

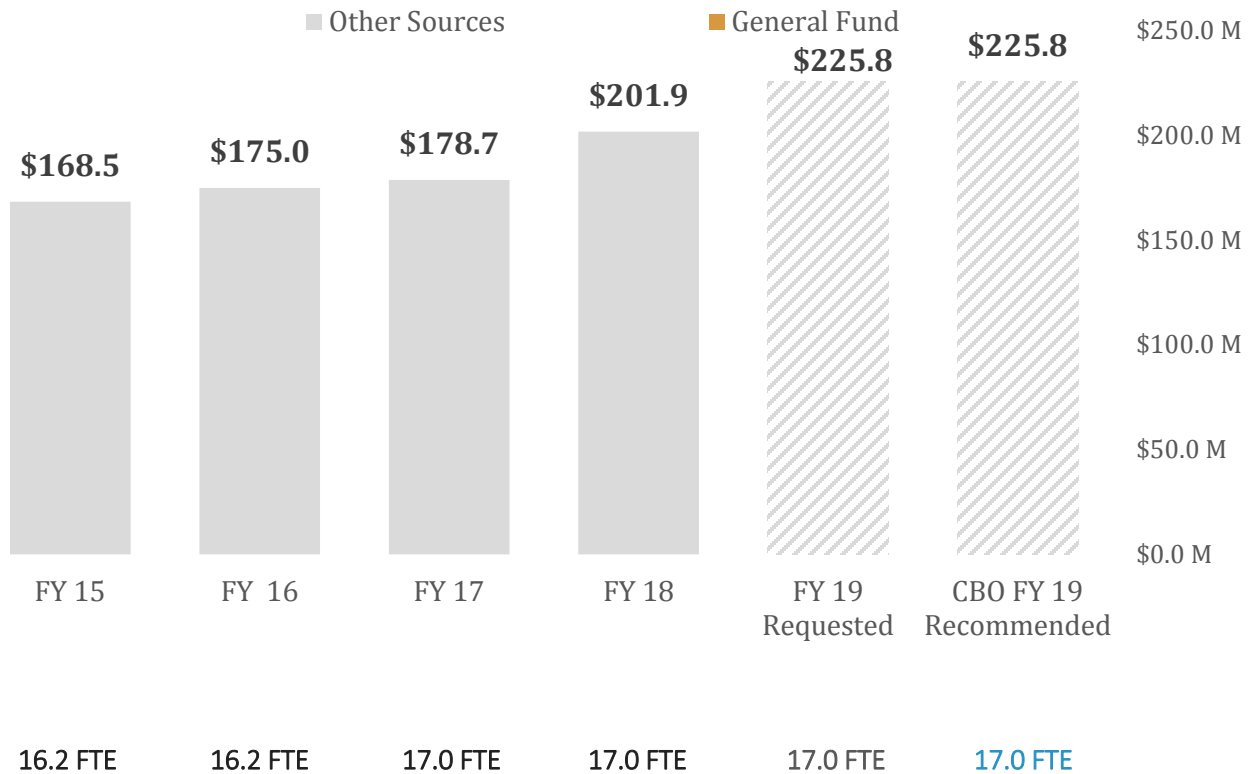


**City
Budget
Office**

Fire Police Disability & Retirement

Analysis by Jessica Kinard

Adopted Budget Resources: 5-Year Lookback



INTRODUCTION

The Bureau of Fire & Police Disability & Retirement (FPDR) is responsible for managing the pensions and disability programs for sworn police and fire personnel. The bureau receives all revenues from a separate property tax levy on a pay-as-you-go basis where the levy is set to cover the anticipated requirements for one fiscal year. The FY 2018-19 Requested Budget estimates a levy equivalent to \$1.10 per \$1,000 of real market value (RMV), well below the City Charter Cap of \$2.80 per \$1,000 RMV. Even though bureau expenditures have increased 20% over the past five years, the City is unlikely to reach the Charter Cap due to increases in Portland’s Real Market Value.

KEY ISSUES

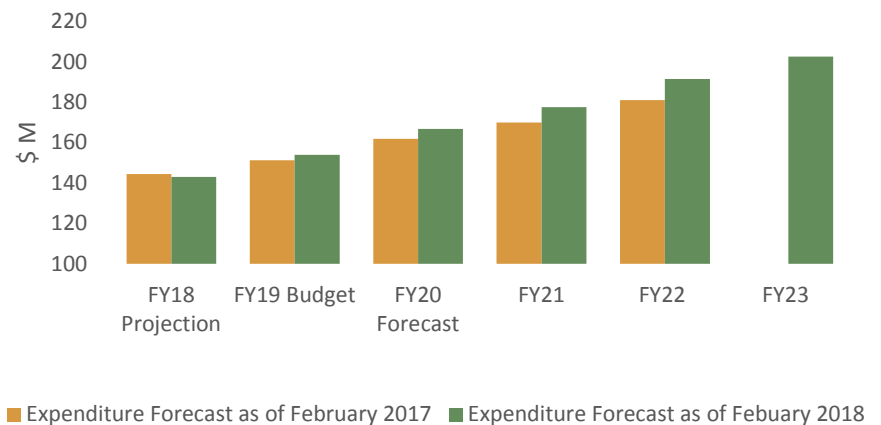
Increased Expenditures in the Five-Year Forecast

Over the next five years, FPDR requirements are projected to grow by 41%. Although the tax levy is projected to stay below the City Charter Cap due to increases in Real Market Value, property owners will be paying more in annual tax dollars. The assessed value rate is increasing by \$0.03 per \$1,000 of assessed value in FY 2018-19 to \$2.68; property owners will thus pay an additional \$3 in tax for every \$100,000 of assessed property value. By FY 2022-23, this rate is projected to grow by \$0.46 to \$3.14, which will result in property owners paying an additional \$46 per \$100,000 of assessed property value.

Overall cost increases are driven primarily by the fiscally responsible decision made by the City in 2006 to transition to a pre-funded pension plan for employees hired going forward, in addition to funding existing pay-as-you go pension plans. Costs will continue to increase as both plans are funded simultaneously until the early 2030s, when the relatively more expensive pay-as-you-go plans age out and costs will decline. Impacts to taxpayers will depend on the relative increases of the plan's costs and growth in the tax base.

Other factors are also impacting cost increases, as evidenced by increases in this years' five-year forecast in comparison to last years' forecast (see chart). These increases are primarily driven by increasing Public Employee Retirement System (PERS) contribution rates, which have added \$30 million in increased costs over the five-year period. Local Cost of Living Adjustment (COLA) rate increases and pay increases as a result of recent bargaining agreements with Portland Fire Fighter Association members have also added \$5 million in increased costs over the five-year forecast.

FPDR Forecasted Bureau Expenditures are projected to increase 41% over the next five years. Projected expenses have increased since last years' forecast, primarily as a result of higher PERS contribution rates.



This forecast may be impacted by future changes in PERS contribution rates, higher-than projected wage inflation, and/or retirement rates.

DECISION PACKAGE ANALYSIS AND RECOMMENDATIONS

FPDR submitted no decision packages in their FY 2018-19 requested budget.

SUMMARY OF REQUESTS AND RECOMMENDATIONS

Below is a summary of Fire Police Disability & Retirement's total budget. Base budget expenditures are increasing primarily due to increased payments for Police and Fire sworn members and beneficiaries, as discussed in the Key Issues section above. The budgets are inflated due to the bureau's issuance of Tax Anticipation Notes (TANs) to cover cash flow requirements before property tax revenues are received in November; net of these notes, the bureau's FY 2018-19 base budget increased by \$10.5 million over the FY 2017-18 adopted budget.

	Adopted FY 2017-18	Request Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Revised (A+B+C)
Resources					
Budgeted Beginning Fund Balance	\$ 9,808,579	\$ 12,929,404	\$ -	\$ -	\$ 12,929,404
Taxes	144,268,948	151,270,053	-	-	151,270,053
Interagency Revenue	1,359,000	1,290,000	-	-	1,290,000
Fund Transfers - Revenue	1,500,000	1,500,000	-	-	1,500,000
Bond and Note	44,312,000	57,700,000	-	-	57,700,000
Miscellaneous	664,300	1,143,400	-	-	1,143,400
Total Resources	\$201,912,827	\$225,832,857	\$0	\$0	\$225,832,857
Requirements					
Personnel Services	\$ 2,143,014	\$ 2,250,600	\$ -	\$ -	\$ 2,250,600
External Materials and Services	128,012,797	134,477,237	-	-	134,477,237
Internal Materials and Services	14,377,143	17,137,464	-	-	17,137,464
Capital Outlay	46,451	42,850	-	-	42,850
Bond Expenses	44,835,166	58,593,081	-	-	58,593,081
Fund Transfers - Expense	1,670,378	1,807,625	-	-	1,807,625
Contingency	10,077,878	10,774,000	-	-	10,774,000
Unappropriated Fund Balance	750,000	750,000	-	-	750,000
Total Requirements	\$201,912,827	\$225,832,857	\$0	\$0	\$225,832,857

