



# FIRE AND POLICE DISABILITY AND RETIREMENT City of Portland, Oregon



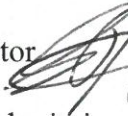
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Samuel Hutchison, Director

[fpdr@portlandoregon.gov](mailto:fpdr@portlandoregon.gov)

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TO: Jessica Kinard, City Budget Director  
Robert Cheney, City Budget Analyst

FROM: Samuel Hutchison, FPDR Director 

RE: FPDR FY 2019-20 Fall BMP Submission

DATE: September 9, 2019

### BMP Requests

FPDR has submitted only small technical requests. We are increasing our interagency agreement with OMF by \$13,372 for FPDR's share of increased citywide Debt Management expenses, and by \$81 for the DCTU professional development allowance. OMF-Debt Management has submitted a separate decision package for the additional citywide costs it proposes to allocate to client bureaus, for Council consideration; the FPDR package simply balances to that package. As you know, the DCTU contract requires a portion of any unspent professional development funds to be carried over to the next fiscal year, and each bureau with DCTU employees is required to budget a pro-rata share. Funds for both additional expenses were shifted from the FPDR pension budget, our largest program.

### Prior Year Performance

The FPDR Fund ended FY 2018-19 within budget, both overall and within each major object category. Total bureau expenses (benefit payments, personnel, materials, services, and capital) came in approximately three percent under budget. Interagency revenue collections fell about 13 percent (\$164K) short of budget because the Police Bureau received less in third-party reimbursements for contracted work than expected due to ongoing staff shortages. FPDR receives a portion of these reimbursements via interagency transfer. Finally, FPDR did not need to transfer money from the FPDR Reserve Fund or issue as much in tax anticipation notes (TANs) as originally budgeted 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, as well as a variance in the Debt Service expense category.

FPDR's key performance measures are either neutral or trending in a positive direction. Of note is the fact that there were 64 sworn retirements from active service in FY 2018-19, the highest number in nine years.

Please feel free to contact me or Stacy Jones, Finance and Pension Manager, with any questions or concerns.

The City of Portland complies with all non-discrimination, Civil Rights laws including Civil Rights Title VI and ADA Title II. To request translation, interpretation, accommodation, modifications, or additional information, please contact FPDR at (503) 823-6823, or use City TTY (503) 823-6868, or Oregon Relay Service: 711

**DR - Bureau of Fire & Police Disability & Retirement**

**DP Type**

**Technical Adjustments**

**Request Name:** 9207 -Debt Management IA

**Package Description**

This request increases the FPDR interagency agreement with OMF Debt Management by \$13,372 to fund a variety of additional costs proposed in a Debt Management fall BMP decision package.

**Service Impacts**

None

**Equity Impacts**

None

**CBO Analysis**

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	2019-20 FALL Requested Adj	2019-20 FALL CBO Adj	2019-20 FALL Recom Total
External Materials and Services	-13,372	0	0
Internal Materials and Services	13,372	0	0

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**DR - Bureau of Fire & Police Disability & Retirement**

**DP Type**

**Technical Adjustments**

**Request Name:** 9239 -BHR IA

**Package Description**

This request increases the FPDR interagency agreement with OMF by \$81 to fund FPDR's pro rata share of unexpended DCTU professional development funds to be carried over from the prior fiscal year, per the DCTU contract.

**Service Impacts**

None

**Equity Impacts**

None

**CBO Analysis**

	2019-20 FALL Requested Adj	2019-20 FALL CBO Adj	2019-20 FALL Recom Total
External Materials and Services	-81	0	0
Internal Materials and Services	81	0	0

## Prior Year Fund Reconciliation Report

Bureau of Fire & Police Disability & Retirement

### 800 - Fire & Police Disability & Retirement Fund

<b>EXPENDITURES</b>	<b>2018-19 Revised Budget</b>	<b>2018-19 Actuals</b>	<b>Percent of Actuals to Revised</b>
Personnel	2,250,600	2,155,392	95.77%
External Materials and Services	134,712,872	131,152,921	97.36%
Internal Materials and Services	17,202,965	16,503,746	95.94%
Capital Outlay	52,850	25,731	48.69%
Debt Service	58,593,081	37,159,043	63.42%
Contingency	10,774,125	0	0%
Fund Transfers - Expense	919,150	169,150	18.4%
<b>TOTAL EXPENDITURES</b>	<b>224,505,643</b>	<b>187,165,983</b>	<b>83.37%</b>

<b>REVENUES</b>	<b>2018-19 Revised Budget</b>	<b>2018-19 Actuals</b>	<b>Percent of Actuals to Revised</b>
Taxes	151,442,839	155,576,484	102.73%
Charges for Services	0	132	
Bond & Note Proceeds	57,700,000	36,525,597	63.3%
Miscellaneous	1,143,400	1,659,003	145.09%
Fund Transfers - Revenue	750,000	0	0%
Interagency Revenue	1,290,000	1,125,538	87.25%
Beginning Fund Balance	12,179,404	0	0%
<b>TOTAL REVENUES</b>	<b>224,505,643</b>	<b>194,886,755</b>	<b>86.81%</b>

#### Expenditure Discussion

There were no over-expenditures in the FPDR Fund in FY 2018-19. Significant variances in Debt Service and Fund Transfers are explained in the Revenue Discussion below.

#### Revenue Discussion

## Prior Year Fund Reconciliation Report

### Bureau of Fire & Police Disability & Retirement

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Revenues fell short of budget by more than ten percent in three categories: Bond and Note Proceeds, Fund Transfers, and Interagency Revenues.

With respect to the first two categories, FPDR did not need to issue as much in tax anticipation notes (TANs) as originally anticipated, nor transfer funds from the FPDR Reserve Fund as budgeted, to meet cash flow needs in FY 2018-19. 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 from July to 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 typically result in a variance between budgeted and actual Bond and Note Revenues. FPDR also budgets a \$750,000 transfer from the FPDR Reserve Fund each fall in the event TAN proceeds are insufficient to maintain a positive cash balance in the FPDR Fund. In FY 2018-19, TANs alone were sufficient and the fund transfer was not necessary. Interagency revenues were less than expected because the Police Bureau did not collect as many reimbursements for contracted work (for example, from TriMet for the Transit police) as budgeted due to continuing staff shortages. A portion of these reimbursements are passed to FPDR. On the positive side, FPDR collected about \$4.1 million more in property taxes than budgeted. This was primarily due to a one-time \$3.0 million payment made by Comcast for prior tax years following a legal settlement. FPDR also collected more interest income than anticipated due to higher interest rates and cash balances than expected.

## Prior Year Fund Reconciliation Report

Bureau of Fire & Police Disability & Retirement

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### 801 - Fire & Police Disability & Retirement Res Fund

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<b>EXPENDITURES</b>	<b>2018-19 Revised Budget</b>	<b>2018-19 Actuals</b>	<b>Percent of Actuals to Revised</b>
Fund Transfers - Expense	750,000	0	0%
Ending Fund Balance	750,000	0	0%
<b>TOTAL EXPENDITURES</b>	<b>1,500,000</b>	<b>0</b>	<b>0.00%</b>

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<b>REVENUES</b>	<b>2018-19 Revised Budget</b>	<b>2018-19 Actuals</b>	<b>Percent of Actuals to Revised</b>
Fund Transfers - Revenue	750,000	0	0%
Beginning Fund Balance	750,000	0	0%
<b>TOTAL REVENUES</b>	<b>1,500,000</b>	<b>0</b>	<b>0.00%</b>

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#### Expenditure Discussion

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FDPR 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 2018-19.

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#### Revenue Discussion

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FDPR 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 2018-19.

## Capital Program Status Report

### Office of Management & Finance

CIP Program Name	2018-19 Adopted Budget	2018-19 Revised Budget	2018-19 Actuals	PY Variance	PY Actuals to Revised	2019-20 Adopted Budget	2019-20 FALL Requested Total	2019-20 Actuals	Fall Req. to Adopted Variance	Fall Req. to Adopted Variance
Maintenance and Reliability	42,850	52,850	24,735	-28,115	46.8%	75,000	75,000	-4,095	0	0%
<b>Sum:</b>	<b>42,850</b>	<b>52,850</b>	<b>24,735</b>	<b>-28,115</b>	<b>-53.2%</b>	<b>75,000</b>	<b>75,000</b>	<b>-4,095</b>	<b>0</b>	<b>0%</b>

### Prior Year Variance Description

The variance between the Revised Budget and actual expenditures for FY 2018-19 was larger than anticipated. FPDR typically budgets conservatively for capital, because the bureau's capital budget is comprised of just one project and even a small unanticipated expense could therefore cause over-expenditure. However, the variance was larger than usual this year because the programmer for FPDR's database worked more on maintenance items than capital upgrades.

### Current Year Variance Description

There is no variance between the FY 2019-20 Adopted Budget and the Fall BMP Revised Budget. Year-to-date actuals appear negative because the year-end accrual reversal was larger than the expenses incurred in July and August.

Bureau of Fire & Police Disability & Retirement

Prior Year Performance Reporting

Run Date: 9/5/19

Run Time: 10:00:52 AM

**Bureau Performance Narrative**

FPDR's primary source of revenue is a dedicated property tax levy, capped at \$2.80 per \$1,000 of real market value (RMV) by the Portland City Charter. Despite increasing FPDR expenses, the rate has fallen each year for the last four years because of historic RMV growth. It was \$1.09 per \$1,000 of RMV in FY 2018-19, compared to \$1.14 and \$1.13 in FY 2016-17 and FY 2017-18 respectively. There were 64 service retirements in FY 2018-19, the highest number in the last nine years. The number of FPDR 2 retirements from active service fluctuates from year to year mainly due to the demographics of the sworn workforce and labor negotiations, but 27 pay date retirement opportunities - where the pension final pay calculation includes an extra pay date - have also affected retirement patterns. There were two 27 pay date retirement opportunities in FY 2018-19. The number of disability claims filed, which has been in the mid-300s for the last several years, dipped under 300 in FY 2018-19. The percentage of the sworn workforce on disability, which has been steady at about 3.5%, also declined slightly to 3.3% in FY 2018-19. The percent of the sworn workforce who are in the FPDR 3 tier (and therefore covered by PERS for retirement) increased from 39% in FY 2017-18 to 43% in FY 2018-19. FPDR expects 100% of the sworn workforce to be FPDR 3 members by the early 2030s. Finally, administrative cost as a percentage of bureau budget has remained around 1.5% in recent years as administrative spending has grown more or less in concert with total bureau spending. Administrative spending per FPDR plan participant increased from \$601 in FY 2017-18 to \$643 in FY 2018-19.

Key Performance Measures	Measure Type Name	FY 2016-17 Actuals	FY 2017-18 Actuals	FY 2018-19 Target	FY 2018-19 Actuals	FY 2019-20 Target	Strategic Target	Details
DR_0002 Administrative cost as a percentage of bureau budget	OUTCOME	1.00%	1.49%	1.62%	1.52%	1.65%	1.52%	Administrative cost as a percentage of bureau budget has remained around 1.5% in recent years.
DR_0003 Number of FPDR 2 retirements from active service	WORKLOAD	57	52	50	64	50	64	There were more service retirements in FY 2018-19 than in previous years as there were two 27 pay date retirement opportunities in the year.
DR_0024 Number of disability claims filed	WORKLOAD	342	327	327	298	335	335	The number of disability claims filed has hovered in the mid-300s for the last several years, but dipped below 300 this year.
DR_0025 Percent of workforce who are FPDR 3	WORKLOAD	35%	39%	47%	43%	48%	63%	The percent of the sworn workforce who are in the FDPR 3 tier (hired in 2007 or later) is expected to rise each year until it reaches 100% in the early 2030s.
DR_0026 FPDR tax levy rate (per \$1,000 of Real Market Value)	OUTPUT	\$1.14	\$1.13	\$1.10	\$1.09	\$1.08	\$1.24	The RMV levy rate in FY 2018-19 was \$1.09, well below the \$2.80 maximum levy authority provided by City Charter.
DR_0027 Percentage of workforce on disability at June 30	WORKLOAD	3%	4%	4%	3%	4%	4%	This percentage has been steady at about 3.5% in recent years.



**Bureau of Fire & Police Disability & Retirement**

Prior Year Performance Reporting

Run Date: 9/5/19

Run Time: 10:00:52 AM

Other Performance Measures	Measure Type Name	FY 2016-17 Actuals	FY 2017-18 Actuals	FY 2018-19 Target	FY 2018-19 Actuals	FY 2019-20 Target	Strategic Target	Details
DR_0004	Number of pension estimates	WORKLOAD	397	331	376	335	397	397
DR_0005	Number of Fire & Police Disability & Retirement 1 and 2 pension recipients	WORKLOAD	2,018	2,059	2,104	2,125	2,132	2,276
DR_0006	Number of pre-retirement workshop participants	WORKLOAD	126	110	132	100	156	156
DR_0011	Number of members on short-term disability	WORKLOAD	244	282	244	265	282	282
DR_0012	Number of medical bills	WORKLOAD	3,996	3,704	3,855	3,558	3,724	3,724
DR_0013	Number of long-term disability recipients	WORKLOAD	37	35	37	37	37	38
DR_0021	Percentage of disability claims decisions in 60 days	EFFICIENCY	93%	91%	94%	85%	92%	92%
DR_0023	Percentage of members whose final pay was 99% or more of last estimate	OUTCOME	100%	95%	95%	98%	95%	95%
DR_0028	Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	OUTPUT	62%	73%	65%	82%	73%	73%
DR_0029	Administrative Spending Per Participant	EFFICIENCY	\$594	\$601	0	\$643	\$723	\$833
DR_0030	Percent of Pension Recipients Who are Paperless	EFFICIENCY	0	36%	0	36%	39%	48%
DR_0031	Number of active employees in FPDR 3	WORKLOAD	535	603	0	647	760	1,020
DR_0032	Median Days to Prepare a Pension Estimate	EFFICIENCY	0	N/A	0	5	5	5