

# FPDR Recommended Budget

**July 1, 2022 – June 30, 2023  
(FYE23)**

January 25, 2022

# Forecast Summary

Five-Year Forecast Summary (\$ Millions)									
	FYE21 Actuals	FYE22 Adopted Budget	FYE22 Projection	FYE23 Recomm. Budget	FYE24 Forecast	FYE25 Forecast	FYE26 Forecast	FYE27 Forecast	FYE22 Project- FYE27 Change
<b>Resources</b>									
Property Taxes	\$168.31	\$190.95	\$191.29	\$183.49	\$206.44	\$226.27	\$243.90	\$258.68	35.23%
Tax Anticipation Notes	31.66	60.47	38.54	45.00	47.73	51.85	56.17	59.58	54.58%
Miscellaneous	1.00	0.64	0.75	0.81	1.02	1.07	1.18	1.22	62.34%
Cash Transfers	-	0.75	-	0.75	0.75	0.75	0.75	0.75	N/A
Beginning Fund Balance	17.09	8.04	14.47	25.23	14.00	14.00	16.00	17.00	17.50%
<b>Total Resources</b>	<b>\$ 218.06</b>	<b>\$ 260.85</b>	<b>\$ 245.05</b>	<b>\$ 255.27</b>	<b>\$ 269.94</b>	<b>\$ 293.94</b>	<b>\$ 317.99</b>	<b>\$ 337.23</b>	<b>37.62%</b>
<b>Requirements</b>									
Retirement Benefits	\$160.37	\$171.60	\$169.73	\$183.00	\$194.46	\$211.76	\$229.98	\$244.23	43.89%
Disability & Death Benefits	7.45	7.12	7.15	7.60	7.97	8.28	8.55	8.90	24.45%
Administration	3.84	4.24	4.14	4.52	4.54	4.78	5.01	5.21	25.89%
Fund-Level Requirements	31.93	77.89	38.81	60.15	62.97	69.12	74.46	78.90	103.31%
Ending Fund Balance	14.47	-	25.23	-	-	-	-	-	N/A
<b>Total Requirements</b>	<b>\$ 218.06</b>	<b>\$ 260.85</b>	<b>\$ 245.05</b>	<b>\$ 255.27</b>	<b>\$ 269.94</b>	<b>\$ 293.94</b>	<b>\$ 317.99</b>	<b>\$ 337.23</b>	<b>37.62%</b>
<b>Total Net of TANs</b>	<b>\$186.40</b>	<b>\$ 200.38</b>	<b>\$ 206.51</b>	<b>\$ 210.27</b>	<b>\$ 222.21</b>	<b>\$ 242.09</b>	<b>\$ 261.83</b>	<b>\$ 277.65</b>	<b>34.45%</b>
<b>Change as a %</b>				<b>1.8%</b>	<b>5.7%</b>	<b>8.9%</b>	<b>8.2%</b>	<b>6.0%</b>	<b>6.1%</b>

# FY 2022-23 Budget Compared to Last Two Years

\$ Millions	FYE21 Actuals	FYE22 Adopted Budget	FYE 22 Current Projection	FYE23 Recommended Budget	Change: FYE22 Projection to FYE23 Budget
<b>Resources</b>					
Property Taxes	\$168.31	\$190.95	\$191.29	\$183.49	-4.08%
Tax Anticipation Notes	31.66	60.47	38.54	45.00	16.75%
Miscellaneous	1.00	0.64	0.75	0.81	7.23%
Cash Transfers	-	0.75	-	0.75	0%
Beginning Fund Balance	17.09	8.04	14.47	25.23	74.38%
<b>Total Resources</b>	<b>\$218.06</b>	<b>\$260.85</b>	<b>\$245.05</b>	<b>\$255.27</b>	<b>4.17%</b>
<b>Requirements</b>					
FPDR 1 & 2 Pensions	\$137.29	\$142.23	\$142.52	\$150.23	5.41%
FPDR 3 PERS Contributions	23.08	29.37	27.21	32.77	20.43%
Disability & Death Benefits	7.45	7.12	7.15	7.60	6.32%
Administration & Delivery	3.84	4.24	4.14	4.52	9.36%
Fund-Level Requirements	31.93	77.89	38.81	60.15	55.00%
Ending Fund Balance	14.47	-	25.23	-	-100.00%
<b>Total Requirements</b>	<b>218.06</b>	<b>260.85</b>	<b>245.05</b>	<b>255.27</b>	<b>4.17%</b>
<b>Total Net of TANs</b>	<b>\$186.40</b>	<b>\$200.38</b>	<b>\$206.51</b>	<b>\$210.27</b>	<b>1.82%</b>
<b>Operating Expenses</b>	<b>\$171.66</b>	<b>\$182.96</b>	<b>\$181.02</b>	<b>\$195.12</b>	<b>7.79%</b>

# • Resolved from Last Year •



## FINAL FYE21 COSTS NOT AS HIGH AS FEARED

Retirements slowed way down after January 2021

Protest and pandemic-related overtime at Police and Fire dropped off

Spike in COVID-related disability costs did not continue past winter

- ✓ Although we are now experiencing a second spike



## PROPERTY TAX REVENUES HOLDING UP

Delinquencies increased only slightly:

- ✓ Historically 4.0 - 4.5%
- ✓ FYE21 delinquencies = 4.6%
- ✓ FYE22 delinquencies: too soon to be sure, but appear to be on target for about 5%

Compression losses did not increase during pandemic



## FUND BALANCE RECOVERY

At this time last year, expected FYE21 ending fund balance of \$8.0 M

Actual FYE21 ending fund balance = \$14.5 M

Projected FYE22 ending fund balance = \$25.2 M

- ✓ FYE21 costs took a toll on fund balance, but not to the degree projected last January
- ✓ Set aside large fund contingency for FYE22, now appears unlikely we will need it

# New This Year



## FIRE AND POLICE ADMINISTRATIVE CONSOLIDATION

Some finance and other administrative staff at Fire and Police are being reconfigured to align with new Office of Community Safety at OMF

Transition issues may impact Fire and Police budget projections and processing



## RETIRE-REHIRE PROGRAMS

Police retire-rehire program suspended in spring 2020, but now re-starting

- ✓ 50 retire-rehires expected in 2022

PFFA is bargaining for similar program

In short run, retire-rehire programs generally increase FPDR pension costs, but simultaneously reduce PERS costs for new FPDR 3 hires



## OPEN PPA CONTRACT

Open contract since June 30, 2021

City and PPA remain in mediation

Forecast includes funds for wage COLAS: 1.6% retroactive to July 1, 2021, 5.0% on July 1, 2022, and COLAs equal to inflation beyond that

Forecast does not include funds for bonuses, additional salary increases, or new premiums



## HIGH INFLATION

2021 inflation clocked in at about 7%

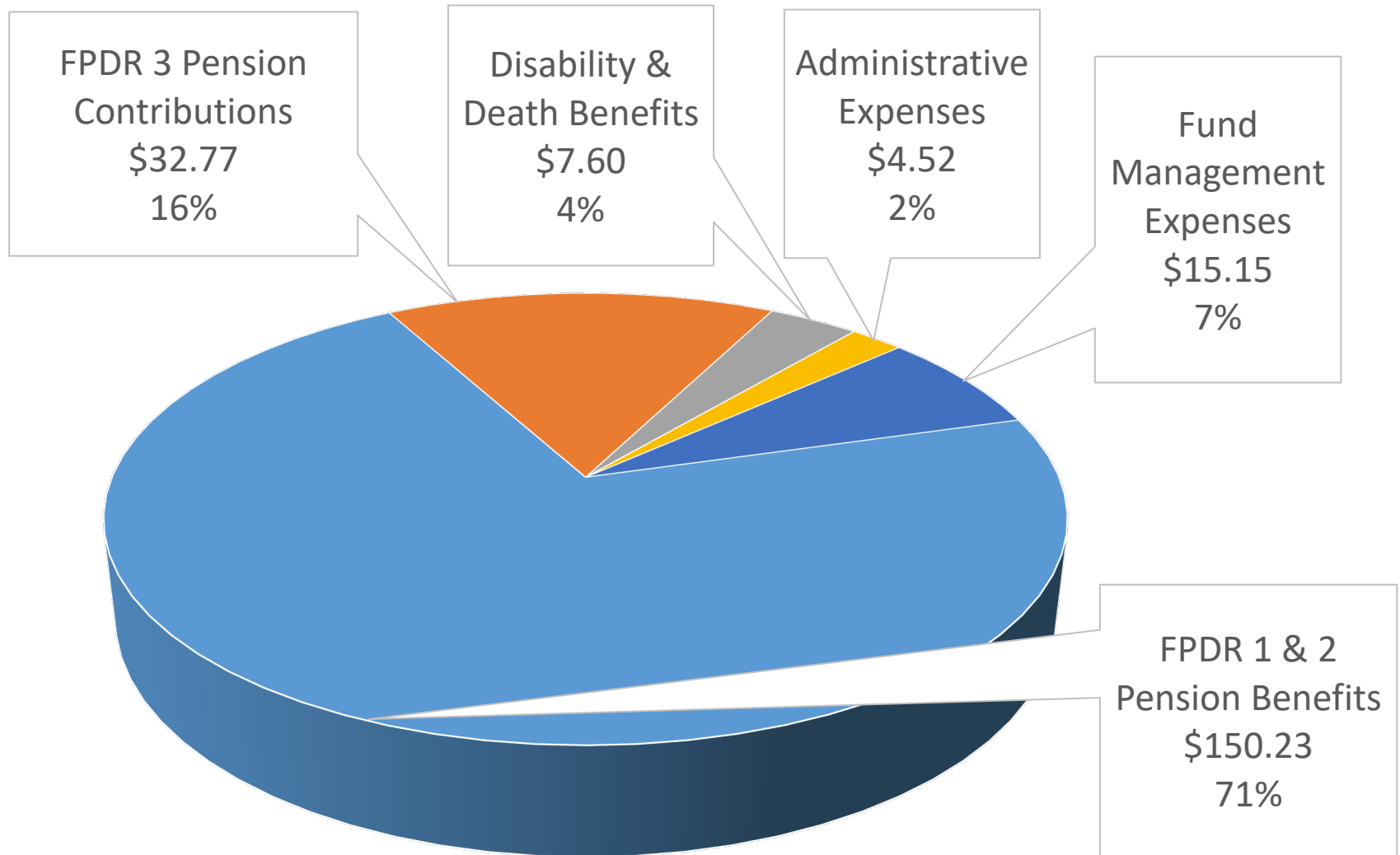
5% wage COLA for Police and Fire on July 1, 2022 (max permitted in City labor contracts)

Fire and Police wage increases = more expensive FPDR benefits

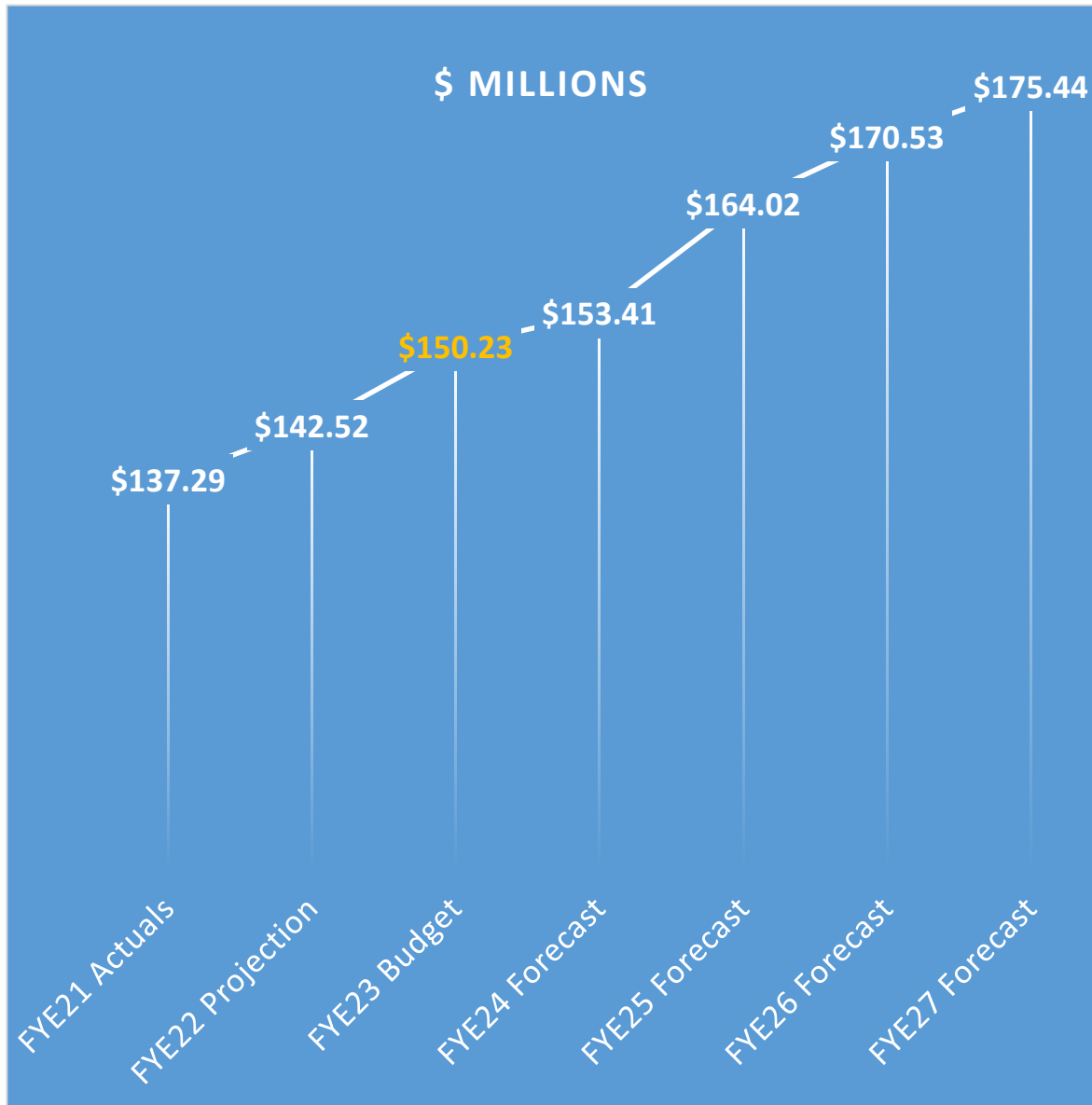
Administrative costs also increasing more than usual (6-8%)

Most economists expect inflation to settle down in 2022 and 2023

# FYE23 Expense Overview (\$ Millions)

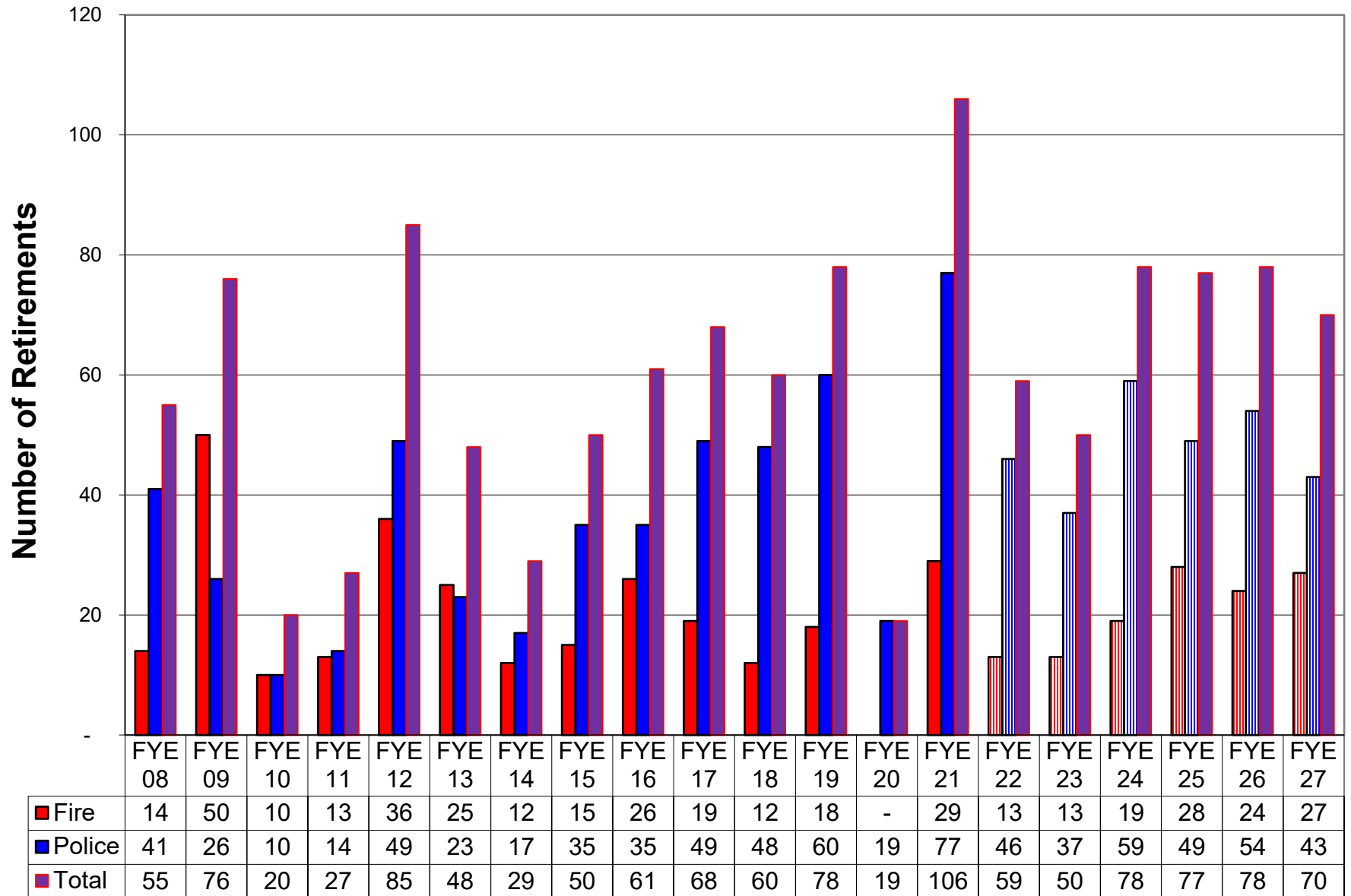


# Benefits: FPDR One And Two Pension Payments



- ↑ 3.8% for current year
- ↑ Another 5.4% for budget year
  - Similar to annual growth over last five years
- Expect far fewer retirements in FYE22 and FYE23 than in FYE21
  - Eligible pool at Police somewhat depleted
  - Large 7/1/22 wage COLA incentivizes waiting another year
- Annual deaths projected to return to average
- Large 7/1/22 pension COLA for FPDR Ones, but are a small portion of retirees

# • FPDR Two Retirements •



**Includes Service, Disability and Vested Retirements**



# Benefits:

## PERS Contributions

Fastest growing part of the budget:

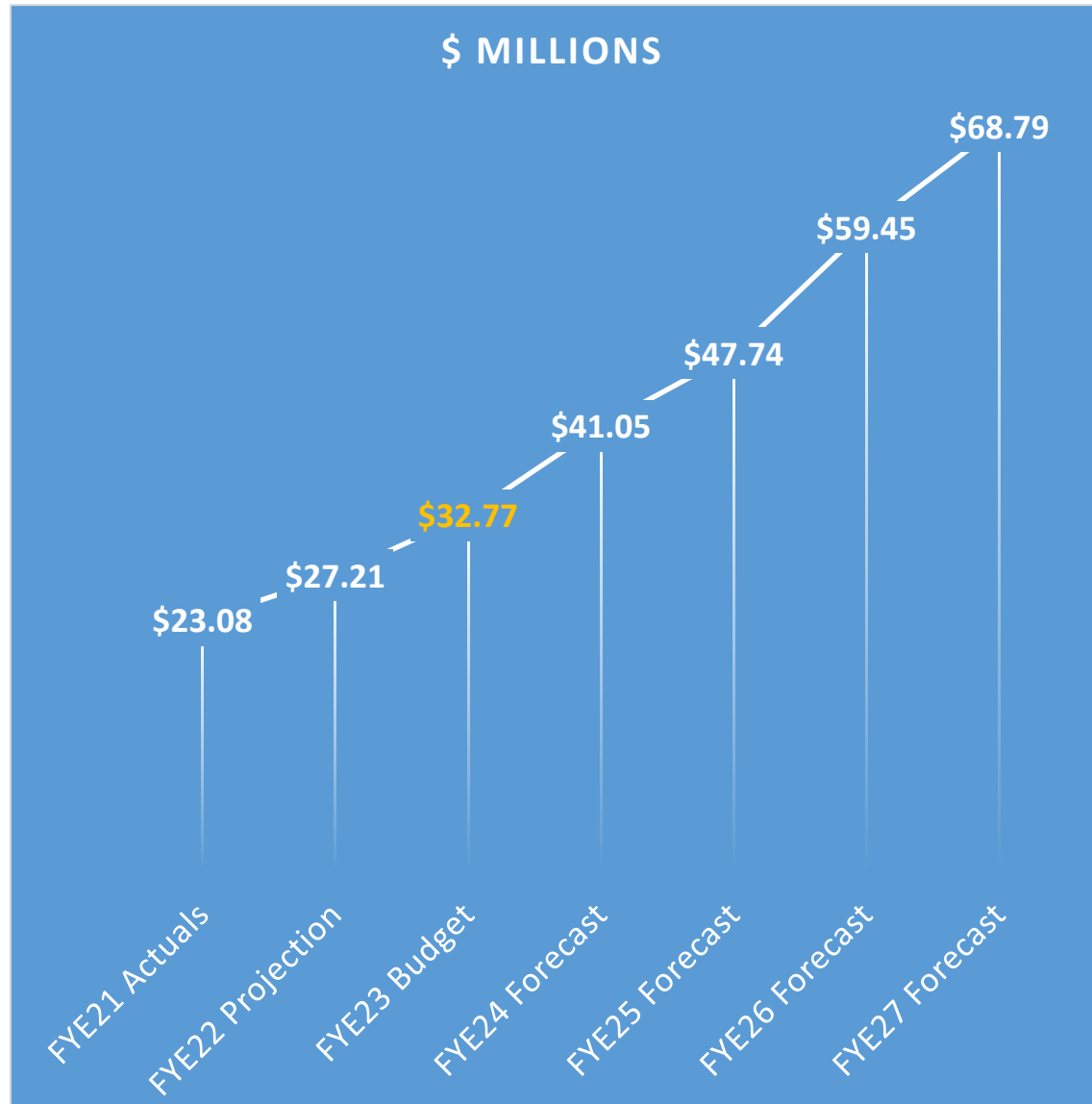
- More PERS-covered employees every year
- Wages still scaling up (steps, promotions, premium assignments)
- PERS rates have been increasing every two years



↑ 17.9% for current year

↑ Another 20.4% for budget year

- Remarkable considering no PERS rate increase for FYE23
- Major cost driver: 5% wage COLA on 7/1/22
- Also, more hiring than usual projected at both Police and Fire in FYE23



# Benefits: Disability

Short-Term Disability

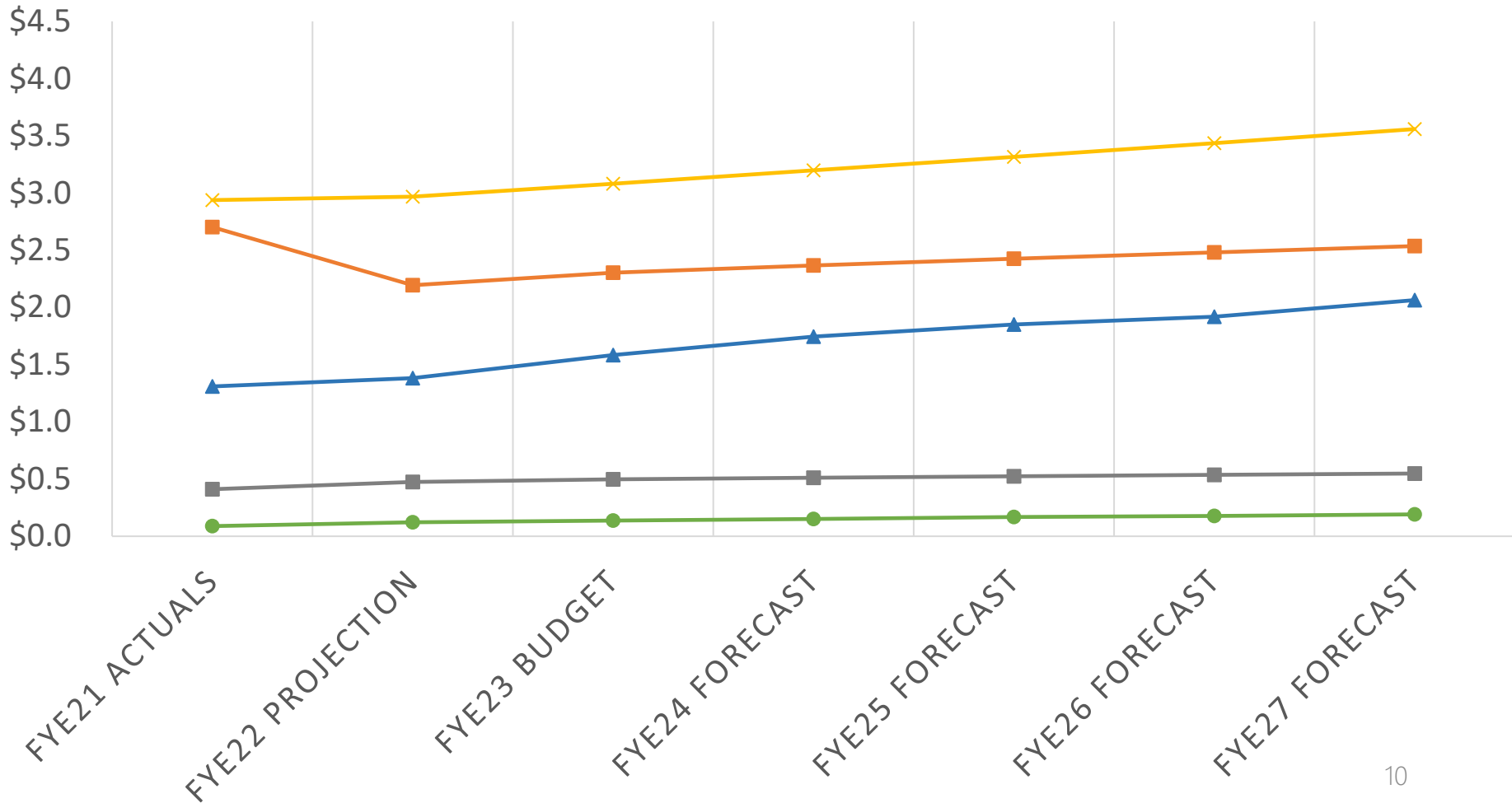
Long-Term Disability

Medical Payments & Voc Rehab

Return to Work Subsidies

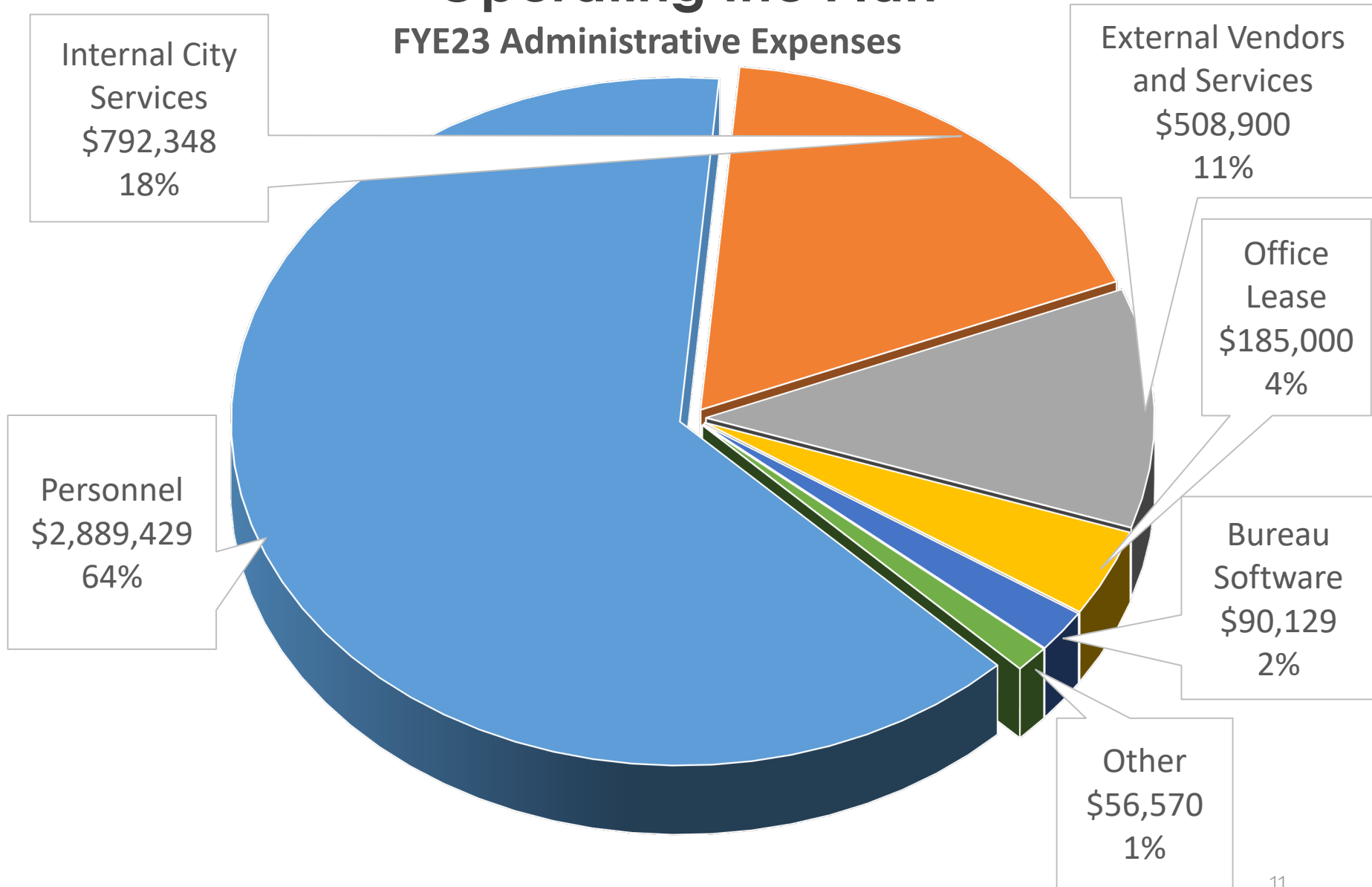
Funeral Benefits

\$ Millions



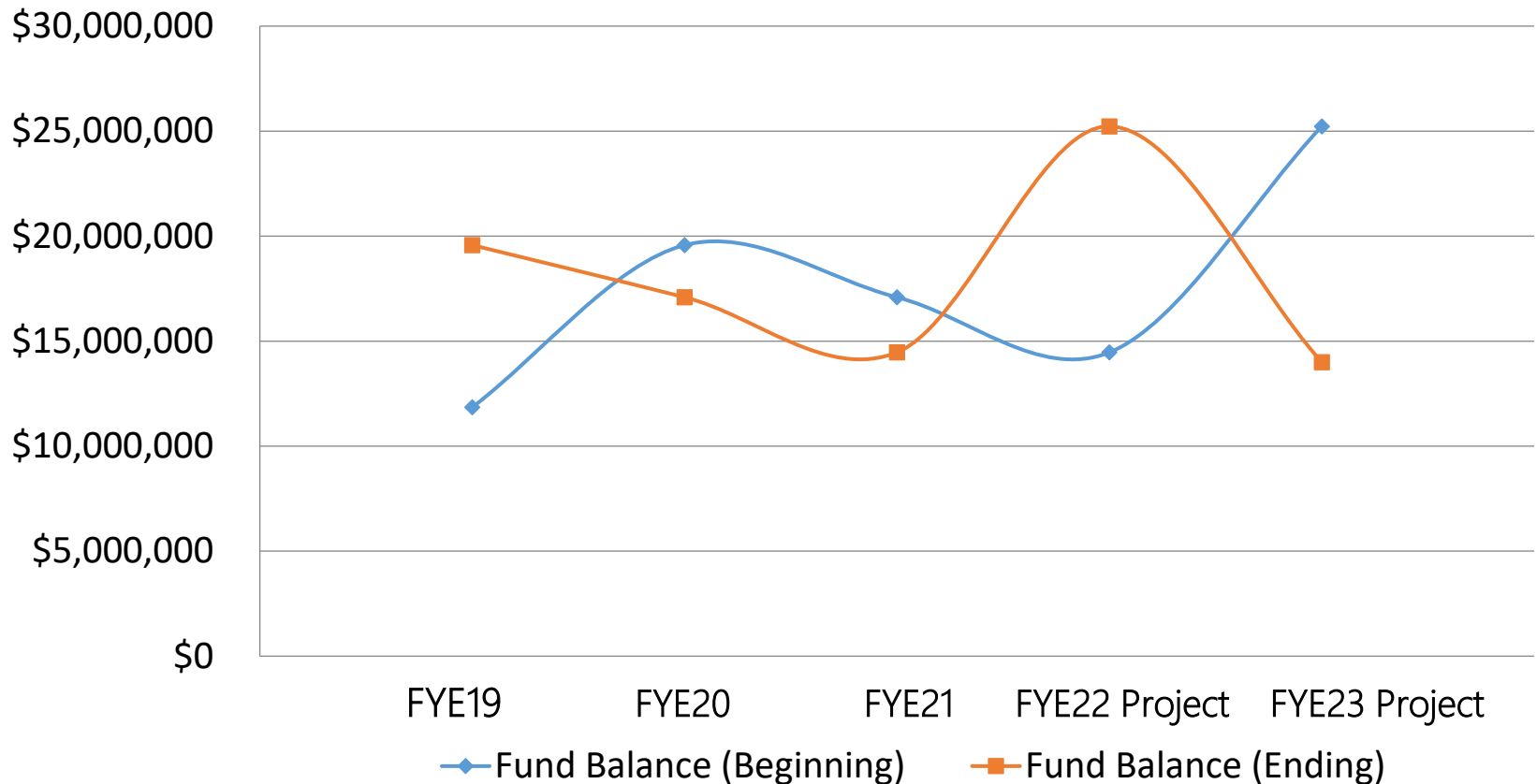
# Administration: Operating the Plan

## FYE23 Administrative Expenses



# Managing the Fund

## FPDR Fund Balance



Current year (FYE22) ending fund balance now projected to be \$25.2 M, more than target of \$16.1 M at budget adoption

- FYE21 spending not as elevated as feared – only drew \$3.5 M from FYE21 fund contingency
- Established large fund contingency for FYE22 (9% of operating expenses)
  - ✓ Now appears contingency will not be needed in FYE22

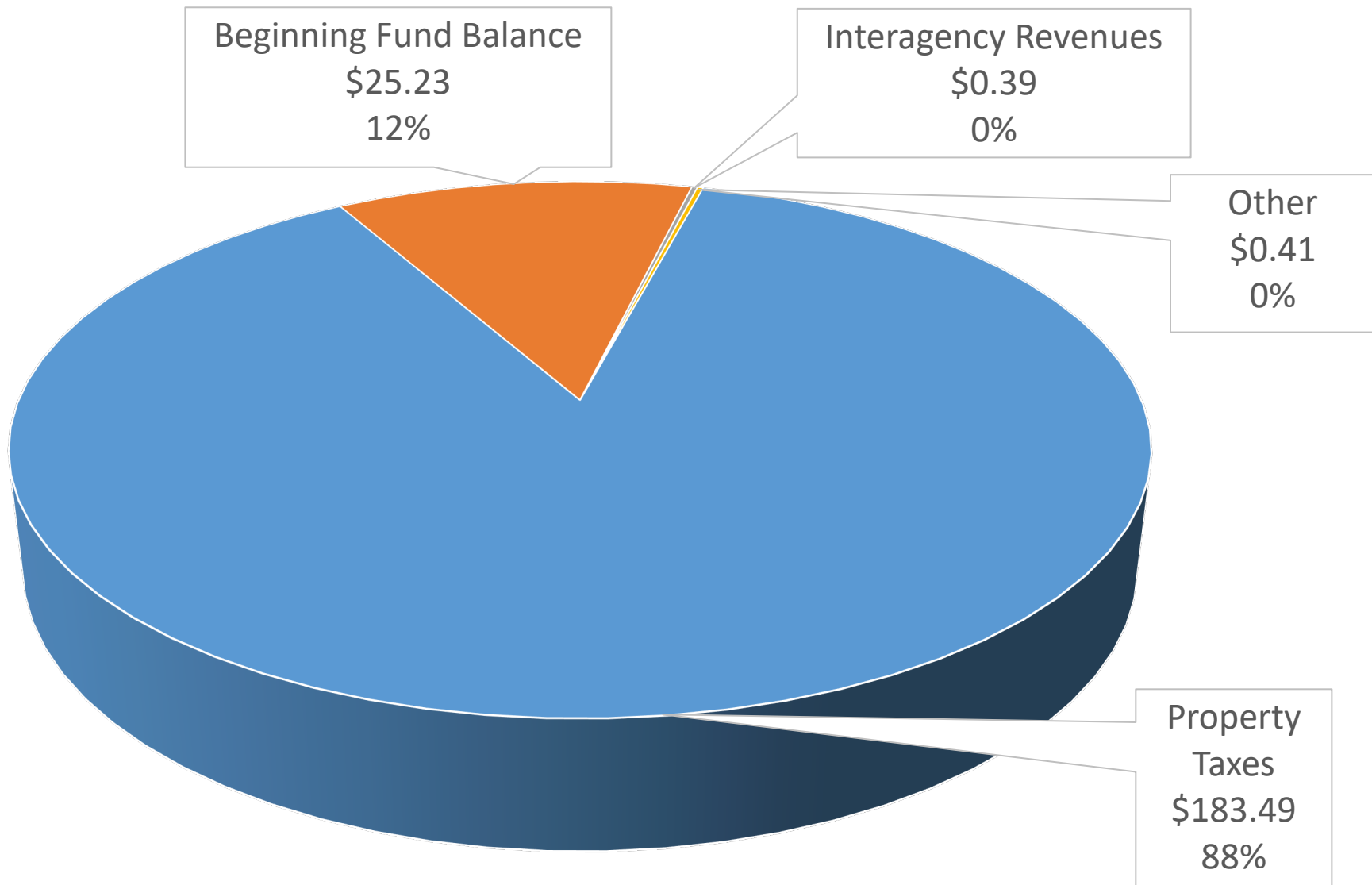
# Major Assumptions: Expenditures

Inflation Assumptions						
	FYE22	FYE23	FYE24	FYE25	FYE26	FYE27
Wages	1.60%	5.00%	2.75%	2.50%	2.25%	2.25%
Medical	3.90%	3.80%	3.80%	3.70%	3.60%	3.60%
PERS Contribution Rates						
Tier 1 & Tier 2*	28.35%	28.35%	33.00%	33.00%	38.00%	38.00%
OPSRP General*	24.36%	24.36%	29.00%	29.00%	33.00%	33.00%
OPSRP Public Safety*	31.72%	31.72%	36.00%	36.00%	41.00%	41.00%
External Materials & Services	2.50%	3.75%	2.75%	2.50%	2.40%	2.40%
Internal Materials & Services	2.50%	3.75%	2.75%	2.50%	2.40%	2.40%

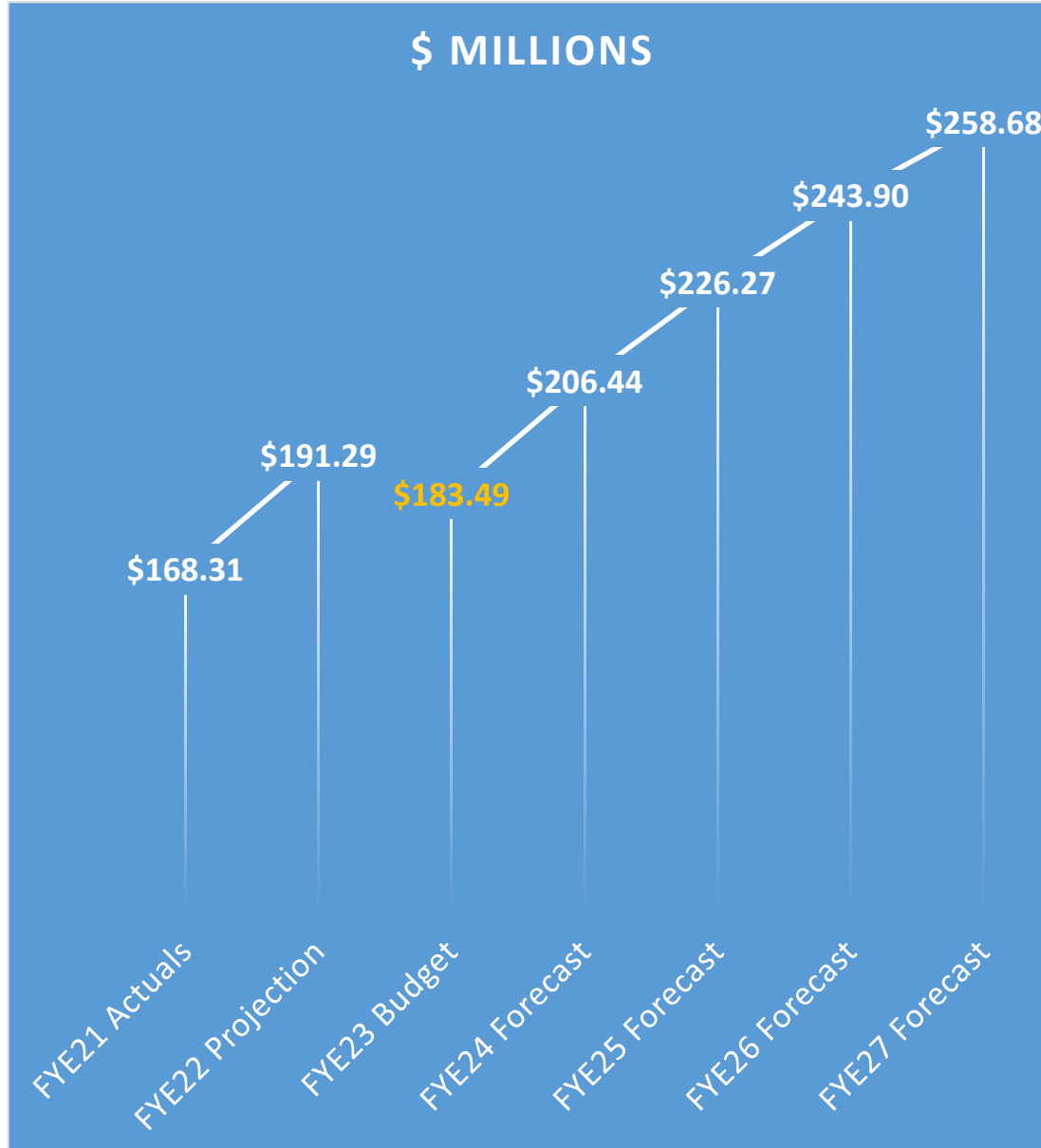
\*Includes 9% Individual Account Program "pick up" for OPSRP Public Safety and 6% for Tier I/II/OPSRP General

Other Assumptions						
	FYE21	FYE22	FYE23	FYE24	FYE25	FYE26
FPDR 2 Service Retirements	58	44	61	64	65	65
Deaths, Members & Beneficiaries	60	60	61	61	62	63
Pension COLAs						
FPDR 1, Fire	1.60%	5.00%	2.75%	2.50%	2.25%	2.25%
FPDR 1, Police	0.00%	6.68%	2.75%	2.50%	2.25%	2.25%
FPDR 2, Average Among Members	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Percent of Sworn Workforce, FPDR 3	52.9%	57.6%	62.1%	66.6%	71.1%	75.5%
Hiring Projections						
Fire Bureau	32	32	24	24	24	24
Police Bureau	46	54	52	51	50	48

# FYE23 Revenue Overview (\$ Millions)



# Property Taxes



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



Actually need **less** tax revenue  
for FYE23 because of large  
projected beginning fund  
balance



After increasing in the current  
year, both AV and RMV tax  
rates projected to fall:

## RMV Rate

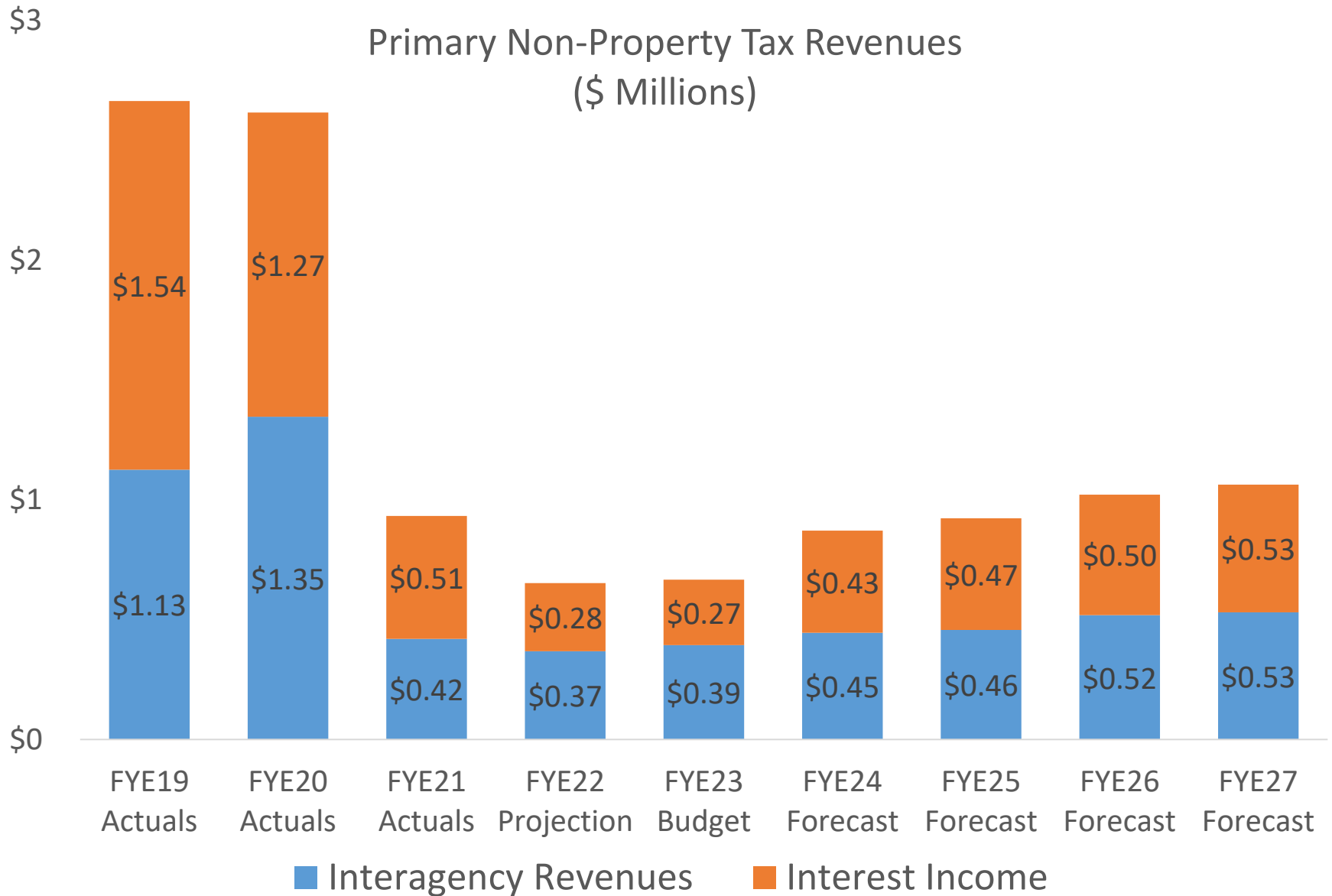
- 1.15 in FYE21
- Projected \$1.26 in FYE22
- Forecast \$1.15 in FYE23

## AV Rate

- \$2.76 in FYE21
- Projected \$3.01 in FYE22
- Forecast \$2.75 in FYE 23

# Other Revenue

Primary Non-Property Tax Revenues  
(\$ Millions)





# Major Assumptions: Revenues

## PROPERTY TAX ASSUMPTIONS

	FYE22	FYE23	FYE24	FYE25	FYE26	FYE27
RMV Growth	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
AV Growth	5.5%	3.5%	3.3%	8.3%	4.6%	3.1%
Compression	-4.7%	-4.8%	-4.8%	-4.8%	-4.8%	-4.8%
Discounts/Delinquencies	-5.3%	-4.3%	-4.0%	-3.6%	-3.6%	-3.6%

## INTEREST INCOME ASSUMPTIONS

\$ Millions	FYE21 Actuals	FYE22	FYE23	FYE24	FYE25	FYE26	FYE27
Average Cash Balance	\$55.0	\$66.9	\$68.2	\$77.5	\$84.7	\$91.4	\$96.9
Forecast Interest Rate	0.93%	0.43%	0.40%	0.55%	0.55%	0.55%	0.55%
Interest Income	\$0.51	\$0.28	\$0.27	\$0.43	\$0.47	\$0.50	\$0.53

## POLICE INTERAGENCY REVENUE ASSUMPTIONS

\$ Millions	FYE19 Actuals	FYE20 Actuals	FYE21 Actuals	FYE22	FYE23	FYE24	FYE25	FYE26	FYE27
Police Wages for Third-Party Work	\$3.80	\$3.97	\$1.13	\$0.93	\$0.98	\$1.01	\$1.03	\$1.06	\$1.08
Pension & Disability									
Overhead Charge	28.43%	32.62%	32.29%	34.72%	34.72%	39.00%	39.00%	44.00%	44.00%
Revenue to FPDR	\$1.08	\$1.29	\$0.37	\$0.32	\$0.34	\$0.39	\$0.40	\$0.46	\$0.47

# Risks to Forecast

## OPEN PORTLAND POLICE ASSOCIATION CONTRACT

- › No contract since June 30, 2021
- › Forecast assumes 1.6% COLA retroactive to July 1, 2021 and 5% COLA on July 1, 2022
- › Salary increases beyond that, or other compensation increases, would result in higher benefit expenses
- › Bonuses would also incentivize retirements a year later

## ADDITIONAL COVID WAVES

- › Overtime (on which FPDR pays PERS contributions for FPDR 3 members) and disability costs have returned to normal levels after COVID-related spikes last year
- › Additional COVID waves could increase Fire and Police personnel quarantines, which would drive up both disability and overtime costs again

## RETIRE/REHIRE PROGRAMS

- › Forecast assumes modest retirement levels through FYE23, after recent retirement surge
- › Return of the retire/rehire program at Police, and talk of starting a retire/rehire program at Fire, may incentive more retirements than budgeted

# Risks to Forecast

## POLICE HIRING

- › Police Bureau expects 100 new hires and 50 retire/rehires in FYE22 and FYE23 combined
- › If hiring is faster than this, or there are fewer retire/rehires and more new hires than forecast, FPDR will have to pay more PERS contributions than budgeted
- › However, fewer retire/rehires would decrease pension costs, offsetting some or all of the additional PERS contribution expenses

## PROPERTY TAX DELINQUENCIES AND COMPRESSION LOSSES

- › Forecast assumes return to historic delinquency level, roughly 4%
- › Forecast assumes compression losses remain stable at 4.8%
- › If delinquencies don't return to usual levels, or compression loss increases, FPDR will not collect enough property tax revenue

## FUND CONTINGENCY

- › Recommend \$14 M, or 7% of operating expenses
- › Sufficient to cover 20 additional retirements (on top of 20 cushion retirements already in pension budget), potential salary increases/bonuses in new PPA contract, disability costs for additional COVID surges, and higher property tax delinquency rate

# • Key Budget Take Aways •



## LARGE FUND BALANCE MEANS NO TAX INCREASE FOR FYE23

\$25.2 M projected  
beginning fund balance  
for FYE23

+

\$2.1 M reduction in  
recommended fund  
contingency for FYE23

=

More than enough to  
fund \$12.2 M increase  
in operating costs for  
FYE23



## INFLATION IS KEY EXPENSE DRIVER FOR FYE23

5% wage COLA for  
Police and Fire  
employees is single  
largest source of budget  
growth for FYE23

5% wage COLA for FPDR  
employees will also  
increase administrative  
spending



## OTHERWISE, FORECAST ASSUMES RETURN TO "USUAL" BUDGET CONDITIONS

Modest number of  
retirements through end of  
FYE23

Additional COVID waves do  
not cause significant  
increase in disability costs or  
Police/Fire overtime


Property tax delinquency  
rate returns to historic range

Non-health care annual  
inflation drops back to 2% -  
3% in outyears



Questions?

Changes?



**Future  
Technical  
Adjustments**

**Motion to Adopt**