Metro

Community Planning and Development Grants:

Performance measures and stronger controls needed to ensure results

February 2016

A Report by the Office of the Auditor

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MEMORANDUM

February 17, 2016

To: Tom Hughes, Council President
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Carlotta Collette, Councilor, District 2
Craig Dirksen, Councilor, District 3
Kathryn Harrington, Councilor, District 4
Sam Chase, Councilor, District 5
Bob Stacey, Councilor, District 6

From: Brian Evans, Metro Auditor BE

Re: Audit of Community Planning and Development Grants

This report covers our audit of the Community Planning and Development Grants program. Our objectives were to determine if the program aligned with regional planning goals, met local planning needs, and was administered to ensure intended results. This audit was included in our FY2014-15 Audit Schedule.

Since 2006, Metro has awarded about $19 million in grants to local governments for community planning and development. The program was started to implement part of the Urban Growth Management Functional Plan. Over time the program has become less aligned with certain regional planning priorities. As the program changed, what it was trying to accomplish became less clear and there were no performance measures in place to evaluate the program's outcomes. Local governments found value in the grants, but the program could improve its support to local governments to make participation easier.

Controls to ensure accountability and transparency could also be improved. In some cases, the deliverables for grants were not completed before payments were made. Changes were made to some projects that may not have been consistent with the intent of the original award. Grant monitoring relied on staff judgment and informal decision making, which could result in inconsistent treatment. The program did not review project expenditures or matching fund requirements. In addition, a consistent process to allocate extra funding had not been developed, which could reduce transparency.

We have discussed our findings and recommendations with Martha Bennett, COO; Scott Robinson, Deputy COO; Elissa Gertler, Planning and Development Director; John Williams, Deputy Planning and Development Director; and Ted Leybold, Resource Development Manager, Planning and Development. A formal follow-up to this audit will be scheduled within 2 years. We would like to acknowledge and thank all of the management and staff who assisted us in completing this audit.

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Summary

The Community Planning and Development Grant program provides funding to local governments for planning to make land ready for development. Between 2006 and 2015, the program awarded about $19 million in grants through four rounds of funding.

The program was started to implement part of the Urban Growth Management Functional Plan (Regional Plan). The Regional Plan prioritizes certain geographic areas for planning and development. Geographic alignment between priority and grant project areas would be one indication that the program was helping to implement the Regional Plan.

We found decreased geographic alignment after the first round of grants. Changes to the grant selection criteria reduced the program's connection to some regional planning goals. Project proposals had to discuss their impact on regional goals, but were not required to address them directly. As the program changed, what it was trying to accomplish became less clear. Performance measures help assess progress toward goals and could help determine what was achieved. However, none were in place at the time of our review.

Local governments reported that the program provided value and funded activities that may have otherwise gone unfunded. However, we identified potential improvements related to the application process, project support, and program communication. Getting feedback from local governments could help refine the program.

We evaluated the program's grant monitoring by reviewing deliverables for six projects. Monitoring worked as it should in many cases. However, in a few cases, Metro paid for deliverables that were not fully met. In other cases, Metro made payments when it was unclear whether there was adequate support for them.

The program did not develop clear expectations for grant monitoring. It was not always clear what amount of time should be spent monitoring or how much discretion there was to evaluate deliverables. Amendments were made to most of the contracts we reviewed. Some amended projects appeared to be different from what was originally approved by Metro Council. To determine if proposed amendments were appropriate, the program relied on staff judgment and informal decision-making. This could result in variations in monitoring, inconsistent treatment of jurisdictions or payments made when projects have not achieved the results originally intended.

Some risks were not managed. The program did not have a way of ensuring grant funds were used for their intended purpose. Similar programs we reviewed had some verification of actual project expenditures. In addition, the program had not established a consistent process for allocating extra funding. In some years, additional funding was provided to grantees. Funds dispersed outside of the established process have the potential to raise questions about fairness and consistency.

We recommend that Metro improve the performance measurement system, work with local governments to refine the program, and strengthen administrative and financial controls.

Background

The Community Planning and Development Grant program provides funding to local governments for planning to make land ready for development. Between 2006 and 2015, the program awarded about $19 million in grants through four rounds of funding. Awards ranged in size and scope from a few thousand dollars for a concept plan to $1.5 million for planning along a proposed transit route. A regional construction excise tax funds the program. The tax is 0.12% of the value of new construction and is scheduled to end in 2020.

Grant awards varied each round. The first round was for meeting planning requirements in areas added to the Urban Growth Boundary (UGB) in 2002 and 2004. The second round was for projects leading to short-term development such as urban renewal or redevelopment plans in areas inside the UGB. The third and fourth rounds funded projects in the same areas as round two, but also provided funding for projects in Urban Reserves. These are areas outside the UGB set aside for future development. The fourth round expanded the types of projects the program funded. Exhibit 1 summarizes funding for each round.

Exhibit 1: Funding by round

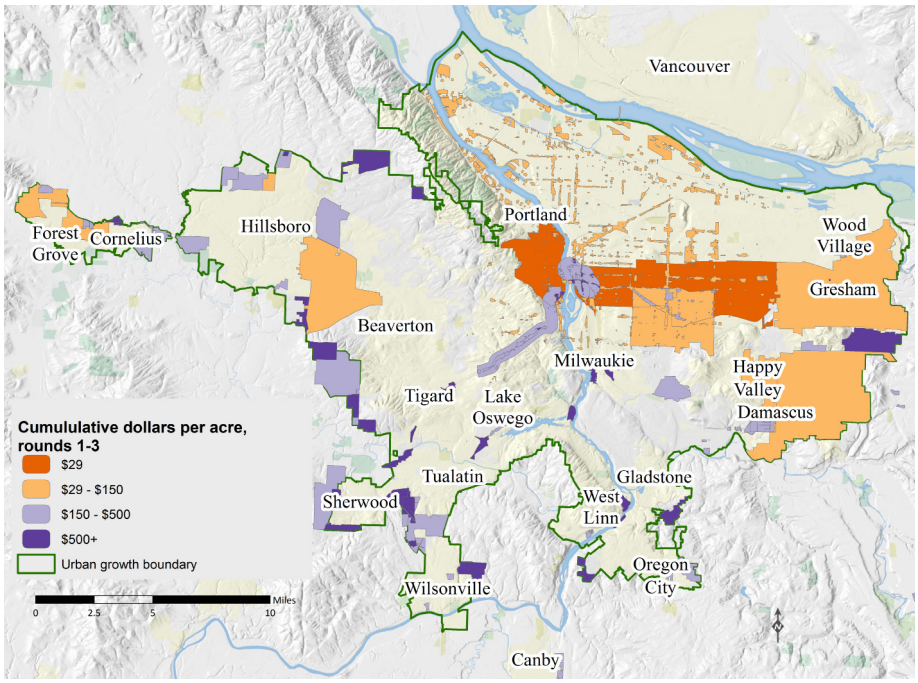
Round	Number of Projects	Project Locations	Amount Awarded	Project Types
1 (2006)	25*	Added to UGB in 2002 and 2004	$6.3 million	Concept & comprehensive planning
2 (2010)	17	Within existing UGB	$3.7 million	Projects that will result in on-the-ground development
3 (2013)	6	Urban Reserves	$1.4 million	Concept planning
	13	Within existing UGB	$2.8 million	Projects that will result in on-the-ground development
4 (2015)	1	Urban Reserves	$170,000	Vision
	15	Within existing UGB	$4.7 million	Strategies for short-term actions or policy development, and vision

Source: Auditor's Office analysis of administrative rules and Council resolutions

* The ordinance approving the first round of grants did not specify which projects or local governments would receive funds. In 2015, Metro reported 25 projects were awarded funding.

For each grant, Metro developed a contract with a local government. As of July 2015, over 60 contracts had been developed with a total value of about $15 million. Exhibit 2 shows how grants were distributed around the region in terms of dollars per acre.

Exhibit 2: Cumulative dollars per acre, rounds 1-3



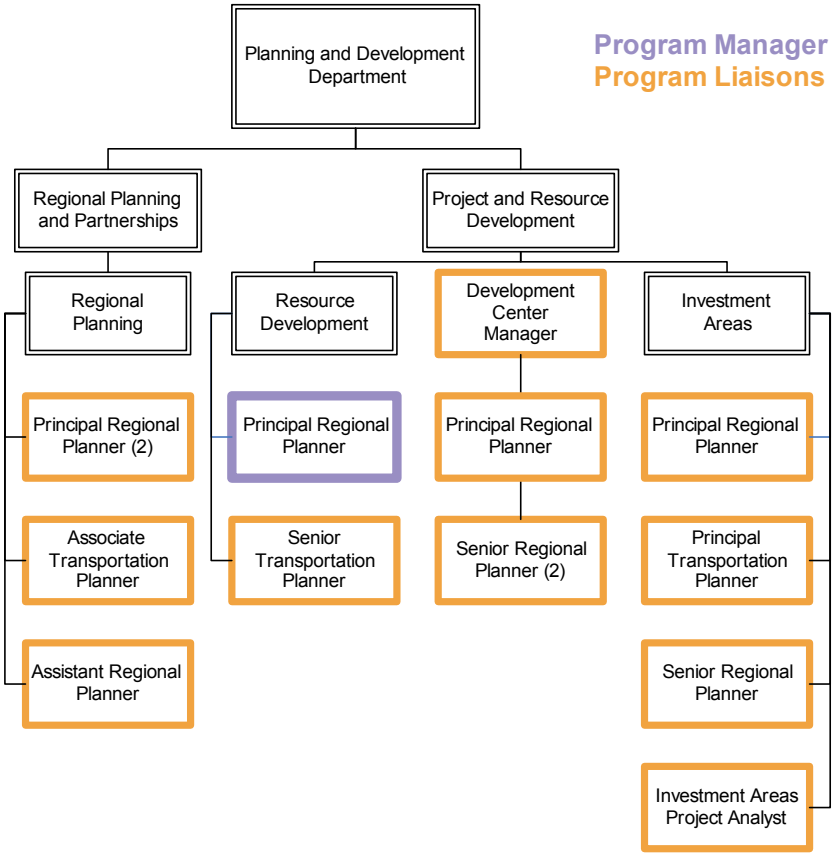
Source: Auditor's Office analysis of project areas, contracts and geographic data from Metro's Regional Land Information System

Project areas and values varied throughout the region. Many projects with a higher cumulative dollar-per-acre value were located near the edge of the UGB. Most governments within the region have received grant funds.

The program is part of the Planning and Development Department. One principal planner manages the program (program manager). The program manager is responsible for coordinating the grant selection process, preparing contracts and amendments, and approving payments. Employees in other departments provide administrative and financial services.

Employees throughout the Planning and Development Department acted as program liaisons to local governments with grant projects. Liaisons provided support and monitored grants to make sure they were completed as expected. Exhibit 3 shows roles in the department.

Exhibit 3: Roles in the Planning and Development Department, round 4



Source: Auditor's Office, based on department organizational chart and program documents

We were unable to determine total expenditures because employees did not track the time they spent working on the program. In 2014, the program estimated staff costs for a nine-month period to be $167,000. If that number were applied to a full year, annual personnel costs would be about $223,000. However, estimated costs may be low because they did not include liaison staff time.

Beginning in 2009, Metro retained 2.5% of what it received of the excise tax to pay for tax collection, revenue forecasting, and grant administration. As of June 2015, Metro reported that a total of $297,000 of the tax had been retained. Recent changes increased what Metro retains to 5%. This increase was estimated to generate about $100,000 a year.

Metro Council awarded grants based on recommendations made by the Chief Operating Office (COO). The COO developed funding recommendations based on work done by a screening committee. The screening committee included representatives with expertise in areas such as economic development, real estate, and environmental sustainability.

Scope and methodology

The objectives of the audit were to determine if:

- The program was aligned with regional planning goals,
- Program operations could better meet local planning needs, and
- The program was administered to ensure intended results.

To determine the program's alignment with regional planning goals, we reviewed administrative rules and relevant sections of Metro Code. We also reviewed regional plans and policies related to land use and planning. These included the 2040 Growth Concept, the Six Desired Outcomes, the Regional Framework Plan and the Urban Growth Management Functional Plan. We compared the goals outlined in those plans and policies with program goals and operations. Based on the program's project data, we used a geographic information system (GIS) to measure how close project areas were to areas prioritized in Metro's plans.

We interviewed Metro employees and representatives of local governments who received grant awards. During the fourth round of grant selection, we attended screening committee meetings, reviewed screening committee materials, and attended Metro Council meetings about the program. Our work also included a review of grant guidance the program provided to local governments. Other regions have similar planning grant programs. We reviewed how some of those programs, as well as one state program, are administered.

We reviewed grant contracts and amendments and analyzed six projects in detail. We chose projects from the two rounds that were awarded competitively (rounds two and three). We selected our judgmental sample of projects to review a diversity of project types and jurisdictions. As part of the detailed review, we compared the contracts to deliverables submitted by local governments to determine whether they were met. For some projects, we also looked at information found in media reports and on local government websites.

This audit was included in the FY 2014-2015 audit schedule. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results

The program has become less aligned with certain regional planning priorities over time. Changes to the program reduced clarity about what was intended to be achieved and there was no process in place to evaluate the program's outcomes. Local governments found value in the grants, but the program could improve its support to local governments.

Controls to ensure accountability and transparency could also be improved. Some aspects of the grants were not completed before payments were made. Changes to some projects may not have been aligned with the intent of the original award. Although the program reviewed deliverables, it did not have controls in place to verify expenditures or matching commitments. Additionally, there was no consistent process to guide how excess funds were distributed. This could raise questions about the fairness of the grant selection process.

Missed opportunity to implement some parts of the Regional Plan

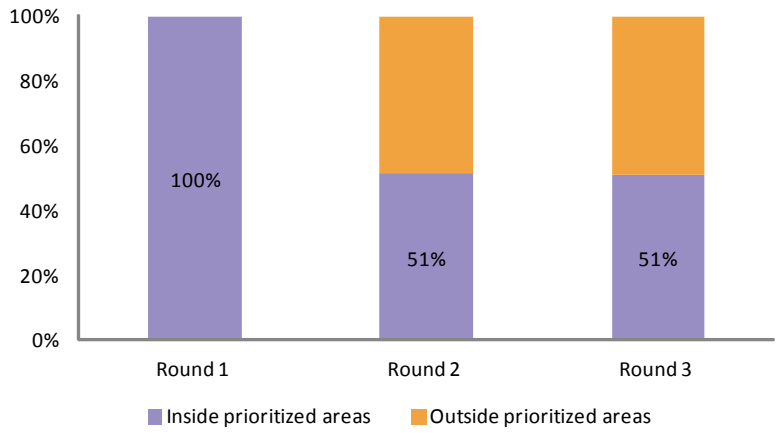
The program was started to implement part of the Urban Growth Management Functional Plan (Regional Plan). The Regional Plan is the main implementation mechanism for a set of policy goals for the region, including the 2040 Growth Concept and Metro's Six Desired Outcomes. We found reduced geographic alignment between grant projects and areas prioritized for development in the Regional Plan. This indicates a missed opportunity to use grants to make progress on some regional goals.

The Regional Plan prioritizes certain geographic areas for planning and development to manage population and employment growth. Nine titles in the Regional Plan contain rules or guidelines about land use that the program could seek to implement. However, only two of them (Titles 6 and 11) are clearly oriented toward promoting urban planning and development. Both of those titles are named in the program's administrative rules. Most other titles are focused on protecting areas from development or seek to control development in some manner.

Because the program intended to make land ready for development, we used the areas prioritized in Titles 6 and 11 for our analysis. To ensure efficient land use, Title 11 requires local governments to plan for areas recently added to the UGB (new areas) and Urban Reserves. Inside the UGB, through Title 6, the Regional Plan prioritizes planning activities and development in Centers, Corridors, Main Streets and Station Communities (Centers and Corridors).

Geographic alignment between priority and grant project areas would be one indication that the program was helping to implement the Regional Plan. We found decreased alignment after the first round of grants. As shown Exhibit 4, in rounds two and three about half of the total project area was inside prioritized areas. Round four awards had not been made at the time of our review.

Exhibit 4: Proportion of total project area inside prioritized areas, rounds 1-3



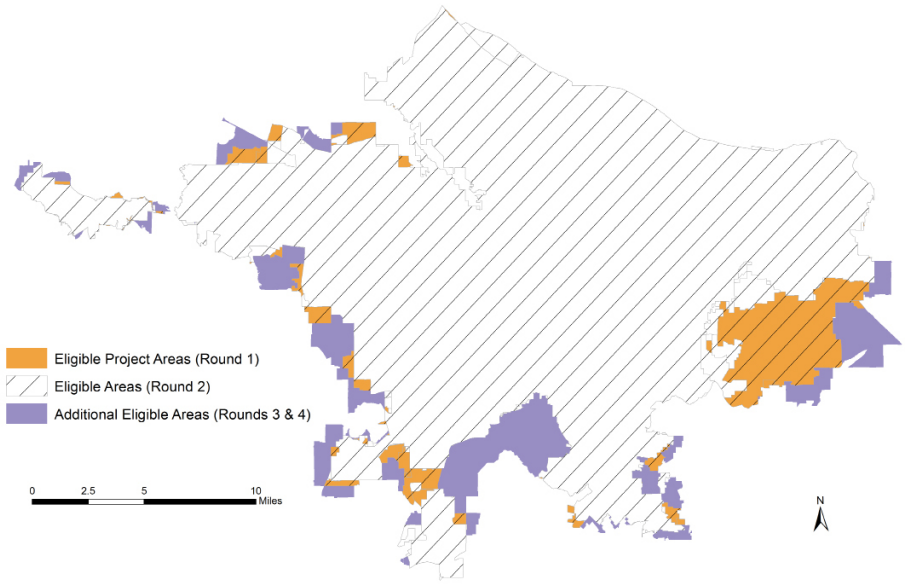
Source: Auditor's Office analysis of project areas using ArcGIS and geographic data from Metro's Regional Land Information System

Decreased alignment was more dramatic when comparing individual project areas with Centers and Corridors. In round two, most projects (81%) had at least a third of the project area in or near Centers and Corridors. But only about half (54%) of round three projects located inside the UGB had that same alignment.

Shifting focus reduced regional impact

Changes to the grant selection criteria reduced the program's alignment with the Regional Plan. Some changes increased the areas of the region that could receive grants. Others relaxed criteria related to the planning requirements in the Regional Plan. Project proposals had to discuss their impact on regional goals, but were not required to address them directly. Exhibit 5 shows where projects could be located each round.

Exhibit 5: Eligible project areas, rounds 1 - 4



Source: Auditor's office analysis of program administrative rules and geographic data from Metro's Regional Land Information System

Round one provided funding to meet requirements in Title 11 of the Regional Plan. Title 11 required local adoption of comprehensive plans. These requirements were relaxed in later rounds. For example, proposals to address Title 11 no longer needed to develop a full concept or comprehensive plan to receive a grant.

Starting in round two, projects anywhere within the UGB became eligible for funding. The selection criteria partly encouraged grants in areas that aligned with Title 6 of the Regional Plan (Centers and Corridors). Applicants were requested to state how their project facilitated development in Centers and Corridors, but also other places including Employment and Industrial Areas.

In 2015, Metro considered requiring grant applicants to comply with Title 6. Following stakeholder recommendations, the program instead adopted an incentive-based approach to give projects located in Title 6 areas additional consideration. However, the guidance for applying this new criterion did not focus on the location of the project. Instead, projects were to be evaluated on their overall contribution to meeting the intent of Title 6 without requiring the projects to be in or near Centers and Corridors.

Program impact unknown

The program tried to balance regional priorities and local government needs. This may be one reason the selection criteria shifted to be less restrictive. However, as the program changed, what it was trying to accomplish became less clear. Performance measures help assess progress toward goals and could determine what was achieved. However, none were in place at the time of our review.

Metro took steps to communicate program results, but additional efforts are needed. In 2012, the program developed a brochure that highlighted the benefits of some projects. In the most recent round of funding, Metro asked local governments to identify performance measures for their projects. Project-level measures may be a way to evaluate individual projects, but may not be easily combined to show program outcomes.

Metro contracted with a consultant to draft a logic model to show how the program's goals, activities, and outcomes were connected. The model also contained possible performance measures. A 2014 stakeholder advisory group came up with similar recommendations to align program goals, activities and outcomes. Although Metro implemented elements of the recommendations, performance measures were not established.

The logic model was based on one possible goal, but our review of the program's materials identified several descriptions of what it expected to accomplish. Performance measures might differ depending on what the program is trying to achieve. For example, if the goal is to make land ready for development, the number of acres made available might be a useful measure. Alternatively, if the goal is to make progress on one of Metro's Six Desired Outcomes, such as creating "vibrant communities," measuring walk score may be more appropriate. Exhibit 6 shows how potential performance measures may vary depending on the program's goal.

Exhibit 6: Potential performance measures

What the Program Wants to Achieve	Source of information	Potential Performance Measures
Regional and local planning that is required to make land ready for development	Metro Code, Administrative Rules, Council Ordinance	• Number of acres made available • Percent of local governments with outdated comprehensive plans • Percent of new areas/urban reserves in compliance with Regional Plan
Metro's six desired outcomes	Administrative Rules, Program Selection Criteria	• Walk score • Miles of bike lanes • Percent of income spent on housing
Remove barriers to private investment in development	Program Handbook	• Percent of barriers removed • Number of incentives created • Amount of outside investment • Percent of identified processes streamlined
Identify and reduce the barriers to developing complete communities	Administrative Rules	• Percent of identified barriers removed • Level of community involvement • Number of adopted visions • Walk score
Support development / prepare land for future housing and jobs	2012 Program Brochure, Round 4 program presentation, Program Website	• Number of jobs created • Number of increased housing units • Number of acres re-zoned to support development

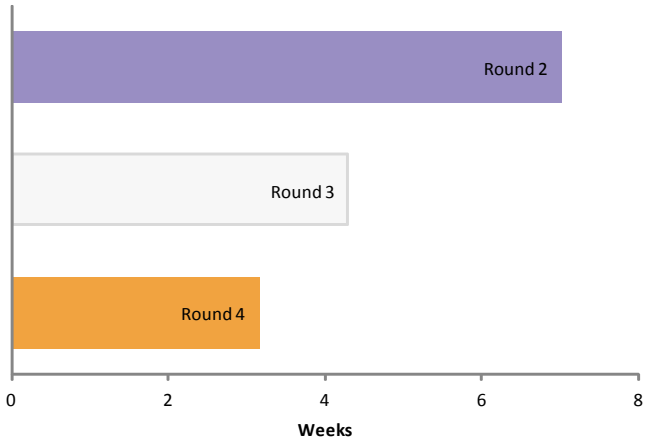
Source: Auditor's Office analysis of program documents

Improvements may benefit local governments

In general, local governments reported that the program provided value and funded activities that may have otherwise gone unfunded. However, we identified potential improvements related to the application process, the project support provided by Metro, and program communication. Getting feedback from local governments could help the program understand how to provide effective support and make it easier for local governments to participate.

The application process has gotten shorter over the past three funding cycles. The time between informing local governments of the grant opportunity and the first deadline was reduced from seven to three weeks (see Exhibit 7). Even if local governments have project ideas, three weeks may not be enough time to develop project proposals. One local government identified a potential project, but could not develop it adequately before the program's deadline.

Exhibit 7: Weeks between grant announcement and first deadline, rounds 2-4



Source: Auditor's Office analysis of program documents

The application process for the last three rounds of funding took place during different times of the year. For example, the first deadline for round two was in December but for round four it was in April. Since projects are required to provide a matching fund commitment, having an unpredictable timeline could prevent an applicant from being able to sufficiently budget for a project.

Selection criteria also changed between each round of funding which may have caused confusion. In some cases, local governments were unclear about the types of projects the program would fund, where projects could be located, or whether certain projects would be relevant or competitive. With changes in the criteria, it is important that the program adequately inform local governments of the funding opportunity. Earlier notification would provide local governments with additional time to develop proposals.

Our review of similar programs found that some shared project information online, such as applications and final planning products. A centralized source of sample project information could help local governments develop their proposals more quickly. This could facilitate the sharing of best practices.

Lack of capacity also impacted local government's ability to participate in the program and carry out planning projects. Some reported they did not have the staff to develop and implement a new planning project on top of existing responsibilities. Although grants may be used on consultants who could provide additional capacity, managing consultants takes staff resources.

In the most recent round, Metro awarded funds to help local governments meet staffing needs. Specifically, two governments were awarded $12,000 each for contract management services to help manage consultants. However, because the funding may come with additional responsibilities and another consultant to manage, it is not clear to what extent this will address capacity needs.

The level of project support program liaisons provided to local governments varied. Each project can be fairly unique, so variation may be reasonable. Some governments may want more autonomy while others may need more assistance. However, some local governments we spoke with indicated they were not

satisfied with the level of support they received. Some noted little or no attendance at meetings or involvement related to their projects. In contrast, support for other projects was more involved.

In addition to project support, some governments recommended that Metro make more of an effort to have a presence in their jurisdictions. They suggested that planning projects would be easier to implement if citizens and political leaders had a better understanding of Metro's planning goals and role in the region. In April 2015, Metro announced a new local partnership program that may address this issue. The effort was intended to help implement shared regional goals by building relationships. However, as of September 2015, local governments noted limited communication about the effort.

One way to get additional information about local needs is to conduct surveys. A survey could help the program identify what types of projects are needed and get feedback about the program. For example, a survey could help refine the selection process and identify ways to improve project support. Providing an opportunity to give feedback about the program may also help Metro better understand how to balance regional and local needs.

In 2014, Metro convened a stakeholder advisory group to review the program. The group recommended Metro determine the demand for the program through a survey or through the pre-application process. Metro used the pre-application process to get input from local governments. Gathering information this way had limitations. It was done after the criteria for funding has been developed, which limited Metro's ability to consider needs that were outside of the existing program criteria.

Stronger controls needed to manage risks

Though it has made some improvements, Metro could strengthen aspects of program administration. The program was designed to be responsive to local needs and flexible enough to evolve if projects changed. Changes to the political environment, unexpected physical constraints in a project area, or poor market conditions could affect a project's viability. Such aspects may be outside of Metro's control. However, there are ways Metro can improve the program to reduce the risk of not getting what was intended from projects or treating local governments inconsistently.

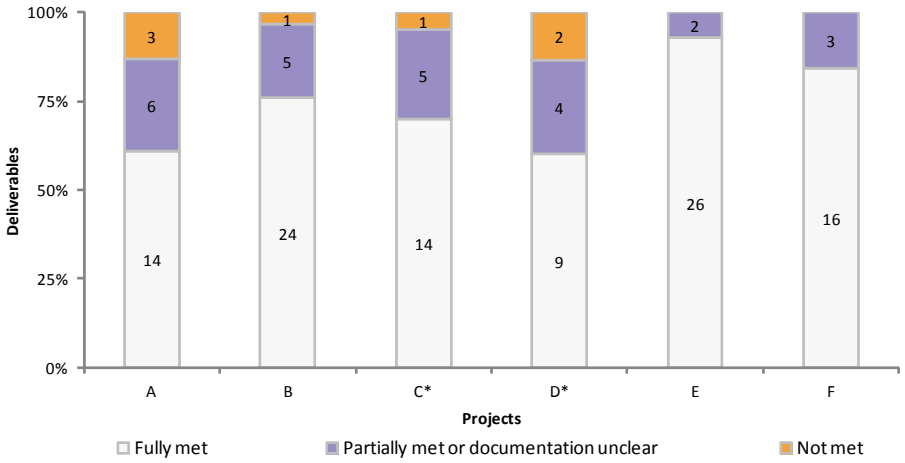
Some deliverables were not met

Grant monitoring is a best practice used to ensure projects perform as expected. We evaluated the program's grant monitoring by reviewing deliverables for payments made on six projects. Monitoring worked as it should in many cases. Deliverables were met, and liaisons or the program manager followed up with local governments requesting clarification or missing documentation before approving payments.

In a few cases, Metro paid for deliverables that were not fully met. One contract required deliverables to address a barrier to development represented by the 100-year floodplain. The local government sought an exemption to floodplain rules in the Regional Plan, which Metro rejected. No floodplain solutions were delivered and development still cannot happen in that part of the project area, despite the grant being paid in full.

In other cases, Metro made payments when it was unclear whether there was adequate support for them. Sometimes deliverables were only partially met or the documentation was not clear. Other times, the descriptions of deliverables were somewhat unclear in the contracts. A few deliverables could not have been met as described in the contract, since they were contingent on future decisions that would happen after the projects were completed. The results of our review are summarized in Exhibit 8.

Exhibit 8: Review of deliverables for sampled projects



Source: Auditor's Office analysis of documentation for a judgmental sample of grant project.

* At the time of our review, the final project milestone was still in process. It was not included in our review.

The program did not develop clear expectations for grant monitoring. There was limited written guidance for liaisons and little training. It was not always clear what amount of time they should spend monitoring or how much discretion they should use in evaluating deliverables. Liaisons we interviewed did not track how much time they spent monitoring and their estimates varied. Some said the work could be time consuming and that monitoring was in addition to other duties. It was not clear what level of planning or budgeting was developed for the liaison role.

Liaisons may have varied in how closely they monitored the grants. Opinions differed as to how closely a project must resemble the original grant proposal. This could result in variations in monitoring, inconsistent treatment of jurisdictions, or payments made when projects have not achieved the intended results.

The monitoring role had a weak design. Liaisons provided project support for local governments but were also asked to evaluate project deliverables. These dual roles could create a conflict of interest. An advocate or coach role has a different focus than a regulatory or compliance role. A separation of such duties could address this potential conflict. Also, some liaisons worked in different sections and at different levels within the planning department. The program manager may not have the appropriate level of authority to ensure monitoring functions as it should.

When projects or circumstances changed, deliverables may not have been submitted as planned. Staff faced the choice to withhold payment until deliverables were met, approve the payment, or recommend an amendment to the contract. Making sure those decisions are made consistently could help improve grant monitoring and ensure consistent treatment of grantees.

Some contracts may not have aligned with original grant award

The program made some improvements to contract administration. A 'use it or lose it' clause and deadline requiring contracts to be developed within six months of the award was added in a revision of the program's rules. The rules also contain a provision to terminate agreements for underperformance. These changes may strengthen the program's controls related to contract administration.
However, other improvements could be made to better manage risks associated with contract amendments.

Amendments were made to most of the contracts we reviewed. Many extended timelines, while others changed project deliverables. Some amended projects appeared to be different from what was originally approved by Metro Council. We were told that substantial changes to a project would require Metro Council's approval, but it was unclear if or how such a standard was applied.

The program did not have written guidance or a policy to help determine when contracts should be amended. To determine if proposed amendments were appropriate, the program relied on staff judgment and informal decision-making. This could lead to inconsistent treatment of grantees.

One grantee changed the project area several months before a contract amendment was formally approved. It was unclear if these changes were significant enough to require a more formal or timely review and approval.

Some amendments allowed projects to receive payments despite being completed in ways that were different from the original proposal. One project did not implement a major funding condition, but was amended, allowing it to go forward. In another case, Metro amended a project and continued its funding, even though the project was largely complete and possibly at a lower cost than expected. We were told the decision to amend the contract was based on the grantee's need to retain grant-funded staff who were likely to implement a related Metro project. While this change did not increase the total amount for the project, the additional work was outside the scope of the original award.

We noted other issues with contracts. Two differed significantly from what was proposed. In other cases, contracts were developed with different jurisdictions than the original grant recipient. In one such case, two different contracts were approved which may have funded the same planning twice. Exhibit 9 summarizes the issues we noted for contracts and amendments for the projects we reviewed.

Exhibit 9: Risks related to sampled contracts

	Project					
	A	B	C	D	E	F
Contract different than award			✓			✓
Amendment changed contract somewhat from award	✓	✓	✓	✓		
Contract may have funded same planning twice					✓	

Source: Auditor's Office Analysis of contracts and amendments.

Some factors made it difficult for Metro to develop contracts that ensured projects were carried out as originally intended. Contract negotiation may happen before local governments develop a final project scope of work. Some projects from the second round were delayed because of a lawsuit. The contracts were negotiated months, in some cases, years later. Local jurisdictions indicated these delays may have impacted how well the completed project aligned with the original award or whether the project could go forward. These factors may make it more likely that contracts will be amended, which further emphasizes the need for clear guidance.

Few controls in place to manage some risks

Some risks were not managed. Although the program reviewed deliverables, it did not have a way of ensuring grant funds were used for their intended purpose. Contracts required local governments to maintain financial records for each project, but the program did not review these records, or require documentation of actual expenses before making payments. Other programs we reviewed had some verification of actual project expenditures.

Similarly, other programs verify that local governments provide matching funds or in-kind services. In 2015, the program began requiring a 10% local match, but we were told there were no plans to verify the match. Without some verification, the program will not know if grantees fulfilled their financial obligations.

The program had not established a consistent process for allocating extra funding, which could reduce transparency. Extra funds may result from higher than predicted tax revenue or if approved grants are less than the available funding. If there are avenues to receive grants outside the established selection process, making these opportunities known and defining the process would increase transparency.

In some years, additional funding was provided to grantees. About one year after the selection process concluded for round three, Metro Council approved additional funding for six projects. In the most recent round of funding, two "micro-grant" programs were proposed as ways to use excess funds and two projects were given additional funds for contract management services. Funds dispersed outside of the established process have the potential to raise questions about fairness and consistency.

Recommendations

To improve the performance measurement system Metro should:

1. Establish performance measures and targets to assess progress towards the program's goals.
2. Collect sufficient and reliable information for each performance measure.
3. Use performance data to assess and refine the program.

To be responsive to local govenment needs the program should:

4. Create consistent application timelines.
5. Specify in grant contracts the level of project support Metro will provide.
6. Survey local jurisdictions to get information about potential improvements.

To strengthen controls the program should:

7. Define roles and responsibilities for grant monitoring and train employees.
8. Separate duties that may be in conflict.
9. Establish a process to determine when contract amendments require Council approval.
10. Develop a process to verify project expenditures, including matching requirements.
11. Develop guidelines for allocating unexpected construction excise tax revenue and communicate to local governments the process that will be used to distribute these funds.

Management response

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Metro | *Memo*

Date: Friday, February 12, 2016
To: Brian Evans, Metro Auditor
From: Martha Bennett, COO
Elissa Gertler, Planning and Development Director
Subject: Metro Management Response to Metro Auditor's Report on the Community Planning and Development Grant Program

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Thank you for the opportunity to respond to the audit of the Community Planning and Development Grants (CPDG) program. The audit provides a valuable review of the grant program to ensure that it is keeping pace with evolving policy objectives and best practices in programmatic grant administration.

This response briefly addresses each of the audit's three main areas of recommendations. We have also provided additional information where policy background or clarification are important to place the grant program and the audit's findings in context.

Policy Background: Alignment with Regional Planning Priorities
The audit states that the CPDG "has become less aligned with certain regional planning priorities over time" and proposes that grants should be more focused on implementation of Titles 6 and 11 of Metro's Urban Growth Management Functional Plan. These conclusions are grounded in a statement that the Functional Plan "…is the main implementation mechanism for a set of policy goals for the region, including the 2040 Growth Concept and Metro's Six Desired Outcomes." From there, the audit chooses Titles 6 and 11 as those most oriented towards development readiness and reviews grants to date with that lens.

Two clarifications might help to better understand the basis for CPDG:

- First, the Urban Growth Management Functional Plan is not the "Regional Plan" (as described in the audit) nor is it "the main implementation mechanism" for regional policy. It is simply the regulatory code through which certain regional policies are implemented. Metro's Regional Framework Plan is the document that describes regional policy and the 2040 Growth Concept. The Framework Plan is very clear that implementation can be achieved through a wide variety of regional, local, and private sector actions. Very few of the policy and investment actions called for in the Regional Framework Plan are embodied in Functional Plan regulations. Both the CET adopting ordinance and CPDG administrative rules allow Metro to invest in additional activities beyond local government implementation of Functional Plan requirements. Finally, all cities and counties in the region, except Damascus, are currently in compliance with Metro's Functional Plan so Metro's financial assistance is no longer needed for that baseline work.

- Second, the Council clearly intends to encourage development in job-creating employment and industrial areas with these grants. The selection of only Titles 6 and 11 from the Functional Plan would eliminate these areas from eligibility. Exhibit 4 of the audit ("Proportion of total project area inside prioritized areas") implies grants are straying from priority areas in the 2040 Growth Concept. However, those areas do not actually represent priority areas for Community Planning Development Grant assistance as defined by the Council.

Metro Council has directed staff to allocate CPDG funds to a variety of areas within the region and addressed by the 2040 Growth Concept. While the Functional Plan is an important part of implementing the 2040 vision and local implementation of its requirements is a fundamental element of the program, the CPDG is designed to be a tool that assists local governments with accomplishing their own policy and development goals where they are aligned with Metro's policy. This provides a mechanism to incent local governments to define how they will implement regional plans in the context of their own local efforts, resulting in outcomes that may go beyond the specific requirements of Metro's Functional Plan.

Recommendation: Performance Measurement

Measuring performance and progress toward achieving the goals of the 2040 Growth Concept is a fundamental element of the work of Planning and Development and Research Center. As such, we have developed a wide range of tools, techniques, and targets that allow us to measure the interrelated and interdisciplinary factors that affect real estate development, population and demographic forecasting, transportation system performance, environmental quality, and others. Together, this information provides an evolving dashboard for the region, that Metro can use to determine the level of success toward accomplishing shared goals. Council can then target specific resources, such as the Community Planning and Development Grants, to provide emphasis and focus on areas identified as needing additional investment or attention in order to accomplish the wide range of goals of the 2040 Growth Concept.

Establishing performance measures for the CPDG program can also help assess progress toward achieving regional goals and the specific impact of the planning activities supported by each grant. Prior to issuance of the audit, Metro was already working to improve how we measure and communicate the benefits and results of the program. Metro contracted with ECONorthwest in 2014 to conduct a thorough review of program performance in an attempt to both assess the program's impact to date and to recommend improvements moving forward. Furthermore, as noted in the audit, the last round of administrative rules changes ensure that new and future projects will be required to identify performance measures and potential data sources during the planning process. The information gathered will provide a better picture of the trends and quantitative data needed to assess effort that has been made with the grants (outputs) and with the changes that have occurred (outcomes) in the communities and region.

Staff will seek additional opportunities to use this information to define program performance metrics that can be tracked over time relative to program goals and objectives, being aware that program goals are likely to continue to evolve in future funding cycles as needs change and new planning and development practices emerge.

It is important to note that performance measures, including some suggested in Exhibit 6 of the audit, are very difficult to use in real-world situations because of the wide variety of factors affecting outcomes on the ground. The audit states that "program impact (is) unknown" but we believe it would be more accurate to say that the impact is difficult to measure quantitatively. As noted above the program has been renewed twice with broad stakeholder support, which clearly indicates program impact qualitatively.

Recommendation: Local Jurisdiction Support

We strive to provide excellent support to local jurisdictions to make the application and grant distribution process as straightforward as possible. Similar to other Metro grant programs, after each grant cycle staff updates program materials such as handbooks and application forms in response to feedback from local jurisdictions. We appreciate the audit's recommendations in this area and will address these findings as we move forward with current and future grants.

The audit notes inconsistency in the roles, training, and planning support by planning liaison staff to each grant. This may be partly attributed to the fact that the program has grown from a single topic (concept planning for new urban areas) to a variety of topics requiring many areas of planning expertise. As noted in the audit, we now have staff from across the department serving as liaisons; we have had to adjust rapidly to maintain the program without a commensurate increase in planning liaison resources. The Planning and Development Department's

Local Liaison program was developed in 2015 to provide training to ensure proper grant administration, ensure clear project deliverables, and clarify liaison roles, among other goals. Staff now track the time spent administering local projects. However, time budgeted for local project liaison activity will remain limited without a specific budget increase dedicated to this activity.

Recommendation: Program Administration and Management

Strengthening our grant monitoring method is a priority for management of risks. Staff members in the Planning and Development department and in the Office of Metro Attorney implement quality control measures to ensure consistency in the deliverables for project milestones, and to ensure that funding conditions are successfully addressed. Balancing customer service with the need to provide consistent and rigorous program administration is a necessary tension in any grant program. It is difficult and time consuming to create rules that anticipate every situation that may arise over time, so some measure of program flexibility and discretion will always be required. Management will review the auditor's recommendations in this area and will work to learn best practices from other grant programs internally to Metro and externally as we move forward with the current grant cycle and future cycles.

Clarification: Deliverables

The audit report stated that in many cases grant monitoring worked as it should, but in few cases, payment was made for deliverables that were not fully met, or the documentation was not clear.

The Metro Council has provided by rule that staff should exercise a certain amount of discretion to make appropriate adjustments when necessary, and amendments to the IGAs between Metro and grantees is allowed. In one of the cases cited by the audit, staff exercised professional judgment to ensure that the project could meet program goals. In the example, the location of a project was in a floodplain and the jurisdiction required balanced cut and fill, which is consistent with Metro's Title 3 requirements. However, there is a provision in Title 3 that excluded properties from balanced cut and fill that were already developed and committed, such as the northern portion of the project location. The grantee sought exemptions from floodplain rules in Title 3 because their modeling and analysis indicated a "no-rise" to the base flood elevation, and stated that development, excavation and fill could be performed in a manner to maintain or increase flood storage and conveyance capacity and not increase design flood elevations" without balanced cut and fill. Staff requested and the grantee provided detailed analyses and findings of the modeling. Upon review of these findings, staff recommended approval of the amendment. This experience reflects the fact that implementation of the program requires flexibility and significant subject matter expertise in order to best achieve local and regional goals.

Conclusion

We would like to thank you and your staff for this analysis and recommendations. We appreciate the effort to ensure that Metro achieves the greatest value for its investments so that regional and local objectives can be realized. We look forward to continued discussion of your recommendations and our implementation actions as the grant program moves forward.

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