



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, City Budget Director
Robert Cheney, City Budget Analyst

FROM: Samuel Hutchison, FPDR Director 

RE: FPDR FY 2019-20 Spring BMP Submission

DATE: April 20, 2020

Please find attached FPDR's FY 2019-20 spring Budget Monitoring Process (BMP) submission.

BMP Requests

FPDR has two technical BMP requests to transfer funds from the FPDR pension budget, which is projected to be slightly underspent, to other areas of the budget. FPDR and the Police and Fire Bureaus have agreed to increase the budget for sworn PERS contributions by a combined \$1.0 million, as a precaution. Although this has not yet happened, it is possible Police and Fire overtime will be significantly higher in the fourth quarter because of pandemic response and/or higher sworn sick leave usage. In addition, FPDR plans to shift \$38,000 to cover final costs for programming a pension estimate module in the custom FPDR database, and to transfer the FPDR audit document to the City's audit publication software.

Nonessential Spending

More than 97% of FPDR's revenues derive from its dedicated property tax levy, which is unlikely to be significantly impacted by the coronavirus pandemic. In addition, more than 90% of FPDR expenses are for nondiscretionary plan benefits required by and defined in City Charter. These two facts reduce both the need to slow FPDR spending and meaningful opportunities to do so. That said, with nearly all staff working from home, FPDR has been able to cut costs for office supplies, shredding services, printing, and other business expenses. In addition, FPDR will continue to avoid any nonessential equipment or supply purchases.

Year-End Projections

Net of tax anticipation notes and a transfer from the FPDR Reserve Fund, both of which are used to manage cash flow, FPDR expects to end the year 1.5% under budget. Revenue collections are projected to be 99.5% of budget. Interest income and overhead charges on contracted Police work, a portion of which are passed to FPDR, will likely come in below forecast. FPDR did not need to draw on fund contingency this year. We expect ending fund balance to be \$15.8 million.

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

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

Internal Transfer

Request Name: 9878 -Prevent Over Expenditure Capital

Package Description

FPDR is increasing its capital budget in the Spring BMP by \$35,000, which should be adequate to cover final programming costs associated with the new pension estimate module in FPDR's custom database. Funds will be transferred from the pension budget, which is projected to be \$2.3 million underspent.

Service Impacts

None

Equity Impacts

None

Account Name		2019-20 SPRING Requested Adj
Expense	Capital Outlay	35,000
	External Materials and Services	-35,000
	Internal Materials and Services	0
Expense	Sum:	0

DR - Bureau of Fire & Police Disability & Retirement

DP Type Internal Transfer

Request Name: 9916 -Prevent Over Expenditure Internal Materials & Services

Package Description

This request shifts just over \$1.0 million in funds from the pension budget, which is projected to be underspent, to FPDR's internal materials and service budget. The additional funds will cover potentially higher PERS contributions for sworn employees. Although this has not yet happened, it is possible Police and Fire overtime will be significantly higher in the fourth quarter because of pandemic response and/or higher sworn sick leave usage, which would drive up PERS contributions. FPDR and the Fire and Police Bureaus agreed to this budget adjustment as a precaution. In addition, this request increases internal service funding for the Accounting Division at OMF by \$3,000 for programming related to FPDR's annual audit document.

Service Impacts

None

Equity Impacts

None

Account Name	2019-20 SPRING Requested Adj
Expense	-1,003,000
External Materials and Services	-1,003,000
Internal Materials and Services	1,003,000
Expense	Sum: 0

Business Area Projection Report

Bureau of Fire & Police Disability & Retirement - Fund 800

Major Object	2019-20 SPRING Requested Total	2019-20 March Actuals YTD	2019-20 SPRING Projection	% Projected Actuals to Requested Total
Capital Outlay	110,000	68,380	110,000	100%
Contingency	11,560,932	0	0	0%
Debt Service	54,206,581	58,958	27,084,003	50%
External Materials and Services	138,164,254	95,965,136	136,151,556	99%
Fund Transfers - Expense	901,251	110,874	151,251	17%
Internal Materials and Services	23,600,554	-1,017,058	23,600,554	100%
Personnel	2,494,800	1,861,753	2,473,800	99%
Sum:	231,038,372	97,048,043	189,571,164	82%

Major Object	2019-20 SPRING Requested Total	2019-20 March Actuals YTD	2019-20 SPRING Projection	% Projected Actuals to Requested Total
Beginning Fund Balance	17,491,801	0	19,573,342	112%
Bond & Note Proceeds	52,900,000	26,725,625	26,725,625	51%
Fund Transfers - Revenue	750,000	0	0	
Interagency Revenue	1,594,954	306,727	1,244,954	78%
Miscellaneous	1,958,200	1,078,527	1,386,200	71%
Taxes	156,343,417	150,439,403	156,443,417	100%
Sum:	231,038,372	178,550,282	205,373,538	89%

Revenue Discussion

Total revenues, net of tax anticipation notes and a transfer from the FPDR Reserve Fund that has proved unnecessary, are expected to be 0.5% below budget. Property taxes from FPDR's dedicated levy comprise over 97% of FPDR's total revenues; collections from this source are expected to be at or slightly above budget. However, two small revenue sources are likely to under-perform this year. Overhead charges on contracted Police work, a portion of which are passed to FPDR and are reflected in interagency revenues above, were expected to bring in \$1.4 million for the year. FPDR currently expects just \$1.2 million from this source as continued staffing shortages and now the coronavirus pandemic reduce the Police Bureau's capacity to take on additional contracted work. Second, interest earnings on fund balance are not expected to be as strong as initially estimated. Interest rates have fallen in the third and fourth quarters of the fiscal year, which will likely result in interest earnings of roughly \$1.3 million instead of the \$1.8 million budgeted.

Revenue Risks

There is very little risk to FPDR's current year revenue forecast. Nearly all property tax revenues for the fiscal year have already been collected. 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

Business Area Projection Report

Expenses, net of tax anticipation notes and the FPDR Reserve Fund transfer mentioned above, are expected to be approximately \$2.5 million or 1.5% under the pre-spring BMP budget. Two expenditure categories are projected to exceed budget: PERS contributions on sworn employees (part of internal materials and service, since FPDR reimburses the Police and Fire Bureaus for this expense) and capital outlay. PERS contributions were previously expected to align closely with the budget, but the three bureaus decided to increase budget in this category by a total of \$1.0 million to cover a potential surge in sworn overtime due to the coronavirus response and/or higher sworn sick leave usage. 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. FY 2019-20 is the last year of a project to program a new pension estimate module in the database and final programming expenses might cause capital spending to exceed the original budget. Higher expenses in these two categories are more than offset by \$2.3 million in under-spending in the pension budget. Finally, two expenditure categories related to cash flow management will be significantly below budget: debt service and fund transfers. 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. In addition, 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 fiscal year. Most benefit costs and administrative expenses for the next three months are known. The greatest risk is to PERS contribution expenses for sworn employees. FPDR is increasing its budget in this category by the \$1.0 million mentioned above, but an unexpected worsening in Portland's coronavirus situation could lead to even more Fire and Police overtime (and therefore PERS contributions on that overtime) than even these additional funds could cover. Disability benefits are volatile and could be higher than forecast, whether from additional coronavirus claims or any other cause, but this is a small portion of FPDR's total budget. In addition, FPDR still has \$11.6 million in fund contingency that can be withdrawn in the overexpenditure ordinance to cover any shortfalls.

Other Notes

More than 97% of FPDR's revenues derive from its dedicated property tax levy, and nearly all tax revenue for this fiscal year has already been received. Therefore, FPDR's revenues are not significantly impacted by the coronavirus pandemic in the current year. Revenues are also unlikely to be significantly impacted next fiscal year, although the FPDR levy will need to be set higher to allow for a higher property tax delinquency rate. This reduces the need for FPDR to slow nonessential spending. In addition, more than 90% of FPDR expenses are for nondiscretionary plan benefits required by and defined in City Charter. This reduces meaningful opportunities for FPDR to slow spending. That said, with nearly all FPDR staff working from home, office supply orders, cleaning services, and shredding service costs have been declining. In addition, FPDR will avoid any nonessential equipment or supply purchases until further notice.