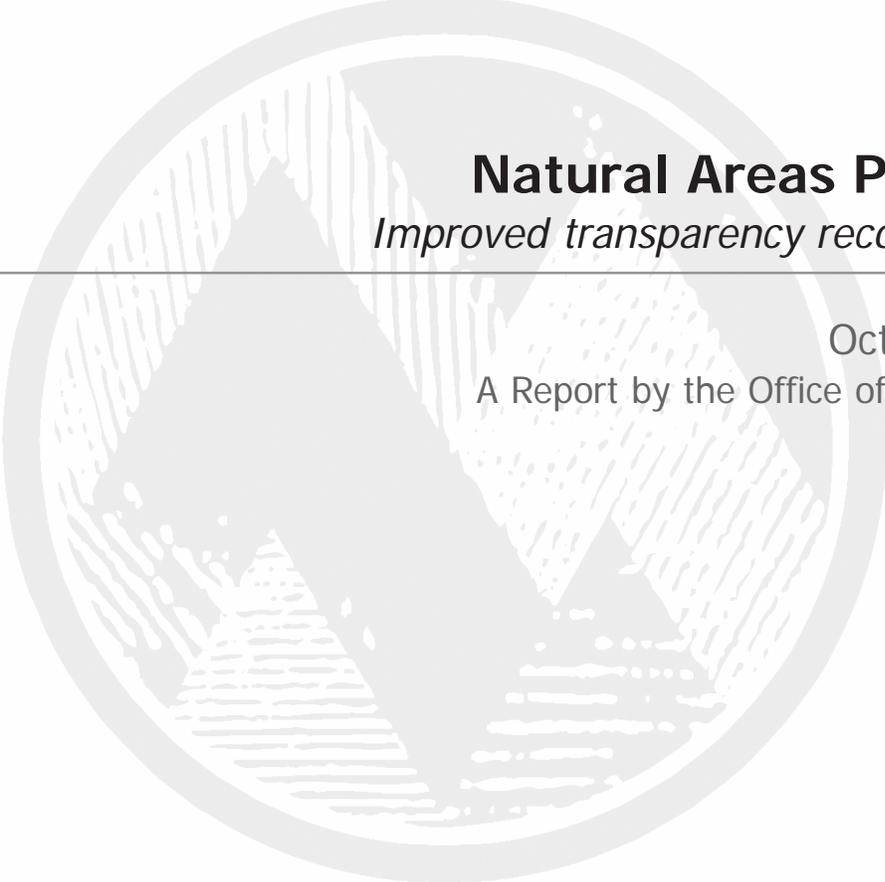




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Natural Areas Program

Improved transparency recommended

October 2007
A Report by the Office of the Auditor

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MEMORANDUM

October 16, 2007

To: David Bragdon, Council President
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Vacant Position, District 2
Carl Hosticka, Councilor, District 3
Kathryn Harrington, Councilor, District 4
Rex Burkholder, Councilor, District 5
Robert Liberty, Councilor, District 6

From: Suzanne Flynn, Metro Auditor

A handwritten signature in cursive script, appearing to read 'Suzanne Flynn'.

Re: **Audit of Natural Areas Program**

The attached report covers our audit of the Natural Areas Program in the Department of Regional Parks and Greenspaces. This audit was included in our FY07-08 Audit Schedule.

This audit was intended to assist management and the Metro Council in establishing a strong foundation to begin the 2006 bond measure program. We followed up recommendations from two previous audits and a review by a consulting firm. We focused on whether processes were in place to ensure that Program activities would be accountable and transparent.

During the first bond measure, the Program devoted most of its efforts to acquiring land and establishing a strong program. It is the conclusion of our audit that the Program now needs to direct some of its future efforts to building a performance measurement system, improving communication and using past experience to continuously improve operations.

We have discussed our findings and recommendations with Jim Desmond, Director, Regional Parks and Greenspaces. A formal follow-up to this audit will be scheduled within 1-2 years. We would like to acknowledge and thank the management and staff in the Department, Office of Metro Attorney and Public Affairs who assisted us in completing this audit.

TABLE OF CONTENTS

Summary	1
Background	3
Property acquisition process	4
Scope and methodology	5
Additional areas of concern	6
Results	9
Performance measures would assist the Program and Council	9
Considerable data is currently available	10
Closing memos could capture important data	10
Program goals should be prioritized	13
Some measures not reported	13
Information needed from other sources	14
Reports need to link to Program goals and priorities	15
Communication plan needed	16
Metro should evaluate public involvement	17
Communication can be improved to partners	18
Communication does not correspond to goals and priorities	18
Better use of signage would communicate results	19
Program can increase accountability through communicating about ethics	20
Program needs to preserve lessons learned	21
Recommendations	23
Response to Audit	25
Appendix	29

Summary

Metro has the authority to acquire, develop and maintain a system of parks, open spaces and recreational facilities for regional use. In 1992, the Metro Council adopted a Greenspaces Master Plan which inventoried natural areas in the region and proposed a plan to protect these areas. After voters approved a bond measure, the 1995 Open Spaces Program was created to implement the Plan by acquiring and protecting land. In 2006, voters approved a second ballot measure to issue \$227.4 million in bonds to acquire additional natural area land.

The purpose of this audit was to determine if the Natural Areas Program had processes in place to ensure transparency and accountability. Specifically, the audit reviewed performance measures, communications, and whether the Program was able to benefit from lessons learned in the previous land acquisition program.

While data collection systems were started during the 1995 Open Spaces Program, staff focused primarily on putting an effective program in place. It is typical for a program to go about the work it was set up to do and develop performance measures after a need becomes apparent.

We determined that the Program could improve its transparency if it used data to more systematically create and report on performance measures. The Program designed a database with some information that could be used to report performance relative to goals and over time. However, the data is collected inconsistently and some data necessary to gauge success is not collected.

The goals of the 2006 bond measure fell into three general areas: conservation, water quality protection and preserving land for future public use. Reporting on performance measures in each of these goal areas could assist the Metro Council, the public, the Natural Areas Oversight Committee, and management to determine Program effectiveness as well as make adjustments when needed. Because the goals can conflict with each other, they need to be prioritized so that there is a target available to judge success.

Communication could also be improved. Currently the Program communicates mainly about single purchases, rather than providing a region-wide picture. It did engage in a large public outreach campaign to solicit input in setting land acquisition priorities reaching more than 500 people at open houses and receiving over 900 responses through an online survey. A communication plan would help the Program communicate more effectively about meeting bond goals and create opportunities to partner with other groups and government agencies.

The Program is in the real estate business. Over time, staff has learned some valuable lessons about how to effectively meet targets in a changing environment. These lessons have not always been formally

captured or communicated to all staff so that effectiveness can be increased.

We recommend that the Natural Areas Program develop a more comprehensive set of performance measures and the means to capture and report these measures. The Program should also plan a communication strategy to improve communication with the public and increase opportunities for involvement of other governments and partners. Valuable information about purchasing real estate for a public purpose should be documented to allow the Program to continue to improve its effectiveness.

Background

Metro is the regional government serving residents of Clackamas, Multnomah and Washington counties and the 25 cities of the Portland, Oregon metropolitan area. Metro's charter gives it the authority to acquire, develop and maintain a system of parks, open spaces and recreational facilities of metropolitan concern.

In 1991, Metro conducted a livability survey and found that "being close to nature" was important to people in the region. This led to the adoption of the Greenspaces Master Plan by Metro Council in 1992. The Master Plan is an inventory of the natural areas in the region and a proposal to protect and restore them.

The 1995 Open Spaces Program was designed to implement the Master Plan by acquiring and protecting land. The Program used \$135.6 million in bond funds to purchase natural areas throughout the region. Of that, \$25 million was used for local jurisdictions. The Program estimated that it would acquire approximately 5,982 acres of land. However, Program records indicate it exceeded this estimate by over 2,148 acres.

In 2006, voters in the Metro region approved a second ballot measure to issue \$227.4 million in bonds to acquire natural area land. The name of the Program was changed in 2006 from the Open Spaces Program to the Natural Areas Program. The measure included:

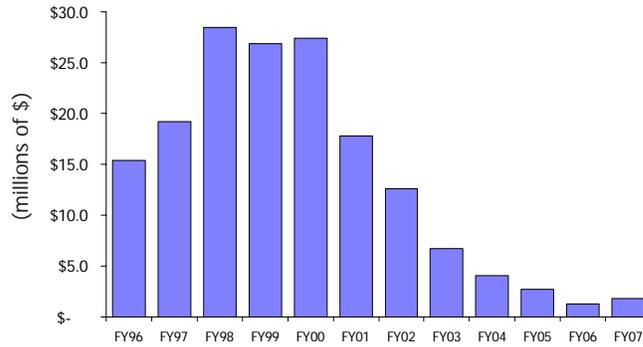
- \$168.4 million to buy land in river and stream corridors, headwaters, wildlife areas in 27 target areas;
- \$44 million in grants for 28 cities, counties and local park providers to acquire land for and improve neighborhood parks, buy and restore natural areas, improve water quality and fish and wildlife habitat, and for capital projects;
- \$15 million capitol grant program to increase natural features and their ecological functions on public lands in neighborhoods.

The 2006 Program has a goal of purchasing 3,600 to 4,500 acres in 27 target areas. These sites include many of the 1995 target areas, nine additional areas and four additional trail corridors. The 2006 Program has two new requirements to enhance accountability and transparency: creating a citizen oversight committee and requiring an annual financial audit of the Program to be published in local newspapers.

Currently, fourteen staff members out of 59 Regional Parks and Greenspaces staff are devoted to the Program plus an additional five staff in the Office of the Metro Attorney. Staffing for the Program increases at the beginning of the bond measure and decreases as bond funds decline.

During the last bond measure, the Program's expenditures increased gradually over the period between 1996 and 1998, then decreased through 2006. The Program had higher expenditures during the period it was acquiring more property.

EXHIBIT 1 1995 Open Spaces Expenditure
Adjusted for inflation (2006 Dollars)



SOURCE: Open Spaces Program

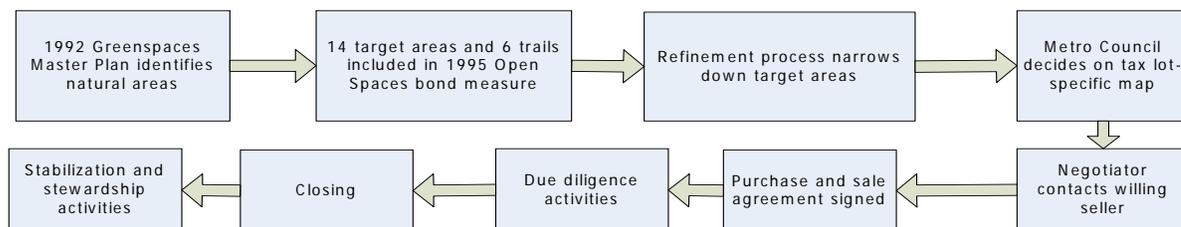
Budgeted staffing followed the same pattern. The Program's staff was largest during the period of time that the most property was being acquired.

Property acquisition process

In order to execute land purchasing in the 1995 bond measure, the Program developed an Implementation Work Plan similar to the one used currently. First, the Program conducted a "refinement process" to select the specific parcels to be purchased in each target area. A project manager interviewed stakeholders (conservation groups, natural resource agencies, water providers, citizen's groups) who had expert knowledge of these target areas to assist in selection. Citizens provided input at public open houses for each target area. Based on this information, Program staff made recommendations for acquisitions. Actual properties targeted for purchase were identified on confidential refinement maps. A subcommittee of Metro Council reviewed the staff reports, after which Metro Council went into executive session to vote on approval of the tax-lot specific maps.

Once these maps were approved, negotiators made contact with the landowners. When a willing seller was found, staff evaluated the property, walking the land to determine whether it appeared to be of value as a natural area. If the assessment confirmed their expectations, the negotiator and landowner entered into an agreement. At that point, staff requested an appraisal and also examined the property's title, inspected the property and initiated an environmental audit by a contractor. Once these activities were satisfactorily accomplished, Metro completed the transaction.

EXHIBIT 2 Open Spaces Acquisition Process



SOURCE: Metro Auditor's Office

Scope and methodology

The objective of this audit was to evaluate whether processes were in place to ensure the transparency and accountability of the Program. Specifically, we looked at performance measures, communications and lessons learned.

The Program was reviewed on three previous occasions. Two audits were conducted by the Office of the Metro Auditor in 1996 and 2000, and a review was completed by a consulting firm in 2006. Both the 2000 audit and the 2006 review recommended improvements in Program transparency, including:

- improving reports to the Metro Council to allow more meaningful comparisons between goals and expenditures (2000 audit, Office of the Metro Auditor);
- establishing a more meaningful, effective, and relevant methodology for assessing Program performance (2006 Talbot, Korvola and Warwick review);
- designing all Program activities “to allow for clear understanding and communication to the Metro Council and regional voters” (2006 Talbot, Korvola and Warwick review).

In addition, the 2006 review recommended that the Program update its planning to reflect lessons learned from the 1995 Program. We followed up on these reports to determine whether the recommendations had been implemented.

The scope of the audit included both the 1995 Open Spaces Program and the 2006 Natural Areas Program. We included the 1995 bond measure Program because it was the model for the current Program. We audited only the regional share portion of the Program. We excluded the \$44 million in bond funds allocated to local jurisdictions and the \$15 million allocated to the new capital grant program, except in the area of communications.

Additionally, the audit team reviewed Program documents and audit reports of similar programs in other jurisdictions. We conducted extensive interviews with key staff and management from Metro's Regional Parks and Greenspaces Department, former Program staff, staff of the Office of the Metro Attorney, representatives of stakeholder groups, and contracted appraisers. We polled the Metro Committee for Citizen Involvement and reviewed relevant articles from newspapers and applicable periodicals.

We conducted a five-year analysis of the budget and staff and reviewed the Regional Parks and Greenspaces' organizational structure. We analyzed the Program's property acquisition database and accompanied science staff on a visit to a property being considered for acquisition.

To provide additional background for our work, we attended refinement meetings and public open houses. We conducted research on standard industry practices in property appraisal and performance measurement in land acquisition programs to get a background on how these processes are generally conducted.

We determined there was no need to coordinate with other audit departments or rely on their work. This audit was included in the FY07 audit schedule and conducted under generally accepted government auditing standards.

Additional areas of concern

Additional areas of concern were identified during the audit but excluded from its scope. However, these areas may be considered in subsequent audits. They are:

- the potential for inflated appraisals in the acquisition process; and
- planning for ongoing costs of managing natural areas.

The potential for inflated appraisals. The possibility that appraisals in the Program are subject to inflation was thoroughly explored in a 2000 audit by the Metro Auditor's office. We examined the procedures used to identify, negotiate for and purchase properties. We determined that while there continued to be risks in these areas, the Program is aware of the risks and has put additional controls in place.

We concluded the best way to reduce the risk further is for the Program to support and maintain an ethical environment. There exists an ongoing and understandable conflict inherent in the Program between the desire to acquire sensitive lands and the need to be responsible stewards of public funds that should be addressed directly.

Upper management needs to set the ethical tone (tone at the top) so that the Program staff serve as a control. The Metro Attorney issued a memo explaining State ethics laws and discussing potential conflicts of interest. Staff working in the Program and members of the Oversight Committee must sign a statement of "Acknowledgement of Ethical Obligations." Management stated there are on-going discussions among staff about ethical expectations. We recommend leadership continue to engage in ongoing discussions of ethics.

Ongoing costs of management. With the acquisition of thousands of acres of additional land, the cost of maintaining and restoring this property will increase. Bond funds cannot be used for these purposes, so funding must be found elsewhere. We considered including this topic in the current audit but decided that it would be more effective to examine it in the context of a broader look at how the Program interacts with Metro municipalities through the local share program. We recommend that Program staff provide Metro Council with estimates of known or likely projected costs of ongoing operations for future years to provide greater visibility of future expenditure needs.

Results

The Program has had mixed success in evaluating and communicating the results of its bond-funded land acquisition programs. The 1995 Program reported that it exceeded its acreage targets and it was widely considered to be a success. The Program has broad popular support, demonstrated by the passage in 2006 of a second bond. Nevertheless, it is difficult to understand and communicate the full impact the Program has had on preserving natural areas. We found that the Program can make improvements to how it measures its performance, communicates with its stakeholders, and captures the informal knowledge of staff to improve Program operations.

Performance measures would assist the Program and Council

Like any government program, the Program has a responsibility to operate in a transparent manner. Anyone interested in learning how well the Program is doing should have access to information to answer that question. However, the Program needs performance measures that gauge results and to report on key operational measures.

The goals of the 2006 bond measure fall into three general areas: conservation, water quality protection and preserving land for future public access. While some information was gathered in the past about the properties acquired that relate to these goals, it was limited and not gathered consistently. Without performance measures, it is difficult to tell whether the Program is achieving what it is intended to achieve and what was promised to voters in the bond measure.

The use of performance measures would give Metro Council more complete information than they currently get from quarterly reports. While current reports include financial information, additional performance data that shows progress toward achieving goals is needed. This will allow the Council to make decisions based on the Program's scientific and social goals, rather than political pressures. For example, it could give Metro a basis for saying "No" to decisions that have strong political or community support but do not meet the scientific requirements of the Program, or from acquiring properties that other organizations could protect.

Performance measures also could improve citizen involvement and confidence in government. The public is more likely to support the Program if they understand the progress it has made. More clearly articulated performance measures would result in increased public confidence. Similarly, print and broadcast media is more likely to understand the Program when it has access to information that details objective measures of Program performance.

Considerable data is currently available

Currently, the Program tracks information about each property in a property acquisition database. The Program also maintains other sources of data including a restoration database (information about restoring the property), a volunteer database and closing memos on each property when it is purchased. The property database is set up to generate quarterly reports, with information on land acquisitions by target area, county, council district, city, and negotiator. We found that this database includes only some of the data needed to track performance, and that data is not collected consistently.

Fortunately, the Program has the ability to create performance measures. It is already collecting data in each important goal and accountability area. The Program's property acquisition database includes approximately 173 fields for many types of information: financial, appraisal, acreage, municipal partnerships, purchase price, leases, restoration, and stewardship. The data is collected from an Acquisition Summary Form which is completed by the negotiator and the legal due diligence staff. Closing memos for the properties purchased to date also contain a great deal of information about the unique natural features of the properties that were purchased. Closing memos and the acquisition, restoration and stewardship databases can be used as the basis for a more comprehensive data collection system.

Through a review of Program documents, a literature review of measures used by similar programs and discussions with key Program staff and stakeholders, we identified potential performance measures. Out of a potential 26 measures grouped into four categories: conservation, water quality, public access and accountability, the Program currently reports regularly on three. (See appendix for a list of these measures.) However, the Program has the capability of reporting on most of the remaining 23 with data currently collected using data from closing memos, the acquisition database and other sources.

Closing memos could capture important data

We reviewed the information that the Program currently collects. Some of the fields in the database would provide useful information. However, data has been entered inconsistently. We decided to independently develop a database derived from closing memos. Closing memos, letters describing each property and information about its purchase, are a potential source of data. Over the course of the Program, the type of information included in closing memos has changed. For this and other reasons, this information is not collected systematically. For example, these reports do not describe the quality of each acquisition in a consistent manner. Some riparian properties are rated in terms of a 30 point scale, while others are not.

Another problem is that the closing memos for properties purchased prior to 2003 are not available electronically. As a result, the information cannot be summarized easily, used to make comparisons over time, or tracked to determine progress toward achieving Program goals. Unless this information is collected systematically, it can't be used to indicate Program performance or to show trends.

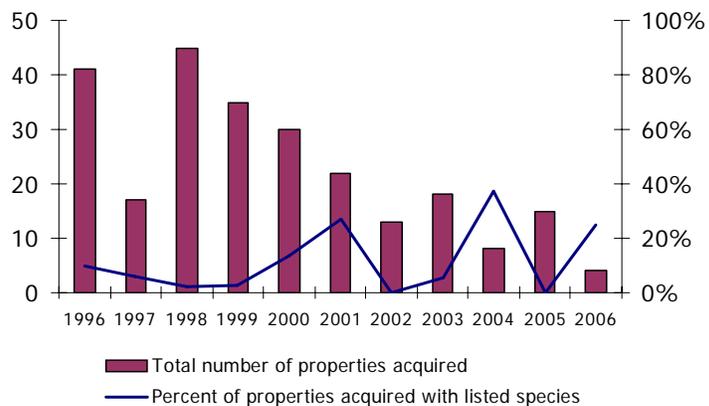
To illustrate how performance measures might be developed, we created examples for three performance goal areas: conservation, water quality, and public access. Using data from closing memos we demonstrate how data can be used to show trends in achieving the Program's goals.

It is important to note that these graphs are based on information which may not be complete. They were created only to illustrate how available data could be used to show performance related to Program goals. While these examples use annual data, quarterly information would provide a better picture of short-term trends.

Conservation goal: Properties with threatened or endangered wildlife.

By showing the proportion of properties with threatened or endangered wildlife species the Program can see if there is a trend that might lead them to increase their effectiveness in obtaining these properties. Or, they can determine when more purchases are needed in this area. If conservation is a priority in the Program, the percentage should be higher than other types of purchases.

EXHIBIT 3 Properties Acquired with Listed Species

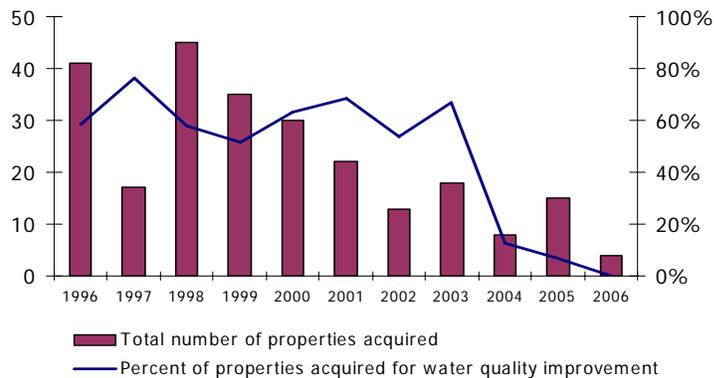


Source: Review of closing memos, Office of the Metro Auditor

NOTE: This data should be used cautiously as it is incomplete and may not be accurate. It is offered as an illustration only.

Water quality goal: Properties acquired to improve water quality.
 A larger percentage of properties with this characteristic appear to be purchased overall. Purchases also follow the general acquisition pattern which is that more properties are purchased in the early years of the bond. If water quality is a higher priority goal than conservation, these results represent a positive trend.

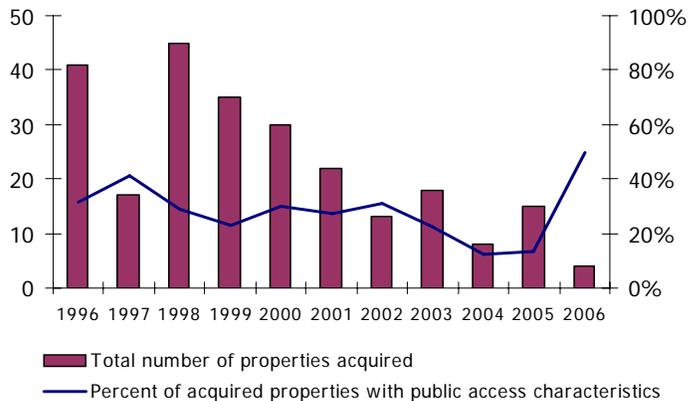
EXHIBIT 4 Properties Acquired for Water Quality Improvement



Source: Review of closing memos, Office of the Metro Auditor
 NOTE: This data should be used cautiously as it is incomplete and may not be accurate. It is offered as an illustration only.

Public access goal: Properties with potential trails and public access.
 The percentage of properties with public access potential seems to be higher than those with habitat protection but lower than those with potential to improve water quality. This may mean that water quality is the highest priority goal, with public access the next priority, and wildlife habitat the lower priority. Tracking these three measures would allow the Metro Council and the Program to judge whether the right property mix is being purchased to meet bond objectives.

EXHIBIT 5 Properties with Public Access Characteristics



Source: Review of closing memos, Office of the Metro Auditor
 NOTE: This data should be used cautiously as it is incomplete and may not be accurate. It is offered as an illustration only.

Program goals should be prioritized

The Program's three goals can conflict with each other. For example, increasing public access to an area reduces its value for wildlife habitat. In our interviews, we found that there were different understandings of the purpose and priorities of the Program. As a result of the lack of agreed-upon priorities, it is difficult to hold the Program accountable for achieving its goals.

Without prioritized goals there is no target available to judge actual progress. While we believe that the Program is being conducted properly by professional and capable staff, Program staff could identify any feature that made acquired parcels desirable and describe the Program as successful. Based upon the graphs on the preceding page, it does appear that some prioritization is occurring. However, it may not be the prioritization that the Council has approved or the public expects.

The Program does set priorities at the target area level. During the refinement process, project managers used information from key stakeholders and the public to set priorities. Using this information, Metro Council designates Tier I (first choice) and Tier II (second choice) properties within each target area, authorizing the Program to purchase those properties without further Council action. However, the relative importance between target areas is not explicitly stated. There is a sense that making acquisitions in some areas is more pressing than others for various reasons. It appears that staff are working with priorities in mind that are not stated explicitly. If so, this should be used in a transparent way to make Program decisions.

Some measures not reported

Currently, the property acquisition database and closing memos do not include all of the information that is needed. For example, one way to assess whether purchases are being made in regionally significant areas is to determine whether they fall into Tier I and Tier II categories. Tier I properties are those that were identified by Metro Council as the highest priority. However, there is no field for "Tier I" in the database or on the Acquisition Summary Form.

In addition to tracking progress toward Program goals, the Program needs to be able to report performance measures related to accountability. These measures would inform Metro Council about the projected future costs of the Program for planning purposes and the Program's financial soundness and integrity.

Future costs of the Program. The Program currently reports on increasing future operating costs resulting from land acquisitions in Metro's five-year capital budget. The Program should consider raising the visibility of increasing operating costs by reporting this as a performance measure.

The use of easements will also add to ongoing administrative costs. Once an easement is granted, subsequent transactions of the property are likely to require additional legal work to interpret the easement. Given the increased emphasis on using easements, the Program should plan on reporting about the ongoing costs of monitoring these easements into perpetuity.

Staff costs. Some staff members' positions are funded fully by the bond measure, while others are only partially funded. The staff time devoted to work in the Program exceeds the funding currently allocated from bond funds. This is probably due to staff being conservative in charging their time to the bond measure. Furthermore, some activities relate to multiple programs, not just the bond measure. Program documents do not reflect the extent to which the Program is supported by the general fund.

Water quality. Water quality improvement is a key feature of both the 1995 and 2006 bond measures. This raises an expectation that activities of the Program will result in some improvement in water quality. For example, activities that could be measured include:

- descriptions of properties purchased in watershed areas that otherwise would have been developed for residential or industrial use;
- restoration of areas near streams to reduce the amount of pollutants entering the water, or reduce the temperature of the water; or
- efforts to reduce sources of water pollution on acquired properties (barriers between farmland and waterways, efforts to limit access by cows, changes in ground permeability to reduce run-off).

Information needed from other sources

In addition to data already being collected by the Program, information from other sources will be needed. Below are some suggested sources for data for water quality, wildlife corridors, and public access and proximity.

Water quality. While it may not be reasonable to expect substantial changes in water quality, it is still reasonable to report on water quality benefit.

There are discrete measures of water quality improvement that could be used to show the effect of the Program on water quality. By carefully selecting the type of water quality measurement to be used and making comparisons over time to similar streams, the Program could measure its effect on water quality even if overall water quality in the state declines. A source of data for this measure is the State of Oregon's Water Quality Index, which reports water quality in every major river and stream in the state.

Improvements to wildlife corridors. Information about wildlife corridors is available from Metro's "Portland Metropolitan Region State of the Watersheds Report." This report includes a monitoring strategy to track the condition of local watersheds over time and suggests an indicator for improvements to wildlife corridors. This information can be used to show the Program's progress toward the goal of improving wildlife corridors.

Increase in park access. In addition to having physical access to parks, people benefit from having greenspaces nearby. The Coalition for a Livable Future has developed measures for neighborhood access to natural areas. This information can be used to determine the effect of the Program on increasing access and proximity to greenspaces for neighborhoods.

Reports need to link to Program goals and priorities

A performance measurement system is more than collecting data. To be effective, these data have to be linked to Program goals and priorities. Measures should also be reported regularly to the audiences that need the information to make decisions about the Program. These elements constitute a performance measurement system.

The Program currently has a rudimentary performance measurement system. This system includes data on acquired properties stored in a property acquisition database, quarterly reports to Metro Council, and biennial reports to citizens. However, acquisition data in the quarterly reports is not summarized in terms of how each property helps the Program to achieve its goals. It is difficult for Program managers to look at aggregate data and reflect on where the Program stands at any given time.

It is not unusual for government programs to start at different points to link performance to goals. It is typical for a program to go about the work it was set up to do and develop performance measures when the need becomes apparent. It is important for the Program to now turn to putting in place a performance measurement system.

The Program should link data it already collects to Program goals. Once linked it could use the information to monitor Program performance. For example, in our review of the closing memos from the last bond measure:

- 19% mention trails as a reason for the purchase.
- 55% of the closing memos mention water quality or some related natural feature (flood plain, riparian area, waterway frontage, or wetland) as an important consideration.

These elements are all related to goals of the bond measure, but it is not clear whether these results represent the targets the Program was trying to achieve. If the Program tracks this information it can review purchases regularly and methodically. If needed it can adjust course and focus resources where targets are not being reached.

We identified at least four audiences for Program reports: the public, Metro Council, the Natural Areas Oversight Committee, and Metro management. Ideally, different audiences would get information tailored to their needs. Metro Council needs a depth of understanding about various policy choices they have to make. The public has a need to understand the Program's efforts in more general terms. The Oversight Committee needs information to review the procedures and practices of the Program and to comment on the agency's adherence to sound fiduciary principles. Metro's Chief Operating Officer's information needs may focus on Program accountability measures.

For each audience, the performance measurement system should also provide varying levels of detail about Program performance. Each audience should receive information on the three major goal areas (conservation, water quality and public access) and Program accountability measures at a basic level, with more detailed information available if desired.

Communication plan needed

The Program can provide more clarity and openness about its activities by increasing communication and improving information available to the public. This will result in a more accountable and transparent Program. It should have processes in place to:

- achieve cost savings in its communication activities;
- foster the active participation of other organizations and the public;
- make sure its messages relate to Program goals; and
- demonstrate top management commitment to an ethical workplace.

People we interviewed agreed that communication has been insufficient. The Program needs to communicate on a more regular basis. It communicates mainly about single purchases and could do a better job of presenting a regional or total picture. While the Program does not currently have a communication plan, Public Affairs staff say they plan to develop one.

The Program faces several risks by not having a communication strategy. If very little information is available, any disclosure of perceived Program failure or missteps will be taken as a more significant piece of news. Without information, people do not have context for forming opinions. As a result, opinions may be based on partial information. In addition, fewer people may participate in the Program because they are not informed about it.

The Program works together with many partners, from conservation groups to local government agencies. Through improved outreach to potential partners, it may be able to leverage additional resources and identify a larger pool of grant recipients

The Program operates within tight limits to overhead spending. Developing a communication plan can help reduce costs. The Program can save on printing and postage by using existing communication tools. For example, Clean Water Services includes an insert every two months to a 58,000 person distribution list. It also sends an annual mailing to 135,000 people in the Metro area. Comparatively, Metro's GreenScene mailing list has only 15,000 people. Clean Water Services and other partners said that they would be willing to include information from the Program in their mailings.

This will require planning in advance to meet partners' publication deadlines. Another way to save cost and time is through planning communication campaigns in advance and collecting information continuously.

Metro should evaluate public involvement

Public involvement is integral to Metro's operations. While there seems to be general agreement that citizen involvement in the Program is beneficial and required, the Program should review the extent of public involvement to determine whether it is sufficient.

The Program has engaged in a public outreach campaign to solicit input in setting land acquisition priorities. In June 2006, more than 500 people attended eight community open houses hosted by Metro Councilors. Participants reviewed maps of each of the target areas, talked with staff, scientists and other experts and provided their input about target area priorities through surveys and discussions. The Program also posted information on the Metro website and allowed citizens to provide input through an online survey. The Program received over 900 survey responses through its community and online open houses. Survey results were summarized and presented to Metro Council.

Currently, it is only during this refinement process that the general public has a meaningful opportunity to influence the Program. Members of the Metro Committee for Citizen Involvement commented that the short time between public open houses and Council approval of refinement plans indicates there might be limited opportunity for the public to affect plans. The Program should work with the Metro Committee for Citizen Involvement to evaluate public involvement processes.

Communication can be improved to “partners”

The Program’s success increasingly depends on partnerships with other governments and organizations. Metro relies on these partners to help purchase, restore and maintain land. Bond funds allocated directly to partners through local share and local grants have more than doubled, from \$25 million for the 1995 measure to \$59 million for the 2006 measure.

Metro can improve its website to make it a resource for partners. By doing this, it can make partnering easier and the website can be a tool for steering the Program. Partners suggested including the following information: grant application and selection processes; opportunities for joint projects; forms to use; and information for people who manage land owned by Metro, such as who to contact in case of emergency and roles and responsibilities in the partnering relationship. Providing clear and detailed information for potential grantees on the website could be a tool for outreach and support equal access to information.

Communication does not correspond to goals or priorities

Polling of Metro voters in 2005 found that citizens believe protecting water quality is important. News articles about the Program, however, do not frequently talk about the impact it has on water quality. As a result, the public may not see the Program as meeting their expectations.

The 2005 poll found that 78% of voters rated maintaining or improving local water quality as important; 67% rated protecting fish/wildlife habitat as important; and only 45% rated creating trails for walking and hiking as important. In response, the title of the 2006 bond measure specifically refers to preserving clean water.

Water quality is an important priority of the Program. However, Metro communicates less about the Program’s impact on water quality than it does about its impact on other goals. A content analysis of 96 articles and press releases from 2001 to 2007 found references to public access (61%) and habitat (44%) occurred twice as often as references to water quality (25%).

Public affairs staff has standard information to put in a press release about a new purchase. This includes information about acreage, natural resource information, future public access, Council member and President's statements, and standard text about Metro and the Program. Staff should consider adding "impact on water quality" to this list.

Better use of signage would communicate results

Property is not consistently signed to identify that it was purchased through the Program. As a result, citizens may not be aware of the Program's accomplishments – that these are "their tax dollars at work."

Signage standards are applied differently for land purchased by local governments than for land purchased by Metro. Local governments are required to post a sign stating that land was purchased with bond funds. Local governments can either use a sign provided by Metro or develop their own sign. Land purchased by Metro using regional funds are not required to and frequently do not have signs.

There are many challenges to signing property. Signs can invite trespassing if they imply land is a public park. Signs might create a negative impression of the Program if sites do not appear to be well maintained, for example due to restoration activities. Without designated access points, it can be difficult to know where and how to sign large tracts of land that border on many other properties.

However, we don't believe this is an adequate reason for the lack of signs and the different signage standards for Metro and local governments. We found several examples of signs that might be models for the Program.



EXHIBIT 6

Signs can identify natural areas without encouraging public use. The Port of Portland clearly signs the Vanport Wetlands Wildlife Habitat Area (at left), even though public access to it is restricted.

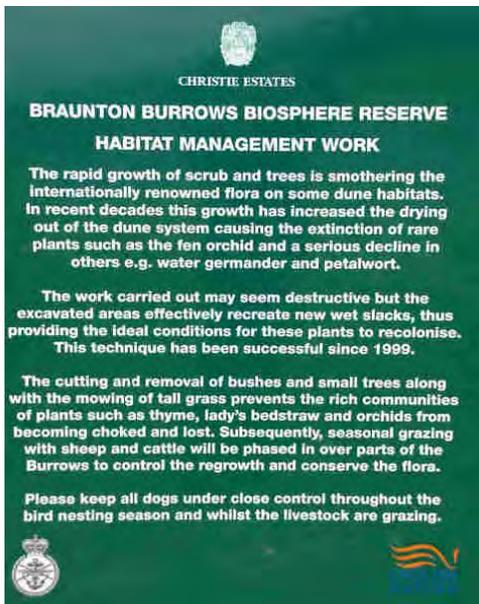


EXHIBIT 7

Signage can give the public information about restoration underway and how to safely use the land. This sign at left for a reserve in the United Kingdom explains restoration activities that may appear damaging or neglectful to the public. It states “the work carried out may seem destructive but the excavated areas effectively recreate new wet slacks, thus providing the ideal conditions for these plants to recolonise. . . The cutting and removal of bushes and small trees . . . prevents the rich communities of plants . . . from becoming choked and lost.”



EXHIBIT 8

A sign for land owned by Clean Water Services explains that public use may destroy this habitat.

Program can increase accountability through communicating about ethics

Metro should create standards and instructions, for example a manual, on signing land. A consistent set of signs can help Metro tell the public why this land is special and under what circumstances it can be used. Signage may create a common identity for the Program, so people know what the Program is and what it is doing.

Inherent within the Program are conflicting pressures to acquire land while being conservative with public money. The Program has put additional controls in place and can further strengthen accountability by including communication about ethics in its communication plan.

Management states that it communicates about ethics with employees of the Program regularly. The Program should consider how it might expand ethics communication to others involved in the Program including contractors, partner organizations, and sellers.

The Program should repeat ethics messages regularly, as many people do not remember a message unless they hear it more than once a year. By including ethics as part of a broader Program communication plan, it will ensure that messages are reaching the right people with sufficient frequency.

Program needs to preserve lessons learned

The Natural Areas Program is in the real estate business. Its primary function is to buy land. Real estate is a complicated field requiring a great deal of experience and expertise.

Because the Program is funded by a bond, staffing is cyclical. The Program “ramped up” at the beginning of the 1995 bond measure Program, making most of its acquisitions between 1996 and 1999. During that period it had its largest complement of negotiators. As bond funds were spent the negotiator staff was reduced. We can expect the 2006 Program to go through a similar cycle.

The real estate negotiators perform extensive research to decide what to offer for a property. They have to be able to understand and use information from 25 different city zoning departments and three different county zoning offices, each with their own unique procedures. They have to work with biological contractors, landscape architects and other specialized professionals to make defensible decisions. They also need considerable skill and experience building relationships with potential sellers.

Because staff turnover is inevitable, as staff members leave the Program many of the things they learned will leave with them. The Program could possibly improve staff training by establishing methods for retaining and imparting this information. Currently, there is an informal process of weekly meetings to share information. The Program needs a more formal method for capturing and documenting lessons learned.

Preserving the organization’s knowledge about real estate transactions will also present challenges. Property acquisition happens in a dynamic environment. Techniques that worked well last year may not apply this year. New land use legislation, changes in court rulings and the economy create an ever-changing set of factors for valuing property. The forms of information needed for success in real estate are difficult to capture and institutionalize. We understand the need to avoid rigid rules and procedures, but we urge the Program to collect and maintain relevant information more methodically.

Recommendations

In order to create a more complete performance measurement system, the Natural Areas Program should:

- 1) develop a set of performance measures in each Program goal area (conservation, water quality and public access) and accountability measures, and collect data on these measures on a regular basis.
- 2) include as accountability measures the future costs of operations and maintenance, monitoring easements and staffing subsidized by the general fund.
- 3) expand the property acquisition database to include consistent measures of the quality of acquired properties.
- 4) develop a process to capture consistent information in closing memos and the Acquisition Summary Form.
- 5) prioritize Program goals and link reports to these goals.
- 6) evaluate public involvement in the Program with input from the Metro Committee for Citizen Involvement.
- 7) The Program should develop a communication strategy that considers:
 - periodic, such as annual, accountability and progress reporting;
 - opportunities to use partner communication vehicles for efficiencies;
 - ways to improve the Program website to make it a better resource for partners;
 - alignment between key messages and Program goals;
 - standards and instructions for signing property;
 - communication to internal and external audiences about ethics;
 - estimated resources required to carry out the communication strategy;
 - periodic evaluation of whether the strategy is reaching its target audiences and meeting its communication goals.
- 8) The Program should develop a more formal knowledge management strategy to capture and document information held by key staff members, including lessons learned from the 1995 Program.

Response to Audit



METRO

MEMORANDUM

Date: October 5, 2007

To: Suzanne Flynn, Metro Auditor

From: Michael Jordan, Chief Operating Officer *mf*
Jim Desmond, Director, Regional Parks and Greenspaces *jd*

Re: Natural Areas Bond Program Audit dated October 2007

This memorandum is staff's response to the final audit report transmitted by your office on September 25, 2007. This audit report followed months of interviews, document delivery and various discussions with your staff. We appreciate the diligence shown by your staff in preparing the report. More importantly, we appreciate the opportunity to receive thoughtful input from you now as we continue to set up the program established by the passage in November 2006 of the \$227.4 million natural areas bond measure.

Clearly there is much value added to the program from this type of detailed research by an independent office. As we strive to make this program even more successful and responsive to the public than the 1995 open spaces bond program on which the recent measure was based, this type of early input delivered in a helpful, cooperative spirit is highly valuable to Metro staff and the general public.

The report makes seven recommendations, and we agree that all will improve the program. The first five recommendations (see p. 19 of the report) concern the development of performance measures and collection of acquisition and related data. We are committed to developing a set of meaningful performance measures and are in the process of developing them at this time. Those measures will be shared with your staff, and our staff will continue to seek additional input from your office as those measures are developed. As you know, the entire agency is in the process of developing performance measures for all Metro programs and the measures for this program will be part of that overall effort. Those measures will ultimately be reviewed and approved by Metro Council. For that reason, it is a bit early to say with certainty that the final measures will look exactly like the specific measures you suggest in this report, but we clearly agree with your general discussion on the importance of developing, using and communicating about meaningful performance measures.

The performance measures for this program will also be shared and reviewed in some detail by the Natural Areas Program Citizen Oversight Committee (referenced on p. 6 of the audit report). As a general comment in response to your audit report, we wish to emphasize that the Oversight Committee was specifically created in the new bond measure that was referred to the voters in order (in whole or in part) to provide an additional level of ongoing citizen input regarding the program. This was an effort on the part of Metro Council to ensure that the program stays focused on its goals and to receive advice regarding any necessary mid-program course corrections that are needed. Although it is not established as a general citizen outreach program, it does provide the Council and the general public with a set of highly skilled citizens' eyes monitoring program progress and helping to ensure that the program is effective, accountable and appropriately focused. The establishment and work of this committee, in our view, will greatly compliment all of the recommendations in your report.

Recommendation No. 6 concerns future public involvement. As with all Metro public outreach efforts, such activities will be discussed with the Metro Committee for Citizen Involvement, as you recommend. The primary public involvement phase of the regional acquisition piece of the bond program has just been completed. This is what is referred to as the regional target area "refinement process" on p. 15 of the report. Please note that thousands of citizens actively participated in this process over a period of nine months. More than 500 citizens attended one of eight open houses around the region and nearly 1,000 citizens filled out surveys ranking their acquisition priorities and sharing their ideas with staff and the Metro Council. Natural Areas bond program negotiators could not commence with landowner contact or significant acquisition activity until this public process was completed. Completing this process in a timely manner was critical if the program was going to meet the public's expectations that the important sites in the target areas be protected and not lost to development while Metro conducted a longer and even more extensive outreach program.

Recommendation No. 7 suggests the development of a communication strategy and a much more extensive and ongoing effort to communicate to the public about the program than was utilized during the implementation of the 1995 measure. Staff is appreciative of the specific suggestions here and will develop such a strategy and begin to implement it over the next 12 months.

We appreciate the opportunity to respond to the audit report. We agree that the implementation of your recommendations will improve the program.

Appendix

**Potential performance
measures**

Goal area: Conservation

- Number of properties purchased
- Number of acres purchased
- Presence of threatened or endangered plant and wildlife species
- Description of unique environmental features of property acquired
- Proportion of highest priority properties purchased (as identified by Metro Council)
- Percent of target area goal met
- Percent of acres needing restoration that were restored
- Target area goal matrix (based on target area goals)
- Description of stewardship activities

Goal area: Water quality

- Number of miles of stream frontage purchased
- Description of efforts to improve water quality
- Number of miles of riparian areas (land on the banks of rivers and streams) needing restoration that were restored
- Discrete measure of water quality improvement

Goal area: Public access

- Number of miles of trails acquired
- Description of increased public access to natural areas (including areas acquired under 1995 bond measure)
- Number of volunteer hours contributed to the Program
- Number of people participating in field trips and visits
- Percent of Metro residents living within five miles of a natural area

Goal area: Accountability

- Total dollars spent on acquisitions above or below appraisal price
- Number and percent of properties purchased over and under appraisal price
- Distribution of appraisal work
- Costs above appraised value due to use of 10% rule
- Total number of non-Metro dollars used in Natural Areas acquisitions and restoration
- Description of staff costs paid through the bond measure and through other sources
- Projected costs of ongoing operations and maintenance
- Easement monitoring report

Source: Office of the Metro Auditor



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