Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

Dan Saltzman, Commissioner-in-Charge Linda Jefferson, Director



FY 2013-14

Requested Budget & Five-Year Financial Forecast



PORTLAND, OREGON

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Date: February 1, 2013

To: Mayor Charlie Hales

Commissioner Nick Fish Commissioner Amanda Fritz Commissioner Steve Novick Auditor LaVonne Griffin-Valade

From: Commissioner Dan Saltzman

Re: Fire & Police Disability & Retirement's FY 2013-14 Requested Budget

Enclosed are the FY 2013-14 Requested Budget and FYE 2014-18 Financial Forecast for the Bureau of Fire & Police Disability & Retirement. The FPDR Board of Trustees approved the Requested Budget at its January 22, 2013 meeting.

FPDR was not asked to present cut packages. The bureau's only decision packages are those required to balance with FPDR's partner bureaus.

For FY 2013-14, total bureau requirements are 5.5% above the current year's budget; total requirements net of tax anticipation notes (TANs) are also increasing 5.5%. Over the five-year forecast, bureau requirements are up 27.8%, and total requirements net of TANs are up 25.4%. Most of the increases are due to FPDR 2 pension benefits, increasing as more members retire, and FPDR 3 contributions to PERS that grow as PERS contribution rates increase.

On the resources side, current year property taxes increase 7.3% in the Requested Budget and increase 32.7% over the plan. The Measure 50 Assessed Value rate increases from \$2.61 per \$1,000 in the current year to \$2.88 and will increase to \$3.11 in FYE18. The implied Real Market Value rate per \$1,000 increases from \$1.55 to \$1.72, as the increase in compression due to the library district offsets expected growth in real market value, and to \$1.75 in FYE18.

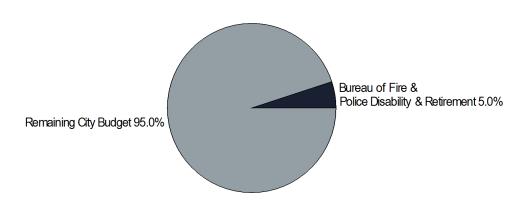
c: Audit Services City Budget Office

Bureau of Fire & Police Disability & Retirement

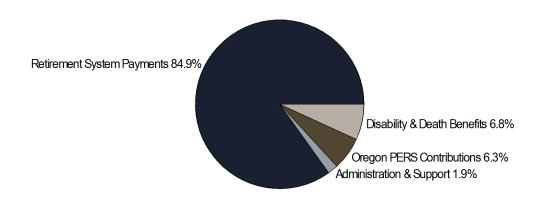
Public Safety Service Area

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Percent of City Budget

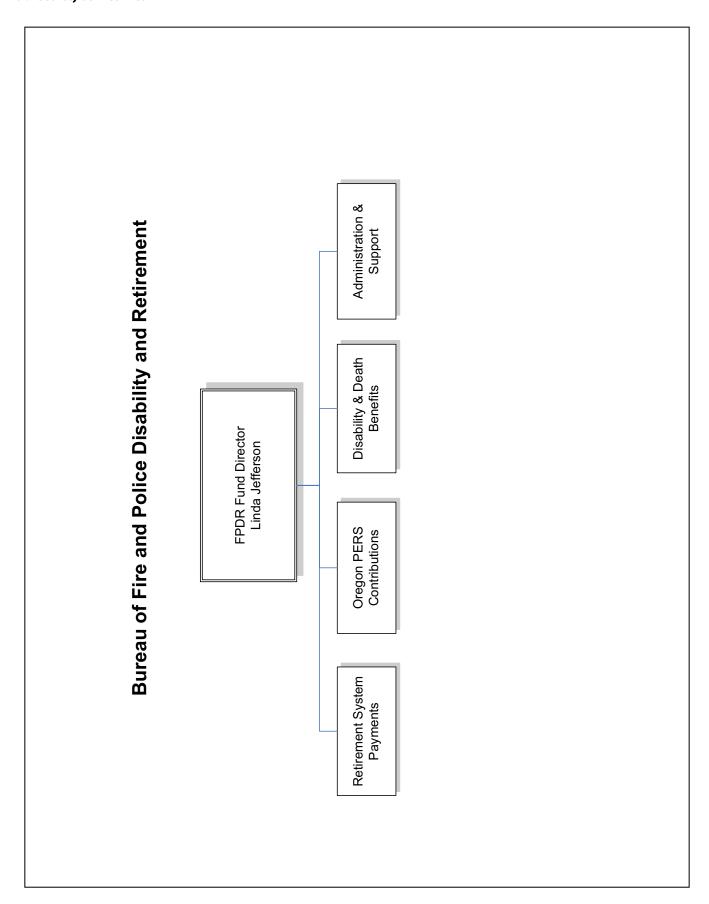


Bureau Programs



Bureau Overview

Revised	Requested	Change from	Percent
FY 2012-13	FY 2013-14	Prior Year	Change
154,486,036	163,768,807	9,282,771	6.01
95,500	30,000	(65,500)	(68.59)
154,581,536	163,798,807	9,217,271	5.96
16.20	16.20	0.0	0.0
	FY 2012-13 154,486,036 95,500 154,581,536	FY 2012-13 FY 2013-14 154,486,036 163,768,807 95,500 30,000 154,581,536 163,798,807	FY 2012-13 FY 2013-14 Prior Year 154,486,036 163,768,807 9,282,771 95,500 30,000 (65,500) 154,581,536 163,798,807 9,217,271



Bureau Summary

Bureau Mission

The Bureau of Fire & Police Disability & Retirement (FPDR) administers disability, death, and retirement benefits to Portland firefighters, police officers, and their survivors.

Bureau Overview

FPDR consists of four programs: Administration and Support, Disability and Death Benefits, and two retirement programs - Retirement System Payments and Oregon Public Employees Retirement System (PERS) Contributions.

Retirement System Payments

Retirement System Payments governs direct pension benefits or refunds of contributions to members hired before January 1, 2007 and their beneficiaries. The FY 2013-14 program budget is \$104.7 million, including \$90,000 for program delivery. It is estimated that there will be 1,995 pension recipients by the end of FY 2013-14.

Oregon PERS Contributions

Oregon PERS Contributions manages the reimbursements to Portland Fire & Rescue and the Portland Police Bureau for PERS contributions made on behalf of firefighters and police officers hired after 2006. Program expenditures are budgeted at \$7.8 million for FY 2013-14, an increase of \$2.0 million or 34.5% over the FY 2012-13 Revised Budget.

Disability and Death Benefits

Disability and Death Benefits administers all direct benefit costs for disability (lost time from work), medical claims, vocational rehabilitation, and death benefits. Estimated expenditures for FY 2013-14 total \$8.4 million, a decrease of \$0.5 million or 6.1% from the FY 2012-13 Revised Budget. The program budget includes \$908,000 of costs related to program delivery.

Administration and Support

Administration and Support includes all other costs of operating the bureau. Budgeted expenditures in the Administration and Support program total \$2.4 million, an increase of \$0.2 million from the FY 2012-13 Revised Budget. The Administration and Support budget represents 1.9% of total bureau requirements. Including delivery costs allocated to the retirement and disability programs, the percentage is 2.8%.

Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

Strategic Direction

Portland voters approved 11 amendments to the FPDR Plan in November 2012. FY 2013-14 will be the first full year the amendments are in effect. The most significant changes clarified the final pay definition used to calculate pension benefits for FPDR members hired before January 1, 2007, created a six month service requirement before new employees are covered by the FPDR Plan, and authorized interim disability benefits while a claim is being reviewed. While some of the plan amendments increase costs slightly, the net impact of all 11 amendments is expected to be a significant cost savings, primarily from changes to the the final pay definition.

The recovery of state tax offset benefits overpaid to members from 1991 to 2008 will continue in FY 2013-14, with total repayment expected to be substantially complete by the end of the fiscal year. FPDR estimates that by July 1, 2014 less than \$500 in overpayments will remain to be collected.

Summary of Budget Decisions

Balance to Partner Add Back Packages

FPDR has three decision packages to balance to "add back" packages of partner bureaus. FPDR has not submitted any decision packages of its own. The largest packages comprise the estimated PERS contributions to be reimbursed to the Fire and Police Bureaus if all sworn positions requested in those bureaus' add back packages are retained. The Police package totals \$1.3 million and the Fire package totals \$1.6 million. FPDR also has a \$13,126 package to balance to the add back requests of Office of Management and Finance service providers.

Capital Summary

CIP Highlights

The bureau's only capital project in FY 2013-14 is for improvements to FPDR's new database. Capital improvements are budgeted at \$30,000 in FY 2013-14 and \$111,375 in total for the five year period beginning with FY 2013-14.

Major Issues

FPDR awaits the implementation of the Office of Management & Finance's new Risk Management software to determine if additional improvements are required to the FPDR database to meet the City Charter requirement for comparable recordkeeping with the City's Workers' Compensation records.

Changes from Prior Year

There are no significant changes from last year's CIP. The new database went live in October 2012 as planned. Expenditures through go-live totaled \$229,530, under the \$240,000 project budget. The project has now transitioned from construction to maintenance and improvement. Estimates for capital improvements and operating and maintenance costs have not changed since last year.

Council Goals and Priorities

By providing for consistent tracking and management of pension data for the City's public safety sworn employees, the database project contributes to the City's goal to ensure a safe and peaceful community.

Criteria

FPDR ranks the database project as a high priority because it is critical to delivering benefits.

Capital Planning and Budgeting

Capital Planning Process

FPDR staff reviewed the previous estimates for capital improvements and operating and maintenance costs and determined that the estimates were still appropriate for the bureau's business needs.

City Comprehensive Plan

FPDR's capital program is not intended to address the City's Comprehensive Plan as FPDR's only capital asset is an intangible asset. The Comprehensive Plan addresses only tangible assets.

Financial Forecast Overview FPDR's five-year financial forecast projects a 25.4% increase in total fund requirements, net of tax anticipation notes, over the life of the plan. Increased requirements are primarily attributable to growth in the Retirement System Payments and Oregon PERS Contributions programs. The database capital project will increase total fund requirements by less than 0.1% in each year of the forecast. All capital costs, as well as the associated maintenance and support expenses, are reflected in the five-year financial forecast.

Asset Management and Replacement Plan

FPDR does not have a formal asset management and replacement plan for the database. Ongoing annual asset management costs are estimated at approximately \$35,000 for the first three years after the database goes live, rising to roughly \$45,000 when the warranty expires. In addition, capital enhancements of about \$30,000 per year are anticipated for the first three years after go-live, dropping to roughly \$16,000 a year thereafter. The useful life of the new database is estimated at ten years. No funding will be set aside for its future replacement. All maintenance, improvement, and future replacement costs will be funded from the dedicated FPDR property tax levy.

Capital Programs and Projects

Capital Program Descriptions

FPDR has one capital program for acquisitions, within which there is one capital project: replacement and capital improvement of the bureau's database.

Funding Sources

The funding source for this capital project, as with most FPDR expenses, is property taxes generated by the dedicated FPDR property tax levy.

Major Projects

FPDR's FY 2013-14 capital improvement plan includes one project, capital improvements to FPDR's new database. The new database went live in October 2012, after which all expenses charged to the project are for capital improvements to the new database. Capital improvement expenses are estimated at \$20,000 in FY 2012-13, \$30,000 in FY 2013-14, and \$30,000 in 2014-15. After that time they are expected to decline as opportunities for further enhancements diminish.

Net Operating and Maintenance Costs

FPDR estimates the new database's total operating and maintenance costs at roughly \$35,000 per year until the warranty expires in FY 2015-16, when they are expected to rise to approximately \$45,000 per year. These costs include \$15,000 per year for two new servers required to run the new database.

Public Safety Service Area

Retirement System Payments

Description This program provides pension benefits to retired sworn members of the Fire and

Police bureaus, hired prior to January 1, 2007, and their survivors.

Goals Retirement benefits are essential in recruiting and retaining the most qualified

individuals for important public safety operations. Thus, this program contributes

to the City goal to ensure a safe and peaceful community.

Performance The number of service retirements is expected to decline slightly in FY 2013-14.

Demographics of the membership as well as labor negotiations affect retirement patterns. Occasional periods with an extra pay date in the final pay calculation also

affected retirement patterns in FY 2011-12 and in FY 2012-13.

In FY 2012-13, 95% of members are expected to retire with final pay that was at least 99% of their most recent pension estimate. The timeliness of estimates is expected to decline to 70% of requests completed within one week in FY 2012-13 and then return to 80%. FPDR's response time typically drops in periods of high retirements, such as December 2012, and the database conversion in fall 2012 also reduced

performance.

Changes to Services and Activities

One of the plan amendments approved by Portland voters in November 2012 altered the final pay definition used to calculate pension benefits for FPDR Two members. The new charter language clarifies that final pay never includes more than 366 days of wages, thereby eliminating occasional periods when final pay could include 27 pay dates, or 378 days of wages. In addition to reducing pension costs for future retirees, the plan amendment should also eliminate the retirement spikes that coincided with these 27-pay-date periods, causing operational challenges for the Police and Fire Bureaus as well as FPDR.

				Requested No		
FTE & Financials	Actual FY 2010-11	Actual FY 2011-12	Revised FY 2012-13	DP FY 2013-14	Requested FY 2013-14	
FTE	1.00	1.00	1.00	1.00	1.00	
Expenditures						
Pension Benefits	90,483,472	94,708,985	99,938,137	104,657,722	104,657,722	
Retirement Administration and Support	74,380	82,304	84,522	89,624	89,624	
Retirement System Payments	8	0	0	0	0	
Total Expenditures	90,557,860	94,791,289	100,022,659	104,747,346	104,747,346	
Performance	Actual FY 2010-11	Actual FY 2011-12	Yr End Est. FY 2012-13	Base FY 2013-14	Target FY 2013-14	
Performance Effectiveness						
Effectiveness	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2013-14	
Effectiveness Percentage of workshop participants who rated workshop helpful Percentage of members whose final pay was 99% or more of last	FY 2010-11 100%	FY 2011-12 100%	FY 2012-13 100%	FY 2013-14 100%	FY 2013-14 100%	

Bureau of Fire & Police Disability & Retirement Public Safety Service Area

Performance	Actual FY 2010-11	Actual FY 2011-12	Yr End Est. FY 2012-13	Base FY 2013-14	Target FY 2013-14	
Workload						
Number of retirements from active service	22	74	61	51	51	
Number of pension estimates	256	225	246	246	246	
Number of FPDR 1 & 2 pension recipients	1,882	1,936	1,972	1,995	1,995	
Number of pre-retirement workshop participants	56	25	30	30	30	

Public Safety Service Area

Disability & Death Benefits

Description This program provides disability benefits for injuries and illnesses, medical

benefits, vocational rehabilitation benefits, and funeral benefits for sworn members

of the Fire and Police Bureaus and their survivors.

Goals Disability benefits are essential in recruiting and retaining the most qualified

individuals for important public safety operations. Thus, this program contributes

to the City goal to ensure a safe and peaceful community.

Performance The number of members receiving disability benefits for more than a year

continues to decline from its peak in FY 2007-08. The decrease in the number of long-term disability recipients from FY 2011-12 to FY 2012-13 is due to an unusually large number of retirements in FY 2011-12 and to retro payments in FY 2011-12 to

participants who received no other payments that year.

The timeliness of disability claims decisions is expected to remain the same. Nearly

all claims continue to receive a decision within 90 days.

Changes to Services and Activities

The plan amendments approved by Portland voters in November 2012 made several changes to the Disability & Death Benefits program. The first change is to eligibility: sworn employees hired after 2012 are not eligible for death and disability benefits until they have completed six consecutive months of sworn service. The second change is the authorization of interim disability benefits while a claim is being reviewed. FPDR began paying interim benefits to claimants in January 2013. Interim benefits must be repaid if the claim is denied or withdrawn. A third change reduced the service requirement for a nonservice death benefit from ten to five years, the same service requirement for vesting in the pension program.

The Requested Budget includes \$200,000 in the Administration and Support program for an external audit of the disability program in FY 2013-14. The last disability program audit was completed in April 2008; the Board of Trustees has established a goal that disability and pension program audits be completed every five years.

FPDR has elected to process medical bills in-house rather than through an external vendor, beginning in early 2013. FPDR reclassified an existing position in this program to a claims technician to manage the new workload. FPDR believes inhouse processing will reduce cost while meeting or exceeding the service quality provided by an external vendor. In addition, a position was transferred to this program from the Administration Program and reclassified to an assistant claims technician in 2012. The new position is responsible for the initial entry and processing of disability claims, freeing analysts' time for the disability determination process.

FTE & Financials	Actual FY 2010-11	Actual FY 2011-12	Revised FY 2012-13	DP FY 2013-14	Requested FY 2013-14
FTE	7.00	7.00	8.00	8.00	8.00
Expenditures Disability Administration and Support	795,001	897,591	926,588	908,463	908,463

Bureau of Fire & Police Disability & Retirement Public Safety Service Area

FTE & Financials	Actual FY 2010-11	Actual FY 2011-12	Revised FY 2012-13	Requested No DP FY 2013-14	Requested FY 2013-14
Funeral	44,867	35,827	57,146	61,084	61,084
Long-term Disability	3,816,740	3,455,248	3,106,419	2,932,849	2,932,849
Medical	2,319,966	2,207,626	3,110,198	3,320,052	3,320,052
Return to Work	430,039	229,518	330,000	255,000	255,000
Short-term Disability	1,305,908	1,127,019	1,429,227	943,344	943,344
Vocational Rehabilitation	21,132	8,949	21,872	14,534	14,534
Total Expenditures	8,733,653	7,961,778	8,981,450	8,435,326	8,435,326
Performance	Actual FY 2010-11	Actual FY 2011-12	Yr End Est. FY 2012-13	Base FY 2013-14	Target FY 2013-14
Effectiveness					
Medical cost savings	\$1,157,980	\$1,171,007	\$958,498	\$1,205,179	\$1,205,179
Savings as a percentage of total medical costs	32.9%	36.5%	36.3%	36.3%	36.3%
Efficiency					
Percentage of disability claims decisions in 90 days	98%	98%	99%	99%	99%
Percentage of disability claims decisions in 60 days	86%	89%	87%	87%	87%
Percentage of disability claims decisions in 30 days	70%	63%	71%	71%	71%
Workload					
Number of new no-time-loss claims	121	116	115	115	115
Number of new time-loss claims	165	142	161	161	161
Number of members on short-term disability	227	196	196	196	196
Number of medical bills	5,657	5,337	5,337	5,337	5,337
Number of long-term disability recipients	92	90	62	61	61

Public Safety Service Area

Administration & Support

Description This program provides the general administrative and support services that the

bureau requires to fulfill its mission.

Goals By providing the administrative and support services needed to deliver the

retirement and disability benefits that are essential in recruiting and retaining the most qualified individuals for important public safety operations, this program

contributes to the City's goal to ensure a safe and peaceful community.

Performance For FY 2013-14 administrative costs as a percentage of the total bureau budget will

remain at essentially the same level. This measure does not include the program delivery support services assigned to the Retirement System Payments and

Disability and Death Benefits programs.

Changes to Services and Activities

FPDR completed the migration of its software system to an SQL platform in fall 2012. Planned post go-live improvements will continue through FY 2013-14.

Also in fall 2012, an office support specialist position in this program was reclassified to an assistant claims technician in the Disability & Death Benefits program. The duties of the office support specialist position were split between the

new position and other positions within the Administration Program.

	Requested No							
FTE & Financials	Actual FY 2010-11	Actual FY 2011-12	Revised FY 2012-13	DP FY 2013-14	Requested FY 2013-14			
FTE	8.20	8.20	7.20	7.20	7.20			
Expenditures								
Administration & Support	1,971,176	2,083,643	2,161,433	2,383,424	2,396,550			
Total Expenditures	1,971,176	2,083,643	2,161,433	2,383,424	2,396,550			
Performance	Actual FY 2010-11	Actual FY 2011-12	Yr End Est. FY 2012-13	Base FY 2013-14	Target FY 2013-14			
Efficiency								
Administrative cost as a percentage of bureau budget	1.89%	1.90%	1.91%	1.94%	1.94%			

Oregon PERS Contributions

Description This program reimburses the Police and Fire Bureaus for the contributions they

make to the Oregon Public Employees Retirement System on behalf of their sworn members hired after 2006. Expenses are determined by the number of those

members, their pensionable pay, and PERS contribution rates.

Goals Retirement benefits are essential in recruiting and retaining the most qualified

individuals for important public safety operations. Thus, this program contributes

to the City goal to ensure a safe and peaceful community.

Performance To budget for this program, FPDR and the Fire and Police Bureaus must make

assumptions about sworn hiring and attrition rates, future salary increases, promotion rates, and the amount of premium pay and overtime that will be earned by PERS-covered employees. FPDR and the Fire and Police Bureaus have worked to improve the accuracy of these projections with the result that FY 2011-12 actual expenses were 95% of the Adopted Budget, as compared with just 71.4% in FY

2010-11.

Changes to Services and Activities

The FY 2013-14 Requested Budget is roughly one-third higher than the FY 2012-13 Revised Budget. However, much of this increase is found in add back decision packages and will only materialize if the Proposed Budget does not eliminate sworn positions from the Police and Fire Bureaus.

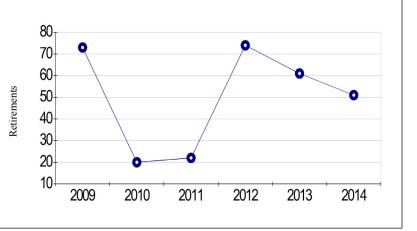
A major contributor to increasing costs in this program is higher PERS rates, which are increasing from 19.4% to 23.65% of pensionable pay between FY 2012-13 and FY 2013-14. As a larger proportion of the sworn workforce becomes covered by PERS, this program will experience substantial expenditure growth for the next 20 to 25 years.

				Requested No			
	Actual	Actual	Revised	DP	Requested		
FTE & Financials	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2013-14		
Expenditures							
Oregon PERS Contributions	2,865,737	4,735,637	5,798,739	4,949,699	7,800,000		
Total Expenditures	2,865,737	4,735,637	5,798,739	4,949,699	7,800,000		

Performance Measures

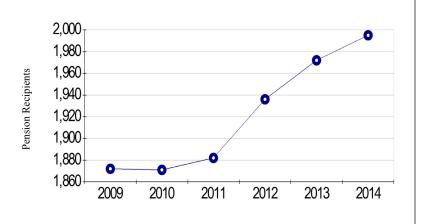
Number of Retirements from Active Service

The number of retirements fluctuates from year to year largely due to the demographics of the Fire and Police Bureaus. Labor negotiations also affect retirement patterns. Occasional periods with an extra pay date in the final pay calculation have contributed to more retirements recently; there were two such periods in FY 2011-12 and one in FY 2012-13. The November 2012 plan amendments have eliminated these periods going forward.



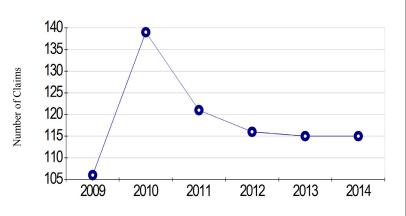
Number of FPDR 1 & 2 Pension Recipients

Longer life expectancies and hiring and retirement patterns affect the size of the retiree membership.



Number of New No-Time-Loss Claims

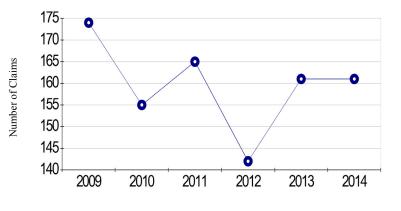
No-time-loss claims (no lost time from work other than for doctor appointments) incur only medical costs.



Public Safety Service Area

Number of New Time-Loss Claims

Time-loss claims incur costs for the time the member was absent from work for the injury or illness, as well as medical costs.



	Actual FY 2010-11	Actual FY 2011-12	Revised FY 2012-13	Requested No DP FY 2013-14	Requested FY 2013-14
Resources					
External Revenues					
Taxes	110,665,683	104,761,974	112,072,367	117,336,842	120,200,269
Charges for Services	30	34	0	0	0
Bond & Note	22,170,272	16,922,981	25,211,000	27,372,000	27,372,000
Miscellaneous	531,444	1,291,178	1,508,000	430,000	430,000
Total External Revenues	133,367,429	122,976,167	138,791,367	145,138,842	148,002,269
Internal Revenues					
Fund Transfers - Revenue	1,678	1,503,970	752,152	750,000	750,000
Interagency Revenue	7,200	142,000	360,200	542,200	542,200
Total Internal Revenues	8,878	1,645,970	1,112,352	1,292,200	1,292,200
Beginning Fund Balance	12,341,042	18,929,294	14,677,817	14,504,338	14,504,338
Total Resources	\$145,717,349	\$143,551,431	\$154,581,536	\$160,935,380	\$163,798,807
Requirements					
Bureau Expenditures					
Personnel Services	1,597,808	1,704,039	1,774,413	1,941,974	1,941,974
External Materials and Services	98,767,264	102,280,642	108,427,421	112,803,085	112,803,085
Internal Materials and Services	3,753,454	5,448,732	6,666,947	5,740,736	8,604,163
Capital Outlay	9,900	138,934	95,500	30,000	30,000
Total Bureau Expenditures	104,128,426	109,572,347	116,964,281	120,515,795	123,379,222
Fund Expenditures					
Debt Service	22,275,958	16,998,192	25,516,569	27,705,886	27,705,886
Contingency	0	0	11,279,152	11,854,000	11,854,000
Fund Transfers - Expense	383,671	1,837,008	821,534	859,699	859,699
Total Fund Expenditures	22,659,629	18,835,200	37,617,255	40,419,585	40,419,585
Ending Fund Balance	18,929,294	15,143,884	0	0	0
Total Requirements	\$145,717,349	\$143,551,431	\$154,581,536	\$160,935,380	\$163,798,807
Programs					
Disability & Death Benefits	8,733,653	7,961,778	8,981,450	8,435,326	8,435,326
Administration & Support	1,971,176	2,083,643	2,161,433	2,383,424	2,396,550
Retirement System Payments	90,557,860	94,791,289	100,022,659	104,747,346	104,747,346
Oregon PERS Contributions	2,865,737	4,735,637	5,798,739	4,949,699	7,800,000
Total Programs	104,128,426	\$109,572,347	\$116,964,281	\$120,515,795	\$123,379,222

This table summarizes project expenses by capital programs.

Bureau Capital Program		Revised	Requested			Capital Plan		
Project	Prior Years	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	5-Year Total
Acquisitions								
Database Capital Improvements	148,834	95,500	30,000	30,000	18,750	16,125	16,500	111,375
Total Acquisitions	148,834	95,500	30,000	30,000	18,750	16,125	16,500	111,375
Total Requirements	148,834	95,500	30,000	30,000	18,750	16,125	16,500	111,375

		Revised Salary Range FY 2012-13			Requested No DP FY 2013-14		Requested FY 2013-14		
Class	Title	Minimum	Maximum	No.	Amount	No.	Amount	No.	Amount
30000063	Accountant II	51,397	64,688	1.00	62,100	1.00	64,692	1.00	64,692
30000436	Administrative Supervisor I	54,725	72,925	1.00	64,476	1.00	67,770	1.00	67,770
30000449	Business Systems Analyst, Sr	63,378	84,635	1.00	84,876	1.00	87,432	1.00	87,432
30000066	Claims Technician	42,931	56,888	1.00	43,344	1.00	49,416	1.00	49,416
30000065	Claims Technician, Assistant	33,322	48,048	1.00	48,048	1.00	48,048	1.00	48,048
30000412	FPDR Director	93,288	130,291	1.00	130,656	1.00	134,592	1.00	134,592
30001384	FPDR Financial Manager	80,787	107,557	1.00	107,856	1.00	111,108	1.00	111,108
30000582	FPDR Operations Manager	75,109	100,048	1.00	87,828	1.00	92,952	1.00	92,952
30000592	Legal Assistant, Sr	54,725	72,925	1.00	73,128	1.00	75,336	1.00	75,336
30000450	Management Assistant	45,074	69,451	1.00	53,064	1.00	55,595	1.00	55,595
30000012	Office Support Specialist II	32,552	46,758	1.00	44,892	1.00	46,764	1.00	46,764
30000480	Workers Comp/Disability Analyst, Sr	60,341	80,475	3.00	211,140	3.00	219,090	3.00	219,090
30000479	Workers Compensation/Disability Analyst	54,725	72,925	1.00	55,740	1.00	58,984	1.00	58,984
TOTAL F	ULL-TIME POSITIONS			15.00	1,067,148	15.00	1,111,779	15.00	1,111,779
30000568	Financial Analyst, Sr	63,378	84,635	1.20	83,256	1.20	107,736	1.20	107,736
TOTAL P	ART-TIME POSITIONS			1.20	83,256	1.20	107,736	1.20	107,736
TOTAL L	IMITED TERM POSITIONS			0.00	0	0.00	0	0.00	0
GRAND	TOTAL			16.20	1,150,404	16.20	1,219,515	16.20	1,219,515

Decision Package Summary

Bureau: Bureau of Fire & Police Disabili	ty & Retirement				Priority:	NA Type	: Bureau Adds	
Decision Package: DR_01 - OMF IA Ad	ld Backs				Program: Admir	nistration & Suppor	t	
	FY 2013-14 Requested 1 Time DP	FY 2013-14 Requested Ongoing DP	FY 2013-14 Requested Total DP	FY 2014-15 Estimated Budget	FY 2015-16 Estimated Budget	FY 2016-17 Estimated Budget	FY 2017-18 Estimated Budget	
EXPENDITURES								
Internal Materials and Services	0	13,126	13,126	0	0	0	0	0
TOTAL EXPENDITURES	0	13,126	13,126	0	0	0	0	0
REVENUES								
Taxes	0	13,126	13,126	0	0	0	0	0
TOTAL REVENUES	0	13,126	13,126	0	0	0	0	0

Description:

The purpose of this decision package is to match add-back packages requested by Office of Management and Finance service providers.

Expected Results:

For expected results if this package is approved, please see the "parent" decision package descriptions in the OMF budget.

Decision Package Summary

Bureau of Fire & Police Disab	ility & Retirement				Priority: N	NA Type	: Bureau Adds	
Decision Package: DR_02 - Match Ad					Program: Orego	n PERS Contributi	ons	
	FY 2013-14 Requested 1 Time DP	FY 2013-14 Requested Ongoing DP	FY 2013-14 Requested Total DP	FY 2014-15 Estimated Budget	FY 2015-16 Estimated Budget	FY 2016-17 Estimated Budget	FY 2017-18 Estimated Budget	
EXPENDITURES								
Internal Materials and Services	0	1,250,301	1,250,301	0	0	0	0	0
TOTAL EXPENDITURES	0	1,250,301	1,250,301	0	0	0	0	0
REVENUES								
Taxes	0	1,250,301	1,250,301	0	0	0	0	0
TOTAL REVENUES	0	1,250,301	1,250,301	0	0	0	0	0

Description:

The purpose of this decision package is to match add-back packages requested by the Police Bureau. The \$1.3 million total comprises the estimated PERS contributions to be reimbursed to the Police Bureau if all sworn positions requested in the Police Bureau add packages are retained.

Expected Results:

For expected results if this package is approved, please see the "parent" decision package descriptions in the Police Bureau budget.

Decision Package Summary

Bureau: Bureau of Fire & Police Disabil	ity & Retirement				Priority: N	IA Type	: Bureau Adds	
Decision Package: DR_03 - Match Add								
	FY 2013-14 FY 2013-14 FY 2014-15 FY 2015-16 FY 2016-17							
EXPENDITURES								
Internal Materials and Services	0	1,600,000	1,600,000	0	0	0	0	0
TOTAL EXPENDITURES	0	1,600,000	1,600,000	0	0	0	0	0
REVENUES								
Taxes	0	1,600,000	1,600,000	0	0	0	0	0
TOTAL REVENUES	0	1,600,000	1,600,000	0	0	0	0	0

Description:

The purpose of this decision package is to match add-back packages requested by Portland Fire & Rescue. The \$1.6 million total comprises the estimated PERS contributions to be reimbursed to PF&R if all sworn positions requested in the PF&R add packages are retained.

Expected Results:

For expected results if this package is approved, please see the "parent" decision package descriptions in the PF&R budget.

FPDR Five-Year Financial Forecast: FYE 2014-18

The Bureau of Fire & Police Disability & Retirement (FPDR) administers retirement and disability programs for the sworn members of Portland Fire & Rescue and the Portland Police Bureaus. These benefits are defined in Chapter 5 of the City of Portland's Charter. FPDR's financial forecast for the fiscal years ending 2014 through 2018 is detailed below. The first year of the forecast is FPDR's FY 2013-14 Requested Budget.

Current Service Level and Risks to the Forecast

The current service level is described by program for bureau expenditures and by major object category for fund-level requirements and resources. Risks to the forecast are presented at the end of the section. Resources and requirements are summarized below.

Five-Year Forecast Summary (\$Million)

									FYE13
		FYE13		FYE14					Budget-
	FYE12	Adopted	FYE13	Request	FYE15	FYE16	FYE17	FYE18	FYE18
	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	Change
Resources									
Property Taxes	\$104.76	\$112.07	\$112.96	\$120.20	\$126.50	\$134.85	\$139.89	\$148.74	32.7%
Tax Anticipation Notes	16.92	25.21	21.36	27.37	31.01	34.16	35.77	39.15	55.3%
Miscellaneous	1.43	1.87	2.13	0.97	1.03	1.07	1.11	1.17	-37.6%
Cash Transfers	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	-0.3%
Beginning Fund Balance	18.18	13.93	14.39	13.75	11.85	11.04	11.60	10.70	-23.2%
Total Resources	\$142.05	\$153.83	\$151.59	\$163.05	\$171.15	\$181.87	\$189.13	\$200.50	30.3%
Requirements									
Retirement Benefits	99.44	105.74	105.06	112.46	117.90	124.75	130.92	137.80	30.3%
Disability & Death Benefits	7.06	8.05	7.56	7.53	7.34	7.49	7.72	8.15	1.2%
Administration & Delivery	3.06	3.17	2.95	3.39	3.36	3.35	3.47	3.59	13.2%
Fund-Level Requirements	18.09	36.87	22.26	39.67	42.54	46.28	47.02	50.96	38.2%
Ending Fund Balance	14.39	0.00	13.75	0.00	0.00	0.00	0.00	0.00	N/A
Total Requirements	\$142.05	\$153.83	\$151.59	\$163.05	\$171.15	\$181.87	\$189.13	\$200.50	30.3%
Total Net of TANs	\$125.13	\$128.62	\$130.23	\$135.68	\$140.13	\$147.71	\$153.36	\$161.35	25.4%

Resources

Property Taxes

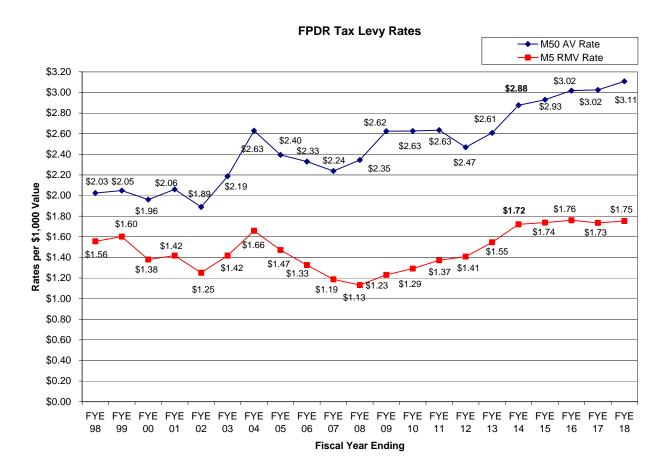
Current-year taxes are increasing \$8.0 million, or 7.3%, for the Requested Budget and \$36.0 million, or 32.7%, over the five-year plan. The certified levy amount, which includes an adjustment for expected discounts and compression, is increasing by \$16.7 million, or 13.5%, for the Requested Budget and \$48.4 million, or 39.2%, for the five-year forecast. The impact of the new Multnomah County Library District permanent rate may be seen in the percentage of expected discounts and compression increasing from 13.2% in FYE13 to 18.9% in FYE14. Over the FYE 2014-18 forecast, the percentage is expected to decrease to 17.8% as real market value growth returns. Prior-year tax revenue is budgeted at \$2.2 million in FYE14, increasing by \$150,000 in each of the subsequent years.

The City Economist expects Measure 50 Assessed Value (M50 AV) to increase annually for a total of 16.8% growth over the five-year forecast. Measure 5 Real Market Value (M5 RMV), is expected to rise 22.8% over the plan. As a result, the 19.2% M50 AV rate increase is well above the 13.3% implied M5 RMV rate change.

The M50 AV rate will increase from \$2.61 in FYE13 to \$2.88 in FYE14 and will rise to \$3.11 over the five-year forecast. The M5 RMV rate will rise from \$1.55 in FYE13 to \$1.72 for FYE14 and to \$1.75 by FYE18. FYE15 rates will be higher to the extent any of the one-time risks to the forecast identified in that section occur; all out-year rates will be higher if any ongoing risks occur. FPDR's imposed levy is capped at \$2.80 per \$1,000 of real market value by Charter and Measure 50.

Property Tax Summary (\$000)

	FYE13 Adopted Budget	FYE14 Request Budget	FYE15 Forecast	FYE16 Forecast	FYE17 Forecast	FYE18 Forecast	FYE13 - FYE18 Change
Required Current-Year Taxes	\$109,972	\$118,000	\$124,154	\$132,348	\$137,244	\$145,939	32.7%
Discount/Compression Adj.	13,593	22,283	23,115	24,290	24,827	26,017	91.4%
Levy Amount	123,565	140,283	147,269	156,638	162,071	171,956	39.2%
Required CY Tax Gross-up	13.24%	18.88%	18.62%	18.35%	18.09%	17.83%	
M50 Assessed Value	47,378,838	48,776,514	50,264,197	51,897,784	53,584,462	55,325,957	16.8%
M5 Real Market Value	79,896,236	81,494,161	84,753,927	88,991,623	93,441,205	98,113,265	22.8%
M50 AV Rate/\$1000	2.61	2.88	2.93	3.02	3.02	3.11	19.2%
M5 RMV Rate/\$1000	1.55	1.72	1.74	1.76	1.73	1.75	13.3%



Other Resources

Other resources include tax anticipation notes (TANs), cash transfers, beginning balance and miscellaneous and interagency revenue; all are detailed in the Five-Year Forecast Summary on page 2.

TANs are estimated as four months of other requirements, less beginning balance, and so grow as requirements grow; a cash-flow analysis is performed each spring to size the borrowing. Because of regulations for TANs, the borrowing amount should be slightly less than the amount needed to fund FPDR until current-year tax receipts begin in mid-November. The \$750,000 cash transfer budgeted each year is the FPDR Reserve Fund balance, which is included in FPDR's contingency budget and may be used to keep the FPDR Fund in a positive cash position in November.

Beginning balance is expected to decrease from an actual \$14.4 million in FYE13 to \$13.8 million for FYE14 and to \$10.7 million for FYE18 as out-year contingency levels drop.

The key components of other revenue are interest income, interagency revenue and other miscellaneous income, of which subrogation and recovery of overpayments are the largest part. Interest income is declining from \$270,411 in FYE12 to \$190,000 projected in FYE13 and \$180,000 budgeted for FYE14. The 2008 financial crisis has dramatically lowered the interest rate the City can earn on its investments; interest rates for borrowing have also declined. While the forecast spreads between borrowing rates and investment returns are unfavorable compared to FYE13, the actual spreads may be better.

Interest Rate Spread			FYE14				
	FYE12	FYE13	Request	FYE15	FYE16	FYE17	FYE18
	Actuals	Projection	Budget	Forecast	Forecast	Forecast	Forecast
Interest on TANs	0.20%	0.17%	1.00%	1.00%	1.00%	1.00%	1.00%
Interest on Investments	0.61%	0.45%	0.40%	0.50%	0.50%	0.50%	0.50%
Interest Rate Spread	-0.41%	-0.28%	0.60%	0.50%	0.50%	0.50%	0.50%

While interagency (IA) revenue is expected to increase for FYE14, subrogation revenue is budgeted level with FYE13, and recovery revenue is declining as the recovery of overpaid tax offset benefits nears completion. The IA revenue represents the Police Bureau's phased-in sharing of what it has been receiving for pension and disability benefits for contracted work such as the transit police contract with TriMet, as well as the comparable revenue from Portland Fire & Rescue. The overpayment recovery is part of FPDR's Voluntary Correction Program filing with the Internal Revenue Service for the correction of the additional tax offset benefits which were overpaid from 1991 through most of 2008 and corrected in October 2008.

Miscellaneous & Interagency Revenue (\$000)

		FYE13		FYE14				
	FYE12	Adopted	FYE13	Request	FYE15	FYE16	FYE17	FYE18
	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast
Interest on Investments	\$270	\$158	\$190	\$180	\$240	\$260	\$270	\$290
Interagency Revenue	142	360	360	542	734	765	795	826
Recovery/Subrogation	1,021	1,350	1,575	250	51	50	50	50
Total Misc/IA Revenue	\$1,433	\$1,868	\$2,125	\$972	\$1,025	\$1,075	\$1,115	\$1,166

Requirements

Retirement Benefits

Retirements benefits are FPDR's largest requirements. They consist of benefits paid to FPDR 1 and 2 members, and reimbursements to the Police and Fire Bureaus for the contributions made to the Oregon Public Employees Retirement System (PERS) on behalf of their FPDR 3 employees who were sworn in 2007 or later. FPDR 1 and 2 are closed plans funded on a pay-as-you-go basis. FPDR 3 was created by Portland voters in November 2006 to begin prefunding the retirements of new police officers and firefighters.

The FYE13 projection for retirement benefits is 99.4% of budget. FPDR 1 and FPDR 2 benefits are projected at 99.5% of budget, with fewer June and December retirements than expected. FPDR 3 contributions are projected at 97.1% of budget due to fewer hires than expected.

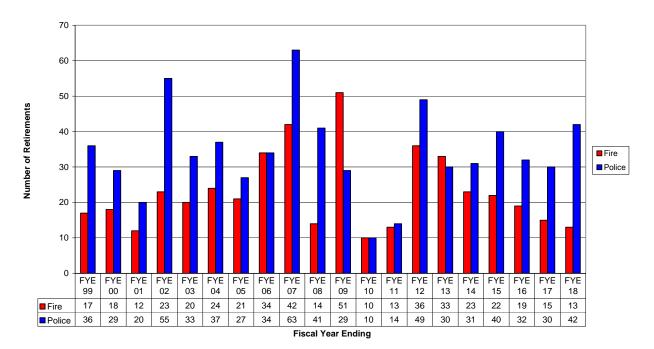
FPDR 1 members are almost all retired; a few remain on disability. This tier's benefits increase in accordance with the collective bargaining agreements for the Portland Fire Fighters Association (PFFA) and the Portland Police Association (PPA), as the Charter defines the benefits in relation to the pay for a first class firefighter or police officer. For FYE14, FPDR 1 pension expenses are expected to decline, as deaths exceed new retirees. The PPA contract ends June 30, 2013; no increases above the projected 2.7% cost of living adjustment (COLA) are budgeted, although this is a risk to the forecast discussed below. In addition to their FPDR 1 benefits, some members receive a supplemental pension through Standard Insurance that FPDR funds. Supplemental pensions provide a greater salary replacement for high-ranking members than only a base pension tied to firefighter or police officer pay could do.

FPDR 2 benefits increase as more members retire. Retirements are driven by Fire and Police Bureau demographics as well as labor agreements. Once retired, members' benefits increase by no more than the PERS increase, a 2% maximum annual adjustment. While the Board of Trustees is reviewing the annual benefit adjustment practice, the forecast increases in the Consumer Price Index (CPI) are 2% or greater for all five years, so the adjustment has been budgeted and forecast at 2% for each year. Proposed state legislation in 2013 could affect PERS COLA and/or tax offset benefits, with possible impact on FPDR benefits.

In September 2008, FPDR changed its FPDR 2 retirement benefit calculation to use received, rather than earned, final pay. This change meant that retirement benefits have been based on the number of pay dates (26 or 27) plus any retro payments, such as PFFA members received in August 2008, in the 12 calendar months preceding the month in which the member retires. In November 2012, voters approved a ballot measure that included a clarification of final pay. Effective January 1, 2013, final pay includes final pay received for 365 (or 366 in a leap year) days, and only those portions of retro payments that apply to that 365/366 day period are included in the calculation.

The FYE14 budget is based on 63 FPDR 2 retirements (35 of whom have retired through mid-January or are vested terminations or members on disability who are due to retire) in FYE13. This compares to a low of 20 in FYE10 and a high of 105 in FYE07. Although staff has typically estimated the number of retirements based on the actuarial estimate plus a "cushion" of 10 additional retirements in the current year, there is no cushion in the FYE13 estimate because staff does not expect a high number of retirements between now and June 30, given the change in the final pay calculation. FPDR budgets for 30 active Police members (15 of whom have retired to date) and 33 active Fire members (18 of whom have retired) to retire in FYE13.

FPDR 2 Retirements Actuals (FYE 99-12), FYE13 Projection & Five-Year Forecast (FYE 14-18) Includes Service, Disability and Vested Retirements



FPDR 3 contributions to PERS are determined by the number of FPDR 3 members, their pay and the PERS contribution rates. The forecast is based on the bureaus' hiring projections, which reflect their retirement assumptions and budget constraints. FPDR 3 costs are forecast to increase by 157% over the five years. New hires are much of the increase, but contribution rates are also expected to continue to increase. FYE14 and FYE15 rates of 23.65% are almost 22% higher than FYE13's 19.40%, and single-digit increases are forecast for FYE16 and FYE18.

The City of Portland's budget process for FYE14 is a modified zero-based budget, in which most bureaus (excluding FPDR) have been instructed to prepare a base budget of 90% of their current service level plus add packages for the remaining 10%. General Fund bureaus may see up to 10% reductions in their inflation-adjusted appropriations, although public safety services are likely to see smaller reductions. Because of expected budget cuts in the Fire and Police Bureaus, the FPDR 3 contributions budget assumes no hires in FYE14; the increases are only for a 2.7% COLA and the contribution rate growth. The final budgets for Fire and Police could require adjustments to FPDR's PERS contributions interagency (IA) agreements with these bureaus.

Retirement Benefits Summary (\$000)										FYE13
Retrement Benefits Summary (4000)										
			FYE13		FYE14					Budget-
		FYE12	Adopted	FYE13	Request	FYE15	FYE16	FYE17	FYE18	FYE18
		Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	Change
	FPDR 1 Benefits/Suppl	\$ 24,630	\$ 23,798	\$ 23,864	\$ 23,080	\$ 22,451	\$ 21,663	\$ 20,904	\$ 20,150	-15.3%
	FPDR 2 Benefits	70,079	76,140	75,570	81,577	86,928	92,317	97,507	102,757	35.0%
	FPDR 3 PERS Contribs	4,736	5,799	5,630	7,800	8,521	10,770	12,507	14,892	156.8%
	Total Retirement Bens	\$99,445	\$105,737	\$105,063	\$112,458	\$117,900	\$124,750	\$130,919	\$137,798	30.3%

Disability & Death Benefits

This program includes disability time loss payments to members, medical payments on approved claims, vocational rehabilitation expenses, funeral benefits and payments to the Fire and Police Bureaus for return to work, whereby FPDR pays up to 75% of the salary of members who would otherwise be on disability for a certain period of time. These subprograms are generally budgeted using trend data, with large claim data factored in. Return to work, however, is managed as IA agreements with Fire and Police and budgeted as other interagencies are. No above-COLA increases are included in the time loss benefits budget. Medical expense uses a medical inflator, and vocational rehabilitation uses the inflator for external materials and services.

Disability benefits paid to members who cannot work at their positions due to approved claims for service-connected injuries and illnesses and occupational disabilities in the first year of their disability are paid every two weeks. Monthly benefits are paid to members who have received biweekly benefits for a year or who cannot work at their positions due to approved claims for nonservice-connected injuries or illnesses. Biweekly benefit expenses are more volatile than monthly expenses, which are declining as members reach their mandatory retirement dates and few new members are added.

Medical benefits include medical and hospitalization expenses, as well as prescription and some other costs, associated with approved claims. Medical benefits are paid for both active members and members who retired either from disability or, starting in 2007, from active service. These are the most volatile expenses in the Disability & Death Benefits program; large claims – those costing more than \$50,000 in a year – can create large year-to-year swings. House Bill 2420, which became effective January 1, 2010, establishes the presumption that 12 cancers are occupational disabilities for firefighters. No claims have been approved to date based on that presumption.

Vocational rehabilitation expenses include vocational assessments and other related services to members on disability who have been permanently restricted from their required duties in Portland Fire & Rescue or the Police Bureau. Members who earn other income have their disability benefits reduced by a portion of any outside income, so investing in vocational rehabilitation programs can lead to savings in disability benefits.

Return to work expenses are currently limited to early return to work (limited-duty assignments for members who would otherwise be disability until they can return to their regular positions). The pilot program for restricted duty assignments for members with permanent restrictions ended and has not been replaced with a permanent program.

Disability & Death Benefits Summary (\$000)

									FYE13
		FYE13		FYE14					Budget-
	FYE12	Adopted	FYE13	Request	FYE15	FYE16	FYE17	FYE18	FYE18
	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	Change
Biweekly Disability	\$1,127	\$1,429	\$919	\$943	\$970	\$994	\$1,017	\$1,040	-27.2%
Monthly Disability	3,455	3,106	3,023	2,933	2,736	2,575	2,490	2,587	-16.7%
Medical Benefits	2,208	3,110	3,301	3,320	3,296	3,567	3,844	4,142	33.2%
Vocational Rehab	9	22	14	15	10	10	10	11	-51.1%
Return to Work	230	330	247	255	262	268	274	280	-15.2%
Funeral Benefits	36	57	57	61	70	74	83	88	54.5%
Total Disability/Death Bens	\$7.064	\$8.055	\$7,560	\$7,527	\$7,343	\$7,488	\$7,718	\$8,148	1.2%

Administration & Delivery

Most of the non-benefit payment expenditures are allocated to the Administration & Support program, but some program delivery expenses are allocated to the retirement and disability programs. Some expenses that are shared between the programs – such as legal services – remain in Administration & Support. The table below includes all bureau-level, non-benefit expenditures.

Administration & Delivery Summary (\$000)

									FYE13
		FYE13		FYE14					Budget-
	FYE12	Adopted	FYE13	Request	FYE15	FYE16	FYE17	FYE18	FYE18
	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	Change
Personnel Services	\$1,704	\$1,774	\$1,698	\$1,942	\$1,920	\$2,021	\$2,111	\$2,201	24.0%
External Material & Svs	737	764	613	874	846	723	743	764	-0.1%
Internal Materials & Svs	484	538	538	549	566	583	598	613	14.0%
Capital	139	96	100	30	30	19	15	15	-84.3%
Total Admin & Delivery	\$3,064	\$3,173	\$2,949	\$3,395	\$3,362	\$3,346	\$3,467	\$3,593	13.2%

For the FYE14 budget, administration and delivery expense is increasing 7.2% over the FYE13 budget. The FYE14 personnel services budget is 9.4% above that for FYE13, due to anticipated step increases and reclassifications, COLA and expected medical inflation for health benefits. A claims analyst position was reclassified to a claims technician for FYE13 as part of bringing medical bill processing in house and was vacant for almost six months, thereby reducing projected costs. For nonrepresented staff in FYE13, City Council did not authorize step increases and authorized the COLA to start on June 1. Should Council again not authorize step increases and either not authorize or delay COLA in FYE14, personnel services expense will be approximately \$60,000 less.

External materials and services is budgeted 14.6% above FYE13, primarily due to a \$200,000 disability program audit planned in FYE14. The forecast includes \$150,000 for a pension program audit in FYE15, for a five-year cycle. The most recent program audits were completed in June 2009 (disability) and January 2010 (pension). Excluding the program audit, the FYE14 external materials and service budget is 11.6% below the FYE13 budget.

The internal materials and services budget is expected to increase 2.0% from FYE13 to FYE14. As noted for the FPDR 3 OPSRP contributions, the Mayor has asked City bureaus to budget with a modified zero-based budgeting, whereby they can budget 90% of their current service level and must put the remaining 10% in decision packages. FPDR may or may not see significant changes in the IA budget for the Mayor's Proposed Budget.

Capital expenditures for the database replatform project are projected to be \$100,000 in FYE13, reflecting the October 2012 go-live of the new database, and budgeted at \$30,000 in FYE14. With the replatform project completed, work on bringing medical bill processing in house can begin. The need for any further enhancements to meet the Charter requirements of comparable recordkeeping with Worker's Compensation can be identified once Risk Management completes its database conversion. The disability program audit will include a review of the recordkeeping issue.

Administration & Delivery: Budget Detail

rummstration & Denvery.	Dauget Detail	FYE13		FYE14	Adopted-
		Adopted	FYE13	Requested	Requested
	FYE12 Actuals	Budget	Projection	Budget	Change
Personnel Services	\$1,704,039	\$1,774,413	\$1,697,792	\$1,941,974	9.4%
1 crsonner services	\$1,704,037	\$1,777,713	\$1,077,772	Ψ1,2π1,27π	7.470
External Materials & Servi	ces				
Consulting Services	-	-	-	200,000	N/A
Computer Consulting	16,850	22,200	22,200	20,000	-9.9%
Legal Services	40,428	51,000	65,000	53,000	3.9%
Audit Services	27,125	28,000	26,000	26,500	-5.4%
Actuarial Services	22,425	50,000	50,000	52,000	4.0%
Claims Investigation	184,159	138,000	115,000	143,000	3.6%
Other Professional Services	196,115	185,000	90,000	152,000	-17.8%
Medical Bills Processing	40,428	41,000	30,750	3,000	-92.7%
Repair & Maint Services	862	2,500	2,500	2,500	0.0%
Miscellaneous Services	7,991	10,000	10,000	9,000	-10.0%
Office/Computer Supplies	7,652	7,700	9,000	9,000	16.9%
Minor Equipment & Tools	2,831	2,600	1,000	1,000	-61.5%
Education, Subscrip, Dues	8,558	12,000	9,000	12,000	0.0%
Travel - Local	546	700	450	500	-28.6%
Travel - Out of Town	4,642	5,000	2,500	5,000	0.0%
External Rent	189,401	203,122	177,324	184,000	-9.4%
Miscellaneous	1,068	3,100	1,000	1,000	-67.7%
Total External M&S	751,081	761,922	611,724	873,500	14.6%
			withou	t program audit	-11.6%
Internal Materials & Service	es				
Printing & Distribution	39,138	46,688	46,688	40,004	-14.3%
Facilities Services/Fleet	3,848	2,423	2,423	1,968	-18.8%
Technology Services	95,186	95,857	95,857	104,297	8.8%
EBS Services	28,800	28,423	28,423	30,900	8.7%
Risk Management	28,321	27,869	27,869	27,784	-0.3%
City Attorney	218,413	218,729	218,729	222,337	1.6%
Office of Mgmt & Finance	17,369	19,219	19,219	19,728	2.6%
Fire & Police Bureaus	52,503	99,000	99,000	101,988	3.0%
Total Internal M&S	483,578	538,208	538,208	549,006	2.0%
Capital	9,900	95,500	100,000	30,000	-68.6%
Total Admin & Delivery	\$2,948,598	\$3,170,043	\$2,947,724	\$3,394,480	7.1%

Fund-Level Requirements

Fund-level requirements include contingency; tax anticipation notes principal, interest and borrowing costs; General Fund overhead and pension obligation bond expense. TANs expenditures were discussed in the Other Resources section above. Budgeted interest expense, part of TANs expenditures, is \$89,000 more than interest revenue in FYE14.

Contingency in the FYE14 Requested Budget includes:

- A 9% base contingency of \$11.1 million
- \$750,000 from the FPDR Reserve Fund in case the base contingency is insufficient

The 9% base contingency reflects risks to the forecast described in that section below. Out years are forecast at the 9% level down to 7% as some lawsuit-related risks are expected to be resolved in time.

General Fund overhead (GFOH) increases in FYE14, the second year of the City's new GFOH model. The forecast assumes the FYE14 GFOH amount continues, with inflation.

General Fund Overhead Summary

		FYE13	FYE14	
	FYE12	Adopted	Request	Change
	Actuals	Budget	Budget	Percent
General Fund Overhead	\$330,536	\$64,630	\$102,158	58.1%

The miscellaneous line in the fund-level requirements table below is primarily pension obligation bonds, but the FYE13 projection includes a \$750,000 fund transfer to the Reserve Fund to return the balance that was transferred to the FPDR Fund in November to insure a positive cash balance until current-year tax revenues are received.

Fund-Level Requirements (\$000)

									FYE13
		FYE13		FYE14					Budget-
	FYE12	Adopted	FYE13	Request	FYE15	FYE16	FYE17	FYE18	FYE18
	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	Change
Contingency	\$0	\$11,279	\$0	\$11,854	\$11,038	\$11,597	\$10,697	\$11,218	-0.5%
TANs Expenditures	16,967	25,482	21,405	27,667	31,346	34,521	36,153	39,565	55.3%
General Fund Overhead	331	65	65	102	105	108	111	114	76.5%
Miscellaneous	787	42	792	46	53	58	62	66	56.6%
Total Fund-Level Reqs	\$18,085	\$36,867	\$22,262	\$39,670	\$42,542	\$46,284	\$47,023	\$50,963	38.2%

Risks to the Forecast

The following risks to the forecast have been identified.

- With voter approval of a new permanent rate for the Multnomah County library district last November, compression on FPDR's levy as well on other levies will be greater going forward. The City Economist has estimated the impact for the five-year forecast period, but the impact on FYE14 tax revenue may be greater than anticipated. Once the first-year effect is known, future estimates should be more certain.
- Two contract claims totaling \$6.8 million have been filed relating to the return to work program; one is in the Multnomah County Circuit Court, and one is with the State Court of Appeals. A class action suit seeking the addition of apparatus operator pay to the benefits received by Fire FPDR 1 payees is also before the State Court of Appeals; the estimated value of these additional benefits is \$2.1 million through FYE13 and \$0.4 million ongoing. Finally, a class action suit in the Multnomah County Circuit Court is challenging FPDR's recovery of \$2.6 million in overpaid tax offset benefits through holding back annual benefit adjustments to FPDR 2 payees who were overpaid.
- The PPA and PPCOA contracts expire June 30, 2013. If new contracts award above-inflation increases, most benefit expenses will be above the Requested Budget.
- General Fund bureaus have been asked to prepare cut packages of 10% for FYE14, and some of the decision packages the Fire and Police bureaus submit could affect FPDR. A

possible revenue impact is on interagency revenue from the Police bureau related to its contract employment revenue for disability and pension costs. Position cuts could mean either lower expense, if the number of FPDR 3 members grows more slowly than projected or declines, or higher expense, if more FPDR 2 members decide to retire.

• PERS contribution rates are expected to increase again in FYE16 and FYE18, although more slowly than in the past few years. Significant investment gains in the PERS portfolio could reduce the out-year rates; losses or lower than expected gains could increase the rates further. FPDR's budget will become increasingly sensitive to contribution rate fluctuation as the proportion of members who are in FPDR 3 rises over time

FPDR Funds

FPDR manages two funds: the Fire & Police Disability & Retirement Fund and the Fire & Police Disability & Retirement Reserve Fund. The Reserve Fund is limited by Charter to \$750,000, which is budgeted as beginning fund balance and a transfer to the FPDR Fund. Interest on the Reserve Fund balance is recorded in the FPDR Fund.

Customer Service Advisory Committee

The Customer Service Advisory Committee was created in September 2006 to assist all City bureaus in working collaboratively with their employees to improve customer service. Building a culture of customer service will ensure that the City government is seen, both internally and externally, as a reliable partner and steward in running the City.

In 2005 the Bureau Innovation Project #7 was charged with developing recommendations for improving customer service policies and procedures across all City bureaus. In adopting the BIP #7 recommendations, the City Council endorsed an ongoing process of customer service improvement, beginning with clearly defining a culture of customer service, then ensuring employees have the tools to meet those expectations, then surveying customers to assess the effectiveness of improvement efforts.

The Customer Service Advisory Committee (CSAC) has prepared guidance and collected examples in the three priority areas of **defining the culture of customer service**, **workforce development**, and **customer service surveying**. That information can be found in the Customer Service Toolkit page of the CSAC webpage:

http://www.portlandonline.com/index.cfm?c=44197

During the FY 2007-2008 budget process, the Mayor asked all bureaus to report on implementation of the BIP #7 recommendations. Each year going forward, the CSAC is requesting a status report on customer service efforts in the three priority areas. The intent is to gather information from bureaus on their activities during the current program year, for an annual report to Council. The status report template is attached.

The CSAC intends to be an ongoing resource to assist bureaus in customer service improvement efforts. Bureaus should feel free to contact any member of their committee site team for assistance. A current list of site team members can be found at http://www.portlandonline.com/index.cfm?c=44198

Questions? Please contact Committee Chair John Dutt, Office of Neighborhood Involvement at (503) 865-2625

Customer Service Improvement Status Report

Bureau: Fire & Police Disability & Retirement

Staff Contact: Nancy Hartline Phone: 503.823.5501

Date: 2/1/13

Bureau Mission and Goals: Please attach copies of your bureau's mission, goals, and any workplans or other policy documents that specifically address customer service improvement efforts. Please describe how your strategic plans include customer service, and any plans for improvement.

FPDR's mission is to administer disability, death and retirement benefits to Portland firefighters, police officers and their survivors.

With the successful completion in 2012 of the migration of FPDR's benefits database from FoxPro to SQL server to ensure continuity of operations and better safeguard personal information, we are able to work on enhancements. Most of these are targeted at improving internal operations. We anticipate completing the PortlandOnline refresh in mid-2013, which we expect to provide a base for improving our online presence. Other efforts need to be integrated into FPDR's overall IT strategy and/or to be coordinated with the Police and Fire Bureaus' leadership and the members' labor organizations.

At the request of several retirees, however, we have been looking to change our pension pay date after January 2013 from the first business day of the month to the first of the month if it is a business day or the last business day of the prior month if the first is not a business day. Initial feeback from participants indicated concern with applying the change to the January 1 payment, since that would mean 13 months of benefit payments in one 1099-R. We expect to solicit their input again on a modified proposal that would exempt January 1 from the date change in our next retiree newsletter.

Customer Service Assessment: Please attach a copy of your most recent customer service survey and survey results. Please indicate how your bureau assesses timeliness, accuracy, helpfulness, expertise, and available information. If you do not currently survey bureau customers, please explain any future plans.

The 2012 survey was attached to the Fall BMP report. We have point-of-service surveys for pension estimates, the pension workshop and the retirement process. In addition, we have performance measures for the timeliness and accuracy of pension estimates and for the number of days to make a disability claim decision.

Workforce Development: Please describe any efforts you have made to develop customer service competency within your workforce in the areas of recruitment, training, and evaluation. Please share any details you can provide regarding progress in these areas over the past year (training program information, key bureau contacts, recruitment/evaluation material examples, etc.)

N/A

Public Art Eligibility Form

This form is administered by OMF in accordance with Chapter 5.74 and subsequent rules. When submitting CIP budget documents to the Office of Management and Finance, each project in its first budget year shall include a Public Art Eligibility Form. Bureau CIP budgets and budget revisions that do not contain a Public Art Eligibility Form for each Capital Project will not be considered complete by OMF.

Project Title: Capital Improvements to New FPDR Database	Bureau: FPDR
Project Manager: Sheri Miller	Ext: 3-2977
Is this a preliminary budget or a final budget? If preliminary, please submit the Public Art Eligibility Form as preliminary. If final, please submit the Public Art Eligibility Form as final.	□ Prelim X Final
Is this project associated with a building, structure, park, public utility, street, sidewalk or parking facility or any portion thereof? If no, you do not need to complete the contribution calculation below.	□ Yes X No
Is this project maintenance and/or repair? If yes, please breifly describe the maintenance and/or repair:	□ Yes X No
You do not need to complete the contribution calculation.	
Is this projects's capital cost more than \$50,000? If no, you do not need to complete the contribution calculation.	X Yes □ No
Is your bureau contributing more than \$50,000 in funding? If no, you do not need to complete the contribution calculation.	X Yes □ No
It yes, you do not need to complete the contribution calculation. Ineligible costs are: Local Improvement District revenue, Water Operating Fund revenue, Water Construction Fund revenue, Sewer Systems Operating Fund revenue, Sewer Systems Construction Fund revenue and revenue from any other funding source subject to legal restrictions which preclude Public Art as an object for expenditure	X Yes □ No
Is this project debt financed? If yes, please state the revenue source that will pay for art administration costs and maintenance costs.	□ Yes X No

State and Federal Grants

Expending State and Federal Grants could meet the intent of Chapter 5.74. If grant precludes Public Art, grant language demonstrating preclusion may be requested.

Total Estimated Project Costs (all years)	\$0
	ΨŪ
Exempt Costs	
Administration Costs	
Building Demolition Costs	
Design Costs	
Engineering Costs	
Environmental Testing Costs	
Fees and Permits	
Indirect Costs (list)	
1.	
2.	
3.	
4.	
Land Acquisition Costs	
Non-construction contingency	
Relocation of Tenants Costs	1.0
Exempt Cost Subtotal	\$0
Not Fligible Costs	\$0
Net Eligible Costs	\$U
Total Estimated Project Funds (all years)	\$0
Total Estimated Froject Funds (an years)	ΨΟ
Exempt Funds	
Federal Grants that preclude Public Art as an object for expenditure	
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State Grants that preclude Public Art as an object for expenditure	
Federal or State Grant local matching funds	
Local Improvement District (LID) Revenue	
Private Development Revenue	
Sewer Systems Operating Fund	
Sewer Systems Construction Fund	
System Development Charges	
Water Operating Fund	
Water Construction fund	
Exempt Funds Subtotal	\$0
Net Eligible Funds	\$0
Net Eligible Fullus	\$ U
Smaller Amount of the Two Net Values	\$0
To Qualify, Net Value Greater Than or Equal to \$50,000	\$0
Times Percent for Art (2%)	0.0200
Estimated Dollars for Art	\$0