Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

Mayor Charlie Hales, Commissioner-in-Charge Samuel Hutchison, Director



FY 2014-15

Requested Budget & Five-Year Financial Forecast



Date: January 31, 2014

To: Commissioner Nick Fish

Commissioner Amanda Fritz Commissioner Steve Novick Commissioner Dan Saltzman Auditor LaVonne Griffin-Valade

From: Mayor Charlie Hales,

Re: Fire & Police Disability & Retirement's FY 2014-15 Requested Budget

Enclosed are the FY 2014-15 Requested Budget and FYE 2015-19 Financial Forecast for the Bureau of Fire & Police Disability & Retirement. The FPDR Board of Trustees approved the Requested Budget at its January 28, 2014 meeting. There are no decision packages.

For FY 2014-15, total bureau requirements are 2.8% above the current year's budget; total requirements net of tax anticipation notes (TANs) are also increasing 2.8%. Over the five-year forecast, bureau requirements are up 20.8%, and total requirements net of TANs are up 18.6%. 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.

Current-year property taxes increase 1.4% in the Requested Budget and increase 24.0% over the five-year forecast. The Measure 50 Assessed Value rate decreases from \$2.78 per \$1,000 in the current year to \$2.71 and will increase to \$2.88 in FYE19. The implied Real Market Value rate per \$1,000 decreases from \$1.62 to \$1.49 and to \$1.47 in FYE19.

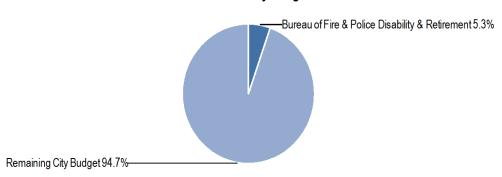
c: Audit Services City Budget Office

Bureau of Fire & Police Disability & Retirement

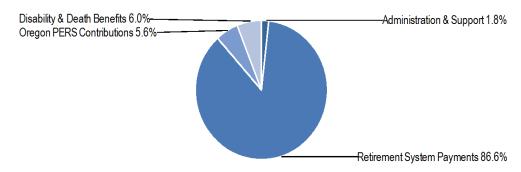
Public Safety Service Area

Mayor Charlie Hales, Commissioner-in-Charge Samuel Hutchison, Director

Percent of City Budget

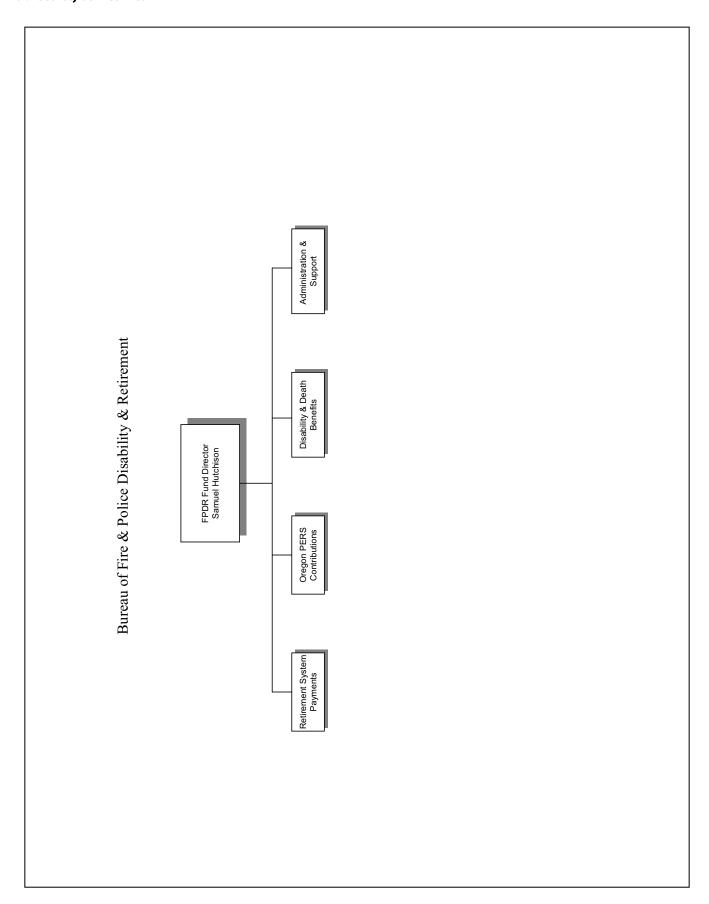


Bureau Programs



Bureau Overview

Revised	Requested	Change from	Percent
FY 2013-14	FY 2014-15	Prior Year	Change
162,778,816	170,541,786	7,762,970	4.77
75,000	43,300	(31,700)	(42.27)
162,853,816	170,585,086	7,731,270	4.75
16.80	16.20	(0.60)	(3.57)
	FY 2013-14 162,778,816 75,000 162,853,816	FY 2013-14 FY 2014-15 162,778,816 170,541,786 75,000 43,300 162,853,816 170,585,086	FY 2013-14 FY 2014-15 Prior Year 162,778,816 170,541,786 7,762,970 75,000 43,300 (31,700) 162,853,816 170,585,086 7,731,270



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 to members hired before January 1, 2007 and their survivors and alternate payees. The FY 2014-15 program budget is \$108.6 million, including \$92,000 for program delivery. This is an increase of \$4.1 million or 3.9% over the FY 2013-14 Revised Budget. It is estimated that there will be 2,024 pension recipients in 2014-15.

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 \$7.0 million for FY 2014-15, an increase of \$0.6 million or 9.2% over the FY 2013-14 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 2014-15 total \$7.5 million, a decrease of \$0.9 million or 10.8% from the FY 2013-14 Revised Budget. The program budget includes \$1.0 million 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 \$2.2 million, a decrease of \$0.1 million or 4.4% from the FY 2013-14 Revised Budget. The Administration and Support budget represents 1.8% of total bureau requirements. Including delivery costs allocated to the retirement and disability programs, the percentage is 2.6%.

Strategic Direction

FPDR completed a number of major initiatives last year, including upgrade of the FPDR database and implementation of City Charter changes approved by the voters in November 2012. Another significant project to update the bureau's records retention plan and processes, particularly with respect to electronic documents, should be complete in 2014. Moving forward, the bureau's new director has identified several focus areas:

- Complete the bureau continuity of operations plan, to ensure FPDR can make pension and disability payments and continue other critical functions in case of disaster or technological failure
- Continue to improve the bureau's use of technology by creating a five-year technology roadmap and exploring electronic document management options
- Apply process mapping techniques to improve controls, efficiency, and knowledge sharing among staff, and to help in assessing technology needs

Summary of Budget Decisions

FPDR has no budget decision packages for FY 2014-15.

Capital Budget

Capital Summary

CIP Highlights

The bureau's only capital project is for minor improvements to FPDR's new database. Capital improvements are budgeted at \$43,300 in FY 2014-15 and \$188,900 in total for the five-year period beginning with FY 2014-15.

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

FPDR failed to capitalize internal labor costs associated with the development and continued improvement of the database in FY 2011-12 and FY 2012-13. Internal labor costs will be budgeted and capitalized in the proper period beginning in FY 2013-14. FPDR's independent auditors have deemed the prior year expenses immaterial to the financial statements.

The CIP originally anticipated that post go-live capital improvements would be made at a relatively even pace over several years. Instead many improvements were made in FY 2013-14, primarily because of vendor availability and the programming required to implement unanticipated benefit changes mandated by the 2013 Oregon Legislature. FPDR now expects capital spending on the database to taper down significantly beginning in FY 2014-15.

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 database capital improvements and operating and maintenance costs and determined that two changes needed to be made to previous estimates. Those changes are to begin capitalizing appropriate internal labor costs and to reflect those expected costs in the capital budget for FY 2013-14 and beyond, and to shift some capital spending from out-years into FY 2013-14.

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 an 18.6% 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 until the database warranty expires in fall 2015, when maintenance and operating costs are expected to rise to roughly \$45,000 per year. In addition, capital enhancements of approximately \$20,000 per year are anticipated for the five-year period beginning FY 2014-15. 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: 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 2014-15 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 expected to decline beginning in FY 2014-15 as opportunities for further enhancements diminish.

Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

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 the two servers required to run the new database.

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 and alternate payees.

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

Based on actuarial assumptions, FPDR expects the number of service retirements to decline slightly in FY 2014-15. More members than usual retired in FY 2011-12 because retirement in some months of that year allowed the inclusion of an extra pay date in the final pay calculation. The inclusion of an extra pay date is prohibited by charter changes implemented in 2013, which may smooth retirements somewhat. However, demographics of the membership and collective bargaining agreements will continue to produce variability in retirement patterns.

The timeliness of estimates declined to 65% of requests completed within one week in FY 2012-13. This is partly because of one-time projects, such as the database conversion, that reduced staff availability to complete estimates. FPDR expects this measure to improve in FY 2013-14 and beyond, but timeliness may not return to 80% of requests completed within one week as the estimate process has become increasingly complex.

All other performance measures for this program are stable or exhibiting routine variability.

Changes to Services and Activities

FPDR and the Internal Revenue Service agreed to a legal settlement that will allow FPDR to recover just 60% of state tax offset benefits overpaid to members from 1991 to 2008. Recovery will now be complete in FY 2013-14 instead of FY 2014-15. This program also experienced significant change in FY 2013-14 as staff implemented the new City Charter provisions and amendments to Oregon Revised Statutes made by the 2013 Oregon Legislature. No further modifications are currently planned, but an external programmatic audit of the pension program will be conducted in FY 2014-15 and may lead to additional changes.

FTE & Financials	Actual FY 2011-12	Actual FY 2012-13	Revised FY 2013-14	Requested No DP FY 2014-15	Requested FY 2014-15
FTE	1.00	1.00	1.00	1.00	1.00
Expenditures					
Pension Benefits	94,708,985	99,466,314	104,381,878	108,459,000	108,459,000
Retirement Administration and Support	82,304	84,048	89,624	91,605	91,605
Total Expenditures	94,791,289	99,550,362	104,471,502	108,550,605	108,550,605

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

Performance	Actual FY 2011-12	Actual FY 2012-13	Yr End Est. FY 2013-14	Base FY 2014-15	Target FY 2014-15
Effectiveness					
Percentage of workshop participants who rated workshop helpful	100%	100%	100%	100%	100%
Percentage of members whose final pay was 99% or more of last estimate	100%	100%	100%	100%	100%
Efficiency					
Percentage of pension estimates processed within one week	80%	65%	71%	71%	71%
Workload					
Number of retirements from active service	74	45	63	54	54
Number of pension estimates	225	228	206	206	206
Number of Fire and Police Disability and Retirement 1 and 2 pension recipients	1,936	1,953	1,990	2,024	2,024
Number of pre-retirement workshop participants	25	49	32	32	32

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 timeliness of disability claims decisions is expected to improve slightly in FY 2013-14 and beyond, with the percent of claims receiving a decision within 60 days increasing from 89% to 94%.

Nearly all claims continue to receive a decision within 90 days.

All other performance and workload measures are essentially stable. Savings as a percentage of medical costs increased in FY 2013-14 because of a methodology

change for that measure.

Changes to Services and Activities

In the wake of significant changes to implement new City Charter provisions and to bring medical bill processing in-house, further changes to this program are not currently anticipated. However, an external programmatic audit of the disability program will be completed in FY 2013-14, in accordance with the FPDR Board of Trustees' goal to audit the disability and pension programs every five years.

Additional program alterations may arise from the audit.

				Requested No	
FTE & Financials	Actual FY 2011-12	Actual FY 2012-13	Revised FY 2013-14	DP FY 2014-15	Requested FY 2014-15
FTE	7.00	8.00	8.00	8.00	8.00
Expenditures					
Disability & Death Benefits	0	148,311	12,000	0	0
Disability Administration and Support	897,591	749,897	924,921	957,763	957,763
Funeral	35,827	33,445	60,600	71,700	71,700
Long-term Disability	3,455,248	2,856,262	2,909,621	2,191,000	2,191,000
Medical	2,207,626	2,523,901	3,320,052	2,786,000	2,786,000
Return to Work	229,518	295,883	255,000	294,000	294,000
Short-term Disability	1,127,019	1,007,507	935,078	1,207,000	1,207,000
Vocational Rehabilitation	8,949	8,712	14,534	10,300	10,300
Total Expenditures	7,961,778	7,623,918	8,431,806	7,517,763	7,517,763
Performance	Actual FY 2011-12	Actual FY 2012-13	Yr End Est. FY 2013-14	Base FY 2014-15	Target FY 2014-15
Effectiveness					
Amount of medical cost savings	\$1,171,007	\$1,072,069	\$992,341	\$992,341	\$992,341
Savings as a percentage of total medical costs	36.5%	35.9%	44.6%	44.6%	44.6%

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

Performance	Actual FY 2011-12	Actual FY 2012-13	Yr End Est. FY 2013-14	Base FY 2014-15	Target FY 2014-15
Efficiency					
Percentage of disability claims decisions in 90 days	98%	98%	100%	100%	100%
Percentage of disability claims decisions in 60 days	89%	89%	94%	94%	94%
Percentage of disability claims decisions in 30 days	63%	67%	68%	68%	68%
Workload					
Number of members on short-term disability	196	215	215	215	215
Number of medical bills	5,337	4,089	4,006	4,006	4,006
Number of long-term disability recipients	90	61	58	48	48
Number of disability claims filed	298	315	338	338	338

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 2014-15 administrative costs as a percentage of the total bureau budget are

expected to decline from 2.0% to 1.8%, largely because the database replacement project is complete. 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

No change

Actual FY 2011-12	Actual FY 2012-13	Revised FY 2013-14	Requested No DP FY 2014-15	Requested FY 2014-15
8.70	7.80	7.80	7.20	7.20
2,083,643	2,051,210	2,316,390	2,214,668	2,214,668
2,083,643	2,051,210	2,316,390	2,214,668	2,214,668
Actual FY 2011-12	Actual FY 2012-13	Yr End Est. FY 2013-14	Base FY 2014-15	Target FY 2014-15
1.009/	1 900/	2.009/	1 000/	1.80%
	8.70 2,083,643 2,083,643 Actual	FY 2011-12 FY 2012-13 8.70 7.80 2,083,643 2,051,210 2,083,643 2,051,210 Actual Actual FY 2011-12 FY 2012-13	FY 2011-12 FY 2012-13 FY 2013-14 8.70 7.80 7.80 2,083,643 2,051,210 2,316,390 2,083,643 2,051,210 2,316,390 Actual FY 2011-12 Actual FY 2012-13 Yr End Est. FY 2013-14	Actual FY 2011-12 Actual FY 2012-13 Revised FY 2013-14 DP FY 2014-15 8.70 7.80 7.80 7.20 2,083,643 2,051,210 2,316,390 2,214,668 2,083,643 2,051,210 2,316,390 2,214,668 Actual FY 2011-12 Actual FY 2012-13 Yr End Est. FY 2013-14 Base FY 2014-15

Oregon PERS Contributions

Description This program reimburses the Portland Police Bureau and Portland Fire & Rescue

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 FPDR does not have performance measures for this program, which simply

reimburses the Police and Fire Bureaus for actual PERS contribution expenses.

Changes to Services and Activities

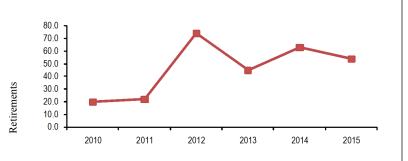
No change

				Requested No	
FTE & Financials	Actual FY 2011-12	Actual FY 2012-13	Revised FY 2013-14	DP FY 2014-15	Requested FY 2014-15
Expenditures					
Oregon PERS Contributions	4,735,637	5,265,815	6,410,116	7,000,000	7,000,000
Total Expenditures	4,735,637	5,265,815	6,410,116	7,000,000	7,000,000

Performance Measures

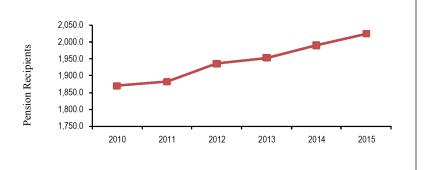
Number of Retirements from Active Service

The number of retirements fluctuates from year to year largely due to the demographics of Portland Fire & Rescue and the Portland Police Bureau. 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.



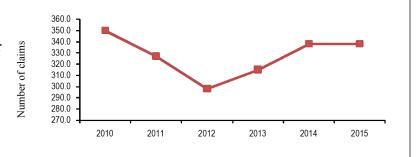
Number of FPDR 1 & 2 Pension Recipients

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



Disability Claims Filed

The number of disability claims filed varies from year to year but has averaged 318 over the last five years. An unusually small number of claims were filed in FY 2011-12.



	Actual FY 2011-12	Actual FY 2012-13	Revised FY 2013-14	Requested No DP FY 2014-15	Requested FY 2014-15
Resources					
External Revenues					
Taxes	104,761,974	112,489,717	118,618,232	120,394,919	120,394,919
Charges for Services	34	31	0	0	0
Bond & Note	16,922,981	21,355,124	28,000,000	31,258,000	31,258,000
Miscellaneous	1,291,178	1,597,173	430,000	306,500	306,500
Total External Revenues	122,976,167	135,442,045	147,048,232	151,959,419	151,959,419
Internal Revenues					
Fund Transfers - Revenue	1,503,970	1,503,009	759,046	1,500,000	1,500,000
Interagency Revenue	142,000	360,200	542,200	652,200	652,200
Total Internal Revenues	1,645,970	1,863,209	1,301,246	2,152,200	2,152,200
Beginning Fund Balance	18,929,294	15,143,884	14,504,338	16,473,467	16,473,467
Total Resources	\$143,551,431	\$152,449,138	\$162,853,816	\$170,585,086	\$170,585,086
Requirements					
Bureau Expenditures					
Personnel Services	1,704,039	1,688,512	1,848,432	1,839,937	1,839,937
External Materials and Services	102,280,642	106,520,788	112,495,263	115,552,600	115,552,600
Internal Materials and Services	5,448,732	6,111,357	7,211,119	7,847,199	7,847,199
Capital Outlay	138,934	170,648	75,000	43,300	43,300
Total Bureau Expenditures	109,572,347	114,491,305	121,629,814	125,283,036	125,283,036
Fund Expenditures					
Debt Service	16,998,192	21,437,345	28,339,886	31,636,349	31,636,349
Contingency	0	0	12,024,417	12,025,000	12,025,000
Fund Transfers - Expense	1,837,008	1,571,012	859,699	1,640,701	1,640,701
Total Fund Expenditures	18,835,200	23,008,357	41,224,002	45,302,050	45,302,050
Ending Fund Balance	15,143,884	14,949,476	0	0	0
Total Requirements	\$143,551,431	\$152,449,138	\$162,853,816	\$170,585,086	\$170,585,086
Programs					
Disability & Death Benefits	7,961,778	7,623,918	8,431,806	7,517,763	7,517,763
Administration & Support	2,083,643	2,051,210	2,316,390	2,214,668	2,214,668
Retirement System Payments	94,791,289	99,550,362	104,471,502	108,550,605	108,550,605
Oregon PERS Contributions	4,735,637	5,265,815	6,410,116	7,000,000	7,000,000
Total Programs	109,572,347	\$114,491,305	\$121,629,814	\$125,283,036	\$125,283,036

This table summarizes project expenses by capital programs. Only projects that are budgeted within the five-year capital plan are displayed.

Bureau Capital Program		Revised	Requested			Capital Plan		
Project	Prior Years	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	5-Year Total
Acquisitions								
Database Capital Improvements	309,581	75,000	43,300	34,900	35,400	36,900	38,400	188,900
Total Acquisitions	309,581	75,000	43,300	34,900	35,400	36,900	38,400	188,900
Total Requirements	309,581	75,000	43,300	34,900	35,400	36,900	38,400	188,900

		Salary	Range	Revi FY 20		Requeste FY 201		Reque FY 201	
Class	Title	Minimum	Maximum	No.	Amount	No.	Amount	No.	Amount
30000063	Accountant II	51,397	64,688	1.00	64,692	1.00	64,692	1.00	64,692
30000436	Administrative Supervisor I	56,534	75,338	1.00	67,776	1.00	70,554	1.00	70,554
30000449	Business Systems Analyst, Sr	65,478	87,422	1.00	87,420	1.00	87,420	1.00	87,420
30000066	Claims Technician	42,931	56,888	1.00	48,024	1.00	50,760	1.00	50,760
30000065	Claims Technician, Assistant	33,322	48,048	1.00	48,048	1.00	48,048	1.00	48,048
30000412	FPDR Director	96,366	134,597	1.00	115,476	1.00	120,216	1.00	120,216
30001384	FPDR Financial Manager	83,450	111,114	1.00	111,108	1.00	111,108	1.00	111,108
30000582	FPDR Operations Manager	77,584	103,355	1.00	93,204	1.00	95,748	1.00	95,748
30000592	Legal Assistant, Sr	56,534	75,338	1.00	75,336	1.00	75,336	1.00	75,336
30000450	Management Assistant	46,571	71,739	1.00	55,595	1.00	57,874	1.00	57,874
30000012	Office Support Specialist II	32,552	46,758	1.00	46,764	1.00	46,764	1.00	46,764
30000480	Workers Comp/Disability Analyst, Sr	62,338	83,138	2.00	156,498	2.00	162,717	2.00	162,717
30000479	Workers Compensation/Disability Analyst	56,534	75,338	2.00	132,756	2.00	134,324	2.00	134,324
TOTAL F	ULL-TIME POSITIONS			15.00	1,102,697	15.00	1,125,561	15.00	1,125,561
30000568	Financial Analyst, Sr	65,478	87,422	1.80	87,486	1.20	104,904	1.20	104,904
TOTAL P	ART-TIME POSITIONS			1.80	87,486	1.20	104,904	1.20	104,904
TOTAL L	IMITED TERM POSITIONS			0.00	0	0.00	0	0.00	0
GRAND	TOTAL			16.80	1,190,183	16.20	1,230,465	16.20	1,230,465

	Actual	Actual	Revised	Requested No DP	Requested	Proposed
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2014-15	FY 2014-1
Resources						
Taxes	104,761,974	112,489,717	118,618,232	120,394,919	120,394,919	
Charges for Services	34	31	0	0	0	
Bond & Note	16,922,981	21,355,124	28,000,000	31,258,000	31,258,000	
Miscellaneous	1,291,178	1,597,173	430,000	306,500	306,500	
Total External Revenues	122,976,167	135,442,045	147,048,232	151,959,419	151,959,419	
Fund Transfers - Revenue	753,970	753,009	759,046	750,000	750,000	
Interagency Revenue	142,000	360,200	542,200	652,200	652,200	
Total Internal Revenues	895,970	1,113,209	1,301,246	1,402,200	1,402,200	
Beginning Fund Balance	18,179,294	14,393,884	13,754,338	15,723,467	15,723,467	
Total Resources	142,051,431	150,949,138	162,103,816	169,085,086	169,085,086	
Requirements						
Personnel Services	1,704,039	1,688,512	1,848,432	1,839,937	1,839,937	
External Materials and Services	102,280,642	106,520,788	112,495,263	115,552,600	115,552,600	
Internal Materials and Services	5,448,732	6,111,357	7,211,119	7,847,199	7,847,199	
Capital Outlay	138,934	170,648	75,000	43,300	43,300	
Total Bureau Expenditures	109,572,347	114,491,305	121,629,814	125,283,036	125,283,036	
Debt Service	16,998,192	21,437,345	28,339,886	31,636,349	31,636,349	
Contingency	0	0	12,024,417	11,275,000	11,275,000	
Fund Transfers - Expense	1,087,008	821,012	109,699	890,701	890,701	
Total Fund Expenditures	18,085,200	22,258,357	40,474,002	43,802,050	43,802,050	
Ending Fund Balance	14,393,884	14,199,476	0	0	0	
Total Requirements	142,051,431	150,949,138	162,103,816	169,085,086	169,085,086	

Fund Overview

Chapter 5 of the Portland City Charter establishes the Fire & Police Disability & Retirement (FPDR) Fund for the sworn employees of Portland Fire & Rescue and the Portland Police Bureau, their surviving spouses, and their dependent minor children. The fund is supported primarily through a separate property tax levy originally authorized by the voters in 1948. The levy is a rate-based levy, providing a maximum rate of \$2.80 per \$1,000 of real market value.

Managing Agency

Bureau of Fire & Police Disability & Retirement

Significant Changes from Prior Year

Net of tax anticipation notes, requirements for FY 2014-15 are increasing by \$3.7 million or 2.8% from the FY 2013-14 Revised Budget. Direct pension benefits to members hired before 2007, part of external materials and services, continue to increase as more members retire with higher final pay. Oregon Public Employees Retirement System contributions for members hired after 2006, part of internal materials and services, continue to grow as salaries increase and the Police and Fire

Bureaus fill sworn vacancies created by retirements and a hiring slow down over the last several years. Personnel services and capital comprise only a small portion of FPDR's budget; both will decline in FY 2014-15. Several new hires replaced retiring staff in FY 2013-14, and most capital improvements to the new FPDR database will be completed in FY 2013-14.

Despite higher requirements, rapidly increasing real market value will permit the FPDR property tax levy to decrease from \$1.62 per \$1,000 of real market value for FY 2013-14 to \$1.49 for FY 2014-15. Overall property tax collections will increase by \$1.8 million or 1.5% for FY 2014-15. Miscellaneous revenue will decline in FY 2014-15 for the second year in a row as FPDR completes the recovery of state tax offset benefits overpaid to members from 1991 to 2008. Interagency revenue will increase by \$0.1 million, or 20.3%, as the Police Bureau begins passing 100% of pension and disability overhead rates charged to third parties (such as TriMet) to FPDR in FY 2014-15.

	Actual FY 2011-12	Actual FY 2012-13	Revised FY 2013-14	Requested No DP FY 2014-15	Requested FY 2014-15	Propose FY 2014-
Resources						
Total External Revenues	0	0	0	0	0	
Fund Transfers - Revenue	750,000	750,000	0	750,000	750,000	
Total Internal Revenues	750,000	750,000	0	750,000	750,000	
Beginning Fund Balance	750,000	750,000	750,000	750,000	750,000	
Total Resources	1,500,000	1,500,000	750,000	1,500,000	1,500,000	
Requirements						
Total Bureau Expenditures	0	0	0	0	0	
Contingency	0	0	0	750,000	750,000	
Fund Transfers - Expense	750,000	750,000	750,000	750,000	750,000	
Total Fund Expenditures	750,000	750,000	750,000	1,500,000	1,500,000	
Ending Fund Balance	750,000	750,000	0	0	0	
Total Requirements	1,500,000	1,500,000	750,000	1,500,000	1,500,000	

Fund Overview

The Fire & Police Disability & Retirement (FPDR) Reserve Fund was established by City Charter and is to be maintained in the amount of \$750,000. It is for use only in the event the FPDR Fund becomes depleted to the extent that current obligations cannot be met. Interest income on the \$750,000 is booked directly to the FPDR Fund.

Managing Agency

Bureau of Fire & Police Disability & Retirement



FPDR Five-Year Financial Forecast: FYE 2015-19

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 2015 through 2019 is detailed below. The first year of the forecast is FPDR's FY 2014-15 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)

									FYE14
		FYE14		FYE15					Budget-
	FYE13	Adopted	FYE14	Request	FYE16	FYE17	FYE18	FYE19	FYE19
	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	Change
Resources									
Property Taxes	\$112.49	\$118.62	\$119.12	\$120.39	\$126.53	\$134.20	\$141.37	\$147.07	24.0%
Tax Anticipation Notes	21.36	28.00	26.93	31.26	37.21	41.34	43.65	45.33	61.9%
Miscellaneous	1.96	0.97	1.08	0.96	1.12	1.17	1.29	1.32	36.0%
Cash Transfers	0.75	0.76	0.01	0.75	0.75	0.75	0.75	0.75	-1.2%
Beginning Fund Balance	14.39	13.75	14.20	15.72	11.28	9.05	9.41	9.90	-28.0%
Total Resources	\$150.95	\$162.10	\$161.34	\$169.09	\$176.88	\$186.50	\$196.46	\$204.38	26.1%
Requirements									
Retirement Benefits	104.68	111.13	108.14	115.46	119.45	124.28	130.85	136.12	22.5%
Disability & Death Benefits	6.73	7.49	6.87	6.56	6.65	6.78	7.16	7.57	1.0%
Administration & Delivery	3.17	3.30	3.46	3.26	3.18	3.31	3.47	3.60	9.1%
Fund-Level Requirements	22.18	40.18	27.14	43.80	47.60	52.14	54.98	57.09	42.1%
Ending Fund Balance	14.20	0.00	15.72	0.00	0.00	0.00	0.00	0.00	N/A
Total Requirements	\$150.95	\$162.10	\$161.34	\$169.09	\$176.88	\$186.50	\$196.46	\$204.38	26.1%
Total Net of TANs	\$129.59	\$134.10	\$134.41	\$137.83	\$139.68	\$145.16	\$152.81	\$159.05	18.6%

Resources

Property Taxes

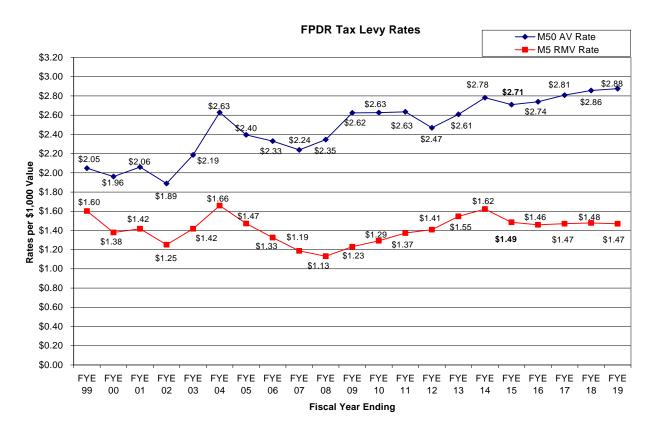
Current-year taxes are increasing \$1.7 million, or 1.4%, for the Requested Budget and \$28.0 million, or 24.0%, over the five-year plan. The certified levy amount, which includes an adjustment for expected discounts and compression, is increasing by \$0.9 million, or 0.7%, for the Requested Budget and \$29.5 million, or 21.6%, for the five-year forecast. The impact of the new Multnomah County Library District permanent rate is evident in the 17.1% gross-up for expected discounts, delinquencies and compression in FYE14; FYE13's certified levy was 12.5% greater than actual current year tax revenue. Prior-year tax revenue is budgeted at \$2.3 million in FYE15, increasing by \$100,000 in each of the subsequent years.

The City Economist expects Measure 50 Assessed Value (M50 AV) to increase annually for a total of 17.7% growth over the five-year forecast. Measure 5 Real Market Value (M5 RMV), is expected to rise 34.3% over the plan. As a result, the M50 AV rate is expected to increase by 3.4%, while the implied M5 RMV rate is expected to decline by 9.5%. The M50 AV rate will decrease from \$2.78 in FYE14 to \$2.71 in FYE15 and will rise to \$2.88 over the five-year forecast. The M5 RMV rate will decrease from \$1.62 in FYE14 to \$1.49 for FYE15 and remain stable through FYE19.

FYE16 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. The five-year forecast RMV average rate of \$1.47 is \$0.27 less than last year's plan. As a result, the FPDR levy will cause less compression than thought previously, and the next levy adequacy analysis should show a lower risk of reaching the \$2.80 cap.

Property Tax Summary (\$000)

	FYE14	FYE15					FYE14 -
	Adopted	Requested	FYE16	FYE17	FYE18	FYE19	FYE19
	Budget	Budget	Forecast	Forecast	Forecast	Forecast	Change
Required Current-Yr Taxes	\$116,418	\$118,095	\$124,126	\$131,695	\$138,766	\$144,374	24.0%
Discount/Compression Adj.	19,965	19,233	19,426	20,279	20,845	21,507	7.7%
Levy Amount	136,384	137,328	143,552	151,974	159,611	165,882	21.6%
Required CY Tax Gross-up	17.1%	16.3%	15.7%	15.4%	15.0%	14.9%	
M50 Assessed Value	49,018,957	50,685,602	52,408,912	54,112,202	55,870,848	57,686,651	17.7%
M5 Real Market Value	84,044,896	92,449,385	98,458,595	103,381,525	108,033,693	112,895,210	34.3%
M50 AV Rate/\$1000	2.78	2.71	2.74	2.81	2.86	2.88	3.4%
M5 RMV Rate/\$1000	1.62	1.49	1.46	1.47	1.48	1.47	-9.5%



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 1.

TANs are estimated as four and a half 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 also budgeted as a transfer out to return the funds if needed to keep the FPDR Fund in a positive cash position in November.

Beginning balance is expected to increase from an actual \$14.2 million in FYE14 to \$15.7 million for FYE15 and then decrease to \$9.9 million for FYE19 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 growing from \$209,394 in FYE13 to \$245,500 projected in FYE14 and \$255,500 budgeted for FYE15. The interest rate the City can earn on its investments appears to have bottomed out. While the forecast spreads between borrowing rates and investment returns are unfavorable compared to FYE14, the actual spreads may be better.

Interest Rate Spread			FYE15				
	FYE13	FYE14	Requested	FYE16	FYE17	FYE18	FYE19
	Actuals	Projection	Budget	Forecast	Forecast	Forecast	Forecast
Interest on Investments	0.47%	0.49%	0.50%	0.60%	0.60%	0.60%	0.60%
Interest on TANs	0.17%	0.18%	1.00%	1.00%	1.00%	1.00%	1.00%
Interest Rate Spread	0.30%	0.31%	-0.50%	-0.40%	-0.40%	-0.40%	-0.40%

While interagency (IA) revenue is expected to increase for FYE15, subrogation revenue is budgeted level with FYE14, and overpayment recovery revenue drops to zero as the recovery of overpaid tax offset benefits is done in FYE14. 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.

Miscellaneous & Interagency Revenue (\$000)

		FYE14		FYE15					
	FYE13	Adopted	FYE14	Request	FYE16	FYE17	FYE18	FYE19	
	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	
Interest on Investments	\$209	\$180	\$246	\$256	\$331	\$355	\$374	\$389	
Interagency Revenue	360	542	542	652	742	762	862	882	
Recovery/Subrogation	1,388	250	292	51	51	51	51	51	
Total Misc/IA Revenue	\$1,957	\$972	\$1,080	\$959	\$1,124	\$1,168	\$1,287	\$1,322	

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.

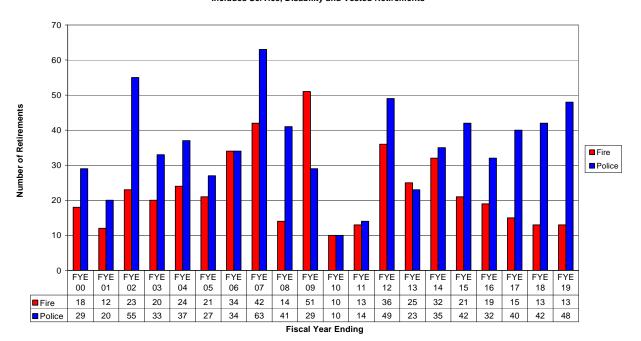
The FYE14 projection for retirement benefits is 97.3% of budget. FPDR 1 and FPDR 2 benefits are projected at 97.7% of budget, with fewer FYE13 retirements than expected and no change to FPDR 1 Police benefits. FPDR 3 contributions are projected at 90.4% of budget due to fewer hires and lower pay than expected.

FPDR 1 members are almost all retired; a few remain on monthly 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 FYE15, FPDR 1 pension expenses are expected to decline, as deaths exceed benefit increases. The new PPA contract does not include any increases effective July 1, 2013, so the FPDR 1 Police retirees will not receive the cost of living adjustment (COLA) and longevity increase effective after July 1 until July 1,2014, along with the 2014 COLA. 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. State legislation reduced the PERS COLA from a 2% maximum to 1.5% for July 1, 2013 and to a maximum rate of 1.25% for July 1, 2014 and beyond. The new PERS methodology provides for a 1.25% adjustment on the first \$60,000 of annual base benefit (excluding the tax offset benefit) and 0.15% on amounts above \$60,000. The FPDR Two adjustment has been budgeted and forecast at 1.25% for each year. State legislation also eliminated the tax offset benefit for participants not subject to Oregon personal income tax. Challenges to the COLA and tax offset changes will be heard by the Oregon Supreme Court, with a ruling expected in late 2014 or early 2015.

The FYE15 budget is based on 67 FPDR 2 retirements (18 of whom have retired through mid-January or are vested terminations or members on disability who are due to retire) in FYE14. 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 FYE14 estimate because staff does not expect a high number of retirements between now and June 30, given the delayed effective date for the PPA agreement changes. FPDR budgets for 32 active Police members (11 of whom have retired to date) and 31 active Fire members (5 of whom have retired) to retire in FYE14.

FPDR2 Retirements Actuals (FYE 00-13), FYE14 Projection & Five-Year Forecast (FYE 15-19) 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 128% 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 FPDR 3 PERS contributions budget assumes 44 hires in FYE14 and 64 hires in FYE15. The final budgets for Fire and Police could require adjustments to FPDR's PERS contributions interagency agreements with these bureaus.

Retirement Benefits Summary (\$000)										
		FYE14		FYE15					Budget-	
	FYE13	Adopted	FYE14	Request	FYE16	FYE17	FYE18	FYE19	FYE19	
	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	Change	
FPDR 1 Benefits/Suppl	\$ 23,843	\$ 22,881	\$ 22,281	\$ 23,793	\$ 20,681	\$ 19,918	\$ 19,223	\$ 18,536	-19.0%	
FPDR 2 Benefits	75,575	81,545	79,798	84,666	89,235	93,568	97,896	102,293	25.4%	
FPDR 3 PERS Contribs	5,266	6,707	6,065	7,000	9,530	10,790	13,730	15,290	128.0%	
Total Retirement Rens	\$104 683	\$111 134	\$108 144	\$115 459	\$119 446	\$124 276	\$130.849	\$136 119	22.5%	

Disability & Death Benefits

This program includes disability time payments to members, medical payments on approved service-connected or occupational 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 interagency agreements with Fire and Police and budgeted as other interagencies are. No above-COLA increases are included in the disability time 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 generally 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. Biweekly benefits also include interim benefits paid before the service-connected or occupational disability claim decision has been made; interim benefits were added in the November 6, 2012 ballot measure.

Medical benefits include medical and hospitalization expenses, as well as prescription and some other costs, associated with approved service-connected and occupational disability 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. FYE 2013 included \$855,000 in large claims cost, an unusually high amount.

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 earned 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 on 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. The return to work budget is part of the interagency agreements with the Fire and Police Bureaus.

Disability & Death Benefits Summary (\$000)

									FYE14
		FYE14		FYE15					Budget-
	FYE13	Adopted	FYE14	Request	FYE16	FYE17	FYE18	FYE19	FYE19
	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	Change
Biweekly Disability Bens	\$1,009	\$935	\$1,186	\$1,207	\$1,235	\$1,266	\$1,300	\$1,333	42.6%
Monthly Disability Bens	2,853	2,910	2,468	2,191	2,010	1,870	1,948	2,033	-30.1%
Medical Benefits	2,524	3,320	2,790	2,786	3,019	3,242	3,492	3,771	13.6%
Vocational Rehabilitation	9	15	10	10	11	11	11	12	-20.9%
Return to Work	296	255	350	294	302	309	318	326	27.8%
Funeral Benefits	33	61	64	72	73	81	90	96	58.6%
Total Disability/Death Bens	\$6,724	\$7,495	\$6,868	\$6,560	\$6,649	\$6,779	\$7,160	\$7,571	1.0%

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)

									FYE14
		FYE14		FYE15					Budget-
	FYE13	Adopted	FYE14	Request	FYE16	FYE17	FYE18	FYE19	FYE19
	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	Change
Personnel Services	\$1,689	\$1,848	\$1,782	\$1,840	\$1,931	\$2,019	\$2,149	\$2,246	21.5%
External Material & Svs	625	874	1,029	828	651	673	690	706	-19.1%
Internal Materials & Svs	550	547	547	553	567	580	594	608	11.2%
Capital	171	30	100	43	35	35	37	38	28.0%
Total Admin & Delivery	\$3,033	\$3,299	\$3,457	\$3,264	\$3,184	\$3,307	\$3,470	\$3,599	9.1%

For the FYE15 budget, administration and delivery expense is 1.0% lower than the FYE14 budget. The FYE15 personnel services budget is 0.5% below FYE14, although a small amount of staff expense is included in the capital budget.

External materials and services is budgeted 5.3% below FYE14, including \$150,000 in a pension program audit and \$50,000 for possible minor technology projects, both shown in Consulting Services. The FYE14 budget included \$200,000 for a disability program audit. Legal services is unusually high in the FYE14 projection due to the settlement of the pension overpayment recovery lawsuit. Other professional services continues to decline from the FYE12 high of \$196,000 as fewer hearings are scheduled with the Office of Administrative Hearings. Miscellaneous services in FYE15 includes \$12,000 for a possible continuation of FPDR's support for Portland Fire & Rescue injury prevention efforts, which was budgeted in internal materials and services in FYE13 and FYE14. The internal materials and services budget is expected to increase 1.2% from FYE14 to FYE15.

Capital expenditures for the database are expected to be \$100,000 in FYE14 (\$75,000 in contract costs and \$25,000 in staff time). \$43,000 is budgeted for FYE15, including \$13,000 of staff time.

Administration & Delivery: Budget Detail

rummstration & Denvery.	Buuget Betan	FYE14		FYE15	Adopted-
		Adopted	FYE14	Requested	Requested
	FYE13 Actuals	Budget	Projection	Budget	Change
Personnel Services	\$1,688,512	\$1,848,432	\$1,782,147	\$1,839,937	-0.5%
1 et sommet Set vices	\$1,000,312	\$1,646,432	\$1,762,147	\$1,639,937	-0.570
External Materials & Service	ces				
Consulting Services	536	200,000	200,000	200,000	-
Computer Consulting	23,400	20,000	21,800	21,900	9.5%
Legal Services	71,517	53,000	280,000	54,400	2.6%
Audit Services	27,580	26,500	26,500	27,200	2.6%
Actuarial Services	68,277	52,000	52,000	53,400	2.7%
Claims Investigation	116,774	143,000	143,000	146,700	2.6%
Other Professional Services	91,654	152,000	76,000	80,000	-47.4%
Medical Bills Processing	14,218	3,000	3,000	-	-100.0%
Repair & Maint Services	1,752	2,500	4,000	2,600	4.0%
Miscellaneous Services	6,900	9,000	9,000	21,000	133.3%
Office/Computer Supplies	8,669	9,000	9,877	11,900	32.2%
Minor Equipment & Tools	2,532	1,000	1,000	1,000	0.0%
Education, Subscrip, Dues	9,867	12,000	12,000	12,000	0.0%
Travel - Local	546	500	500	500	0.0%
Travel - Out of Town	2,048	5,000	5,000	5,000	0.0%
External Rent	177,320	184,000	184,000	189,000	2.7%
Miscellaneous	1,057	1,000	1,000	1,000	0.0%
Total External M&S	624,645	873,500	1,028,677	827,600	-5.3%
Internal Materials & Service					
Printing & Distribution	38,690	39,114	39,114	44,835	14.6%
Facilities Services/Fleet	2,896	1,515	1,515	1,817	19.9%
Technology Services	93,319	94,818	94,818	91,211	-3.8%
EBS Services	28,416	28,794	28,794	28,999	0.7%
Risk Management	27,869	27,197	27,197	25,910	-4.7%
City Attorney	218,729	222,337	222,337	223,732	0.6%
Office of Mgmt & Finance	37,971	18,815	18,815	19,695	4.7%
Fire & Police Bureaus	101,770	113,988	113,988	117,000	2.6%
Total Internal M&S	549,660	546,578	546,578	553,199	1.2%
Capital	170,648	30,000	100,000	43,300	44.3%
Total Admin & Delivery	\$3,033,465	\$3,298,510	\$3,457,402	3,264,036	-1.0%

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 \$57,500 more than interest revenue in FYE15.

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

General Fund overhead (GFOH) increases in FYE15, the third year of the City's new GFOH model. The forecast assumes the FYE15 GFOH amount continues, with inflation.

General Fund Overhead Summary

		FYE14	FYEIS	
	FYE13	Adopted	Requested	Change
	Actuals	Budget	Budget	Percent
General Fund Overhead	\$64,630	\$102,158	\$132,721	29.9%

The miscellaneous line in the fund-level requirements table below includes FPDR's share of the City's pension obligation bonds as well as a \$750,000 fund transfer to the Reserve Fund to return the balance that may be transferred to the FPDR Fund in November to insure a positive cash balance until current-year tax revenues are received. Through FYE14, the return was not budgeted unless the transfer from the Reserve Fund to the FPDR Fund was made. At the suggestion of the external auditor, it will now be budgeted as a fund transfer rather than in contingency.

Fund-Level Requirements (\$000)

									FYE14
		FYE14		FYE15					Budget-
	FYE13	Adopted	FYE14	Request	FYE16	FYE17	FYE18	FYE19	FYE19
	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	Change
Contingency	\$0	\$11,727	\$0	\$11,275	\$9,050	\$9,405	\$9,903	\$10,310	-12.1%
TANs Expenditures	21,437	28,340	27,034	31,636	37,657	41,835	44,175	45,878	61.9%
General Fund Overhead	65	102	102	133	136	139	142	145	42.0%
Fund Transfers	756	8	8	758	758	758	759	759	9961.3%
Total Fund-Level Reqs	\$22,258	\$40,177	\$27,144	\$43,802	\$47,601	\$52,137	\$54,979	\$57,091	42.1%

Risks to the Forecast

The following risks to the forecast have been identified.

- The Oregon State Legislature passed two bills in 2013 that affect FPDR. Senate Bill 822 eliminated the tax offset benefit for participants whose pension benefits are not subject to Oregon personal income tax and capped the July 1, 2013 FPDR Two benefit adjustment at 1.5%. Senate Bill 861 reduced the 2014 and beyond benefit adjustment to a maximum of 1.25%. Challenges to both bills will be heard by the Oregon Supreme Court in 2014. The estimated savings to FPDR from these bills is \$3.0 million through FYE15.
- Contract claims totaling \$6.8 million have been filed relating to the return to work program. A class action suit seeking the addition of apparatus operator pay to the benefits received by Fire FPDR 1 payees is also pending; the estimated value of these additional benefits is \$2.2 million through FYE14 and \$0.3 million ongoing.
- PERS contribution rates are expected to increase again in FYE16 and FYE18, although more slowly than in the past few years. If the challenges to Senate Bills 822 and 861 are successful, future rate increases are likely to be higher. Significant investment gains in the PERS portfolio could reduce out-year rates; losses or lower than expected gains could increase 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.