

The Oregonian

Some PERS rate relief in sight for public employers, thanks to reforms and big returns

*By Ted Sickinger
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Legislative reforms to public pension benefits, coupled with higher than expected investment returns, have stanching the meteoric rise in required contributions to Oregon's public pension system, the system's actuary says.

Barring a decision by the Oregon Supreme Court that those benefit changes were unconstitutional, the news will bring relief to lawmakers' budget discussion next year and take the politically uncomfortable conversation of further pension cuts off the legislative to-do list.

Preliminary results from the actuary's biannual system valuation show that its unfunded liability - a gaping \$16.3 billion at the end of 2011 - had shrunk to \$8.5 billion at the end of 2013. The pension system's funded ratio also improved from 73 percent at the end of 2011 to 86 percent as of the end of last year, meaning it has 86 cents in assets for every dollar in liabilities.

Those results will be used to set individual employers' required contribution rates for the two-year budget period that begins in July 2015. Rates vary widely by employer and those individual rates won't be circulated until September. But bottom line, the average base contribution rate for public employers is set to creep up by only 1 percent starting in July 2015, to 17.5 percent of payroll.

"It still represents a pretty heavy financial cost for most employers, and it's situational, predicated on the successful adjudication of those two bills" by the Oregon Supreme Court, said John Thomas, a Eugene financial adviser who chairs the PERS Board. "But the PERS Board is pleased. We didn't increase it, that's the good thing. We just hope we can stay the course."

The news, presented to the PERS Board on Friday, is even better for employers with PERS side accounts, which were established with the proceeds of pension obligation bonds that many public agencies issued to bet on the system's investment returns. Proceeds from those accounts trickle back to employers in the form of rate offsets. Counting those offsets, the average employers' rate, system wide, will drop slightly, to 10.6 percent of payroll.

"When the going is good, those side account spin off a lot of money," said PERS Executive Director Paul Cleary. "But the converse is true too. It magnifies those rate effects."

Rates do vary substantially by employer. School districts without side accounts, for example, will still be paying an average of more than 20 percent of payroll into the system, while those with side accounts will average less than half that rate. Employers with side accounts also pay debt service on the bonds, though the payments don't show up in their PERS rates.

Rates were also impacted by accounting changes and the PERS Board's decision to lower its assumed earnings rate on investments from 8 percent to 7.75 percent. Returns substantially exceeded those levels in the last two years, helping PERS plug its ongoing cash flow shortfall between contributions and benefit payouts and backfill part of the unfunded liability.

Separate groups of public employees have sued the state to overturn the benefit changes that were instituted last fall, which included a reduction in annual cost of living increases and the elimination of a tax gross up for beneficiaries who live out of state and don't pay Oregon taxes.

The cases have been consolidated. The members argue that the old COLA - effectively 2 percent annually - and the benefit boost to cover tax liabilities are part of the state's constitutional contract with employees and cannot be taken away.

A decision from the court is expected next year, and the PERS Board and legislators are hopeful it comes before the Legislature adjourns its 2015 session next summer. The legislative changes, championed by Gov. John Kitzhaber, were not popular among many of his Democratic colleagues, and it's not clear there is appetite for additional reforms if they are overturned.

In other news, the PERS Board voted to take \$6.7 million from its contingency reserve to cover overpayments to about 4,000 members because of a miscalculation of their final average salaries by the agency. The board voted 4-1 to cover the cost from reserves rather than take the unpopular step of reducing member benefits to repay the relatively small sum.

Portland transportation chief says 'no plan b' in street funding push: Portland City Hall Roundup

*By Andrew Theen
July 29, 2014*

Portland's top transportation official said Monday that there's "no plan b" if the ongoing effort to find new money for street maintenance and safety projects hits a brick wall.

"I don't think we have a plan b," Leah Treat, Portland Bureau of Transportation director, said Monday during a meeting with a handpicked group of business leaders and advocates.

Treat's comment came after the committee shot down several alternative versions of a proposed monthly street fee on businesses.

Portland plans to lobby state lawmakers next year to raise the state gas tax, regardless of whether or not the City Council approves a proposed street fee or combination of funding plans in November.

But PBOT officials said Portland would likely receive just \$1 million to \$1.5 million if state lawmakers approve a nickel increase to the state gas tax.

Commissioner Steve Novick and Mayor Charlie Hales started beating the drum for a new revenue stream to address the city's street maintenance backlog and pay for safety improvements in February.

The current proposal would gradually ramp up monthly fees for both residents and business owners, so that by the third year (July 2018), the city would collect \$53 million.

Asleep at the wheel at City Hall: Editorial Agenda 2014

*By The Oregonian Editorial Board
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It's difficult to decide which is harder to swallow: the fact that Portland Police Capt. Mark Kruger's police personnel file is wiped clean or that Portland Mayor Charlie Hales, who approved the expunging, didn't actually know about it.

Kruger, you may recall, was disciplined in 2010 for erecting a Nazi shrine in a city park and more recently reprimanded for posting to his office door a letter exonerating him from a harassment claim brought by an unidentified colleague whose name was penned in red, nonetheless, onto the letter. Hales, you may also recall, was elected on a platform in which he promised better police accountability and has been buffeted by personnel challenges that took root long before he settled in at City Hall.

But there are no excuses this time, especially ignorance. The city's top elected official simply doesn't get to essentially say "oops" when a high-profile, publicly inflammatory case is negotiated to a close. Especially when it involves the police. Only the integrity of all city government is at stake.

The Oregonian's Maxine Bernstein reported this week that Hales professed in an email to city commissioners that he learned about the terms of the city's legal settlement with Kruger by reading media accounts. He expressed regret and said he found the non-pay terms of the agreement "onerous." His assertions comport with the level of surprise of city Commissioner Steve Novick, who, along with his colleagues, knew nothing of the settlement but would, upon reading media accounts of it, tell Bernstein: "It's outrageous." Novick called the removal of Kruger's discipline record "an insult to anyone of Jewish or Russian or Polish descent," and he joined Hales and others in wishing the settlement had never found the tip of the mayor's pen.

Kruger, meanwhile, has been named captain of the Portland Police Bureau's Drugs and Vice Division. Under the terms of his mediated deal, conducted not by the city's legal staff but by outside counsel and apparently unattended by anyone from Hales' office, Police Chief Mike Reese wrote a letter to Kruger lauding him for his "skills and talents as a Critical Incident Commander and ability to connect with the community...." Reese made clear in his letter to Kruger that Kruger had fulfilled all of the terms of his 2010 discipline letter, that the letter would be removed from Kruger's file, and that the terms of his present settlement "will give all parties the opportunity to move on from this past conduct." Like a speeding ticket, perhaps, or a DUII.

But that won't really happen. While Kruger at the time of the shrine revelations persuasively defended his actions as those of an off-duty military buff and wrote an earnest apology to Portlanders for erring in judgment, a cocked civic eyebrow would for good reasons remain in his file: History works that way. It's a harrowing Joseph Heller touch that makes a case such as his institutionally memoryless. It's a case of Keystone Cops that makes a farce of Hales' failure to adequately review a deal that he would sign.

There is the temptation, always, to blame unseen lawyers: for being so goal-driven and myopic in mediation as to concoct a publicly affronting and administratively cynical deal that would eliminate any claims Kruger might have against the city. But it happened, it was approved, it's bad precedent, and Mayor Hales has some digging out to do.

Hales' spokesman this week said the mayor was reviewing the process by which he is briefed on important things. Lest he blame briefers, Hales should undertake a separate initiative: How to know, if not instinctively then with the help of those who can cue him, of the things that count most to his constituents, typically so high-minded but stunned in moments such as this.

The Portland Business Journal

Airbnb's Portland and San Francisco disaster response programs get White House love

*By Patrick Hoge
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Airbnb's short term residential rental business may not be legal yet in many cities where it operates, but officials in San Francisco and Portland have nevertheless struck formal partnerships with the company to use its network of hosts for disaster relief and preparedness.

San Francisco-based Airbnb, which has spread to 35,000 cities in 190 countries since its 2008 founding, has signed memorandums of understanding with emergency management officials that cover activities before, during, and after disasters.

Company officials touted the new agreements Tuesday at the White House, during an event called Innovation for Disaster Response and Recovery Demo Day. San Francisco startup Appallicious, which helps governments develop mobile apps, was also showing off its new Disaster Assessment and Assistance Dashboard, a tool being tested in San Francisco for posting resources and an information about conditions in local communities.

The Airbnb agreements build upon the company's decision in 2012 to let hosts take guests in for free when Superstorm Sandy devastated the greater New York City area. Airbnb CEO Brian Chesky said Tuesday that 1,400 Airbnb hosts in New York took advantage of that opportunity.

Airbnb has taken similar action in San Diego in response to major fires; in Serbia, Bosnia, and Croatia for people affected by the Balkan floods; in Colorado, London, England and Sardinia, Italy after serious flooding; on the Greek island of Kefalonia after an earthquake; in Toronto and Atlanta following severe ice storms; and in the Philippines after Typhoon Haiyan.

Going forward, Airbnb will identify hosts in San Francisco and Portland who will commit to taking in displaced people and disaster response workers in emergencies.

The company will also work with those hosts so they are ultra-prepared for disasters and trained to be neighborhood leaders. It will use Airbnb mobile and web technology to notify hosts and guests about significant hazardous events.

Airbnb, along with the mayors of San Francisco and Portland, disclosed the new agreements even as potential legislation to legalize short-term residential rentals were winding their way through each city.

In Portland, for example, the city council was expected Wednesday to approve regulations that would for the first time sanction short term rental of single family homes. Airbnb supports the proposed rules. The city has not yet formulated a plan for allowing short term rentals of apartments or condominiums in multi-family buildings.

"We knew thousands and thousands of Portlanders were using Airbnb, and our laws had not been updated," said Dana Haynes, a spokesman for Portland Mayor Charlie Hales. "The mayor said, 'Let's go ahead and make our policies reflect reality.' "

San Francisco, meanwhile, is considering legislation aimed at regulating short-term apartment rentals. That proposal was introduced in April by Board of Supervisors President David Chiu after nearly two years of work. It is set to go to the Planning Commission Aug. 7, and could go to the supervisors in early September.