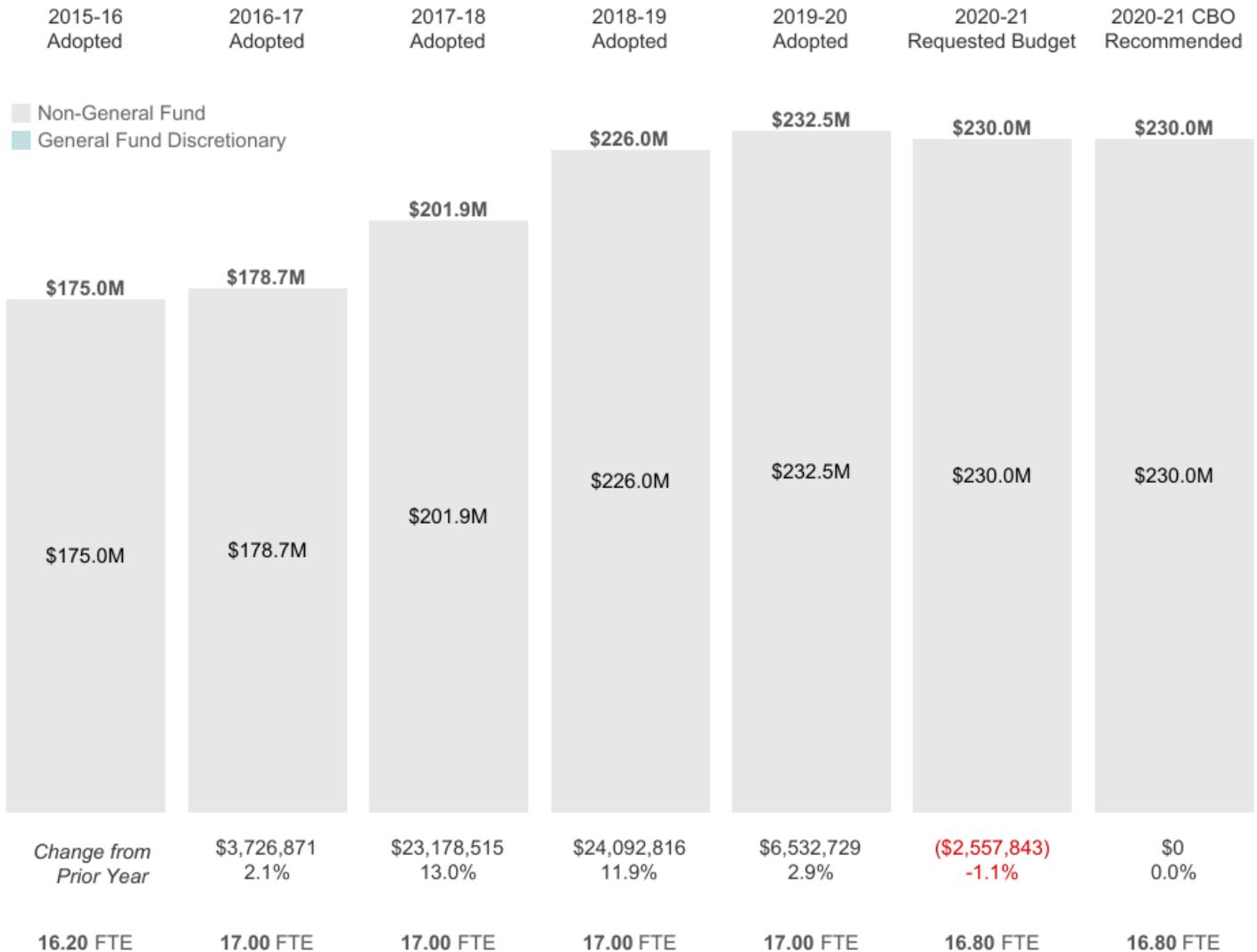




Fire & Police Disability & Retirement

Analysis by Robert Cheney

Adopted Budget Revenues | 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 2020-21 Requested Budget estimates a levy equivalent to \$1.13 per \$1,000 of real market value (RMV), well below the City Charter Cap of \$2.80 per \$1,000 RMV. The FPDR tax rate on assessed value is anticipated to increase from \$2.67 in FY 2019-20 to \$2.73 in FY 2020-21. 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.

BASE BUDGET KEY ISSUES

The FPDR system is funded with property taxes that are levied annually to cover the current year costs. The amount that may be levied is subject to a cap that is equal to \$2.80 per \$1,000 in real market value. The actual levy rate has fluctuated at less than half of the cap in recent years. Because there is a cap in the amount of revenue that can be collected through property taxes, FPDR contracts out a study every two years to anticipate the likelihood that the cap could be reached. The latest study was presented in January 2019¹ and, largely due to rapidly increasing market values, it found that there is roughly a 1% chance that the cap could be reached within the next 20 years. Because the real market value of property in Portland has increased dramatically – by nearly 50% in just the last five years – it is becoming increasingly unlikely that this will be a near-term issue.

As Portland continues to grow its property tax base, the impact of the levy is lessened. Similarly, over the next decade most of Portland's urban renewal areas will return a significant amount of assessed value back onto the property tax rolls. To the extent the growth exceeds increasing costs, individual taxpayers could see a decrease in the actual amount paid to FPDR, even as the system continues to require more property tax revenue overall.

Property tax revenue did not grow as quickly as expenses in FY 2019-20 due to an increase in beginning fund balance, which reduces the amount the bureau needs to levy. For FY 2020-21, the bureau is budgeting \$17.6 million in beginning fund balance, resulting in a 6.1% increase in tax revenue compared to the FY 2019-20 Revised Budget.

Forecasted Revenues and Expenditures

FY 2020-21 total budgeted bureau expenditures are \$173.3 million, after subtracting Tax Anticipation Notes (TANs), Contingency, and General Fund Overhead costs. Of the \$173.3 million in bureau expenditures, 74% are for pension benefits; 13% are for PERS contributions made on behalf of sworn staff hired after December 31, 2006; 4% is for disability payments, 2% for program administration; and 7% for fund level requirements such as debt service.

Any increases to sworn salaries represent risks to the expenditure budget, as some pensioners receive COLAs based on bargained increases in active employee pay, and salary growth results in higher PERS contributions on sworn employees hired after 2006, an expense FPDR reimburses the Police and Fire Bureaus for. Revenue risks are tied to property tax compression and delinquency, as the bureau is nearly entirely dependent on property tax revenues to fund its expenses.

Senate Bill 507

Senate Bill 507² may increase disability claims for Post-Traumatic Stress Disorder (PTSD) and Acute Stress Disorder to eligible police officers and fire fighters by shifting the burden of proof from the claimant to the insurer.

FPDR anticipates increased costs related to claims under this new statute, but projects that these costs can be absorbed into the existing budget and five-year forecast for Fire & Police Disability & Retirement

¹ Actuarial Valuation & Levy Adequacy Analysis: <https://www.portlandoregon.gov/fpdr/article/712886>

² SB 507 "Relating to occupational diseases for purposes of workers' compensation for certain workers; and prescribing an effective date." Effective Date September 29, 2019.

<https://olis.leg.state.or.us/liz/2019R1/Downloads/MeasureDocument/SB507/Enrolled>

Fund. At this time, a formal analysis of potential costs related to prospective future claims that may be filed annually has not been feasible with existing data. FPDR has an existing disability benefit budget of \$7.2 million, and notes that it would likely be able to absorb those higher costs within fund contingency (\$11.5 million) in FY 2020-21. Eventually, the claims data will provide indications of the level of expense associated with this legislation, and this will be funded through the current planned growth of the levy.

However, to the extent that this new policy affects leave taken by sworn staff, there could be an impact on Police and Fire operating budgets, as the bureaus will have to back-fill this leave with overtime. CBO recommends that FPDR works with the operating bureaus to track any expense related to this legislation in order to provide the information for full costs associated with Senate Bill 507.

SUMMARY OF REQUESTS AND RECOMMENDATIONS

Below is a summary of FPD&R's total budget.

Bureau of Fire & Police Disability & Retirement - All Funds

		2019-20 Adopted Budget	2020-21 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Expense	Personnel	\$2,494,800	\$2,611,100	\$0	\$0	\$2,611,100
	External Materials and Services	\$139,215,707	\$145,124,200	\$0	\$0	\$145,124,200
	Internal Materials and Services	\$22,584,101	\$25,524,137	\$0	\$0	\$25,524,137
	Capital Outlay	\$75,000	\$50,000	\$0	\$0	\$50,000
	Debt Service	\$54,206,581	\$42,774,972	\$0	\$0	\$42,774,972
	Ending Fund Balance	\$750,000	\$750,000	\$0	\$0	\$750,000
	Fund Transfers - Expense	\$1,651,251	\$1,646,120	\$0	\$0	\$1,646,120
	Contingency	\$11,560,932	\$11,500,000	\$0	\$0	\$11,500,000
	Total	\$232,538,372	\$229,980,529	\$0	\$0	\$229,980,529
Revenue	Beginning Fund Balance	\$18,241,801	\$17,646,065	\$0	\$0	\$17,646,065
	Bond & Note Proceeds	\$52,900,000	\$42,000,000	\$0	\$0	\$42,000,000
	Fund Transfers - Revenue	\$1,500,000	\$1,500,000	\$0	\$0	\$1,500,000
	Interagency Revenue	\$1,594,954	\$1,571,818	\$0	\$0	\$1,571,818
	Miscellaneous	\$1,958,200	\$1,382,800	\$0	\$0	\$1,382,800
	Taxes	\$156,343,417	\$165,879,846	\$0	\$0	\$165,879,846
	Total	\$232,538,372	\$229,980,529	\$0	\$0	\$229,980,529