

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ESTABLISHING THE) RESOLUTION NO. 06-3675
METRO COUNCIL OF ECONOMIC ADVISORS)
AND CONFIRMING APPOINTMENTS) Introduced by Council President Bragdon

WHEREAS, Metro periodically prepares a regional forecast of population and employment growth for purposes of evaluating the capacity of the urban growth boundary (UGB) pursuant to ORS 197.299; and

WHEREAS, the regional forecast is the single most important element of Metro's capacity analysis and should have the full confidence of the Metro Council and the people of the region; and

WHEREAS, an independent review of the forecast methodology and assumptions that underlie the forecast would enhance the credibility and acceptance of the forecast; and

WHEREAS, the Metro Council President has appointed the individuals listed below to serve on the Metro Council of Economic Advisors, contingent upon its creation by the Metro Council and subject to Metro Council confirmation; now, therefore

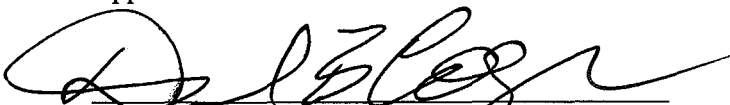
BE IT RESOLVED that the Metro Council:

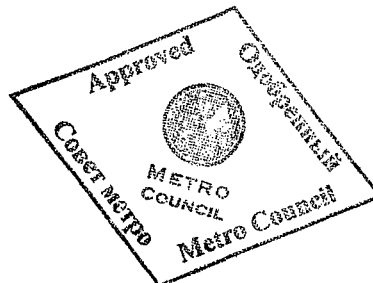
1. Hereby establishes the Metro Council of Economic Advisors, as described in the Roles and Responsibilities, attached to this resolution as Exhibit A, to advise the Metro Council on the methodology and assumptions that produce the regional forecast.
2. Hereby confirms the appointments of Mary Allender, Lawrence Cooper, George Hough, Andrew Plantinga, Dr. Thomas Potiowsky, Timothy McDaniel and Marshall Vest to the Metro Council of Economic Advisors.

ADOPTED by the Metro Council this 16th day of March, 2006.


David Bragdon, Council President

Approved as to form:


Daniel B. Cooper, Metro Attorney



Roles and Responsibilities of the Council of Economic Advisors

Duties:

Due to the importance of the Regional Forecast to regional growth management policy decisions the Metro Council will establish a Council of Economic Advisors to provide peer review of the Regional Forecast. The role of the Council of Economic Advisors (CEA) will be to independently review the validity of the Regional Forecast for use in growth management planning and recommend changes in our approach. The duties and responsibilities include (but are not limited) to an independent review of Metro's economic models, macroeconomic input assumptions, independent comment on land use and transportation assumptions, and advice to Metro Council on the reliability of the Regional Forecast and its methodology.

Reporting Structure:

The President of the Metro Council will appoint members to the CEA for confirmation by the Council. The CEA will report directly to Metro's Chief Operating Officer.

Duties and Responsibilities:

The role of the CEA is to review and attest to the consistency and validity of the Regional Forecast. Specifically they will be asked to:

- Review and affirm the U.S. macroeconomic inputs (i.e., forecast outlook and assumptions);
- Review and consider methodological improvements to the Regional Forecast;
- Review and recommend adjustments, if any, to a draft 2035 Regional Forecast and a 50-year forecast;
- Review the methodology for producing a probabilistic forecast to provide a range for forecast variables used within the model and recommend whether this methodology is appropriate for Metro's growth management work; and
- Review, discuss and advise the Metro Council on issues that have potential long-term economic and demographic impacts on the region.

These duties may be broadened in the future as other issues arise.

Membership Composition:

A seven-member committee will be appointed by the Council and a chairperson from the committee will be selected to conduct meetings and to provide reports to the Chief Operating Officer and the Metro Council. Members may be asked to serve beyond 2006.

Membership will be drawn from public and private agencies and may include a combination of members with the following qualifications:

- Oregon State Economist (coordination with the State is required per ORS 195.025, 195.036 and ORS 197.712)
- Professional Demographers
- Industry Economist (from a key regional sector, e.g., high-tech)
- Financial Analyst (an expert in the financial markets)

- Real Estate Economist
- Utility Economist (e.g., BPA, PGE, Pacific Power, NW Natural)
- Economics or Urban Planning Academic

Stipend:

Each committee member will be paid a \$500 (\$750 for members located outside of Portland) stipend per meeting in addition to travel expenses. The stipend is small compensation for the level of effort required to review Metro's forecast due to the complex linkages that have been established between Metro's land use and transportation models. Committee members will need to look beyond traditional forecasting methods and requirements to understand the suite of models that are used to evaluate land use, transportation and policy decisions made by Metro.

Attendance:

Three meetings of the CEA are scheduled for the 2006 year. Each member is expected to review materials provided and attend the meetings.

Meeting Schedule and Anticipated Topics

1. *April Meeting:* Review of the macroeconomic forecast assumptions, land use, transportation, demographic and industry assumptions and the value of the agricultural economy included in a draft 2035 Regional Forecast and a 50-year long-term forecast. A comparative review of related forecasts is also proposed – e.g., State of Oregon, State of Washington, Bonneville Power Administration, Tri-Met, etc.
2. *June Meeting:* Review a memorandum discussing the development of a probabilistic model to estimate ranges in forecast variables. The committee will be asked to comment on the use of this type of forecast and to determine the feasibility of developing this type of model and whether it is an appropriate tool for use by Metro.
3. *September Meeting:* Review issue papers that discuss possible long-term economic impacts to the economy. The topics ranging from peak oil pricing and its transportation effects, age related population shifts and their impacts on housing choices and the west coast port system and its effects on the local distribution and logistics sector.

STAFF REPORT

RESOLUTION NO. 06-3675, FOR THE PURPOSE OF ESTABLISHING THE COUNCIL OF ECONOMIC ADVISORS AND CONFIRMING APPOINTMENTS

Date: February 22, 2006

Prepared by: Lydia Neill

INTRODUCTION

The Metro Regional Forecast represents a technical assessment of future economic conditions. The growth outlook for the region is used for transportation and land use planning studies and as a basis for managing the urban growth boundary (UGB). Oregon Revised Statutes (ORS) 197.296 directs Metro to prepare a 20-year analysis of regional growth that considers demographic and population trends and economic trends and cycles.

A regional econometric model developed by Metro staff is used to forecast population and employment growth for the Portland-Vancouver-Beaverton OR-WA PMSA. A second economic model, MetroScope (an urban land use real estate forecast model), is used to spatially disaggregate the regional forecast into subarea growth projections for employment and households. The Regional Forecast is based on the best available demographic and economic information at the time the forecast is prepared. Economic assumptions are derived from a national forecast (usually purchased from Global Insight) and demographic assumptions are obtained from U.S. Census and State Department of Vital Statistics.

Presently, the Regional Forecast is prepared by Metro staff and is peer reviewed by a panel of local experts. The Regional Forecast is incorporated in findings adopted during the process of reviewing the capacity of the UGB. The Land Conservation and Development Commission (LCDC) acknowledges the Metro Regional Forecast as part of Metro's Periodic Review of the UGB. Transportation analysis zone (TAZ) sub-area growth allocations of the forecast receive extensive peer review by local jurisdictions including cities, counties, Port of Portland and the Portland Development Commission.

Duties and Responsibilities of the Council of Economic Advisors:

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Membership Composition:

A seven-member committee will be appointed by the Council and a chairperson from the committee will be selected to conduct meetings and to provide reports to the Chief Operating Officer and the Metro Council. Members may be asked to serve beyond 2006.

Membership will be drawn from public and private agencies and the proposed members are indicated below. Members are recommended to have the following qualifications:

- Oregon State Economist (coordination with the State is required per ORS 195.025, 195.036 and ORS 197.712), Dr. Potiowsky
- Professional Demographers: George Hough, Lawrence Carter
- Industry Economist (from a key regional sector, e.g., high-tech)
- Financial Analyst (an expert in the financial markets)
- Real Estate Economist
- Utility Economist (e.g., BPA, PGE, Pacific Power, NW Natural)
- Economics or Urban Planning Academic: Timothy McDaniel, Marshall Vest, Mary Allender and Andrew Platinga

Stipend:

Each committee member will be paid a \$500 (\$750 for members located outside of Portland) stipend per meeting in addition to travel expenses. The stipend is small compensation for the level of effort required to review Metro's forecast due to the complex linkages that have been established between Metro's land use and transportation models. Committee members will need to look beyond traditional forecasting methods and requirements to understand the suite of models that are used to evaluate land use, transportation and policy decisions made by Metro.

Meeting Schedule and Topics

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Review by Metro Policy Advisory Committee (MPAC)

MPAC reviewed a memorandum describing the role of the CEA and its proposed composition. MPAC raised concerns that the CEA should contain industry and business representation. It was also discussed that describing the group as a council of “economic” advisors does not accurately describe the role predicting population growth in the region. The importance of understanding demographic trends like household formation and net migration are an important determinant of the reliability of the forecast. As a result it was recommended that the council contain an adequate number of demographers to address these issues.

ANTICIPATED EFFECTS

Forming the CEA will facilitate a broader review and will lend additional credibility to Metro’s Regional Forecast. Recommendations may include modifications to the model.

LEGAL ANTECEDENTS

None

BUDGET IMPACTS

It is estimated that the project will require an expenditure of \$20,000 for stipends, travel and meeting expenses for the three meetings that are scheduled during the 2006 calendar year. Staff resources and materials and services for this project are included in the New Look budget up through July 2006 and can be carried over to the next fiscal year to meet the CEA schedule. If additional meetings are scheduled and/or the work is extended beyond 2006 additional funding will be required.