



FIRE AND POLICE DISABILITY AND RETIREMENT

City of Portland, Oregon



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Samuel Hutchison, Director

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TO: Jessica Kinard, City Budget Director
Christy Owen, Deputy Budget Director

FROM: Samuel Hutchison, FPDR Director

RE: FPDR FY 2020-21 Spring BMP Submission

DATE: March 25, 2021

Please find attached FPDR's FY 2020-21 spring Budget Monitoring Process (BMP) submission. FPDR has two technical BMP requests.

Year-End Projections and Contingency Withdrawal Request

FPDR's first BMP request is to realign budget with updated projections and to withdraw \$3.525 million from fund contingency. A total of \$2.5 million will be shifted from contingency to prevent possible over-expenditure in three areas. First, the presence of two 27 pay date months this fiscal year, as well as the pandemic, protests, and organizational and financial change at the Police Bureau, led to record-setting FY 2020-21 retirements. As a result, FPDR expects to overspend the pension budget at least slightly. Second, FPDR pays short-term disability benefits to sworn employees who cannot work following a COVID exposure or infection. These claims tripled through the winter months, which will likely cause a shortfall in the short-term disability budget. Third, fall wildfires drove overtime up at the Fire Bureau and increased the PERS contributions FPDR pays on some sworn overtime, requiring an increase in the FPDR-Fire interagency. Another \$1.025 million will be reallocated from fund contingency to cover a shortfall in interagency revenue. The Police Bureau's mid-year withdrawal from its TriMet contract, as well as the reduction in security needs at festivals and other community events, means FPDR will receive less from overhead charges assessed on TriMet and other third parties who hire Police services. FPDR expects to finish the year within budget in all other categories with the exception of interest income. Interest will likely be under-collected by about \$900,000 because of falling interest rates during the global economic downturn caused by the pandemic.

Police Bureau Wellness Initiative Request

FPDR's second request withdraws \$10,000 from fund contingency to support a new Portland Police Bureau wellness initiative to provide care and training for approximately 60 officers transitioning from nightly protest duty back to routine patrol duties. It is hoped the program will prevent or reduce the severity of stress disorder disability claims. The FPDR Board of Trustees approved this funding at its November 2020 meeting.

Please feel free to contact me or Stacy Jones with any questions.

DR - Bureau of Fire & Police Disability & Retirement**DP Type Technical Adjustments****Request Name:** 11633 -PPB Wellness Initiative**Package Description**

This request increases the Police-FPDR IA by \$10,000 to fund a new wellness program for Police Rapid Response Team members transitioning back to regular duty. The Wellness Initiative will prepare approximately 60 officers assigned to nightly protests to transition back to regular police and patrol duties by providing care and training for officer mental, emotional, and physical health. Specifically, these funds will support a two-week training program that will normalize the employees back to their regular shifts, as well as 3-month follow ups for up to two years. It is anticipated that this program will reduce or prevent some filings of stress disorder claims.

This funding was approved by the FPDR Board of Trustees at the November 2020 board meeting.

Service Impacts

None

Equity Impacts

None

Account Name	2020-21 SPRING Requested Adj	
Expense	Contingency	-10,000
	Internal Materials and Services	10,000
Expense	Sum:	0

DR - Bureau of Fire & Police Disability & Retirement**DP Type****Technical Adjustments****Request Name:** 11634 -Adjust Budget to Projections**Package Description**

This technical adjustment shifts a total of \$3.525 million from fund contingency to prevent overexpenditure and offset under-collection of interagency revenue.

FPDR is requesting to move \$1.0M from contingency to the pension budget to cover a larger number of current year retirements than anticipated. In this fiscal year there were two 27 pay date months (in which 27 pay dates, rather than the usual 26, are included in pension calculations), which yielded increased retirements at the Police and Fire bureaus. In addition, COVID-19, protests, and organizational/financial change at the Police Bureau led to additional retirements.

FPDR is requesting to move \$1.0M from contingency to the disability budget for short term disability benefits. These funds will cover increased costs for sworn employees' disability benefits while they were unable to work following a COVID-19 exposure or while recovering from a COVID-19 infection.

FPDR is requesting to shift \$0.5M from contingency to the FPDR-Fire IA, to cover increased PERS contributions as a result of higher than anticipated overtime at the Fire Bureau, largely due to the record-setting 2020 wildfire season.

Finally, FPDR is requesting to reduce the Police IA by \$1.025M, related to secondary employment revenue. When police services are contracted out to third parties - most notably TriMet - the third party reimburses the City for wages, benefits, and overhead, including an FPDR-specific overhead rate intended to compensate the City for pension and disability benefits. With the Police Bureau's mid-year withdrawal from its TriMet agreement, and the reduction in security needs at festivals and other community events, the Police Bureau expects to collect and pass to FPDR only 1/3 of the budgeted overhead revenue.

Service Impacts

None

Equity Impacts

None

Account Name		2020-21 SPRING Requested Adj
Expense	Contingency	-3,525,000
	External Materials and Services	2,000,000
	Internal Materials and Services	500,000
Expense	Sum:	-1,025,000
Account Name		2020-21 SPRING Requested Adj
Revenue	Interagency Revenue	-1,025,000
Revenue	Sum:	-1,025,000

Business Area Projection Report

Bureau of Fire & Police Disability & Retirement - Fund 800

Major Object	2020-21 SPRING Requested Total	2020-21 March Actuals YTD	2020-21 SPRING Projection	% Projected Actuals to Requested Total
Capital Outlay	\$50,000	\$0	\$15,000	30%
Contingency	\$7,983,151	\$0	\$0	
Debt Service	\$43,152,972	\$31,732,036	\$31,792,097	74%
External Materials and Services	\$147,124,200	\$84,081,419	\$145,837,038	99%
Fund Transfers - Expense	\$891,151	\$92,642	\$141,151	16%
Internal Materials and Services	\$26,011,327	\$6,820,320	\$25,516,581	98%
Personnel	\$2,464,800	\$1,594,822	\$2,412,992	98%
Sum:	\$227,677,601	\$124,321,239	\$205,714,859	90%
Major Object	2020-21 SPRING Requested Total	2020-21 March Actuals YTD	2020-21 SPRING Projection	% Projected Actuals to Requested Total
Beginning Fund Balance	\$16,935,965	\$0	\$17,090,202	101%
Bond & Note Proceeds	\$42,000,000	\$31,658,596	\$31,658,596	75%
Fund Transfers - Revenue	\$750,000	\$0	\$0	
Interagency Revenue	\$546,818	\$4,937	\$554,241	101%
Miscellaneous	\$1,382,800	\$353,628	\$494,300	36%
Taxes	\$166,062,018	\$156,763,635	\$165,243,036	100%
Sum:	\$227,677,601	\$188,780,795	\$215,040,375	94%

Revenue Discussion

Total revenues, net of tax anticipation notes and fund transfer revenues, are expected to be 98.6% of budgeted amounts. FY 2020-21 interagency revenues prior to Spring adjustments were projected to be under collected due to the elimination of pass-through revenue from the Police Bureau's mid-year withdrawal from the TriMet contract, as well as fewer police services for other third parties, like festivals, marathons, and community events. As a result, FPDR will receive less from overhead charges assessed on those third parties who hire Police Bureau services. Under collection of miscellaneous revenues is due primarily to lower than anticipated interest income. The FY 2020-21 miscellaneous revenue budget assumed an interest rate of 1.85% on fund balance. However, interest rates have averaged just over 1% due to the economic downturn spurred by the pandemic.

Revenue Risks

In FY 2020-21, property taxes from FPDR's dedicated levy comprise over 99% of total revenues; as of March 1, 94% of budgeted tax revenue has been collected. As a result, there are no significant revenue risks as nearly all property taxes have been collected.

Expenditure Discussion

Expenses, net of tax anticipation notes, are expected to be approximately \$1.3 million or 99.3% under the pre-spring BMP budget. However, FPDR expects to exceed current budget for both external and internal materials and services, and has submitted a BMP request to reallocate funds from contingency to prevent over-expenditure.

External materials and services are projected to exceed budget due to the combination of a record number of retirements during the fiscal year and COVID-related disability claims. Retirements were unusually high because of the presence of two 27 pay date months (when 27 pay dates, rather than the usual 26, are included in pension calculations), aided by the COVID-19 pandemic, recurring protests, and organizational and financial changes at the Police Bureau. In addition, disability benefit costs were higher than usual as sworn employees needed to quarantine or recover following COVID-19 exposure or infection.

Internal materials and services are projected to exceed budget due to additional PERS contributions on higher than anticipated Fire overtime, primarily related to Oregon's severe fall 2020 wildfire season.

Expenditure Risks

Business Area Projection Report

Expenditure risks are mild to low. It is possible that there will be even more retirements than estimated before the end of this fiscal year, although FPDR thinks that is unlikely given the record number of retirements already experienced during the 27 pay date months earlier in the fiscal year. Further, it is possible that PERS contributions will be even more than currently projected if protest activity again ticks up and Police overtime increases beyond current assumptions. Given that most sworn staff have been vaccinated, FPDR anticipates disability benefit costs will stay within the Spring BMP amended budget. However, an increase in community COVID transmission could again increase exposures and thus disability claims, should future spikes in the virus or its variants occur.

Other Notes

Business Area Projection Report

Bureau of Fire & Police Disability & Retirement - Fund 801

Major Object	2020-21 SPRING Requested Total	2020-21 March Actuals YTD	2020-21 SPRING Projection	% Projected Actuals to Requested Total
Ending Fund Balance	\$750,000	\$0	\$750,000	100%
Fund Transfers - Expense	\$750,000	\$0	\$0	
Sum:	\$1,500,000	\$0	\$750,000	50%
Major Object	2020-21 SPRING Requested Total	2020-21 March Actuals YTD	2020-21 SPRING Projection	% Projected Actuals to Requested Total
Beginning Fund Balance	\$750,000	\$0	\$750,000	100%
Fund Transfers - Revenue	\$750,000	\$0	\$0	
Sum:	\$1,500,000	\$0	\$750,000	50%

Other Notes

FPDR budgets a transfer from the FPDR Reserve Fund each year should tax anticipation note proceeds prove insufficient to maintain a positive cash balance in the operating fund. The transfer was not necessary in FY 2020-21.

Capital Program Status Report

Fire & Police Disability & Retirement

CIP Program Name	2019-20 Adopted Budget	2019-20 Revised Budget	2019-20 Actuals	PY Variance	PY Percent of Actuals to Revised	2020-21 Adopted Budget	2020-21 SPRING Requested Total	2020-21 February Actuals YTD	Spring Req. to Adopted Variance	Spring Req. to Adopted % Variance
Maintenance and Reliability	75,000	110,000	68,900	-41,100	62.64%	50,000	50,000	0	0	
Sum:	75,000	110,000	68,900	-41,100	-37.36%	50,000	50,000	0	0	

Current Year Variance Description

There is no variance between the FPDR FY 2020-21 Adopted Budget and the Spring Requested budget.

Other Notes
