

Facilities Services Division Bureau of General Services:

Developing and Reporting Performance Measures

April 1999



Office of the City Auditor
Portland, Oregon



CITY OF
PORTLAND, OREGON
OFFICE OF THE CITY AUDITOR
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April 19, 1999

TO: Vera Katz, Mayor
Jim Francesconi, Commissioner
Charlie Hales, Commissioner
Dan Saltzman, Commissioner
Erik Sten, Commissioner
David Kish, Bureau of General Services
Karen Kramer, Facilities Services Division Manager

SUBJECT: Report on Developing and Reporting Performance Measures for the
Facilities Services Division, Bureau of General Services

Attached is Report #252, on developing and reporting performance measures for the Facilities Services Division. The report was prepared in response to a request from the Bureau of General Services and its Facilities Services Division. The project was on our audit schedule for 1999. We have included a summary of results at the beginning of the report.

We reviewed draft reports with the Bureau of General Services and the Facilities Services Division. They are in general agreement with the report's conclusions and recommended next steps. A written response from General Services Director David Kish is included at the back of the report.

As a follow-up to our recommendations, we ask for a written status report in six months from the Bureau of General Services detailing steps taken to implement their performance measurement program. This status report should also be distributed to the Audit Services Division, and the Commissioner-in-Charge of General Services.

We appreciate the cooperation and assistance we received from General Services and the Facilities Services Division in conducting this project and preparing the report.


Gary Blackmer
City Auditor

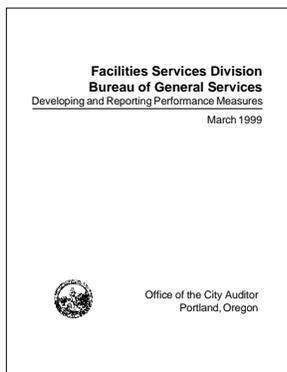
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**Facilities Services Division
Bureau of General Services:**
Developing and Reporting Performance Measures

April 1999

A Report by the Audit Services Division
Report #252

Office of the City Auditor
Portland, Oregon



Production/Design

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Desktop Publishing: Robert Cowan

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Summary

In response to a request from the Facilities Services Division of the Bureau of General Services, we helped develop a set of performance measures for the Division's three operational units. We identified 20 measures representing the Division's workload, efficiency, and effectiveness. We also collected and reviewed some available performance data on the new measures for an initial look at results. Finally, we suggest some next steps to develop a full performance monitoring system. This will require that the Division:

- Establish policies and procedures needed to collect performance data and verify its accuracy;
- Establish clear and measurable performance goals and targets; and
- Review customer service survey methodology.

The City of Portland's public buildings are assets acquired through the investment of tax dollars over the years and are critical to Portland's high quality of life and productive environment. Developing performance measures and committing to data collection systems is part of a proactive management strategy for the City's capital facilities. We hope this report aids responsible officials to be effective stewards of these important assets.

Chapter 1 Introduction

This report presents the results of an Audit Services Division special project to assist the Facilities Services Division in developing performance measures. The Director of the Bureau of General Services and the Manager of the Facilities Services Division requested this work. We conducted our work in accordance with generally accepted government auditing standards and limited our activities to those areas specified in the objectives, scope, and methodology section of this report.

Our goal was to identify a useful set of performance measures and to report on results.

Measuring Performance in City Government

The City of Portland has long been involved in performance measurement and reporting. In December 1998, the City Auditor completed the eighth annual *Service Efforts and Accomplishments* (SEA) report. The SEA reporting project provides a broad view of Portland's major services. It does not, however, include information on all programs. This project was a cooperative effort between Facilities Services and the Audit Services Division. It attempts to extend some of the lessons learned from SEA reporting to the smaller, but significant, scale of facilities management. Like SEA, the purpose of this report is to improve accountability, to assist City Council and managers in making better decisions, and help improve City services.

Background. Performance measures are yardsticks by which the results of a program or activity can be assessed. They are indicators used to evaluate the performance of a program or activity. Performance measures contribute to improved decision making and enhanced delivery of government services by:

- improving communication between citizens and government officials;
- allowing users to review progress and trends in government;
- pointing to areas needing program evaluation or analysis;
- strengthening management control; and
- helping City Council make resource allocation decisions.

Developing a good set of performance measures is not a simple matter

Developing a good set of performance measures, however, is not a simple matter. Government mandates are broad, objectives are complex and varied, and desired outcomes are not always explicit. Moreover, unlike private enterprises, public services generally lack the barometer of profit and loss to help gauge success. Because government goals are usually not monetary, other indicators of performance are needed to measure and evaluate the results of services.

Performance reporting is a part of Portland's budgeting process. City of Portland budget instructions call on City managers to develop "a workload, an effectiveness, and an efficiency measure for each program." These are defined as follows:

- **Workload Measures.** These indicate the amount of work actually performed by a bureau on a particular activity. For example, the number of miles of streets cleaned, the number of refuse pickups, or the value of capital improvement projects completed would be considered workload measures.
- **Effectiveness Measures.** These determine the extent to which an organization or activity meets an objective. Effectiveness measures show progress or lack of progress toward achieving organizational objectives, such as: level of service, timeliness, convenience, accuracy, responsiveness, results, impact, or consequences. These types of measures compare an intended results to what an organization actually accomplishes.
- **Efficiency Measures.** These measures establish a relationship between resources used (inputs) and work done (outputs). Efficiency measures are used in conjunction with workload measures to determine how resources allocated to an activity are being used. An efficiency measure can demonstrate productivity by comparing outputs to inputs, such as the number of curbside garbage pickups made per labor hour. Unit cost can also be shown by comparing inputs to outputs, such as the total cost per curbside pickup.

The experiences of leading government organizations suggest that the number of performance measures should be limited to a vital few necessary to assess accomplishments, make decisions, realign processes, and

assign accountability. Organizations that seek to manage an excessive number of performance measures can risk creating a confusing excess of data that will obscure rather than clarify performance issues. Limiting the number of performance measures to the vital few will not only keep the focus where it belongs, it will help ensure that the costs involved in collecting and analyzing the data do not become prohibitive.

Facilities Services Division

The Facilities Services Division manages the facility requirements of City operations, with the exception of buildings owned and operated by the Water, Environmental Services, Fire, and Parks Bureaus. These requirements include facility planning, remodeling and new construction, real property management, and building maintenance. The Division's mission is:

“To be leaders in the planning, constructing, redeveloping, and operating public facilities that are efficient, cost-effective, and well-maintained. We are committed to building and maintaining buildings that contribute to Portland's civic character and make Portland a better place to live and work.”

The Division is supported entirely with funds derived from interagency charges. These charges occur in one of two ways. First, agencies occupying space in the Portland Building, City Hall, Police Bureau, and the Communication Center pay rent to offset costs for preventive maintenance, utilities, repairs, security, and major maintenance. Second, the Division has service agreements with other bureaus

to provide a variety of facility services. Altogether, the Division has some responsibility in a total of 53 facilities.

Structure and Organization. The Facilities Services Division includes the following four management sections:

- **Facilities Maintenance.** This section provides services such as: elevator maintenance; heating, ventilating, and air conditioning maintenance; carpentry, plumbing, and electrical maintenance; painting, and other miscellaneous repairs.
- **Project Management.** This section provides construction planning and management to most City bureaus. These services include construction cost estimation, consultant selection and management, capital improvement project planning, coordination of moves, construction supervision, record keeping of contract documents, and pre-qualifying of contractors for building-related work. This section's budget includes funds for capital construction projects.
- **Property Management.** This section provides management of the City's real properties. Staff in this section evaluate real property transactions and complete the negotiations for acquisitions and disposal of real property. They manage the City's commercial property leases and rentals. They also evaluate the value of unrented or surplus property and complete disposition of this property.

- **Administrative Support.** This section provides management and administration services for the entire Division.

As shown in Table 1, over the last five years the Division's budget has increased from \$12.4 million to \$38.6 million, a 211 percent increase. Much of this increase was due to spending on capital improvement projects, such as the renovation of City Hall and several other projects as shown in Appendix C. Staffing has grown more slowly, increasing from 24 FTE to 31 FTE, a 29 percent increase.

Table 1 Facilities Services Division Five-Year Expenditures and Position Summary (Fiscal Years 1994-95 through 1998-99)

| Management Section | Actual Expenditures | | | | Adopted Budget FY 98-99 | 5-Year Change |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------|
| | FY 94-95 | FY 95-96 | FY 96-97 | FY 97-98 | | |
| Facilities Maintenance | \$ 7,033,003 15.8 FTE | \$ 6,849,843 16 FTE | \$ 6,663,418 16 FTE | \$ 6,643,072 15 FTE | \$ 7,236,702 16 FTE | +3% +1% |
| Project Management | 5,200,100 6.6 FTE | 16,321,130 9 FTE | 18,931,116 9 FTE | 21,333,631 8 FTE | 30,379,400 10 FTE | +484% +52% |
| Property Management | 168,446 1.6 FTE | 190,167 1 FTE | 195,739 1 FTE | 336,481 1 FTE | 176,586 1 FTE | +5% -38% |
| Administrative Support | 0 0 FTE | 0 4 FTE | 661,924 4 FTE | 767,903 3 FTE | 768,669 4 FTE | n/a n/a |
| Division Totals | \$ 12,401,549 24 FTE | \$ 23,361,140 30 FTE | \$ 26,452,197 30 FTE | \$ 29,081,087 27 FTE | \$ 38,561,357 31 FTE | +211% +29% |

SOURCE: City of Portland adopted budgets, FY 1996-97 through FY 1998-99

Objectives, Scope, and Methodology

The objectives of our project were as follows:

- To develop potential new performance measures for the Facilities Services Division, limiting these to a vital few that would provide the most needed information for accountability, policymaking, and program management. Each major category of measure (workload, efficiency, and effectiveness) would be represented.
- To collect available data pertaining to the identified measures and, where possible, to compare the Division's performance to industry standards, identified goals, and prior years. Also, to compare Division measures to facility management agencies in other similar sized cities.

We conducted our research between September and December 1998.

We conducted our research between September and December 1998. As a part of our project, we reviewed pertinent sections of the Portland City Code, City Charter, annual reports, budget documents, financial records and other documents, and interviewed Division staff and managers. We also observed some program operations directly.

To help identify performance measures, we reviewed and analyzed measures drafted by the Facilities Services Division. We compared these measures to the Division's mission and budget. We also identified performance measures used in other cities and private sector companies that perform similar functions. We conducted a focus group discussion with some of the Division's customers, stakeholders, and representatives of the private sector. We

discussed the results of this research with Division managers and made recommendations for key new performance measures that would reflect overall operations.

To assess performance trends, we obtained, reviewed, and summarized data from the Facilities Services Division. We surveyed other public and private facility management organizations to obtain available data for the purpose of making comparisons. We researched and reviewed available facility management standards for possible use as performance benchmarks. We suggested some next steps for Facilities Services Division officials as they go forward toward implementation of a complete performance monitoring system.

Chapter 2 Performance Measures and Results

We identified a set of 20 performance measures to provide feedback on the key activities of the Facilities Services Division.

During the Fall of 1998, the Audit Services Division and the Facilities Services Division worked together to develop a set of 20 performance measures intended to provide feedback on the key activities of the Facilities Services Division. This chapter describes the final workload, effectiveness, and efficiency measures adopted by the Facilities Services Division.

Additionally, where data was available, we discuss program results corresponding to the selected measures for each of the Division's three operational sections: Facilities Maintenance, Property Management, and Project Management.

Because the performance measures were new, data pertaining to some of these indicators was unavailable for this report. In these instances, we have included no discussion of results. In future years, the Facilities Services Division expects to gather more complete data for analysis and reporting. Table 2 shows the selected measures, by type of measure and management section.

Table 2 Facilities Services Division Performance Measures

| | Workload Measures | Effectiveness Measures | Efficiency Measures |
|-------------------------------|---|---|--|
| Facilities Maintenance | <ul style="list-style-type: none"> ■ Number of square feet maintained. ■ Number of facilities maintained. | <ul style="list-style-type: none"> ■ Percentage of customers rating services as satisfactory or better. ■ Percentage of City facilities maintained in good or better condition. ■ Percentage of maintenance service requests resolved within 24 hours. ■ Percentage of maintenance mechanic time devoted to preventive maintenance. | <ul style="list-style-type: none"> ■ Annual expenditures for routine maintenance and repair of City-owned buildings, as a percent of aggregate current replacement value. |
| Project Management | <ul style="list-style-type: none"> ■ Number of square feet built and renovated per year. ■ Value of capital improvements completed annually. ■ Value of capital improvements planned. | <ul style="list-style-type: none"> ■ Percentage of customers rating services as satisfactory or better. ■ Percentage of projects completed within authorized schedule and budget. | <ul style="list-style-type: none"> ■ Cost per square foot for new construction, and renovated space. |
| Property Management | <ul style="list-style-type: none"> ■ Number of facilities with leases. ■ Total square footage of leased space. ■ Number of facility transactions completed - purchases, sales, and leases. | <ul style="list-style-type: none"> ■ Percentage of customers rating services as satisfactory or better. | <ul style="list-style-type: none"> ■ Average rental rate for City-owned property leased to the public. ■ Average rental rate for City-owned property leased to City bureaus. ■ Average rental rate for privately-owned property leased by City bureaus. |

SOURCE: Audit Services Division

Facilities Maintenance Section

The maintenance section provides services to keep city facilities operating normally.

The Facilities Maintenance Section is responsible for providing the services necessary to keep City facilities operating normally. The staff of the maintenance section are skilled and experienced in trades such as plumbing, electrical, carpentry, and heating and air conditioning service. In addition to the services that they provide directly, maintenance section personnel work with staff from other sections and bureaus to administer contracts for other facility services such as janitorial services, security, elevator maintenance, and limited landscaping. Some of the major facilities for which the maintenance section is responsible include The Portland Building, City Hall, the Justice Center, the Portland Communications Center, the archives and records center, police precincts, and City-owned parking garages.

Workload. The Facilities Services Division designated two measures to indicate the workload of its maintenance section. These measures and available performance data are as follows:

- *Number of facilities maintained.*

Program officials reported having maintenance responsibilities in 50 City facilities. Facilities maintenance officials in five other cities, similar in size to Portland, reported an average of about 100 buildings in their maintenance portfolios. The difference may be due to a larger number of facilities that are maintained in Portland directly by City Bureaus (e.g., Water, Environmental Services, Fire, and Parks). The cities we surveyed were: Charlotte, Cincinnati, Denver, Kansas City, and Seattle.

- *Number of square feet maintained.*

Maintenance section personnel estimated they are responsible for a total of about 2,500,000 square feet of facility space. This was somewhat less space than counterpart organizations in the five comparison cities. The average maintained by the other cities was about 3,000,000 square feet, or 22 percent more space than Portland. This, too, may be due in part to Portland's approach to maintenance where some facilities are managed centrally and others are managed by individual Bureaus.

Effectiveness. The four adopted performance measures of effectiveness for the maintenance section, and pertinent data, are as follows:

- *Percentage of customers rating services as satisfactory or better.*

For two years, the Facilities Services Division has conducted an annual customer service survey. This survey requests feedback on the level of customer satisfaction and solicits suggestions for improvement for each of the Division's management sections. Appendix B shows all 18 questions that make up the survey, including nine related to the maintenance section.

Our review showed that customer service ratings for the maintenance section were improved for 1998 compared to 1997. The percentage of customers rating maintenance services as satisfactory or better increased between 1997 and 1998 for seven out of the nine questions. Also, the percentage of customers rating maintenance services un-

In 1998, customer satisfaction ratings for the maintenance section showed improvement.

satisfactory decreased during this period for five out of the nine questions. Areas showing the biggest improvement in customer satisfaction included janitorial services, responsiveness to complaints about janitorial services, and timeliness of maintenance crew project completion. The survey results also highlighted two areas needing attention: feelings about personal security and quality of craftsmanship.

Because only two annual surveys have been completed, Division officials believe these results should be interpreted cautiously. We agree. It will be important for the Division to carefully and consistently administer future customer surveys so that results can be fairly analyzed and performance trends firmly established.

- *Percentage of City facilities maintained in good or better condition.*

Maintenance managers are currently unable to determine the percentage of facilities maintained in good or better condition. These officials report that they are working now to establish a comprehensive inspection program for City facilities in order that they may better assess and improve City buildings in the future. The National Research Council's Building Research Board believes that a formal condition assessment program is necessary in order to establish the appropriate level of funding required to reduce or eliminate accumulated maintenance backlogs. Condition assessment programs are management tools for monitoring the effectiveness of maintenance and repair activities. They require trained technicians and managers,

The maintenance section is working now to establish a facility condition assessment program.

and should be standardized to control their cost and to ensure consistency of the results. Formal condition assessment programs require responsible officials to establish guidelines.

- *Percentage of maintenance service requests resolved within 24 hours.*

During 1999, maintenance managers expect to begin using an expanded computer system to help them better track service requests.

Officials were unable to determine the percentage of maintenance requests resolved within 24 hours because they have not yet established a detailed service request tracking mechanism. While the Division has established a standard of resolving service requests within 24 hours, at the time of our work, it lacked a tool to determine compliance with this policy. Currently, when the section receives a service request, procedures require the assigned mechanic to acknowledge the request immediately and complete the work within 24 hours. The maintenance section has a status log of requests not completed within 24 hours. In cases where the work cannot be completed, the mechanic is to contact the requestor and provide an update on the status of work. During 1999, the maintenance section expects to begin using a new module of the Division's computerized facilities management system, called the "SPAN-FM" system. Maintenance managers expect this system will provide the tool they need to better track their performance and the status of maintenance requests.

- *Percentage of maintenance mechanic time devoted to preventive maintenance.*

In mid-1998, maintenance managers established a new system for their mechanics to record time devoted to preventive maintenance. Initial information from this system indicates that about 15 to 20 percent of mechanics' time has been spent on preventive maintenance. The section's manager, however, believes this figure is underestimated and will increase in the future as clearer instruction on time reporting is provided and when the SPAN-FM system begins to track this information directly. The maintenance manager believes the current percentage of maintenance mechanic time devoted to preventive maintenance is about 30 to 35 percent and expects it will increase to 50 percent in the future.

Efficiency. The Facilities Services Division adopted one performance measure as an indicator of efficiency for its maintenance section:

- *Annual expenditures for the routine maintenance and repair of City-owned buildings, as a percent of aggregate current replacement value.*

When data is available, this measure will allow comparisons with generally accepted maintenance guidelines.

At the time we prepared this report, the Facilities Services Division had not provided performance information corresponding to this measure. In the future, however, such information will allow officials to compare the level of maintenance and repair spending for City-owned facilities to generally accepted maintenance guidelines. In 1990, the

National Research Council's Building Research Board reported that inadequate resource allocation is a widespread and persistent problem in the maintenance and repair of public buildings. The Board believes that safeguarding facilities should include a commitment to provide the maintenance needed to prevent deterioration and to ensure the continued use of the facilities. Further, the Board recommended that the appropriate level of annual maintenance and repair spending should range, on average, from 2 to 4 percent of the facilities' replacement value.

Property Management Section

The Property Management Section is the City's real estate office, assisting other City bureaus with the purchase, lease, or sale of real property. The property management section administers the leasing of City-owned property to the public and to other City bureaus. When necessary, section personnel investigate the acquisition of new property or the sale of surplus real property.

The property management section is the city's real estate office.

Workload. The Facilities Services Division designated three performance measures to evaluate the section's workload. These measures, and available data, are as follows:

- *Number of facilities with leases.*

In December 1998, the property section reported administering leases at 43 facilities. These included 24 City-owned locations and 19 where the City is a tenant. The City-owned locations involved 134 individual leases for retail, office, and industrial space. The facilities where the City

was a tenant required 18 additional leases, for a total of 152 leases administered by the property section.

- *Total square footage of leased space.*

The 24 City-owned locations totaled 878,814 square feet of building space, including: 105,536 square feet (12 percent) of retail space; 88,832 square feet (10 percent) of office space; and 684,446 square feet (78 percent) of industrial space. Facilities in which the City was a tenant encompassed an additional 159,888 square feet of building space, for a total of 1,038,702 square feet of facility space administered by the property management section.

- *Number of facility transactions completed (purchases, sales, and leases).*

The property management section provided no information about the number of property transactions completed during 1998.

Effectiveness. The Facilities Services Division designated the following measure as an indicator of effectiveness for its property management section:

- *Percentage of customers rating services as satisfactory or better.*

On three questions about the property section, customer satisfaction dropped for 1998.

Results of the Division's first two annual customer surveys showed that the level of customer satisfaction with the property section decreased between 1997 and 1998. On three questions about the property section, shown in Appendix B, customer satisfaction dropped for 1998. On these

three questions, the percentage of customers rating services as satisfactory, decreased from an average of 77 percent in 1997 to 60 percent in 1998. As these results were for two years only, Division officials suggested they should be interpreted cautiously. They felt that more data from future surveys will be helpful in more firmly establishing customer satisfaction trends in this area.

Efficiency. Three designated measures of efficiency for the property section promise to improve the ability of City managers and policy makers to track facility rental rates over time. These measures should make it easier to compare rents for City-owned and private facilities in the Portland market. In the future, the Division plans to develop additional detail delineating rental rates between downtown and non-downtown space, and between office and retail space.

- *Average rental rate for City-owned property leased to the public.*

Rents for City-owned buildings were generally consistent with published rates for downtown facilities.

Our review showed that the average annual rent for City-owned facilities leased to the public varied from \$7.55 to \$21.49 per square foot. These rents were generally consistent with published rates for other downtown facilities. A commercial real estate trade publication, the *1998 Building Owners and Managers Association (BOMA) Experience Exchange Report*, showed that mid-range rents for 24 downtown Portland facilities varied from \$10.19 to \$19.55 per square foot.

- *Average rental rate for City-owned property leased to City bureaus.*

Table 3 shows rental rates for City-owned facilities leased to City bureaus occupying space in the Portland Building, City Hall and, beginning in 1999, the Development Building. Current rents in the Portland Building and City Hall were comparable to mid-range rents noted in the 1998 BOMA Experience Exchange Report. However, the projected rent of \$25.11 for the new Development Building is higher than the mid-range rents in downtown Portland, according to the BOMA report. Bureau officials explained that the higher rent in the Development Building was due to inclusion of costs for debt amortization, a complete building and tenant improvement package, furniture, moving, and telecommunications. According to the Bureau, space in the new Fox Tower and ODS Tower is leasing for an average of \$26.50 per square foot without the Development Buildings included costs.

Table 3 City-Owned Property Leased to Bureaus
Rental Rates and *Percent Increase Over Prior Year*
 Dollars Per Square Foot Per Year

| Facility | Fiscal Year | | | | |
|---------------------------|------------------|-------------------|------------------|-------------------|------------------|
| | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-00 |
| Portland Building | \$17.72 +3.4% | \$18.37 +3.7% | \$18.68 +1.7% | \$19.17 +2.6% | \$19.57 +2.1% |
| Portland City Hall | \$12.48 +3.4% | \$15.38 +23.2% | \$15.31 -0.5% | \$10.61 -30.7% | \$11.08 +4.4% |
| Development Bldg. | n/a n/a | n/a n/a | n/a n/a | n/a n/a | \$25.11 n/a |

SOURCE: Bureau of General Services, unaudited data

The Facilities Services Division also collects rent for some other City-owned property, such as police facilities, the communications center, and the archives and records center. However, at the time of this report, the Division did not track rents for these facilities on a per square foot basis, so we were unable to include them in our analysis.

- *Average rental rate for privately owned property leased by City bureaus.*

None of the rents for private property leased by bureaus exceeded published norms.

To augment space in City-owned facilities, some bureaus rent space in private facilities. We analyzed rents in the largest of these facilities and found that rates ranged from a low of \$2.89 per square foot to \$17.50 per square foot. None of the rental rates of these facilities exceeded the \$19.55 upper limit of downtown facilities reported by BOMA.

Project Management Section

This section of the Facilities Services Division manages construction projects from the conceptual stage through completed construction. Section staff assist customers in project planning, contract writing, consultant selection, building code compliance, and other governmental procedures. Space planning and office relocations are also the responsibility of this section.

Workload. The Facilities Services Division has designated three workload measures for its project management section. These measures, and available performance data, are described in the following paragraphs. Appendix C pro-

vides additional details concerning recently completed or planned capital improvement projects managed by the project section.

- *Number of square feet built and renovated per year.*

During 1997 and 1998, the Bureau reported completing five projects encompassing 227,258 square feet, for an average of 113,629 square feet of facility space built or renovated per year. Individual projects ranged in size from 8,370 square feet for a North Precinct police facility renovation to the 87,500 square foot renovation of City Hall.

- *Value of capital improvements completed annually.*

According to the Bureau, the total budget for the five completed capital improvement projects was \$47.5 million. This was an average of \$23.8 million of capital improvement projects completed per year during 1997 and 1998. Project budgets for individual projects ranged from \$2.5 million for the North Portland Community Policing Facility to \$29.3 million for the renovation of City Hall.

- *Value of capital improvements planned.*

Current planned capital improvement projects include completion of work on the new Development Services Building, renovations in The Portland Building, and renovation and new construction of City fire and rescue facilities. The total value of these planned improvements is \$94.1 million.

The project management section completed projects worth an average of \$23.8 million per year during 1997 and 1998.

Effectiveness. The Facilities Services Division adopted two performance measures as indicators of effectiveness for its project management section. These measures, and available performance data, include:

- *Percentage of customers rating services as satisfactory or better.*

Customer satisfaction ratings for the project section fell in 1998.

Customer satisfaction ratings for the project management section decreased for 1998. Appendix B shows the five project management questions included in the Facilities Services Division's annual customer survey. These questions ask customers to rate the project management section on quality of communications, timeliness of project completion, project outcomes, interpersonal skills, and preferences for vendor or internal services. An average of 62 percent of those responding rated services satisfactory or better on the five project management questions in 1998. This was down from 80 percent in 1997. Division officials said they felt the timing of the 1998 survey, conducted at the end of the City Hall renovation, may explain the lower ratings for 1998.

- *Percentage of projects completed within authorized schedule and budget.*

According to the property management section manager, all six recently completed capital improvement projects were completed within their authorized schedules and budgets.

Efficiency. The Facilities Services Division adopted one performance measure to indicate efficiency for its project management section.

- *Cost per square foot for new construction and renovated space.*

The Bureau of General Services reports the average construction cost per square foot for six completed capital improvement projects was \$152. In addition to the construction costs, projects include other costs for architects, engineers, construction management, and other accessory expenses. The average project budget for these six projects was \$209 per square foot. Appendix C shows reported construction costs and total project budget for all five of the projects. This data was not audited.

Chapter 3 Conclusions and Recommended Next Steps

Additional steps are necessary to ensure accountability.

The primary goals of performance measurement in government are to improve accountability, help decision-making, and contribute to more efficient and effective services. This requires managing with an eye on results. Performance measurement promotes effectiveness through ongoing feedback to managers and staff. This process also provides data to help allocate limited public resources among competing priorities. By developing a useful set of performance measures, the Facilities Services Division has made a constructive first step in establishing a comprehensive system for measuring, reporting, and monitoring its performance. However, we believe the following additional steps are necessary to ensure accountability and to gauge the effectiveness and efficiency of the Division's programs. We recommend that the Division:

- 1. Establish policies and procedures needed to collect performance data and verify its accuracy.***

We commend the Division's initiative in developing performance measures for its key activities. Now that this task is accomplished, we encourage the Division to develop the policies and internal controls necessary to ensure that sufficient, competent, and relevant data

is available for analysis and reporting. As we have noted in previous sections of this report, data is not currently available for some of the identified performance measures. For example, the “percentage of City facilities maintained in good or better condition” was viewed as a crucial indicator of the effectiveness of the maintenance section. Because this measure was new, the Division did not have a process in place to evaluate and objectively score the condition of City buildings and, therefore, lacked data for this indicator.

To ensure that reliable performance information is available in the future, the Facilities Services Division will need to take several steps, including:

The Division will need to take several steps to ensure that reliable performance information is available in the future.

- develop data collection systems and methods to capture relevant information for all of the measures;
- write new policies and procedures so that staff responsibilities are clear; and
- develop management controls necessary to verify that the collected data is accurate.

The Division will also need to periodically review and revise its data collection methods as problems surface and new data requirements are identified. However, over time, the collection of performance information should become a routine exercise and should require less effort.

2. *Establish clear and measurable performance goals and targets.*

The Division needs to set clear and measurable performance goals and targets.

According to professional literature, for governmental entities to make decisions and assess accountability, information needs to be provided about results and how those results compare with what was planned. To establish a complete performance monitoring system, the Division needs to set clear and measurable performance goals and targets. The Division will also need to collect and report historical data and other comparative information. Establishing goals and objectives and setting performance levels and targets could be accomplished through a strategic planning process.

The City of Seattle has established goals and targets for its facilities managers. Seattle facilities management officials produce quarterly performance reports for its facilities division showing its performance measures, specific performance targets, and current status. For example, Seattle's facilities performance reports show individual performance measures, such as "cost per square foot to implement an office renovation project," the related performance target, "up to \$24 per square foot," and the current status, "\$16.43 per square foot."

3. *Review customer service survey methodology.*

Because it was not within the scope of this project, we did not review the validity of the Division's customer service survey. We noted, however, that the number of completed surveys was quite small for some questions. Because low response rates can be problematic when interpreting survey results, we encourage the Division to review its methodology for future surveys.

Appendices

Appendix A Criteria for a Good Set of Performance Measures

Professional literature that we reviewed suggests that properly developed sets of performance measures possess several distinctive characteristics.¹ According to this literature, good sets include measures that are:

- **Valid.** They measure what they purport to measure – that is, a high score on a given measure does, in fact, reflect possession of the underlying dimension or quality.
- **Reliable.** The measure is accurate and exhibits little variation due to subjectivity or use by different raters (for example, a measuring tape is a reliable instrument in that it is highly objective, and two different persons using the same instrument are likely to get very similar measurements).
- **Understandable.** Each measure has an unmistakably clear meaning.
- **Timely.** The measures can be compiled and distributed promptly enough to be of value to operation managers or policy makers.

¹ Harry P. Hatry, "Performance Measurement Principles and Techniques"; Charles K. Bens, "Strategies for Implementing Performance Measurement," Management Information Services Report 18 (November 1986); Harry P. Hatry, Louis H. Blair, Donald M. Fisk, John M. Greiner, John R. Hall, Jr., and Philip S. Schaanman, *How Effective Are Your Community Services? Procedures for Measuring Their Quality*, 2d ed. (Washington, DC: The Urban Institute and International City/County Management Association (ICMA), 1992), 2-3, quoted by David N. Ammons, *Accountability for Performance, Measurement and Monitoring in Local Government*, ICMA, Washington DC, 1995, 21-22.

- **Resistant to perverse behavior.** The development of a performance measure raises the profile of the performance dimension being examined. That higher profile sometimes brings unintended consequences or even strategies designed to “beat the system” – for instance, if police department performance is measured solely by the number of tickets written, police officers may become overzealous in issuing tickets; if garbage collection workers are rated solely by the number of tons collected, a few enterprising crews may decide to water down the garbage before having it weighed. The best sets of performance measures have little vulnerability to such actions because they have been devised carefully and also because they typically include multiple measures that address performance from several dimensions and thereby hold potentially perverse behavior in check.
- **Comprehensive.** The most important performance dimensions are captured by the set of measures. Some minor facets of performance may be overlooked, but the major elements are addressed.
- **Nonredundant.** By favoring unique measures over duplicative measures, the best sets of performance measures limit information overload for managers, other decision-makers, and consumers of local government reports. Each measure contributes something distinctive.
- **Sensitive to data collection cost.** Most dimensions of local government performance can be measured either directly or through proxies. In some cases, however, measurement costs may exceed their value. Good sets of performance measures include the best choices among practical measurement options.

- **Focused on controllable facets of performance.** Without necessarily excluding important, overarching, and perhaps relatively uncontrollable characteristics relevant to a particular function, good sets of performance measures emphasize outcomes of facets of performance that are controllable by policy initiatives or management action. For example, while a police department's set of performance measures might include the rate of domestic homicides in the jurisdiction; a good set of measures would also include indicators of public safety more widely considered controllable by police efforts.

Appendix B Customer Satisfaction Survey Results for 1997 and 1998 Facilities Services Division, Bureau of General Services

Customer Ratings (number and percent):

| No. | Section: | Survey Question: | Satisfactory | | Neither Satisfactory Nor Unsatisfactory | | Unsatisfactory | |
|-----|---|---|--|-----------|--|----------|----------------|-----------|
| | | | 1997 | 1998 | 1997 | 1998 | 1997 | 1998 |
| 1. | Adminis- tration | How satisfied are you, overall, with the service provided by BGS Facilities? | 46 74% | 26 67% | 7 11% | 9 23% | 9 15% | 4 10% |
| 2. | Facilities Maintenance | With regards to security services, how secure do you feel? | 23 72% | 17 50% | 6 19% | 8 24% | 3 9% | 9 26% |
| 3. | | How well does Facilities keep you informed about security enhancements? | 12 39% | 13 41% | 8 26% | 5 16% | 11 35% | 14 43% |
| 4. | | How satisfied are you with the janitorial services provided? | 9 24% | 18 50% | 9 24% | 4 11% | 19 52% | 14 39% |
| 5. | | If you had any complaints about janitorial services, how responsive was Facilities to your complaints? | 12 38% | 22 57% | 6 19% | 4 11% | 14 43% | 12 32% |
| 6. | | How would you rate the quality of communication by the maintenance crew – do they keep you well informed? | 26 64% | 25 71% | 5 13% | 3 9% | 9 23% | 7 20% |
| 7. | | How strongly would you agree/disagree that the maintenance crew completes projects in a reasonable amount of time? | 24 62% | 26 81% | 6 15% | 1 3% | 9 23% | 5 16% |
| 8. | | How would you rate the attitude of the maintenance worker you usually deal with – is he/she considerate of your needs? | 34 89% | 31 94% | 3 8% | 1 3% | 1 3% | 1 3% |
| 9. | | How would you rate the quality of craftsmanship of the maintenance crew? | 29 77% | 29 74% | 7 18% | 2 5% | 2 5% | 8 21% |
| 10. | | If, for your next maintenance project, you had the choice of using BGS Facilities or an outside vendor, which would you be more likely to use? | 17 50% | 23 64% | 10 29% | 8 22% | 7 21% | 5 14% |
| 11. | | Property Management | How would you rate the quality of communication of the property management employee you deal with, does he/she keep you well informed? | 8 80% | 15 57% | 2 20% | 3 12% | 0 0% |
| 12. | How strongly do you agree/disagree with the statement: my project was completed in a reasonable amount of time? | | 7 70% | 13 56% | 1 10% | 8 35% | 2 20% | 2 9% |
| 13. | How satisfied are you with the outcome of your project? | | 8 80% | 15 68% | 2 20% | 4 18% | 0 0% | 3 14% |
| 14. | Project Management | How would you rate the quality of communication by your most recent project manager? Did he/she keep you well informed? | 11 79% | 13 48% | 1 7% | 7 26% | 2 14% | 7 26% |
| 15. | | How strongly do you agree/disagree with the statement: my project was completed within a reasonable amount of time? | 10 77% | 16 61% | 3 23% | 3 12% | 0 0% | 7 27% |
| 16. | | How would you rate the attitude of your most recent project manager? Was he/she considerate of your needs and feelings? | 11 79% | 20 74% | 2 14% | 2 7% | 1 7% | 5 19% |
| 17. | | How satisfied were you with the outcome of your project? | 9 82% | 16 66% | 1 9% | 5 21% | 1 9% | 3 13% |
| 18. | | If, for your next construction project or move, you had the choice of using BGS Facilities or an outside vendor, which would you be more likely to use? | 11 85% | 16 59% | 0 0% | 3 11% | 2 15% | 8 30% |

Source: Audit Services Division's analysis of the Facilities Services Division's annual customer satisfaction surveys for 1997 and 1998.

Appendix C Capital Improvement Projects

| | Year Completed | Space Provided (square feet) | Construction costs only | Construction costs only (per square foot) | Total Project Budget | Total Project Budget (per square foot) |
|---|----------------|---------------------------------|-------------------------|--|----------------------|---|
| Completed Projects | | | | | | |
| East Portland Community Policing Facility | 1997 | 59,000 | \$ 4,735,000 | \$ 80 | \$ 6,500,000 | \$110 |
| SE Precinct Community Policing Facility | 1997 | 16,000 | \$ 2,590,000 | \$162 | \$ 3,200,000 | \$200 |
| North Portland Community Policing Facility | 1998 | 8,370 | \$ 2,068,000 | \$247 | \$ 2,500,000 | \$299 |
| City Hall Renovation | 1998 | 87,500 | \$19,970,000 | \$228 | \$29,300,000 | \$335 |
| Fourth & Yamhill, Parking Garage Addition | 1998 | 56,388 | \$ 5,267,000 | \$ 93 | \$ 6,000,000 | \$106 |
| Completed Work, subtotals and averages | n/a | 227,258 | \$34,630,000 | \$152 | \$47,500,000 | \$209 |
| Projects in Progress | | | | | | |
| Development Building | n/a | 165,000 | \$21,910,000 | \$133 | \$28,000,000 | \$170 |
| Portland Building Re-Occupancy | n/a | 119,500 | \$ 2,390,000 | \$ 20 | \$ 5,070,000 | \$ 42 |
| Fire/Rescue Facilities | n/a | 320,000 | \$28,585,000 | \$ 89 | \$61,000,000 | \$191 |
| Planned Projects, subtotals and averages | n/a | 604,500 | \$52,885,000 | \$ 87 | \$94,070,000 | \$156 |

SOURCE: Bureau of General Services, unaudited data

Responses to the Audit



CITY OF
PORTLAND, OREGON
BUREAU OF GENERAL SERVICES

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April 12, 1999

MEMORANDUM

TO: Gary Blackmer, City Auditor
Dick Tracy, Director of Audits

FROM: David O. Kish, BGS Director *DOK/gk*

RE: Facilities Benchmarking Project

We appreciated the opportunity to work with you in developing good benchmarks for our Facilities Services Division. We asked for your assistance because of your experience surveying other municipalities on "best practices." The report you have prepared will be valuable to us as we continue to refine management techniques inside the division to control costs and provide good facilities for City workers and the public.

Our challenge will be to work with these benchmarks initially, and to refine them over time as an effective management tool without expanding their number to the point we are collecting useless data.

As with any statistics, it is important to be comparing "apples to apples."

With facilities projects, this is often difficult because no two facilities are exactly alike. For example, Appendix C shows costs for several capital projects. The average reader might wonder why construction costs run from \$80 to \$247 per sq. ft. But, we in the business know that each project is unique, each construction site offers new opportunities and problems, and only a very precise analysis of many complex factors will lead you to a meaningful conclusion.

Again, thanks for your help with this project!

DOK.gk

c: Commissioner Jim Francesconi
Kevin Jeans-Gail
Karen Kramer

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