FIRE AND POLICE DISABILITY AND RETIREMENT
City of Portland, Oregon

1800 SW First Ave., Suite 450, Portland, OR 97201 · (503) 823-6823 · Fax: (503) 823-5166
Samuel Hutchison, Director **fpdr@portlandoregon.gov**

TO: Jessica Kinard, Interim City Budget Director
Josh Harwood, City Economist

FROM: Samuel Hutchison, FPDR Director

RE: FPDR FY 2018-19 Spring BMP Submission

DATE: March 27, 2019

Please find attached FPDR's FY 2018-19 Spring Budget Monitoring Process (BMP) submission. FPDR has only technical adjustment requests. The first request is to shift $10,000 to the capital budget for planned software upgrades that may proceed more quickly than originally anticipated. The upgrades are to automate portions of pension estimate calculations. The second request is made at the Fire Bureau's behest, to reduce their interagency budget with FPDR for Public Employee Retirement System (PERS) contributions, which are expected to come in approximately $250,000 below budget.

Net of fund-level items like tax anticipation notes and fund transfers, FPDR expects to end the fiscal year within three percent of its original budget. Pension benefits for FPDR One and Two beneficiaries are currently forecast at 98 percent of budget, or about $2.7 million less than the original budget. There have been fewer FPDR Two retirements and FPDR One deaths over the last year than predicted. PERS contributions are expected to be roughly $0.5 million, or four percent, under budget. Disability benefits, the most volatile area of FPDR's budget, are anticipated to come in approximately nine percent, or $0.7 million, under budget. There will likely be small savings in short-term disability, long-term disability, medical care, and return-to-work benefits.

On the revenue side, FPDR did not need to execute a budgeted transfer from the FPDR Reserve Fund, nor issue as much in tax anticipation notes as budgeted, to maintain a positive cash position this year. Property tax collections will likely be $3.3 million, or two percent, higher than originally assumed because of a large one-time prior year tax payment from Comcast. Rising interest rates will result in higher interest earnings on FPDR's fund balance; FPDR expects to earn about $0.4 million more in interest than previously expected.

All told, ending fund balance is currently projected at $18.5 million, $6.6 million more than beginning fund balance. The additional funds will lower the FPDR tax levy for November 2019.

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

Business Area Projection Report

Fund	Major Object	2018-19 SPRING Requested Total	2019 February Actuals YTD	2018-19 SPRING Projection	% of Projected Actuals to Revised Budget
800	Ending Fund Balance	0	0	0	
	Personnel	2,250,600	1,417,572.61	2,181,307	96.92%
	External Materials and Services	134,712,872	75,638,273.97	131,283,706	97.45%
	Internal Materials and Services	17,202,965	5,845,264.74	16,754,358	97.39%
	Capital Outlay	52,850	11,495.8	52,850	100.00%
	Debt Service	58,593,081	45,771.14	37,162,688	63.43%
	Fund Transfers - Expense	919,150	112,765	169,150	18.40%
	Contingency	10,774,125	0	0	
	Sum:	**224,505,643**	**83,071,143.26**	**187,604,059**	

Fund	Major Object	2018-19 SPRING Requested Total	2019 February Actuals YTD	2018-19 SPRING Projection	% of Projected Actuals to Revised Budget
	Beginning Fund Balance	12,179,404	0	11,852,569	97.32%
	Charges for Services	0	85	0	
	Interagency Revenue	1,290,000	327,165.12	1,352,305	104.83%
	Bond & Note Proceeds	57,700,000	36,525,597.25	36,525,597	63.30%
	Fund Transfers - Revenue	750,000	0	0	
	Miscellaneous	1,143,400	930,652.29	1,650,066	144.31%
	Taxes	151,442,839	145,111,515.77	154,699,057	102.15%
	Sum:	**224,505,643**	**182,895,015.43**	**206,079,594**	

Fund	Major Object	2018-19 SPRING Requested Total	2019 February Actuals YTD	2018-19 SPRING Projection	% of Projected Actuals to Revised Budget
801	Ending Fund Balance	750,000	0	750,000	100.00%
	Fund Transfers - Expense	750,000	0	0	
	Sum:	**1,500,000**	**0**	**750,000**	

Fund	Major Object	2018-19 SPRING Requested Total	2019 February Actuals YTD	2018-19 SPRING Projection	% of Projected Actuals to Revised Budget
	Beginning Fund Balance	750,000	0	750,000	100.00%
	Fund Transfers - Revenue	750,000	0	0	
	Sum:	**1,500,000**	**0**	**750,000**	

Business Area Projection Report

Revenue Discussion

Revenues, net of tax anticipation notes (TANs), are expected to be within 1.65% of FPDR's pre-spring BUMP budget (a positive variance.) Most of the over-collection is in property taxes; FPDR received a one-time $3.0 million payment for a prior tax year from Comcast. Also, interagency revenues are expected to exceed budget by almost 5%, a slight up-tick compared to last year. As the Police Bureau hires more staff, they will be able to take on more third-party work, which in turn increases the associated pension and disability overhead charges that are passed on to FPDR. Finally, due to higher than expected interest rates, FPDR will over collect on interest income this year.

Revenue Risks

The majority of revenues for the year have been collected, close to 94.5%. As usual, most Portlanders pay their property taxes in November, leaving only a small stream of taxes and other revenues to trickle in for the remainder of the year.

Expenditure Discussion

Expenses, net of TANs, are expected to be within 9% of FPDR's pre-spring BUMP budget. First, the only expenditure category projected to exceed the pre-BMP budget is capital outlay. The capital outlay category is more subject to variance than other categories because it is comprised entirely of one capital project, the FPDR database system. This year continued work on a pension estimating module might cause capital spending to exceed the original budget. Second, debt service will be substantially under budget. FPDR issues tax anticipation notes each year; the issue is budgeted in January but sized based on actual cash flow in June or July. This timing difference, as well as the fact that FPDR budgets conservatively in this category to ensure sufficient debt issuance authority to cover any unanticipated cash flow needs, generally results in a variance in this category. Third, fund transfers will be significantly under budget because FPDR did not need to transfer from the FPDR Reserve Fund to maintain a positive cash position this year.

Expenditure Risks

There are minimal risks to expenditures for the remainder of the year. Most benefit costs and administrative expenses for the next three months are known. Disability benefits are volatile and could be higher than forecast, but this is a small portion of FPDR's total budget.

DR

	%		%
Sum:			

Prior Year Variance Desc

The variance between the Revised Budget and actual expenditures for FY 2017-18 is more than 10%. FPDR budgets conservatively in this category as it is comprised of one capital project and even a small unanticipated expense could cause an over-expenditure.

Current Year Variance Desc

FPDR is increasing its capital budget in the Spring BMP by $10,000, which should be adequate to cover additional planned upgrades to the FPDR database. The additional work is primarily related to the development of a new database module to increase the automation in the pension estimate process. FPDR's contractor now has a larger team of programmers available, thus more programming might be achieved this year.