

FPDR Recommended Budget

**July 1, 2023 – June 30, 2024
(FYE24)**

January 23, 2022

FY 2023-24 Budget

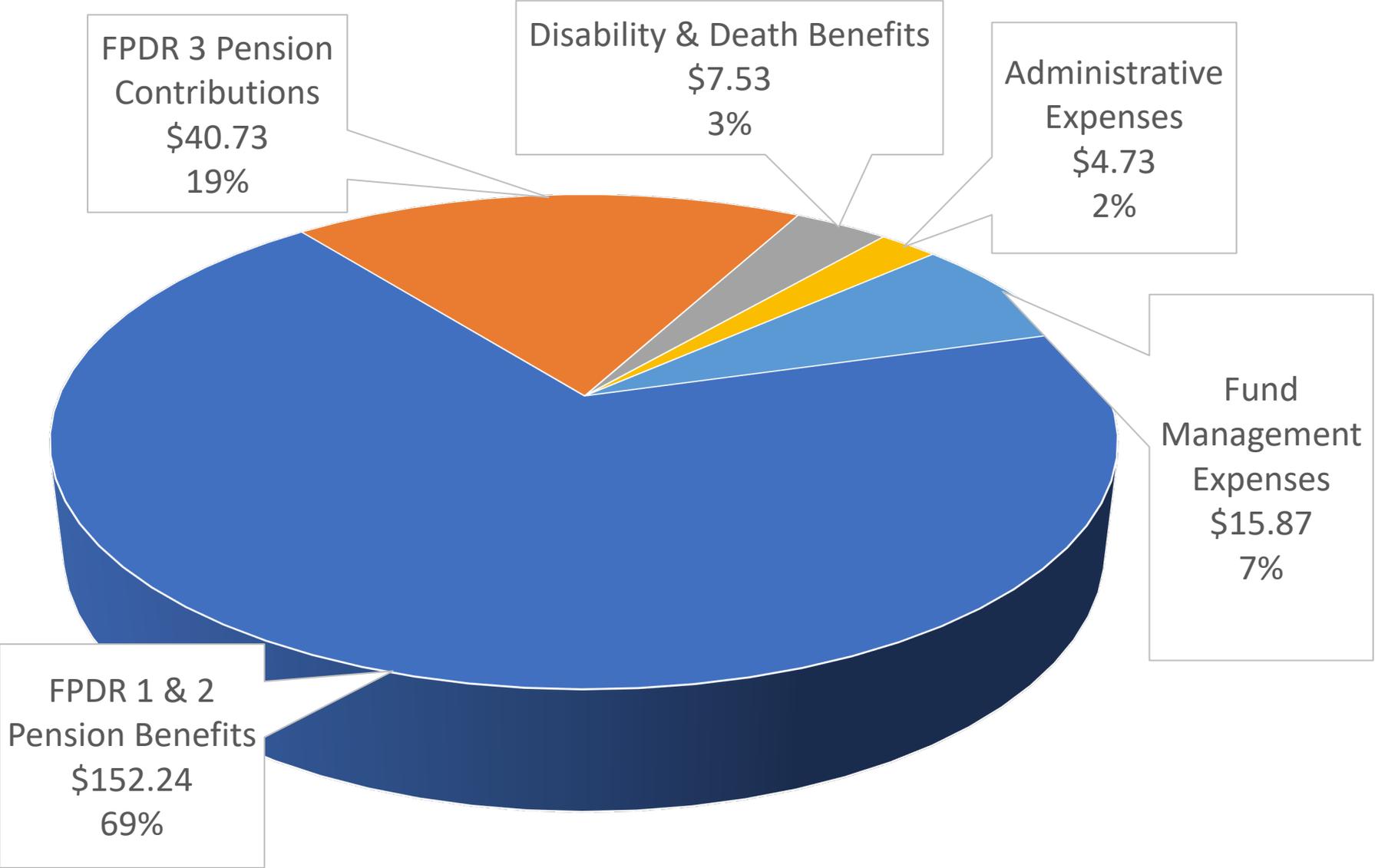
Compared to FY 2022-23 Projection & FY 2021-22 Actuals

\$ 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

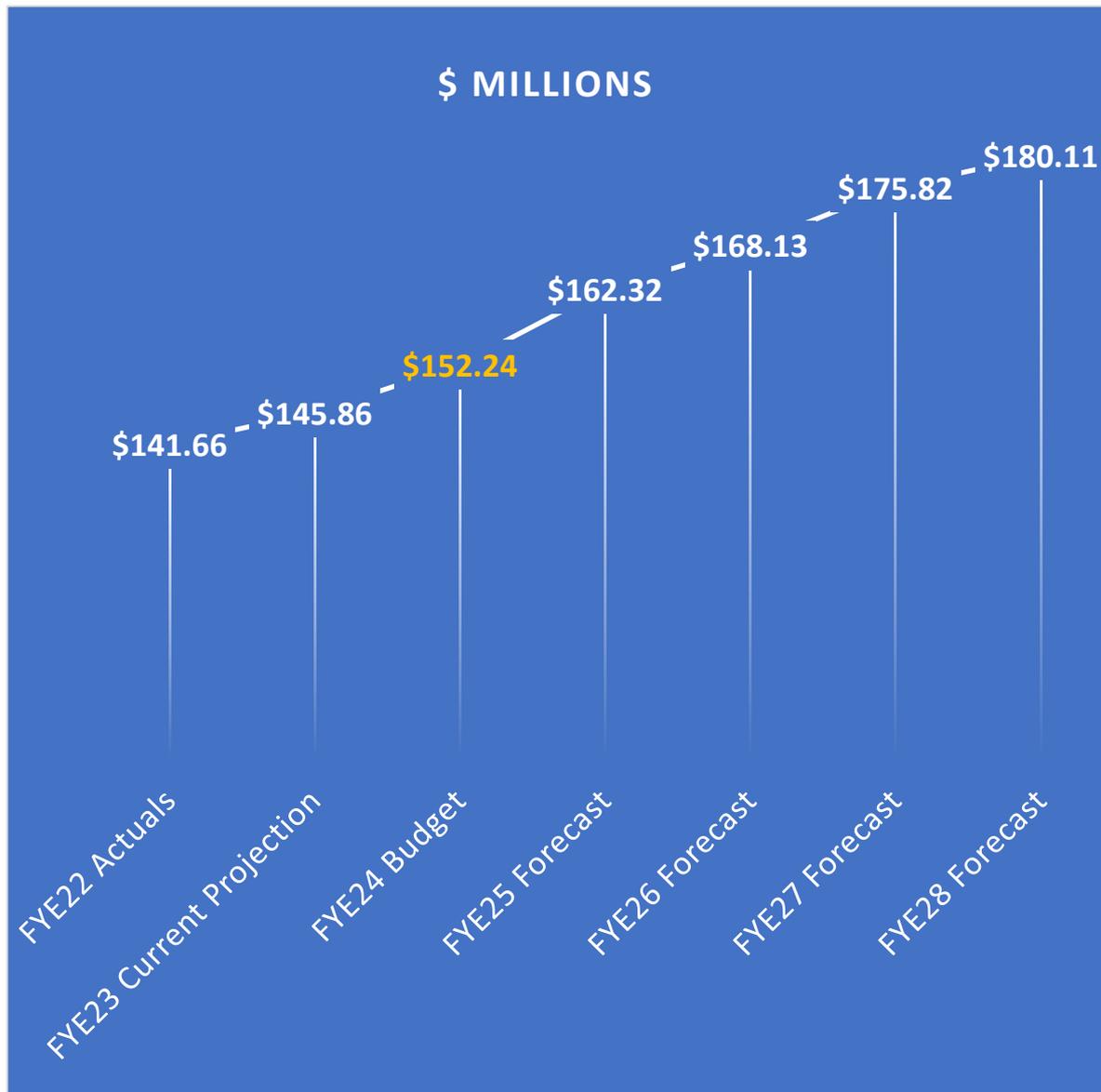
Inflation Assumptions						
	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
Wages	5.00%	5.00%	2.90%	2.30%	2.10%	2.10%
Medical	3.80%	3.60%	3.60%	3.50%	3.50%	3.50%
PERS Contribution Rates						
Tier 1 & Tier 2*	28.35%	29.60%	29.60%	34.60%	34.60%	39.60%
OPSRP General*	24.36%	26.12%	26.12%	31.12%	31.12%	36.12%
OPSRP 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

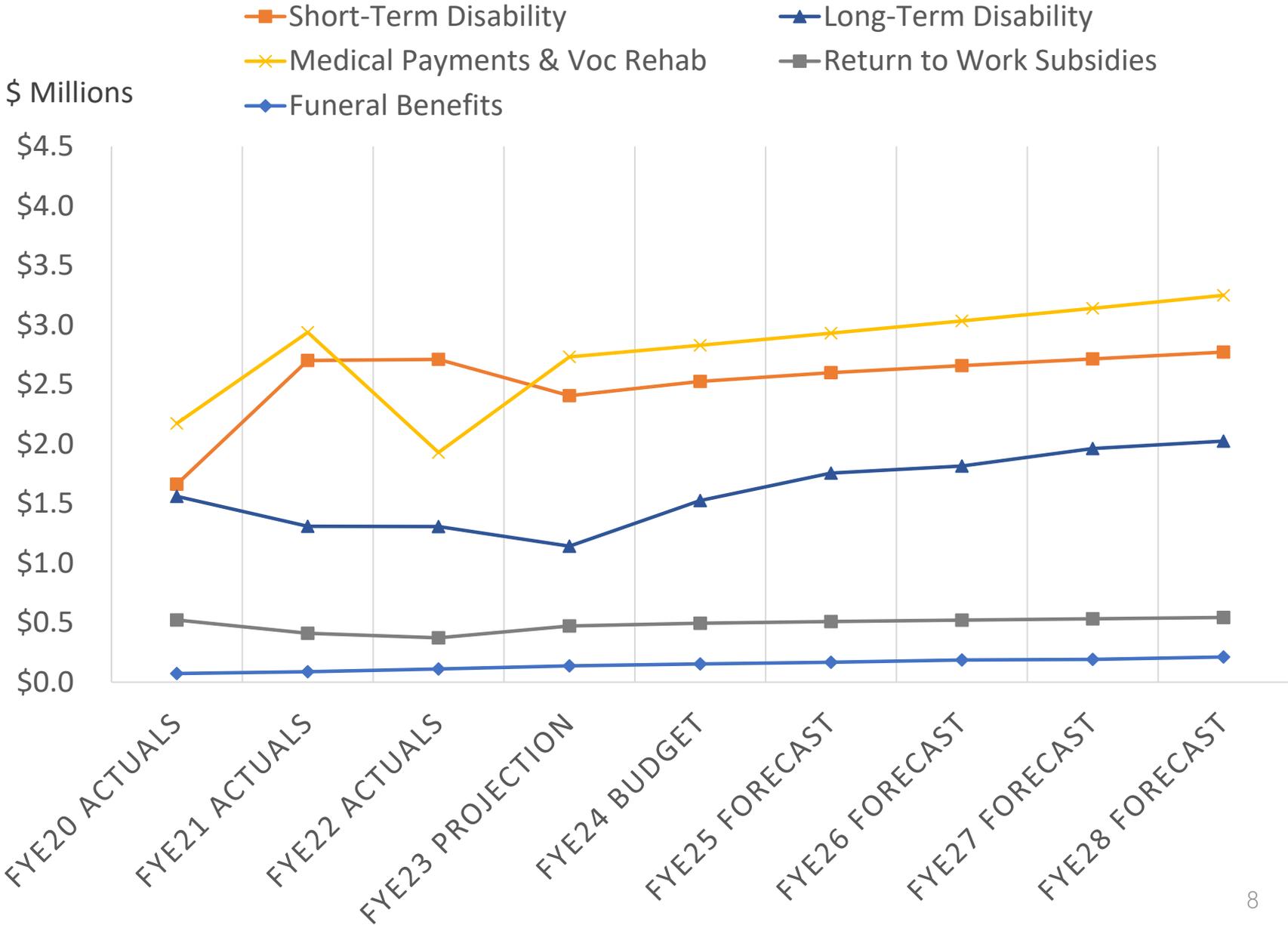
Benefits: PERS Contributions



PERS Contributions Growth Factors

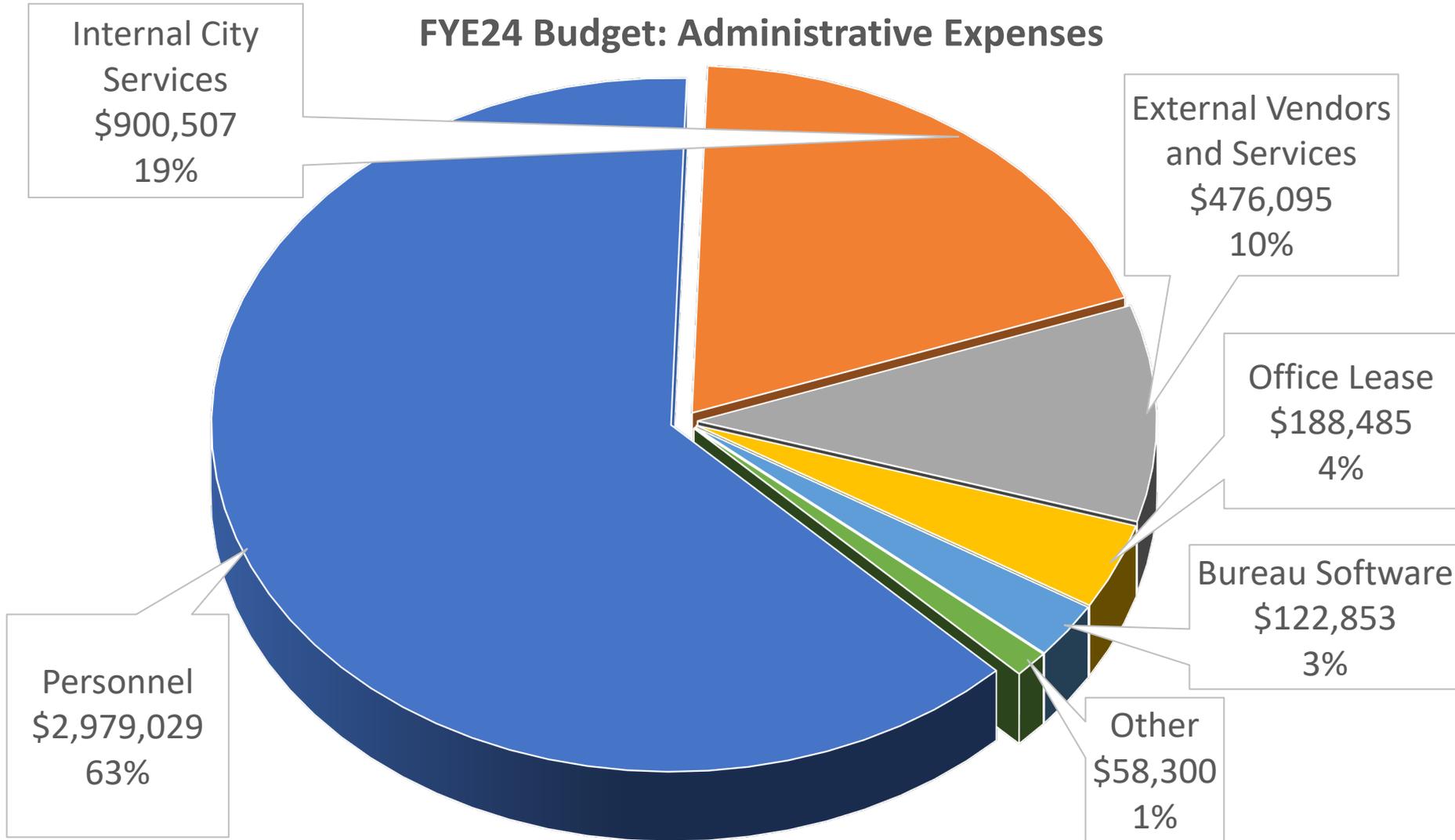
	FYE22 Actuals	FYE23	FYE24	FYE25	FYE26	FYE27	FYE28
FPDR Three Members	724	803	972	1,043	1,116	1,189	1,260
OPSRP Public Safety Contribution Rate	22.72%	22.72%	24.91%	24.91%	29.91%	29.91%	34.91%
IAP Contribution Rate	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Total PERS Contribution Rate	31.72%	31.72%	33.91%	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

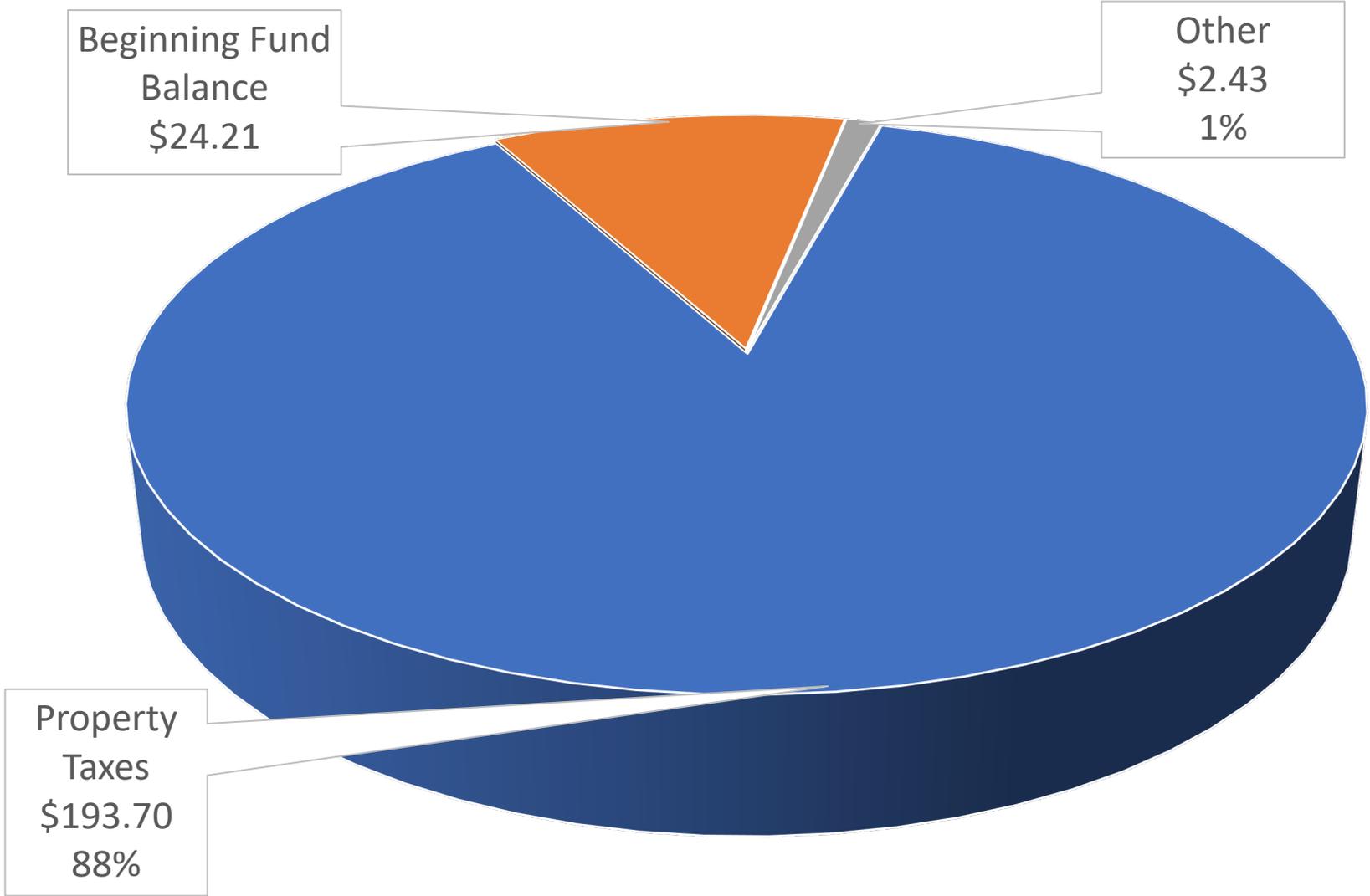


Administration: Operating the Plan

FYE24 Budget: Administrative Expenses



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

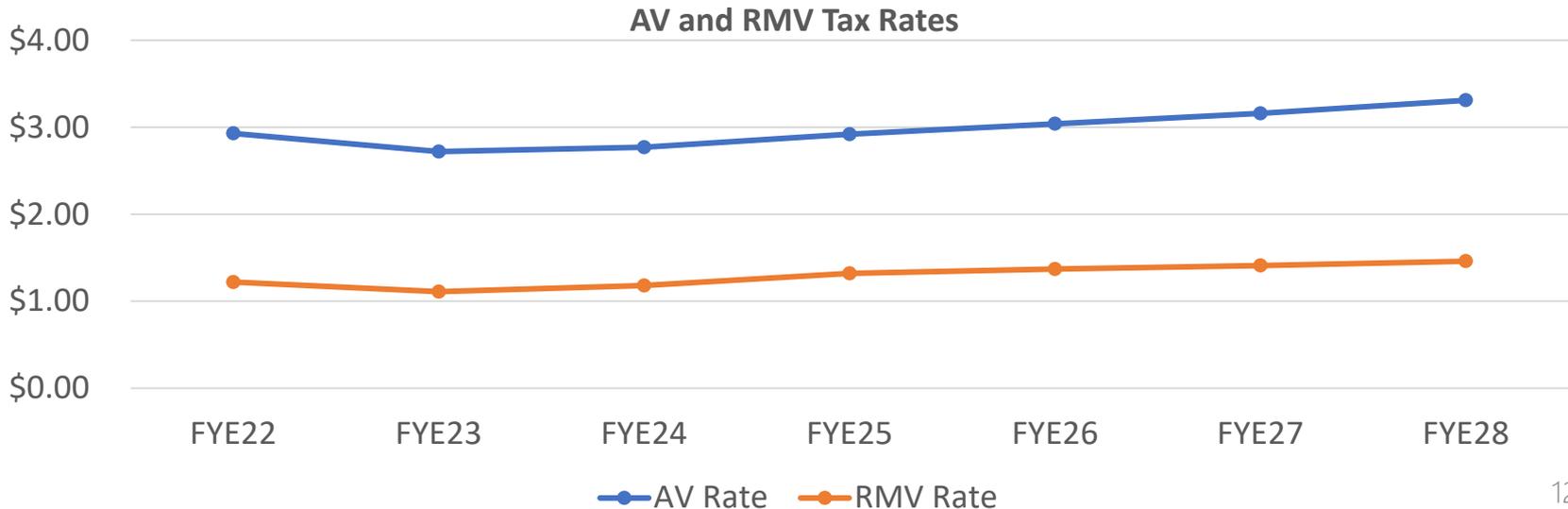
Major Assumptions and Projections

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