

# FPDR Recommended Budget

**July 1, 2024 – June 30, 2025  
(FYE25)**

January 23, 2024

# FY 2024-25 Budget

## Compared to FY 2023-24 Projection & FY 2022-23 Actuals

	FYE23 Actuals	FYE24 Adopted Budget	FYE24 Projection	FYE25 Recommended Budget	Change: FYE24 Projection to FYE25
<b>Resources</b>					
Property Taxes	\$184.37	\$193.70	\$193.61	\$222.14	14.74%
Tax Anticipation Notes	-	38.00	32.57	48.00	47.39%
Miscellaneous	1.99	2.43	2.32	3.42	47.06%
Cash Transfers	-	0.75	-	0.75	
Beginning Fund Balance	29.97	24.21	26.31	16.22	-38.35%
<b>Total Resources</b>	<b>\$216.34</b>	<b>\$259.09</b>	<b>\$254.81</b>	<b>\$290.53</b>	<b>14.02%</b>

<b>Requirements</b>					
FPDR 1 & 2 Pensions	\$147.46	\$152.24	\$151.63	\$161.93	6.79%
FPDR 3 PERS Contributions	30.90	40.73	41.47	50.56	21.92%
Disability & Death Benefits	6.32	7.53	7.33	7.80	6.51%
Administration & Delivery	4.61	4.73	4.90	5.46	11.35%
Fund-Level Requirements	45.61	53.86	33.26	64.78	94.77%
Ending Fund Balance	(18.55)	-	16.22	(0.00)	-100.00%
<b>Total Requirements</b>	<b>216.34</b>	<b>259.09</b>	<b>254.81</b>	<b>290.53</b>	<b>14.02%</b>
Total Net of TANs	\$216.34	\$221.09	\$ 222.25	\$ 242.53	9.13%
<b>Operating Expenses</b>	<b>\$189.28</b>	<b>\$205.23</b>	<b>\$205.33</b>	<b>\$225.75</b>	<b>9.94%</b>

# Forecast Summary Resources

## Five-Year Forecast Summary (\$ Millions)

	FYE23 Actuals	FYE24 Adopted Budget	FYE24 Projection	FYE25 Recomm- ended Budget	FYE26 Forecast	FYE27 Forecast	FYE28 Forecast	FYE29 Forecast
<b>Resources</b>								
Property Taxes	\$184.37	\$193.70	\$193.61	\$222.14	\$246.28	\$265.46	\$288.99	\$312.56
Tax Anticipation Notes	-	38.00	32.57	48.00	53.00	58.00	64.00	70.00
Miscellaneous	1.99	2.43	2.32	3.42	4.33	4.62	5.07	5.44
Cash Transfers	-	0.75	-	0.75	0.75	0.75	0.75	0.75
Beginning Fund Balance	29.97	24.21	26.31	16.22	14.00	17.00	19.00	20.00
<b>Total Resources</b>	\$ 216.34	\$ 259.09	\$ 254.81	\$ 290.53	\$ 318.35	\$ 345.84	\$ 377.81	\$ 408.75

# Forecast Summary Requirements

Five-Year Forecast Summary (\$ Millions)								
	FYE23 Actuals	FYE24 Adopted Budget	FYE24 Projection	FYE25 Recommended Budget	FYE26 Forecast	FYE27 Forecast	FYE28 Forecast	FYE29 Forecast
<b>Requirements</b>								
Retirement Benefits	\$178.36	\$192.97	\$193.10	\$212.49	\$231.23	\$250.97	\$275.13	\$297.32
Disability & Death Benefits	6.32	7.53	7.33	7.80	8.02	8.34	8.63	8.87
Administration	4.61	4.73	4.90	5.46	5.74	5.95	6.20	6.43
Fund-Level Requirements	45.61	53.86	33.26	64.78	73.36	80.58	87.85	96.12
Ending Fund Balance	(18.55)	-	16.22	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
<b>Total Requirements</b>	<b>\$ 216.34</b>	<b>\$ 259.09</b>	<b>\$ 254.81</b>	<b>\$ 290.53</b>	<b>\$ 318.35</b>	<b>\$ 345.84</b>	<b>\$ 377.81</b>	<b>\$ 408.75</b>
<b>Total Net of TANs</b>	<b>\$ 216.34</b>	<b>\$ 221.09</b>	<b>\$ 222.25</b>	<b>\$ 242.53</b>	<b>\$ 265.35</b>	<b>\$ 287.84</b>	<b>\$ 313.81</b>	<b>\$ 338.75</b>

# • Follow Up from Last Year •



## INFLATION

City economist predicted inflation of 7.9% for 2022 and 2.9% for 2023

- ✓ Actual inflation was 7.6% and 3.3% respectively
- ✓ Measure used is CPI-W for West Size Class A, Half 2 to Half 2

Projections were reasonably close

- ✓ However, under-projection in 2023 has larger impact to FPDR costs



## FUND BALANCE

Coming out of the pandemic had almost \$30 M in fund balance:

- ✓ Last year's goal was to reduce that to \$24 M by July 1, 2023
- ✓ Wound up with \$26 M in fund balance on July 1, 2023

Would still like to spend down fund balance to no more than \$22 M over next two years



## POLICE AND FIRE HIRING

Slow Police hiring was keeping PERS contribution costs low. Did it continue?

- ✓ Projected: 135 Police and 50 Fire hires 7/1/22 – 11/30/23
- ✓ Actual: 94 Police and 27 Fire hires 7/1/22 – 11/30/23

Police hiring still slower than estimated, but much improved

Fire hiring pulled back because of budget concerns

For PERS costs, much (perhaps all) of the slower hiring is being offset by higher OT costs

# Different This Year



## NO OPEN SWORN LABOR CONTRACTS

Unresolved or expiring sworn labor contracts are nearly always a major risk for the FPDR budget – not for FYE25!

- ✓ PPA contract in place until June 30, 2025
- ✓ PFFA contract in place until June 30, 2027
- ✓ PPCOA contract in place until June 30, 2027



## CONSTRAINT ENVIRONMENT & EXTENSIVE UNCERTAINTY FOR CITYWIDE BUDGET

General Fund forecast predicts revenues will not keep pace with City commitments over long term

- Mayor requiring 5% automatic “constraints” in FYE25 for all non-public safety General Fund & internal service bureaus
- ✓ Creates financial difficulties and uncertainties for some partner bureaus
  - ✓ May ultimately impact Police and Fire budgets despite initial exemption



## CITY GOVERNMENT RESTRUCTURING

New form of government will increase some FPDR costs

- ✓ Don't yet know by how much or for what
- ✓ Budget placeholder for now

Citywide budget process pushed back two weeks

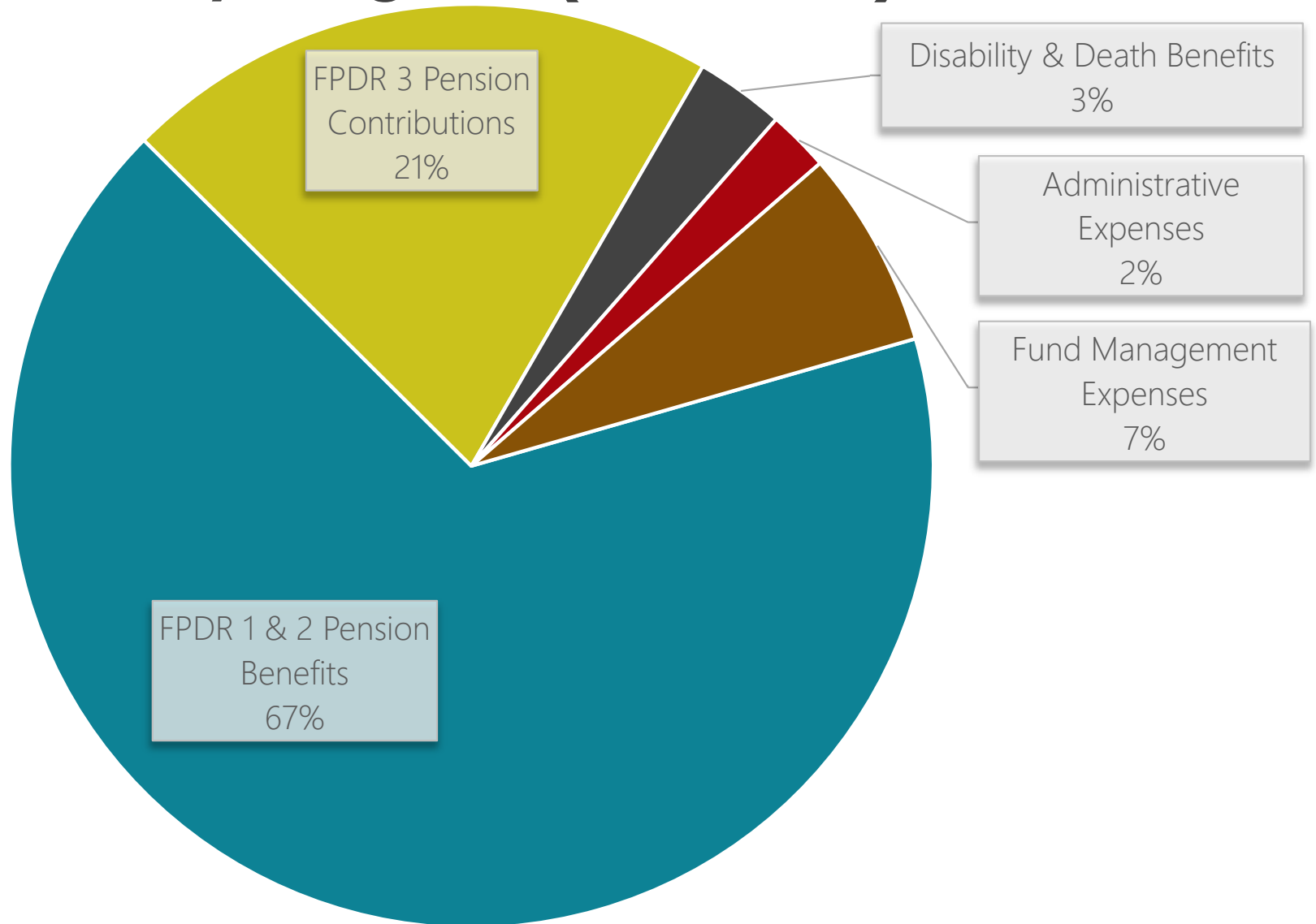
- ✓ Delays budget estimates for many services
- ✓ Police agreements still under negotiation

Some technical/procedural items critical to budget development delayed or not yet in place

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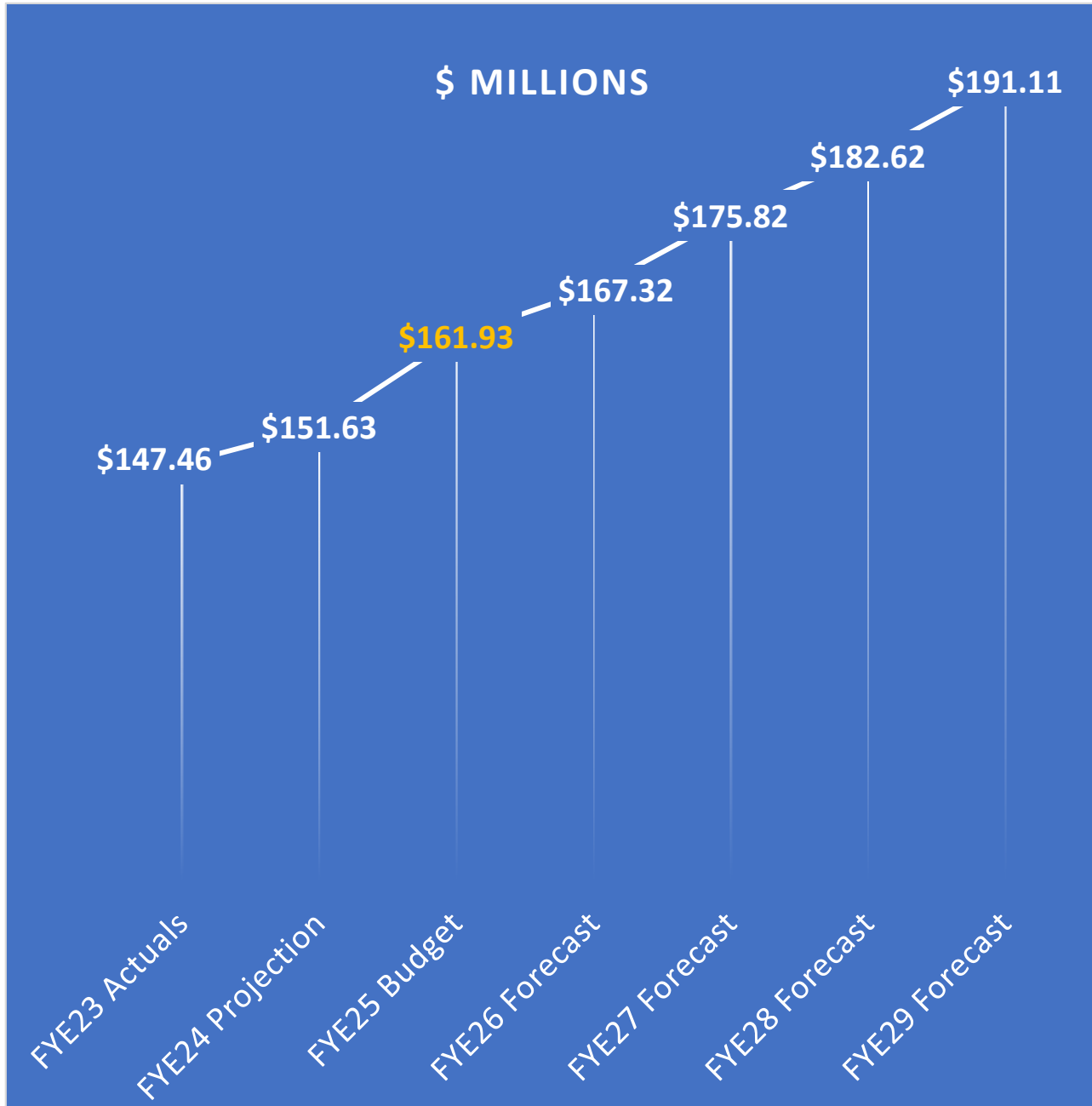
More uncertainty for FPDR Budget, but generally in small ways

# FYE25 Expense Overview By Program (\$ Millions)



- FPDR 1 & 2 Pension Benefits
- FPDR 3 Pension Contributions
- Disability & Death Benefits
- Administrative Expenses
- Fund Management Expenses

# Benefits: FPDR One And Two Pension Payments



For FYE25:

- ↑ 7.6% for FPDR Two
  - ↓ 2.4% for FPDR One
    - FPDR One=Just \$12.1 M
- \$\$

Growth Rate Unusually High:

- For current FY (FYE24), project retirements (85) will far exceed deaths (60)
- Rapid final pay increases:
  - FYE24: 5.0% Police, 6.43% Fire
  - FYE25: 7.5% Police, 4.77% Fire

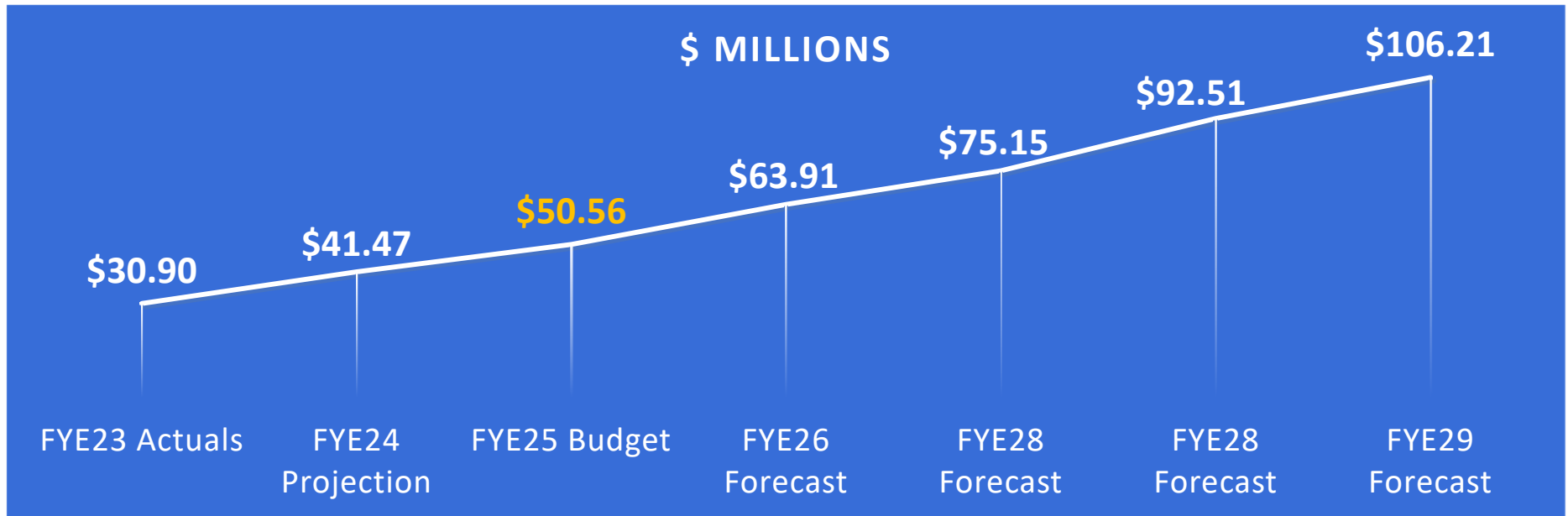
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New Retirements Cost More Than Deaths Save:

- Average current FPDR 1 benefit: \$4,051
- Median new retiree benefit, last two years: \$7,648



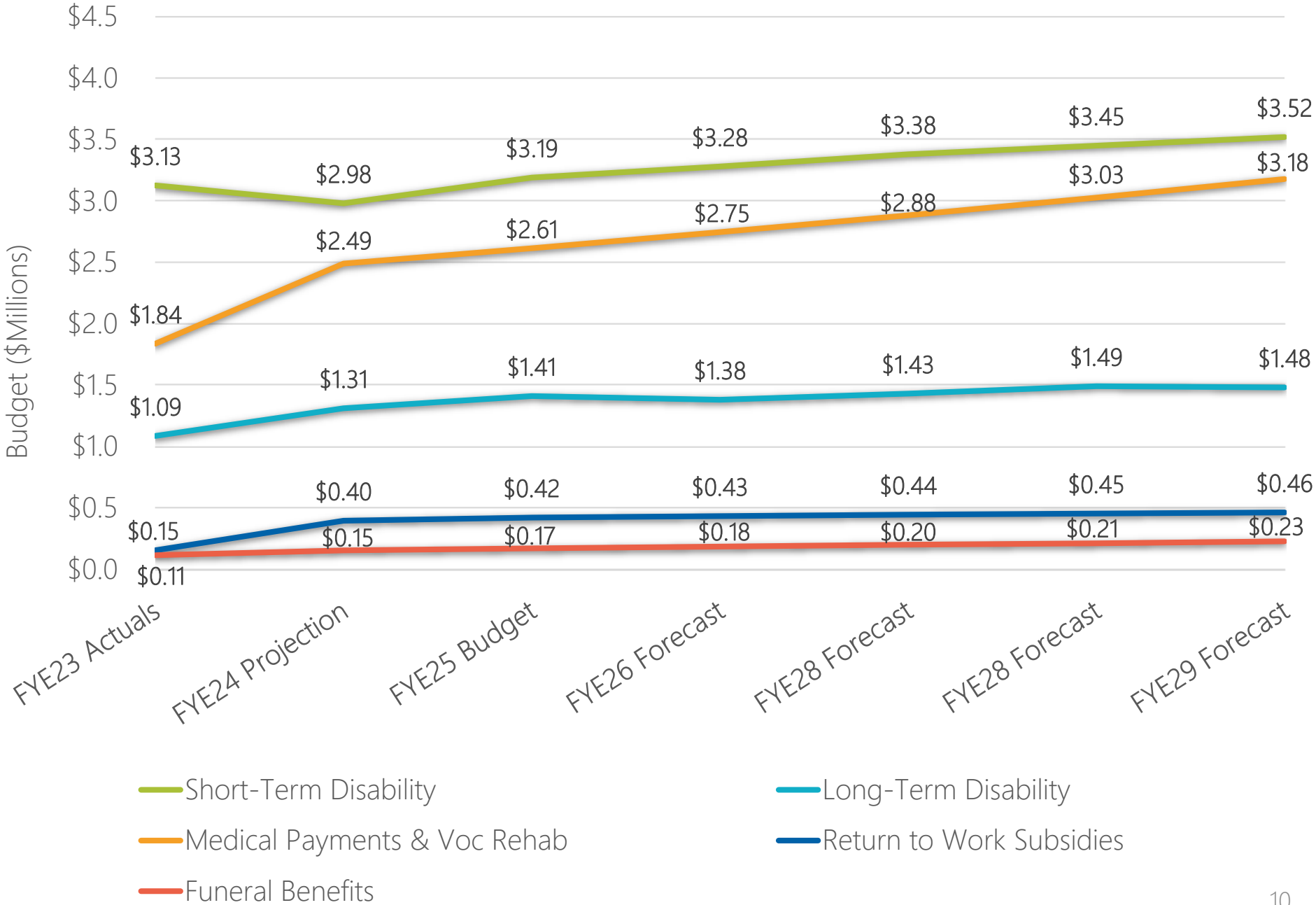
# Benefits: PERS Contributions



## PERS Contributions Growth Factors

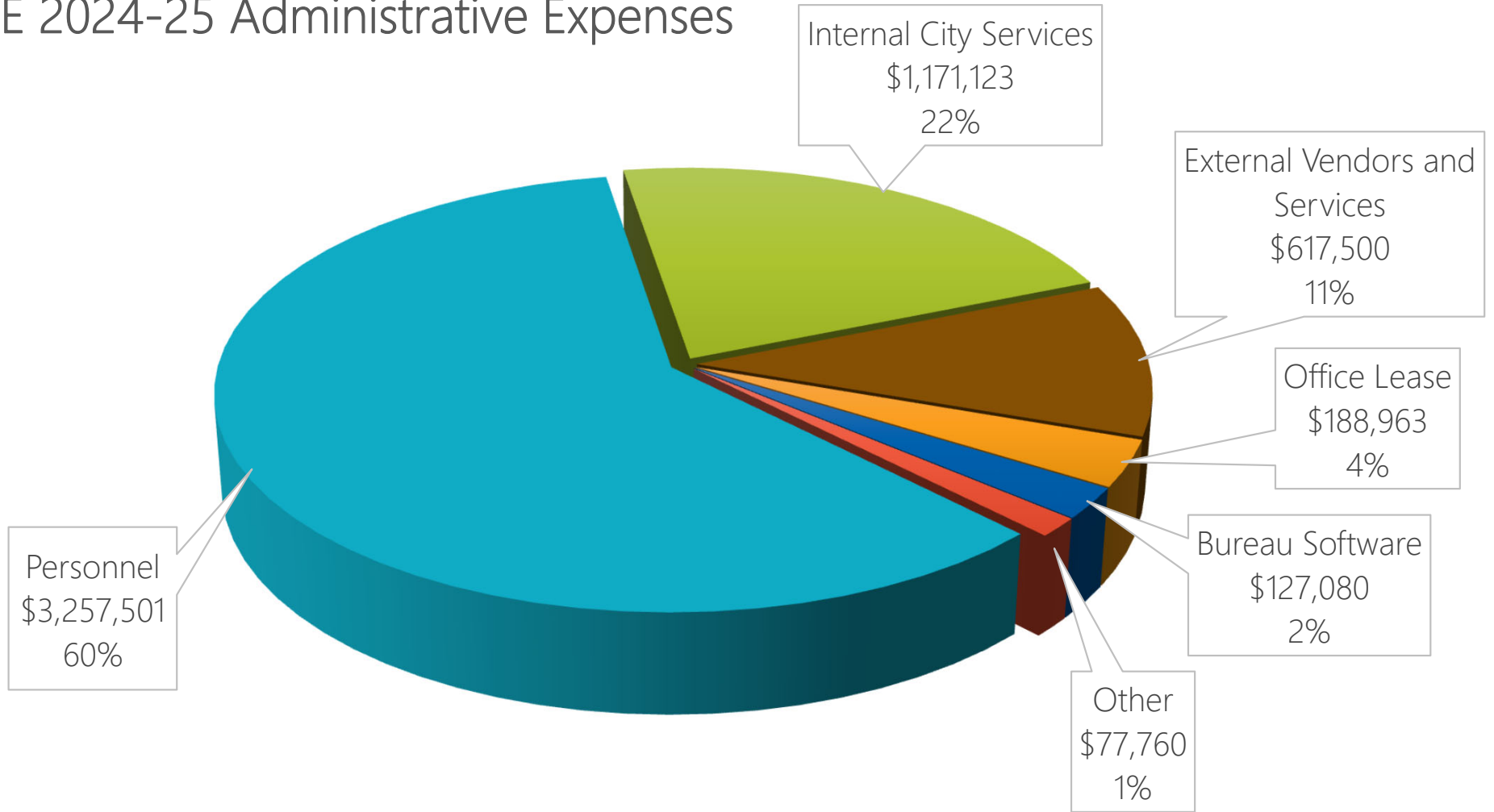
	FYE23 Actuals	FYE24	FYE25	FYE26	FYE27	FYE28	FYE29
FPDR Three Members	<b>798</b>	<b>855</b>	<b>931</b>	<b>1,004</b>	<b>1,080</b>	<b>1,152</b>	<b>1,260</b>
OPSRP Public Safety Contribution Rate	22.72%	24.91%	24.91%	29.91%	29.91%	34.91%	34.91%
IAP Contribution Rate	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
<b>Total PERS Contribution Rate</b>	<b>31.72%</b>	<b>33.91%</b>	<b>33.91%</b>	<b>38.91%</b>	<b>38.91%</b>	<b>43.91%</b>	<b>43.91%</b>
Wage COLAs	5.00%	5.00%	3.70%	2.50%	2.20%	2.00%	2.00%
Promotional Wage Growth	4.60%	4.60%	4.59%	4.59%	4.59%	4.59%	4.59%
Real Wage Growth	0.00%	0.70%	2.68%	0.21%	1.05%	0.00%	0.00%
<b>Total Wage Growth</b>	<b>9.60%</b>	<b>10.30%</b>	<b>10.97%</b>	<b>7.30%</b>	<b>7.63%</b>	<b>6.59%</b>	<b>6.59%</b>

# Benefits: Disability



# Administration: Operating the Plan

## FYE 2024-25 Administrative Expenses



■ Personnel

■ External Vendors and Services

■ Bureau Software

■ Internal City Services

■ Office Lease

■ Other

# Operating the Plan: \$5.46 M for FYE25

## Personnel (60%):

- 18 positions with annual salaries ranging from \$66K - \$198K, plus benefits
- Benefit costs include health insurance (\$6K-\$27K per employee), PERS (26.12%-29.6%), FICA<sup>1</sup> (7.65%), TriMet/PLO<sup>1</sup>/WC (1.2%-1.5%), Walk/Bike Bucks
- Budgeted to increase in FYE25 for:
  - ✓ 3.7% wage COLA and 3.6% health benefit cost increase (estimated)
  - ✓ Pay increases for employees not already at top of wage scale:
    - 2% for non-represented and CPPW employees (estimated)
    - 5.15% for one DCTU employee (actual)

## Internal Materials and Service (22%):

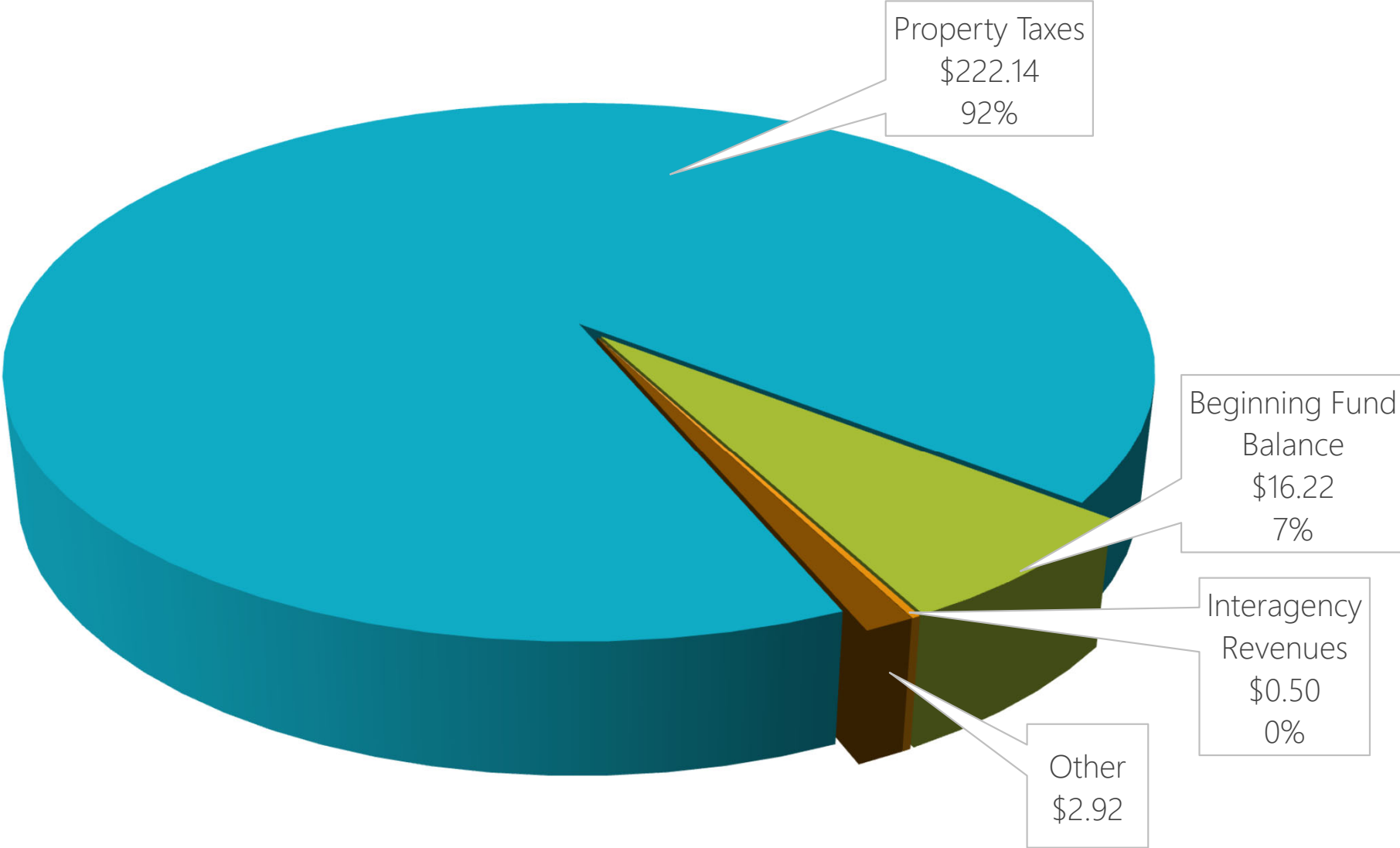
- Largest items: City Attorney's Office (\$352K) and Technology Services (\$244K)
- Growing more than inflation: ↑8.7% for next year
- Growth is DESPITE applying Mayor's 5% cut constraint

## Everything Else (18%):

- Largest items: claim review expenses (\$307K) and office lease (\$189K)
- Growing a bit faster than inflation: ↑6.5% for next year
  - ✓ FYE25 includes fund valuation and levy analysis
  - ✓ Conservative budgeting for software, since only item in capital category

<sup>1</sup> Only paid on wages up to a specified maximum

# FYE25 Revenue Overview (\$ Millions)



■ Property Taxes   ■ Beginning Fund Balance   ■ Interagency Revenues   ■ Other

# • Property Tax Revenues •



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

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- Therefore, property taxes generally grow in line with expenses, adjusted for changes in fund balance
  - Other revenues are too small to impact much

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Expenditure growth for  
FYE25: 10.3%  
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Planned decline in fund  
balance for FYE25: 3.9%  
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Tax revenue growth for  
FYE25: 14.7%

# Property Tax Levy

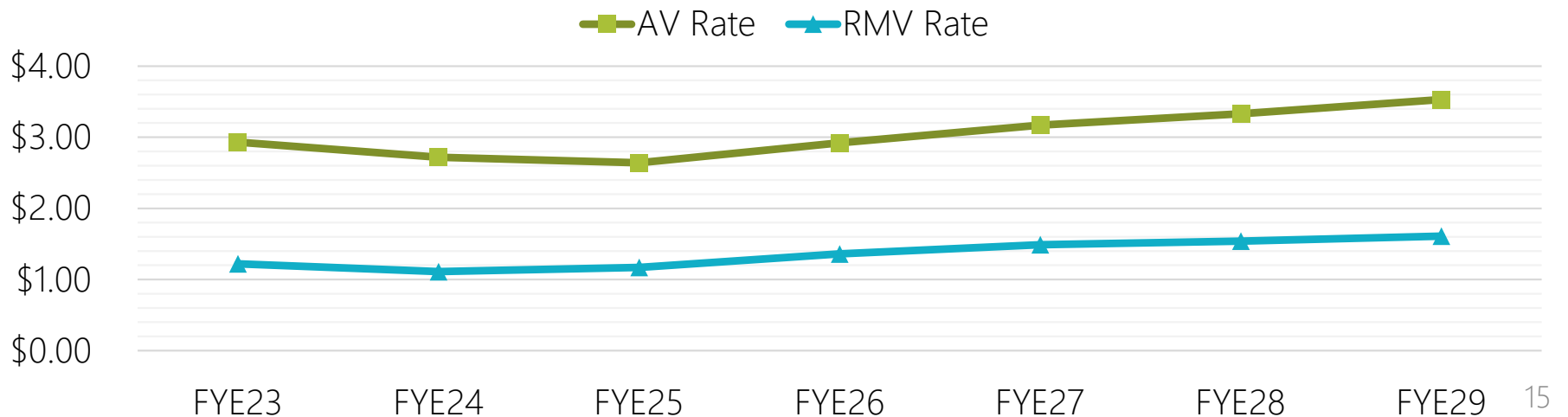
## Major Assumptions and Projections

### PROPERTY TAX LEVY ASSUMPTIONS

	FYE23 Actuals	FYE24	FYE25	FYE26	FYE27	FYE28	FYE29
Real Market Value (RMV) Growth	7.0%	0.0%	0.0%	2.0%	4.0%	4.0%	4.0%
Assessed Value (AV) Growth	4.5%	8.8%	5.0%	2.5%	2.5%	2.5%	4.1%
Compression	-4.5%	-4.0%	-5.0%	-5.3%	-5.3%	-5.3%	-5.5%
Discounts/Delinquencies	-4.6%	-4.7%	-4.7%	-5.0%	-4.7%	-4.5%	-4.5%
RMV (Millions)	\$178,529	\$178,529	\$178,529	\$182,099	\$189,383	\$196,959	\$204,837
AV (Millions)	\$72,889	\$79,274	\$83,250	\$85,319	\$87,440	\$89,615	\$93,331

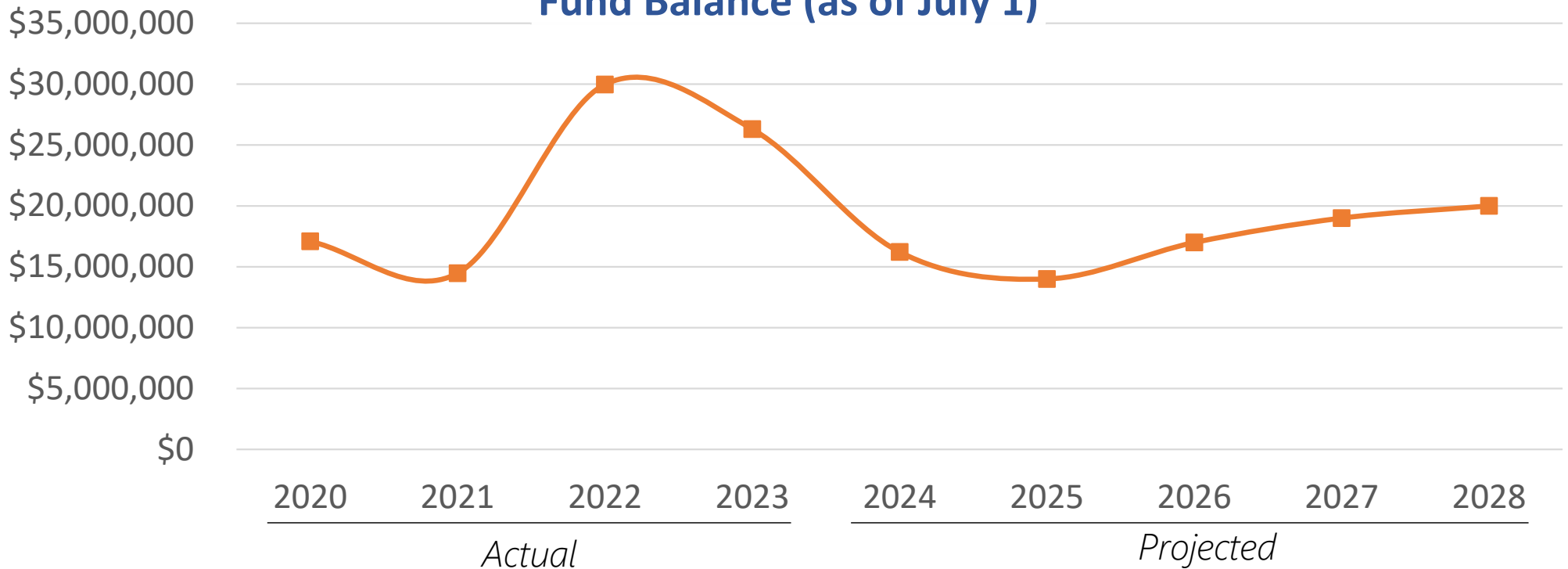
### PROPERTY TAX LEVY PROJECTIONS

	FYE23 Actuals	FYE24	FYE25	FYE26	FYE27	FYE28	FYE29
CY Taxes Required (Millions)	\$181.3	\$191.5	\$220.0	\$243.8	\$262.7	\$286.1	\$309.4
Assessed Value (AV) Tax Rate	\$2.7182	\$2.6403	\$2.9188	\$3.1748	\$3.3276	\$3.5276	\$3.6728
Real Market Value (RMV) Tax Rate	\$1.1098	\$1.1724	\$1.3611	\$1.4875	\$1.5364	\$1.6050	\$1.6735



# Managing the Fund

Fund Balance (as of July 1)



Must pay “overhead” for Citywide services:

- Examples are Emergency Management, Human Resources
- \$145K for FY 2024-25

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New overhead this year, for City restructuring:

- *General*: City Council expansion; new City Administrator and staff
- *Our Service Area*: Deputy City Administrator and staff, perhaps some shared services
- Placeholder in budget for now

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Must manage our own cash flow:

- Example: Issuing TANS
- TAN interest/issuance cost \$1.8 M-\$3.1 M per year, but (usually) more than offset by arbitrage earnings

But also earn interest on our own fund balance:

- \$2.8 M-\$4.6 M per year



# Risks to the Forecast



# • Key Budget Take Aways •



## FYE24 COULD BE SECOND HIGHEST RETIREMENT YEAR ON RECORD

Projecting 85 retirements (49 so far)

Previous high was 106 in FYE21

Many retirements will be in June 2024 (27 pay date month)

Will not know full impact to FYE25 pension budget and Police/Fire hiring projections until start of next fiscal year



## NO RMV GROWTH = HIGHER RMV TAX RATE

City Economist projecting ZERO RMV growth again in FYE25

- ✓ Never projected 0% growth 2 years in row
- ✓ Was 0.15% for FYE24
- ✓ Downtown and commercial concerns

That raises projected FPDR RMV tax rate to \$1.36 for FYE25

- ✓ FYE25 tax rate projected at \$1.33 one year ago and \$1.30 two years ago



## INFLATION TEMPERING, BUT PAST INFLATION BAKED INTO FUTURE COSTS

Inflation expected to continue cooling for next 1 - 2 years and then drop under 2.5%

However, inflation forecasts remain unusually uncertain

Wage increases awarded in response to past inflation will continue to come online for next 3 years



## PERS CONTRIBUTIONS BECOMING REAL BUDGET FACTOR

Now that FPDR 3 members are half the workforce:

- ✓ Volatility from factors like OT have bigger impact
- ✓ Larger overall budget
  - Size also makes volatility harder to manage

As FPDR 3 members age, trying to project promotion and premium assignment rates as well as hiring rates



**Questions?**

**Changes?**



**Future  
Adjustments**

**Motion to Adopt**