



DATE: December 16, 2015
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 15-74
Authorizing a Voluntary Early Retirement Incentive Program

BOARD ACTION REQUESTED

Adopt Resolution No. 7159

ACTION DESCRIPTION

This proposed action by the Portland Development Commission (PDC) Board of Commissioners (Board) would authorize the implementation of a voluntary Early Retirement Incentive Program (ERIP). If approved, the ERIP would offer eligible employees a financial incentive to retire from PDC and allow PDC to realize long-term cost savings.

BACKGROUND AND CONTEXT

With the Portland City Council adoption of an amended Tax Increment Financing Set-Aside Policy for Affordable Housing, PDC is faced with a budget reduction over the next 10 years. Although the budget reductions will be realized over time, it is deemed advisable to explore ways to reduce PDC's administrative overhead in a manner that is least disruptive to staff and operations. As such, the Executive Director is proposing to reduce positions through a combination of attrition (not filling vacant positions) and offering the ERIP. While PDC will not be able to eliminate all positions held by employees electing to retire, in 2013 PDC offered a similar voluntary ERIP program, which ultimately resulted in a reduction of seven staff positions. PDC staff will return to the PDC Board after implementation of the ERIP to discuss which of the vacant positions to eliminate.

COMMUNITY AND PUBLIC BENEFIT

The primary public benefit to the ERIP is the long-term cost savings that provide an opportunity for PDC to invest resources into development, projects, and programs.

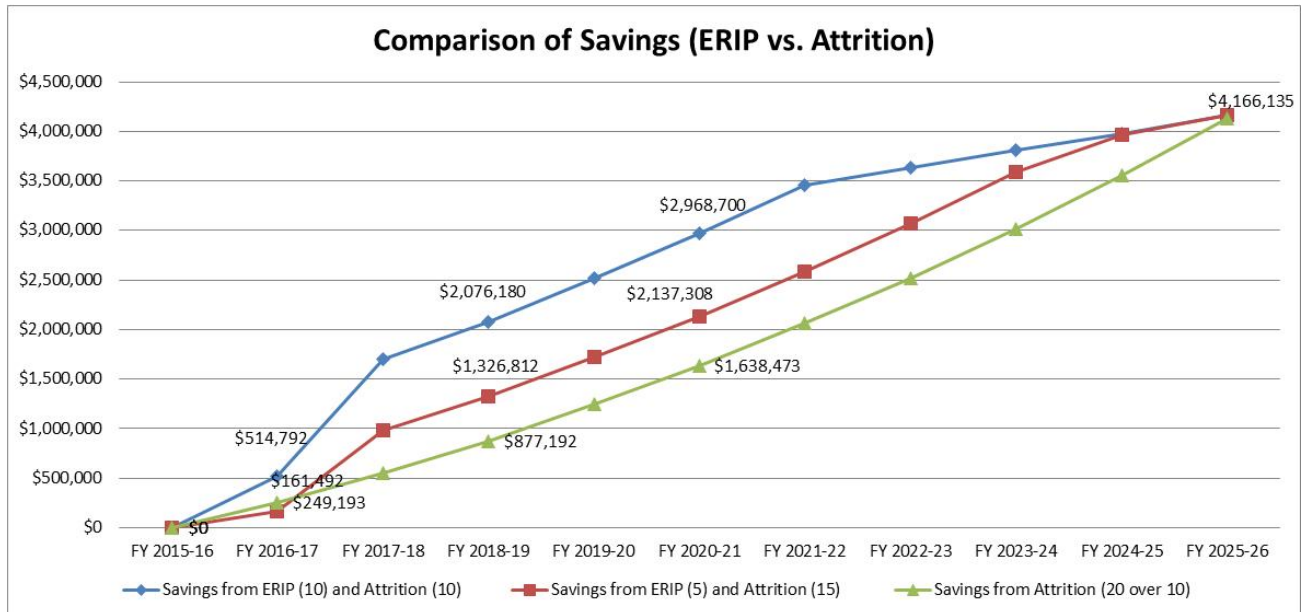
PUBLIC PARTICIPATION AND FEEDBACK

There has been no formal public participation related to this proposed action.

BUDGET AND FINANCIAL INFORMATION

If authorized, the ERIP is estimated to provide greater long-term savings for a reduction in total positions than normal attrition (estimated at two positions per year). The ERIP will require higher one-time costs in the near term to implement with an estimated cost of between \$500,000 and \$800,000 depending on the program benefits and number of employees who participate in the program. However, estimated

savings over the next 10 years could result in \$3,800,000 to \$9,000,000 in additional savings over normal attrition (assuming two positions per year).



- Status-quo (92 positions): \$169M
- Reduce to 72 positions through attrition (20 positions over 10 years): \$149M (\$20M savings)
- Reduce to 72 positions through attrition (net five positions through ERIP; 15 through attrition): \$145M (\$24M savings)
- Reduce to 72 positions through attrition (net 10 positions through ERIP; 10 through attrition): \$140M (\$29M savings)

RISK ASSESSMENT

There are several risks associated with authorizing the ERIP. The primary risk is the loss of institutional knowledge should a significant number of eligible employees enroll in the ERIP. This risk is mitigated by thoughtful transition planning prior to employees’ retirement.

ALTERNATIVE ACTIONS

The PDC Board could choose to not approve the implementation of the ERIP.

ATTACHMENTS

None.