




FIRE AND POLICE DISABILITY AND RETIREMENT City of Portland, Oregon



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Samuel Hutchison, Director fpdr@portlandoregon.gov

TO: Andrew Scott, City Budget Office
Ryan Kinsella, City Budget Office

FROM: Samuel Hutchison, FPDR Director 

RE: FPDR FY 2017-18 Fall BMP Submission

DATE: September 11, 2017

Please find attached FPDR's FY 2017-18 Fall Budget Monitoring Process (BMP) submission.

BMP Request

FPDR's only request is to transfer \$8,313 from external to internal materials and services, to fund FPDR's share of a new software tool for estimating the City's long-range pension and other post-employment benefit liabilities. The Bureau of Revenue and Financial Services will manage the software contract, but FPDR, CBO, and the Bureau of Human Resources have agreed to share in the cost. FPDR's annual cost for the software will drop to \$5,687 in outyears.

Prior Year Variances

The FPDR Fund ended FY 2016-17 within budget, both overall and within each major object category. Bureau expenses – personnel, internal and material services (including all benefit payments), and capital costs – came in about one percent under budget. Property tax collections were almost precisely as projected, with revenues exceeding budget by just \$125,734, or less than 0.1%. FPDR did not need to transfer money from the FPDR Reserve Fund, or issue as much in tax anticipation notes (TANs) as originally anticipated, to maintain a positive cash balance before the receipt of property taxes in November. This resulted in a variance between budgeted and actual revenues in the Bond and Note and Fund Transfer revenue categories.

Please feel free to contact me or Stacy Jones, FPDR Financial Manager, with any questions or concerns.

**CBO Discussion and Recommendations
FY 2017-18 Fall Supplemental Budget Ordinance**

Bureau: Bureau of Fire & Police Disability & Retirement

Type: Technical Adjustment

Request: DR_001 - OMF IA for GovInvest software

	Fall BMP Requested Adjustments	Fall BMP CBO/Council Changes	Fall BMP Total Adjustments
EXPENDITURES			
External Materials and Services	(8,313)	0	(8,313)
Internal Materials and Services	8,313	0	8,313
TOTAL EXPENDITURES	0	0	0

Bureau Description:

This request funds FPDR's share of the costs for new software to estimate long-term liabilities, such as pensions and OPEB. City Treasury will manage the software contract, but costs will be split between FPDR, CBO, and two OMF bureaus. Costs will decline in outyears and be absorbed within FPDR's existing budget.

CBO Discussion and Recommendation

Prior Year Fund Reconciliation Report

	FY 2016-17 Revised Budget	FY 2016-17 Year-End Actuals	Percent of Actuals to Revised
800 - Fire & Police Disability & Retirement Fund			
EXPENDITURES			
Personnel Services	2,086,912	1,973,765	94.58
External Materials and Services	121,312,236	120,536,789	99.36
Internal Materials and Services	11,461,988	10,812,493	94.33
Capital Outlay	76,000	54,760	72.05
Bond Expenses	34,899,037	29,371,007	84.16
Fund Transfers - Expense	1,060,028	310,028	29.25
Contingency	6,338,111	0	0.00
TOTAL EXPENDITURES	177,234,312	163,058,841	92.00
REVENUES			
Budgeted Beginning Fund Balance	12,588,094	0	0.00
Taxes	128,071,818	128,197,552	100.10
Charges for Services	0	44	0.00
Interagency Revenue	905,200	1,193,483	131.85
Fund Transfers - Revenue	750,000	0	0.00
Bond and Note	34,476,000	29,129,050	84.49
Miscellaneous	443,200	694,665	156.74
TOTAL REVENUES	177,234,312	159,214,794	89.83

Fund Reconciliation Narrative

The only areas in which the FPDR Fund had a significant under-collection of revenue was in the Bond and Note and Fund Transfers categories. This reflects the fact that FPDR did not need to transfer funds from the FPDR Reserve Fund, or issue as much in tax anticipation notes (TANs) as originally anticipated, to meet cash flow needs in FY 2016-17. In order to prevent a cash shortfall prior to the receipt of property tax revenue in November, FPDR issues TANs each year. 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 resulted in a variance between budgeted and actual Bond and Note Revenues in FY 2016-17. In addition to TANs, FPDR budgets a \$750,000 transfer from the FPDR Reserve Fund to the FPDR Fund each fall in the event TAN proceeds are insufficient to maintain a positive cash balance in the FPDR Fund. In FY 2016-17, TANs alone were sufficient and the fund transfer was not necessary.

The FPDR Fund had no other significant under-collections of revenues, and no over-expenditures.

Prior Year Fund Reconciliation Report

	FY 2016-17 Revised Budget	FY 2016-17 Year-End Actuals	Percent of Actuals to Revised
801 - Fire & Police Disability & Retirement Res Fund			
EXPENDITURES			
Unappropriated Fund Balance	750,000	0	0.00
Fund Transfers - Expense	750,000	0	0.00
TOTAL EXPENDITURES	1,500,000	0	0.00
REVENUES			
Budgeted Beginning Fund Balance	750,000	0	0.00
Fund Transfers - Revenue	750,000	0	0.00
TOTAL REVENUES	1,500,000	0	0.00

Fund Reconciliation Narrative

FPDR budgets a transfer from the FPDR Reserve Fund each year should tax anticipation note proceeds prove insufficient to maintain a positive cash balance in the operating fund. The transfer was not necessary in FY 2016-17.

Bureau of Fire & Police Disability & Retirement

Performance Measures

Performance Measure	Type	FY 2014-15 Year-End Actuals	FY 2015-16 Year-End Actuals	FY 2016-17 Adopted Budget	FY 2016-17 Year-End Actuals	FY 2017-18 Adopted Budget
DR_0002 - Administrative cost as a percentage of bureau budget	KPM	1.57%	1.61%	1.69%	1.41%	1.54%
DR_0003 - Number of FPDR 2 retirements from active service	KPM	40	57	59	57	52
DR_0004 - Number of pension estimates	WORKLOAD	240	424	293	397	348
DR_0005 - Number of Fire & Police Disability & Retirement 1 and 2 pension recipients	WORKLOAD	1,972	1,981	2,311	2,018	2,060
DR_0006 - Number of pre-retirement workshop participants	WORKLOAD	53	123	75	126	75
DR_0007 - Percentage of workshop participants who rated workshop helpful	EFFECTIVE	100%	100%	100%	100%	100%
DR_0008 - Percentage of pension estimates processed within one week	EFFICIENCY	73%	82%	80%	76%	80%
DR_0011 - Number of members on short-term disability	WORKLOAD	243	257	243	244	260
DR_0012 - Number of medical bills	WORKLOAD	4,114	3,671	4,159	3,996	4,036
DR_0013 - Number of long-term disability recipients	WORKLOAD	48	35	40	37	38
DR_0014 - Amount of medical cost savings	EFFECTIVE	\$1,306,255	\$1,382,411	\$1,298,046	\$1,958,772	\$1,154,000
DR_0015 - Savings as a percentage of total medical costs	EFFECTIVE	38.8%	38.8%	42.4%	40.1%	41.7%
DR_0020 - Percentage of disability claims decisions in 90 days	EFFICIENCY	100%	98%	97%	99%	98%
DR_0021 - Percentage of disability claims decisions in 60 days	EFFICIENCY	93%	88%	90%	93%	87%
DR_0022 - Percentage of disability claims decisions in 30 days	EFFICIENCY	67%	54%	55%	65%	53%
DR_0023 - Percentage of members whose final pay was 99% or more of last estimate	EFFECTIVE	100%	91%	100%	100%	100%
DR_0024 - Number of disability claims filed	KPM	360	379	356	342	360
DR_0025 - Percent of workforce who are FPDR 3	KPM	27%	31%	36%	35%	43%
DR_0026 - FPDR tax levy rate (per \$1,000 of Real Market Value)	KPM	\$1.48	\$1.30	\$1.29	\$1.14	\$1.16
DR_0027 - Percentage of workforce on disability at June 30	KPM	4.2%	3.4%	4.0%	3.3%	3.8%
DR_0028 - Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	EFFECTIVE	50%	71%	65%	62%	65%

Bureau of Fire & Police Disability & Retirement

Performance Measures

Performance Measure	Type	FY 2014-15	FY 2015-16	FY 2016-17	FY 2016-17	FY 2017-18
		Year-End Actuals	Year-End Actuals	Adopted Budget	Year-End Actuals	Adopted Budget

Performance Measure Variance Descriptions

Administrative cost as a percent of the bureau budget dropped to 1.41% for FY 2016-17, the lowest level in several years. FPDR's long-term goal is to keep administrative expenses to no more than 2% of the bureau budget, although the bureau's strategic target for the next five years is 1.67% or less. The number of service retirements was 57, similar to the 59 projected. Retirements fluctuate from year to year as the demographics of the membership, labor negotiations, and the regional economy affect retirement patterns. The number of disability claims dropped nearly 10% in FY 2016-17, which helped the bureau improve claim efficiency. Approximately 65% of claims received a decision within 30 days, up from 54% in FY 2015-16. The percent of the sworn workforce who are FPDR 3 members, and therefore part of Oregon PERS for pension purposes, has been increasing as expected. The FPDR property tax rate per \$1,000 of RMV continued to drop and was \$1.14 in FY 2016-17. The lower tax rate is due to the growth of RMV and lower discount and compression rates. FPDR's long-term strategic target is to keep the tax rate below the \$2.80 cap imposed by the City Charter. The percent of the sworn workforce on disability was 3.3%. This rate decreased steadily in the first five years following the Charter changes of 2006, and has been stable at around 4% more recently.

Although not key performance measures, it is worth noting that the significant increases seen in FY 2015-16 in the number of pension estimates prepared and the number of pre-retirement workshop participants continued into FY 2016-17. Pension estimate requests were 33% more than projected for the year, and pre-retirement workshop attendants 66% more. FPDR attributes these continued high levels to interest surrounding the return of the "27 pay date" pension methodology, workforce demographics, and enhanced FPDR outreach to promote retirement readiness.

Capital Program Status Report

Fire and Police Disability and Retirement

CIP Program	FY 2016-17 Adopted Budget	FY 2016-17 Revised Budget	FY 2016-17 Year-End Actuals	Variance \$	Variance %	FY 2017-18 Adopted Budget	Fall BMP Revised Budget	FY 2017-18 Year to Date Actuals	Variance \$	Variance %
Maintenance and Reliability	\$46,000	\$76,000	\$67,320	(\$8,680)	(11%)	\$46,451	\$46,451	(\$186)	\$0	0%
Total	\$46,000	\$76,000	\$67,320	(\$8,680)	(11%)	\$46,451	\$46,451	(\$186)	\$0	0%

* Prior Year variances compare Year-End Actuals to Revised Budget

** Current Year variances compare Revised Budget to Adopted Budget

Prior Year Variance Description

The variance between the Revised Budget and actual expenditures for FY 2016-17 is slightly more than 10%. FPDR budgeted conservatively in this category as it is comprised of one small capital project and even a small unanticipated expense could cause over-expenditure.

Current Year Variance Description

There is no variance between the FY 2017-18 Adopted Budget and the Fall BMP Revised Budget.

Service Area	Bureau	Package Name	Package Description	Budget Process Funded in:	Year Funded:	Added/ (Reduced) Funds	Added/ (Reduced) FTE	Package Status	Package Update
Public Safety	Bureau of Fire & Police Disability & Retirement	Reclassify Positions: Finance & Business Systems	This package converts two 0.75 FTE senior financial analyst positions to a 1.0 FTE senior financial analyst position and a 1.0 FTE management analyst position. The net increase is 0.5 FTE and \$24,144. The management analyst will be half-time dedicated to finance and half-time dedicated to business systems (information technology).	FY 2016-17 Adopted Budget	FY 2016-17	24,144	0.50	Complete	This decision package has been implemented. One of the part-time senior financial analyst positions was converted to full time effective July 1, 2016. The incumbent remained in the position and increased her hours. The other part-time senior financial analyst position was vacant and was eliminated in January 2017. A new management analyst position was created and filled in the fall of 2016.