



Performance Measures:

Utilize best practices to monitor progress towards goals

September 2024
A Report by the Office of the Auditor

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MEMORANDUM

September 4, 2024

To: Lynn Peterson, Council President
Ashton Simpson, Councilor, District 1
Christine Lewis, Councilor, District 2
Gerritt Rosenthal, Councilor, District 3
Juan Carlos González, Councilor, District 4
Mary Nolan, Councilor, District 5
Duncan Hwang, Councilor, District 6

From: Brian Evans, Metro Auditor

Re: Audit of Performance Measures

This report covers the audit of performance measures. Performance measures are a critical component of the processes and systems organizations use to achieve their objectives. The purpose was to determine what was preventing Metro from complying with its financial policy to include performance measures in the annual budget.

We found Metro's approach to performance measures was fragmented. Several strategic frameworks and associated performance measures were created in the past, but they were not sustained. One of the root causes was that the mandate for performance measurement was underdeveloped. Financial policies require budget performance measures, but there was no other guidance about what was expected.

The eight departments and venues we analyzed for this audit regularly track performance measures. However, we found room for improvement in several areas. Metro can utilize previous work while making improvements over time to better align its measures with best practices.

We have discussed our findings and recommendations with Marissa Madrigal, COO; Andrew Scott, Deputy COO; Josh Harwood, Fiscal and Tax Policy Director; and Jane Marie Ford, Performance Data and Policy Manager. I would like to acknowledge and thank all the people who assisted us in completing this audit.

Summary

Performance measures are a critical component of the processes and systems organizations use to achieve their objectives. Audits published by our office in recent years identified the need for improved performance measurement systems in various parts of Metro's operations.

This audit found Metro's approach to performance measures was fragmented. One of the root causes was that the mandate for performance measurement was underdeveloped. Metro's financial policies require budget performance measures, but there was no other guidance about what was expected.

There appeared to be three layers of performance measures that were somewhat consist throughout the various performance measure initiatives we reviewed during the audit. Regional, budget, and operational measures each provided information that was relevant to different stakeholders. Alignment between each layer was needed to get value from performance measures.

Metro's current focus on performance measures is centered around the Strategic Targets initiative. However, our analysis found that the Strategic Targets do not encompass most of Metro's functions and goals. About one-third of goals, metrics, and targets showed direct alignment with the Strategic Targets.

Metro can utilize previous work while making improvements over time to better align measures with best practices. The eight departments and venues we analyzed for this audit regularly track performance measures. However, we found the value of their measures varied. Some provided valuable data points to track progress towards goals, while others were more general which reduced their value.

We found room for improvement in several areas. Goals were mostly clear, but some contained terms and concepts that were more vague or open to interpretation. A limited number of performance measures contained substantial alignment with goals. We identified measures for around of 40% of reported goals which left about 60% of the goals with no performance measure. This suggested that progress was either not being measured or not being reported. Most measures tracked outputs with infrequent measurement of outcomes, service quality, and efficiency.

The audit included six recommendations. Two focused on refining Metro's financial policy to make greater use of best practices related to benchmarking, trend analysis, and reporting. Four recommendations were made to align department and venue practices with the financial policy and related performance measurement guidance.

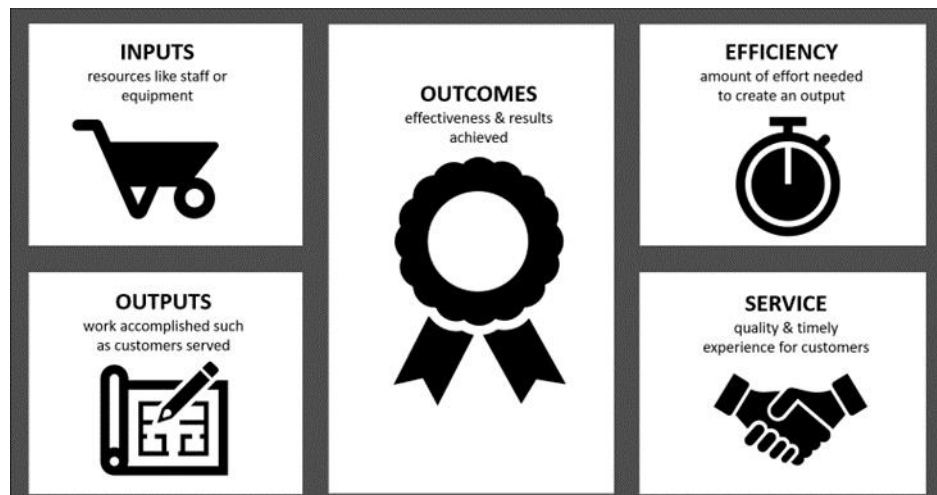
Background

Metro’s financial policies require the annual budget to include performance measures. The budget defines performance measures as quantifiable measures of effectiveness. Their purpose is to measure the impact of specific efforts in achieving program goals.

Performance measures are a critical component of the processes and systems organizations use to achieve their objectives. They help organizations manage risk and report on their service efforts and accomplishments. Being able to measure progress towards goals is a foundational element of building trust in government.

Performance measure types include input, output, efficiency, service, and outcomes. The Government Finance Officers Association (GFOA) has developed best practice guidance for performance measurement. Their guidance directs governments to identify, track, and communicate performance measures internally and externally. Performance measures are used to make informed decisions by collecting information about operational activities, achievement of goals, and community conditions that are intended to be addressed.

Exhibit 1 Effective performance measures include a variety of data points to help monitor progress towards goals



Source: Auditor’s Office created from GFOA and Government Accounting Standards Board reports.

In 2014, our office published an audit of the performance measures included in Metro’s budget. The audit compared Metro’s performance measures to best practices. It found about two-thirds of the measures were not relevant in assessing Metro’s goals.

The 2014 audit looked at what types of performance measures were used. At that time departments were mostly tracking inputs and outputs, which did not give the public information about the effectiveness and efficiency of their work.

The management response to the audit promised to prioritize outcome measures to be responsive to Council and public needs. The response noted that other government agencies also struggle with performance measures and stated Metro's intent to provide leadership for the region's local governments.

Audits published by our office in recent years identified the need for improved performance measurement systems in various parts of Metro's operations. Examples of our recommendations included:

- Create performance measures for each program to provide direction and to create a vision of what success should look like.
- Establish performance goals and set targets for each service type.
- Develop performance measures to evaluate the quality of services provided.

Metro stopped including performance measures in the FY 2019-20 budget. The FY 2022-23 budget included equity outcomes for each organizational unit, but data to measure progress on all of the outcomes was not reported. Although the budget did not include performance measures, many parts of the organization reported on performance in other ways. These included program specific reports and updates on the status of regional plans.

This audit was initiated to determine what was preventing Metro from complying with its financial policy to include performance measures in the annual budget. Our goal was to determine what commitments eight departments and venues had made to the public and assess whether there were associated performance measures that could be included in the budget. Our review included Housing; Parks and Nature; Planning, Development, and Research; Waste Prevention and Environmental Services; Oregon Convention Center; Portland's Centers for the Arts; and Portland Expo Center.

Results

We found Metro’s approach to performance measures was fragmented. Several strategic frameworks and associated performance measures were created in the past, but they were not sustained. Several barriers have prevented Metro from using performance measures consistently, including unclear expectations, organizational culture, and internal capacity.

One of the root causes was that the mandate for performance measurement was underdeveloped. Metro’s financial policies require budget performance measures, but there was no other guidance about what was expected. Budgets from FY 2020-21 through FY 2023-24 did not include performance measures. Although the financial policy was not followed, some departments and venues continued to track and report measures in other documents.

We found some of these measures could be useful for meeting the policy requirement by making greater use of best practices. Improvements in the following areas would increase the value of performance measures for decision-makers and the public:

- Clarify regional goals.
- Determine the most appropriate performance measures to use for each regional, program, and organizational goal.
- Increase the types of measures used to provide a more complete picture of performance.
- Set performance targets and monitor trends over time.
- Standardize reporting practices.

Exhibit 2 More work is needed to align Metro’s performance measures with best practices



Source: Auditor’s Office analysis of GFOA documents and a sample of performance measures included in Metro budgets prior to FY 2024-25, program progress reports, and annual reports.

Metro’s approach to performance measures is fragmented

Metro did not follow its financial policy for budget performance measures from FY 2020-21 through FY 2023-24. This reduced transparency for the public and decision-makers about what had been accomplished by departments and venues. It also increased the chances that Metro might not receive the GFOA’s Budget Award for high quality transparency and communication. The award has been a point of pride in the past and something that agency leadership seeks to maintain. The GFOA’s award letter from 2022 noted that the budget did not satisfy the mandatory performance measures criteria. They asked that it be corrected within two years.

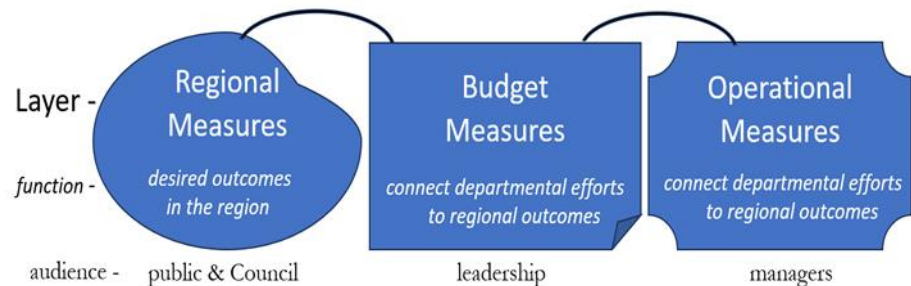
Despite the absence of budget performance measures, departments and venues have tracked and reported measures in other ways. These efforts showed some improvements compared to what we found in our previous audit. The 2014 audit found that a lack of clear goals may have contributed to the quality of the performance measures. Researchers define goal clarity as limiting ambiguity or the opportunity for interpretation. The analysis completed in this audit found better goal clarity for programs, departments, and venues. This suggests that goal clarity may not be the primary barrier to effective performance measures for departments and venues but aligning those goals with regional goals continued to be a challenge.

Although some performance measures are expected to be included in the FY 2024-25 budget when it is published in fall 2024, we found the agency’s approach to performance measures was fragmented. Several different budget frameworks were created in recent years. In addition, other initiatives outside the budget process were started to monitor regional performance and internal operations since 2018. Metro also has several regional plans and internal strategic plans at the department and venue level which include performance measures.

These efforts show a commitment to use performance measures, but the number of measures and variety of organizational frameworks reduced effectiveness and efficiency. There appeared to be three levels of performance measures that were somewhat consist throughout all the initiatives. Regional measures focused on the outcomes Metro wants to achieve. Budget measures were intended to connect individual program, department, and venue efforts to the regional outcomes. Operational measures focused internally on the work departments and venues do to accomplish their missions.

Each of these measures were intended to provide information that was relevant to different stakeholders. Regional measures would help the public and Metro Council understand the big picture of how the agency’s work was making progress on regional goals. Budget measures could help senior leadership make decisions about how to distribute resources. Operational measures could help managers monitor the effectiveness, efficiency, and equity of their programs and services.

Exhibit 3 Metro’s approach to performance measures is intended to provide information to different stakeholders



Source: Auditor’s Office analysis of “Metro Performance & Analytics,” March 22, 2024 and audit interviews.

Alignment between each layer is needed to get value from performance measures. Our review of past efforts indicated that changes to one layer sometimes led to the re-creation of similar work at other layers. As a result, it appeared that more work was done to identify new measures rather than using performance measure data that was already available.

That pattern created confusion and duplicative efforts over time. For example, in 2016 a new strategic framework was adopted for the agency. It set agency goals and stated that performance measures for each goal would be in place by the end of 2021. A new strategic framework was created in 2022. Other initiatives were started in recent years but were not sustained.

As a result, Metro has various frameworks and measures to draw from. Using previous work can help reduce duplicative efforts. Committing to one framework and refining the associated performance measures over time would help the agency overcome patterns that prevented consistency in the past.

Several strategic frameworks were created

In the past six fiscal years, several strategic frameworks were described in the annual budget. Frequent changes made it difficult to implement any of them fully. The various frameworks could have caused confusion and fatigue among internal and external stakeholders.

Combined, the frameworks included at least twelve groups of principles such as shared prosperity, vibrant communities, and climate change leadership. These principles could be interpreted as regional goals but the volume and potential overlap among them could make it more difficult to find appropriate measures for each.

We heard that leadership had a similar challenge when they attempted to measure progress on some of the prior organization frameworks. For example, the Six Desired Outcomes adopted by Council in 2010 included broad outcomes like *vibrant communities*, which made it difficult to know what to measure.

Exhibit 4 The variety of organizational frameworks and associated principles made it difficult to measure performance

YEARS	FRAMEWORKS <i>- principles #s</i>	PRINCIPLES
FY23-24 FY22-23	Keeping our Promises Build Back Better <i>- #1-3</i>	1. Racial Justice 2. Climate Justice & Resilience 3. Shared Prosperity
FY21-22 FY20-21	Six Desired Outcomes <i>- #4-9</i>	4. Vibrant Communities 5. Equity 6. Clean Air & Water 7. Economic Prosperity 8. Transportation Choices 9. Climate Change Leadership
FY19-20 FY18-19	Six Desired Outcomes Metro Compass <i>- #4-12</i>	10. Leader in Civic Engagement 11. Quality of Life & Environment 12. Services-Relationships- Customer Service-Collaboration

Source: Auditor’s Office analysis of Metro adopted budgets from FY 2018-19 to FY 2023-24.

During the FY 2021-22 budget process, Council directed staff to develop equity performance measures to use in future budget processes to guide decisions. Equity outcomes were introduced in the FY 2022-23 budget, which added another lens to evaluate performance. Departments and venues were asked to propose equity outcomes and associated measures, but data to track progress was not always included.

It was not clear if the equity outcomes were intended to be the only performance measures in the budget. For example, the instructions for the FY 2024-25 budget directed departments and venues to include equity performance measures. After proposed budgets were submitted, we were told that departments and venues were also asked to include two to three other budget performance measures to be included in the final budget. Clarifying the role of equity measures in the context of regional, budget, and operational measures would improve the efficiency and effectiveness of the budget process.

Metro has also initiated other performance measure efforts outside of the budget process. We found these were not maintained in recent years. Those approaches included management reports, the Balanced Scorecard and the Regional Barometer. Management reports focused mostly on operational measures and were published from 2009 through 2018. They provided a biannual or quarterly assessment of departments and venues operations. At the end of each fiscal year, a Balanced Scorecard report was created to analyze performance objectives for operations.

We heard there were some challenges with the management reports. Some measures proposed by department and venue management were rejected because leadership felt they were selected based on successes rather than

meaningfulness. We heard that business process measures were especially challenging to agree upon. For example, creating measures to evaluate customer satisfaction was an area of difficulty.

In 2020, Metro launched the Regional Barometer, an online tool to report on how the region was doing in the areas of transportation, economy, ecosystems, climate, communities, and equity. The Regional Barometer efforts were hampered by different challenges, including technology issues, and implementation challenges, during its development process. Managing and updating the data was reported to be burdensome. We heard that the Regional Barometer provided meaningful measures, but many were not in Metro’s control and efforts to connect that data to agency programs were challenging. We were told the Regional Barometer would be discontinued in 2024.




Lack of a clear mandate increases the risk of repeating the same patterns

We found that Metro lacked specificity in the guidelines and mandate around performance measures. This appeared to be a root cause of uneven implementation of performance measure initiatives. We did not find specific guidance or requirements other than the budget performance measures policy to guide management’s efforts.

Metro’s current focus on performance measures is centered around the Strategic Targets initiative. That initiative began in fall 2022, when Council directed staff to develop strategic targets in the areas of environment, economy, and housing. The purpose was to guide future budgeting and policymaking decisions.

A committee of employees was formed, and a consultant was hired to engage with stakeholders and assist with target development. Council approved the resulting targets by resolution in December 2023. Departments were asked to identify performance measures related to the targets for the FY 2024-25 budget.

Exhibit 5 Performance measures related to Metro’s Strategic Targets could be difficult to develop

Strategic Target	Description
 Meeting our Climate & Resilience Goals	In the face of a changing climate, we must reduce GHG emissions, be more sustainable, and build resilience to safeguard nature and people.
 A Resilient Economy for All	Position the Metro Region to take advantage of future growth opportunities by helping both people and businesses thrive.
 Housing For All	Housing market provides ample housing at all levels and everyone in the region can access services that meet their needs.

Source: Auditor summary of Council Resolution 23-5362.

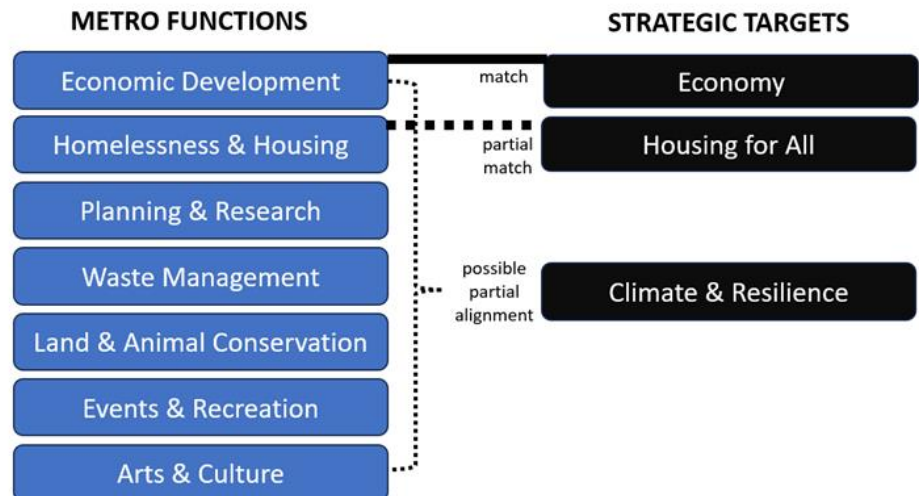
Our analysis found that the three Strategic Targets do not encompass most of Metro’s functions and goals. The GFOA recommends that performance measures be developed and used as an important component of long-term plans and decision making. These efforts should be based on program goals and purposes.

During the Strategic Targets development process Council discussed the framework’s ability to capture all functions. One risk discussed was that some departments do not have related programs and could be left feeling like what they do is not central to Metro’s core mission. For example, lack of direct alignment between Metro’s work on parks and natural areas and the *environment* strategic target seemed like a missed opportunity. The alignment between the strategic targets and Metro’s work on arts and culture were also mentioned during these discussions.

This initiative appears to provide a partial map to direct commitments agency wide. Our analysis identified seven primary functions for Metro’s external department and venues compared to three Strategic Targets areas, leaving several functions unrepresented. The climate target may be served by certain departmental functions such as conservation and planning, but these functions also include other commitments that do not appear closely connected to the climate target.

Even when alignment appeared clear, like the Housing department’s work and the *housing* strategic target, some challenges could occur. For example, the department is not focused on housing at all levels as the target specifies. The department’s work includes funding for affordable housing construction and homeless services, but these are for specific populations. Homelessness services, another of its function, includes elements other than housing such as wraparound services.

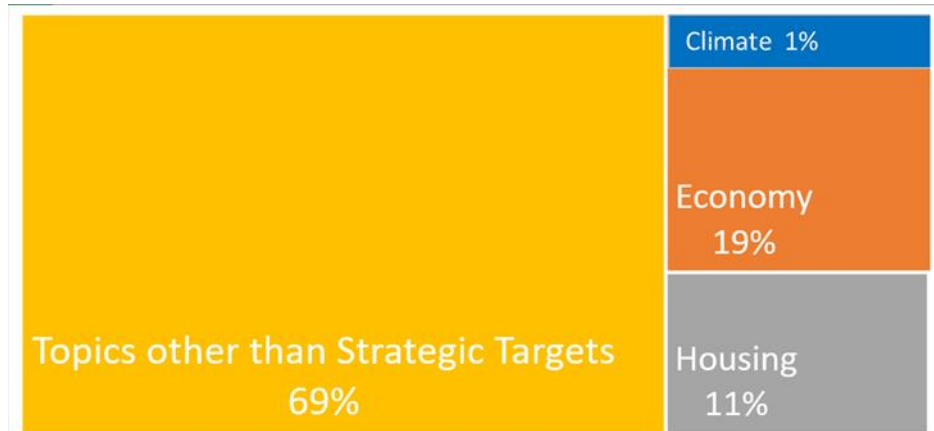
Exhibit 6 Some of Metro’s work does not appear to be aligned with the Strategic Targets



Source: Auditor’s Office analysis of Metro budgets prior to FY2024-25, program progress reports, and annual reports.

In our analysis, we compared the Strategic Targets with the existing commitments in eight of Metro’s departments and venues. We identified their goals, measures, and targets related to these commitments from budgets prior to FY 2024-25, plans, progress reports, and annual reports. In this sample, about one-third of goals, metrics, and targets showed direct alignment with the Strategic Targets. The economy target appeared to have the greatest alignment with goals and the climate target had the weakest alignment.

Exhibit 7 Most of the sampled performance measures did not have a direct connection to the Strategic Targets



Source: Auditor’s Office analysis of a sample of department and venue measures reported in budgets prior to FY 2024-25, program progress reports, and annual reports .

Adequate resources should be prioritized to help ensure long-term commitments Metro has made to the public are met. The Strategic Targets could distract from the need to measure progress towards these existing commitments. The GFOA recommends that the benefits of establishing and using performance measures exceed the resources required to capture them. Focusing exclusively on the Strategic Targets might not provide comprehensive performance measure information, and reduce the time, staffing, and financial resources needed to measure progress toward other commitments.

In addition to lacking a clear mandate for performance measures, other barriers have prevented adoption of an effective and efficient performance measures. These include the organizational cultural around performance measures and evolving responsibilities. Internal capacity also presented challenges.

During the audit, we heard that the organizational culture around performance measurement needs strengthening. This was similar to the conclusions reached in the past. Metro hired a consultant in 2007 to help shift the culture around performance measurement. That project was meant to create a culture that is more accepting of performance measurement, but there had been limited progress at the end of the project.

We heard skepticism about the value of performance measurement efforts, and this was linked to a sense that past efforts at Metro or other local agencies have not been effective. A concern was expressed that performance measurement efforts tend toward collecting data without relevance to the program's performance. We heard that agencies who try to implement performance management systems often fail. Success requires alignment with different levels of decision making. The consistency of performance measurement systems may falter when leadership changes, even at organizations were successful in this area. GFOA recommends that agencies take steps to ensure that the entire organization is receptive to evaluation of performance.

Improvements are needed to increase the value of performance measures

To overcome these barriers and set a new course for performance measures, Metro can utilize previous work while making improvements over time to better align with best practices. For example, the eight departments and venues we analyzed for this audit regularly track performance measures. However, we found the value of their measures varied. Some provided valuable data points to track progress towards goals, while others were more general which reduced their value.

We found room for improvement in several areas. Goals were mostly clear, but there was some room for improvement. A limited number of performance measures contained substantial alignment with goals. Most measures tracked outputs with infrequent measurement of outcomes, service quality, and efficiency. We also did not observe regular use of best practices related to benchmarking, trend analysis, and reporting. Limited use of these practices prevented Metro from getting as much value as it could from the measures.

Increased goal clarity can support measurement

The 2014 performance measures audit noted that the cornerstone of good performance measurement is a set of goals that can be clearly understood. At that time, department goals were often not specifically stated in the budget and were difficult to infer. In this audit, we found improved goal clarity, and continued room for improvement.

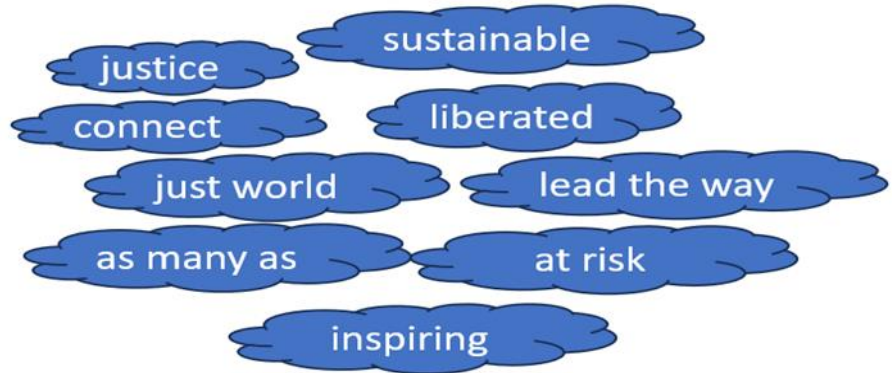
Research emphasizes the importance of goal clarity as a foundation for effective measurement and management. Ambiguous goals can make it difficult to develop performance measures. This makes it difficult to evaluate whether goals have been achieved. Clear goals serve to motivate people and communicate priorities in improving performance and accountability.

We analyzed the clarity and measurability of goals for eight departments and venues. In our assessment over, 80% of measures were clear and measurable. Metro's agency-wide initiatives stood out as having the highest proportion of goals with limited clarity and measurability compared to the department and venue goals.

The goals that showed limitations in clarity and measurability tended to use terms and concepts that were more vague or open to interpretation. The use of imprecise language could prevent internal and external stakeholders from

understanding what Metro is trying to achieve. Some of the word choices appear to convey values that may be difficult to define and measure. Other words choices appear to be those used by a particular profession or group and could be difficult for others to understand. Our analysis identified several instances where imprecise language could result in various interpretations.

Exhibit 8 Words in some goals had unclear meanings that could be modified to create greater precision and clarity



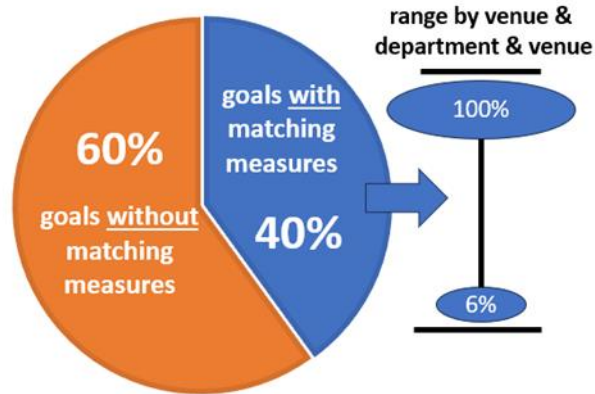
Source: Auditor’s Office analysis of Metro budgets prior to FY 2024-25, program plans, progress reports, and annual reports.

Align measures with goals

Our analysis also found the eight departments and venues regularly did not report performance measures that clearly aligned with their stated goals. The GFOA recommends that performance measures be used to assess the achievement of goals. They also note, relevant measures should be clearly linked to the outcomes that they are intended to measure.

In our analysis, we compared the content of goals with the content of measures to assess their alignment. The sample of measures was taken from departments’ and venues’ most recent progress and annual reports. We identified measures for around of 40% of reported goals which left about 60% of the goals with no performance measure. This suggested that these goals were either not being measured or not being reported on. The alignment of goals with measures varied significantly among departments and venues. One had measures for all goals and others had measures for less than 10% of their goals.

Exhibit 9 Most goals did not have accompanying performance measures, but it varied by department and venue



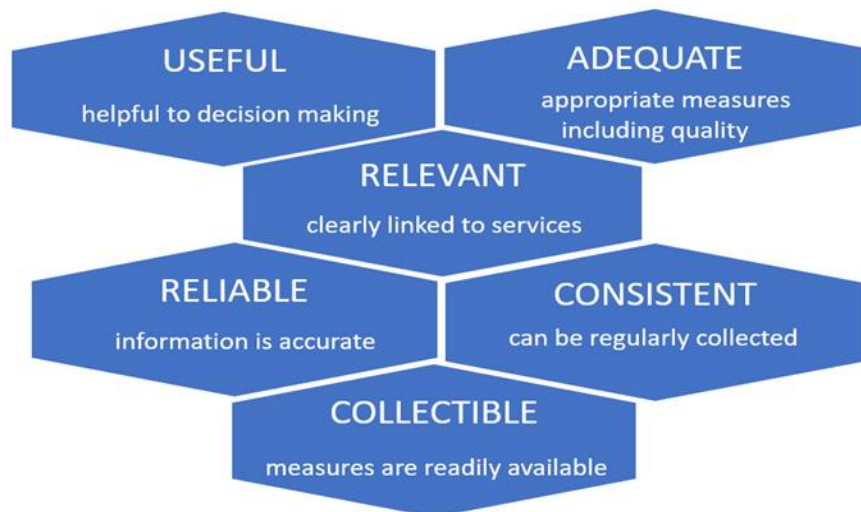
Source: Auditor's Office analysis of a sample of department and venue goals and performance measures included in budgets prior to FY 2024-25, program plans and progress reports, and annual reports.

Without measurement, it was difficult to ensure that goals were being reached. Establishing and reporting measures for all goals can help ensure monitoring and accountability. We also observed data that is tracked which might relate to goals but is not reported to the public. Reporting this data publicly would provide a low-cost way to increase transparency and accountability.

Use best practices to improve understanding

The value of measures could be improved by increasing the use of best practices. GFOA best practices recommend several characteristics of measures including relevance, usefulness, reliability, and adequacy. Utilizing these guidelines could increase the value of measures in reporting progress and informing decision making.

Exhibit 10 GFOA recommends several attributes of performance measures



Source: Auditor's Office generated based on GFOA best practices.

Our analysis of measure quality showed some alignment with GFOA best practices. Departments and venues reported some measures that were useful and relevant. Examples of measures that appeared relevant included attendance and participation numbers. These appeared relevant because they could measure the demand for services and program outputs.

Several weaknesses were also observed. Best practices literature notes that adequacy is the characteristic which ensures that measures evaluate the quality of services and not just the quantity. Metrics to indicate the quality of services were not regularly used. Adding measures of quality could ensure that participants are receiving effective services rather than just a certain quantity of services.

The reliability of measures is key to helping stakeholders understand performance. Reliability might be improved by ensuring that metrics are as accurate as possible. Measures for the economic impact of visitor venues were regularly reported. These appeared to be based on estimates of investments rather than actual data. Using economic impact models could present reliability challenges. The 2014 performance measures audit expressed concerns about the reliance of estimated economic impact versus actual data. Incorporating GFOA best practices into the selection of Metro performance measures could help to increase their quality.

Expand use of outcome measures

Increasing the diversity of measure types could increase their usefulness for performance management. GFOA recommends governments use a mixture of measure types to accomplish various functions. The different types of measures offer different functions and value in measuring performance.

Exhibit 11 Previous budget performance measures included a variety of types to provide a more complete picture of performance

Measure Type	Example of Measures Type
OUTPUT	Acres of land acquired for protection each year.
OUTCOME	Material recovery rate.
EFFICIENCY	Ratio of operating income to expenses.
CUSTOMER	Percent satisfied with quality and timeliness.

Source: Auditor's office analysis of Metro's FY 2019-20 Adopted Budget.

Our analysis found infrequent use of efficiency, service quality, and outcome measures. Metro's financial policies do not specify the types of measures that should be used. More specific guidance could ensure the regular use of other types of measures. For example, there were several references to customer satisfaction data, but we did not find this reported. Reporting

relevant data to Council and the public can help improve the transparency and accountability for program performance.

Research emphasizes that outcome measures are often considered the most important type of measure because they show impacts. However, governments are inclined to report outputs and use outcomes measures less frequently for several reasons. They often believe that output measures are more important than outcome measures. Concerns about data availability and the belief that they can only determine outcomes from long-term studies are also factors.

Set performance targets and use benchmarks to help interpret performance data

The budget performance measures for FY 2019-20 set desired target levels to help interpret performance. A target, for example, might be a standard of 85% customer satisfaction. That would help decisions makers know if 75% customer satisfaction was sufficient. In our sample, departments and venues rarely included performance targets.

One possible reason is that Metro's policies do not specify when or how performance targets should be set. GFOA best practices state the multiple benefits of target setting:

- Targets establish a threshold of acceptable performance and provide a standard against which to compare actual results.
- Targets can have motivational value and hold people accountable.
- Without targets, performance measures can be too ambiguous.

We found that half of departments and venues we reviewed used at least one target. However, about 90% of the goals identified in our sample did not include targets. One venue's strategic plan contained several targets, but we did not locate any reporting on the progress of these. We also observed that ballot measures since 2019 did not include targets related to the goals. That left voter-approved initiatives without clear measures to know what promises were made and what would be accomplished.

The management response for the 2014 performance measures audit identified the need to better clarify goals and targets along with reporting functions. It also noted that forecasted targets together with several years of past data can provide both comparative data and future targets. However, not including performance measures and targets in the budget after FY 2019-20 eliminated a mechanism for setting and reporting targets agency-wide. Reestablishing the use of targets in budget performance measures would return the former mechanism for target setting.

The infrequent use of targets could have several adverse effects. Metro sometimes does not have an established standard to know if acceptable performance has been met. The opportunity to utilize the motivation and accountability values of targets is missed. Goals could be more ambiguous than with the inclusion of targets.

Research suggests that Metro should employ a strategy of setting specific and difficult goals, and then monitoring performance toward the target. The

process might include several steps such as selecting measures, reviewing past performance, setting a target, assessing progress toward the target, and adjusting efforts or targets to gradually improve.

Setting attainable goals is a popular approach for goal setting, but it may be an ineffective way to improve performance. Studies show that setting specific and difficult goals leads to significant increases in productivity. Research shows that difficult goals produced the highest levels of effort and performance.

The GFOA recommends agencies periodically review and evaluate the targets used with performance measures. Without careful management, targets can be largely arbitrary, which can distort priorities, lead to inaccurate reporting, and incent behavior that is contrary to an organization's values. These potential downsides suggest the use of targets should be carefully managed.

Trend analysis and benchmarking are recommended practices that could improve Metro's performance measurement efforts. Best practice research suggests that historical trend analysis is an approach used regularly by governments. Historical trend analysis shows if the results are going in a desirable direction. When analyzing trend data, managers should consider typical levels of variation to avoid reacting too strongly to changes. We did not find regular annual trend reporting for participation and events numbers. Metro should increase the use of trends reporting and analysis to realize its benefits.

Benchmarking is another beneficial practice. It compares performance to professional standards or to the performance of other organizations. Benchmarking is used to provide context for performance measurements and to support improvements. In GFOA surveys of different government entities, the value of benchmarking generated more mixed views because of some of its challenges including finding comparable data, but it was still mostly viewed as a positive practice.

**Improve reporting to
increase
communication
value**

We also identified opportunities to improve performance measures reporting. GFOA recommends performance measure reporting to stakeholders. Communication efforts should ensure that performance measures are distributed throughout all levels of the organization and are made readily available externally.

Effective communication of performance measures, according to the GFOA, includes the following elements:

- Delivery – how and where will they be communicated
- Audience – who the primary audience is
- Format – the best way to present the information
- Frequency – how often to communicate and update information
- Clarity – sources of data, calculation methodology, expected targets, and actual results
- Context – background on why the measures were chosen and what the results mean to operations, service levels, or outcomes

In March 2024, management stated that performance measures would be included in the FY 2024-25 budget. We were told that each department and venue would select two or three performance measures to be reported in the published budget. While this may help restart the budget performance reporting, it may not be enough to assess progress on organizational goals.

Metro needs to determine if the annual budget will be the primary platform to report performance and what the role of other reports will play. If departments and venues continue to report their individual performance, it could also be valuable to issue an agency-wide annual performance report which summarizes Metro's overall impacts. This approach would mirror the reporting practices of other government agencies.

Establishing an expectation for timely and regular performance reporting could help strengthen accountability and transparency. There are many formats currently used to report performance including web dashboards, staff reports, and regional and annual reports. Although there were many report types, some departments or venues did not appear to publish performance data in any form in the past year. The most recent report we located for one part of Metro was from FY 2017-18.

We also observed that when a department was involved in multiple initiatives, it reported progress for the individual initiative. However, a report of progress towards the overall department goals was not provided. This made it difficult to know if it achieved its goals. It would be valuable for all departments and venues to annually report overall progress towards their goals, regardless of the specific program or service.

The Metro website contains inconsistent and incomplete performance reporting. This was significant because websites are governments' most important external communication tool. Some departments and venues provided performance information on the website, but we observed gaps and room for improvement.

The weaknesses in performance reporting on the website appeared to be caused by a combination of the inconsistent organization and limited reporting content. Some departments and venues have a dedicated primary page, but others have multiple pages which describe different programs. Some departments do not have a central page.

Venues have individual pages on the Metro website, in addition to their own dedicated websites. The Metropolitan Exposition and Recreation Commission web page also contained information about each venue which was sometimes more up to date than the venue's own webpage.

Increased performance reporting on Metro's website could increase the consistency and accessibility of performance information. Some departments including Parks and Housing utilize web dashboards. Dashboards can help make data easier to interpret, improving its communication value. Dashboards can help simplify and filter relevant data using charts and graphs or other forms of analysis to make it more user friendly.

One dashboard approach is to track and report progress toward goals by reporting current and past performance, along with targets and explanatory comments. Several city governments utilized multiple department dashboards in one centralized area including summary information. Creating an expectation and commitment to improved communication of performance information could ensure that internal and external stakeholders have the information needed to understand Metro's performance.

Recommendations

To comply with Metro’s financial policies, the COO and CFO should:

1. Include performance measures in the annual budget.

To increase the effectiveness of performance measures for decision-making and set expectations for department and venue directors, the CFO should:

2. Revise Metro’s financial policies related to performance measures to include:
 - a. Guidance for the frequency and types of performance measures to track progress on regional and equity outcomes, department and venue goals, and department and venue operations.
 - b. Targets for each measure to help interpret performance.
 - c. At least five years of prior year data to show performance trends over time.
 - d. Maintain publicly accessible performance reports.
 - e. A process to review and approve proposed changes to existing performance measures.

To align department and venue performance measures with Metro’s organizational goals and financial policies, department and venue directors should:

3. Review existing goals and revise them as needed to reduce the use of ambiguous terms.
4. Identify at least one performance measures for each goal.
5. Increase the types of measures used to ensure they include data about outputs, efficiency, service, and outcomes.
6. Create processes to comply with Metro’s financial policies and other guidance for performance measures.

Scope and methodology

The purpose of this audit was to determine if there were performance measures to track progress on Metro's commitments. Our review included the commitments made related to Housing; Parks and Nature; Planning, Development and Research; Waste Prevention and Environmental Services; Oregon Zoo; Oregon Convention Center, Portland's Centers for the Arts, and Portland Expo Center.

The first objective was to determine which of Metro's commitments include performance measures, clear goals, and performance targets. Using the adopted budget along with department and venue plans, we researched and quantified the commitments for each department and venue, and for related agency-wide initiatives. We selected a sample of commitments based on the criteria of specificity and relevance. The results do not represent a statistical sample and cannot be generalized to Metro as a whole.

To assess the clarity of goals, we researched methods for analyzing clarity and applied those methods to our sample. The evaluation focused on the identification of ambiguous terms. We determined if there were performance measures and performance targets for the commitments identified by comparing the topics of the goals with the topics of the measures. We analyzed the alignment of performance measures and performance targets with the Strategic Targets framework by comparing the content of each. We compared the characteristics of the sample performance measures to the recommended best practices published by the Government Finance Officers Association and other sources.

In the second objective, we determined if progress was made since the 2014 audit and what barriers limited the use of performance measures in recent years. To accomplish this objective, we analyzed the themes from agency budgets, program reports, and interviews with employees.

In the third objective, we identified best practices that could overcome any weaknesses and barriers identified in the first two objectives. To accomplish this objective, we researched relevant best practices and identified which best practices appear relevant and viable for Metro.

In April 2024, we issued a separate letter to management summarizing procurement control weaknesses that were identified during the audit.

This audit was included in the FY 2023-2024 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.

Management response



Memo

Date: August 30, 2024

To: Brian Evans, Metro Auditor

From: Marissa Madrigal, Chief Operating Officer

Andrew Scott, Deputy Chief Operating Officer

Brian Kennedy, Chief Financial Officer

Subject: Performance Measures Audit

Introduction

Thank you for the opportunity to respond to the Performance Measures Audit. We agree with the findings and recommendations, many of which are already in progress. We officially relaunched Metro’s performance management efforts during FY 2024-25 budget development, following the decision in late 2018 to pause budget performance measures, management reports, and scorecards due to the lack of value for our organization. Your office’s 2014 audit highlighted the lack of relevance of existing performance measures at that time, and we appreciate your analysis and insights as we enter a new phase of performance management at Metro.

As the 2024 audit notes, Metro’s strategic focus has evolved over the last 15 years. The Six Desired Outcomes were adopted in 2008 to help anchor future urban planning to shared regional values and measurable goals. In 2016, Metro embarked on the Regional Investment Strategy focused on housing, parks and nature, and transportation to ensure that regional growth coming out of the great recession benefitted historically and currently underserved communities. Council asked the Metro Chief Operating Officer to develop a new strategic plan encompassing this bold regional vision.

However, the March 2020 shutdown disrupted this work, as institutional capacity shifted toward managing venue closures, revenue loss, and multiple rounds of layoffs. The updated performance management project was put on pause. Instead, the Metro COO developed the Strategic Framework as part of pandemic recovery planning to prioritize work and inform decision-making, focused on “Keeping our Promises” and “Building Back Better.”

In 2023, Metro engaged various stakeholders to help establish a future-state vision for the region focused on housing, the economy, and the environment. Council adopted these Strategic Targets in December 2023 and departments and venues were asked to incorporate these targets into

their work as part of FY 2024-25 budget development. They were also asked to identify 2-3 budget performance measures related to the strategic targets. This work overlapped with this audit timeline, and as a result we have already made some of the changes recommended in the audit. In FY 2025-26 Budget Development, management is focused on fully implementing our new Performance Framework to help operationalize Metro’s regional priorities, demonstrate accountability and transparency in our work, and establish a robust process for evaluating our progress.

Performance Framework

Working to build an affordable, climate-resilient region where everyone has a chance to thrive and grow



Strategic Targets

How we set regional priorities



Performance Measures

How we hold ourselves accountable



Performance Management System

How we set goals, monitor progress, and evaluate results

Specific steps are discussed further in management’s response to the audit’s recommendations.

To comply with Metro’s financial policies, the COO and CFO should:

1. Include performance measures in the annual budget.

Response:

Management agrees, as performance measures are critical not only for complying with financial policy but to help hold our organization accountable for our work. Departments identified 2-3 performance measures to include in the FY 2024-25 Adopted Budget. This included a mix of metrics identified by departments in alignment with the new Strategic Targets, existing measures with historical data and performance goals, and concepts for new measures that will be explored for the future. Departments will continue refining these measures as part of FY 2025-26 Budget Development.

Timeline:

Already completed.

To increase the effectiveness of performance measures for decision-making and set

expectations for department and venue directors, the CFO should:

2. Revise Metro’s financial policies related to performance measure to include:

- a. Guidance for the frequency and types of performance measures to track progress on regional and equity outcomes, department and venue goals, and department and venue operations.**
- b. Targets for each measure to help interpret performance.**
- c. At least five years of prior year data to show performance trends over time.**
- d. Create and maintain publicly accessible performance reports.**
- e. A process to review and approve proposed changes to existing performance measures.**

Response:

Management agrees that the COO and CFO should provide robust guidance and expectations for tracking, reporting, and analyzing performance measures. We do not necessarily agree that financial policy is the most appropriate or desirable avenue for that guidance, as expectations, organizational needs, and best practices shift over time. We want to retain flexibility to ensure that Metro’s approach to budget performance measures is meaningful for departments, decision-makers, and the public.

To that end, we agree that budget performance measures should include targets or benchmarks to help provide context for the results. The FY 2024-25 suite of budget performance measures includes some metrics with targets tied to strategic plans, metrics that use industry-accepted benchmarks for performance, and many measures that do not currently have either. We will work with departments to determine the most meaningful way to set expectations for individual performance measures to help inform operations and policy.

For the FY 2024-25 Adopted Budget, departments were asked to provide up to five years of historical data for performance measures where that information was available. Many measures are new, and data will be added over time. Each performance measure is visualized in a new dashboard that will evolve over time as we fully implement our updated performance management system. Our Performance Data and Policy Lead will work with department Finance Managers, staff, and directors to continue reviewing performance measures and balance the benefits of tracking metrics over time with the need for new information. Changes to performance measures may be made annually during budget development, with an accompanying rationale and analysis.

Timeline:

These recommendations were partially implemented in FY 2024-25 Budget Development and will be fully implemented in FY 2025-26 Budget Development.

To align department and venue performance measures with Metro’s organizational goals and

financial policies, department and venue directors should:

3. Review existing goals and revise as needed to increase clarity by reducing the use of ambiguous terms.

Response:

The audit notes that “Metro’s agency-wide initiatives stood out as having the highest proportion of goals with limited clarity and measurability compared to the department and venue goals.” Our understanding is that this analysis was informed by identifying ambiguous terms in the Strategic Targets framework and determining whether there is alignment with goals and measures. While we have not seen the specific analysis that informed the audit findings, Management agrees that providing clarity about how progress toward strategic goals will be measured is critical for operationalizing Metro’s organizational priorities. For the Strategic Targets specifically, we are working with Council, the Senior Leadership Team, and staff to 1) establish regional indicators for each target, and 2) provide detailed guidance for how to operationalize this strategic framework as part of FY 2025-26 Budget Development.

Timeline:

In progress, to be completed as part of the FY 2025-26 budget process.

4. Identify at least one performance measure for each goal.

Response:

Management is unclear about the scope of what the audit includes as “each goal” but agrees that organizational goals should use metrics to assess progress toward a specific, measurable, achievable, relevant, and timely result. Our new performance management system will establish expectations for setting goals, monitoring progress, and evaluating progress, largely tied to the annual budget development process. As part of FY 2025-26 Budget Development, departments and venues will be reviewing their initial suite of performance measures to determine if there are measures that should be added or revised to support specific goals, including Metro’s Strategic Targets and other State of Oregon goals and requirements. As discussed elsewhere, we are also identifying broader Regional Indicators as key performance measures for each Strategic Target of housing, economy, and environment.

Management also notes that the Strategic Targets are intended to be a regional vision that all jurisdictions can work toward. These priorities encompass not only work that Metro contributes to directly, but opportunities for Metro to utilize its role as a regional convener and policymaker to address issues our communities care about most.

Timeline:

In progress, continuing through FY 2025-26 Budget Development and beyond as needed to capture new goals.

5. Increase the types of measures used to ensure they include data about outputs, efficiency, service, and outcomes.

Response:

Management agrees that using a diverse array of performance measures is a best practice and a practical approach for capturing the best information available. We want to ensure that our work leads to specific outcomes; in addition, understanding workload, time, user satisfaction, cost per service, and other measures provide valuable information about not only what we do but how we do it. FY 2024-25 budget performance measures include a variety of types of metrics, and we will expand the number and scope of measures over the next several fiscal years.

Timeline:

Completed, with continued refinement in future budget years.

6. Create processes to ensure compliance with Metro’s financial policies for performance measures.

Response:

Management agrees that performance measures will only be meaningful to the organization if they are supported at all levels – Council, leadership, directors, managers, and program staff. We are currently establishing a robust process for reporting and analyzing performance data through annual budget development. We will work with departments and venues to ensure that this process supports and aligns with their own operational needs.

Timeline:

In progress as part of FY 2025-26 Budget Development.



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