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: Mayor Ted Wheeler
Commissioner Mingus Mapps
Commissioner Carmen Rubio
Commissioner Dan Ryan
Auditor Simone Rede
Tim Grewe, City Budget Director

FROM: Commissioner Rene Gonzalez

RE: FPDR FY 2023-24 Requested Budget

Date: January 26, 2023

Please find enclosed the FY 2023-24 Requested Budget and FYE 2024-28 Five-Year Financial Forecast and Plan for the Bureau of Fire and Police Disability and Retirement (FPDR). The FPDR Board of Trustees adopted the budget at its January 23, 2023 meeting. FPDR is not submitting any decision packages.

The FPDR budget is $260.6 million for FY 2023-24. Net of transfers from the FPDR Reserve Fund and tax anticipation notes, both of which must be repaid within the same fiscal year, the FPDR budget is $221.1 million. This is $10.4 million, or 5.0%, more than the FY 2022-23 Revised Budget. The increase is similar to the annual growth rate over the last decade, as FPDR continues to phase in the financing of a prefunded PERS pension for sworn employees hired after 2006, while simultaneously financing the existing pay-as-you-go FPDR Plan for sworn employees hired before that. For FY 2023-24, a second 5.0% cost-of-living-adjustment to sworn wages will increase costs more than usual in nearly all FPDR benefit categories. However, that growth is tempered by several factors. First, slower hiring than expected at the Police Bureau means PERS contribution costs for employees hired after 2006 have not grown as quickly as anticipated. (The FPDR Fund finances those contributions.) Second, higher mortality rates among retirees during the pandemic and a recent slowdown in new retirements have held the pension population relatively steady, whereas the number of pension beneficiaries typically grows each year.

FPDR is funded almost exclusively by its dedicated property tax levy, which City Charter caps at $2.80 per $1,000 of real market value (RMV). The bureau must raise $193.7 million from the levy in FY 2023-24 to fund requirements, 5.6% more than for FY 2022-23. The RMV tax rate is projected to rise from $1.11 this year to an estimated $1.18 next year, far below the cap. The assessed value (AV) rate, on which property owners actually pay taxes, is forecast to increase from $2.72 currently to $2.77 for the fall 2023 levy. This is an increase of only 1.8%; robust growth in the City's AV tax base is holding down increases in the AV tax rate for individual taxpayers.

Please don't hesitate to contact my office or the FPDR staff with any questions or concerns.

Bureau of Fire and Police Disability and Retirement

Rene Gonzalez, Commissioner in Charge

Samuel Hutchison, Director

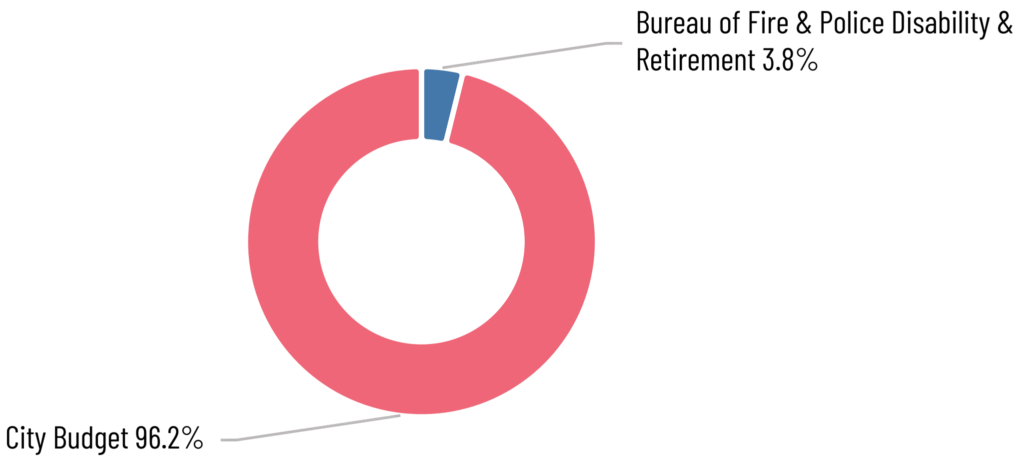
FYE24 Requested Budget and FYE24-28 Five-Year Financial Forecast

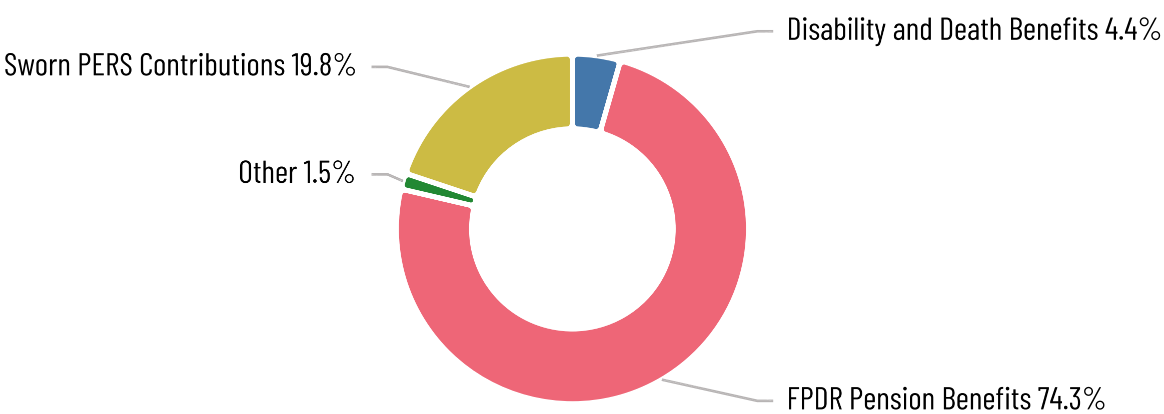
Bureau of Fire & Police Disability & Retirement

Public Safety Service Area

Rene Gonzalez, Commissioner-in-Charge

Samuel Hutchison, Director

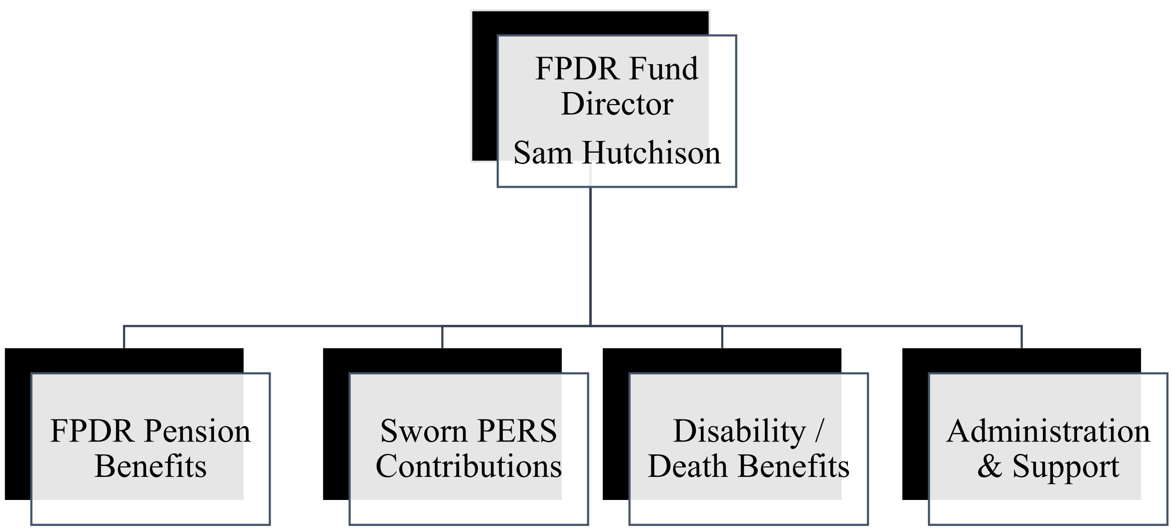




Bureau Overview

Requirements	Revised FY 2022-23	Requested Total FY 2023-24	Change from Prior Year	Percent Change
Operating	$257,112,467	$260,531,850	$3,419,383	1%
Capital	$35,000	$55,093	$20,093	57%
Total	**$257,147,467**	**$260,586,943**	**$3,439,476**	**1%**
Authorized Positions	18.00	18.00	—	—%

Bureau of Fire & Police Retirement & Disability



Bureau Summary

Bureau Mission

The mission of the Bureau of Fire & Police Disability & Retirement is to deliver peace of mind to our fire and police members and their survivors by providing disability and retirement benefits in a timely, compassionate, and fiscally responsible manner.

Bureau Overview

The Bureau of Fire & Police Disability & Retirement (FPDR) consists of four programs: two retirement programs—FPDR Pension Benefits and Sworn PERS Contributions—plus the Disability and Death Benefits program and the Administration and Support program. FPDR serves plan members in three distinct tiers: FPDR One members are those who were retired or on long-term disability before January 1, 1990; FPDR Two members are those who were working or hired between December 31, 1989 and December 31, 2006; and FPDR Three members are those who were hired after December 31, 2006. The FPDR Plan provides pension and disability benefits for FPDR One and Two members, but only disability benefits for FPDR Three members. In addition, the FPDR Fund finances contributions to the Oregon Public Employees Retirement System (PERS) for FPDR Three members, who are enrolled in the pre-funded PERS Plan for pension benefits. FPDR benefits and administrative expenses are funded by a dedicated FPDR property tax levy, separate from the City's general government levy. The FPDR levy is capped at $2.80 per $1,000 of real market value by City Charter.

FPDR Pension Benefits

The FPDR Pension Benefits program pays direct monthly pension benefits to FPDR One and Two members, and their survivors and alternate payees (former spouses). The program also provides pension estimates, retirement counseling, and retirement workshops for FPDR Two members who are still working. The Pension Benefits program represents 77.1% of total bureau requirements for FY 2023-24. As of January 1, 2023 there was a total of 2,100 people currently receiving pension benefits: 279 FPDR One beneficiaries and 1,821 FPDR Two beneficiaries. The FY 2023-24 Requested Budget for FPDR Pension Benefits is $152.4 million, including $164,051 in direct program delivery costs. This is an increase of $1.7 million or 1.1% over the FY 2022-23 Revised Budget. However, As FPDR expects to underspend the FY 2022-23 Pension Benefits program budget by nearly $5.0 million, growth from projected spending is higher at 4.4%. Over the last year, an unusually large number of deaths have offset new retirements, and the number of pension beneficiaries has remained essentially flat.

FPDR Disability and Death Benefits

The Disability and Death Benefits program oversees an approved substitute workers' compensation program for the City's sworn employees, as well as a disability program for non-work injuries and illnesses. Thus, the program administers both service-connected and nonservice disability claims and disability benefits, including wage replacement for lost time from work, medical care expenses, vocational rehabilitation, and funeral benefits. The Disability and Death Benefits program represents 4.6% of total bureau requirements for FY 2023-24. The

Requested Budget for this program is the same as the FY 2022-23 Revised Budget at $9.0 million. Disability expenses have been $1.0 to $2.5 million higher than typical over the last two fiscal years, primarily due to COVID infections and exposures requiring quarantine in the sworn workforce. These costs are expected to temper in FY 2023-24. The program budget includes $1.5 million in costs related directly to program delivery.

Sworn PERS Contributions

The Sworn PERS Contributions program manages reimbursements to Portland Fire & Rescue and the Portland Police Bureau for PERS contributions made on behalf of FPDR Three members. The Sworn PERS Contributions program represents a growing proportion of total bureau requirements, 16.8% for FY 2023-24. Program expenditures are budgeted at $40.7 million for FY 2023-24, an increase of $7.7 million or 23.2% over the FY 2022-23 Revised Budget. Growth is due to a biannual increase in the contribution rate, from 31.72% to 33.91%; the rising proportion of the sworn workforce hired after 2006; a second 5.0% wage cost-of-living adjustment (COLA) for all sworn employees on July 1, 2023; and the movement of this younger group of employees through the police officer and fire fighter pay steps, as well as their increasing promotion rates and specialty pay rates as they spread through the ranks. This program will experience exponential expenditure growth until all or nearly all active sworn employees are FPDR Three members, projected to occur in the mid-2030s. At that point, cost increases will be limited to growth in wages and PERS contribution rates. FPDR Three members are projected to be 63% of the workforce in FY 2023-24.

Administration and Support

The Administration and Support program includes the costs of operating the bureau and administering the benefits described above. The program is comprised of office management and frontline member service; executive leadership; and financial, legal, and technology business systems support. The Administration and Support budget represents 1.5% of total bureau requirements for FY 2023-24. Bureau expenditures in the Administration and Support program for FY 2023-24 are budgeted at $3.1 million. Despite a second 5% wage COLA for FPDR staff on July 1, 2023 and inflationary increases for other goods and services needed to operate the bureau, cost growth for FY 2023-24 is minimal at $49,454 or 1.7%, as compared to the FY 2022-23 Revised Budget. The transition to hybrid in-person/remote work allowed FPDR to move into a smaller office space, reducing bureau office lease expenses by roughly $50,000 annually.

Base Budget Adjustments

FPDR has not made significant realignments or adjustments to its baseline budget for FY 2023-24. In FY 2022-23, during the fall 2022 budget monitoring process (BMP), FPDR added a new full-time Analyst I position to the Disability and Death Benefits program.

Performance	Actuals FY 2020-21	Actuals FY 2021-22	Target FY 2022-23	Target FY 2023-24	Strategic Target
EFFICIENCY					
Median days to prepare a pension estimate	5	6	5	6	5
Administrative spending per participant	$679	$758	$770	$938	$1,000
Percentage of disability claims decisions in 60 days	89%	90%	89%	89%	89%
Percent of pension recipients who are paperless	39.0%	39.0%	43.0%	50.0%	60.0%
OUTCOME					
Percentage of members whose final pay was 99% or more of last estimate	99%	100%	98%	97%	98%
Administrative cost as a percentage of bureau budget	1.35%	1.43%	1.45%	1.34%	1.50%
OUTPUT					
FPDR tax levy rate (per $1,000 of Real Market Value)	$1.15	$1.26	$1.15	$1.18	$1.46
Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	75%	80%	78%	80%	80%
WORKLOAD					
Number of active employees in FPDR 3	723	724	855	972	1,260
Number of disability claims filed	536	583	388	400	400
Number of FPDR 1 and 2 pension recipients	2,129	2,124	2,178	2,227	2,399
Number of FPDR 2 retirements from active service	99	23	60	73	60
Number of long-term disability recipients	27	25	27	23	20
Number of medical bills	3,129	2,833	3,221	2,500	2,980
Number of members on short-term disability	402	407	296	300	300
Number of pension estimates	281	336	305	365	300
Number of pre-retirement workshop participants	0	52	107	175	140
Percent of workforce who are FPDR 3	50%	51%	58%	63%	80%
Percentage of workforce on disability at June 30	3.2%	3.8%	2.9%	3.2%	3.2%

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Requested No DP FY 2023-24	Requested Total FY 2023-24
Resources					
External Revenues					
Taxes	168,308,393	194,147,020	183,485,461	193,701,162	193,701,162
Charges for Services	23	30	0	0	0
Bond & Note	31,658,596	38,542,500	45,000,000	38,000,000	38,000,000
Miscellaneous	584,229	469,055	789,100	1,980,800	1,980,800
External Revenues Total	200,551,242	233,158,605	229,274,561	233,681,962	233,681,962
Internal Revenues					
Fund Transfers - Revenue	0	0	1,500,000	1,500,000	1,500,000
Interagency Revenue	420,096	324,343	393,900	445,500	445,500
Internal Revenues Total	420,096	324,343	1,893,900	1,945,500	1,945,500
Beginning Fund Balance	17,840,202	15,217,675	25,979,006	24,959,481	24,959,481
Resources Total	**218,811,540**	**248,700,624**	**257,147,467**	**260,586,943**	**260,586,943**
Requirements					
Bureau Expenditures					
Personnel Services	2,447,178	2,607,578	2,946,333	2,979,029	2,979,029
External Materials and Services	145,030,606	148,555,724	158,510,999	160,060,955	160,060,955
Internal Materials and Services	24,183,324	28,006,617	34,362,170	42,125,307	42,125,307
Capital Outlay	0	39,780	35,001	55,093	55,093
Bureau Expenditures Total	171,661,108	179,209,700	195,854,503	205,220,384	205,220,384
Fund Expenditures					
Debt Service	31,791,605	38,689,771	45,434,207	38,978,478	38,978,478
Contingency	0	0	13,437,508	14,000,000	14,000,000
Fund Transfers - Expense	141,151	136,693	1,671,249	1,638,081	1,638,081
Fund Expenditures Total	31,932,756	38,826,464	60,542,964	54,616,559	54,616,559
Ending Fund Balance	15,217,675	30,723,348	750,000	750,000	750,000
Requirements Total	**218,811,540**	**248,759,512**	**257,147,467**	**260,586,943**	**260,586,943**
Programs					
Administration & Support	2,324,218	2,615,735	3,001,888	3,051,341	3,051,341
Disability and Death Benefits	8,817,637	7,970,546	9,021,044	9,033,553	9,033,553
FPDR Pension Benefits	137,493,316	141,810,930	150,761,571	152,405,490	152,405,490
Sworn PERS Contributions	23,079,937	26,812,489	33,070,000	40,730,000	40,730,000
Total Programs	**171,661,108**	**179,209,700**	**195,854,503**	**205,220,384**	**205,220,384**

Class	Title	Salary Range Min	Salary Range Max	Revised FY 2022-23 No.	Revised FY 2022-23 Amount	Requested No DP FY 2023-24 No.	Requested No DP FY 2023-24 Amount	Requested Total FY 2023-24 No.	Requested Total FY 2023-24 Amount
30000063	Accountant II	54,912	89,107	1.00	84,864	1.00	84,864	1.00	84,864
30003003	Administrative Specialist II	48,277	107,325	1.00	99,237	1.00	99,237	1.00	99,237
30003006	Analyst I	53,290	118,437	3.00	242,422	3.00	270,874	3.00	270,874
30003007	Analyst II	63,336	126,311	3.00	318,740	3.00	318,740	3.00	318,740
30003012	Business Systems Analyst III	100,422	148,315	1.00	116,230	1.00	120,231	1.00	120,231
30000066	Claims Technician	45,885	78,384	1.00	74,651	1.00	74,651	1.00	74,651
30000065	Claims Technician, Assistant	35,610	66,153	1.00	63,003	1.00	63,003	1.00	63,003
30003034	Deputy Director I	91,728	182,549	1.00	130,425	1.00	130,425	1.00	130,425
30003037	Director I	111,696	227,584	1.00	179,192	1.00	179,192	1.00	179,192
30003055	Financial Analyst II	63,336	126,311	1.00	102,315	1.00	102,315	1.00	102,315
30003056	Financial Analyst III	69,805	151,438	1.00	104,499	1.00	104,499	1.00	104,499
30003077	Legal Assistant	53,290	118,437	1.00	67,496	1.00	67,496	1.00	67,496
30003081	Manager I	80,205	168,219	1.00	140,358	1.00	140,358	1.00	140,358
30000013	Office Support Specialist III	44,512	76,025	1.00	54,528	1.00	62,593	1.00	62,593
	Total Full-Time Positions			18.00	1,777,960	18.00	1,818,478	18.00	1,818,478
	Grand Total			**18.00**	**1,777,960**	**18.00**	**1,818,478**	**18.00**	**1,818,478**

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Base Budget FY 2023-24	Requested FY 2023-24
Resources					
External Revenues					
Taxes	168,308,393	194,147,020	183,485,461	193,701,162	193,701,162
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Internal Revenues					
Fund Transfers - Revenue	0	0	750,000	750,000	750,000
Interagency Revenue	420,096	324,343	393,900	445,500	445,500
Internal Revenues Total	**420,096**	**324,343**	**1,143,900**	**1,195,500**	**1,195,500**
Beginning Fund Balance	17,090,202	14,467,675	25,229,006	24,209,481	24,209,481
Resources Total	**218,061,540**	**247,950,624**	**255,647,467**	**259,086,943**	**259,086,943**
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Internal Materials and Services	24,183,324	28,006,617	34,362,170	42,125,307	42,125,307
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Fund Expenditures					
Debt Service	31,791,605	38,689,771	45,434,207	38,978,478	38,978,478
Contingency	0	0	13,437,508	14,000,000	14,000,000
Fund Transfers - Expense	141,151	136,693	921,249	888,081	888,081
Fund Expenditures Total	**31,932,756**	**38,826,464**	**59,792,964**	**53,866,559**	**53,866,559**
Ending Fund Balance	14,467,675	29,973,348	0	0	0
Requirements Total	**218,061,540**	**248,009,512**	**255,647,467**	**259,086,943**	**259,086,943**

Fund Overview

Chapter 5 of the Portland City Charter establishes the Fire & Police Disability & Retirement (FPDR) Fund for the sworn employees of Portland Fire & Rescue and the Portland Police Bureau, their surviving spouses, and their dependent minor children. The purpose of the fund is to finance the pension and disability expenses of the City's sworn workforce. Direct, pay-as-you-go pension payments are made from the fund to retirees hired before January 1, 2007, who are enrolled in the FPDR pension plan. The FPDR Fund also pays contributions to the Oregon Public Employees Retirement System (PERS) to pre-fund the pensions of active employees hired January 1, 2007 and later, who are enrolled in the PERS pension plan. Direct, pay-as-you-go disability benefit and medical payments are also made from the fund to all FPDR members with at least six months of service and a qualifying illness or injury. Finally, the administrative costs of governing the FPDR Plan and operating the FPDR Bureau are born by the fund. The FPDR Fund is supported primarily through a dedicated property tax levy originally authorized by the voters in 1948. The levy is a rate-based levy, providing a maximum rate of $2.80 per $1,000 of real market value (RMV).

Managing Agency Bureau of Fire & Police Disability & Retirement

Significant Changes from Prior Year

Net of tax anticipation notes—which artificially inflate the size of the fund because the notes are issued and repaid in the same fiscal year—total fund requirements for FY 2023-24 are $221.1 million. This is an increase of $10.4 million or 5.0% from the FY 2022-23 Revised Budget, and is nearly identical to the growth rate in the prior year. FPDR costs will increase above and beyond inflation for the next 10 to 15 years as the fund bears the cost of financing two generations of retirees simultaneously: pay-as-you-go FPDR pension benefits for FPDR One and Two members during retirement, and prefunded contributions to PERS for FPDR Three members during their working lives. FPDR One and Two members were hired before January 1, 2007; FPDR Three members were hired on or after that date.

The fund is expected to close FY 2022-23 with an ending fund balance of $24.2 million, the second year in a row with fund balance exceeding historically typical levels. The excess fund balance is partly due to slower than anticipated hiring at the Police Bureau (and thus reduced PERS contributions), and partly due to larger fund contingency levels that were established during the first two years of the COVID pandemic. These funds will be returned to the taxpayers in FY 2023-24 through slower growth in the FPDR tax levy than would otherwise have been the case. Target ending fund balance is between $14 million and $20 million.

The fund has shouldered higher disability costs than usual throughout the COVID pandemic, but these costs are expected to temper in FY 2023-24. The FPDR Board of Trustees adopted emergency administrative rules in 2020 to simplify disability benefit qualification for those who were infected with or exposed to COVID. FPDR received 536 disability claims in FY 2020-21 and 583 in FY 2021-22, as compared with 300 to 400 claims per year in the decade before. As a result, FPDR disability expenses were $1.0 to $2.0 M higher than usual in each of those years. In FY 2023-24 and beyond, FPDR expects disability costs to drop from pandemic highs, but has budgeted for disability benefits to remain roughly 50% higher than pre-pandemic levels to accommodate continued occasional COVID spikes.

After a record-breaking number of sworn retirements in FY 2020-21, retirements have realigned with actuarial projections and known retirement patterns. A total of 52 employees have retired since July 1, 2021, as compared with 99 between July 1, 2020 and June 30, 2021. Over the last 18 months the population of pension beneficiaries has remained essentially flat, as fewer active employees retired and the plan experienced historically high mortality rates. Approximately 15% to 20% more retirees and surviving spouses passed away in the last two years than was forecast based on previous actuarial experience.

For FY 2023-24 and beyond, the fund budget assumes that mortality levels return to the rate assumed in the plan valuation and that retirement levels continue their return to usual patterns based on age and service years, as well as the timing of advantageous 27 pay date months. (These are months when the period for calculating final pay includes 27, rather than the usual 26, pay dates.) As there will be two 27 pay date months in FY 2023-24, FPDR anticipates 65 to 75 retirements next year.

Fire & Police Disability & Retirement Reserve Fund

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Base Budget FY 2023-24	Requested FY 2023-24
Resources					
Internal Revenues					
Fund Transfers - Revenue	0	0	750,000	750,000	750,000
Internal Revenues Total	**0**	**0**	**750,000**	**750,000**	**750,000**
Beginning Fund Balance	750,000	750,000	750,000	750,000	750,000
Resources Total	**750,000**	**750,000**	**1,500,000**	**1,500,000**	**1,500,000**
Requirements					
Fund Expenditures					
Fund Transfers - Expense	0	0	750,000	750,000	750,000
Fund Expenditures Total	**0**	**0**	**750,000**	**750,000**	**750,000**
Ending Fund Balance	750,000	750,000	750,000	750,000	750,000
Requirements Total	**750,000**	**750,000**	**1,500,000**	**1,500,000**	**1,500,000**

Fund Overview

The Fire & Police Disability & Retirement (FPDR) Reserve Fund was established by City Charter and must have a beginning and ending fund balance of $750,000 each year. During the fiscal year the fund may be used in the event the FPDR Fund becomes depleted to the extent that current obligations cannot be met. Interest earnings for the Reserve Fund are booked directly to the FPDR Fund.

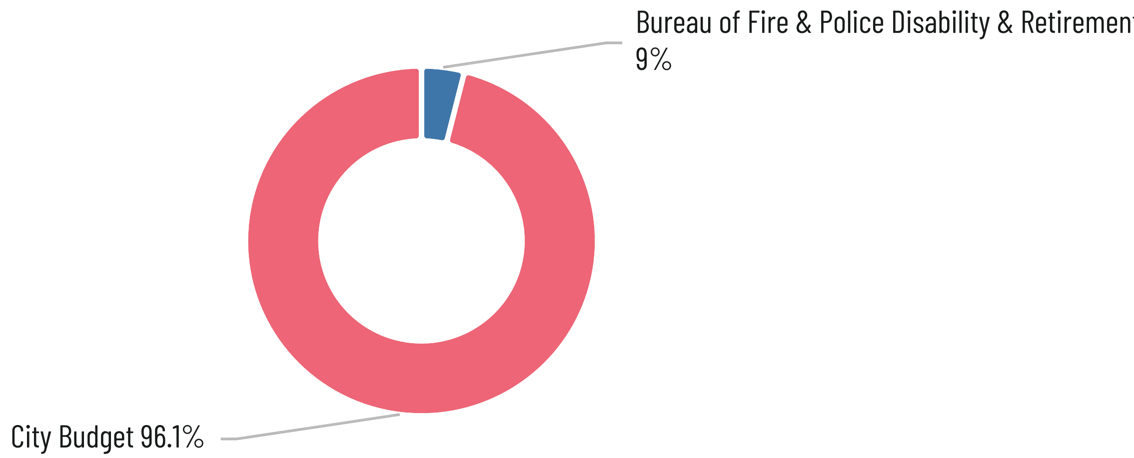
Managing Agency Bureau of Fire & Police Disability & Retirement

Bureau of Fire & Police Disability & Retirement

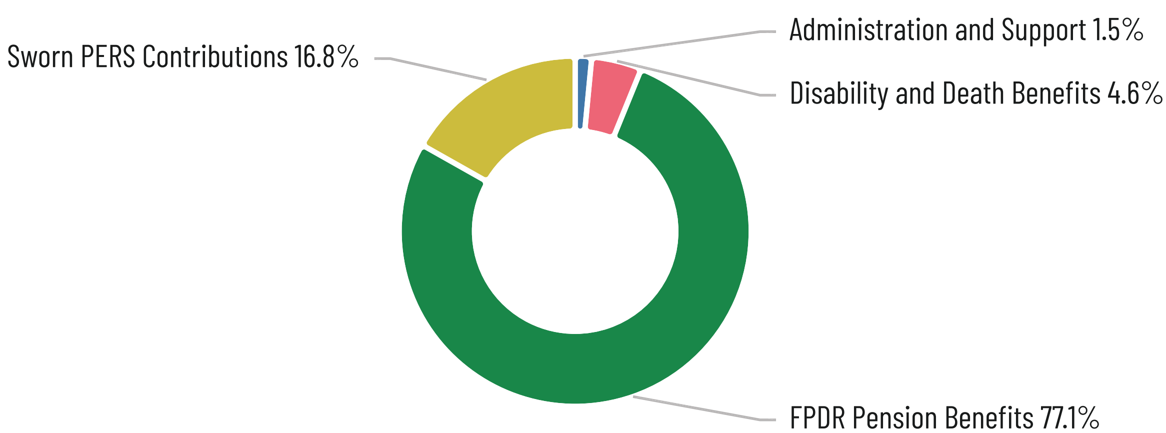
Public Safety Service Area

Rene Gonzalez, Commissioner-in-Charge
Samuel Hutchison, Director

Percent of City Budget Graph



Bureau Programs



Bureau Overview

Requirements	Revised FY 2022-23	Requested with DP FY 2023-24	Change from Prior Year	Percent Change
Operating	$$257,112,467	$$260,531,850	$$3,419,383	$1%
Capital	$35,000	$55,093	$20,093	57%
Total	**$$257,147,467**	**$$260,586,943**	**$$3,439,476**	**$1%**
Authorized Positions	18.00	18.00	—	—%

Administration & Support

Program Description & Goals

This program provides the general administrative and support services that the bureau requires to fulfill its mission. Services are provided by 8.0 FTE and include executive-level guidance, financial analysis and planning, human resource and payroll services, information technology support, legal services, basic member service, and office management for the bureau as a whole. The purpose of the program is to maximize efficiencies and outcomes for the bureau's pension and disability benefit programs. Despite a second 5% wage COLA for FPDR staff and inflationary increases for other goods and services needed to operate the bureau, administrative spending is projected to grow by just 1.7% in FY 2023-24 as compared with the FY 2022-23 Revised Budget. This is primarily because of office lease savings following the bureau's move into a smaller space. The personnel budget for FY 2023-24 includes a 5% wage cost-of-living adjustment (COLA) for all staff, merit pay increases for nonrepresented employees of up to 3%, and a 5% step pay increase for a represented employee. (The other four represented employees are already at the top of their pay scales). The budget also reflects 3.6% anticipated growth in health benefit costs for all employees and 5.8% increases in spending on administrative materials and services (both external and internal). Capital spending is limited to programming and other improvements to FPDR's custom database, and is just 1.8% of the administrative operating budget. The FY 2023-24 capital budget is $55,093, more than the $35,001 included for capital in the FY 2022-23 Revised Budget. This is to allow for potential programming improvements to the disability payment processing function in FY 2023-04.

FPDR strives to keep administrative costs low. Administration and Support spending has hovered between 1% and 2% of bureau expenditures in recent years, a trend expected to continue for the foreseeable future. Administrative costs are expected to decline for FY 2023-24 to an estimated $1,020 per participant, from $1,090 in FY 2021-22. This is partly because of slow growth in administrative costs for FY 2023-24, and partly because the number of FPDR members is expected to grow in FY 2023-24 as Police and Fire hire more active employees.

Equity Impacts

The Administration & Support program provides administrative and support services for the pension and disability programs. Those programs in turn serve only sworn employees and retirees and their family members, whose composition is not controlled by FPDR. As a result, the equity impacts of this program are largely internal and therefore limited.

Changes to Program

Although no changes are planned for the Administration and Support program in FY 2023-24, FPDR made one significant change in FY 2022-23. FPDR downsized and relocated its physical office on July 25, 2022. The move was made possible by the transition to hybrid in-person/remote work schedules for FPDR staff and will result in lease savings of about $50,000 per year.

Program Budget

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Requested Base FY 2023-24	Requested with DP FY 2023-24
Requirements					
Bureau Expenditures					
Personnel Services	1,208,968	1,290,863	1,632,418	1,583,841	1,583,841
External Materials and Services	422,253	463,279	539,899	516,339	516,339
Internal Materials and Services	692,997	821,812	794,570	896,068	896,068
Capital Outlay	0	39,780	35,001	55,093	55,093
Bureau Expenditures Total	2,324,218	2,615,735	3,001,888	3,051,341	3,051,341
Fund Expenditures					
Debt Service	31,791,605	38,689,771	45,434,207	38,978,478	38,978,478
Contingency	0	0	13,437,508	14,000,000	14,000,000
Fund Transfers - Expense	141,151	136,693	1,671,249	1,638,081	1,638,081
Fund Expenditures Total	31,932,756	38,826,464	60,542,964	54,616,559	54,616,559
Requirements Total	**34,256,975**	**41,442,199**	**63,544,852**	**57,667,900**	**57,667,900**

FTE	8.00	8.00	8.00	8.00	8.00

Disability and Death Benefits

Program Description & Goals

The purpose of this program is to provide service disability benefits, in lieu of workers' compensation benefits, for sworn City employees, as well as nonservice disability benefits for those with at least five years of service. The program provides disability benefits for all three tiers of FPDR members, as well as funeral benefits and benefits for surviving spouses and minor children when a member dies before retirement. The 9.0 FTE assigned to this program adjudicate disability claims, administer and pay medical and vocational rehabilitation benefits, and approve wage replacement payments to members who cannot work and wage subsidy payments to the Police and Fire bureaus while members are on disability-related modified duty. The program also approves benefit payments to survivors when sworn employees die before retirement, and provides funeral benefit payments to member's families or estates upon their death. The goals of the Disability and Death Benefits program are to make disability claim decisions quickly and in compliance with the City Charter, to help sworn employees return to work whenever possible, to manage claims for the benefit of disabled members while demonstrating stewardship of public funds, and to make disability payments accurately and on time.

Performance	Actuals FY 2020-21	Actuals FY 2021-22	Target FY 2022-23	Target FY 2023-24	Strategic Target
Percentage of disability claims decisions in 60 days	89%	90%	89%	89%	89%
Number of disability claims filed	536	583	388	400	400
Number of long-term disability recipients	27	25	27	23	20
Number of medical bills	3,129	2,833	3,221	2,500	2,980
Number of members on short-term disability	402	407	296	300	300
Percentage of workforce on disability at June 30	3%	4%	3%	3%	3%

Equity Impacts

The disability and death program serves only sworn employees and retirees, whose composition is based on the hiring of the Fire and Police Bureaus. As this program is internal facing and serves only City employees, public facing equity impacts are minimal.

Changes to Program

Although no changes are planned for the Disability & Death Benefits program in FY 2023-24, a staffing change was made as part of the fall 2022 budget monitoring process (BMP). The FPDR Board of Trustees and City Council approved the addition of one full time Analyst I to help manage a significantly increased claim workload. FPDR received 583 disability claims in FY 2021-22 and 536 claims in FY 2020-21, far more than the annual average of 330 in the preceding decade. The increase in claim volume is related both to the COVID pandemic and to Oregon statutory changes that lowered the standard to qualify for service-connected benefits for stress, anxiety, and heart and lung illnesses.

Program Budget

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Requested Base FY 2023-24	Requested with DP FY 2023-24
Requirements					
Bureau Expenditures					
Personnel Services	1,093,351	1,166,534	1,154,344	1,231,137	1,231,137
External Materials and Services	7,313,895	6,431,696	7,369,100	7,307,616	7,307,616
Internal Materials and Services	410,391	372,316	497,600	494,800	494,800
Bureau Expenditures Total	8,817,637	7,970,546	9,021,044	9,033,553	9,033,553
Requirements Total	**8,817,637**	**7,970,546**	**9,021,044**	**9,033,553**	**9,033,553**
FTE	8.00	8.00	9.00	9.00	9.00

Pension Benefits

Program Description & Goals

This program administers the FPDR pension program for sworn retirees hired before January 1, 2007 (FPDR One and FPDR Two members). The purpose of this program is to pay retirement benefits to sworn Police and Fire employees and their survivors, an important component of overall compensation, and to provide FPDR retirement information and guidance during employees' working careers. The program provides monthly pension payroll services for 2,100 members, surviving spouses and minor children, and alternate payees (former spouses). This includes calculation of pension benefits at retirement, federal and Oregon income tax withholding and reporting, insurance premium and child support withholding and payment, calculation of annual cost-of-living adjustments (COLAs), eligibility screening for and calculation of an additional pension benefit to offset Oregon tax liability for some members, and monitoring to ensure payments stop when beneficiaries die. Finally, this program provides pre-retirement education and services, including quarterly retirement workshops, retirement education videos and written materials, and pension estimate calculations for hundreds of active employees each year. Just 1.0 FTE is fully dedicated to the Pension Benefits program, although employees in the Administration & Support program provide executive, financial, legal and information technology support for pension services. In addition to paying all beneficiaries accurately, on time, and in compliance with the City Charter and state and federal laws, this program strives to provide active duty members with useful retirement counseling and accurate pension estimates.

Performance	Actuals FY 2020-21	Actuals FY 2021-22	Target FY 2022-23	Target FY 2023-24	Strategic Target
Median days to prepare a pension estimate	5	6	5	6	5
Percentage of members whose final pay was 99% or more of last estimate	99%	100%	98%	97%	98%
Percentage of FPDR 2 members now or soon-to-be retirement eligible who received a pension estimate in the last two years	75%	80%	78%	80%	80%
Number of FPDR 1 and 2 pension recipients	2,129	2,124	2,178	2,227	2,399
Number of FPDR 2 retirements from active service	99	23	60	73	60
Number of pension estimates	281	336	305	365	300
Number of pre-retirement workshop participants	0	52	107	175	140

Equity Impacts

The FPDR pension program serves only sworn employees and retirees, whose composition is based on the hiring of the Fire and Police Bureaus, and their surviving family members. As a result, equity impacts are limited.

Changes to Program

As pandemic restrictions eased, FPDR returned to offering in-person retirement workshops and retirement appointments in FY 2022-23, although members may still retire virtually if they choose. In the previous two fiscal years these services were provided exclusively on virtual platforms such as Zoom, Skype, Teams, and FaceTime.

Program Budget

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Requested Base FY 2023-24	Requested with DP FY 2023-24
Requirements					
Bureau Expenditures					
Personnel Services	144,859	150,180	159,571	164,051	164,051
External Materials and Services	137,294,457	141,660,750	150,602,000	152,237,000	152,237,000
Internal Materials and Services	0	0	0	4,439	4,439
Bureau Expenditures Total	137,493,316	141,810,930	150,761,571	152,405,490	152,405,490
Requirements Total	**137,493,316**	**141,810,930**	**150,761,571**	**152,405,490**	**152,405,490**
FTE	1.00	1.00	1.00	1.00	1.00

Sworn PERS Contributions

Program Description & Goals

This program reimburses the Police and Fire Bureaus for the contributions they make to the Oregon Public Employees Retirement System (PERS) on behalf of sworn employees hired after 2006 (FPDR Three members), who are enrolled in PERS for their pension benefits. No FTE are dedicated entirely to this program. The financial analysts assigned to the Administration & Support program verify FPDR Three employees and PERS contribution expenses, and send reimbursement to the Police and Fire bureaus through the City's accounting system. Expenses are determined by the number of active FPDR Three employees, their pay, and PERS contribution rates. The number of employees for whom FPDR makes contributions is expected to increase to roughly 930 by the end of FY 2023-24, an 8.9% expansion over FY 2022-23, and 23.0% more than two years ago. The FPDR Three population will continue to grow until the mid-2030s, when it is estimated the entire sworn workforce will be comprised of those hired in 2007 or later. The program's primary goal is to verify all contributions, so reimbursements are accurate, and to remit payment to the Police and Fire Bureaus in a timely manner.

Performance	Actuals FY 2020-21	Actuals FY 2021-22	Target FY 2022-23	Target FY 2023-24	Strategic Target
Number of active employees in FPDR 3	723	724	855	972	1,260
Percent of workforce who are FPDR 3	50%	51%	58%	63%	80%

Equity Impacts

This program does not have equity impacts as it functions internally to reimburse the Police and Fire Bureaus for PERS costs.

Changes to Program

There have been no changes to program operations and none are planned for the future. However, this is FPDR's fastest growing program in terms of expense. Sworn PERS contributions increase as more PERS-covered employees are hired, advance through the police officer and fire fighter pay steps, and are promoted or assigned specialty pays as they gain seniority at the Police and Fire Bureaus. In addition, PERS contribution rates typically increase every other year, and sworn employees generally receive wage cost-of-living adjustments (COLAs) each year. For FY 2023-24, the contribution rate for the PERS tier in which most FPDR Three members participate will increase from 31.72% to 33.91% and all employees will receive a 5% wage COLA (in addition to any step, promotional, or premium pay increases).

Program Budget

	Actuals FY 2020-21	Actuals FY 2021-22	Revised FY 2022-23	Requested Base FY 2023-24	Requested with DP FY 2023-24
Requirements					
Bureau Expenditures					
Internal Materials and Services	23,079,937	26,812,489	33,070,000	40,730,000	40,730,000
Bureau Expenditures Total	23,079,937	26,812,489	33,070,000	40,730,000	40,730,000
Requirements Total	**23,079,937**	**26,812,489**	**33,070,000**	**40,730,000**	**40,730,000**

Bureau of Fire and Police Disability and Retirement

City of Portland

FPDR Fund (Fund 800) and FPDR Reserve Fund (Fund 801)

The Bureau of Fire & Police Disability & Retirement (FPDR) administers a defined benefit retirement plan for sworn members of the Portland Police Bureau (Police) and Portland Fire & Rescue (Fire) hired before 2007 (FPDR One and Two members), as well as a disability plan for all sworn members with at least six months of service. The FPDR Fund is also the funding source for contributions to the Oregon Public Employee Retirement (PERS) pension plan for Fire and Police employees sworn after December 31, 2006 (FPDR Three members). The FPDR Fund (Fund 800) is the primary operating and financing fund for these purposes. The FPDR Reserve Fund (Fund 801) is required to be maintained at $0.75 million and is for use in the event the FPDR Fund becomes depleted to the extent it cannot meet current requirements. Both funds are established and defined by Chapter 5 of the Portland City Charter.

Plan Overview

FPDR Plan benefits are defined in Chapter 5 of the Charter, which serves as FPDR's legal plan document. In addition to providing a formula-based pension for Fire and Police employees hired before 2007, City Charter establishes the FPDR disability plan. The disability plan is both a workers' compensation substitute plan for the City's sworn workforce and a nonservice disability plan for sworn employees with at least five years of service. Fire and Police employees sworn after December 31, 2006 are enrolled in the Oregon PERS pension plan but still covered by FPDR's disability plan. In addition to paying FPDR pension and disability benefits, the FPDR Fund pays the PERS contributions on behalf of FPDR Three members by reimbursing the Fire and Police Bureaus for PERS expenses. This means the FPDR Fund is financing two generations of pensions simultaneously, with pay-as-you-go pension payments to FPDR One and FPDR Two members during their retirement years and prefunded pension contributions for FPDR Three members during their working careers. As this transition is phased in, FPDR costs will grow in excess of usual inflationary factors such as wage increases. Expenses (on an inflation-adjusted basis) are projected to peak in the early to mid 2030s when the entire sworn workforce is comprised of FPDR Three members and most FPDR Two retirees are still living. After this point, mortality in the FPDR Two population will begin to reduce costs.

FPDR expenses thus fall into four general categories: direct FPDR pension payments to retirees originally hired before 2007; PERS contribution payments for those hired after 2006 and still working; direct disability benefit payments to employees who cannot work because of an injury or illness, medical care costs associated with service-connected disabilities, and funeral benefits; and administrative expenses. Total FPDR FYE24 requirements are budgeted at $259.1 million. Net of the FPDR Reserve Fund and tax anticipation notes (TANs), which are issued and repaid within the same fiscal year and whose inclusion therefore magnifies the size of the budget, FYE24 requirements are $220.3 million. For the FYE24 budget, 69% of bureau requirements are for FPDR plan pension benefits, 19% for PERS contributions made on behalf of FPDR Three members, 3% for FPDR plan disability benefits, 2% for program administration, and 7% for fund-level requirements. Total budgeted bureau expenditures (which excludes fund-level requirements such as contingency, TANs, and General Fund overhead) for FYE24 are $205.2 million.

Over the five-year forecast extending through FYE28, total bureau expenses are estimated at $1.205 billion, with annual growth ranging from 4.8% to 8.4% per year and total growth over the five-year period of 42.2%. Net of the FPDR Reserve Fund and annual TAN issues, total requirements are projected to be $1.302 billion for FYE23 – FYE28, with annual growth as high as 9.0% and total growth over the five-year period of 42.6%.

FPDR is funded almost exclusively from a dedicated property tax levy. Smaller sources of income include interest earnings on fund balance, a pension and disability overhead charge on contracted Police and Fire work (passed through the Police and Fire Bureaus), and subrogation revenue on disability claims. The FPDR Reserve Fund is required by City Charter to be funded at exactly $0.75 million on July 1 and June 30 of each year. In between, the FPDR Fund may borrow from it interest-free. Interest earnings on the FPDR Reserve Fund balance are credited directly to the FPDR Fund. Non-property tax revenues comprise just 1.2% of total revenues (net of TANS) in the FYE24 budget, or $2.4 million, and just $17.7 million over the entire FYE24-28 forecast. The remainder of resources needed to fund the expenditures discussed below derive from property taxes, of which $1.191 billion will be required over the same five-year period.

FPDR's dedicated property tax levy is capped by the City Charter at $2.80 per $1,000 of real market value (RMV). The current RMV rate is $1.11. The assessed value (AV) rate, on which property owners actually pay taxes, is currently $2.72 per $1,000 of AV. FPDR plans to use roughly $10.0 million in excess fund balance to reduce its tax need for FYE24. That, in combination with the fact that new hiring at the Police Bureau has been slower than planned, means that a tax increase of just 5.6%, or $28.9 million, is necessary for FYE24 – a bit less than FPDR's typical annual growth rate of 6% to 7% during this period of financing two generations of retirees simultaneously. As a consequence, the RMV rate is projected to climb to $1.18 and the AV rate to $2.77 for FYE24. After that, both rates will continue rising and reach an estimated $1.46 for RMV and $3.31 for AV by the end of the five-year forecast period in FYE28. In concert with the legally required biannual plan valuation, FPDR contracts with an independent actuarial firm to model the RMV tax rate over a 20-year period. The model simulates thousands of possible scenarios and incorporates widely variant possibilities in terms of real market value growth, PERS investment returns and contribution requirements, and other factors. The most recent analysis, using data as of June 30, 2022, predicts there is less than a 1% probability that the $2.80 cap will be insufficient to fund FPDR spending in any year between now and FYE42. At the median probability, the levy rate is expected to peak at $1.43 in 2031 – 2033.

Revenue Assumptions

Property Taxes

More than 98% of bureau resources come from the dedicated FPDR property tax levy. Property tax revenues need to be increased to $193.7 million for FYE24, 5.6% and $10.2 million more than budgeted in FYE23. However, this growth rate is less than the expenditure growth rate for FYE24 FPDR, and total tax revenue need remains lower than two years ago, in FYE22. This is partly because new hiring at the Police Bureau has not proceeded as quickly as planned, which has reduced PERS contribution costs as compared with prior forecasts, and partly because FPDR expects to have excess fund balance in FYE24. Both of these factors lessen FPDR’s need for new tax revenues in FYE24. The fund is expected to close FYE23 with an ending fund balance of $24.2 million, the second year in a row with fund balance exceeding historically typical levels. Some of the excess fund balance results from the aforementioned slow hiring at the Police Bureau, but the primary cause is the large fund contingency levels established during the first two years of the COVID pandemic. These funds will be returned to the taxpayers in FYE24 through slower growth in the FPDR tax levy than would otherwise have been the case. FPDR management’s target ending fund balance is between $14 million and $20 million, a level to which the fund is expected to return in the outyears of the forecast.

Property taxes will rise at a more rapid rate for FYE25 – FYE28 and are planned to reach $277.3 million by the end of the forecast period, a 51.9% increase over current tax revenue levels. The increase is necessary to meet rapidly growing benefit expenses, mostly caused by the ongoing transition from a pay-as-you-go pension plan (FPDR) to a pre-funded pension plan (PERS). That transition requires exponential annual cost increases while pensions for two generations of retirees are funded simultaneously.

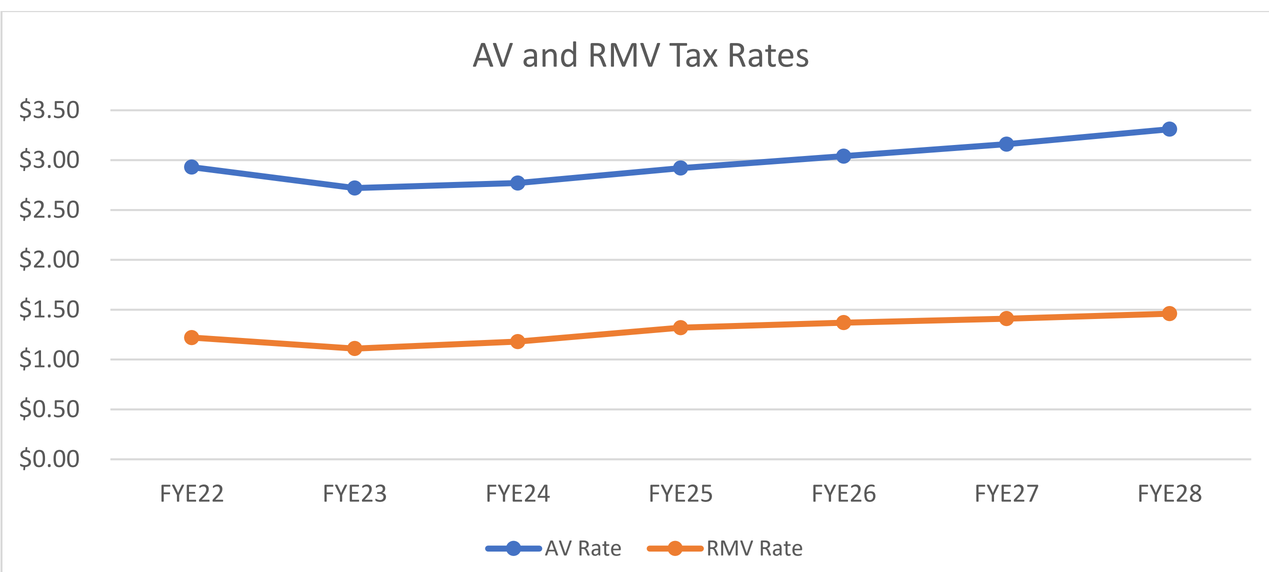
FPDR FYE 2024-28 Five Year Plan

FPDR must levy more taxes than are actually required, since not all taxes will be collected due to discounts, delinquencies, and compression under Measure 5/50 tax limits. FPDR relies on the City Economist to calculate the amount that will offset these losses. His assumptions are listed below, and compared to actual results from FYE22, in the table below:

PROPERTY TAX ASSUMPTIONS (DOLLARS IN THOUSANDS)							
	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
RMV Growth	5.0%	7.0%	0.0%	2.0%	4.0%	4.0%	4.0%
AV Growth	5.5%	4.5%	4.1%	9.0%	3.1%	3.1%	3.1%
Compression	-4.8%	-4.3%	-4.7%	-4.7%	-4.7%	-4.7%	-4.7%
Discounts/Delinquencies	-3.7%	-4.4%	-4.3%	-4.1%	-4.0%	-4.0%	-4.0%
Current Year Taxes Required	**$187,408**	**$181,345**	**$191,571**	**$220,436**	**$237,202**	**$254,486**	**$274,336**
Discounts/Delinquencies	$7,183	$7,183	$8,608	$9,499	$9,883	$10,604	$11,431
Taxes Imposed	$194,591	$194,591	$189,692	$229,935	$247,086	$265,089	$285,767
Compression Loss	$9,718	$9,718	$8,448	$11,340	$12,186	$13,074	$14,093
Taxes Extended	**$204,308**	**$204,308**	**$198,140**	**$241,275**	**$259,271**	**$278,163**	**$299,860**

These assumptions result in the following projected AV and RMV tax rates for FYE24 – 28, as compared with projected rates for FYE23 and actual rates for FYE22:

FPDR PROPERTY TAX RATES							
	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
AV Tax Rate	$2.93	$2.72	$2.77	$2.92	$3.04	$3.16	$3.31
Effective RMV Tax Rate	$1.22	$1.11	$1.18	$1.33	$1.37	$1.41	$1.46



The levy has been a stable resource throughout the pandemic and associated economic downturn. Property tax delinquencies were 4.6% in FYE21 and just 3.7% in FYE22, at or below their historic level of 4.0% to 4.5%. Property tax compression losses have not increased either, as initially feared when some permanent property tax levies were increased to account for potentially higher delinquency rates. In FYE22 property taxes came in 1.7% ($3.2 million) over budget, and property tax collections are on target for FYE23.

Tax Anticipation Notes (TANs)

Unlike the General Fund, but like many governmental funds whose primary revenue source is property taxes, the FPDR Fund borrows money to cover its cash flow shortfall between the start of the fiscal year on July 1 and the receipt of most property tax payments in mid-November. FPDR borrows these funds by issuing tax-exempt notes (short-term bonds) in July of each year. FPDR plans to borrow $38 million in FYE24 and as much as $54 million by the final year of the forecast in FYE28. As expenses grow each year, more must be borrowed to prevent a negative cash position before mid-November. Within arbitrage rebate limits allowed by the Internal Revenue Service, FPDR generally earns more interest on the borrowed funds than it pays to the note holders and for debt issuance costs. FPDR expects to pay 2.25% in interest on its July 2023 TAN issue, a significant increase from the 2022 borrowing rate of 1.89%. However, the City Investment Officer also expects to earn 2.5% on the City investment pool in FYE24, where FPDR will deposit the TAN proceeds while they are spent down. Therefore, FPDR will likely earn a positive arbitrage return on the 2023 TAN issue, as in the past. The FPDR Fund borrows under the “working capital” arbitrage exception rule, which means FPDR management must demonstrate when it repays the notes that it borrowed no more than required for expenses, plus an allowance for working capital equal to 5% of the prior year’s fund expenditures.

Other Revenues

As noted above under Plan Overview, non-property tax revenues are just $2.4 million of projected revenue in FYE24, and only $17.7 million over the entire FYE24-28 forecast. FPDR does not require revenues beyond what can be raised from the dedicated property tax levy to meet its requirements over the forecast period. However, FPDR management obviously pursues other appropriate revenue sources in order to reduce the taxpayer burden. With the exception of interest income, these minor sources of miscellaneous revenue are expected to remain stable or grow slightly over the forecast period. Interest income is projected to increase significantly as both interest rates and fund balance grow. FPDR relies on the City Investment Officer for interest rate forecasts. Interest rates are projected to more than double over the forecast period. Together with FPDR’s projected fund balance over the five-year plan period, those interest rate assumptions are shown below:

INTEREST INCOME ASSUMPTIONS							
$ Millions	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
Average Cash Balance	$70.9	$62.4	$73.4	$80.9	$87.5	$93.9	$100.9
Forecast Interest Rate	0.61%	1.35%	2.50%	3.50%	3.50%	3.50%	3.50%
Interest Income	$0.42	$0.84	$1.84	$2.83	$3.06	$3.29	$3.53

Expenditure Assumptions

FPDR forecasts $1.205 billion in bureau expenditures (all costs except fund-level requirements like contingency, debt service, etc.) during the five-year forecast period. Bureau expenditures are expected to grow 47.2%, or $89.3 million, between FYE23 and FYE28. This growth rate, which was planned as part of the 2006 City Charter reforms that placed new sworn hires in the prefunded PERS plan, will of course require increases in the dedicated FPDR tax levy (see above). Fortunately, the tax levy has room under its cap to accommodate this growth. Nevertheless, the tax increases will burden the current generation of taxpayers and increase compression on other permanent property tax levies in Multnomah County for the next 10 to 15 years.

For the most part, FPDR cannot legally reduce its service levels to restrain expenditure. Nearly 98%, or $1.179 billion, of bureau expenditures are nondiscretionary plan benefits mandated by City Charter. Plan benefits fall into three categories: FPDR pension benefits, PERS contributions, and FPDR disability/death benefits. Of the three, FPDR pension benefits are by far the largest, making up 70% of planned bureau expenditures over the next five years. PERS contributions, while still only 25% of budgeted bureau expenditures for FYE24-28, are the fastest-growing component. On top of wage and PERS contribution rate growth, each year a larger percentage of the sworn workforce is comprised of FPDR Three members enrolled in PERS. Disability and death benefit expenses comprise just 3% of planned bureau expenditures over the forecast period. However, disability expenses have been significantly higher than usual since FYE21, primarily because of COVID infections and exposures in the sworn workforce. They are expected to decline from their peak in FYE22 and FYE23, but the forecast assumes disability expenses remain above pre-pandemic levels (after adjusting for wage and medical cost inflation) through FYE28.

The most significant assumptions underlying the expenditure forecast are listed in the two following tables:

Inflation Assumptions						
	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
Wages	5.00%	5.00%	2.90%	2.30%	2.10%	2.10%
Medical	3.80%	3.60%	3.60%	3.50%	3.50%	3.50%
PERS Contribution Rates						
Tier 1 & Tier 2*	28.35%	29.60%	29.60%	34.60%	34.60%	39.60%
OPSRP General*	24.36%	26.12%	26.12%	31.12%	31.12%	36.12%
OPSRP Public Safety*	31.72%	33.91%	33.91%	38.91%	38.91%	43.91%
External Materials & Services	3.75%	3.00%	2.60%	2.60%	2.50%	2.50%
Internal Materials & Services	3.75%	2.80%	2.50%	2.40%	2.40%	2.40%
*Includes 9% Individual Account Program "pick up" for OPSRP Public Safety and 6% for Tier I/II/OPSRP General						

Other Assumptions							
	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
FPDR 2 Service Retirements	23	59	73	61	63	63	61
Deaths, Members & Beneficiaries	70	59	59	60	61	62	63
Pension COLAs							
FPDR One, Fire	5.00%	5.00%	5.00%	2.90%	2.30%	2.10%	2.10%
FPDR One, Police	5.00%	5.00%	5.00%	2.90%	2.30%	2.10%	2.10%
FPDR Two	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Percent of Sworn Workforce, FPDR Three	50.9%	55.6%	63.2%	67.3%	71.6%	75.8%	79.8%
Bureau Hiring Projections							
Fire Bureau	36	27	56	24	23	26	26
Police Bureau	44	62	93	67	50	47	45

FPDR Pension Benefits

Key assumptions underlying the forecast for FPDR One and Two pension payments relate to retirement rates, death rates, pension amounts for new retirees, and annual cost-of-living adjustments (COLAs) for existing retirees. Retirements and deaths are generally predicted using actuarial models developed by an independent actuarial firm, which are based primarily on data collected in periodic FPDR Plan Experience Studies. The last such study was based on data for the period July 1, 2014 – June 30, 2019. Current actuarial assumptions used in budget development are enumerated in Appendix C of the most recent plan valuation, which can be found at https://www.portland.gov/fpdr/budget-reports. Each active duty FPDR member is assigned a probability of retirement in each year, based on age and service time. Each FPDR member is also assigned a probability of death in each year; these probabilities are based on the experience of the larger and more statistically valid Oregon PERS sworn population, which is assumed to be similar to the FPDR population. These probabilities are summed to arrive at an estimated total for retirements and deaths in any given fiscal year, although FPDR management often adjusts retirement projections in the budget year to account for known short-term factors, such as the timing of 27 pay date months. (In 27 pay date months the City's biweekly pay structure produces 27 pay dates – rather than the usual 26 – in the period for calculating final pay, a critical component of the FPDR Two pension calculation.)

Pension amounts for new retirees grow with wage increases because FPDR Two pension benefits are based partly on final salary. In addition, FPDR One pension benefits are a percent of active duty pay. The forecast assumes that sworn wage increases are limited to annual inflationary COLAs. The FPDR Two pension COLA is awarded at the discretion of the FPDR Board of Trustees but cannot exceed the maximum pension COLA given by Oregon PERS (currently 2.0%). To be conservative, the five-year plan assumes a 2.0% COLA for FPDR Two pension benefits each year.

PERS Contributions

The PERS contribution budget depends on the number of working FPDR 3 members, their pay levels, and PERS contribution rates. Growth in this budget category is exponential: in addition to increases resulting from wage inflation, the number of PERS-covered employees grows each year as FPDR-covered employees retire and are replaced by new hires. The number of current FPDR 3 members is known, but the total projected number over the forecast period is reliant on hiring projections. All new hires will be FPDR Three members. Projected hiring over the forecast period is detailed in the table above. Hiring projections for FYE23 and FYE24 are developed collaboratively with the Police and Fire Bureaus. Beyond that, hiring projections are based on FPDR's actuarial model for retirements (and assumes that all retirees are replaced with new hires). The final forecast assumes 546 new hires over the next five years, which would increase the number of PERS-covered employees 37.5% and make them approximately 80% of the sworn workforce by FYE28. Secondly, this population is still maturing; as compared with the total sworn population, a larger proportion of PERS-covered employees are still at the police officer or fire fighter rank (and at lower pay levels on those pay scales), ineligible for longevity pay, and less likely to have attained premium and specialty pay assignments. As they move through pay steps, promote into higher paying classifications, receive specialty pay assignments, and begin to earn longevity pay, their pay grows above and beyond inflationary wage COLAs. This forecast assumes annual wage growth in excess of COLAs (real wage growth) for PERS-covered employees of 5.0% at Police and 4.0% at Fire. Finally, the PERS Board continues to raise contribution rates every two years to reduce PERS' unfunded liability. The PERS contribution rate projection detailed in the table above was developed by the City Economist. Rates for the City's public safety employees are forecast to grow from 31.72% currently to 43.91% by FYE28.

Disability and Funeral Benefits

Disability benefits are comprised of medical costs; wage replacement while members are unable to work; wage subsidies to incentivize the Police and Fire Bureaus to keep members working in modified duty positions when possible; funeral benefits; and vocational rehabilitation expenses. The most important assumptions in the disability benefit budget are claim volume, wage growth and medical inflation. New short-term disability claims are on track to return to pre-pandemic levels in FYE23 (350 or so annually) after increasing dramatically in FYE21 and FYE22 to more than 500 claims each year, as a result of COVID exposures and infections in the sworn workforce. Nevertheless, the forecast assumes that claim volume will remain about one-third above the historic level for the next five years, as COVID remains a persistent force. The number of members who transition from short-term to long-term disability is based primarily on actuarial probability from the most recent FPDR Plan Experience Study, although FPDR often adjusts this number for the budget year based on staff knowledge of specific claims. For FYE24, FPDR expects to move three employees from short-term to long-term disability, more than usual. As discussed above, the forecast assumes wage growth is limited to annual COLAs equal to inflation. Medical inflation is projected to continue to slow, from about 4.0% in the past to 3.6% in FYE24 and 3.5% by FYE26, based on guidance from the City Economist. Medical costs for large claims (those with more than $50,000 in lifetime medical expenses) are based on a three-year average of expenses for such claims. Funeral benefits are projected using the same mortality models built into the pension budget. Although a very small portion of the budget, they are growing rapidly as more FPDR Two members (who are entitled to a more generous funeral budget than FPDR One members) pass away. Wage subsidies and vocational rehabilitation expenses are based on historical averages and, in the case of wage subsidies, projected sworn wage increases.

Administrative Expenses

Administrative expenses include all general operating expenses for the bureau: staff, office space, information technology and legal services, and various other goods and services. The largest component of administrative expenses is personnel costs. Staff salaries and benefits are set by the City compensation plan and policies, but the FPDR Board and Portland City Council have authority over the number and type of positions. After adding one Analyst I in the fall 2022 budget monitoring process, FPDR now has 18 positions: 13 nonrepresented and 5 represented (by the District Council of Trade Unions). Personnel expenses are projected to increase for wage COLAs based on inflation, including a second unusually large 5.0% wage COLA on July 1, 2023 (following an identical 5.0% COLA last year). In addition, merit-based wage increases of up to 3.0% annually are assumed for most nonrepresented staff, along with annual step increases for the one represented employee not currently at the top step of their wage scale. Health insurance benefits are budgeted to increase by 3.5% to 3.6% per year for the FYE24-28 forecast period, based on a projection provided by the City Economist. PERS contribution rates are predicted to increase as described in the table above and are also provided by the City Economist. FPDR staff are all general service, but are a mix of Tier 1/2 and OPSRP General service employees.

Spending on administrative materials and services (both external and internal) is projected based on a variety of factors. Most costs for internal materials and services – those services and goods procured from other City bureaus – are based on rates set by the bureaus providing the service and/or materials. FPDR's largest internally procured goods and services are legal services provided by the City Attorney's office, liaison services provided by two sworn employees at the Fire and Police Bureaus, and computer/telecommunications equipment and services purchased from the Bureau of Technology Services. FPDR downsized and relocated its physical office in the spring of 2022, a move made possible by new hybrid in-person/remote work schedules for most FPDR staff. The move required additional one-time services from the Bureaus of Facilities and Technology Services in FYE22 and FYE23. Facilities and Technology service costs are expected to return to normal levels for FYE24 and beyond. No other changes to internal service levels are anticipated. Costs for externally procured goods and services are estimated based on past experience, known upcoming purchases, contract provisions where they exist, and a general external materials/services inflation factor provided by the City Economist. The largest of these items are professional services for the disability program and the office lease. FPDR's new smaller office created $125,804 in lease savings in FYE23, partially because of the smaller lease and partially because FPDR was able to negotiate five months of rent abatement for the new lease. Going forward, the new lease will save approximately $50,000 per year. Capital spending is limited to programming and other improvements to FPDR's database, which is used to process all benefit payments and to track member and beneficiary information. FPDR tends to budget a bit more than actually planned for capital since the small, single-item budget means that even a minor unanticipated expense can cause over-expenditure in a major object category.

The table below lists FYE22 actual costs, FYE23 projected costs, and the FYE24 budget for each of FPDR's administrative expense.

FPDR FYE 2024-28 Five Year Plan

Administration & Operations: Budget Detail				
	FYE22 Actuals	FYE23 Projection	FYE24 Budget	Change: FYE23 to FYE24
Personnel Services	$2,607,227	$2,732,192	$2,979,029	9.0%
External Materials & Services				
Computer Consulting	$ 139,970	$ 70,026	$ 67,760	-3.2%
Legal Services	31,596	66,100	68,100	3.0%
Audit Services	26,691	32,700	33,700	3.1%
Actuarial Services	10,300	91,800	42,895	-53.3%
Professional Services - Disability Program	193,133	265,700	274,300	3.2%
Other Professional Services	120,936	55,400	57,100	3.1%
Repair and Maintenance Services	2,266	3,600	3,700	2.8%
Miscellaneous Services	56,507	12,000	12,400	3.3%
Computer and Office Supplies	15,531	18,600	19,200	3.2%
Minor Equipment and Tools	3,647	1,100	1,100	0.0%
Education, Subscriptions and Dues	7,316	14,900	15,300	2.7%
Travel - Local	1,222	750	800	6.7%
Travel - Out of Town	1,464	5,000	5,200	N/A
Office Rent	229,735	103,931	188,485	81.4%
Miscellaneous	818	620	600	-3.2%
Total External M&S	$841,131	$742,227	$790,640	6.5%
Internal Materials & Services				
Fleet	$189	$129	$-	-100.0%
Printing & Distribution	41,736	38,378	47,117	22.8%
Facilities Services	96,670	123,661	9,402	-92.4%
Technology Services	181,324	275,366	232,258	-15.7%
Risk Management	30,659	36,211	42,000	16%
City Attorney	289,676	316,174	337,646	6.8%
Government Relations	10,000	10,000	10,000	0.0%
Bureau of Revenue & Financial Services	36,617	49,010	58,284	18.9%
Fire & Police Bureaus	135,130	154,000	163,800	6.4%
Total Internal M&S	$822,001	$1,002,929	$900,507	-10.2%
Capital	$39,780	$30,929	$55,093	78.1%
Total Admin & Delivery	$4,310,140	$4,508,276	$4,725,269	4.8%
Staff: Full-Time Equivalents (FTE)	17	18	18	0.0%

Risks to the Forecast and Contingency

The key risks to the FPDR FYE28-27 Forecast relate to delinquency and compression rates for property taxes, future COVID waves, the presence of two 27 pay date retirement months in FYE24, the potential for more hiring at both the Police and Fire Bureaus, and the open labor contract for the Portland Fire Fighters Association.

Property Tax Delinquency and Compression Rates (Medium Risk)

- After reaching a high point of 4.6% in FYE21, property tax delinquencies dropped considerably and unexpectedly for FYE22, to 3.7%. The delinquency rate is not yet known for this year, but this forecast assumes a return to the historic delinquency level of 4.0% - 4.4% in FYE23 and beyond.
- Measure 5/50 compression has not increased notably during the pandemic. The forecast assumes compression losses continue to remain stable at 4.7% or 4.8%, after dipping in the current year to 4.3%.
- If actual tax delinquency or compression rates prove higher than estimated, FPDR will not collect enough of the property taxes the bureau is entirely dependent upon to cover expenses. Each additional 1% in delinquency and/or compressions losses results in a loss of roughly $1.9 million in property tax revenue for FPDR. Tax shortfalls would also negatively impact interest income.

Continued COVID-Related Costs at FYE21 and FYE22 Levels (Medium Risk)

- FPDR received hundreds of COVID disability claims during winter COVID spikes in both FYE21 and FYE22, as well as many vaccine side effect claims in FYE22. As a result FPDR spent approximately $1.0 million more on disability benefits than typical. Smaller waves have recurred in FYE23, increasing disability expenses again in the current year although to a lesser degree.
- Public safety staff away from work for COVID infection, quarantine, or vaccine side effects also increase overtime spending, which in turn increases the PERS contributions FPDR must make on that overtime for FPDR Three members.
- Last year in this forecast, FPDR assumed a return to pre-pandemic disability claim volume and overtime levels at the Fire and Police Bureaus. This year, the forecast reflects the more modest assumptions that the number of annual claims will remain about 50% higher than before the pandemic, and that overtime levels at both bureaus will remain slightly elevated. Thus, the forecast predicts continued COVID-related spending for at least the next five years, but at lower levels than seen during FYE21 and FYE22. Should a new and serious

variant emerge that assumption may prove too aggressive. If overtime is $5.0 million more than planned, FPDR's bill for PERS contributions on the share of that overtime worked by FPDR Three members would be roughly $1.1 million. If disability expenses returned to FYE21 or FYE22 levels, the fund could expect another $0.5 million in unbudgeted benefit costs.

Two 27 Pay Date Months in FYE24 (Medium Risk)

- If more FPDR Two members retire than assumed, FPDR pension costs will be more than forecast.
- The greatest risk for unbudgeted retirements is in FYE24, when there will be two advantageous 27 pay date retirement months (December 2023 and June 2024). The bureau has budgeted for 73 retirements in FYE24. There have been three other years with two 27 pay date months thus far; in those years, 64 to 99 members retired from active service. However, the year with 99 retirement was FYE21, when COVID, protests, and wildfires likely also played a role in driving up public safety retirements.
- An additional 20 retirements in December 2023 would cost the fund approximately $0.9 million in FYE24, and more in outyears.

Public Safety Hiring (Low Risk)

- FPDR's five-year forecast is based on 155 new hires at Fire and 302 new hires at Police between FYE22 and the last year of the forecast (FYE28). That hiring is front-loaded, with 56 new hires at Fire and 113 new hires at Police budgeted between now and the end of FYE24.
- As aggressive as this budget and hiring plan are, both the Police and Fire Bureaus have even greater hiring aspirations. The Police Bureau's goal is to hire more than 100 new officers annually for the new few years. The Fire Bureau hopes to hire 12 more fire fighters than included in the FPDR FYE24 budget.
- If the Police and Fire Bureaus are successful in hiring at their goal rates, FPDR will have to pay more PERS contributions than budgeted.
- An additional 45 hires in FYE24 would increase FYE24 PERS contributions by an estimated $0.9 million and more in the outyears of the forecast.
- However, given that the Police Bureau has never hired more than 83 officers in a single year, it is equally plausible that Police hiring will be lower than presumed in the FPDR forecast. Additional hiring at the Fire Bureau is more probable as they have historically had large applicant pools; however, hiring and training more than 24 fire fighters a year remains a logistical challenge for the bureau.

Open Portland Fire Fighter Association Contract (High Risk)

- The Portland Fire Fighter Association (PFFA) labor contract – which covers all Fire FPDR members except the Fire Chief, Division Chiefs, and Deputy Chiefs – will expire on June 30, 2023.
- The FPDR forecast assumes a 5.0% COLA on July 1, 2023 and future wage COLAs equal to inflation for PFFA members. This is consistent with the current contract terms.
- Salary increases beyond this level, other compensation increases (such as bonuses), and/or reductions in weekly scheduled hours could result in higher FPDR benefit costs in several categories:
  - Since FPDR One pensions are a percent of active duty pay, additional salary increases would increase FPDR One Fire pensions more than forecast
  - Since final pay is a key component of the FPDR Two pension calculation, additional salary increases and/or bonuses would increase future FPDR Two Fire pensions more than forecast
  - Since PERS contributions are made on total compensation, additional salary increases and/or bonuses would increase Fire PERS contributions for FPDR Three members
  - Since disability pay is a percent of wages, additional salary increases (but not bonuses) would increase all Fire disability benefits for wage replacement
  - Since funeral benefits are a percent of wages, additional salary increases (but not bonuses) would increase future Fire funeral benefits
  - Since reductions in weekly scheduled hours require additional staffing or more overtime, such reductions would increase Fire PERS contributions
- Additionally, if one-time bonuses were included in the new PFFA contract, this would incentivize Fire FPDR Two retirements one year later (because of the one-time increase in final pay). This would also increase FPDR Two pension costs beyond those included in the forecast for that year.

Inflation

- Inflation in FPDR's five-year financial plan is based on a forecast provided by the City Economist
- If this forecast is too low, nearly all FPDR benefits will be more expensive than forecast. This is because wage COLAs are tied to inflation, and wage increases drive up the cost of most FPDR benefits.
- If this forecast is too low, many FPDR administrative expenses, including FPDR staff salaries, will also be more expensive than forecast.
- Inflation is unusually difficult to predict in the current environment, for causes that can be mostly attributed to the pandemic and associated macroeconomic factors (an influx of federal government stimulus spending, labor shortages, supply chain issues, etc.)

PERS Contribution Rates in Outyears

- PERS contribution rates are known for FYE24 and FYE25, but beyond that they have been estimated by the City Economist with input from the PERS actuaries.
- PERS contribution rates are influenced by a wide variety of factors, but annual PERS investment returns are a notable source of contribution rate risk because of their volatility and importance to the PERS unfunded liability calculation.
- If the stock market underperforms and PERS investment returns fall short of expectations, PERS contributions rates will likely be set higher than forecast, which will increase FPDR spending on PERS contributions for FPDR Three members.

Other

Other factors that would increase expenses, but to a smaller degree, are:

- Fewer deaths than projected using the mortality tables and assumptions recommended by the FPDR actuaries
- Faster promotion rates or more premium pay assignments in the FPDR Three population than predicted
- More new retirees selecting the lowest survivor benefit, or establishing eligibility for the additional state offset benefit, than forecast
- More newly deceased retirees with surviving spouses than expected, or more newly deceased retirees with higher survivor benefits than expected
- Higher than projected medical cost inflation
- More catastrophic and/or expensive disability claims than forecast
- A disproportionate share of disability claims from higher paid employees
- Unforeseen information technology expenses

Fund Contingency

While many operating funds maintain a standard 10% contingency line item, FPDR has found it unnecessary to maintain such a high level of contingency given the relatively predictable nature of monthly pension payments, which make up nearly three-fourths of bureau expenditures (FPDR spending less fund transfers and debt service). FPDR fund contingency for FYE24-28 has been set at 7% of total bureau expenditures. After increasing fund contingency to 9% of bureau expenditures amidst the general economic uncertainty brought on by the pandemic, FPDR returned to the fund to this historically typical 7% contingency level in FYE23. For FYE24, fund contingency is $14.0 million, which is 7% of $205.2 million in budgeted bureau expenditures (after rounding). Approximate monetization of the risks outlined above totals just $5.9 million, which leaves $8.1 million of the contingency total for other unforeseen events and emergencies. FPDR management believes this is a prudent contingency level for FYE24.

Bureau of Fire & Police Disability & Retirement, Funds 800 & 801

Resources	CY Estimate	FY 2023-24 Plan	FY 2024-25 Plan	FY 2025-26 Plan	FY 2026-27 Plan	FY 2027-28 Plan
Beginning Fund Balance	$ 29,973,348	$ 24,959,481	$ 14,750,000	$ 16,750,000	$ 17,750,000	$ 18,750,000
Taxes	182,578,734	193,701,162	222,696,219	239,802,093	257,285,893	277,336,199
Licenses & Permits	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Interagency Revenue	373,900	445,500	447,200	458,900	520,700	532,500
Fund Transfers - Revenue	-	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Bond & Note Proceeds	28,000,000	38,000,000	42,000,000	46,000,000	50,000,000	54,000,000
Miscellaneous	983,500	1,980,800	2,982,600	3,218,300	3,447,100	3,696,900
General Fund Discretionary & Overhead	-	-	-	-	-	-
Resource Total	$ 241,909,482	$ 260,586,943	$ 284,376,019	$ 307,729,293	$ 330,503,693	$ 355,815,599

Expenditures	CY Estimate	FY 2022-23 Plan	FY 2023-24 Plan	FY 2024-25 Plan	FY 2025-26 Plan	FY 2026-27 Plan
Personnel	$ 2,732,192	$ 2,979,029	$ 3,167,030	$ 3,446,439	$ 3,626,343	$ 3,846,343
External Materials and Services	153,014,475	160,060,956	170,648,600	176,690,315	184,738,462	189,227,285
Internal Materials and Services	33,434,169	42,125,307	48,622,120	60,515,970	69,919,650	85,383,980
Capital Outlay	30,929	55,093	41,600	41,600	45,760	45,760
Debt Service	28,316,987	38,978,478	43,505,140	47,640,038	51,775,068	55,910,261
Fund Transfers - Expense	171,249	1,638,081	1,641,530	1,644,930	1,648,410	1,651,970
Contingency	-	14,000,000	16,000,000	17,000,000	18,000,000	19,000,000
Debt Service Reserves	-	-	-	-	-	-
Unappropriated Fund Balance	24,209,481	750,000	750,000	750,000	750,000	750,000
Expense Total	$ 241,909,482	$ 260,586,943	$ 284,376,019	$ 307,729,293	$ 330,503,693	$ 355,815,599
Planned FTE Total	18	18	18	18	18	18

BUDGET EQUITY ASSESSMENT TOOL

INTRODUCTION

The FY 2023-24 budget development process continues to utilize the City's Program Offer framework where there is intended to be a clear and concise description of bureau budgeted programs at the 6-digit functional area level. The template includes both general guiding questions to help bureaus use an equity lens when writing program descriptions, as well as a dedicated section to provide equity information specific to that program. Bureaus will also be expected to identify benefits and/or burdens in submitted decision packages for Council consideration.

The Budget Equity Tool will continue to serve as a guide for more robust equity analysis. In your responses below, please consider the Bureau's Requested Budget as a whole.

SECTION 1: BUREAU OPERATIONS

1. How does the Requested Budget advance the achievement of equity goals as outlined in the bureau's Racial Equity Plan? FPDR's budget supports the bureau's Racial Equity Plan and encourages employee participation in diversity trainings and multicultural events. FPDR currently has Equity Committee and Assessment Team meetings, staff diversity book club meetings, staff equity activities, and diversity training opportunities for staff.
    a. In what ways does the Requested Budget benefit Indigenous people, Black people, immigrants and refugees, people of color, and people with disabilities? Most FPDR spending will not impact Indigenous people, Black people, immigrants and refugees, or people of color as FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public.
    b. In what ways does the Requested Budget negatively impact Indigenous people, Black people, immigrants and refugees, people of color, and people with disabilities?
    Most FPDR spending will not impact Indigenous people, Black people, immigrants and refugees, or people of color as FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public.

2. How has the bureau engaged with communities in the budget request to identify the priorities, particularly with Indigenous people, Black people, people of color, immigrants and refugees, multilingual, multicultural, and people with disabilities. How are these priorities reflected in this Proposed Budget?
Under Chapter 5 of the Charter of the City of Portland the FPDR budget provides disability and pension benefits to plan members. The FPDR Board of Trustees has the legal authority to adopt FPDR's budget. The Board generally adopts the budget at a regular meeting each year in January. On week prior to the Board meeting, the budget is

published for public viewing on the bureau's web site (hosted by the City's accessible web site), and is also emailed to a list of residents and stakeholders who have expressed interest in being on FPDR's mailing list. Public testimony is accepted and considered at the Board meeting.

FPDR is administered by a five-member Board of Trustees composed of: the Mayor or Mayor's designee, an Active Member serving in the Bureau of Fire (and elected by the Active Members in the Bureau of Fire), an Active Member serving in the Bureau of Police (and elected by the Active Members in the Bureau of Police), and two community members who are Portland residents who are nominated by the Mayor and approved by City Council. FPDR has no control over the appointment of its trustees. However, as part of its Racial Equity Plan, the Director meets with the Mayor/FPDR Commissioner in Charge to encourage and promote diversity of membership when a community trustee's term is up. During his meetings with the Mayor/Commissioner in Charge, the FPDR Director shares the high value FPDR places on having a diverse board. The Board currently consists of two women, one of whom is a woman of color, and three men, one of whom is a man of color.

3. What are the insufficiencies in the base budget that inhibit the bureau's achievement of equity or the goals outlined in the Racial Equity Plan?
   Not applicable.

4. Have you made significant realignments or changes to the bureau's budget? If so, how/do these changes impact the community? Is this different for Indigenous people, Black people, immigrants and refugees, people of color, and/or people with disabilities?
   Not applicable.

5. If applicable, how is funding being prioritized to meet obligations related to Title II of the Americans with Disabilities Act and the bureau's Transition Plan barrier removal schedule?
   Not applicable.

6. What funding have you allocated in the bureau's budget to meet the requirements of ADA (Americans with Disabilities Act) Title II and Civil Rights Title VI?

   This includes but is not limited to:
   - Funding for translation, interpretation, video captioning, and other accommodations
   - Translation of essential documents into safe harbor languages
   - Engagement efforts with multilingual and multicultural communities

FPDR's budget includes funds to provide special materials, services and assistance to disabled FPDR members, employees and community members interested in FPDR. Most of these items have minimal budget impact. FPDR Board meetings are closed captioned, which uses around $2,000 of FPDR's budget. FPDR does not budget for translation and interpretation services, but would hire these services if the need arose.

7. Please take a look at the City of Portland's workforce demographic dashboard as provided by the Bureau of Human Resources: Public Human Resources Analytics Dashboard - September 2022 | City of Portland Public Analytics Dashboards | The City of Portland, Oregon (portlandoregon.gov). How does the bureau's Requested Budget support employee equity in hiring, retention, and inclusion, particularly for Indigenous people, Black people, immigrants and refugees, people of color, and people with disabilities?
   FPDR is a small bureau of 18 employees. FPDR's workforce is 18% employees of color and 94% female. FPDR has been successful in retaining female and minority employees. FPDR will be hiring a full-time employee in 2023 and will utilize a recruitment process that ensures outreach to communities of color and people with disabilities.

8. If the bureau has capital assets, how does the Requested Budget take into consideration intergenerational equity (ensuring that those who are currently benefiting from the service are paying for its upkeep versus placing the financial burden on future generations)?
   Not applicable.

9. If applicable, how does the bureau's budget create contracting opportunities for disadvantaged, minority, women, and emerging small businesses (D/M/W/ESB)? FPDR follows the City's procurement requirements.
   When reviewing proposals, we look first for disadvantaged, minority, women, and emerging small businesses. FPDR was successful in contracting with a qualified woman-owned small business vendor in FY 2022-23 for process improvement and strategic planning.

10. If the bureau has dedicated equity staff, such as an Equity Manager, how were they involved in developing the bureau's Requested Budget?
    Not applicable. FPDR does not have a dedicated equity staff but has an equity committee that meets regularly.

SECTION TWO: EQUITABLE ENGAGEMENT AND ACCESS

11. How does this budget build capacity within the bureau to engage with and include communities most impacted by inequities? (e.g., improved leadership for outreach and engagement coordinators, public information or relations officers, advisory committees, commissions, targeted community meetings, stakeholder groups, increased engagement, etc.)
    Not applicable. FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public.

12. How does this budget build capacity and power in communities most impacted by inequities?
    (e.g., leadership development for communities and guidance from communities, etc.)

Not applicable. FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public.

13. How does the bureau use quantitative and qualitative data to track program access and service outcomes for different populations? Please provide the data source(s)

    What additional disaggregated demographic data will the bureau collect, track, and evaluate to assess equity impacts in community moving forward, and inform future budget decisions?
    Not applicable. FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public.

IDENTIFYING IMPACTS WORKSHEET

The following chart is intended to assist in identification of impacts affecting equitable delivery of City services in the bureau's submitted Requested Budget.

Not applicable. FPDR serves only Fire and Police employees or retirees and their beneficiaries. FPDR does not directly serve the public.

Populations Impacted	Potential Positive Impacts	Potential Negative Impacts

Name of Staff Contact

Name of Bureau Director

Date

Rev: October 2022

Bureau of Fire & Police Disability & Retirement

Program Offer Name	Legally Required?	Primary to Bureau's Core Mission?	Secondary to Bureau's Core Mission?	Notes
Administration & Support		X		Necessary to provide legally required programs below
Disability and Death Benefits	X	X		Required by Chapter 5 of the City Charter
FPDR Pension Benefits	X	X		Required by Chapter 5 of the City Charter
Sworn PERS Contributions	X		X	Required by Chapter 5 of the City Charter

FPDR Recommended Budget

July 1, 2023 – June 30, 2024 (FYE24)

January 23, 2022

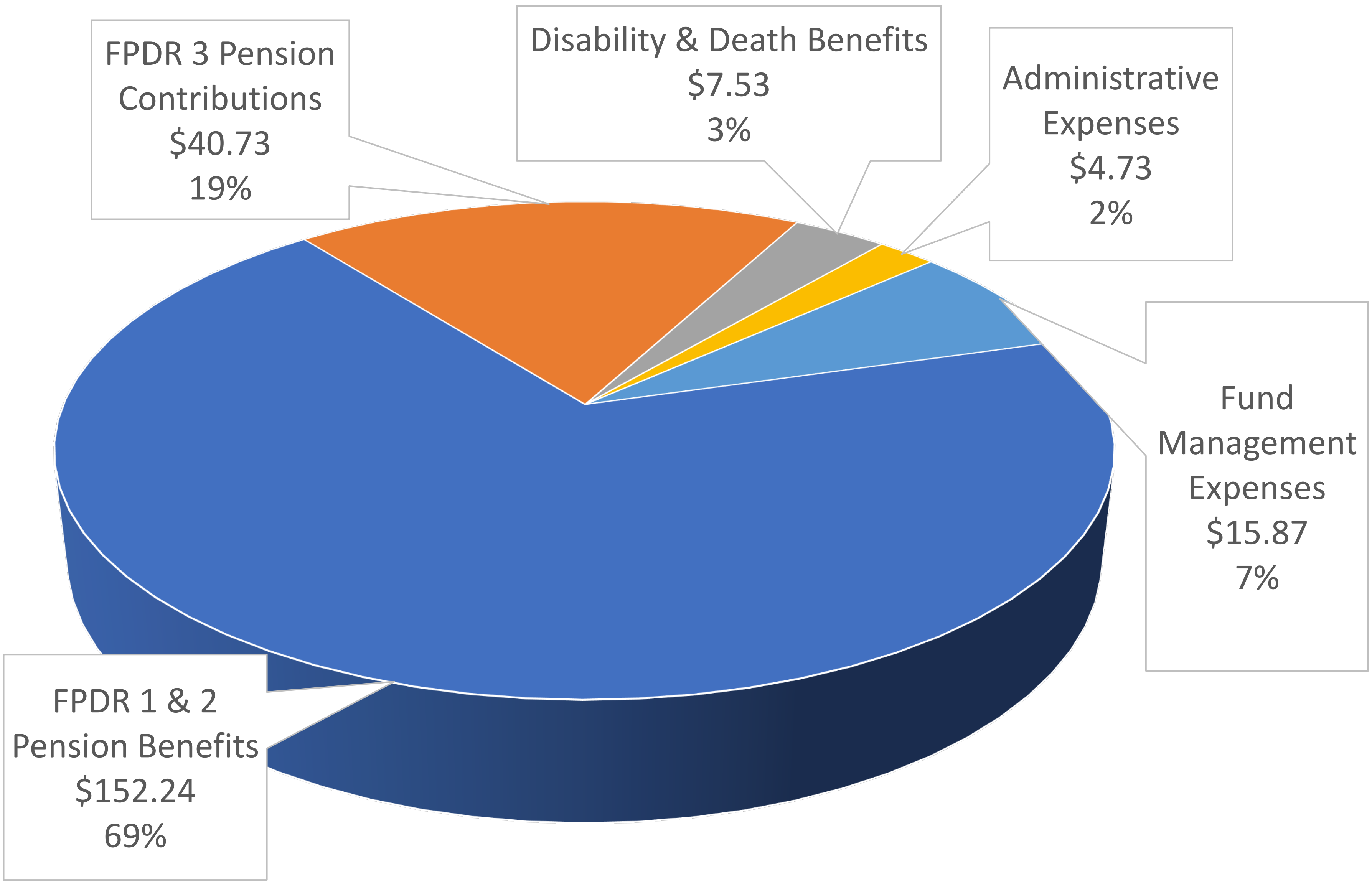
FY 2023-24 Budget
Compared to FY 2022-23 Projection & FY 2021-22 Actuals

$ Millions	FYE22 Actuals	FYE23 Adopted Budget	FYE 23 Current Projection	FYE24 Recommended Budget	Change: FYE23 Projection to FYE24 Budget
Resources					
Property Taxes	$194.15	$183.49	$182.58	$193.70	6.09%
Tax Anticipation Notes	38.54	45.00	28.00	38.00	35.71%
Miscellaneous	0.79	1.18	1.36	2.43	78.75%
Cash Transfers	-	0.75	-	0.75	
Beginning Fund Balance	14.47	25.23	29.97	24.21	-19.23%
Total Resources	**$247.95**	**$255.65**	**$241.91**	**$259.09**	**7.10%**
Requirements					
FPDR 1 & 2 Pensions	$141.66	$150.60	$145.86	$152.24	4.37%
FPDR 3 PERS Contributions	26.81	33.07	31.96	40.73	27.44%
Disability & Death Benefits	6.43	7.60	6.89	7.53	9.32%
Administration & Delivery	4.31	4.52	4.51	4.73	4.81%
Fund-Level Requirements	38.83	59.85	28.49	53.87	89.08%
Ending Fund Balance	29.91	-	24.21	-	N/A
Total Requirements	**247.95**	**255.65**	**241.91**	**259.09**	**7.10%**
Total Net of TANs	**$209.41**	**$210.65**	**$ 213.91**	**$ 221.09**	**3.36%**
Benefit & Admin Expenses	**$179.21**	**$195.80**	**$189.21**	**$205.22**	**8.46%**

Forecast Summary

Five-Year Forecast Summary ($ Millions)									
	FYE23 Actuals	FYE23 Adopted Budget	FYE23 Projection	FYE24 Recomm. Budget	FYE25 Forecast	FYE26 Forecast	FYE27 Forecast	FYE28 Forecast	FYE23 Project-FYE28 Change
Resources									
Property Taxes	$194.15	$183.49	$182.58	$193.70	$222.69	$239.80	$257.28	$277.33	51.90%
Tax Anticipation Notes	38.54	45.00	28.00	38.00	42.00	46.00	50.00	54.00	92.86%
Miscellaneous	0.79	1.18	1.36	2.43	3.43	3.68	3.97	4.23	211.58%
Cash Transfers	-	0.75	-	0.75	0.75	0.75	0.75	0.75	N/A
Beginning Fund Balance	14.47	25.23	29.97	24.21	14.00	16.00	17.00	18.00	-39.95%
Total Resources	**$ 247.95**	**$ 255.65**	**$ 241.91**	**$259.09**	**$ 282.87**	**$ 306.23**	**$ 329.00**	**$ 354.31**	**46.46%**
Requirements									
Retirement Benefits	$168.47	$183.67	$177.82	$192.97	$209.51	$227.18	$244.24	$263.96	48.45%
Disability & Death Benefits	6.43	7.60	6.89	7.53	7.96	8.21	8.54	8.80	27.76%
Administration	4.31	4.52	4.51	4.73	5.00	5.30	5.55	5.74	27.35%
Fund-Level Requirements	38.83	59.85	28.49	53.87	60.40	65.53	70.67	75.81	166.12%
Ending Fund Balance	29.91	-	24.21	-	-	-	-	-	N/A
Total Requirements	**$ 247.95**	**$ 255.65**	**$ 241.91**	**$ 259.09**	**$ 282.87**	**$ 306.23**	**$ 329.00**	**$ 354.31**	**46.46%**
Total Net of TANs	**$209.41**	**$ 210.65**	**$ 213.91**	**$ 221.09**	**$ 240.87**	**$ 260.23**	**$ 279.00**	**$ 300.31**	**40.39%**
Change as a %				**3.4%**	**8.9%**	**8.0%**	**7.2%**	**7.6%**	**7.0%**

FYE24 Expense Overview ($ Millions)



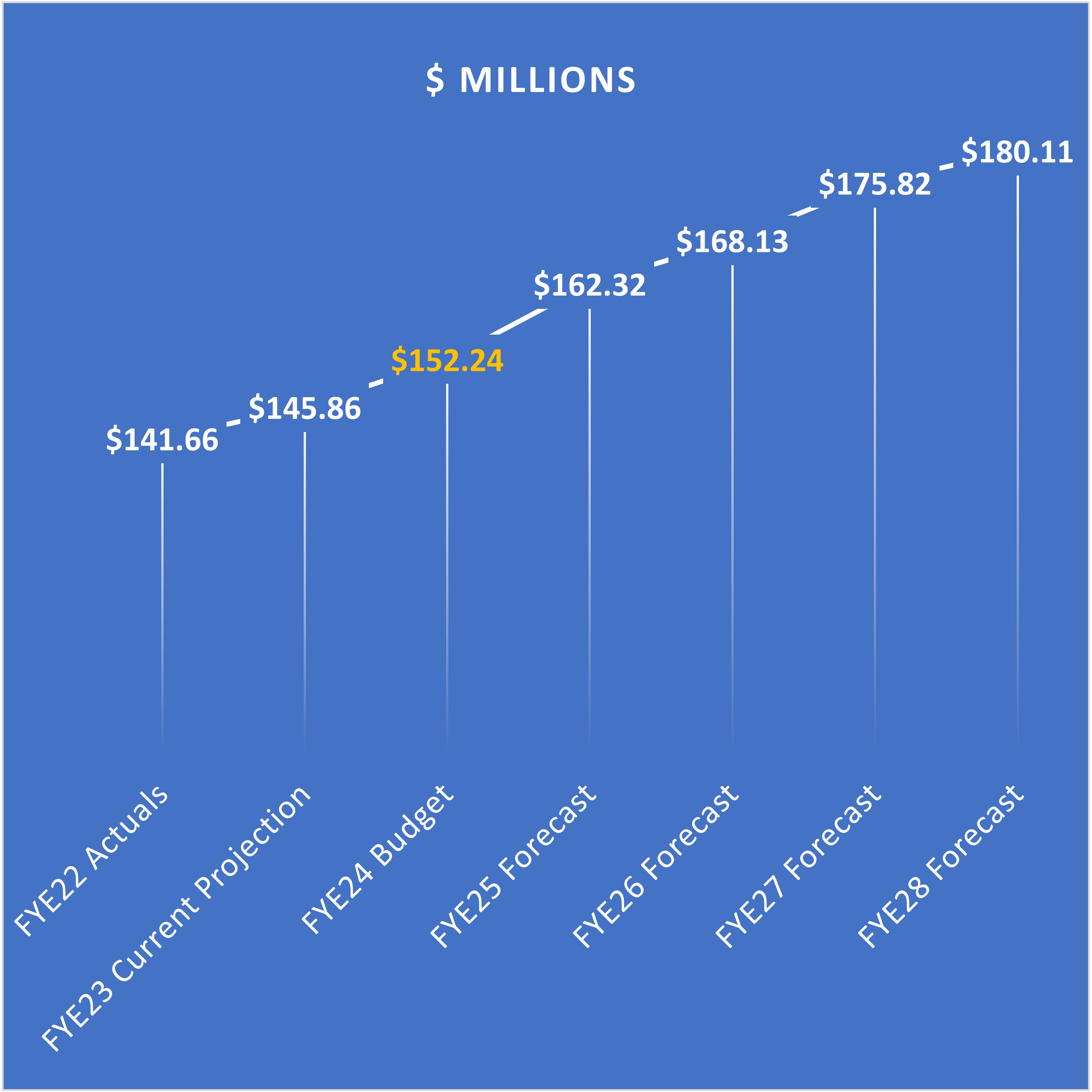
Major Assumptions: Expenditures

Inflation Assumptions						
	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
Wages	5.00%	5.00%	2.90%	2.30%	2.10%	2.10%
Medical	3.80%	3.60%	3.60%	3.50%	3.50%	3.50%
PERS Contribution Rates						
Tier 1 & Tier 2*	28.35%	29.60%	29.60%	34.60%	34.60%	39.60%
OPSRP General*	24.36%	26.12%	26.12%	31.12%	31.12%	36.12%
OPSRP Public Safety*	31.72%	33.91%	33.91%	38.91%	38.91%	43.91%
External Materials & Services	3.75%	3.00%	2.60%	2.60%	2.50%	2.50%
Internal Materials & Services	3.75%	2.80%	2.50%	2.40%	2.40%	2.40%
*Includes 9% Individual Account Program "pick up" for OPSRP Public Safety and 6% for Tier I/II/OPSRP General						

Other Assumptions							
	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
FPDR 2 Service Retirements	23	59	73	61	63	63	61
Deaths, Members & Beneficiaries	70	59	59	60	61	62	63
Pension COLAs							
FPDR 1, Fire	5.00%	5.00%	5.00%	2.90%	2.30%	2.10%	2.10%
FPDR 1, Police	5.00%	5.00%	5.00%	2.90%	2.30%	2.10%	2.10%
FPDR 2, Average Among Members	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Percent of Sworn Workforce, FPDR 3	50.9%	55.6%	63.2%	67.3%	71.6%	75.8%	79.8%
Hiring Projections							
New Active Fire Members*	36	27	56	24	23	26	26
New Active Police Members*	44	62	93	67	50	47	45

*Newly sworn employees do not become FPDR members until they have completed six months of service

Benefits: FPDR One And Two Pension Payments



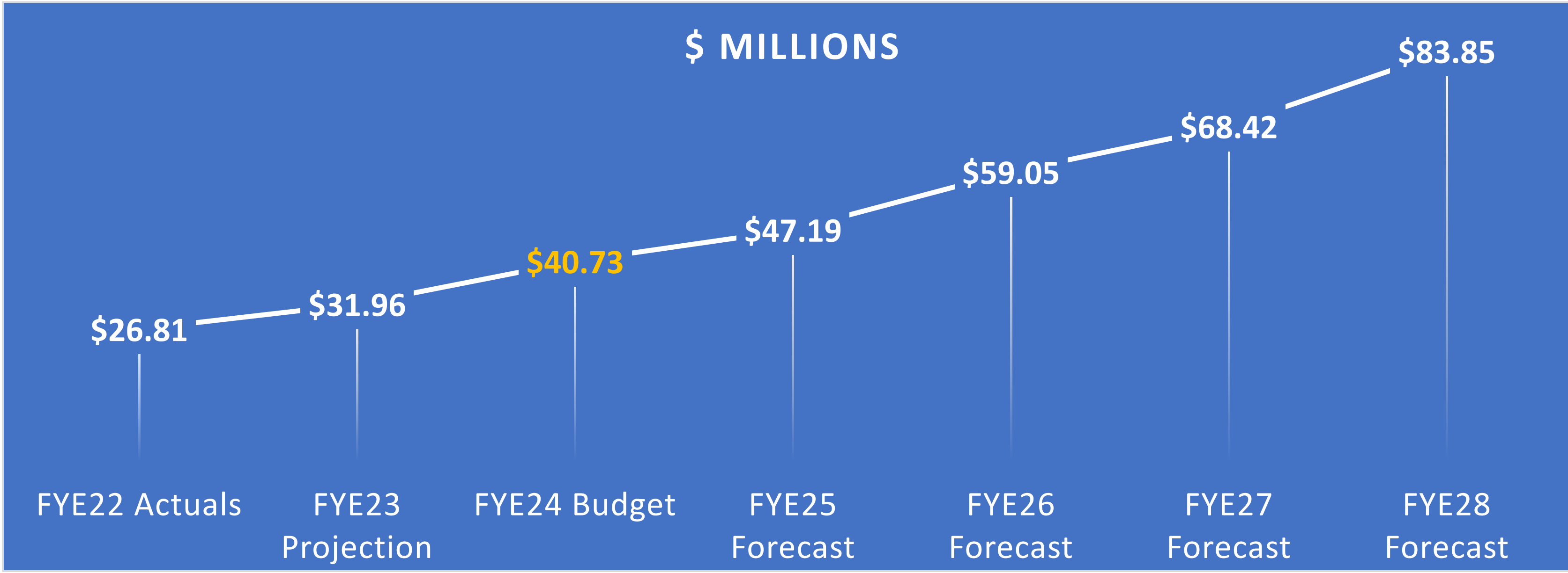
⬆ 4.4% for budget year

- FPDR Two: ⬆ 4.9%
- FPDR One: ⬇ 1.0%

- Growth primarily due to wage increases for active employees (5% - 7%)
  - Higher final salaries for new FPDR Two retirees, higher COLAs for existing FPDR One retirees

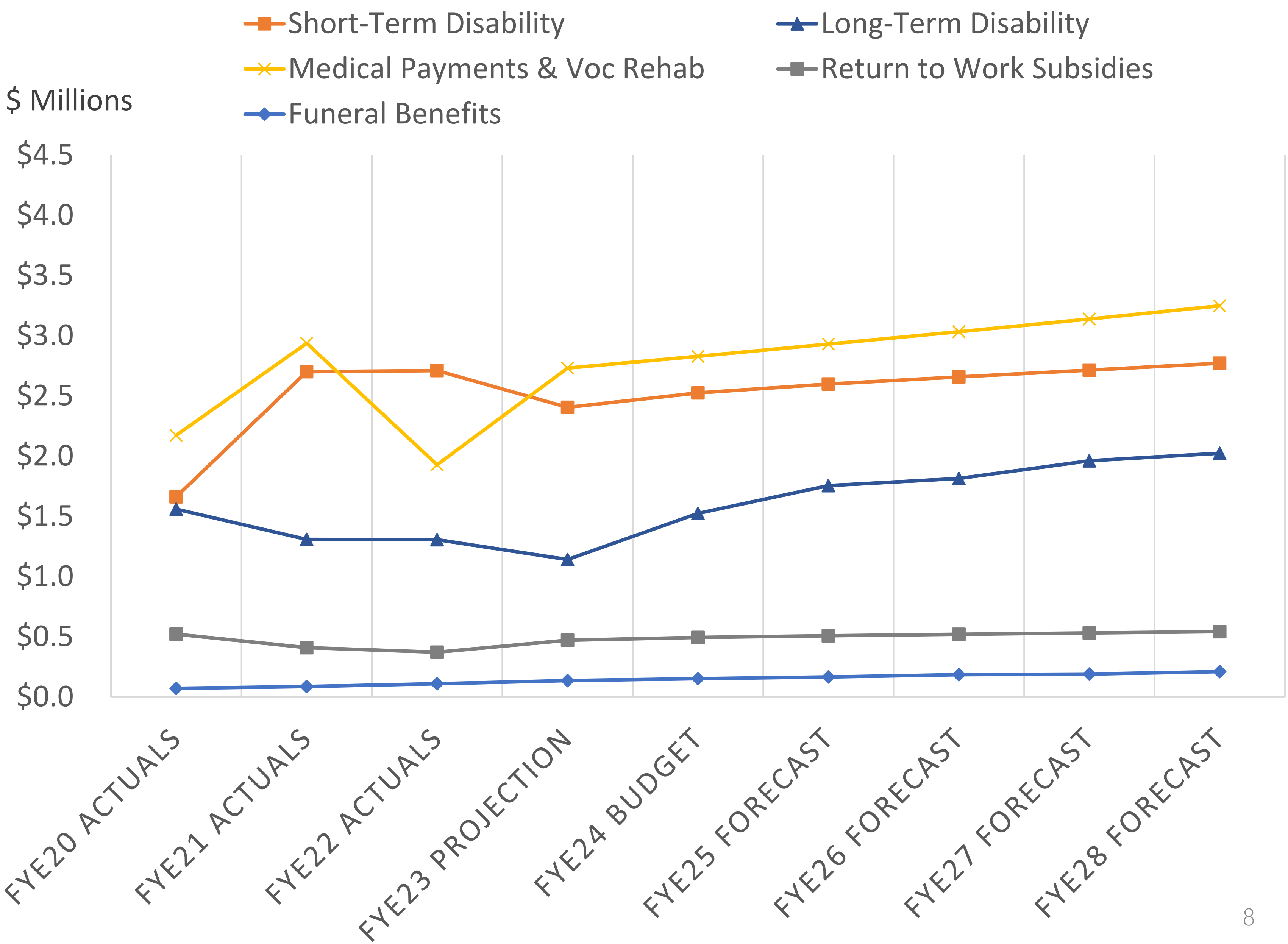
- However, growth is slower than usual for second straight year
  - Pension population essentially steady since FYE21
  - Deaths remain higher than usual, offsetting retirements

Benefits:
PERS Contributions

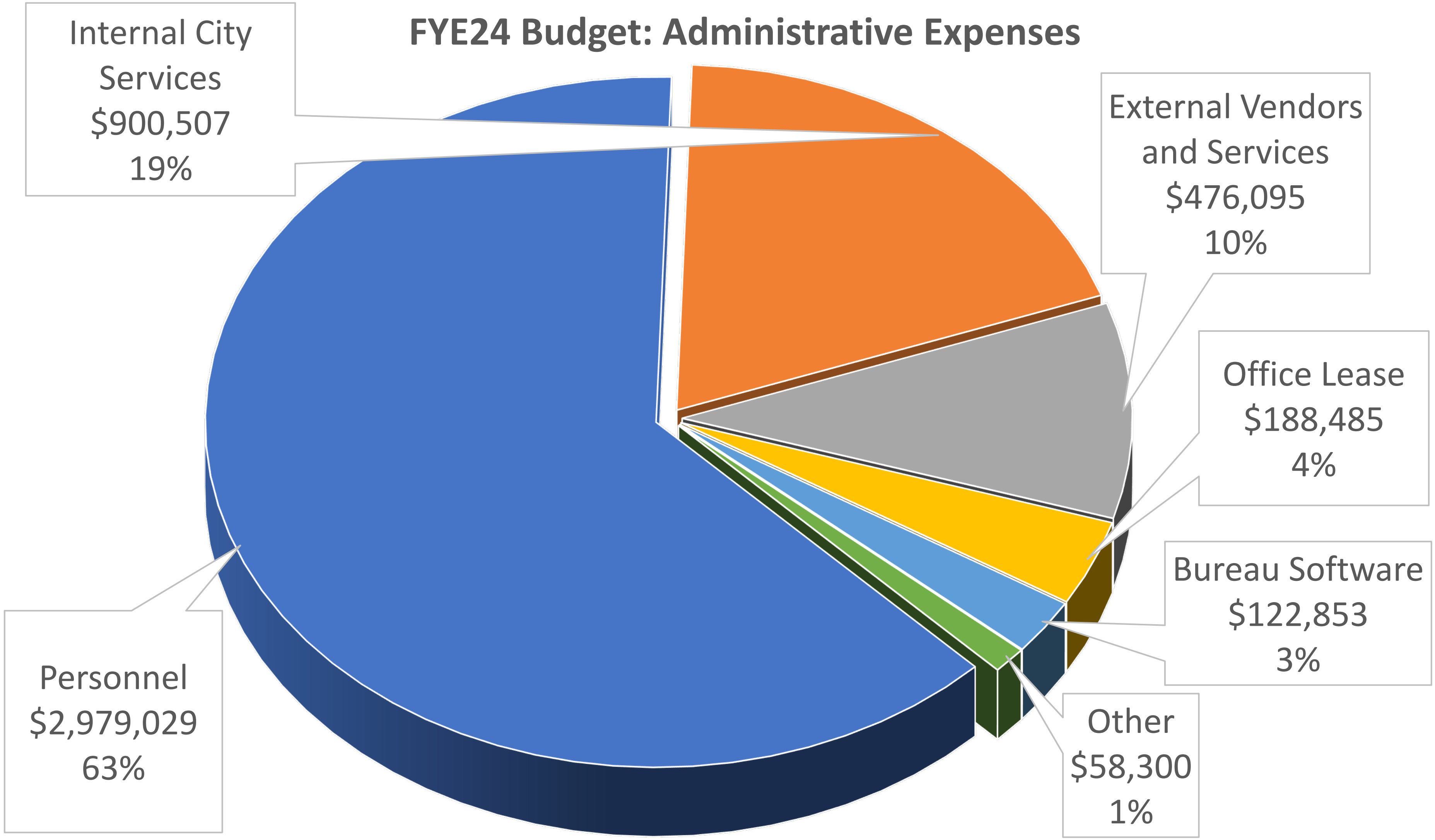


PERS Contributions Growth Factors							
	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
FPDR Three Members	**724**	**803**	**972**	**1,043**	**1,116**	**1,189**	**1,260**
OPSRP Public Safety Contribution Rate	22.72%	22.72%	24.91%	24.91%	29.91%	29.91%	34.91%
IAP Contribution Rate	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Total PERS Contribution Rate	**31.72%**	**31.72%**	**33.91%**	**33.91%**	**38.91%**	**38.91%**	**43.91%**
Wage COLAs	5.00%	5.00%	5.00%	2.90%	2.30%	2.10%	2.10%
Real Wage Growth	3.90%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
Total Wage Growth	**8.90%**	**9.60%**	**9.60%**	**7.50%**	**6.90%**	**6.70%**	**6.70%**

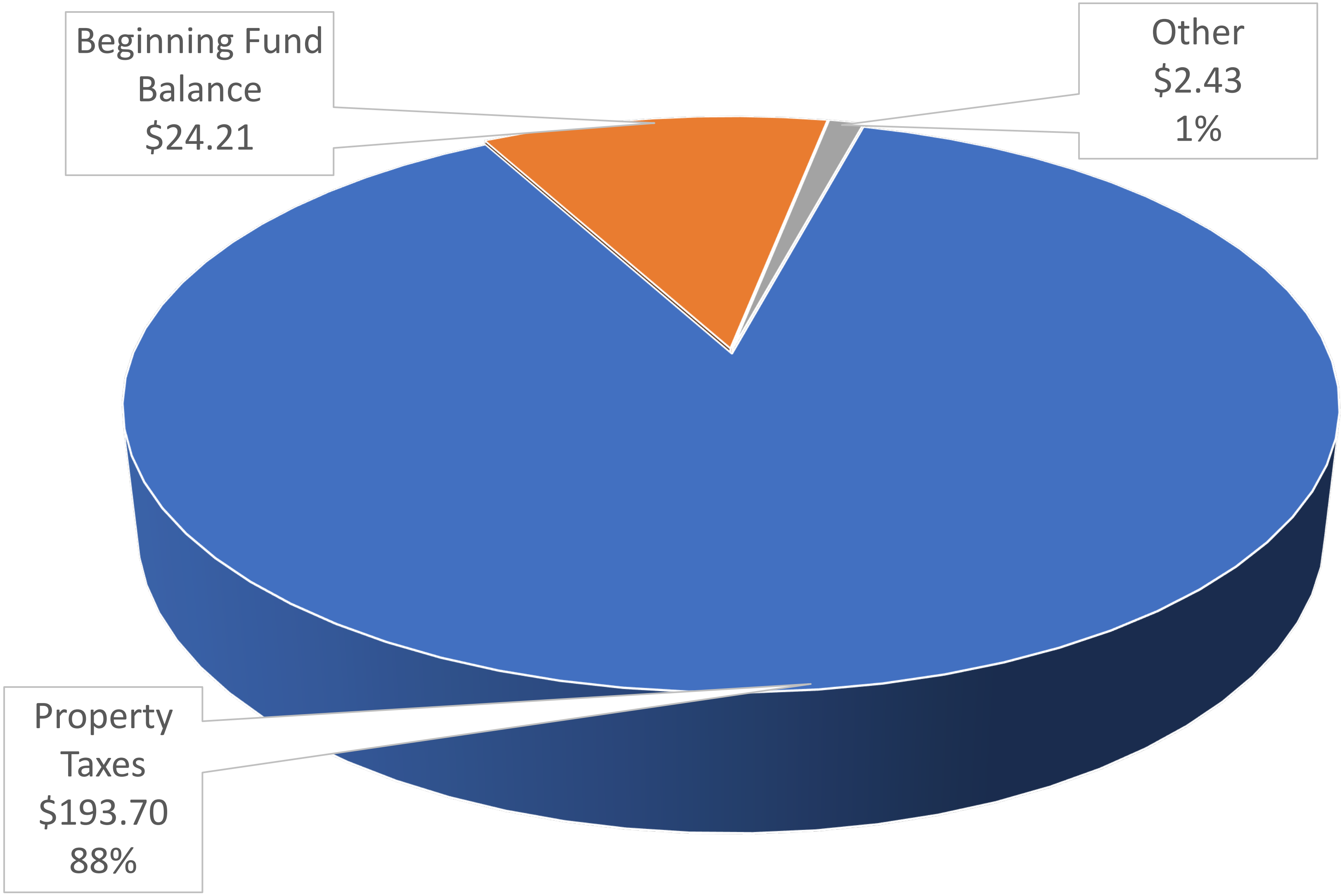
Benefits: Disability



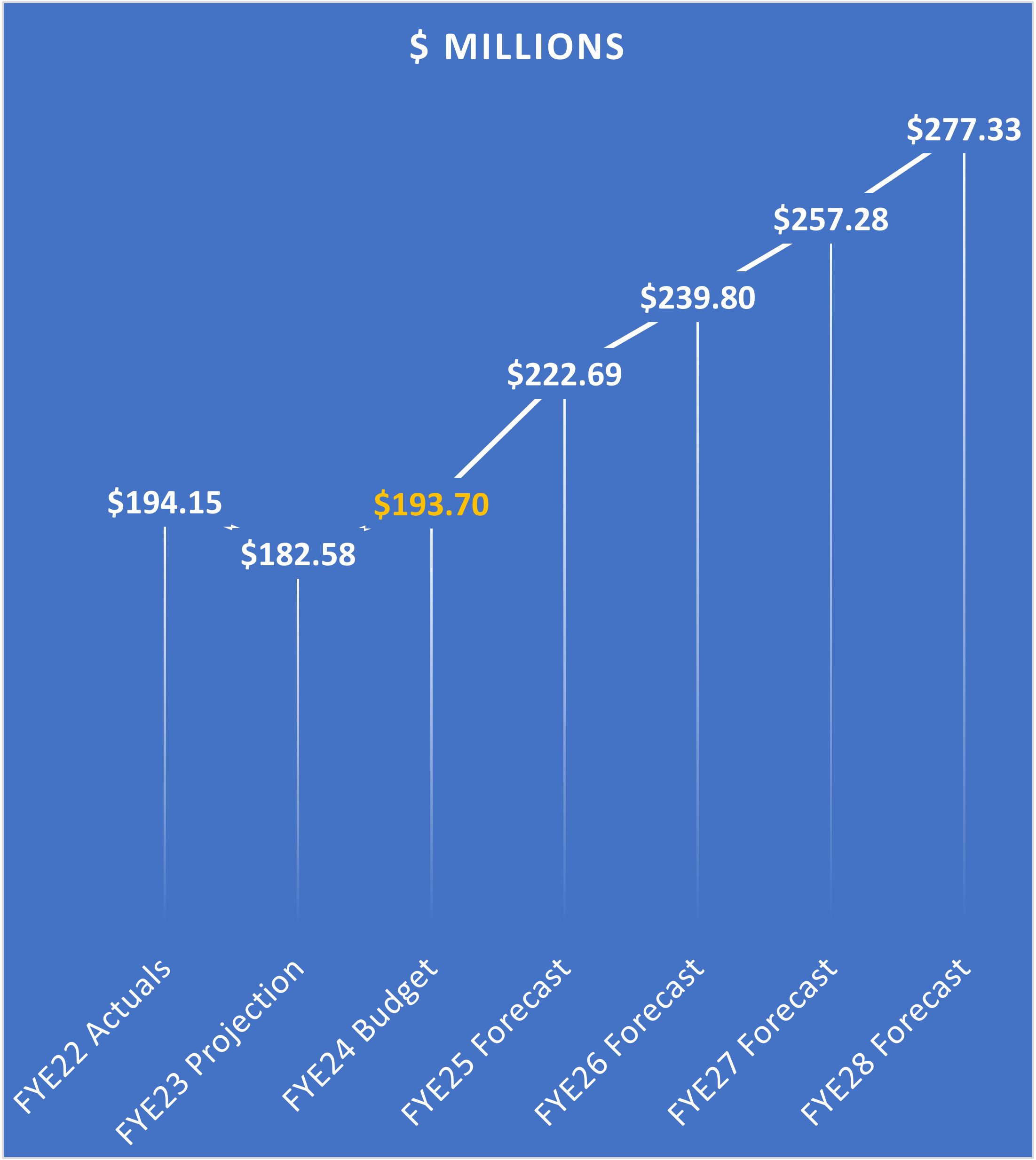
Administration: Operating the Plan



FYE24 Revenue Overview ($ Millions)



Property Tax Revenues



Property taxes each year = Expense requirements - Beginning fund balance - Other revenues

6.1% for budget year

- Less than total expenditure growth of 7.1%
- FYE24 tax revenue need still less than FYE22

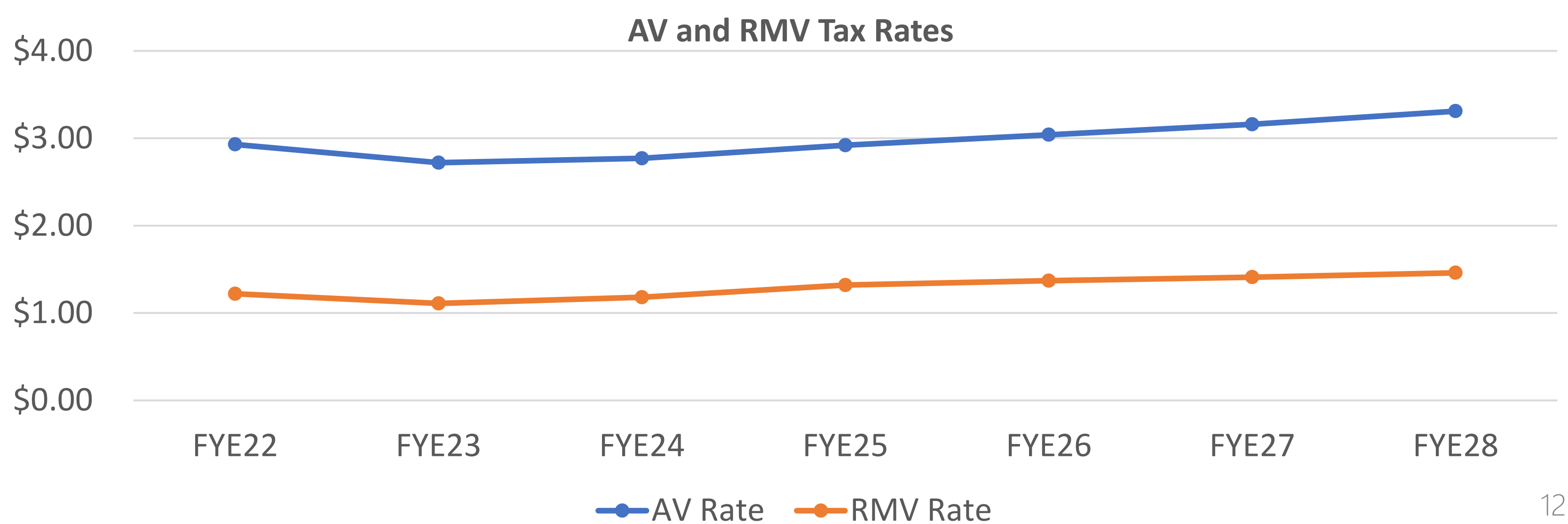
Fund balance remains higher than usual, despite attempts to spend down

- Projected beginning fund balance for FYE24: $24.2 M
- Beginning fund balance this year, FYE23: $30.0 M
- Target: $14 – 20 M

Property Tax Levy
Major Assumptions and Projections

PROPERTY TAX LEVY ASSUMPTIONS	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
Real Market Value (RMV) Growth	5.0%	7.0%	0.0%	2.0%	4.0%	4.0%	4.0%
Assessed Value (AV) Growth	5.5%	4.5%	4.1%	9.0%	3.1%	3.1%	3.1%
Compression	-4.8%	-4.3%	-4.7%	-4.7%	-4.7%	-4.7%	-4.7%
Discounts/Delinquencies	-3.7%	-4.4%	-4.3%	-4.1%	-4.0%	-4.0%	-4.0%

PROPERTY TAX LEVY PROJECTIONS	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
CY Taxes Required (Millions)	$187.4	181.3	$191.6	$220.4	$237.2	$254.5	$274.3
Assessed Value (AV) Tax Rate	$2.92	$2.72	$2.77	$2.92	$3.04	$3.16	$3.31
Real Market Value (RMV) Tax Rate	$1.22	$1.11	$1.18	$1.32	$1.37	$1.41	$1.46



Risks & Contingency

TWO 27 PAY DATE MONTHS IN FYE24

- Years with two 27 pay date months average 50% more retirements than years with just one
- Budgeted accordingly, for 73 retirements in FYE24
- If there are more than 73 retirements in FYE24, or if retirements are weighted more to December 2023 than June 2024, FYE24 pension budget could be too low

ACCELERATED HIRING PLANS AT POLICE AND FIRE BUREAUS

- For first time in many years, Fire hopes to stage additional training academies and hire at double their usual levels for the next 18 months
- Police's goal is to hire 200+ officers by end of calendar year 2024
- FPDR has budgeted for some but not all of this aspirational hiring

FIRE FIGHTERS ASSOCIATION CONTRACT EXPIRES JUNE 2023

- Forecast includes wage increases of 5% on July 1, 2023 and CPI growth in outyears
- Other salary increases would result in higher benefit and PERS contribution expenses
- Schedule reductions would increase PERS contribution expenses (more staff or OT)
- Bonuses result in higher final pay for one year of retirees, could incentivize retirements

Risks & Contingency

COVID

- COVID continues to cause occasional short-term spikes in FPDR disability costs and sworn overtime (which increases PERS contributions expenses)
- FYE24 budget assumes these COVID-related costs are about 50% less than in FYE22
- On the revenue side, post-pandemic remote work has reduced the value of commercial office properties, which may increase property tax delinquencies and/or depress real market value and assessed value growth in the tax base more than anticipated

FUND CONTINGENCY

- How do we manage these risks?
- Primarily with fund contingency, which is recommended at our usual level of 7% of operating expenses ($14 M in FYE24). Sufficient to cover everything below:
  - 20 unbudgeted retirements in December 2023
  - Additional 3% in unbudgeted salary increases in PFFA contract
  - Additional 3% in property tax delinquency and/or compression losses
  - Additional 45 unbudgeted hires at Police (25) and Fire (20)
  - Additional $2 M in COVID-related expenses
- Short-term borrowing from other City funds or capital markets are also options

Key Budget Take Aways

INFLATION CONTINUES TO BE A KEY EXPENSE DRIVER

Second year of 5% wage COLAs for sworn employees is single largest source of budget growth for FYE24

Cost for goods and services (particularly professional services) has grown significantly

City Economist believes inflation will temper within the next one to two years

COVID HAS LOOSENED ITS GRIP BUT THE LONG-TERM EFFECTS MAY LINGER

Shift to remote work may reduce or stall growth in commercial office property values, which may impact property tax collections

Less severe but ongoing COVID outbreaks may prevent disability costs and overtime-related PERS contributions from returning to pre-pandemic levels

CONTINUED EXCESS FUND BALANCE AND SLOW SWORN HIRING ARE SOFTENING TAX INCREASES

$24.2 M projected beginning fund balance for FYE24

Less than $30.0 M for FYE23, but still higher than usual

Police has been unable to hire at projected rates

Combination of excess fund balance and lower PERS contributions reduces tax need in FYE24

Questions?

Changes?

Future Technical Adjustments

Motion to Adopt