



CITY OF
PORTLAND, OREGON

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Date: October 4, 2010

To: Office of Management & Finance, Financial Planning Division

From: Commissioner Dan Saltzman

Re: FPDR FY 2010-11 Fall BuMP Submittal

Attached please find the FY 2010-10 fall BuMP submittal from the Bureau of Fire & Police Disability & Retirement.

FPDR has no requests in the fall BuMP.

The following major object categories were addressed in the fund reconciliation report for the FPDR Fund:

- Internal materials and services was below budget to lower than expected expense for Police returning to work after disability. Fire requested an adjustment to the Fire-FPDR interagency in the spring BuMP to reflect expected usage; Police did not adjust theirs.
- \$1525 in capital expense was not budgeted for. FPDR implemented GASB 51 at year-end, creating an intangible asset. The depreciation expense associated with the new asset was overlooked.
- Bond expense and revenue were below budget, because the actual tax anticipation note issue was less than the budgeted authority.
- Fund transfer revenue was below budget because the transfer from the FPDR Reserve Fund was not needed to maintain a positive cash balance before the November property tax turnover.
- Taxes were almost \$2.1M above budget.

As a result of tax revenue and under-spending in the Police IA, ending fund balance is \$11.7M or \$2.9M more than the FY 2010-11 budgeted beginning balance.

If you have any questions or need more information, you may contact FPDR directly at 503.823.6823.

Prior Year Fund Reconciliation Report

	FY 2009-10 Revised Budget	FY 2009-10 Year-End Actuals	Percent of Actuals to Revised
Fire & Police Disability & Retirement Fund			
EXPENDITURES			
Bond Expenses	\$37,171,538	\$28,508,644	77%
Capital Outlay	\$0	\$1,525	0%
Contingency	\$6,632,364	\$0	0%
External Materials and Services	\$100,923,238	\$98,388,830	97%
Fund Transfers - Expense	\$292,549	\$292,549	100%
Internal Materials and Services	\$3,518,396	\$3,055,802	87%
Personal Services	\$1,518,322	\$1,498,790	99%
TOTAL EXPENDITURES	\$150,056,407	\$131,746,141	88%
REVENUES			
Budgeted Beginning Fund Balance	\$6,096,449	\$0	0%
Bond and Note	\$36,655,000	\$28,349,586	77%
Fund Transfers - Revenue	\$752,068	\$2,068	0%
Interagency Revenue	\$7,200	\$7,200	100%
Miscellaneous	\$555,000	\$593,808	107%
Charges for Services	\$0	\$36	0%
Taxes	\$105,990,690	\$107,555,904	101%
TOTAL REVENUES	\$150,056,407	\$136,508,602	91%

Fund Reconciliation Narrative

Variances of more than 10% between budget and actuals occurred in the following categories: internal materials & services, capital outlay, bond expenses and bond revenue, and fund transfer revenue.

Spending on internal materials & services was \$463,000 under budget primarily because Police Bureau reimbursements were lower than originally anticipated. FPDR salary subsidies for officers returning to work following a disability were \$313,000 less than budgeted. The Police Bureau expected an increase in the number of officers receiving such subsidies for FY 2009-10, but the increase did not materialize. In addition, reimbursements to the Police Bureau for OPSRP costs were \$106,000 less than budgeted, most likely because of a partial-year hiring freeze at Police.

The over-expenditure in capital outlay was caused by implementation of GASB 51, which requires financial reporting for intangible assets. Beginning with FY 2009-10, expenses to update FPDR's FoxPro database will be recorded as capital expenses, rather than as materials & services expenses. FPDR will ensure these expenses are budgeted in the appropriate capital outlay account going forward.

FPDR issues tax anticipation notes (TANs) each year to prevent a cash shortfall prior to the receipt of property tax revenue in November. The TAN issue is budgeted in January, based on projected expenses for July through mid-November, less projected beginning fund balance. The size of the actual TAN issue is based on a cash-flow analysis completed in June. These timing and methodology differences sometimes result in a variance between budgeted and actual TAN revenues and repayment expenses. In this specific case, actual cash on hand on July 1, 2010 was about \$5.7 million higher than budgeted beginning fund balance, which allowed for a smaller TAN issue. Therefore, both bond revenue and bond expense was less than budgeted.

In the event TAN proceeds prove insufficient to maintain a positive cash balance, FPDR budgets a transfer each year from the reserve fund. For FY 2009-10, TAN proceeds were adequate, and the budgeted transfer was not needed.

Property tax revenues are higher than shown due to the September tax turnover in AP13. Taxes are \$108.1M, almost \$2.1M more than budgeted. Actual beginning fund balance is not shown in the report but was \$6.4M or \$0.3M above budget. Ending fund balance is therefore \$11.7M, or \$2.9M more than the FY 2010-11 budgeted beginning balance.

Prior Year Fund Reconciliation Report

	FY 2009-10 Revised Budget	FY 2009-10 Year-End Actuals	Percent of Actuals to Revised
Fire & Police Disability & Retirement Res Fund			
EXPENDITURES			
Fund Transfers - Expense	\$750,000	\$0	0%
TOTAL EXPENDITURES	\$750,000	\$0	0%
REVENUES			
Budgeted Beginning Fund Balance	\$750,000	\$0	0%
TOTAL REVENUES	\$750,000	\$0	0%

Fund Reconciliation Narrative

Each year, FPDR budgets a transfer from the reserve fund to the operating fund to cover a potential cash shortfall prior to the receipt of property tax revenue in November. For FY 2009-10, the proceeds from tax anticipation notes were sufficient to maintain a positive cash balance in the operating fund. Therefore, the budgeted transfer from the reserve fund was not needed.

Bureau of Fire & Police Disability & Retirement Performance Measures

Program and Performance Measure	Type	FY 2009-10 Revised Budget	FY 2009-10 Year-End Actuals			
Administration & Support						
DR_0002 - Administrative cost as a percentage of bureau budget	EFFICIENCY	1.97%	1.74%	0.00%	0.00%	0.00%
Disability & Death Benefits						
DR_0014 - Medical cost savings	EFFECTIVE	\$1,101,185	\$1,190,224	\$0	\$0	\$0
DR_0015 - Savings as a percentage of total medical costs	EFFECTIVE	40.1%	29.6%	0.0%	0.0%	0.0%
DR_0016 - Subrogation revenue received from third parties to offset claim expense	EFFECTIVE	\$95,000	\$35,714	\$0	\$0	\$0
DR_0020 - Percentage of disability claims decisions in 90 days	EFFICIENCY	95%	99%	0%	0%	0%
DR_0021 - Percentage of disability claims decisions in 60 days	EFFICIENCY	90%	95%	0%	0%	0%
DR_0022 - Percentage of disability claims decisions in 30 days	EFFICIENCY	75%	75%	0%	0%	0%
DR_0009 - Number of new no-time-loss claims	WORKLOAD	106	139	0	0	0
DR_0010 - Number of new time-loss claims	WORKLOAD	174	155	0	0	0
DR_0011 - Number of members on short-term disability	WORKLOAD	217	253	0	0	0
DR_0012 - Number of medical bills	WORKLOAD	5,350	6,336	0	0	0
DR_0013 - Number of long-term disability recipients	WORKLOAD	117	100	0	0	0
Retirement System Payments						
DR_0007 - Percentage of workshop participants who rated workshop helpful	EFFECTIVE	100%	100%	0%	0%	0%
DR_0023 - Percentage of members whose final pay was 99% or more of last estimate	EFFECTIVE	95%	92%	0%	0%	0%
DR_0008 - Percentage of pension estimates processed within one week	EFFICIENCY	68%	80%	0%	0%	0%
DR_0003 - Number of retirements from active service	WORKLOAD	64	20	0	0	0
DR_0004 - Number of pension estimates	WORKLOAD	174	207	0	0	0
DR_0005 - Number of FPDR 1 & 2 pension recipients	WORKLOAD	1,918	1,871	0	0	0

Bureau of Fire & Police Disability & Retirement

Performance Measures

Program and Performance Measure	Type	FY 2009-10 Revised Budget	FY 2009-10 Year-End Actuals			
Retirement System Payments						
DR_0006 - Number of pre-retirement workshop participants	WORKLOAD	63	50	0	0	0

Performance Measure Variance Descriptions

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. In FY 2008-09, FPDR changed the retirement benefit calculation regarding final pay. This change may impact members' retirement decisions as well. The number of retirements was significantly under the budget projection in FY 2009-10.

Medical cost savings realized through negotiated fee reductions increased as overall medical costs increased. The Oregon Fee Schedule, to which FPDR has gained access, allowed FPDR to receive more discounts. FY 2008-09 had savings of 23.9%, so 29.6% is a significant increase. The number entered for the Revised Budget appears to have been overstated, because the Adopted Budget figure was 27.9%.

Subrogation income came in lower because FPDR began recording it as receipted instead of putting the full amount of our claim in accounts receivable and then writing off amounts received above our claim.

Overall, services improved in FY 2009-10: 99% of claims decisions were made within 90 days, and 80% of pension estimates were processed within one week. Administrative cost as a percentage of bureau budget at 1.74% is less than the Revised Budget figure of 1.97%.

FPDR Fall 2010 BuMP: Add Package Report

Disability and Pension Database Replacement

The FY 2009-10 budget included \$100,000 to replace or enhance the disability management functions of the bureau's current database and \$50,000 to replace the pension payment functions if the disability management system is replaced. FPDR is partnering with OMF Risk Management on the system selection process, and the project has been delayed due to the need to first determine whether or not SAP can meet the requirements for the system. Because of the delay, the project was not completed in FY 2009-10 and was budgeted again for FY 2010-11. Currently FPDR and Risk Management await either the completion of a contract with SAP to scope the project or the issuance of an RFP for an SAP solution for the disability function.

Increase Contingency to 5%

Prior to FY 2009-10, FPDR maintained an operating contingency of 3% of bureau-level expenditures. FY 2007-08 ended with the lowest fund balance in many years, only \$1.4 million, because of an unexpectedly large increase in the number of retired members in FY 2006-07. \$2.4 million was transferred from contingency to cover expenditures, out of a total contingency of \$3.4 million. Because of this experience and numerous risks to the forecast identified in the five-year plan, FPDR increased its operating contingency to 5% for FY 2009-10. FPDR did not need to draw on contingency, but outstanding legal claims created the potential for such a draw. The appropriate contingency level is now reviewed annually and was increased to 7% for FY 2010-11.

Winter 2010 BuMP: Position Changes

In the 2010 Winter BuMP, FPDR requested several position changes:

- The program coordinator position was reduced from full-time to half-time due to the successful completion of implementation of the Pension Protection Act insurance deductions for non-City insurers. The incumbent retired and is now working half-time.
- The senior legal assistant position went from part-time to full-time, and the incumbent is now working full-time.
- The full-time senior financial analyst position was split into two part-time ones, and both are filled.
- An office support specialist position has been reclassified as an assistant claims technician, and interviews for the new position are scheduled for early October.

FPDR Fall 2010 BuMP: Service Improvement Plan Update

FY 2009-10 Adopted Budget Strategic Direction

Staff will continue to develop and implement enhancements to the FPDR program areas. Significant progress has been made with respect to the disability audit recommendations. The emphasis will continue to be improved customer service, efficiency of service delivery, professional program administration, and fiscal responsibility.

In FY 2009-10, FPDR staff will engage in facilitated conversations with members to improve communications. Out of these conversations will come identification of service issues and actions items for FPDR and members to work together on to address the issues and improve service.

Update

The FPDR Community Conversations, held in September 2009, were an opportunity for FPDR members and staff to talk to each other about what the status of our relationship was, what we wanted the relationship to be and how we might work together to get where we want to be. A number of actions items, most of them regarding communication, emerged. Since then, we have:

- Completed the biennial membership survey. The survey was distributed in the quarterly member newsletter, and that may account for the low response rate (6% compared to 18% in 2004, the prior survey). Future surveys will be distributed in a separate mailing to retired and disabled members, and active members will be offered an online survey.
- Reviewed disability packets for easy-to-follow, complete information on filing a claim. Delivered new packets July 1.
- Almost completed an informational notice on how to access FPDR benefits to post in Fire and Police offices and a business-card size resource guide for members. The notice is awaiting printing, and the resource guide is on hold until a new Fire liaison is named.
- Offered additional, shorter retirement workshops. Half-day workshops were held in February and July. Full-day workshops were held in the spring and scheduled for October.
- Developed informational pieces on FPDR Two pensions, frequently asked questions and understanding the pension estimate. These have been posted on the website. FPDR is still awaiting its turn for the PortlandOnline refresh; more information will be available once that is completed.

Other efforts need to be integrated into FPDR's overall IT strategy and/or to be coordinated with the Police and Fire Bureaus' leadership.