

 **Metro** | *Agenda*

MEETING: METRO COUNCIL WORK SESSION  
DATE: March 2, 2010  
DAY: Tuesday  
TIME: 1:00 PM  
PLACE: Metro Council Chamber

**CALL TO ORDER AND ROLL CALL**

- 1:00 PM**     **1.     DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING,  
[March 4, 2010]/ADMINISTRATIVE/CHIEF OPERATING OFFICER  
COMMUNICATIONS**
- 1:15 PM**     **2.     FOLLOW-UP AUDIT ON FUNCTIONAL PLAN COMPLIANCE  
PROCESS** Flynn
- 1:35 PM**     **3.     TUALATIN SERVICE DISTRICT PRESENTATION, DISCUSSION  
OF MARCH 4 COUNCIL RESOLUTION, AND GENERAL QUESTIONS &  
DISCUSSION** Doug Rux, City of Tualatin
- 2:20PM**     **4.     COUNCIL BRIEFINGS/COMMUNICATION**
- 5.     EXECUTIVE SESSION HELD PURSUANT TO ORS 192.660(2)(d) TO  
CONDUCT DELIBERATIONS WITH PERSONS DESIGNATED BY THE  
GOVERNING BODY TO CARRY ON LABOR NEGOTIATIONS**

**ADJOURN**



Agenda Item Number 2.0

**FOLLOW-UP AUDIT ON  
FUNCTIONAL PLAN  
COMPLIANCE PROCESS**

PRESENTED BY SUZANNE FLYNN,  
METRO AUDITOR

Metro Council Work Session  
Tuesday, March 2, 2010  
Metro Council Chamber



# METRO COUNCIL

## Work Session Worksheet

Presentation Date: March 2, 2010 Time: 1:15pm Length: 15 minutes

Presentation Title: Functional Plan Compliance Process – Audit Followup

Service, Office, or Center:

Auditor's Office

Presenters (include phone number/extension and alternative contact information):

Suzanne Flynn and Beth Wager

### ISSUE & BACKGROUND

The Auditor's Office followed up on a 2008 audit entitled "Functional Plan Compliance Process." The purpose of the followup audit was to determine if Metro had improved its process to monitor local government compliance with the regional plan based upon the 2008 audit recommendations.

### OPTIONS AVAILABLE

n/a

### IMPLICATIONS AND SUGGESTIONS

### QUESTION(S) PRESENTED FOR CONSIDERATION

LEGISLATION WOULD BE REQUIRED FOR COUNCIL ACTION \_\_Yes\_\_ X No  
DRAFT IS ATTACHED X Yes \_\_\_No



# METRO

## Office of the Auditor

# FUNCTIONAL PLAN COMPLIANCE AUDIT FOLLOW-UP

Elizabeth Wager  
Senior Management Auditor

February 22, 2010

### SUMMARY

The Metro Auditor has reviewed the Planning and Development Department's implementation of recommendations from the 2008 audit report "**Functional Plan Compliance Process: Strengthen Redesign Efforts.**" The auditor found that the Planning and Development Department implemented recommendations related to ongoing compliance reviews; however, additional efforts should be focused on annual compliance.

*We performed this follow-up 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.*

### SUZANNE FLYNN

Metro Auditor

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### BACKGROUND

Oregon Revised Statute 268.390(5) enabled Metro to adopt implementing ordinances that require local comprehensive plans to comply with regionally established frameworks. This allowed Metro to create the Urban Growth Management Functional Plan (Functional Plan). The Functional Plan states how local governments must develop their comprehensive plans and land use regulations to be consistent with the regional vision. Metro monitors local compliance to determine if the Functional Plan is being followed.

In March 2008, Metro's Office of the Auditor released an audit report that examined how Metro monitors compliance with the Functional Plan. The audit was requested by the Planning director to review the monitoring process and recommend improvements. The agency was interested in redesigning its compliance process to move toward one more focused on collaboration and performance results.

The audit identified some barriers Metro faced in redesigning its compliance process. Those barriers centered on obtaining data and eliciting voluntary compliance through an incentive system. Additionally, the audit found efficiency gains could be made through process improvements.

The Planning and Development Department accepted the audit recommendations, noting that the redesign of the compliance process needed to be explicit and any changes needed to be incorporated into the Metro Code.

### SCOPE AND METHODOLOGY

We limited the scope of the follow-up audit to determine whether Metro took action to improve the Functional Plan compliance monitoring process. Additionally, we assessed the progress the Planning and Development Department and agency management has made in shifting compliance to a process more focused on performance results and collaboration. We did not conduct follow-up work on recommendations related to the Data Resource Center because decisions on performance standards have not been made.

Our audit objectives were to determine:

- a) If Metro redesigned its Functional Plan compliance process,
- b) If Metro wrote and published compliance reports (and if those reports were more useful than in the past),
- c) If Metro had written policies and procedures to guide how notices of local plan changes should be managed, and
- d) If documents were better managed.

To accomplish this, we met with agency and Department management responsible for the program to determine if changes in the compliance process had been made. We interviewed agency management, the employees who developed the changes and were implementing the new systems, and the planners who used the new system.

We reviewed the new policies and procedures and the systems used to monitor jurisdictional compliance and also the division's new document management structure.

## RESULTS

We found the Planning and Development Department had implemented the recommendations related to improving the ongoing compliance monitoring process, but not those related to the annual compliance report. This was due, in part, to the agency's desire to shift compliance away from a regulatory role to one more focused on performance results. Metro was working on developing performance standards. Management thought those could be used to evaluate progress in implementing Metro's 2040 Growth Concept, as well as to monitor Functional Plan compliance. Additionally, our recommendation to revise the Metro Code to reflect the changes in the compliance process had not been implemented.

We heard from senior staff as well as management that the performance standards will be established in 2010. However, there was no timeline or milestones to evaluate progress—or a work plan or schedule to signal if the project was progressing appropriately. Agency management and the Planning and Development Department need to come to consensus regarding how and when the performance standards will be developed so there will be a higher likelihood this objective will be achieved. Further, we questioned whether a performance measurement system will provide sufficient information to local jurisdictions about compliance and whether it will fulfill Metro's role in compliance monitoring.

## RECOMMENDATIONS IMPLEMENTED

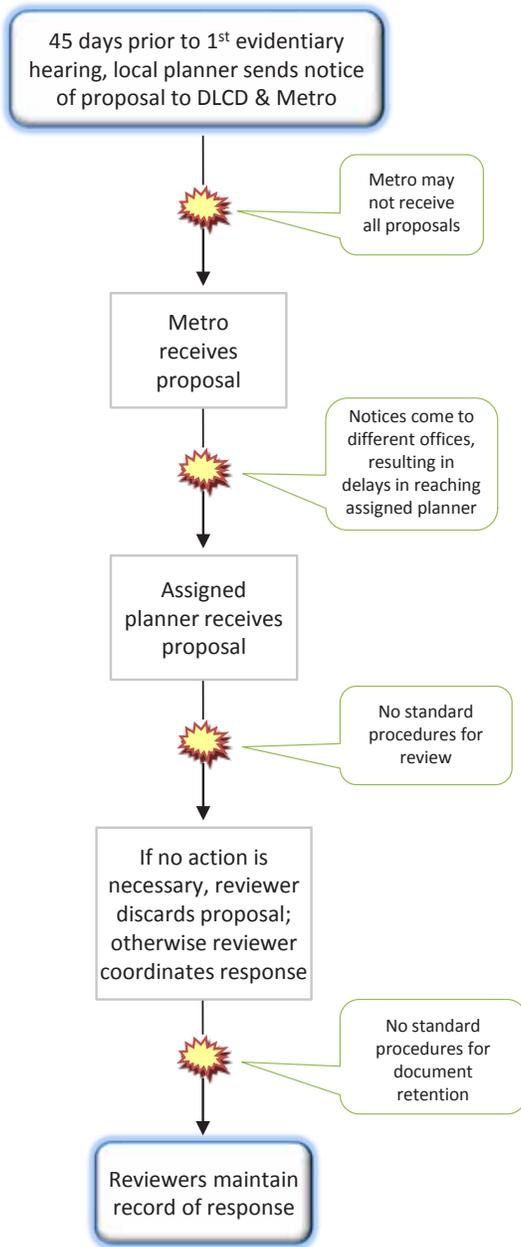
We commend the Planning and Development staff for redesigning the ongoing review compliance process. The Department's new system addressed the weaknesses noted in the prior audit (refer to Exhibit 1). The Planning and Development Department established a coordinator responsible for managing documentation and established a file management system. Procedures for ongoing review of titles in accordance with specific written criteria were also established.

## RECOMMENDATIONS NOT IMPLEMENTED

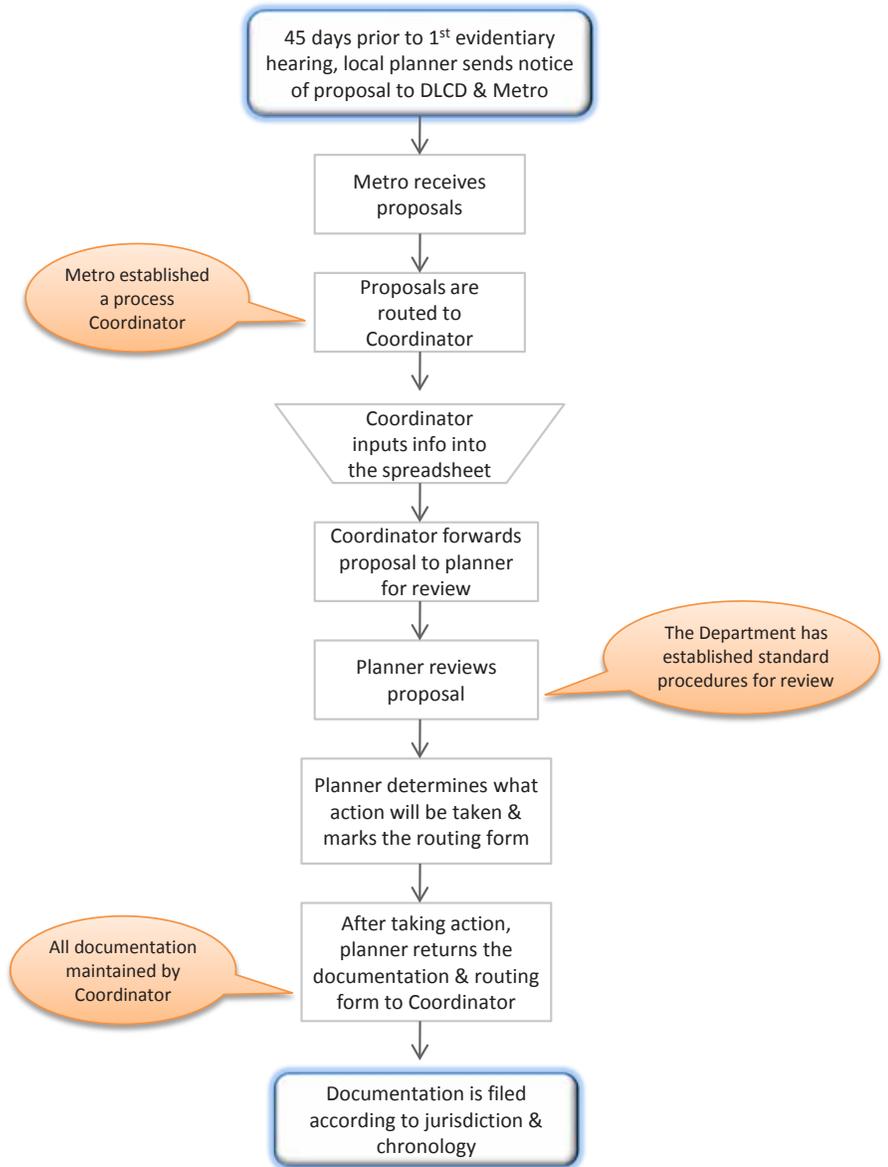
### Functional Plan Compliance and Achieving the 2040 Growth Concept

In November 2007, the Metro Chief Operating Officer issued a memorandum to Metro jurisdictions notifying them of changes in compliance monitoring. The memo indicated compliance reporting on certain elements of the Functional Plan would be suspended; some titles of the Functional Plan would be amended; compliance reporting for the most recent titles would continue; and the annual compliance report would be changed. An underlying issue within the compliance process was that some viewed it as burdensome and bureaucratic.

Ongoing Compliance Review Process  
Prior to 2008 Report



Redesigned Ongoing Compliance Review Process



The annual report was intended to provide accountability regarding jurisdictions' compliance with the Functional Plan. The 2007 memo stated that the annual compliance report would be changed. Rather than changing the annual compliance report, it appears to have been discontinued. Staff indicated they were waiting for direction from management regarding how to proceed with the annual compliance report. Staff believed the annual reporting would still be produced but it was unclear how or when it will resume.

Planning and Development management said the focus has been on achieving consensus on region-wide performance measures before shifting the focus to integrating the performance measures with compliance. A draft of regional indicators was discussed at a Metro Policy Advisory Committee meeting in October 2009 and auditors were told those regional indicators would be accepted by the Committee in 2010. Planning management said progress will be made on the regional indicators within 2010, although there is no work plan, schedule or timelines. Once the region-wide performance measures are established, work on integrating compliance with performance measures can continue.

Designing, coming to agreement on, and implementing a performance measurement system is complex and lengthy. We are not convinced that a new report will be designed in the near future. Further, we are not certain that such a system would address accountability at the local jurisdiction level.

#### **AREAS NEEDING FURTHER ATTENTION**

While Metro implemented some of the recommendations from the audit, key areas remain.

- 1) To ensure achievement of Functional Plan objectives, Metro leadership should re-evaluate whether using performance measures will provide sufficient information to judge the effectiveness of planning recommendations.
- 2) If Metro plans to pursue evaluating compliance through a system of performance measures, the following should be done to increase the likelihood of success:
  - Identify a team responsible for the development of the performance measures.
  - Create a schedule and a work-plan for the development and implementation which includes timeline and milestones.
  - Amend the Metro Code to reflect any revisions to the requirement to report on compliance annually.

## STATUS OF METRO AUDITOR RECOMMENDATIONS

2008 Recommendations	Status
<p>In redesigning its compliance system, Metro should:</p> <ol style="list-style-type: none"> <li>Dedicate a team to be responsible for managing the redesign.</li> <li>Develop a timeline with milestones in order to measure progress and identify obstacles.</li> <li>Clarify goals, principles and priorities.</li> <li>Develop an approach for how Metro will communicate with stakeholders about the new process</li> </ol>	<i>IN PROCESS</i>
<p>If Metro will use data from its Data Resource Center as a basis for evaluating local compliance, Metro should:</p> <ol style="list-style-type: none"> <li>Address gaps in permit and tax lot data and missing permit data for some communities in Metro.</li> <li>Monitor the quality of data, and</li> <li>Establish a way to collect and report data regularly for compliance.</li> </ol>	<i>NOT IN THE AUDIT FOLLOW-UP SCOPE</i>
<p>Metro should create a file management system for its compliance documents that:</p> <ol style="list-style-type: none"> <li>Follows the schedule listed in Metro’s Records Retention Schedule for Functional Plan records.</li> <li>Has written instructions for the organization of files and records to promote consistency.</li> <li>Assigns a lead records coordinator to develop and supervise compliance files.</li> </ol>	<i>IMPLEMENTED</i>
<p>Metro should have written procedures to guide how notices of local plan changes and land use regulations are managed.</p>	<i>IMPLEMENTED</i>
<p>Metro should improve the efficiency of ongoing reviews by coordinating with DLCD to receive local proposals electronically</p>	<i>IMPLEMENTED</i>
<p>Metro should make reports more useful by:</p> <ol style="list-style-type: none"> <li>Providing a table of contents.</li> <li>Starting with a summary overview.</li> <li>Keeping reports short and concise.</li> <li>Including a substantive evaluation of the effectiveness of the Functional Plan in achieving the 2040 Growth Concept.</li> <li>Using a consistent layout and organization in presenting information.</li> </ol>	<i>IN PROCESS</i>
<p>Once Metro redesigns its Functional Plan compliance process, it should revise the Metro Code and submit the changes to DLCD for review</p>	<i>IN PROCESS</i>

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## Metro | *People places. Open spaces.*

February 19, 2010

The Honorable Suzanne Flynn  
Metro Auditor  
600 NE Grand Ave  
Portland, Oregon 97232

Dear Ms. Flynn:

Thank you for the opportunity to respond to your audit "Functional Plan Compliance Audit Follow-up." Staff would like to thank you for your recognition of our efforts to improve the ongoing compliance monitoring process.

### **Background:**

The Auditor's March 2008 report, titled "Functional Plan Compliance Process: Strengthening Redesign Efforts," recommended that Metro develop a plan for how it will redesign its functional plan compliance process and improve its file-management system for compliance documents. The report came shortly after Michael Jordan directed local jurisdictions to suspend progress reporting on several elements required in the functional plan to allow Metro to create a more meaningful way of evaluating progress in implementing the 2040 Growth Concept by integrating compliance with performance measures. The major recommendations in the 2008 report were to:

- Develop a team and approach to the redesign process;
- Improve the data resources to monitor performance;
- Improve the land use compliance file management system and procedures;
- Improve the annual compliance report; and
- Submit proposed changes to DLCD.

The report noted that Metro's proposal to link compliance to performance measures faced many barriers and challenges.

In its response, the Planning and Development Department stated its intent to incorporate the redesign of the compliance process into Making the Greatest Place (MGP). The response highlighted the importance of council and local jurisdiction discussions about the role of the functional plan in implementing the 2040 Growth Concept and in redesigning the compliance process.

Since 2008, the Department has worked with the Council to implement many of these recommendations:

- In 2009, instituted an outcomes-based approach that aligns the growth management decisions with desired regional outcomes, shifting the framework for decisions on the Regional Transportation Plan, Urban Growth Report, Reserves and other decisions.

- In 2009, established measures and targets to evaluate our progress to achieving outcomes through the Regional Transportation Plan. Currently establishing targets and performance measures for other land use decisions. Through the Regional Indicators Project, we've created an approach to link urban growth management decisions with broader social, economic and environmental measures.
- Embraced a fuller approach to compliance that relies on both incentives and regulation that will be reflected in the functional plan and framework plan change in 2010.
- Streamlined the review process for local land use actions and shifted greater resources to support local jurisdictions to implement the 2040 Growth Concept.

**Concept Status:**

In the "Functional Plan Compliance Audit Follow-up" (January 2010), your office evaluated the actions Metro took to improve the Functional Plan compliance monitoring process and shift compliance to a process more focused on performance results and collaboration.

The audit correctly noted that we have not yet redesigned the compliance process, updated the annual report, shifted to using performance results, or amended the code. The audit is also correct in stating that this effort is not easy and requires a commitment of resources, as well as careful thinking about what a redesign should include. Over the next year, the MGP schedule calls for:

- Revisions to the Functional Plan to link requirements to measures of performance and incentives.
- Annual compliance report revisions to make it a more useful document.
- Develop performance measures and targets as needed to support the MGP, specifically the urban growth management decisions in 2010.

The audit identified the need to establish a team responsible for developing performance measures, a scope and work plan. This effort is in process. Staff is organizing work teams and work scopes to support the Regional Indicators Project, the urban growth management decisions and regional investment strategy.

Staff is implementing Council's direction to emphasize incentives and performance outcomes over regulations to implement the 2040 Growth Concept. Examples include targeted technical and financial assistance (e.g. Construction Excise Tax, Brownfields program, TOD program dollars) to communities to develop downtowns and mainstreets.

Sincerely,



Robin McArthur, AICP  
Director, Planning and Development Department

cc: Michael Jordan  
Scott Robinson  
John Williams  
Chris Deffebach

Agenda Item Number 4.0

**TUALATIN SERVICE DISTRICT  
PRESENTATION, DISCUSSION  
OF MARCH 4 COUNCIL  
RESOLUTION, AND GENERAL  
QUESTIONS AND DISCUSSION**

PRESENTED BY DOUG RUX, CITY OF TUALATIN

Metro Council Work Session  
Tuesday, March 2, 2010  
Metro Council Chamber



BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF SUPPORTING THE	)	RESOLUTION NO. 10-4131
CITY OF TUALATIN'S INCREASE IN THE	)	
MAXIMUM INDEBTEDNESS FOR THE	)	Introduced by Carl Hosticka with consent by
CENTRAL URBAN RENEWAL DISTRICT		Council President David Bragdon

WHEREAS, the Metro Council supports the City of Tualatin's aspiration to improve its downtown area; and

WHEREAS, the City of Tualatin originally created the Central Urban Renewal District in its downtown area (the "CURD") in 1975 for the purpose of removing blight and encouraging economic development; and

WHEREAS, the original CURD maximum indebtedness was established for approximately \$27.7 million in 1978, which would be used to fund infrastructure and economic development projects within the Central Urban Renewal area; and

WHEREAS, the original funding amount is not sufficient to complete all the projects that would improve the Central Urban Renewal area and raise the assessed valuation in that area; and

WHEREAS, the City of Tualatin is proposing to increase the maximum indebtedness by an additional \$120 million to remove the remaining blight in its Central Urban Renewal area and improve the needed infrastructure; and

WHEREAS, House Bill 3056 (2009 legislative session) requires 75% of the overlapping tax districts to concur with such increases; and

WHEREAS, Metro is one of those tax districts; and

WHEREAS, the Metro Council acknowledges that supporting the City of Tualatin's proposed increase in maximum indebtedness of the CURD will result in a higher assessed valuation that will provide more stable tax revenues in the future; and

WHEREAS, the Metro Council further acknowledges that it is in the Metro Council's best interest to forego revenue sharing from the CURD so that the projects may be completed in a more timely manner and return the CURD's increased assessed valuation to the tax rolls sooner; now therefore

BE IT RESOLVED that the Metro Council:

1. Supports the City of Tualatin's plan to increase the maximum indebtedness in the Central Urban Renewal District.
2. Further agrees to forego receiving any revenue-sharing from the increased maximum indebtedness amount.

ADOPTED by the Metro Council this \_\_\_\_ day of March, 2010.

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David Bragdon, Council President

Approved as to Form:

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Daniel B. Cooper, Metro Attorney

## **STAFF REPORT**

### **IN CONSIDERATION OF RESOLUTION NO. 10-4131, FOR THE PURPOSE OF SUPPORTING THE CITY OF TUALATIN'S INCREASE IN THE MAXIMUM INDEBTEDNESS FOR THE CENTRAL URBAN RENEWAL DISTRICT**

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Date: February 22, 2010

Prepared by: Tom Matney  
503-797-1853

## **BACKGROUND**

Cities and counties in the State of Oregon can activate urban renewal agencies with power to propose and act on plans and projects to remove blighted areas. Most urban renewal plans are funded substantially from portions taken out of local government property tax levies (division of tax revenue). Many urban renewal plans adopted before December 6, 1996 may also raise revenue from an urban renewal levy (special levy revenue). These revenues are used to pay principal and interest on indebtedness the agency has incurred for the urban renewal plan.

Under the previous State of Oregon law (prior to January 1, 2010), an urban renewal agency was required to consult and confer with overlapping taxing districts on matters relating to a plan adoption and amendments, but there was no requirement for concurrence. At the same time there was no restriction on maximum indebtedness either at a plan inception or at the time of amendment to the plan, and there was no mechanism by which an urban renewal agency limits collection of taxes. House Bill 3056 established a formula for maximum indebtedness for a plan, a mechanism by which an urban renewal agency limits collection of taxes under certain circumstances, and places restrictions on plan amendments which increase maximum indebtedness.

The City of Tualatin aspires to remove blight and encourage economic development within in its downtown area. To achieve this aspiration, the City of Tualatin proposes increasing the maximum indebtedness by an additional \$120 million to remove the remaining blight and improve the needed infrastructure. Resolution No. 10-4131 will establish concurrence between Metro's tax district and the City of Tualatin's tax district by supporting the City of Tualatin's plan to increase the maximum indebtedness in the Central Urban Renewal District and furthermore by agreeing to forego receiving any revenue-sharing from the increased maximum indebtedness amount.

Metro support of the City of Tualatin's urban renewal plans is evident within of the Metro Code, Section 3.07.610, which claims the "success of the 2040 Growth Concept depends upon the maintenance and enhancement of the Central City, Regional and Town Centers and Station Communities as the principal centers of urban life in the region. This section of the Metro Code intends to enhance Centers by encouraging development in these Centers that will improve the critical roles they play in the region and by discouraging development outside Centers that will detract from those roles."

## **ANALYSIS/INFORMATION**

### **1. Known Opposition**

None.

**2. Legal Antecedents**

House Bill 3056, effective January 1, 2010, sets initial maximum indebtedness for specified urban renewal plans.

**3. Anticipated Effects**

Approval of Resolution No. 10-4131 will support the City of Tualatin's increase in the maximum indebtedness for the CURD by an additional \$120 million to remove the remaining blight in its Central Urban Renewal area and improve the needed infrastructure. The City of Tualatin's proposed increase in maximum indebtedness of the CURD will result in a higher assessed valuation that will provide more stable tax revenues in the future.

**4. Budget Impact**

Urban renewal district financing affects operating levies, but not bonded indebtedness. Tax payers are protected because of the permanent rate, but taxing jurisdictions have some risk. In the near term Metro may have some relatively small loss on the permanent rate levy and some additional Measure 5 compression. However, Metro will ultimately benefit from the future increased value of the improved properties in the urban renewal district.

**RECOMMENDED ACTION**

Metro staff and Councilor Carl Hosticka recommend approval of Resolution No. 10-4131 to support the City of Tualatin's increase in the maximum indebtedness for the Central Urban Renewal District.

Agenda Item Number 5.0

**EXECUTIVE SESSION**

Metro Council Work Session  
Tuesday, March 2, 2010  
Metro Council Chamber