

MINUTES OF DIRECTORS MEETING

LANE TRANSIT DISTRICT

SPECIAL BOARD MEETING

Tuesday, January 21, 2014

Pursuant to notice given to *The Register-Guard* for publication on January 16, 2014, and distributed to persons on the mailing list of the District, the Board of Directors of the Lane Transit District (LTD) held a Special board meeting on Tuesday, January 21, 2014, beginning at 12:00 p.m., at the LTD Board Room, 3500 East 17th Avenue, Eugene, Oregon.

Present: Doris Towery, President
Gary Gillespie, Vice president
Michael Dubick, Secretary
Ed Necker, Treasurer
Gary Wildish
Ron Kilcoyne, General Manager
Jeanne Schapper, Clerk of the Board
Beth Bridges, Minutes Recorder

Absent: Carl Yeh

Available to meeting attendees were two packets: 1) a paper version of ECONorthwest's PowerPoint slides titled, *Measuring the Economic Recovery in Lane County*, and 2) material from the Oregon Economic Forum titled, *Local Economy*.

CALL TO ORDER/ROLL CALL: Ms. Towery convened the meeting of the Lane Transit District (LTD) Board of Directors at 12:08 p.m. and called the roll. With the exception of Mr. Necker, who joined the meeting at 12:15 p.m., all Board members were present.

PRELIMINARY REMARKS BY BOARD PRESIDENT: Ms. Towery welcomed Board members, guests, and staff. She asked those present to introduce themselves. Invited guests were: Tim Duy, Economics Professor, University of Oregon (UO), and Sr. Director, Oregon Economic Forum; Andrew Dyke, Managing Director and Senior Economist, ECONorthwest; Dan Egan, President, Springfield Chamber of Commerce; Phil Farrington, Director, Lane Use Planning & Development, PeaceHealth; Ed Gerdes, Vice President and General Counsel, Café Yumm; and Laura Potter, Director of Business Advocacy, Eugene Chamber of Commerce. Ms. Towery provided a framework for the day's discussion and noted that it was the first of many dialogues on the local economic analysis and potential payroll tax increase.

LOCAL ECONOMIC ANALYSIS PROCESS: Mr. Kilcoyne said the local economic analysis was a precursor to any discussion on changing the payroll tax rate. He referenced an advisory panel of community business members with whom he meets quarterly. He had asked their input on the economic analysis and was very interested in getting additional feedback from the Board and guests at today's meeting.

Mr. Kilcoyne introduced Diane Hellekson, LTD's chief financial officer. Ms. Hellekson outlined the process to date. She referred to the previous analysis that was completed in 2005 by Impresa

Consulting and was included in the agenda packet. The current process differs from the previous in that the Board has requested input on the methodology itself.

Ms. Hellekson introduced Dr. Andrew Dyke with ECONorthwest, the firm that would be proposing methodology and criteria for the evaluation. Dr. Dyke gave a PowerPoint presentation titled, *Measuring the Economic Recovery in Lane County*. Dr. Dyke began his presentation by describing the purpose of the research ECONorthwest planned to undertake. He also described what the research product was not. The intent of the research was to provide the LTD Board with the data and analysis needed for them to determine if the local economy had "recovered to an extent sufficient to warrant the increase in tax" [(ORS 267.385 (8)]. The Oregon Revised Statute states that regional employment and income growth were two factors to be considered. Dr. Dyke noted the purpose of the meeting today was to see if there were additional factors that the Board wanted included in the analysis.

Mr. Gerdes asked if the Board had already decided to raise the payroll tax. Ms. Towery assured him that they had not.

Dr. Dyke presented the required financial indicators. Total regional employment data was updated monthly. The information also was available by industry group; e.g., manufacturing, construction, trade, and government. Personal income data was less current. Annual data was only available through 2012. Personal income data was reportable either by place of residence (which was an indicator of potential spending) or place of work (which was more closely tied to the payroll tax).

Mr. Gerdes stated his opinion that the Oregon Revised Statute intended a focus on wage increases, not personal income changes. Personal income included retirement and other unearned income, which were not germane to the discussion. When he asked if the data could be disaggregated, Dr. Dyke said that it could.

Mr. Farrington asked if employment data by industry group could be further disaggregated so as to match the local employment base. Specifically, was the education sector able to distinguish employment by the University of Oregon (UO) versus other schools? Dr. Dyke responded that some disaggregation was possible; however, he cautioned that some data integrity issues may arise when disaggregation occurred.

Dr. Dyke then described supporting indicators that the Board may want to include in the analysis, including unemployment rate, labor force participation, and the UO's regional economic index. Mr. Necker queried if the UO regional economic index included wage trends. Mr. Duy said that it did not. Dr. Dyke added that there were other sources for wage data available.

Dr. Dyke outlined the analysis' methodology. The analysis compared recent outcomes to those from earlier business cycles in order to compare the current recovery to those of previous recessions. He noted that specific calculations varied by indicator. He explained the relationship between the size of the base and the percent of growth. The same amount of change would be a larger growth if it started from a smaller base. For each indicator, the analysis addressed two questions: 1) to what extent had the indicator recovered relative to the pre-recession peak and subsequent trough; and 2) what did recent trends suggest about current economic conditions? Dr. Dyke said that the intent was to quantify progress made in light of the size of the economic contraction. The methodology enabled ECONorthwest to quantify the relationship among indicators, with a focus on the state-mandated indicators of employment and personal income. It also allowed consideration for the volatility of certain employment sectors.

Responding to Mr. Necker's question about how ECONorthwest selected the leading indicators within economic sectors, Dr. Dyke explained that the analysis could disaggregate employment sector data to better reflect the local situation. For example, technology manufacturing, once a major driver in Lane County, could be reviewed in isolation to the general manufacturing data.

Mr. Gerdes noted that the objective of today's Board meeting focused on the methodology and criteria for the economic assessment. He advocated that the Board not only select criteria but also a target that determined if the criteria had been met. He gave the following examples of criteria and targets:

- Local unemployment rate: no more than 6 percent.
- Percent of adults in the community working: 65 percent or more.
- Percent of unemployed who experience long-term unemployment (27 or more weeks out of work): 25 percent or less.
- Percent of residents at or below the poverty line: 15 percent or less.

Mr. Gerdes stated his belief that it was more difficult to measure those not actively engaged in the work force. He advocated that the study focus on wages, not income. He also suggested removal of data for industries that did not pay the payroll tax. Mr. Gerdes added an additional measure: higher wage jobs replaced by lower wage jobs (no target given).

Mr. Necker said that the most critical factor was wage trends by industry. Dr. Dyke explained that payroll (amount and number of employees) by industry could be calculated.

Mr. Egan presented a different perspective. He said he believed that the economic landscape was fundamentally different than it was ten years ago. Focusing on the present as compared to the past gave an incomplete picture. Mr. Egan recommended the following data be collected:

- Number of emerging businesses and self-employed persons during the last five years; ten years.
- LTD's total annual payroll tax collection over several years.
- Local consumer confidence, perhaps as demonstrated by purchasing decisions.

Mr. Wildish said that it was important to measure how well local businesses are doing and to also ask if there have been improvements in the bottom line.

Dr. Dyke clarified that it was difficult to get data on business profit and loss margins. It was possible to get some relevant information from the Oregon Department of Revenue, but it was not as current as some of the other metrics under consideration. Mr. Duy suggested a potential measure is proprietor's income or dividends.

Mr. Farrington cautioned that employment numbers could be misleading. For example, people may now have two jobs in order to maintain the same level of income as before the recession. From their perspective, their situation does not demonstrate an economic recovery.

Mr. Gerdes questioned if the study was premature. More fundamental questions to first answer include:

- Should LTD have a larger share of the community's economic pie?
- Will the additional revenue LTD receives come from business profits or decreased compensation for workers?

- Does LTD need more revenue?

Mr. Gerdes asserted that the broader policy questions should be answered before undergoing an analysis of economic recovery.

Mr. Kilcoyne responded that the first step was the analysis; for without sufficient economic recovery, any increase in the fee was not possible. Director of Customer Services and Planning Andy Vobora emphasized that the 2009 Oregon State Legislature had concurred with the need for additional funding for mass transit when it passed ORS 267.385. Legislators had set the local economic recovery as the threshold for any increase. Without the recovery, which the analysis would determine, all other questions were mute.

Mr. Gillespie said that the Board wanted to reinstate or improve services. In his view, LTD provided survival services for the community. The fundamental concern that the Board grappled with was timing.

Ms. Potter focused on the political ramifications. She reported that there was a local contingent in the community who questioned the LTD Board's decisions, especially the EmX system. The payroll tax targeted businesses, which some may perceive as unfair. She said that the Board and LTD staff needed to demonstrate that all other revenue sources had been exhausted. Ms. Potter strongly encouraged the Board to deal with public perception issues up front before discussing revenue increases.

Mr. Duy emphasized that the analysis produced only data. It was the Board's role to determine whether or not the economy had recovered, and the decision was not a simple one.

Mr. Egan concurred. Much of the community had experienced a deep recession. For most, the economic recovery to date had not achieved pre-recession levels. He reminded participants that the focus of today's meeting was not whether or not the study should occur but rather to give feedback on the methodology and criteria.

Mr. Dubick emphasized that economic trend data was as one of many factors that the Board needed to consider. Dr. Dyke added that historic economic trend information gave the Board a good context within which to deliberate.

Ms. Towery underscored the importance of public involvement throughout the process.

Mr. Kilcoyne described the constraints of current services. Although ridership had increased, LTD had reduced service hours by 22 percent since Fiscal Year 2002.

Mr. Gerdes acknowledged the increase in efficiency. He concurred with Ms. Potter's observation that questions would arise about the credibility of a decision to increase the payroll tax. To mitigate those concerns, Mr. Gerdes advocated for the Board to set a target for each criterion adopted prior to the review of the data.

Mr. Necker addressed the issue of the increased demand and cost of providing accessible transportation to persons with disabilities. He noted that the LTD General Fund (primarily payroll tax revenues) subsidized the service.

Mr. Kilcoyne added that paratransit services provided by the Americans with Disabilities Act (ADA) was an unfunded federal mandate that did not provide the same opportunity for efficiency gains as other services.

Mr. Farrington questioned whether or not increasing the payroll tax was the best way to add revenues. He suggested that there could be unintended consequences. He added that the economic analysis could include the impact of a payroll tax increase on local businesses.

Mr. Dubick emphasized that the sources for mass transit funding was dictated by the state legislature.

Government Relations Manager Edward McGlone indicated that there are issues with other revenue sources: 1) the gas tax is dedicated to roads; 2) there are compression issues with property tax increases; and 3) Oregon had no sales tax.

Mr. Necker requested that the analysis include an outreach to local businesses and ask if businesses would absorb the tax increase or pass it on to employees. He noted that the timing was good to discuss a revenue increase, as LTD was increasing services.

Mr. Egan refocused the discussion to the meeting objective. He said that deliberation on which factors were most important would help the Board. Mr. Egan expressed uncertainty as to whether or not setting a target would affect the community's agreement with the Board's decision.

Mr. Duy observed that it would be more difficult to determine an economic recovery now than it had been in 2005. It is very difficult to compare current trends with data prior to 2000. He advocated for the Board to set some standard for growth before reviewing the data. Mr. Duy said that some people would question a finding of economic recovery. Relative to past recoveries, the current one doesn't feel like a recovery to many.

Mr. Egan noted that the data would likely show some type of recovery had occurred. The subjective question was whether or not it was sufficient to justify the increased payroll tax.

Mr. Gillespie stated that the community's investment in increased transit service improved the likelihood of an economic recovery. He said that it is important to set the time frame for the analysis. He added that peoples' views and current situations factored into their optimism or pessimism about future economic growth.

Mr. Duy said that the time frame should be from the peak of the last two cycles (i.e., 2000-2007), which included a period of recession. He recommended not including information from the 1990s as the baseline as the economy grew at an extraordinary rate during that time. He also pointed out that 2008 was an anomaly.

Mr. McGlone stated his belief that the legislators' intent was to focus the analysis from the bottom of the most recent recession (a.k.a. "The Great Recession") to the present.

Mr. Duy suggested a broader time frame by comparing economic cycles. The focus was not the recovery per se but the growth rate of the economy. Dr. Dyke added that the general perception is that the economic recovery had started out slowly but was now showing marked improvement.

Mr. Necker concurred with the proposal to focus on economic cycles from 2001 forward.

LTD Finance Manager Todd Lipkin expressed that it is difficult to set targets for the measures. He said that it is important to look at the data interaction among economic matrixes.

Mr. Duy recommended adjusting the data, e.g., income and revenue, for inflation.

Ms. Potter maintained concern about the political nature of the decision. Mr. Duy said that he anticipated mixed results from the data.

Ms. Towery described the next step: staff and Dr. Dyke would review the minutes of today's Board meeting and draft a set of criteria, including potential subsets and recommended time frame, for Board review and action.

Mr. Kilcoyne said that once the metrics were determined, the analysis would take about two months to complete. He anticipated that the Board would review the results in the spring, with a decision on whether or not to increase the payroll tax to occur late summer or early fall. He emphasized that the Board is not required to raise the tax rate, even if a finding of economic recovery is determined.

Ms. Towery thanked the participants for the thoughtful discussion.

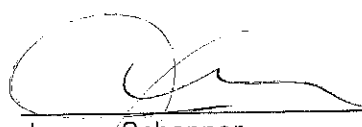
ADJOURNMENT: Ms. Towery adjourned the meeting at 2:00 p.m.

LANE TRANSIT DISTRICT



Michael Dubick
Board Secretary

ATTEST:



Jeanne Schapper
Clerk of the Board

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Approved: February 19, 2014