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LANE TRANSIT DISTRICT BOARD OF DIRECTORS Special Meeting/Work Session

Tuesday, January 21, 2014

12:00 noon to 2:00 p.m.

LTD BOARD ROOM

3500 E. 17th Avenue, Eugene
(Off Glenwood Avenue, in Glenwood)

No public testimony will be heard at this meeting.

Agenda

- 12:00 Lunch Served
- 12:10 Introductions and Welcome Doris Towery
- Roll Call LTD Board Members:
Necker ____ Wildish ____ Yeh ____ Dubick ____
Gillespie ____ Towery ____ Vacant ____
- 12:15 Local Economic Analysis Process
- Overview Ron Kilcoyne/Diane Hellekson
 - Presentation and Discussion Andrew Dyke, ECONorthwest
- Objective: Develop a methodology and criteria for assessing local economic conditions in order to determine if the local economy has recovered sufficiently to justify a gradual increase in the payroll tax rate over ten years.***
- 2:00 Wrap Up/Adjourn Doris Towery

AGENDA ITEM SUMMARY

DATE OF MEETING: January 21, 2014

ITEM TITLE: ECONOMIC ANALYSIS PROCESS

PREPARED BY: Diane Hellekson, Chief Financial Officer

ACTION REQUESTED: None

BACKGROUND:

Lane Transit District has contracted with ECONorthwest to propose methodology and criteria to evaluate whether the local economy has recovered from the recession of 2008; and if so, to what extent. Andrew Dyke of ECONorthwest will be present at the January 21 special Board meeting to present his proposal and solicit comments and suggestions from special meeting participants.

Mr. Dyke will have materials that will be made available to meeting participants slightly in advance of the meeting, but will not be available in time for inclusion in the meeting agenda packet. Meeting participants will be asked to provide direction for the study that will follow the finalization of study methodology and criteria.

After the January 21 special meeting, Mr. Dyke will conduct the local economic analysis study and prepare a report on his findings. The report will be presented to the Lane Transit District Board of Directors at a future meeting. Please note that the economic analysis report prepared by Impresa in 2005 is attached for review and consideration. However, the ECONorthwest study will not be modeled on the previous work.

ATTACHMENTS:

- 1) ECONorthwest Proposed Scope of Work
- 2) Impresa Eugene-Springfield Economic Performance Report (2005)

PROPOSED MOTION: None

Q:\Reference\Board Packet\2014\01\Special Mtg 01-21-14\Economic Analysis Pricess

DATE: November 12, 2013
TO: Diane Hellekson and Jeanette Bailor, Lane Transit District
FROM: Andrew Dyke, ECONorthwest
SUBJECT: PROPOSED SCOPE OF WORK RESPONDING TO LTD RFP #2013-58

Introduction

We understand that Lane Transit District (LTD) desires to contract with ECONorthwest (ECONW) for economic analysis services to support LTD's Board of Directors in determining whether local economic conditions support an increase in the payroll and self-employment taxes levied by LTD, consistent with provisions contained in Oregon Revised Statutes (ORS) 267.385 and 267.387. We further understand that LTD seeks to commence work on or around the January 1, 2014. This memorandum describes our proposed scope of work and budget for the relevant services described in LTD's *2013-58 Economic Analysis RFP_final.pdf*.

As established in statute, regional employment and income growth constitute the factors to be considered in determining whether local economic conditions satisfy ORS 267.385 and 267.287. An underlying question is whether the incremental revenue raised by increased tax rates offsets potential negative effects of the increased rates on the economy. However, we interpret the project described in the RFP as a strictly positive analysis of historical data series rather than a forward-looking forecast of revenue and economic conditions. ECONW would develop a separate scope of work for the more intensive forecasting analyses if the Board of Directors desires.

ECONorthwest performs economic and financial analyses for businesses, attorneys, and governments throughout the Pacific Northwest. ECONW has extensive experience in evaluation of public policies and services, and consults in a wide range of areas, including transportation, land-use planning, market and feasibility analysis, environmental and natural-resource management, financial markets, and economic development. ECONW staff are experienced in building and operating forecasting models to advise MPO's, municipalities, counties, agencies and special districts, utilities, and private clients. ECONW maintains a well-deserved reputation for high-quality analysis, products, and service. ECONW communicates rigorous technical analysis in an objective and understandable way.

Key project staff will include Dr. Randall Pozdena, Managing Director and Senior Economist at ECONW, and former Vice President of the Federal Reserve Bank of San Francisco, and Dr. Andrew Dyke, also a Managing Director and Senior Economist. Both have extensive experience implementing regional economic forecast models and reporting findings to a wide array of clients, including local transportation agencies. Curriculum vitae for Dr. Pozdena and Dr. Dyke, client references, and additional information about relevant ECONW projects are all available upon request.

Proposed scope and budget

Below, we describe the proposed project scope of work and budget in three distinct tasks. We propose a fixed-fee for each task, with a total proposed budget of \$13,000.

Task 1. Preparatory work

The first task will include meeting with the LTD Board of Directors to propose specific criteria for the analysis and preparing a detailed, written methodology for the proposed analysis, after incorporating Board feedback into the criteria. The meeting will also include a discussion of data LTD can provide to ECONW to support the planned analysis as outlined under Task 2, below. Specifically, we anticipate that LTD will provide prior to the meeting relevant documentation regarding earlier tax increases and determinations of economic vitality supporting the increases, other relevant, recent economic analyses conducted for or by LTD, and possibly other data in electronic format depending on the specific criteria agreed upon with the Board of Directors.

Proposed Task 1 budget: \$2,500

Proposed Task 1 timeline: Draft written methodology and final criteria submitted within two weeks after the Board of Directors meeting. Final methodology document submitted within one week after receiving a single consolidated set of feedback on the draft.

Task 2. Data analysis

Task 2 consists of the regional economic analysis that will support our conclusion regarding the strength of the local economy, as determined by the criteria developed during Task 1. We will collect necessary data on regional employment, income, and other sources as necessary to evaluate the criteria established in Task 1.

We will summarize our and, based on these findings, document our professional opinion regarding the status of the local economic recovery. We propose that the Task 2 work products consist of a brief memorandum documenting our opinion and a supporting PowerPoint presentation that summarizes the memorandum and presents additional supporting evidence.

Proposed Task 2 budget: \$8,000

Proposed Task 2 timeline: Draft findings and professional opinion submitted within four weeks after the Board of Directors approves the final methodology and criteria. Final Task 2 work produces submitted within one week after receiving a single consolidated set of feedback on the draft.

Task 3. Reporting

Task 3 includes presentation of our Task 2 findings before the LTD Board of Directors and senior LTD staff in a public session. ECONW staff will respond to questions during the session and may, depending on the scope of the questions, prepare a brief memorandum for the Board of Directors that documents questions and answers that arise at the public session.

Proposed Task 3 budget: \$2,500

Proposed Task 3 timeline: Public session date TBD. All follow-up documentation submitted within one week of the session. We consider project work complete upon submission of this documentation or after the session if no follow-up documentation is required.



Joseph Cortright

Laurel Dukehart

March 16, 2005

TO: Board of Directors, Lane Transit District

FROM: Joseph Cortright, Economist

RE: Eugene-Springfield Economic Performance

This memorandum reviews the recent economic performance of the Eugene-Springfield metropolitan economy with the objective of providing the Lane Transit District Board with the information it needs to make a determination about the state of the regional economy.

I would recommend that the board consider the entire body of evidence presented here in making judgments about metropolitan economic performance. No single indicator proves or disproves the robustness of the region's economy at any point in time. Together, however, these data paint a picture, like the tiles of a mosaic, which illustrate current economic conditions.

This memorandum compiles data from a series of sources that provide the most current available data on the region's economic performance. Wherever possible I have presented data reflecting monthly developments (usually data series that are available with only a one or two month lag). I have presented some supplementary annual data and statewide data (with the latest observations being through 2004), but do not rely heavily on such information because it lags current economic performance. In presenting most data series we have marked trends by looking at year-over-year change in a data series—the percentage change in the same series from the value it had in the same month in the previous year. This approach minimizes the effect of seasonal variations in data.

I have also supplemented current, monthly data on the Eugene-Springfield metropolitan area with selected statewide data to illustrate trends for which local data are not available. These data are laid out in a series of charts (attached), and I have briefly summarized the content and recent trends illustrated by each chart in the remainder of this memorandum.

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Eugene-Springfield Economic Performance

The 2001 Recession Followed Nearly A Decade of Steady Growth (Chart 1). Chart 1 plots total payroll employment for the Eugene-Springfield Metropolitan Area (Lane County) since 1990. On this chart, the lighter zig-zag line represents actual monthly employment and the smoother, bold line represents a 12-month moving average of employment. After a brief and relatively mild downturn in employment during the 1990-91 national recession, the region recorded nearly a decade of steady gains in employment through the first quarter of 2001. Since its peak in 2001, the region's employment has fluctuated in the range of 140,000 to 1450,000 employees. Payroll employment data are gathered in connection with the federal and state unemployment tax system, and measure total non-farm payroll employment. These data do not reflect many of the self-employed, and those working in many agricultural enterprises. Payroll employment data are not adjusted to account for multiple job-holding.

Payroll Employment Trending Upward in Last Year (Chart 2)

Payroll employment grew steadily in 2004; the region has recorded eleven consecutive months of year-over-year changes in employment since January, 2004. The data suggest that the region experienced a double dip recession, with a brief, but unsustainable rebound in employment in the latter part of 2002.

Household Employment Shows Strong Growth (Chart 3)

Household employment (a broader, survey-based measure of employment) has shown year-over-year gains for each of month of the 2004. The household employment trends confirm the same pattern of growth as the payroll employment series. Household employment is estimated from the results of the monthly national household survey conducted by the Bureau of Labor Statistics. Nationally, these data have shown somewhat stronger performance than the payroll series.

Unemployment is Down (Chart 4)

The Eugene-Springfield metropolitan unemployment rate has been trending unevenly downward since April, 2003, when it recorded a peak monthly unemployment level of slightly more than 9 percent. The unemployment rate is now 6.2 percent. The region recorded a low of about 5 percent unemployment at the peak of the national economic expansion in 2000. Unemployment rates are a key measure of economic hardship and labor market tightness.

Manufacturing Employment Shows Gains (Chart 5)

Manufacturing is one of the most important drivers of the region's traded sector. Manufacturing employment in Lane County has increased for each of the last nine months on a year-over-year basis. As in the nation as a whole, manufacturing bore the brunt of the national recession in 2001 and 2002.

Wood Products Manufacturing Employment Up (Chart 6)

One of the most important components of Lane County's manufacturing sector is the wood products manufacturing industry, which employs nearly 5,000 workers. The industry showed year-over-year declines in employment from 2001 through early 2004. Over the last half of 2004, however, the industry has shown positive growth in employment over the previous year.

Transportation Equipment Manufacturing Employment Up (Chart 7)

One of the fastest growing parts of Lane County's manufacturing sector is transportation equipment manufacturing—including recreational vehicle manufacturers—which employs 4,500 workers. The industry showed year-over-year declines in employment from 2001 through early 2004. Over the last half of 2004, however, the industry has shown positive growth in employment over the previous year.

State Income Tax Withholding Increasing (Chart 8)

Ideally, we would like to be able to measure monthly changes in personal income. The best contemporaneous surrogate measure we have of income measure is state tax withholding receipts, which reflect changes in the wage and salary earnings of Oregon workers. These data show the bottom of the downturn was experienced in the 2nd quarter of 2002, with weak growth through early 2003. Withholding payments actually declined on a year-over-year basis in 2001 and 2002, and grew at a 3 percent rate in 2003. Over the last year, however, withholding revenues have been rising at a 6 percent year-over-year rate. The improvement in this indicator in 2004 has led the state economist to call this "the most promising indicator that economic recovery, and thus a state fiscal recovery, is in progress."

Oregon Payroll Employment Forecast (Chart 9)

The state economist's March 2005 forecast suggests that the nearly three-year long economic downturn is over, and that Oregon will experience economic growth in the two percent range over the next several years. The Eugene-Springfield Metropolitan Area tends to follow the same cyclical pattern as the overall state economy, and consequently, this is an indicator of likely continued economic expansion in the local economy in the years ahead.

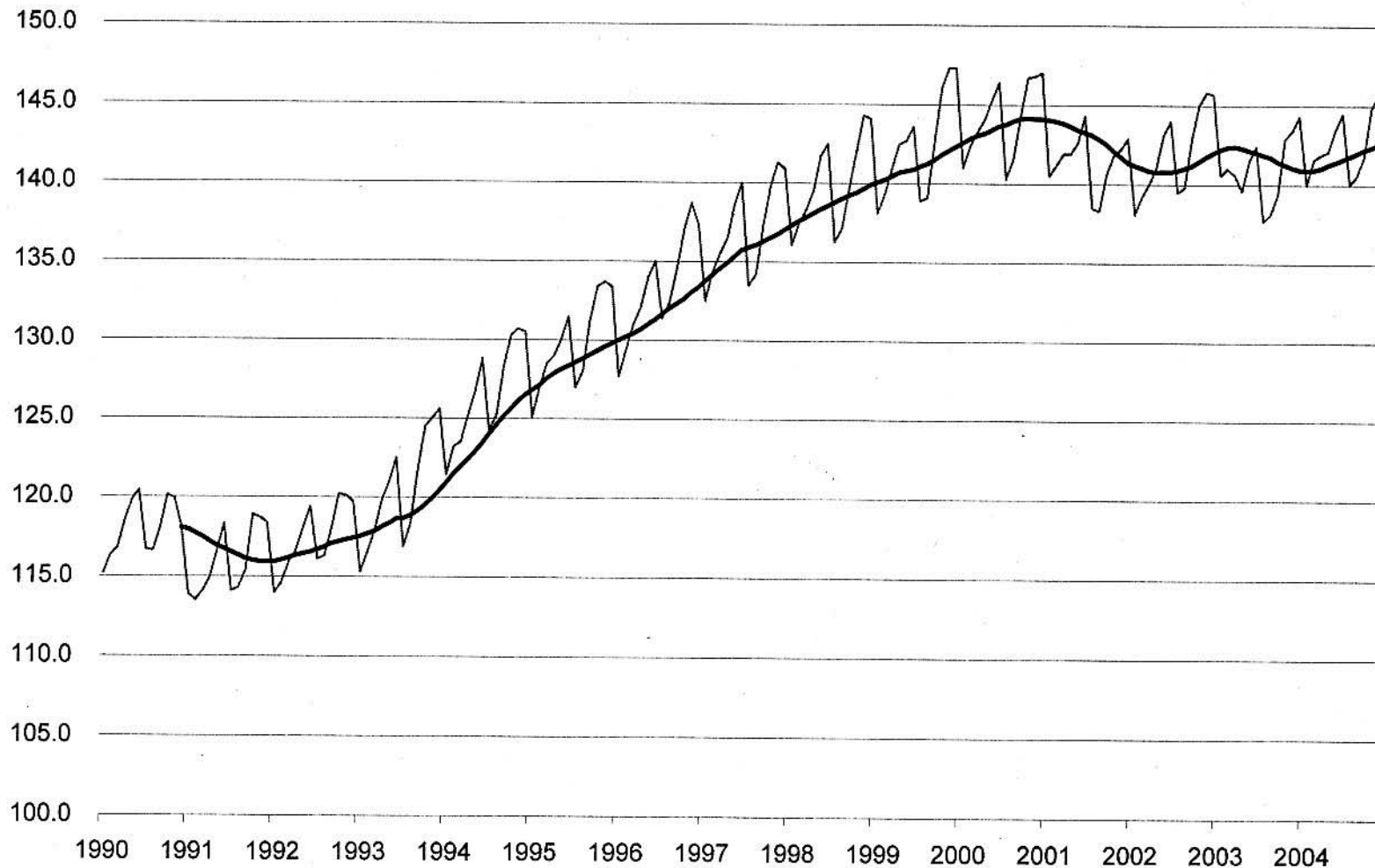
Long Term Growth (Chart 10)

The long term pattern of economic growth in Lane County is illustrated in Chart 10, which shows the percentage change in wage and salary employment for each year from 1961 to 2001. The overall rate of employment growth has generally been slower in the 1980s and 1990s than in was in the 1960s and 1970s. It is also apparent that the current downturn has been far less severe than the 1979-82 decline.

Non-Construction Employment Trend (Chart 11)

Some are concerned that the current economic rebound in Lane County is the result of short-term factors, including publicly-funded construction projects, and consequently, the growth trend will not be sustained, once these projects are completed. Chart 11 shows the year-over-year change in total wage and salary employment in Lane County **excluding** the construction sector. These results show the same rebound in non-construction employment as in the overall economy; consequently it does not appear that the current rebound is dependent on short-term construction spending.

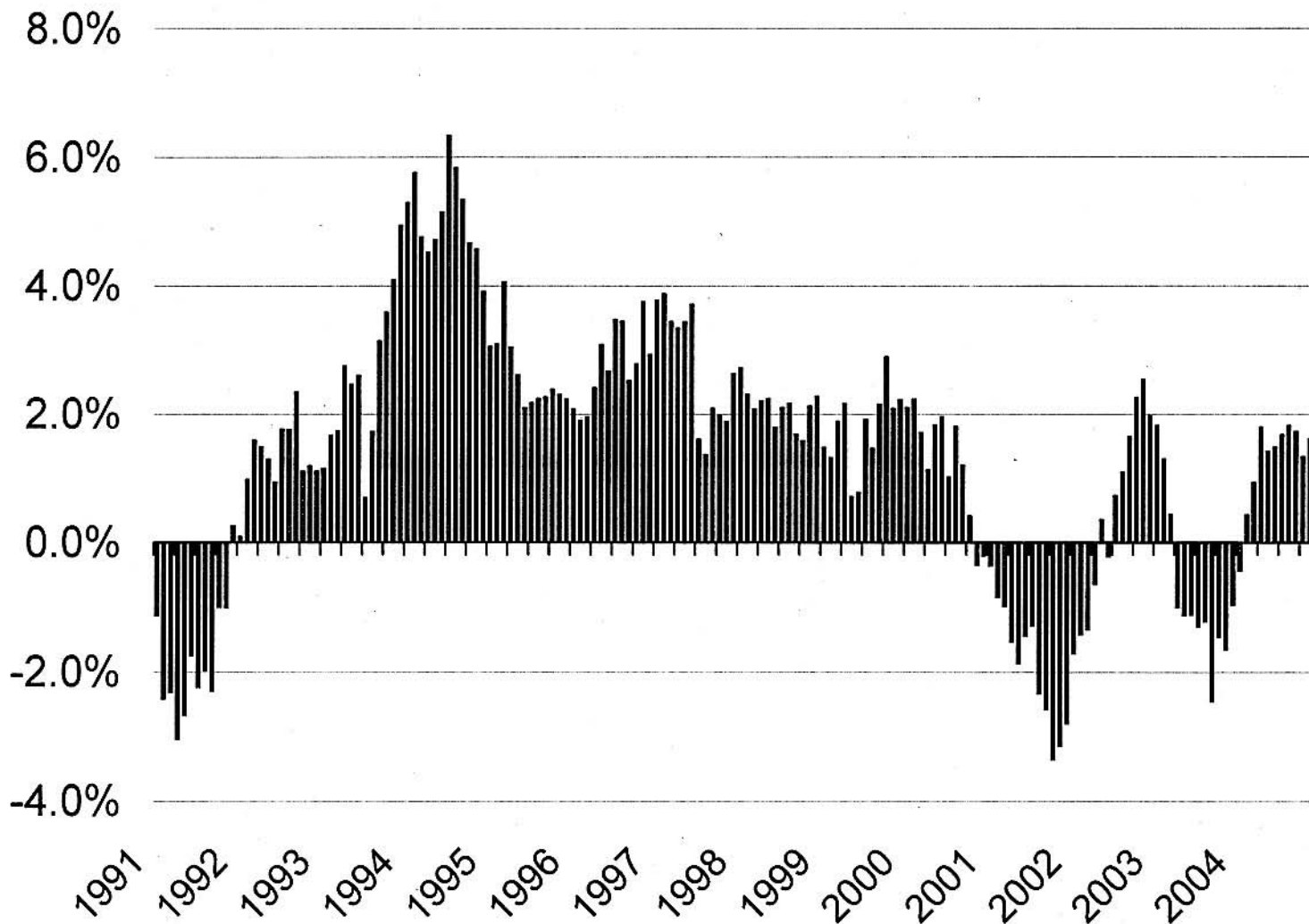
Payroll Employment Trends--Eugene-Springfield, 1990-2004
Total Payroll Employment (Thousands)



EUGENE-SPRINGFIELD ECONOMIC PERFORMANCE

Eugene-Springfield Payroll Employment

Year over Year Growth in Employment

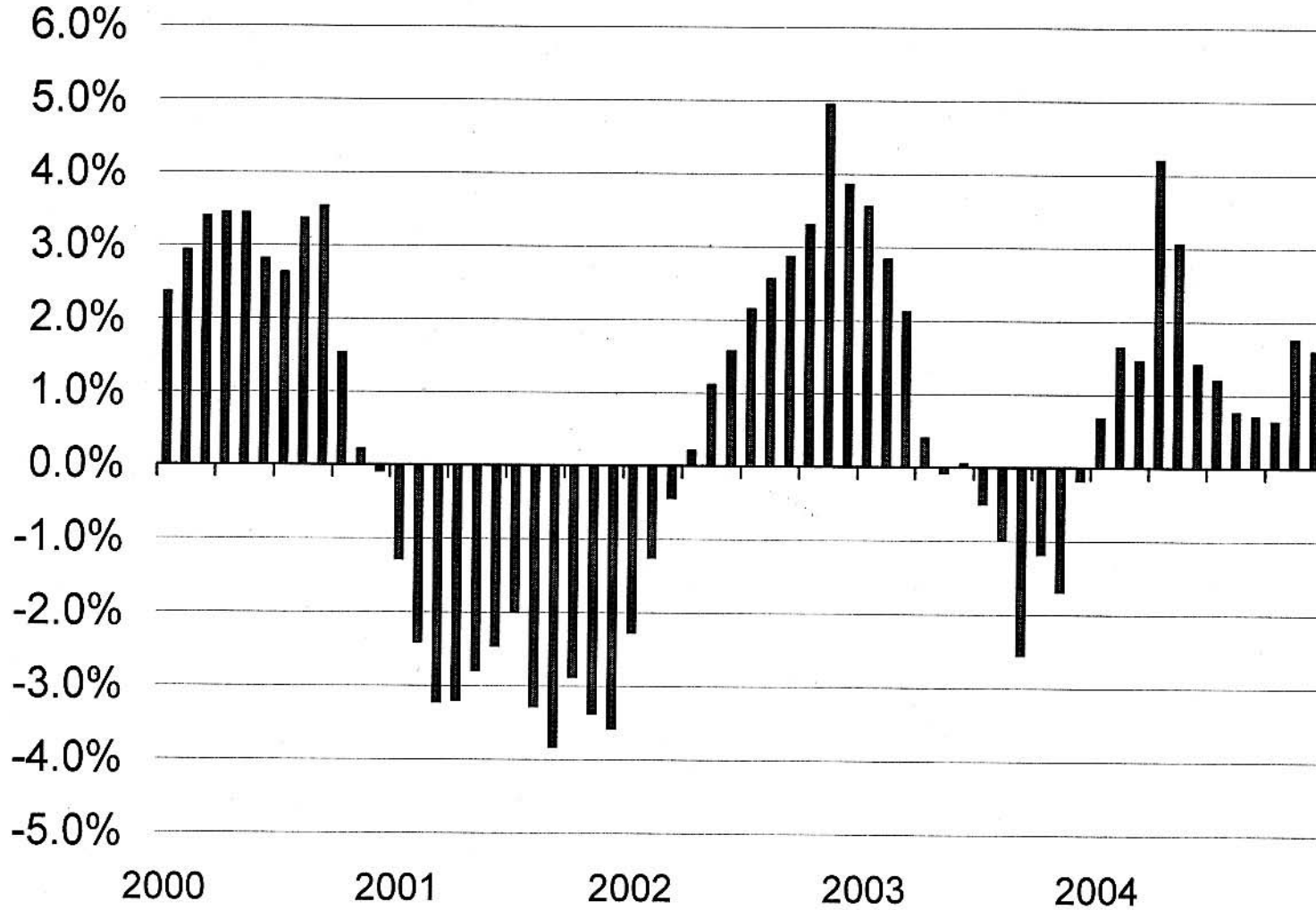


Source: Oregon Employment Department

EUGENE-SPRINGFIELD ECONOMIC PERFORMANCE

Eugene-Springfield Household Employment

Year over Year Change in Household Employment

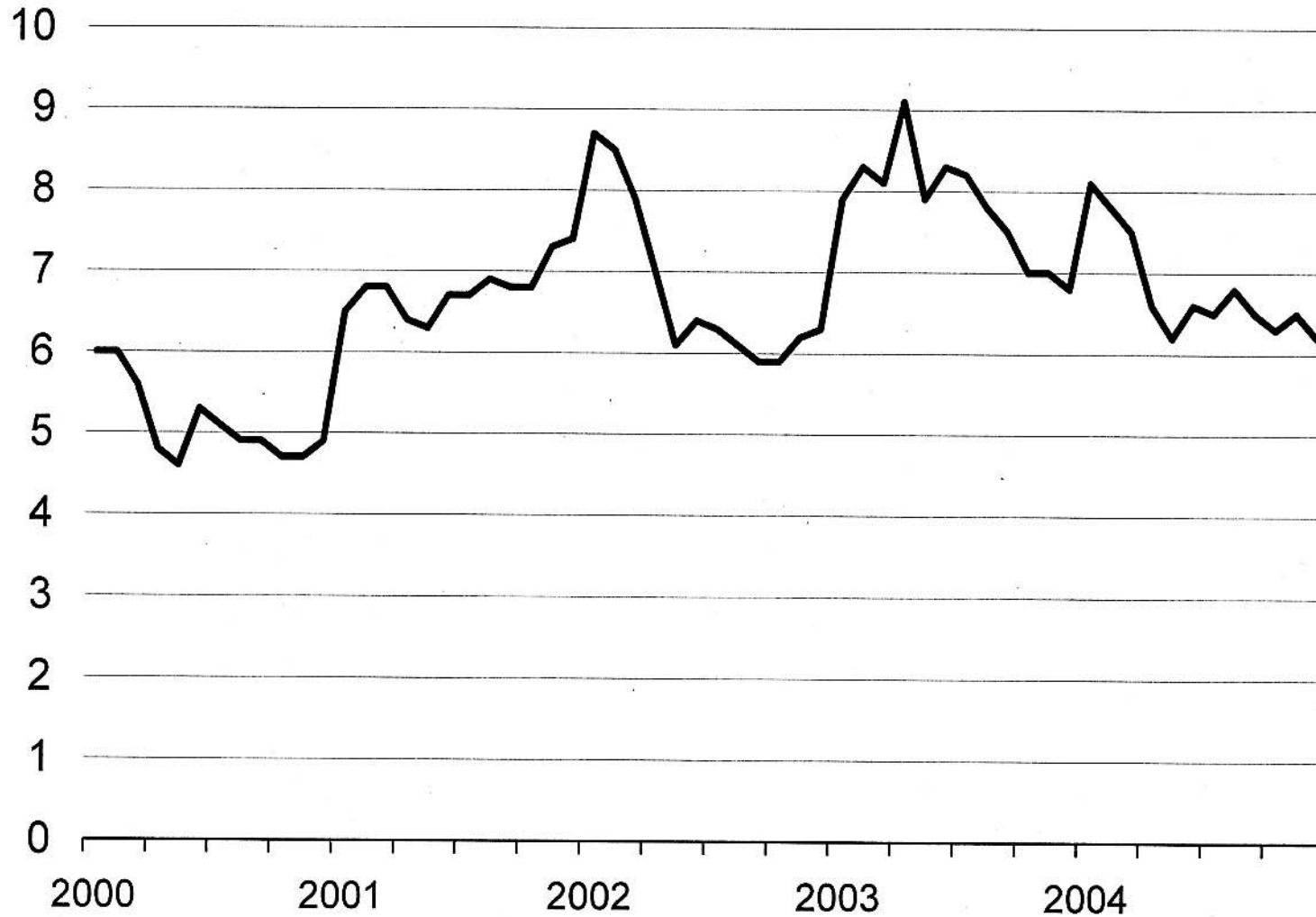


Source: Oregon Employment Department

EUGENE-SPRINGFIELD ECONOMIC PERFORMANCE

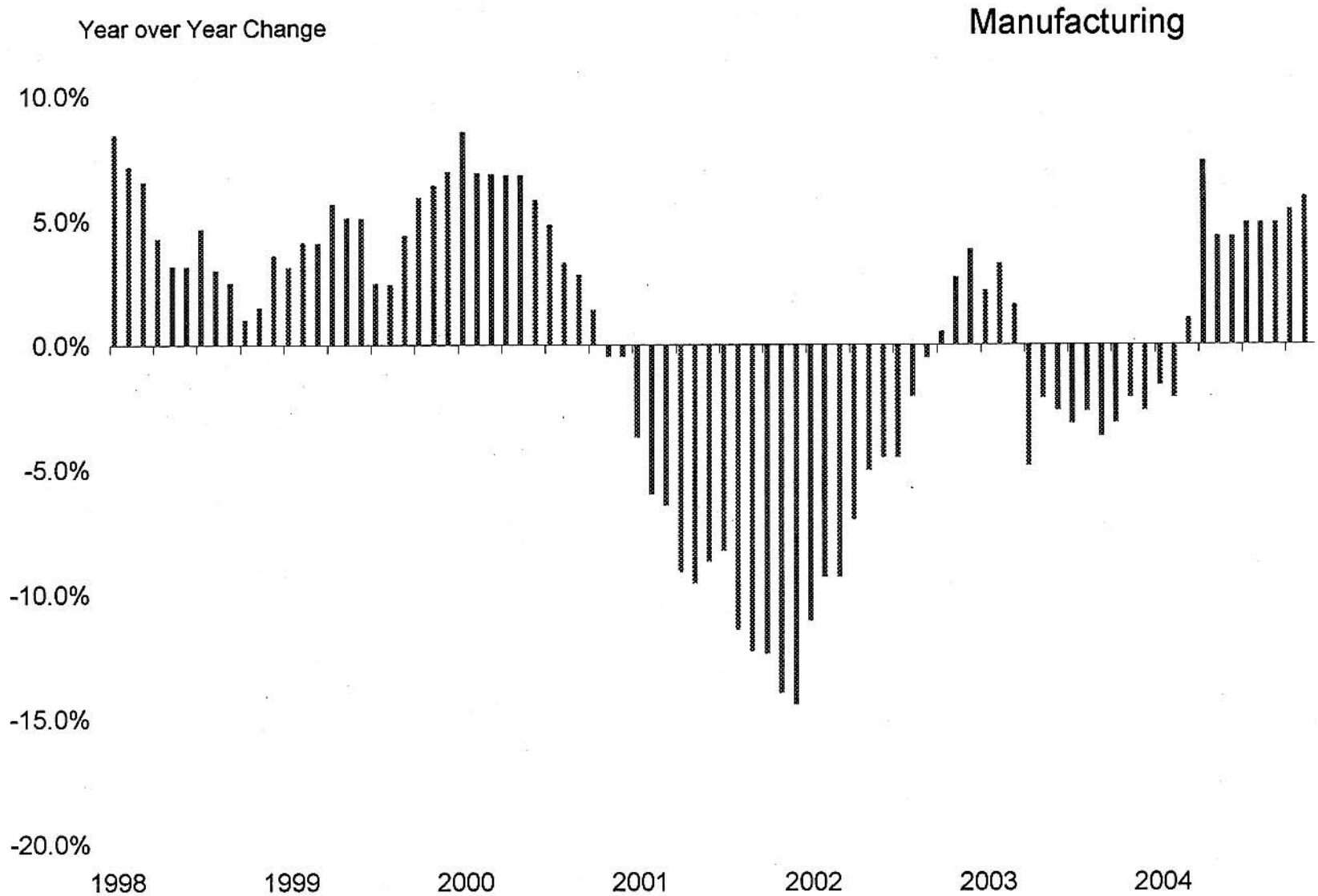
Eugene-Springfield Unemployment Rate

Monthly Unemployment Rate (Not Seasonally Adjusted)



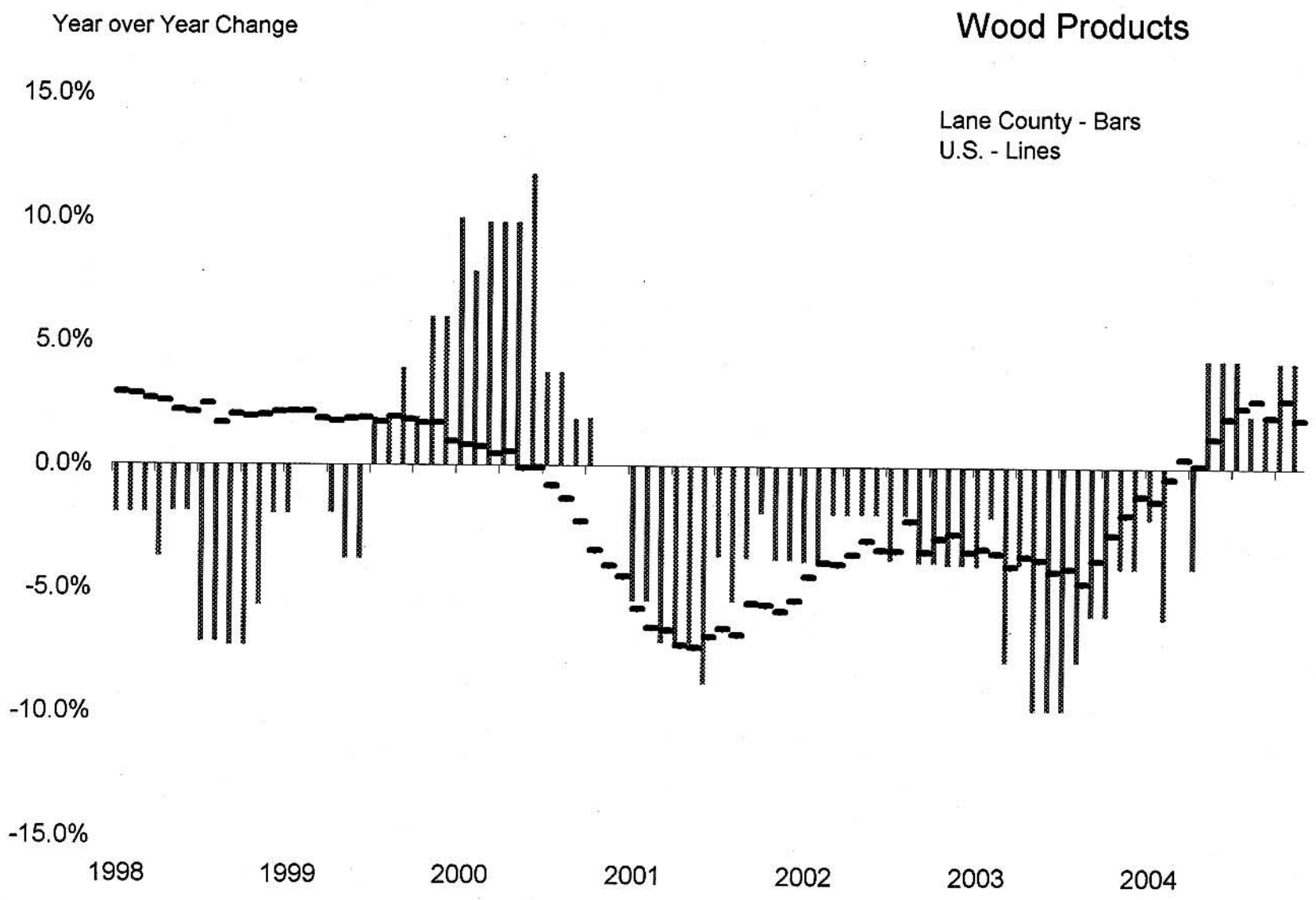
Source: Oregon Employment Department

EUGENE-SPRINGFIELD ECONOMIC PERFORMANCE



Source: Oregon Employment Department

EUGENE-SPRINGFIELD ECONOMIC PERFORMANCE

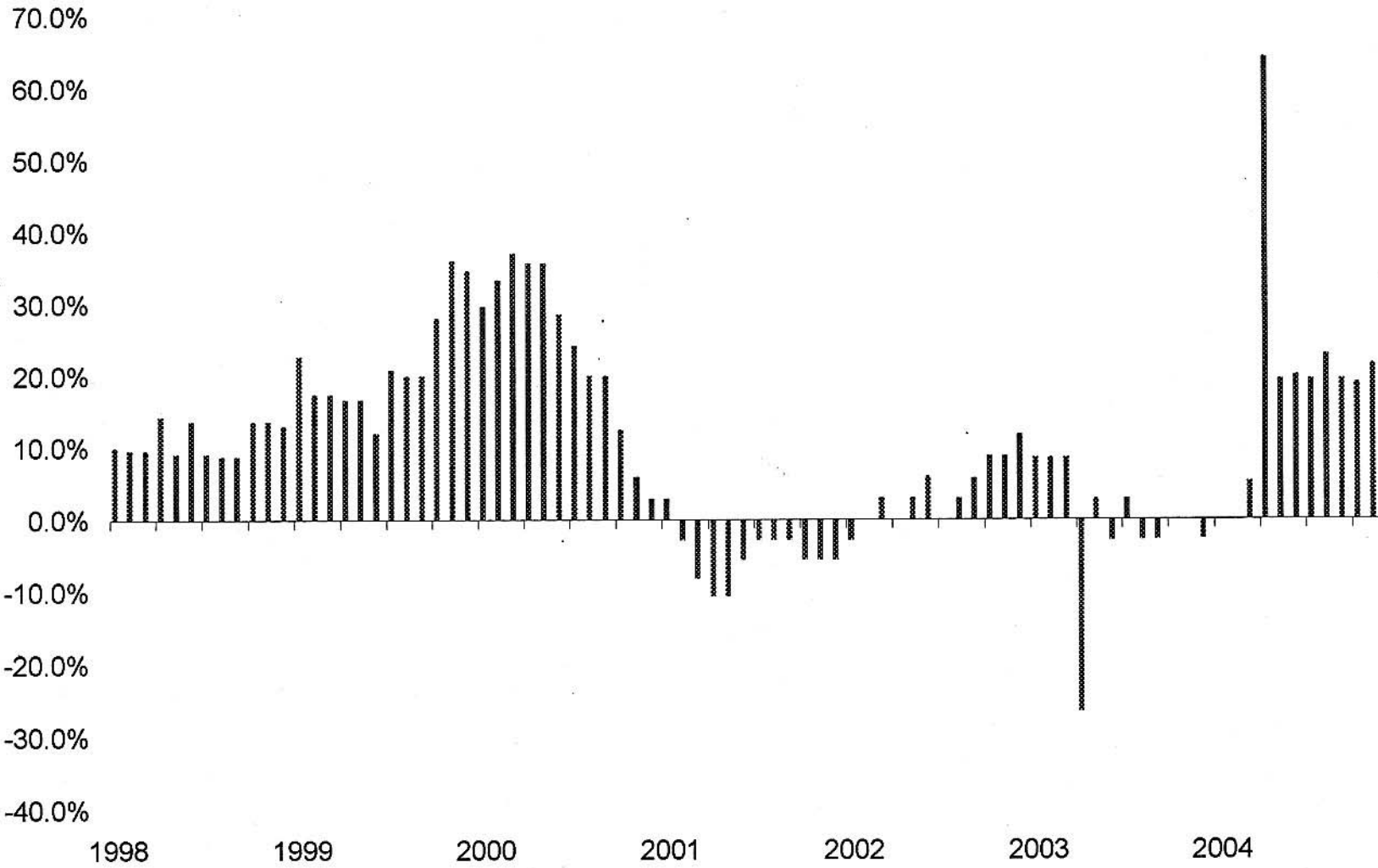


Source: Oregon Employment Department

EUGENE-SPRINGFIELD ECONOMIC PERFORMANCE

Year over Year Change

Transportation Equipment

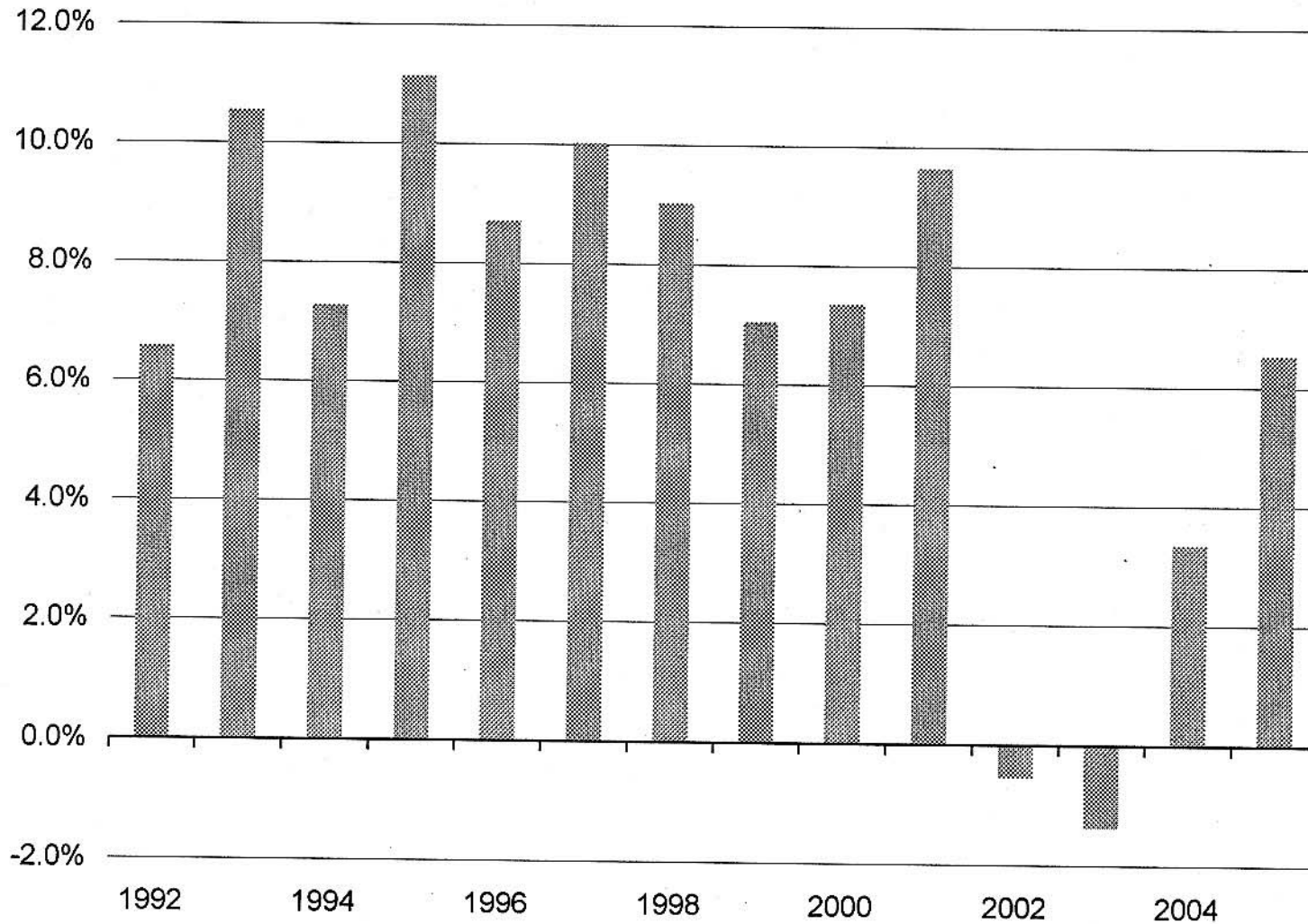


Source: Oregon Employment Department

EUGENE-SPRINGFIELD ECONOMIC PERFORMANCE

Oregon Withholding Taxes Increasing Again

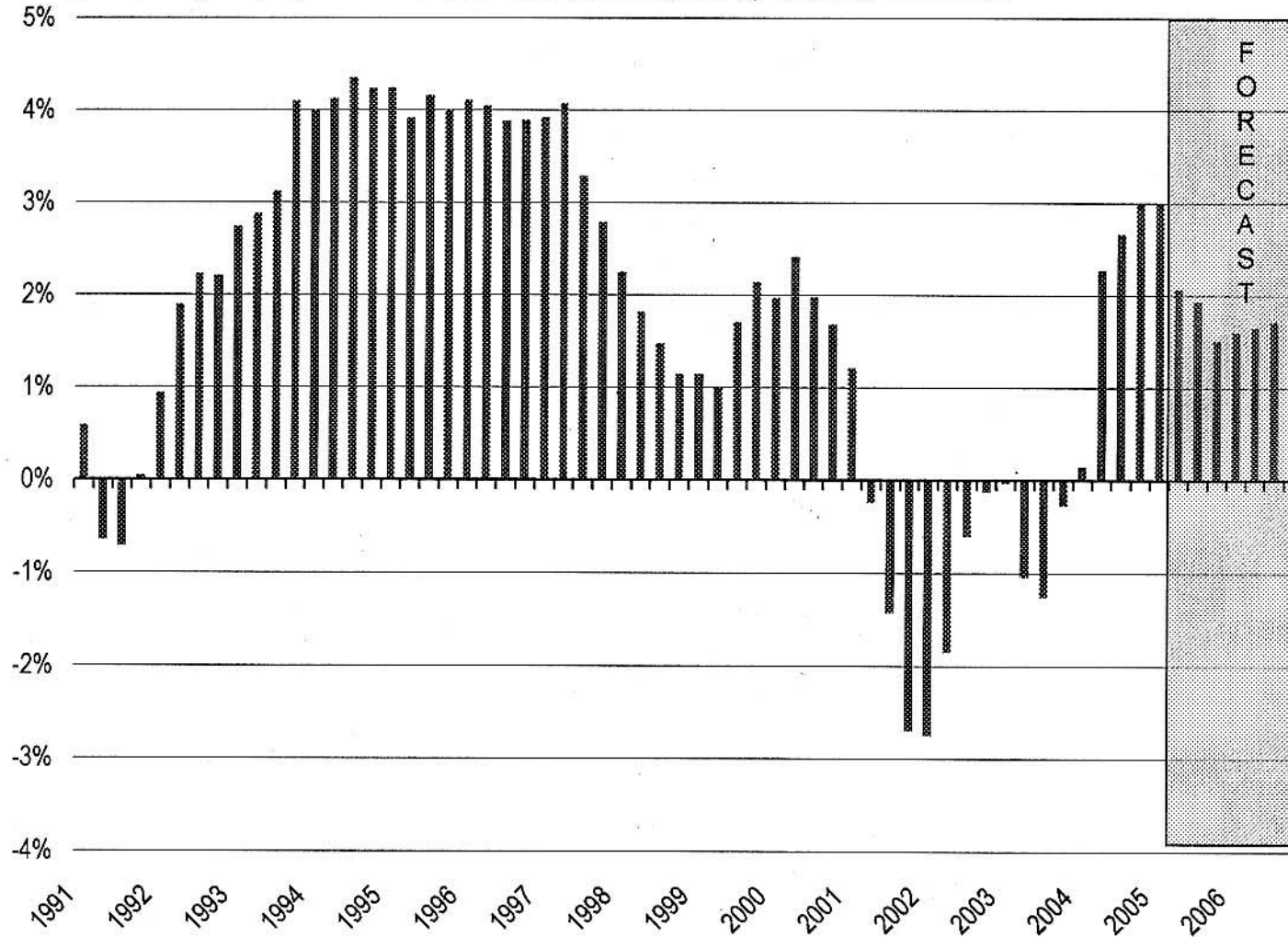
Cumulative year-over-year change in withholding tax receipts, January of each year



Source: Office of Economic Analysis, Oregon Department of Administrative Services

Continued Employment Growth is Forecast for Oregon

Oregon Wage & Salary Employment Year Over Year Growth Rate, by Quarter, 1991-2006

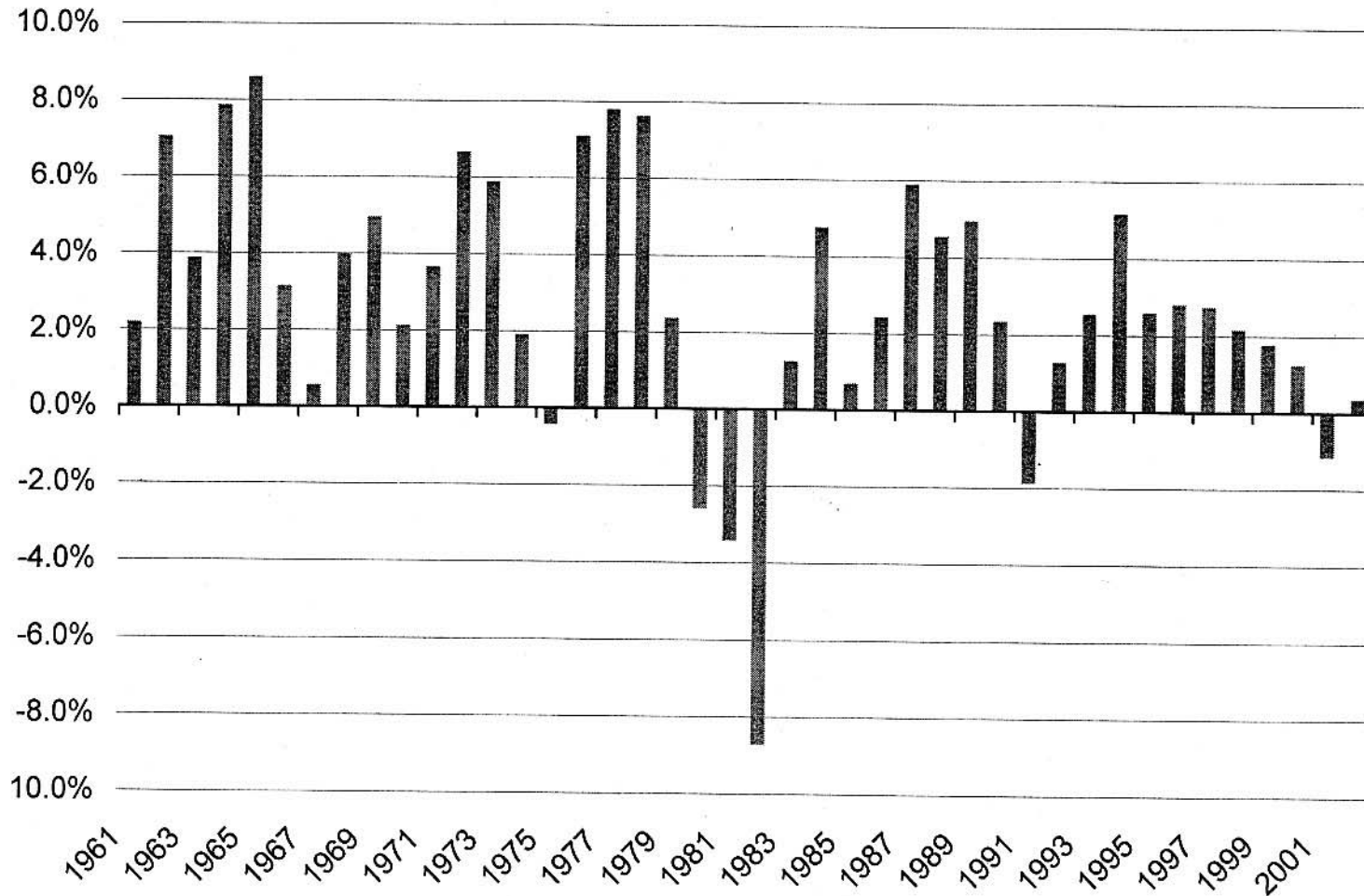


Source: Office of Economic Analysis, Oregon Department of Administrative Services

EUGENE-SPRINGFIELD ECONOMIC PERFORMANCE

Long Term Growth

Year over Year Change in Employment, Eugene-Springfield Metropolitan Area

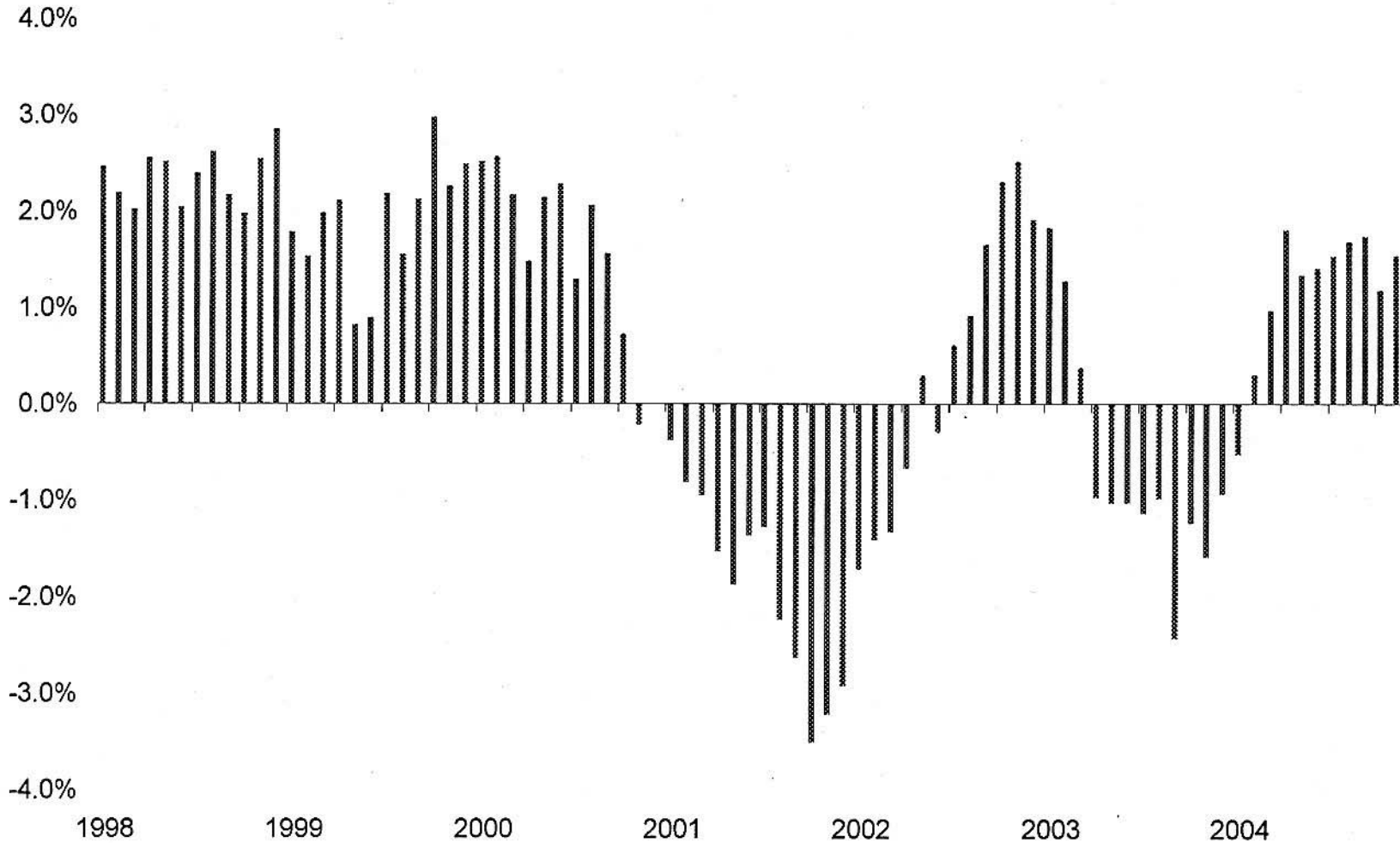


Source: Bureau of Labor Statistics

Change in Employment, Excluding Construction Industry

Non-Construction

Year over Year Change, Eugene-Springfield Metropolitan Area



Source: Oregon Employment Department

Measuring the Economic Recovery in Lane County

Prepared for
Lane Transit District Board of Directors

by
Dr. Andrew Dyke
January 21, 2014

Outline

- Purpose of the research
- Purpose of today's meeting
- Primary indicators – required and otherwise
- Outline of proposed methodology
- Additional discussion

Purpose of the Research

- Provide LTD Board with the data and analysis necessary to determine whether the conditions of ORS 267.385(8) have been met:

“The district board may not adopt an ordinance increasing a tax...unless the board makes a finding that the economy in the district has recovered to an extent sufficient to warrant the increase in tax. In making the finding, the board shall consider regional employment and income growth.”

Purpose of the Research (cont'd)

- Data and analysis presented in the final report will support the Board's decision-making regarding economic recovery.
- The analysis and reporting will **not**:
 - Make the determination of whether ORS 267.385(8) criteria have been satisfied
 - Estimate the impact of a tax increase on the economy or on LTD revenue
 - Forecast future local economic conditions or LTD revenue

Purpose of Today's Meeting

- Identify the indicators necessary to make a determination regarding economic recovery
- Outline methodology for analyzing these primary indicators
- Gather feedback on indicators and methodology

Required Indicators: Regional Employment

- Primary data:
 - Total employment
 - Employment by industry (manufacturing, construction, trade, “FIRE”, government)
- Considerations:
 - Employment data is more current and more detailed than income data
 - And is directly related to economic performance and to LTD tax revenue

Required Indicators: Personal Income

- Primary data:
 - Total personal income by place of residence
 - Total personal income by place of work
- Considerations:
 - Annual data available only through 2012
 - Total personal income not a direct measure of the tax base relevant to LTD tax revenue, but trends qualitatively similar

Supporting Indicators

Supporting indicators provide evidence about additional economic variables relevant to the Board's final determination.

- Unemployment rate
- Labor force participation
- U of O regional economic index
- Other local, state, national indicators?

Outline of Methodology

- The analysis will consider levels, year-over-year growth rates, and the long-term trend for each indicator.
- The analysis will compare recent outcomes to those from earlier business cycles to help characterize the current recovery.
- Specific calculations will vary by indicator (e.g., to consider multi-period averages for “noisy” indicators).

Outline of Methodology (cont'd)

For each indicator, address two questions:

1. To what extent has the indicator recovered relative to the pre-recession peak and the subsequent trough?
2. What do recent trends suggest about current economic conditions?

Outline of Methodology (cont'd)

- Question 1: To what extent has the indicator recovered relative to the pre-recession peak and from the subsequent trough?
 - Calculate the magnitude of the contraction and of the expansion to date
 - Compare current rate of recovery to those from earlier business cycles
- In essence, this tells us the current “state of affairs” for each indicator.

Outline of Methodology (cont'd)

- Question 2: What do recent trends in the indicator suggest about current economic conditions?
 - Compare recent growth rates to long-term trend and to the historical distribution of growth rates for the indicator
 - Quantify the relationships among indicators, with a focus on the two required indicators (employment, personal income)
 - For example, to what extent does mfg. employment growth lead vs. lag growth in other industries?

Additional Discussion

Dr. Andrew Dyke
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