

Portland FPDR Funding Policy

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Portland Property Tax Bill

- ▶ Portland FPDR's funding source is property taxes
- ▶ This year, Portland FPDR expected to spend \$195.8 million
 - ▶ Of which \$33 million is for Oregon PERS

2022-23 CURRENT TAX BY DISTRICT:

MULTNOMAH ESD	116.79
PORTLAND COMMUNITY COLLEGE	71.83
PORTLAND PUBLIC SCHOOLS	1,339.30
PORTLAND PUBLIC SCHOOLS LOC OPT	553.64
EDUCATION TAXES:	\$2,081.56
CITY OF PORTLAND	1,167.98
CITY OF PORTLAND LOC OPT	334.58
EAST MULT SOIL & WATER CD-GOV	25.26
METRO	24.73
METRO LOC OPT	26.71
MULT CO HIST SOCIETY LOC OPT	13.91
MULTNOMAH COUNTY	1,107.94
MULTNOMAH COUNTY LIBRARY	311.29
PORT OF PORTLAND	17.57
PORTLAND FIRE/POLICE PENSION	696.19
URBAN RENEWAL - PORTLAND	348.52
GENERAL GOVERNMENT TAXES:	\$4,275.08
CITY OF PORTLAND BONDS	98.57
METRO BONDS	99.52
MULTNOMAH COUNTY BONDS	157.44
PORTLAND COMM COLLEGE BONDS	103.22
PORTLAND PUBLIC SCHOOLS BONDS	613.45
BONDS AND MISC TAXES:	\$1,072.20
2022-23 TAX (Before Discount)	\$7,428.84

DELINQUENT TAXES: \$0.00

TOTAL (After Discount): \$7,205.98

Pension Funding

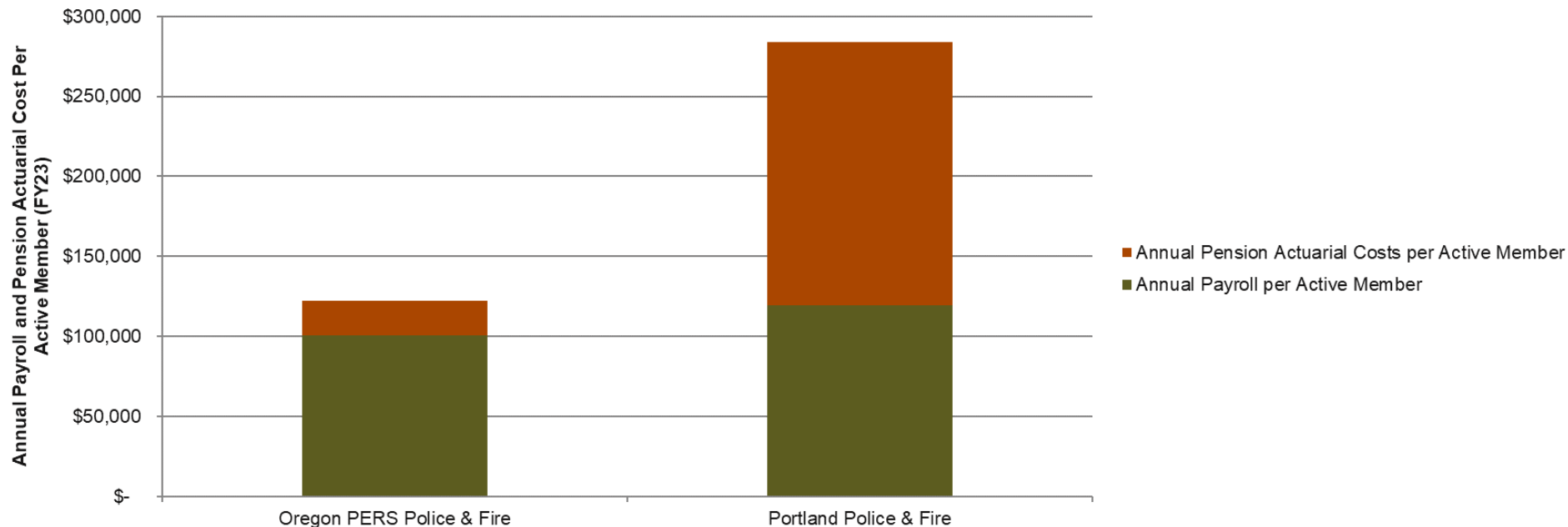
- ▶ The Charter puts FDPR on a pay-as-you-go basis
 - ▶ All state and local governments that offer pension plans attempt to set aside money (spent from their budgets) to fund the plan, except for Portland and Puerto Rico

Should FPDR Get Off Pay-As-You-Go?

- ▶ Improve transparency of compensation in the Portland Police Bureau and Portland Fire & Rescue Bureau
 - ▶ Mitigate a lack of transparency that can hide costs by passing them off to future generations of Portland taxpayers
- ▶ Intergenerational Equity
 - ▶ The costs of employee benefits are paid for by taxpayers who employed them
- ▶ Paying the bills sooner is expected to reduce the cumulative long-term costs of those bills.
- ▶ Mitigates risks of any potential deterioration in the city's finances

Portland vs. OR Costs Per Active Member

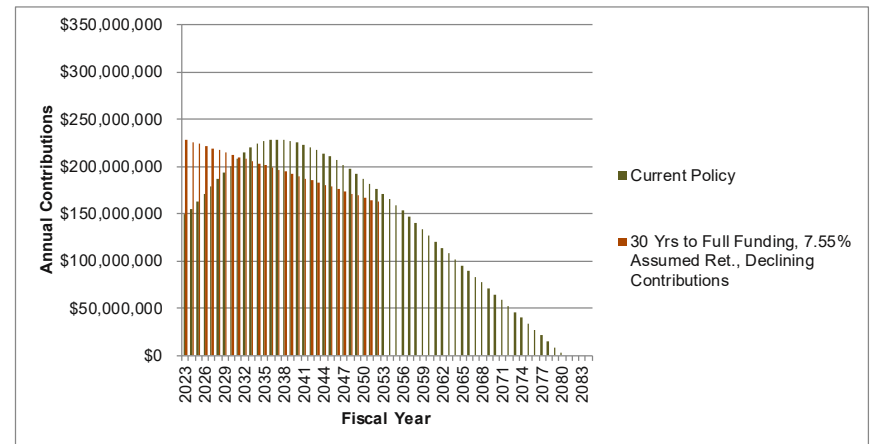
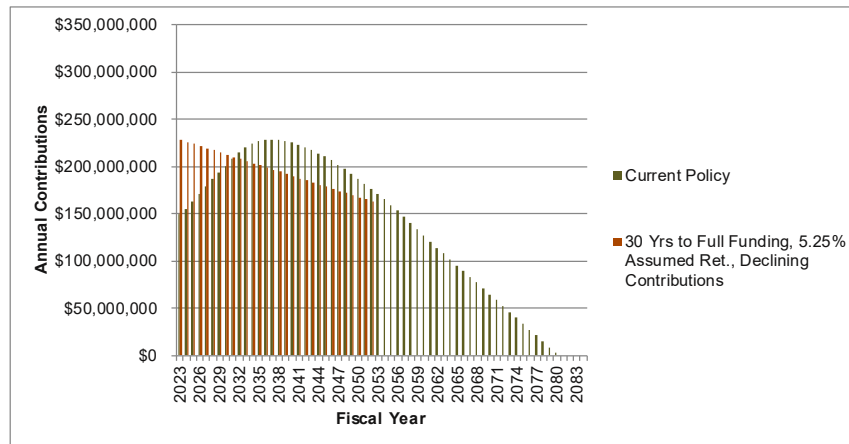
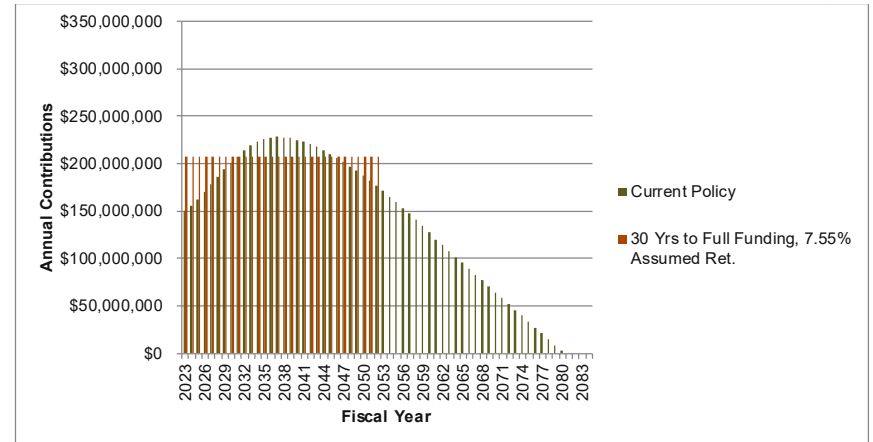
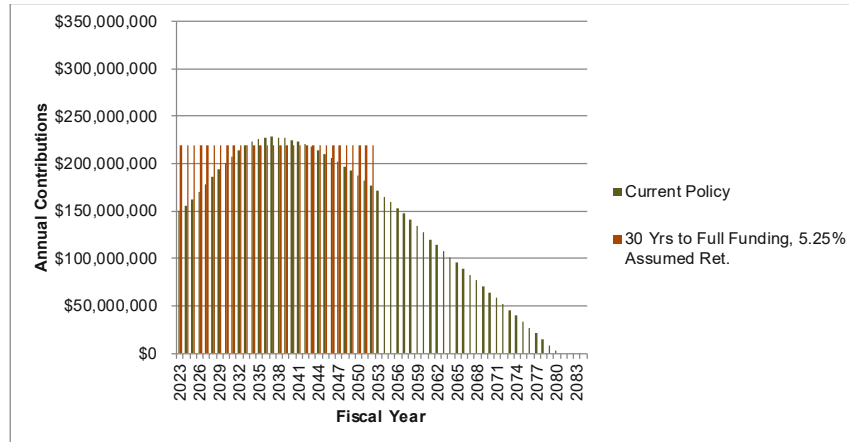
OR vs. Portland Police & Fire Annual Payroll and Pension Costs (Actuarial)



► City Charter controls pension costs (red)

- Normal Cost is the annual cost of benefits earned in the current year
- *Interest Cost = annual interest rate × unfunded liability*
- Portland Police & Fire pensions are the most costly in the country

Current Policy (Green) vs. Illustrative Alternatives (Red)



Summary of Illustrative Alternative Policies

▶ Current Funding Policy

- ▶ Cumulative costs of FPDR total \$6.1 billion over the next 30 years, and over \$8 billion through the end of the plan's life.

▶ Alternative Funding Policy: Level Contributions

- ▶ Cumulative contributions are higher by just 2% to 9% over the next 30 years in order to eliminate all subsequent contributions
- ▶ Eliminates about one quarter of cumulative costs over the plan's life

▶ Alternative Funding Policy: Declining Contributions

- ▶ Cumulative contributions are lower by 3% over the next 30 years and eliminate all subsequent contributions
- ▶ Eliminates about one third of cumulative costs over the plan's life

▶ Annual contributions under Current Policy exceed the alternatives within 10 years

For Consideration

- ▶ The City should request its actuary provide an analysis of a Comprehensive Actuarial Funding Policy covering the following
 - ▶ Inputs
 - ▶ Various amortization periods
 - ▶ Pension Obligation Bonds
 - ▶ Combinations of the above
 - ▶ Outputs
 - ▶ Cumulative long-term cost savings
 - ▶ Analysis of the impact of FPDR on property tax compression, including in worse-case scenarios
 - ▶ This may require collaboration with the City Economist or an economic consulting firm given that it has not been done before

National Experts: Red Flag

- ▶ David Draine of Pew Charitable Trusts:
 - ▶ Portland's negative amortization: https://www.pewtrusts.org/-/media/assets/2021/05/municipal_pension_funding_increases_final.pdf
 - ▶ Portland's unfunded liability: https://www.pewtrusts.org/-/media/legacy/uploadedfiles/pes_assets/2013/pewcitypensionsreportpdf.pdf
- ▶ Alicia Munnell and Jean-Pierre Aubry of the Center for Retirement Research at Boston College:
 - ▶ Portland's pension cost burden: https://crr.bc.edu/wp-content/uploads/2016/10/wp_2016-11.pdf
- ▶ Independent national experts can engage directly with the City, but only by invitation

City Council Meeting - Wednesday, May 17, 2023 2:00 p.m.

Agenda No.	First Name	Last Name
394-01	Susan	Johnson
394-02	Kevin	Machiz
394-03	Rob	Martineau
394-04	Michael	Andersen
394-05	Kiel	Johnson
394-06	Zach	Lesher
394-07	Chris	Smith
394-08	Rachel	Whiteside
394-09	Marc	Poris
394-10	Jacob	Brostoff
394-11	Kimberlee	Goheen Elbon
394-12	Tony	Jordan
394-13	Will	Hollingsworth
394-14	Indi	Namkoong
394-15	Laura	Golino de Lovato