

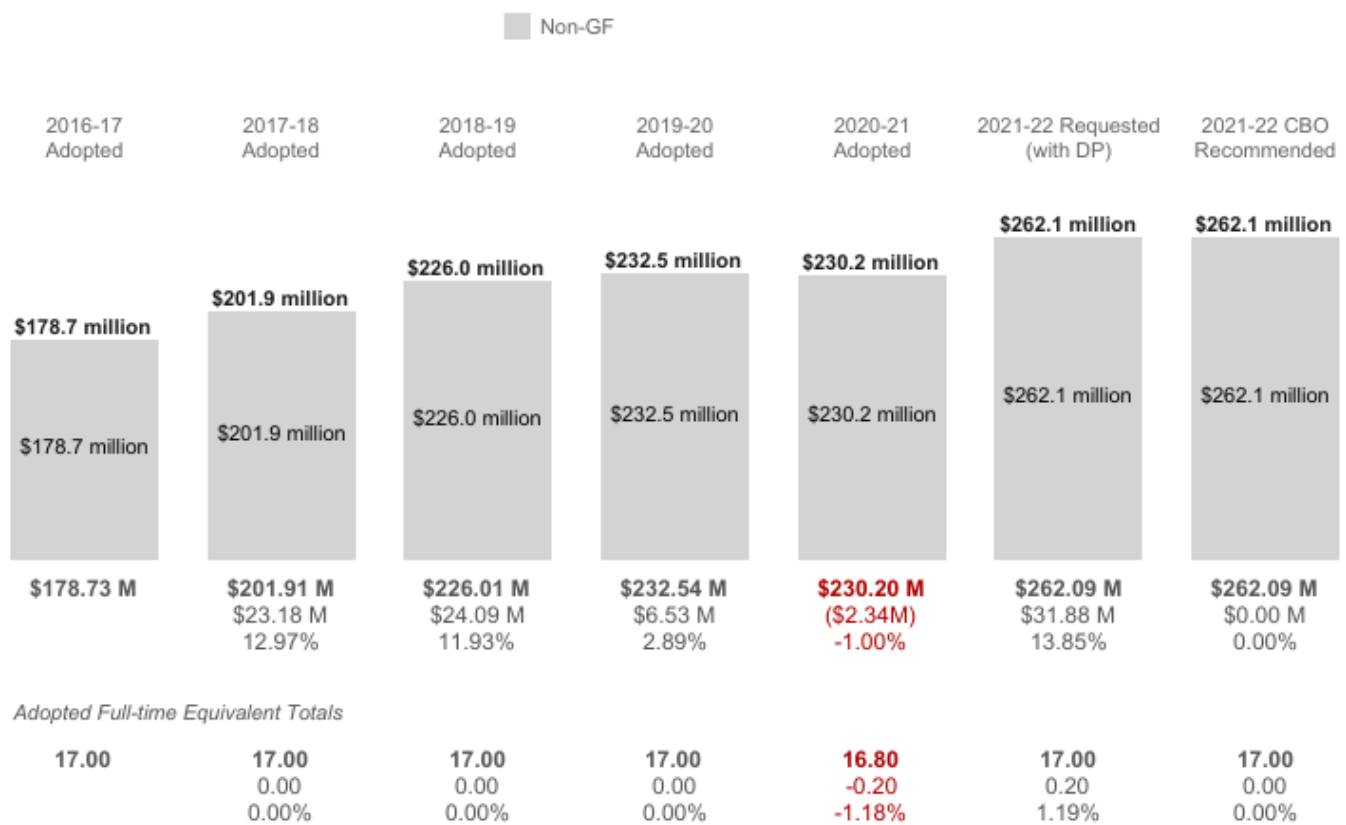


**City  
Budget  
Office**

# Fire & Police Disability & Retirement

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## Adopted Budget Revenues | 5-Year Lookback



## INTRODUCTION

The Bureau of Fire & Police Disability and Retirement (FPDR) Requested Budget does not have significant decision points for City Council deliberations. CBO’s review of the Requested Budget highlights the following key points and provides additional context in the review.

- There is projected impact to the collection of taxes supporting this bureau due to the potential delinquencies associated with the economic downturn brought by the COVID-19 public health crisis. It is unlikely this impact would be material enough to affect service delivery at FPDR over the course of their submitted five-year plan.
- The bureau projects more than 100 retirements from service in the current fiscal year, predominately in the Police Bureau, the most retirements ever in a single fiscal year.
- There are no decision packages in the FPDR FY 2021-22 Requested Budget.
- The FY 2021-22 Requested Budget does not change staffing levels for FPDR.

## BASE BUDGET & KEY ISSUES

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 the majority of its 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 2021-22 Requested Budget estimates a levy of \$1.33 per \$1,000 of real market value (RMV), well below the City Charter Cap of \$2.80 per \$1,000 RMV. The FPDR Board of Trustees adopted its budget for FY 2021-22 at its January 26, 2021 meeting, per charter, the Board of Trustees has the authority to adopt the FPDR budget.

### Five-Year Forecast

The FY 2021-22 Requested Budget for FPDR includes \$190.7 million in property tax revenues, an approximate increase of 16% as compared to the prior year. This increase is the result of several factors. First, the reduction of interest earnings caused by falling interest rates, and reduced resource collection associated with the dissolution of the agreement between TriMet and the Portland Police Bureau for reimbursement of policing services on the transit system, means the bureau must levy additional taxes to ensure adequate resources are available for planned expenditures. Second, higher spending on PERS contributions because of protest and wildfire-related overtime, increased disability costs resulting from sworn COVID claims, and the large number of retirements will reduce beginning fund balance for next year. Third, this year's record-breaking retirement numbers will increase pension costs next year more than originally anticipated. When compared to the FY 2020-21 submitted Five Year Forecast there are two notable changes: the impact of COVID-19 public health crisis on the amount of taxes to levy, and the significant increase in the number of sworn member separations and retirements, primarily in the Police Bureau. While there have been a large number of recent separations it is important to note these retirements and separations were likely to occur over the next two to three years, the difference is the original forecast did not factor in the potential for such a large number to separate in FY 2020-21.

As always, the budget as submitted includes a proposal to levy more taxes than actually required as not all taxes will be collected, due in part to delinquencies which are anticipated to increase due to the financial downturn brought by the COVID-19 public health crisis. This forecast for tax

delinquencies and deferrals is made in conjunction with forecast estimations provided by the City Economist. The bureau receives a biennial levy adequacy analysis and actuarial analysis to determine resource availability to support the expense obligations. The most recent analysis as of June 30, 2020 predicts there is less than 1% probability that the \$2.80 cap will be insufficient to cover FPDRs program expenses at any point over the next 20 years. So, while there is potential risk included in the bureau's most recent five-year plan, this risk is not material and will not impact service provision to plan members.

Bureau expenses in FY 2021-22 are increased over prior year budgeted expenses due in part to the continued increase in the number of sworn members being part of PERS as opposed to FPDR Tier 1 or 2 members. As such, the bureau is paying for both plans, and as articulated during the charter change process in 2006 the years between now and the mid-2030s are when the program would incur significant cost by design. This is due to the decision to have a pay-as-you-go model running concurrently with a pre-funded retirement system in PERS contributions. Once all pay-as-you-go plan participants are retired, costs will begin to decline. Programmatically, this is seen in the program offer submissions where the Sworn PERS Contributions program offer reports an increase in the percentage of the workforce who are FPDR 3 members has increased from 43% in FY 2018-19 to a projected 52% in FY 2021-22. There are no other significant expense category changes in the bureau's FY 2021-22 Requested Budget as current staffing levels and program areas are consistent with prior years.

# SUMMARY OF REQUESTS & RECOMMENDATIONS (ALL FUNDS)

## Bureau of Fire & Police Disability & Retirement

|                |                                 | 2020-21<br>Adopted<br>Budget | 2021-22<br>Requested<br>Base<br>(A) | Bureau<br>Decision<br>Packages<br>(B) | CBO<br>Recommended<br>Adjustments<br>(C) | Total<br>Recommended<br>Budget<br>(A+B+C) |
|----------------|---------------------------------|------------------------------|-------------------------------------|---------------------------------------|--|---|
| Revenue        | Taxes                           | \$166,062,018                | \$190,686,734                       | \$0                                   | \$0                                      | \$190,686,734                             |
|                | Miscellaneous                   | \$1,382,800                  | \$409,000                           | \$0                                   | \$0                                      | \$409,000                                 |
|                | Interagency Revenue             | \$1,571,818                  | \$228,200                           | \$0                                   | \$0                                      | \$228,200                                 |
|                | Fund Transfers - Revenue        | \$1,500,000                  | \$1,500,000                         | \$0                                   | \$0                                      | \$1,500,000                               |
|                | Bond & Note Proceeds            | \$42,000,000                 | \$60,470,000                        | \$0                                   | \$0                                      | \$60,470,000                              |
|                | Beginning Fund Balance          | \$17,685,965                 | \$8,793,625                         | \$0                                   | \$0                                      | \$8,793,625                               |
| <b>Revenue</b> | <b>Sum:</b>                     | <b>\$230,202,601</b>         | <b>\$262,087,559</b>                | <b>\$0</b>                            | <b>\$0</b>                               | <b>\$262,087,559</b>                      |
| Expense        | Personnel                       | \$2,464,800                  | \$2,665,674                         | \$0                                   | \$0                                      | \$2,665,674                               |
|                | Internal Materials and Services | \$25,501,327                 | \$30,392,161                        | \$0                                   | \$0                                      | \$30,392,161                              |
|                | Fund Transfers - Expense        | \$1,641,151                  | \$1,633,737                         | \$0                                   | \$0                                      | \$1,633,737                               |
|                | External Materials and Services | \$145,124,200                | \$149,567,950                       | \$0                                   | \$0                                      | \$149,567,950                             |
|                | Ending Fund Balance             | \$750,000                    | \$750,000                           | \$0                                   | \$0                                      | \$750,000                                 |
|                | Debt Service                    | \$43,152,972                 | \$60,886,741                        | \$0                                   | \$0                                      | \$60,886,741                              |
|                | Contingency                     | \$11,518,151                 | \$16,116,296                        | \$0                                   | \$0                                      | \$16,116,296                              |
|                | Capital Outlay                  | \$50,000                     | \$75,000                            | \$0                                   | \$0                                      | \$75,000                                  |
| <b>Expense</b> | <b>Sum:</b>                     | <b>\$230,202,601</b>         | <b>\$262,087,559</b>                | <b>\$0</b>                            | <b>\$0</b>                               | <b>\$262,087,559</b>                      |