

<b>Agenda Item</b>	<b>First Name</b>	<b>Last Name</b>
1013	Kevin	Machiz

# Portland FPDR Funding Policy

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

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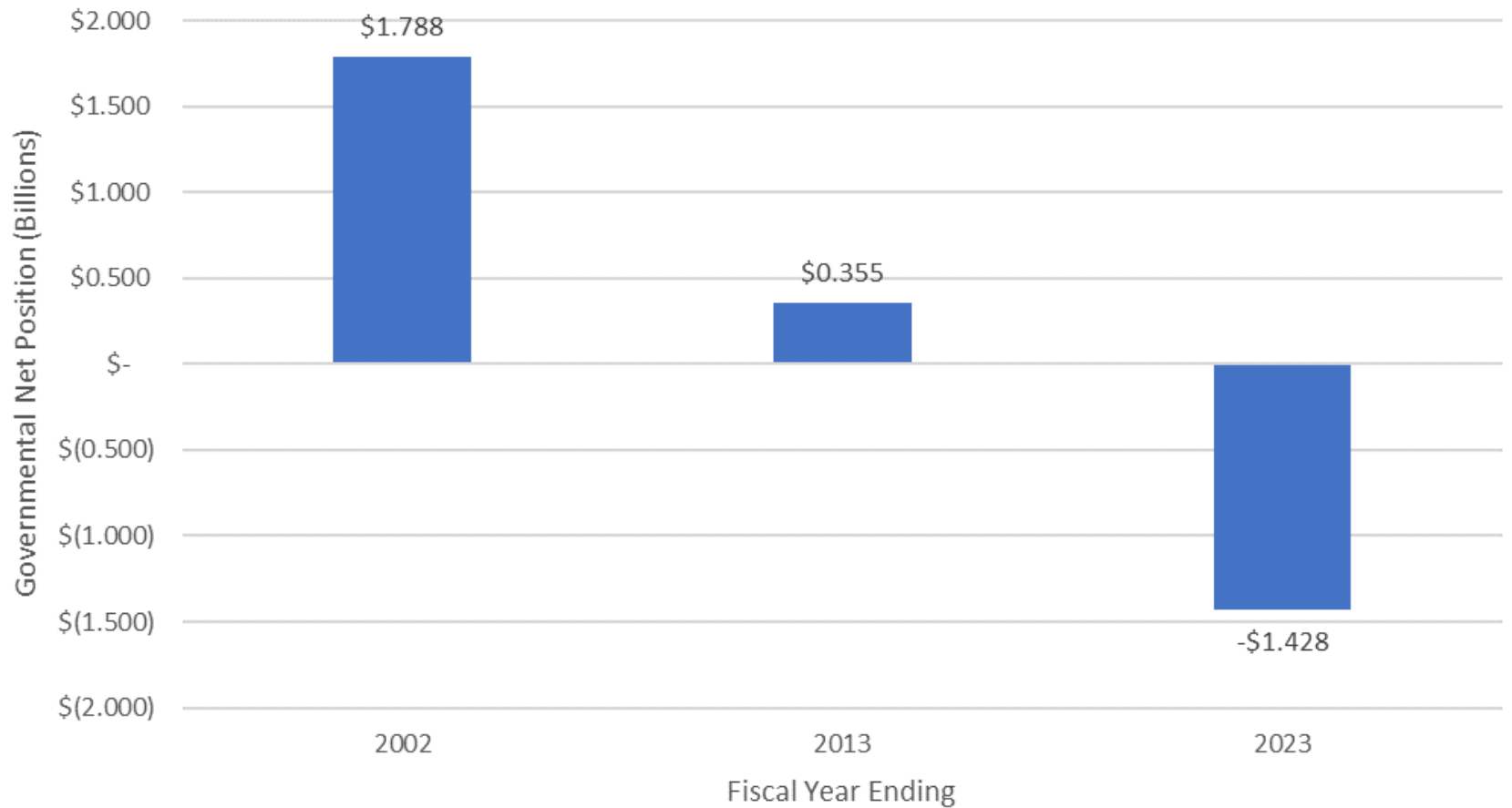
- ▶ Improve transparency of compensation in the Portland Police Bureau and Portland Fire & Rescue Bureau
  - ▶ Mitigate a lack of transparency that can hide costs by passing them off to future generations of Portland taxpayers
- ▶ Intergenerational Equity
  - ▶ The costs of employee benefits are paid 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

# Certified Public Accountant: Red Flag

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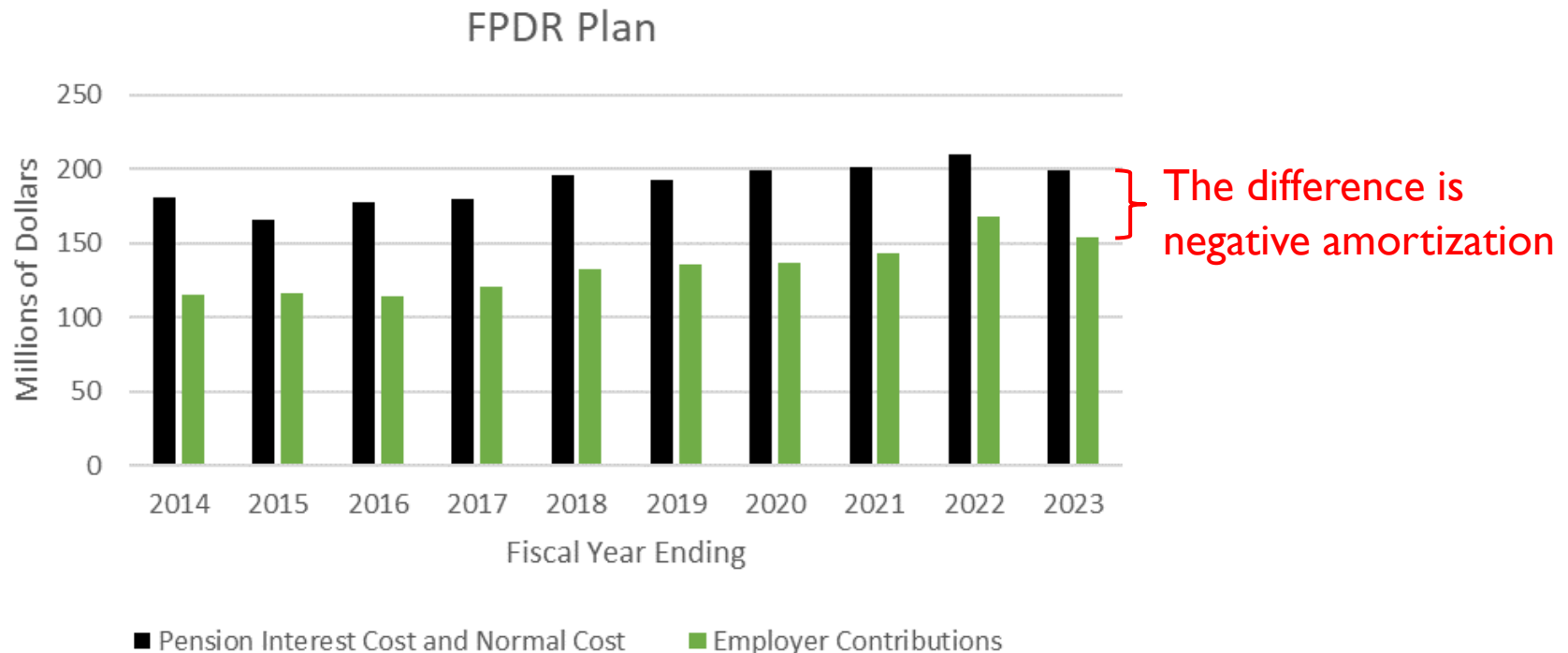
- ▶ **Moss Adams LLP 2013 audit of city financial statements:**
  - ▶ “Governmental net position has decreased from a balance in excess of \$1.788 billion to \$.355 billion” over 11 years
  - ▶ “The net position trend is a measure commonly used to determine whether a government’s financial condition is improving or declining. It is also a measure of how well the City’s financial policies are addressing intergenerational equity.”
  - ▶ “There are at least a couple significant consequences or risks of the City’s current declining net position trend. One often overlooked consequence is the inherent unfairness that results when future generations end up paying a significant portion of costs by past users... In addition, there is an increased risk that the portion of current revenues that are required to make the payments against prior obligations will not allow sufficient resources left over to maintain current service levels.”

# Governmental Net Position Over Time



# Actuarial Basis vs. Cash Basis

- ▶ **Negative amortization:** When contributions are insufficient to cover Interest Cost and Normal Cost



# For Consideration

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- ▶ 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