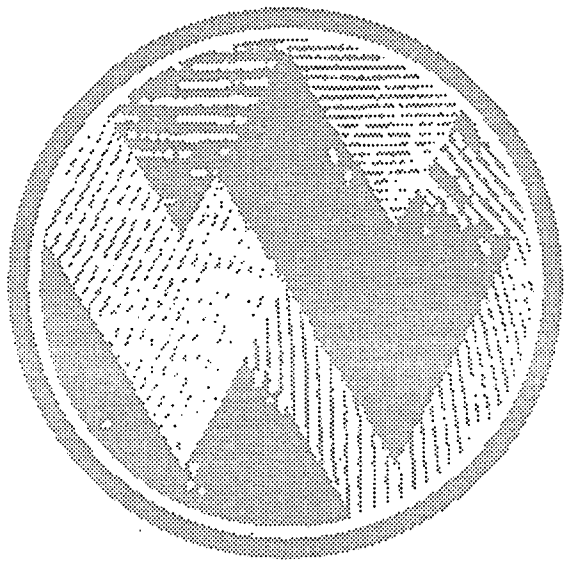
For the year ended June 30, 1998

	Land	Buildings and exhibits
Balances, July 1, 1997	$ 35,935,543	54,347,499
Add expenditures from:		
General government	-	-
Regional planning and development	-	1,350
Recreation and development (1)	23,449,587	75,277
Zoo operations and development:		
Administration	-	-
Animal management	-	-
Facilities management	-	525,543
Educational services	-	264
Marketing	-	-
Visitor services	-	-
Design services	-	76,960
General Revenue Bond Fund - Zoo	-	-
Total zoo operations and development	-	602,767
Zoo Capital Projects Fund	-	10,017,439
Trust operations	-	-
Total additions	23,449,587	10,696,833
Subtract adjustments:		
Transfers (2)	(300,380)	(15,148,636)
Disposals	-	(9,220)
Total adjustments	(300,380)	(15,157,856)
Balances, June 30, 1998	$ 59,084,750	49,886,476

(1) Certain expenditures of the fund are attributable to the local share portion of the bond measure and are therefore not capitalized.

(2) Expo transferred to proprietary activity.

Improvements	Equipment	Office furniture/ equipment	Railroad equipment and facilities	Total
4,505,384	3,548,115	2,679,834	1,817,066	102,833,441
1,695	-	16,143	-	17,838
-	461,000	65,641	-	527,991
355,744	9,370	9,763	-	23,899,741
-	7,546	8,671	-	16,217
-	10,236	-	-	10,236
15,616	50,858	1,372	43,850	637,239
-	-	19,017	-	19,281
-	-	8,107	-	8,107
-	22,486	10,758	-	33,244
-	-	7,317	-	84,277
134,571	-	-	-	134,571
150,187	91,126	55,242	43,850	943,172
53	2,640	16,616	-	10,036,748
-	-	1,344	-	1,344
507,679	564,136	164,749	43,850	35,426,834
(110,656)	(636,403)	(35,625)	-	(16,231,700)
(14,972)	-	(15,851)	-	(40,043)
(125,628)	(636,403)	(51,476)	-	(16,271,743)
4,887,435	3,475,848	2,793,107	1,860,916	121,988,532



Component Unit Financial Schedules

Enterprise Fund

MERC Fund

This fund accounts for revenues and expenses related to the management and operation of facilities managed by MERC, including the Oregon Convention Center, Expo Center, Portland Center for the Performing Arts (PCPA), and Civic Stadium. The principal sources of revenue are local government shared revenue and charges for services. Expenses consist primarily of management, marketing and operation costs. This fund consists of three budgetary funds (MERC Operating Fund, Convention Center Project Capital Fund, and MERC Renewal and Replacement Fund) that are combined as one Enterprise Fund to be in accordance with generally accepted accounting principles.

Beginning balances in the Oregon Convention Center Operating, Spectator Facilities Operating, and Coliseum Operating Funds were transferred to the new MERC Operating Fund at the beginning of fiscal year 1998.

METRO

MERC Operating Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Local government shared revenues	$ 5,341,475	5,000,000	(341,475)
Government contributions	600,000	600,000	-
Charges for services:			
Admission fees	1,332,550	1,135,682	(196,868)
Rentals	3,917,738	4,138,371	220,633
Food service revenue	8,730,036	8,755,114	25,078
Utility services	1,095,109	1,175,173	80,064
Parking fees	1,583,762	1,724,338	140,576
Reimbursed services	1,853,699	1,809,543	(44,156)
Miscellaneous charges for services	807,436	1,047,935	240,499
Interest	528,708	602,590	73,882
Contributions and donations	25,000	27,845	2,845
Miscellaneous	401,143	(10,798)	(411,941)
Total revenues	26,216,656	26,005,793	(210,863)
Expenditures:			
Operating expenses	24,670,036	22,170,256	2,499,780
Capital outlay	2,247,596	1,782,666	464,930
Debt service	733,415	728,129	5,286
Contingency	964,418	-	964,418
Total expenditures	28,615,465	24,681,051	3,934,414
Revenues over (under) expenditures	(2,398,809)	1,324,742	3,723,551
Beginning fund balance available for appropriation - July 1, 1997	-	-	-
Residual equity transfers in	10,507,997	10,261,131	(246,866)
Unappropriated ending fund balance - June 30, 1998	$ 8,109,188	11,585,873	3,476,685

Note: Certain capital outlay becomes fixed assets of the City of Portland under terms of an intergovernmental agreement, and therefore is recorded as "contributions to other governments" expense on a GAAP basis.

METRO

Convention Center Project Capital Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

		Budget	Actual	Variance favorable (unfavorable)
Revenues:				
Interest	$	3,300	2,903	(397)
Total revenues		3,300	2,903	(397)
Expenditures:				
Materials and services		119,813	119,812	1
Capital outlay		30,968	30,571	397
Total expenditures		150,781	150,383	398
Revenues under expenditures		(147,481)	(147,480)	1
Beginning fund balance available for appropriation - July 1, 1997		147,481	147,480	(1)
Unappropriated ending fund balance - June 30, 1998	$	-	-	-

METRO

MERC Renewal and Replacement Fund

Schedule of Revenues and Expenditures - Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Local government shared revenues	$ -	477,493	477,493
Interest	150,842	168,513	17,671
Total revenues	150,842	646,006	495,164
Expenditures:			
Capital outlay	340,000	-	340,000
Contingency	13,600	-	13,600
Total expenditures	353,600	-	353,600
Revenues over (under) expenditures	(202,758)	646,006	848,764
Beginning fund balance available for appropriation - July 1, 1997	2,742,578	2,839,691	97,113
Unappropriated ending fund balance - June 30, 1998	$ 2,539,820	3,485,697	945,877

METRO

Oregon Convention Center Operating Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Beginning fund balance available for appropriation - July 1, 1997	$ 5,654,771	5,654,770	(1)
Residual equity transfers out	(5,654,771)	(5,654,770)	1
Unappropriated ending fund balance - June 30, 1998	$ -	-	-

METRO

Spectator Facilities Operating Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Beginning fund balance available for appropriation - July 1, 1997	$ 3,826,768	3,826,765	(3)
Residual equity transfers out	(3,826,768)	(3,826,765)	3
Unappropriated ending fund balance - June 30, 1998	$ -	-	-

METRO

Coliseum Operating Fund

Schedule of Revenues and Expenditures -
Budget (Non-GAAP Budgetary Basis) and Actual

For the year ended June 30, 1998

	Budget	Actual	Variance favorable (unfavorable)
Beginning fund balance available for appropriation - July 1, 1997	$ 45,015	45,014	(1)
Residual equity transfers out	(45,015)	(45,014)	1
Unappropriated ending fund balance - June 30, 1998	$ -	-	-

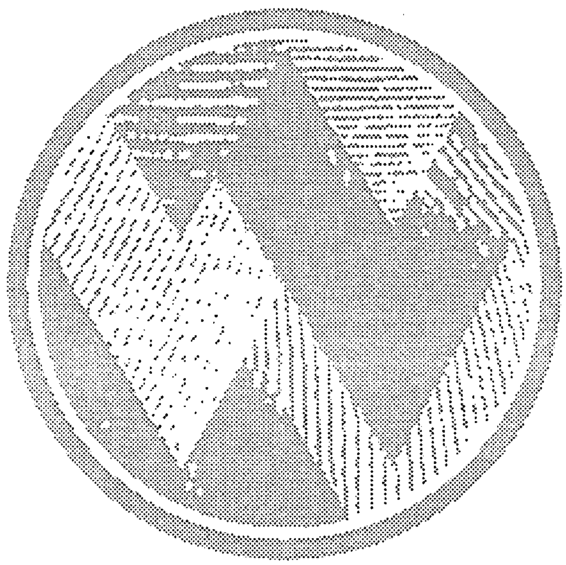
METRO

Reconciliation of MERC Enterprise Fund Revenues and Expenditures (Budgetary Basis) to Combined Statement of Revenues, Expenses and Changes in Retained Earnings (GAAP Basis)

For the year ended June 30, 1998

Excess of revenues over (under) expenditures on a budgetary basis:	
MERC Operating Fund	$ 1,324,742
Convention Center Project Capital Fund	(147,480)
MERC Renewal and Replacement Fund	646,006
Budget requirements not qualifying as expenses under GAAP:	
Fixed assets additions	897,349
Principal payments on capital leases	161,834
Principal and interest payments on bonds	417,792
Payment of arbitrage payable	119,620
Additional revenues (expenses) required by GAAP:	
Change in the fair value of investments	14,522
Depreciation and amortization	(3,564,604)
Vacation benefits	(23,726)
Accrued interest on bonds	(19,125)
Net loss presented in combined statement of revenues, expenses and changes in retained earnings	$ (173,070)

Other Financial Schedules



METRO

Schedule of Property Tax Transactions
and Outstanding Receivable

For the year ended June 30, 1998

Fiscal Year	Original levy or balance of receivable July 1, 1997	Add (deduct) Discounts	Adjustments	Interest	Collections	Property taxes receivable June 30, 1998
1997-98	$ 26,103,411	(634,726)	193,722	14,391	(24,848,112)	828,686
1996-97	705,458	-	(22,172)	26,376	(441,876)	267,786
1995-96	309,622	-	(7,721)	24,113	(173,927)	152,087
1994-95	83,805	-	(7,597)	13,219	(68,370)	21,057
1993-94	26,980	-	(1,906)	6,290	(24,986)	6,378
1992-93 & prior	25,365	-	(8,208)	3,849	(10,854)	10,152
	$ 27,254,641	(634,726)	146,118	88,238	(25,568,125)	1,286,146

Reconciliation to property tax revenue presented in combined financial statements:	Zoo Operating Fund	Debt Service Fund	Total
Cash collections July 1, 1997 to June 30, 1998	$ 6,384,198	19,183,927	25,568,125
Accrual of receivables:			
July 1, 1997 to August 31, 1997	(54,828)	(104,467)	(159,295)
July 1, 1998 to August 31, 1998	53,059	136,630	189,689
Timing difference between county tax collector and county treasurer	2,837	(2,389)	448
Payments in lieu of property taxes	18,574	54,576	73,150
Property tax revenue per combined statement of revenues, expenditures and changes in fund balances	$ 6,403,840	19,268,277	25,672,117
Property taxes receivable June 30, 1998	$ 349,820	936,326	1,286,146
Deferred tax revenues June 30, 1998	$ 296,761	799,696	1,096,457

METRO

Schedule of Future Debt Service Requirements
General Long-Term Debt Account Group

June 30, 1998

		Open Spaces Program General Obligation Bonds					
		1995 Series A		1995 Series B		1995 Series C	
Year of maturity		Principal	Interest	Principal	Interest	Principal	Interest
1998-99	$	2,370,000	3,732,716	444,050	55,950	1,690,000	2,760,913
1999-00		2,520,000	3,583,616	423,755	76,245	1,790,000	2,656,512
2000-01		2,655,000	3,447,773	403,200	96,800	1,905,000	2,545,663
2001-02		2,795,000	3,304,710	383,625	116,375	2,020,000	2,427,912
2002-03		2,945,000	3,157,716	363,060	136,940	2,145,000	2,302,963
2003-04		3,105,000	2,998,704	343,920	156,080	2,275,000	2,170,362
2004-05		3,270,000	2,831,566	325,155	174,845	2,405,000	2,046,798
2005-06		3,435,000	2,663,941	308,037	193,963	2,515,000	1,932,380
2006-07		3,615,000	2,485,884	288,945	211,055	2,640,000	1,809,917
2007-08		3,805,000	2,293,820	271,585	228,415	2,770,000	1,678,693
2008-09		4,015,000	2,086,538	254,775	245,225	2,910,000	1,538,077
2009-10		4,235,000	1,864,791	238,540	261,460	3,065,000	1,387,170
2010-11		4,475,000	1,627,384	223,356	277,644	3,225,000	1,225,969
2011-12		4,730,000	1,371,881	-	-	3,910,000	1,040,288
2012-13		5,005,000	1,096,799	-	-	4,120,000	829,500
2013-14		5,300,000	801,781	-	-	4,340,000	607,425
2014-15		5,610,000	491,625	-	-	4,575,000	373,406
2015-16		5,935,000	166,922	-	-	4,825,000	126,656
2016-17		-	-	-	-	-	-
Total	$	69,820,000	40,008,167	4,272,003	2,230,997	53,125,000	29,460,604

Convention Center 1992 Series A General Obligation Refunding Bonds		Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds		Total	
Principal	Interest	Principal	Interest	Principal	Interest
2,230,000	3,380,383	890,000	1,529,260	7,624,050	11,459,222
2,375,000	3,252,235	940,000	1,484,760	8,048,755	11,053,368
2,530,000	3,113,958	990,000	1,437,760	8,483,200	10,641,954
2,700,000	2,964,237	1,040,000	1,388,260	8,938,625	10,201,494
2,890,000	2,799,385	1,095,000	1,336,260	9,438,060	9,733,264
3,085,000	2,624,136	1,150,000	1,281,510	9,958,920	9,230,792
3,305,000	2,432,165	1,215,000	1,212,510	10,520,155	8,697,884
3,535,000	2,224,252	1,275,000	1,139,610	11,068,037	8,154,146
3,790,000	1,999,844	1,345,000	1,063,110	11,678,945	7,569,810
4,060,000	1,758,750	1,415,000	982,410	12,321,585	6,942,088
4,345,000	1,500,625	1,490,000	908,830	13,014,775	6,279,295
4,660,000	1,224,219	1,570,000	830,605	13,768,540	5,568,245
4,990,000	927,812	1,660,000	748,180	14,573,356	4,806,989
5,355,000	610,313	1,755,000	660,200	15,750,000	3,682,682
5,730,000	270,000	1,850,000	565,869	16,705,000	2,762,168
-	-	1,955,000	466,431	11,595,000	1,875,637
-	-	2,070,000	361,350	12,255,000	1,226,381
-	-	2,185,000	247,500	12,945,000	541,078
-	-	2,315,000	127,325	2,315,000	127,325
55,580,000	31,082,314	28,205,000	17,771,740	211,002,003	120,553,822

METRO

Schedule of Future Debt Service Requirements
Proprietary Funds

June 30, 1998

	Solid Waste Enterprise Fund Revenue Bonds				
	Metro Central Transfer Station 1990 Series A		Metro Central Transfer Station 1993 Series A Refunding		Metro\Riedel Compost Facility 1990 Series 1 (1)
Year of maturity	Principal	Interest	Principal	Interest	Principal
1998-99	$ 1,720,000	215,431	135,000	600,627	-
1999-00	1,840,000	95,979	140,000	594,916	-
2000-01	-	-	1,110,000	568,041	-
2001-02	1,066,120	-	2,125,000	497,427	-
2002-03	2,140,000	-	75,000	448,951	-
2003-04	2,140,000	-	80,000	445,347	-
2004-05	2,140,000	-	85,000	441,426	-
2005-06	2,140,000	-	90,000	437,181	-
2006-07	2,140,000	-	90,000	432,726	-
2007-08	1,070,000	-	95,000	428,054	-
2008-09	-	-	2,240,000	368,231	-
2009-10	-	-	2,360,000	250,356	-
2010-11	-	-	2,475,000	126,459	-
2011-12	-	-	1,230,000	31,519	5,000,000
2012-13	-	-	-	-	-
2013-14	-	-	-	-	-
2014-15	-	-	-	-	-
2015-16	-	-	-	-	-
2016-17	-	-	-	-	-
2017-18	-	-	-	-	-
2018-19	-	-	-	-	-
2019-20	-	-	-	-	-
2020-21	-	-	-	-	-
2021-22	-	-	-	-	-
2022-23	-	-	-	-	-
Total	$ 16,396,120	311,410	12,330,000	5,671,261	5,000,000

(1) As interest rates on this issue are variable, interest payments over the life of the bonds are not determinable. Interest payments for 1998-99 are estimated to total $350,000 at 7.0%.

(2) Principal amount of the bonds is reported on the balance sheet net of unamortized issuance costs, discounts, accretion and deferred amounts on refunding.

(3) Principal amount of the bonds is reported on the balance sheet net of unamortized issuance costs, discounts and deferred amounts on refunding.

(4) The terms of the bond allow Metro to repay debt service on any principal or interest payment date. The balloon payment shown on this schedule is adjusted each year for such prepayments.

Total Enterprise Fund		Internal Service Funds General Revenue Refunding Bonds Metro Regional Center Project 1993 Series A		Component Unit Expo Center 1996 Series A Revenue Bond (4)	
Principal (2)	Interest	Principal (3)	Interest	Principal	Interest
1,855,000	816,058	545,000	1,246,605	75,000	131,588
1,980,000	690,895	570,000	1,224,020	80,000	127,325
1,110,000	568,041	590,000	1,199,650	85,000	122,787
3,191,120	497,427	615,000	1,173,435	90,000	117,975
2,215,000	448,951	640,000	1,145,505	95,000	112,888
2,220,000	445,347	670,000	1,115,695	100,000	107,525
2,225,000	441,426	705,000	1,083,718	105,000	101,887
2,230,000	437,181	735,000	1,049,510	1,456,389	95,975
2,230,000	432,726	770,000	1,013,005	-	-
1,165,000	428,054	810,000	973,890	-	-
2,240,000	368,231	845,000	932,515	-	-
2,360,000	250,356	890,000	889,140	-	-
2,475,000	126,459	935,000	843,515	-	-
6,230,000	31,519	980,000	795,150	-	-
-	-	1,030,000	743,895	-	-
-	-	1,080,000	690,090	-	-
-	-	1,140,000	632,625	-	-
-	-	1,195,000	571,331	-	-
-	-	1,255,000	507,019	-	-
-	-	1,320,000	439,425	-	-
-	-	1,390,000	368,288	-	-
-	-	1,460,000	293,475	-	-
-	-	1,540,000	214,725	-	-
-	-	1,620,000	131,775	-	-
-	-	1,700,000	44,625	-	-
33,726,120	5,982,671	25,030,000	19,322,626	2,086,389	917,950

METRO

Schedule of Long-Term Bonded Debt Transactions
General Long-Term Debt Account Group

For the year ended June 30, 1998

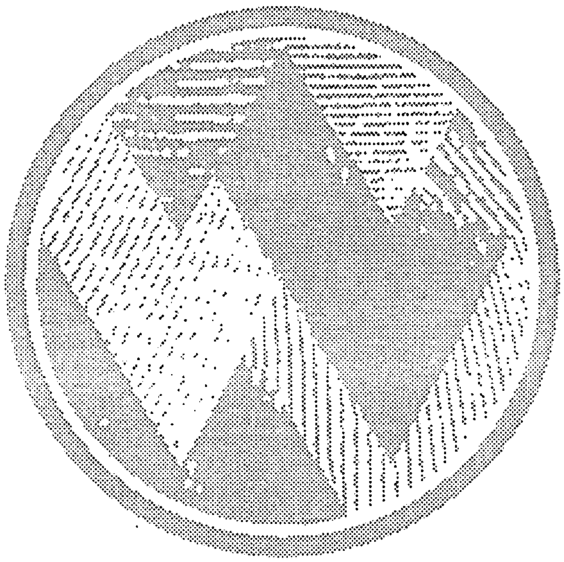
	Principal				
	Outstanding July 1, 1997	Issued During Year	Matured and Paid During Year	Outstanding June 30, 1998	Interest Expense
Open Spaces Program 1995 Series A General Obligation Bonds with interest rates from 5.0 to 7.0%, final maturity 9/1/15	$ 72,050,000	-	2,230,000	69,820,000	3,871,416
Open Spaces Program 1995 Series B General Obligation Bonds with interest rates from 4.15 to 5.5%, final maturity 9/1/10	4,735,958	-	463,955	4,272,003	36,045
Open Spaces Program 1995 Series C General Obligation Bonds with interest rates from 4.6 to 6.0%, final maturity 9/1/15	54,715,000	-	1,590,000	53,125,000	2,859,313
Convention Center 1992 Series A General Obligation Refunding Bonds with interest rates from 5.5 to 6.25%, final maturity 1/1/13	57,680,000	-	2,100,000	55,580,000	3,496,153
Metro Washington Park Zoo Oregon Project 1996 Series A General Obligation Bonds with interest rates from 5.0 to 6.0%, final maturity 1/15/17	28,800,000	-	595,000	28,205,000	1,879,473
Total General Long-Term Debt Account Group	$ 217,980,958	-	6,978,955	211,002,003	12,142,400

METRO

Schedule of Long-Term Bonded Debt Transactions
Proprietary Funds

For the year ended June 30, 1998

		Principal				
		Outstanding July 1, 1997	Issued During Year	Matured and Paid During Year	Outstanding June 30, 1998	Interest Expense
ENTERPRISE FUNDS:						
SOLID WASTE FUND:						
Metro Central Transfer Station 1990 Series A Solid Waste Disposal Project Revenue Bonds with interest rates from 6.75 to 7.1%, final maturity 7/1/07	$	18,001,120	-	1,605,000	16,396,120	325,230
Metro Central Transfer Station 1993 Series A Solid Waste Disposal Refunding Revenue Bonds with interest rates from 4.0 to 5.125%, final maturity 7/1/11		12,460,000	-	130,000	12,330,000	605,796
Metro\Riedel Compost Facility 1990 Series 1 Solid Waste Disposal Project Revenue Bonds with variable interest rates, final maturity 7/1/11		5,000,000	-	-	5,000,000	197,884
Total Enterprise Funds		35,461,120	-	1,735,000	33,726,120	1,128,910
INTERNAL SERVICE FUNDS:						
BUILDING MANAGEMENT FUND:						
Metro Regional Center Project 1993 Series A General Revenue Refunding Bonds with interest rates from 4.0% to 5.25%, final maturity 8/1/22		25,405,000	-	375,000	25,030,000	1,264,536
Total Internal Service Funds		25,405,000	-	375,000	25,030,000	1,264,536
COMPONENT UNIT:						
MERC FUND:						
Expo Center Project Expo Center 1996 Series A Revenue Bond with an interest rate of 5.5%, final maturity 5/1/06		2,481,389	-	395,000	2,086,389	135,063
Total Component Unit	$	2,481,389	-	395,000	2,086,389	135,063



Statistical Section

METRO

General Governmental Expenditures by Function (1)

for the last ten fiscal years
Unaudited

Fiscal year ended June 30,	General government operations	Zoo operations and development	Regional planning and development	Recreation and development	Capital outlay	Debt service	Total (memorandum only) - Primary Government	Component Unit MERC (2) Spectator facility operations	Total (memorandum only) - Reporting Entity
1989	$ 3,378,411	$ 7,028,478	$ 2,905,776	$ -	$ 2,858,802	$ 5,755,828	$ 21,927,295	$ -	$ 21,927,295
1990	3,899,527	8,169,670	3,543,630	-	2,158,811	5,719,253	23,490,891	-	23,490,891
1991	1,872,627	9,218,973	3,879,619	-	4,470,591	5,687,278	25,129,088	15,452,425	40,581,513
1992	2,142,607	10,266,942	5,796,234	-	1,159,207	3,438,664	22,803,654	17,111,836	39,915,490
1993	2,367,244	11,104,303	6,402,875	-	1,699,506	3,924,401	25,498,329	17,099,020	42,597,349
1994	2,591,901	12,826,339	9,518,156	2,213,582	3,555,543	5,530,803	36,236,324	6,809,282	43,045,606
1995	2,395,330	12,895,793	11,069,401	4,396,155	813,877	5,542,640	37,113,196	6,403,481	43,516,677
1996	1,962,173	13,038,699	11,100,770	9,474,072	14,137,150	10,910,449	60,623,313	8,585,781	69,209,094
1997	2,005,267	13,343,436	14,816,259	8,329,607	34,364,694	17,348,950	90,208,213	9,292,517	99,500,730
1998	2,524,722	13,866,883	14,690,941	8,918,822	35,126,447	19,469,296	94,597,111	-	94,597,111

(1) Includes general, special revenue, debt service and capital projects funds.

(2) Beginning July 1990, through an agreement with the City of Portland, the component unit accounts for the operations of spectator facilities. In fiscal year 1994, the operations of the Coliseum were returned to the City. In fiscal year 1998, component unit operations became proprietary activities.

Source: Metro Administrative Services Department, Accounting Services Division.

METRO

General Governmental Revenues by Source (1)

for the last ten fiscal years
Unaudited

Fiscal year ended June 30,	Property taxes (2)	Excise taxes	Charges for services	Grants	Contributions and donations	Miscellaneous and investment income	Total (memorandum only) - Primary Government	Component Unit - MERC (3) Charges for services	Component Unit - MERC (3) Miscellaneous and investment income	Total (memorandum only) - Reporting Entity
1989	$ 11,345,576	$ -	$ 4,912,893	$ 1,109,249	$ 680,927	$ 1,813,351	$ 19,861,996	$ -	$ -	$ 19,861,996
1990	11,413,372	-	5,833,732	1,236,704	387,780	2,106,464	20,978,052	-	-	20,978,052
1991	10,420,978	2,867,095	5,909,120	1,415,251	1,164,588	1,717,549	23,494,581	15,896,998	810,312	40,201,891
1992	10,546,738	3,727,826	7,354,496	2,329,330	605,404	1,947,506	26,511,300	17,024,129	581,706	44,117,135
1993	11,115,246	4,527,103	6,034,700	3,177,735	422,536	2,052,533	27,329,853	16,578,875	697,884	44,606,612
1994	10,947,908	5,451,649	8,246,568	5,456,814	801,254	3,664,621	34,568,814	4,881,002	270,214	39,720,030
1995	11,831,729	5,999,125	10,505,971	7,903,594	739,756	2,823,237	39,803,412	3,078,589	3,276,470	46,158,471
1996	24,666,369	6,996,251	11,149,521	7,758,523	786,188	9,391,255	60,748,107	4,890,258	3,767,790	69,406,155
1997	22,244,865	7,228,573	12,041,342	10,257,407	797,206	13,138,730	65,708,123	4,696,575	3,983,440	74,388,138
1998	25,672,117	7,621,699	10,999,508	10,037,351	806,277	9,867,083	65,004,035	-	-	65,004,035

(1) Includes general, special revenue, debt service, and capital projects funds.

(2) Property taxes for the fiscal years 1989-1991 include proceeds of a serial tax levy for Zoo capital projects. This levy was replaced in 1992 by a zoo operations tax base approved by voters. Property tax revenues include the following tax levies and the year they began: Convention Center General Obligation Bonds, 1989; Open Spaces General Obligation Bonds, 1996; Zoo Oregon Project General Obligation Bonds, 1997.

(3) Beginning July 1990, through an agreement with the City of Portland, the component unit accounts for the operations of spectator facilities. In fiscal year 1994, the operations of the Coliseum were returned to the City. In fiscal year 1998, component unit operations became proprietary activities.

Source: Metro Administrative Services Department, Accounting Services Division.

METRO

Property Tax Levies and Collections (1)

for the last ten fiscal years
Unaudited

Fiscal year ended June 30,	Taxes levied by assessor	Current tax collections	Current tax collections as percent of current levy	Delinquent tax collections	Total tax collections	Total collections as percent of current levy	Uncollected taxes	Uncollected taxes as percent of current levy
1989	$ 11,756,128	$ 10,721,755	91.2 %	$ 557,777	$ 11,279,532	95.9 %	$ 1,260,923	10.7 %
1990	11,530,322	10,613,062	92.0	727,701	11,340,763	98.4	1,307,930	11.3
1991	10,487,897	9,638,561	91.9	702,537	10,341,098	98.6	1,271,539	12.1
1992	10,708,959	9,800,374	91.5	724,454	10,524,828	98.3	1,192,753	11.1
1993	11,175,896	10,410,370	93.2	687,374	11,097,744	99.3	1,081,433	9.7
1994	10,948,828	10,297,297	94.0	635,431	10,932,728	99.9	934,970	8.5
1995	11,918,746	11,203,099	94.0	616,290	11,819,389	99.2	765,012	6.4
1996	25,499,278	24,061,489	94.4	462,400	24,523,889	96.2	1,098,856	4.3
1997	22,796,884	21,521,746	94.4	675,849	22,197,595	97.4	1,151,230	5.0
1998	26,103,411	24,848,112	95.2	720,013	25,568,125	97.9	1,286,146	4.9

(1) Property tax levies provide additional operating revenue for the Washington Park Zoo and debt service for Metro's general obligation bonds. Property taxes for the fiscal years 1989-1991 include proceeds of a serial tax levy for Zoo capital projects. This levy was replaced in 1992 by a zoo operations tax base approved by voters. Property tax revenues include the following tax levies and the year they began: Convention Center General Obligation Bonds, 1989; Open Spaces General Obligation Bonds, 1996; Zoo Oregon Project General Obligation Bonds, 1997.

Source: Metro Administrative Services Department, Accounting Services Division.

METRO

Assessed and Real Market Value of Taxable Property

for the last ten fiscal years (1)
Unaudited

Fiscal year ended June 30,	Real property Assessed value	Real property Real market value	Personal property Assessed value	Personal property Real market value	Public utility property Assessed value	Public utility property Real market value	Total Assessed value	Total Real market value	Ratio of total assessed to total real market value
1989	$ 30,348,357,790	$ 30,348,357,790	$ 1,989,442,307	$ 1,989,442,307	$ 1,828,796,975	$ 1,828,796,975	$ 34,166,597,072	$ 34,166,597,072	100.0 %
1990	31,600,773,885	31,600,773,885	2,085,976,029	2,085,976,029	1,922,140,042	1,922,140,042	35,608,889,956	35,608,889,956	100.0
1991	34,579,722,545	34,579,722,545	2,323,901,306	2,323,901,306	2,033,712,947	2,033,712,947	38,937,336,798	38,937,336,798	100.0
1992	42,210,510,690	42,210,510,690	2,284,113,649	2,284,113,649	1,957,428,693	1,957,428,693	46,452,053,032	46,452,053,032	100.0
1993	45,423,405,654	45,423,405,654	2,595,268,658	2,595,268,658	2,043,094,320	2,043,094,320	50,061,768,632	50,061,768,632	100.0
1994	49,677,571,088	49,677,571,088	2,514,868,176	2,514,868,176	2,184,301,817	2,184,301,817	54,376,741,081	54,376,741,081	100.0
1995	56,193,560,012	56,193,560,012	2,612,727,562	2,612,727,562	2,173,333,580	2,173,333,580	60,979,621,154	60,979,621,154	100.0
1996	63,459,767,323	63,459,767,323	2,904,185,194	2,904,185,194	2,382,468,737	2,382,468,737	68,746,421,254	68,746,421,254	100.0
1997	72,014,495,367	72,014,495,367	3,104,873,132	3,104,873,132	2,602,116,760	2,602,116,760	77,721,485,259	77,721,485,259	100.0
1998	60,387,931,053	80,283,641,966	3,675,943,675	3,974,916,593	2,647,959,728	3,061,987,922	66,711,834,456	87,320,546,481	76.4

(1) In fiscal year 1997-98, the State of Oregon was converted from a levy based to a rate based property tax system with reductions in assessed values.

Source: The Departments of Assessment and Taxation for Multnomah, Clackamas and Washington Counties.

METRO

Property Tax Rates - Direct and Overlapping Governments (1)
for the last ten fiscal years
Unaudited

		Dollars per $1,000 Assessed Value									
		1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Direct Government											
Metro	$	0.39	0.29	0.37	0.20	0.21	0.23	0.24	0.27	0.33	0.34
Overlapping Government											
Multnomah County											
Portland School District #1J	$	6.67	13.37	13.25	14.10	14.81	14.91	15.35	16.77	16.93	16.08
City of Portland		6.78	6.07	6.36	6.61	7.22	7.34	7.96	8.80	8.70	7.42
Multnomah County		4.89	4.23	3.88	4.08	4.30	4.29	4.49	4.97	4.52	4.39
Reynolds School District #7		5.88	10.40	10.20	10.94	11.89	12.81	14.15	14.14	15.03	14.82
Multnomah County ESD		0.46	1.08	1.14	1.22	1.28	1.31	1.35	1.47	1.50	1.45
Parkrose School District #3		6.68	11.53	12.37	11.72	11.50	11.54	11.54	11.50	11.83	12.70
David Douglas School District #40		5.66	13.12	13.82	14.98	16.12	15.86	15.93	17.43	17.55	15.29
Portland Community College		0.37	0.73	0.79	0.82	0.87	0.90	0.81	0.91	0.94	0.92
City of Gresham		4.04	3.71	4.50	4.68	4.96	4.44	4.62	4.99	5.55	5.35
Gresham-Barlow School District #10JT		7.29	13.15	13.01	14.17	9.02	9.67	8.82	9.46	10.05	9.93
Washington County											
Beaverton School District #48J	$	6.16	11.41	12.07	12.41	13.39	14.16	13.44	15.82	16.67	16.49
Tigard-Tualatin School District #23J		6.60	12.85	14.01	13.88	15.58	15.95	16.73	14.60	14.54	14.46
Washington County		3.48	2.51	2.34	2.48	2.60	2.84	2.88	2.95	2.02	2.95
Hillsboro School District #1J (2)		7.09	13.11	7.02	7.79	7.49	8.43	8.58	10.28	10.57	10.45
Tualatin Valley Fire and Rescue		1.54	1.52	1.66	1.76	1.88	1.98	1.99	2.41	2.52	2.49
City of Beaverton		3.38	2.58	4.01	4.16	4.03	4.06	4.05	4.67	4.56	4.41
Forest Grove School District #15		8.27	15.02	16.71	17.01	18.05	19.06	18.83	18.76	19.93	20.85
Hillsboro Elem. School District #7 (2)		-	-	7.81	8.59	9.00	9.64	9.59	9.11	9.05	8.33
Tualatin Hills Park & Rec. District		1.53	1.37	1.41	1.30	1.27	1.29	1.39	1.27	1.32	1.33
Sherwood School District #88J		7.47	10.87	11.10	12.30	11.90	12.82	13.90	16.34	17.48	17.46
Clackamas County											
North Clackamas School Dist. #12	$	5.23	8.47	9.55	10.59	11.93	12.74	13.26	16.14	14.95	14.91
Lake Oswego School District #7J		6.83	11.25	11.57	13.37	13.36	12.90	13.34	14.37	13.92	12.41
Clackamas County		6.09	4.31	3.94	3.28	3.72	2.40	2.39	2.44	2.20	2.18
West Linn-Wilsonville School District #3J		6.76	11.17	11.78	13.15	13.49	15.05	15.73	15.35	16.40	15.27
Oregon City School District #62		4.97	11.49	12.75	14.03	15.57	16.04	16.89	18.47	18.33	17.72
Clackamas Community College		0.63	1.09	1.17	1.25	1.34	1.39	1.39	1.39	1.31	1.37
City of Lake Oswego		5.75	4.23	4.29	4.40	4.49	4.89	5.05	5.03	5.30	4.60
Clackamas County ESD		0.37	0.71	0.76	0.79	0.85	0.87	1.31	1.04	1.07	1.06
Clackamas Rural Fire Protect. Dist. #1		2.44	2.30	2.52	2.67	2.90	2.45	2.55	3.67	3.38	2.90
Canby School District #86		6.93	10.77	11.56	12.69	7.49	7.76	8.87	8.33	9.16	9.26

(1) Metro is a regional government that covers a three county area and has 222 overlapping governments. Listed above are the 10 governments with the largest tax levies from each county. In fiscal year 1997-98, the State of Oregon was converted from a levy based to a rate based property tax system with reductions in assessed values.

(2) In 1997, the Hillsboro High School District merged with the Hillsboro Elementary School District and several other smaller districts to become Hillsboro School District #1J.

Sources: Municipal Debt Advisory Commission, State of Oregon; and the Departments of Assessment and Taxation for Multnomah, Clackamas and Washington Counties.

METRO

Computation of Legal Debt Margin

June 30, 1998
Unaudited

True cash value		$ 87,320,546,481
Debt limit (1)		10.0%
		8,732,054,648
Gross bonded debt principal	$ 271,844,512	
Less legal deductions from debt limit:		
Metro Central Transfer Station Project, Solid Waste Disposal System Revenue Bonds	(16,396,120)	
Metro Central Transfer Station Project, Solid Waste Disposal System Refunding Revenue Bonds	(12,330,000)	
Metro/Reidel Oregon Compost Company, Inc. Project, Waste Disposal Project Revenue Bonds	(5,000,000)	
Metro Regional Center Project 1993 Series A General Revenue Refunding Bonds	(25,030,000)	
Metro Expo Center Series 1996 Revenue Bonds	(2,086,389)	
Net debt subject to 10% limitation		211,002,003
Legal debt margin		$ 8,521,052,645

(1) ORS 268.520 sets a debt limit of 10% of the true cash value of all taxable property within the district.

Sources: The Departments of Assessment and Taxation for Multnomah, Clackamas and Washington Counties.
The Treasury Department, State of Oregon.
Metro Administrative Services Department, Accounting Services Division.

METRO

Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita

for the last ten fiscal years
Unaudited

Fiscal year ended June 30,	Population	Assessed valuation	Net bonded debt	Ratio of net bonded debt to assessed valuation	Net bonded debt per capita
1989	1,141,500	$ 34,166,597,072	$ 63,731,663	0.19 %	$ 55.83
1990	1,174,291	35,608,889,956	62,464,705	0.18	53.19
1991	1,217,200	38,937,336,798	61,690,143	0.16	50.68
1992	1,239,500	46,452,053,032	64,165,753	0.14	51.77
1993	1,268,000	50,061,768,632	61,525,261	0.12	48.52
1994	1,285,000	54,376,741,081	60,218,305	0.11	46.86
1995	1,305,100	60,979,621,154	58,386,119	0.10	44.74
1996	1,325,700	68,746,421,254	182,165,720	0.26	137.41
1997	1,341,700	77,721,485,259	205,846,342	0.26	153.42
1998	N/A *	66,711,834,456	198,196,159	0.30	N/A *

* Not available

Sources: The Departments of Assessment and Taxation for Multnomah, Clackamas and Washington Counties.
Data Resource Center, Metro Planning Department

METRO

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures

for the last ten fiscal years
Unaudited

Fiscal year ended June 30,	Principal	Interest	Total debt service (3)	General Governmental Expenditures: Primary government(1)(3)	Component unit (2)	Total	Ratio of debt service to total general governmental expenditures
1989	$ 990,000	$ 4,765,828	$ 5,755,828	$ 21,927,295	$ -	$ 21,927,295	26.25 %
1990	1,045,000	4,674,253	5,719,253	23,490,891	-	23,490,891	24.35
1991	1,110,000	4,577,278	5,687,278	25,129,088	15,452,425	40,581,513	14.01
1992	1,175,000	2,263,664	3,438,664	22,803,654	17,111,836	39,915,490	8.61
1993	820,000	3,104,401	3,924,401	25,498,329	17,099,020	42,597,349	9.21
1994	1,670,000	3,860,803	5,530,803	36,236,324	6,809,282	43,045,606	12.85
1995	1,755,000	3,787,640	5,542,640	37,113,196	6,403,481	43,516,677	12.74
1996	1,860,000	6,853,588	8,713,588	60,623,313	8,585,781	69,209,094	12.59
1997	6,073,965	10,557,118	16,631,083	90,208,213	9,292,517	99,500,730	16.71
1998	6,978,955	12,142,400	19,121,355	94,597,111	-	94,597,111	20.21

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds.

(2) Beginning July 1990, through an agreement with the City of Portland, the component unit accounts for the operations of spectator facilities. In fiscal year 1994, the operations of the Coliseum were returned to the City. In fiscal year 1998, component unit operations became proprietary activities.

(3) Beginning fiscal year 1997, the Open Spaces program and its related debt service is included.

Source: Metro Administrative Services Department, Accounting Services Division.

METRO

Schedule of Overlapping Bonded Debt - All Overlapping Governments

for the year ended June 30, 1998
Unaudited

Overlapping government	Percent within District	Overlapping Gross bonded debt	Overlapping Net direct debt
Clackamas County	73.23 %	$ 519,910	$ 479,635
Mt. Scott Water District 3J	100.00	2,200,000	2,200,000
Oak Lodge Water District 4	100.00	3,325,000	3,325,000
Tri-City Service District	100.00	10,125,000	10,125,000
Oak Lodge RFPD 51	100.00	2,445,000	2,445,000
Oak Lodge RFPD 51 (Res Bond)	100.00	20,000	20,000
Clackamas County SD 3J (West Linn-Wilsonville)	95.37	97,954,527	97,954,527
Clackamas County SD 7J (Lake Oswego)	100.00	18,210,000	18,210,000
Clackamas County SD 12 (N Clackamas)	98.24	18,253,624	18,253,624
Clackamas County SD 115 (Gladstone)	100.00	12,795,000	12,795,000
Clackamas County SD 86 (Canby)	18.02	3,889,898	3,889,898
Multnomah County SD 10J (Damascus-Union Bond)	91.35	3,092,123	3,092,123
Clackamas Community College	72.41	5,959,722	5,959,722
City of Gladstone	100.00	995,000	995,000
City of Lake Oswego	100.00	20,730,000	20,730,000
City of Milwaukie	100.00	4,435,000	4,435,000
City of Oregon City	100.00	4,700,000	4,700,000
City of West Linn	100.00	970,000	855,000
City of Wilsonville	100.00	1,695,000	1,015,000
Multnomah County	98.66	126,742,721	126,742,721
Port of Portland	90.15	20,756,418	20,756,418
Tri-Metropolitan Transport District	96.39	126,255,420	126,255,420
Multnomah County SD 1J (Portland)	99.44	238,477,312	238,477,312
Multnomah County SD 3 (Parkrose)	100.00	32,905,000	32,905,000
Multnomah County SD 7 (Reynolds)	100.00	29,385,000	29,385,000
Multnomah County SD 19 (Sauvie Island)	38.70	89,000	89,000
Multnomah County SD 28J (Centennial)	100.00	11,429,566	11,429,566
Multnomah County SD 40 (David Douglas)	100.00	17,565,000	17,565,000
Multnomah County SD 51J (Riverdale)	100.00	10,725,000	10,725,000
Multnomah County SD 10JT (Gresham-Barlow)	96.06	33,322,659	33,322,659
Multnomah County SD 10J (Orient 6 Bond)	68.37	1,557,563	1,557,563
Multnomah County SD 10J (Gresham 4 Bond)	99.94	21,478,116	21,478,116
Mount Hood Community College	86.86	2,458,158	2,458,158
Portland Community College	90.85	46,578,945	46,578,945
City of Gresham	100.00	10,830,000	10,615,000
City of Portland	100.00	234,049,618	63,049,937
City of Troutdale	100.00	2,132,506	1,342,506

(Continued)

METRO

Schedule of Overlapping Bonded Debt -
All Overlapping Governments, Continued

for the year ended June 30, 1998
Unaudited

Overlapping government	Percent within District	Overlapping Gross bonded debt	Overlapping Net direct debt
City of Wood Village	100.00 %	$ 460,000	$ 460,000
Washington County	92.32	78,591,146	77,418,626
Tualatin Hills Park & Rec. District	99.96	24,889,841	24,889,841
Unified Sewerage Agency	99.42	2,142,486	1,620,535
Tualatin Valley Water District (Metzger Bond)	100.00	2,850,000	2,850,000
Tualatin Valley Water District (Wolf Creek Bond)	99.96	9,331,583	9,331,583
Cornelius RFPD	9.13	25,567	25,567
Forest Grove RFPD	12.48	58,642	58,642
Tualatin Valley Fire & Rescue District	96.66	280,324	280,324
Washington County RFPD 2	22.70	111,230	111,230
Washington County SD 15 (Forest Grove)	74.56	22,163,525	22,163,525
Washington County SD 23J (Tigard)	99.30	68,245,728	68,245,728
Washington County SD 1J (Hillsboro 7 Bond)	93.06	3,673,765	3,673,765
Washington County SD 48J (Beaverton)	99.80	194,282,873	194,282,873
Washington County SD 88J (Sherwood)	74.29	13,613,056	13,613,056
Washington County SD 1J (Hillsboro)	82.99	28,796,871	28,796,871
Washington County SD 1J (Reedville Bond)	98.06	4,672,545	4,672,545
Washington County SD 1J (Farmington Bond)	0.01	81	81
City of Beaverton	100.00	12,889,000	10,754,000
City of Cornelius	90.94	804,781	804,781
City of Forest Grove	99.75	1,062,353	837,913
City of Hillsboro	99.43	2,590,144	422,576
City of Sherwood	100.00	8,240,000	7,875,000
City of Tigard	100.00	9,455,375	3,965,000
City of Tualatin	100.00	4,508,771	4,333,771
Clairmont Water District 18	30.30	116,664	-
Clackamas County Service District 1	100.00	2,195,424	-
City of Fairview	100.00	30,000	-
Tualatin Valley Water District	99.97	649,799	-
Totals		$ 1,675,784,380	$ 1,487,700,683

Note: "Gross Bonded Debt" includes all general obligation and limited tax bonds.
"Net Direct Debt" is gross bonded debt less Bancroft and other self-supporting general obligation and limited tax debt.

Source: The Municipal Debt Advisory Commission, State of Oregon.

METRO

Schedule of Revenue Bond Coverage

for the last ten fiscal years
Unaudited

Fiscal year ended June 30,	Operating revenue (1)	Operating expenses (1)	Non-operating revenue	Net revenue available for debt service	Debt service requirements (2) Principal	Interest	Total	Debt service coverage
1989	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-
1990	-	-	-	-	-	-	-	-
1991	40,436,412	36,350,167	3,149,826	7,236,071	-	1,359,423	1,359,423	5.32
1992	50,374,548	47,397,126	1,942,424	4,919,846	560,000	1,631,308	2,191,308	2.25
1993	57,879,969	47,946,220	1,406,271	11,340,020	1,175,000	3,198,317	4,373,317	2.59
1994	60,689,002	51,947,313	1,161,933	9,903,622	1,250,000	2,459,135	3,709,135	2.67
1995	60,834,545	51,189,868	1,787,195	11,431,872	1,720,000	2,517,827	4,237,827	2.70
1996	62,745,659	52,652,667	2,012,027	12,105,019	1,780,000	2,420,528	4,200,528	2.88
1997	65,368,662	51,465,923	2,444,769	16,347,508	1,940,000	2,313,867	4,253,867	3.84
1998	57,975,641	49,869,875	2,776,020	10,881,786	2,110,000	2,195,562	4,305,562	2.53

(1) Revenue and expense amounts are based upon the full accrual basis of accounting excluding depreciation expense, post-closure costs and dedicated grant money.

(2) Debt service expenditures paid as pass-through debt service activities and payments to escrow agents on advance refundings are not included as a debt service requirement for purposes of this schedule.

Source: Metro Administrative Services Department, Accounting Services Division.

METRO

Demographic Statistics

for the last ten fiscal years
Unaudited

Fiscal year ended June 30,	Population (1)	Per capita income (2)	Portland metropolitan unemployment rate
1989	1,141,500	$ 18,747	4.5 %
1990	1,174,291	20,045	4.2
1991	1,217,200	20,377	4.8
1992	1,239,500	21,384	6.1
1993	1,268,000	22,378	6.2
1994	1,285,000	23,616	4.3 (3)
1995	1,305,100	25,221	3.8
1996	1,325,700	26,728	4.2
1997	1,341,700	N/A *	4.0
1998	N/A *	N/A *	4.2

* Not available

(1) Based upon Portland MSA, consisting of Clackamas, Multnomah and Washington counties.

(2) Region per capita figures consisting of Clackamas, Multnomah and Washington counties in Oregon, and Clark County, Washington.

(3) Series break in calculation.

Sources: Employment Division, State of Oregon.
Data Resource Center, Metro Planning Department

METRO

Construction Permits and Bank Deposits

for the last ten fiscal years
Unaudited

Fiscal year ended June 30,	Construction Permits (1)				Bank deposits (amounts in thousands)	
	Non-residential		Residential			
	Buildings	Value	Units	Value		
1989	4,901	$ 496,910,871	11,197	$ 583,124,984	$ N/A	(2)
1990	5,358	540,821,464	17,335	851,994,254	8,653,681	
1991	4,521	580,119,349	15,535	888,096,366	11,927,955	(3)
1992	4,811	515,923,478	12,821	748,019,974	13,247,233	
1993	5,051	538,864,348	13,750	810,588,925	15,111,868	
1994	4,703	503,726,027	15,350	1,036,768,571	13,745,622	(3)
1995	5,154	852,666,707	18,131	1,240,801,818	15,874,867	
1996	4,301	892,518,422	17,356	1,302,113,799	16,149,419	
1997	N/A	N/A	14,562	1,460,550,509	19,162,656	
1998	N/A	N/A	14,907	1,531,962,906	18,032,911	

(1) Information is for the tri-county area, and is based upon the calendar year end that ended during the fiscal year shown. Non-residential includes commercial, institutional, garages, etc. for both new construction and alteration permits. Beginning in 1997, residential figures do not include alterations/additions. Also beginning in 1997, non-residential figures are not collected by the census.

(2) Information is not available for fiscal year 1988-89 per the Oregon Banking Commission.

(3) Information is not available for a large interstate bank with branches in Clackamas, Washington, and Multnomah counties.

Sources: Center for Population Research and Census, Portland State University
State of Oregon Banking Commission.

METRO

Principal Taxpayers Within the District by County
(amounts expressed in thousands)

June 30, 1998
Unaudited

Taxpayer account	Type of business	Assessed valuation	Percent of total valuation
Multnomah County:			
Fujitsu Microelectronics	Electronics	$ 499,924	1.55 %
U. S. West Communications	Telephone utility	305,143	0.95
Boeing Company	Aircraft manufacturing	181,502	0.56
Alaska Airlines, Inc.	Air travel	127,188	0.40
Portland General Electric Co.	Electric utility	122,439	0.38
United Airlines, Inc.	Air travel	114,827	0.36
Delta Airlines, Inc.	Air travel	91,755	0.29
SI-Lloyd Associates	Shopping mall	91,606	0.28
LSI Logic Corp.	Computer Electronics	87,605	0.27
Oregon Arena Corp.	Entertainment Facilities	85,203	0.26
All other taxpayers	-	30,509,674	94.70
	Total	$ 32,216,866	100.00 %
Washington County:			
Intel Corporation	Computer Electronics	$ 375,497	1.77 %
GTE Northwest Incorporated	Telephone utility	247,306	1.17
Portland General Electric Co.	Electric utility	196,743	0.93
Northwest Natural Gas Co.	Natural gas utility	131,322	0.62
Tektronix, Inc.	Computer Electronics	129,867	0.61
Intel Corporation	Computer Electronics	103,000	0.48
Intel Corporation	Computer Electronics	103,000	0.48
Nike, Inc.	Athletic apparel	102,261	0.48
Pacific Realty Associates	Real estate	95,961	0.45
Intel Corporation	Computer Electronics	88,006	0.41
All other taxpayers	-	19,670,598	92.60
	Total	$ 21,243,561	100.00 %
Clackamas County:			
Portland General Electric Co.	Electric utility	$ 97,778	0.74 %
Clackamas Association Ltd Partnership	Shopping mall	92,813	0.70
U. S. West Communications	Telephone utility	75,175	0.57
Northwest Natural Gas Co.	Natural gas utility	63,623	0.48
Tektronix, Inc.	Computer Electronics	57,421	0.43
Precision Castparts Corp.	Manufacturing	55,873	0.42
Mentor Graphics Corp.	Electronics	55,464	0.42
Wilmington Trust Co.	Trust Co.	52,902	0.40
State of California PERS	Public Retirement Fund	50,321	0.38
United Grocers, Inc.	Wholesale grocery	41,583	0.31
All other taxpayers	-	12,608,454	95.15
	Total	$ 13,251,407	100.00 %

Source: The Departments of Assessment and Taxation for Multnomah, Clackamas and Washington counties.

METRO

Insurance in Force

June 30, 1998
Unaudited

Insurance company and policy number	Amount of policy	Type of coverage	Expiration date (1)	Premium
Allendale Insurance Company UV 094	$ 270,748,260	"All Risk" property coverage includes a wide range of related coverages including earthquake, flood, and boiler and machinery	June 30, 1998	$ 146,587
Acceptance Insurance Company GLA 184831	1,000,000	Liquor liability coverage	June 30, 1998	11,000
Hartford Insurance Co. PEB PE 8687	500,000	Crime coverage/employee faithful performance	June 30, 1998	8,144
SAIF Corporation A367747 132	Statutory	Workers' compensation	June 30, 1998	20,698
Lexington 8669083	3,000,000	Excess liability	June 30, 1998	32,311
National Flood Insurance Program FL 3000044501	500,000	Flood coverage for Expo	June 30, 1998	1,011
North Pacific Insurance Company CO1141791	varies	Property, liability coverage for homes owned by Open Spaces Program	June 30, 1998	4,803
Western World Insurance Company NGL07816	1,000,000	Special use permit for Oxbow Park	June 30, 1998	1,458

(1) Coverage renewed through June 30, 1999

Source: Metro Administrative Services Department, Risk Management Division.

METRO

Summary of Solid Waste Direct Haul Delivery Tonnage

for the last ten calendar years (1)
Unaudited

Calendar year	Metro Owned Facilities	Non-Metro Facilities	Total Direct Haul Tonnage	Revenue Tonnage (2)	Revenue Tons as a percent of Direct Haul Tonnage
1989	729,372	401,791	1,131,163	1,051,939	93.00 %
1990	842,120	379,121	1,221,241	1,135,273	92.96
1991	723,470	399,212	1,122,682	1,071,885	95.48
1992	697,409	399,635	1,097,044	1,035,581	94.40
1993	732,550	410,205	1,142,755	1,060,257	92.78
1994	750,464	434,433	1,184,897	1,062,936	89.71
1995	752,297	512,766	1,265,063	1,113,671	88.03
1996	762,342	589,393	1,351,735	1,186,624	87.79
1997	769,358	665,045	1,434,403	1,256,909	87.63
1998	766,449	714,652	1,481,101	1,269,323	85.70

(1) Information provided is based upon a calendar year. October through December of 1998 have been estimated for Metro owned facilities; September through December of 1998 have been estimated for non-Metro facilities.

(2) Revenue tonnage is the portion of mixed solid waste on which Metro user fees are levied.

Source: Metro Regional Environmental Management Department.

METRO

Miscellaneous Statistical Data

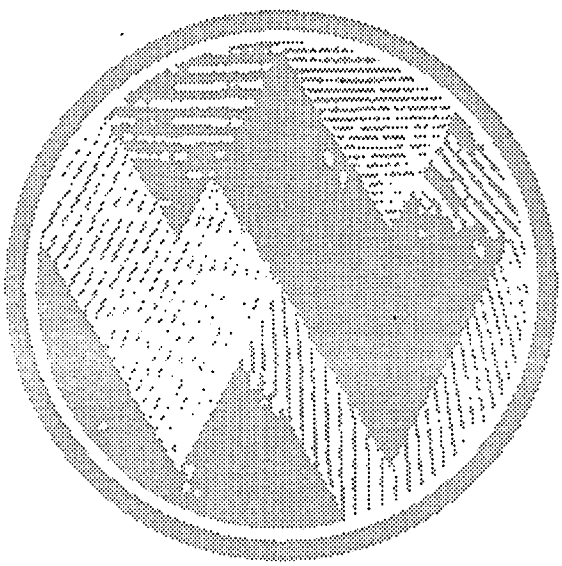
June 30, 1998
Unaudited

Created by Oregon Legislature	1977
Metro Charter passed by voters	November 3, 1992
Metro Charter effective date	January 1, 1993
Form of government:	
Primary Government - Metro	Elected Executive Officer, elected seven member District Council, and elected Auditor
Component Unit - MERC	Seven member appointed Commission
Metro Area - Square miles	461.80
Number of full-time equivalent employees budgeted for fiscal year 1997-98	831.63

Metro Washington Park Zoo Attendance for last ten fiscal years ended June 30,	Total Attendance
1989	1,003,413
1990	1,080,342
1991	952,925
1992	1,162,078
1993	977,522
1994	1,104,369
1995	1,151,444
1996	1,052,810
1997	945,013
1998	1,004,795

Ten largest cities in the Metro District at July 1, 1997	Population
Portland	508,500
Gresham	81,865
Beaverton	66,225
Hillsboro	58,365
Tigard	36,680
Lake Oswego	34,065
Oregon City	21,895
West Linn	20,415
Tualatin	20,405
Milwaukie	20,055

Source: Metro Administrative Services Department, Accounting Services Division.
Metro Washington Park Zoo.
Data Resource Center, Metro Planning Department.



Audit Comments and Disclosures

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, as prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required financial statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth on the following pages.

METRO

AUDIT COMMENTS AND DISCLOSURES
YEAR ENDED JUNE 30, 1998

I. INTERNAL CONTROL

We have audited the general purpose financial statements of Metro for the year ended June 30, 1998, and have issued our report thereon dated December 9, 1998, which expresses a qualified opinion on the financial statements because of the limitation on our audit with respect to the year 2000 issue.

We conducted our audit in accordance with generally accepted auditing standards, the *Minimum Standards for Audits of Oregon Municipal Corporations*, and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of Metro for the year ended June 30, 1998, we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on Metro's internal control. Our consideration of Metro's internal control would not necessarily disclose all matters in Metro's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A description of the responsibility of management for establishing and maintaining internal control, and of the objectives and inherent limitations of internal control, is set forth in the attached Appendix, and should be read in conjunction with this report. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving Metro's internal control and its operations that we consider to be material weaknesses as defined above.

II. OTHER COMMENTS AND DISCLOSURES

As part of obtaining reasonable assurance about whether Metro's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including provisions of Oregon Revised Statutes, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Nothing came to our attention that caused us to believe Metro was not in compliance with:

Collateral – The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds.

Indebtedness – The legal requirements related to debt.

Budget – The legal requirements relating to the preparation, adoption, and execution of the annual budget.

Insurance and Fidelity Bonds – The legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to state whether the insurance policies covering Metro-owned property in force at June 30, 1998 are adequate.

Investments – The legal requirements relating to investment of public funds.

Public Contracting – The legal requirements relating to the awarding of public contracts and the construction of public improvements.

Programs Funded by Outside Sources – Compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies. We have issued separate reports regarding Metro's compliance related to expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133.

However, it should be noted that our audit was not directed primarily toward obtaining knowledge of noncompliance with such requirements.

This report is intended for the information of the Council, Executive Officer, Auditor, management, federal awarding agencies, pass-through entities, and the State of Oregon, Secretary of State, Division of Audits. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

DELOITTE & TOUCHE LLP

By: Donald P. Riggs

Donald P. Riggs, Partner

Portland, Oregon
December 9, 1998

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL

The following comments concerning management's responsibility for internal control and the objectives and inherent limitations of internal control are adapted from the Statements on Auditing Standards of the American Institute of Certified Public Accountants.

Management's Responsibility

Management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls.

Objectives

The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Limitations

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.