City of San Antonio

Healthcare and Retirement Benefits Task Force Recommendations

City Council "B" Session
February 19, 2014

City Council “B” Session PowerPoint

Healthcare and Retirement Benefits Task Force Recommendations

Presented by: W. Reed Williams, Task Force Chair

City Council "B" Session
February 19, 2014

Task Force Purpose

- Appointed by Mayor and City Council
- Charged with reviewing the cost of healthcare and pension expenses for uniform, civilian and retired City employees
- Created as proactive measure to review City's programs and costs and provide recommendations on how to ensure City maintains a strong financial position for the future

Task Force Members

- W. Reed Williams, Chair
- Celina Burns, Community Business Leader
- Ed White, Community Business Leader
- Rebecca Waldman, City of San Antonio Civilian Retiree Representative
- Randy McGraw, San Antonio Police Officers Association (SAPOA) Representative
- Jerry Clancy, Police and Fire Uniform Retiree Representative
- Rosemary Calvillo, Community Business Leader with Healthcare Expertise

Task Force Members

- Ogden Chamberlain, Service Employees International Union (SEIU) Representative
- Lt. Jerry Cortes, San Antonio Professional Firefighters Association (SAPFFA) Representative
- Buddy Morris, Community Business Leader with Healthcare Expertise
- Sam Dawson, Community Business Leader with Pension Expertise
- Warren Schott, Community Business Leader with Pension Expertise
- Sheryl Sculley, City Manager

Work Performed By Task Force

- Met 8 times beginning on October 28; with three focus areas
- 1. General Fund Revenue and Expense Projections
  - Studied several projections to determine when Public Safety could consume 100% of General Fund Resources
- 2. Pension Benefits and Cost for Civilian and Uniform Employees
- 3. Healthcare Benefits and Cost for active and retired Civilian and Uniform Employees

Work Performed By Task Force

- Independent consultants utilized to review projections, assumptions and provide information
  - Bartel Associates
    - Provided actuarial support
    - Modeled the relationship between public safety expenses to general fund revenues based on historical trends and Task Force assumptions
  - MHBT
    - Provided healthcare expertise to answer Task Force questions
    - Conducted comparative analysis of healthcare costs and benefits

Task Force Meetings

Meeting 1: October 28, 2013

- Presentation by City staff of City's Budget
- Introduction to City's Healthcare and Retirement Plans by City staff
- Request by Chair to receive questions from Task Force members

Task Force Meetings

Meeting 2: November 12, 2013

- Hired Consultant (Bartel Associates)
- Aggregated individual member questions into logical groups
- Assigned the questions to be answered by the consultants or City staff

Task Force Meetings

Meeting 3: December 9, 2013

- Discussion of Task Force Charge by Mayor
- City staff presented review of General Fund Analysis Model
- Consultants answered Task Force questions on healthcare and pension plans
- Fire & Police Pension Fund Chairman presented overview of Fire and Police Pension Fund and the Fire and Police Retiree Healthcare Fund

Task Force Meetings

Meeting 4: December 16, 2013

- City staff presented and discussed the Public Safety cost components from FY 2003 to FY 2014
- Bartel responded to questions and presented clarifications on the pension and pre-paid healthcare components of Public Safety Costs
- Warren Schott presented an e-mail sent to the Task Force on December 12, 2013 regarding Pension, Pre-Funded Healthcare, and General Fund Comparison to other cities
- MHBT responded to additional questions from the Task Force on healthcare

Task Force Meetings

Meeting 5: January 6, 2014

- City staff responded to questions from the Task Force on pension and healthcare benefits
- Consultants responded to questions on pension and healthcare raised at December 16th meeting
- Bartel presented General Fund Model scenarios comparing historic and projected Public Safety expenses to General Fund revenues
- Task Force discussed scenarios and assumptions and requested additional scenarios

Task Force Meetings

Meeting 6: January 13, 2014

- Bartel presented the updated model scenarios
- Task Force discussed individual scenarios
- Task Force initiated discussion on potential recommendations to City Council
- Task Force members were asked to provide City staff their recommendations for documentation and discussion

Task Force Meetings

Meeting 7: January 27, 2014

- Task Force discussed recommendations in four categories
  - Policy and Budget, Pension, Pre-Funded Healthcare, and Active healthcare,
- Task Force agreed on 7 categories for healthcare recommendations
  - Adequacy of benefits or benefits design
  - Premium contribution levels
  - Wellness Strategy
  - Negotiate Uniform Healthcare Plan Design and Healthcare Premiums as part of Collective Bargaining Agreement
  - Stop-loss insurance Annual Reviews
  - Dependent Audits
  - Other Healthcare Recommendations

Task Force Meetings

Meeting 8: February 3, 2014

- Developed final recommendations for Mayor and City Council

FINDINGS & RECOMMENDATIONS

Task Force Recommendations

- 9 main recommendations developed by Task Force
  - 86 individual recommendations submitted
- Recommendations organized in 4 areas:
  - Policy and Budget
  - Pension
  - Pre-Funded Uniform Retiree Healthcare
  - Healthcare
- Comprehensive Report including main recommendations, individual Task Force members recommendations and comments provided to the City Council today and posted on City's website

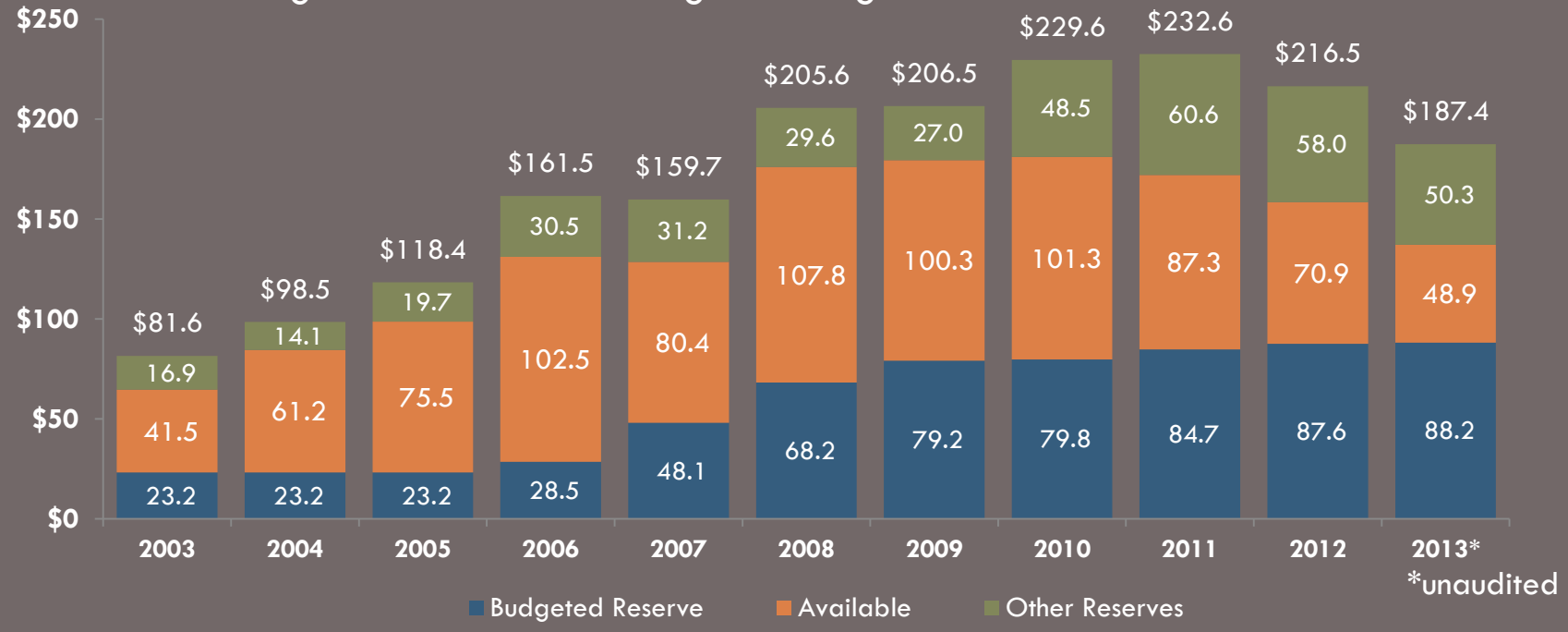
General Fund Revenue and Expense Analysis - Findings

- Over the past 10 years, Public Safety spending has grown faster than General Fund revenues

Category	2003 to 2013 Compounded Annual Growth Rate (CAGR)
General Fund Operating Revenues	4.1%
General Fund Expenses	4.8%
Total Public Safety Expenses	5.6%
Uniform Compensation	*5.6%*
Uniform Pension	*5.1%*
Uniform Pre-Fund Retiree Healthcare	*5.2%*
Uniform Active Healthcare	*9.2%*
Non-Personnel cost	*5.8%*
Total Non- Public Safety Expenses	3.4%

General Fund – Fund Balance

- General Fund Fund Balance has decreased since FY 2011
- Moody's cited lower General Fund ending balance as a challenge for the City to maintain current bond rating. Affirmed AAA Rating with Negative Outlook



[1] **Other Reserves include Reserve for Encumbrances, Inventories of Materials and Supplies, Prepaids, and Designations.**

[2] **Beginning FY 2011, GASB 54 implemented, which restructured financial reporting by adding certain funds (Parks Acquisition, Economic Development Incentive, Job Training, etc.) and removing the Public Education Government Channel fund.**

Policy and Budget Recommendations

- Task Force Recommends that the City Council establish policies and approve budgets that assure Public Safety expenses are managed in a balanced manner to the General Fund revenues and to the expenditures

Uniform Pension - Findings

- Police & Fire Pension Fund is recognized as well managed and well funded
- Uniform Pension expenses are only growing slightly greater than General Fund revenues
- Contribution Rates
  - City contribution: 24.64%
  - Uniform employee contribution:12.32%

Pension - Recommendations

- The Task Force recognizes the Police & Fire Pension Fund is well managed and well-funded, pension contributions are only slightly growing more when compared to General Fund revenues (.03% per annum)
- The Task Force recommends that the City continue to study active compensation and retirement benefits (i.e. wages and pension) and submit those recommendations to the City Council through the Intergovernmental Relations City Council Committee as part of a future City of San Antonio legislative program with disclosure to the Fire and Police Pension Fund Board

Pension - Recommendations

- City currently maintains Budgeted Financial Reserves at 9% of General Fund Appropriations

- It is recommended that the City Council considers increasing the General Fund Budgeted Financial reserves and General Fund Uncommitted Cash to a minimum of 15% of General Fund Annual Appropriations

Pre-Funded Uniform Retiree Healthcare Benefits

- Contribution Rates
  - City contribution: 9.4%
  - Uniform employee contribution: 4.7%
- Changes made to Pre-Funded Healthcare as required by State Statue
  - Increases to Out of Pocket Maximums and Deductibles
- Other changes made by Retiree Healthcare Board
  - Generic Prescriptions

Pre-Funded Uniform Retiree Healthcare Recommendations

- Task Force recommends that the City continue to study pre-funded healthcare for retirees including the exploration of bridge insurance options under Affordable Care Act
- Strategies should be presented to the City Council through the Intergovernmental Relations City Council Committee as part of a future City of San Antonio legislative program with disclosure to the Fire and Police Retiree Healthcare Fund Board

Healthcare - Findings

- San Antonio is the only major City in Texas where uniform employees pay $0 healthcare premiums for themselves and their dependents
- Civilian employees pay on average 30% of their total healthcare cost, uniform employees pay 9%. National average is 43%
  - Austin, Houston, Ft. Worth, and Dallas have the same healthcare plans for uniform and civilians
- Civilian employees on average have 1.2 dependents, Uniform employees have 2.3. National norm is 1.2 dependents

Healthcare Recommendations

- **1: Adequacy of Benefits (Healthcare Plan Design)**
  - Task Force recognizes that the uniformed healthcare benefits are richer by a large margin than civilian employees, peer cities in Texas and private employers in San Antonio, as a result of mutually collectively bargained agreements
  - It is recommended that City Council directs City staff to review adjusting the uniformed level of healthcare benefit to more closely align with civilians, other peer cities, and public and private employers in San Antonio

Healthcare Recommendations

- **2: Healthcare Contributions (Premiums):**
  - The Task Force recognizes that the uniformed contribution levels are richer by a large margin than civilian employees, peer cities in Texas, and private employers in San Antonio as a result of mutually collectively bargained agreements
  - It is recommended that City Council directs City staff to review adjusting the uniformed contribution levels to more closely align with civilians, other peer cities, and public and private employers in San Antonio

Healthcare Recommendations

- **3: Wellness.** Task Force recommends a vigorous Wellness Strategy for all City employees

- **4: Negotiate Uniform Healthcare Plan Design and Healthcare Premiums as part of Collective Bargaining Agreement**
  - Controlling healthcare costs should be a priority in the next round of collective bargaining negotiations

Healthcare Recommendations

- **5: Stop-Loss:** Continue annual analysis of stop-loss insurance

- **6: Dependent Audits:** Implement regular dependent audits of all City employees

Healthcare Recommendations

- **7: Other Healthcare Recommendations**
  - The City should expand on current education and outreach efforts to explain healthcare changes and to help employees become better consumers of healthcare
  - Seek out potential collaborations or partnerships with healthcare providers such as UHS to provide additional access for employees

Conclusions and Questions

General Fund Revenues and Expenses
FY 2003 – FY 2013

General Fund Revenues and Expenses - FY 2003 to FY 2013

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	2003 to 2013 Compounded Annual Growth Rate (CAGR)
Beginning Balance [1]												
Beginning Balance	$ 45.46	$ 41.48	$ 61.24	$ 75.54	$ 102.52	$ 80.30	$ 85.07	$ 72.04	$ 63.02	$ 19.23	$ 8.28	
Accounting Adjustment	-	2.88	(17.60)	(10.72)	(0.85)	2.28	2.56	3.90	(2.58)	2.39	6.41	
Adjustment for Allocation of Healthcare Cost in Self Insurance Fund	11.06	16.03	0.64	(1.09)	(3.77)	3.77	10.24	10.25	1.33	9.32	16.43	
Use of 2-Year Balanced Budget Reserve							22.71	28.27	38.33	76.87	68.89	
Use of Reserve for 50 Police Officers - COPS Grant											2.25	
Total Beginning Balance	**$ 56.53**	**$ 60.39**	**$ 44.28**	**$ 63.73**	**$ 97.91**	**$ 86.35**	**$ 120.57**	**$ 114.46**	**$ 100.10**	**$ 107.81**	**$ 102.27**	
General Fund Operating Revenues [2]	**$ 627.25**	**$ 645.12**	**$ 707.28**	**$ 773.28**	**$ 792.77**	**$ 885.40**	**$ 860.12**	**$ 877.21**	**$ 907.51**	**$ 919.33**	**$ 938.61**	**4.1%**
General Fund Expenses												
Public Safety												
Uniform Personnel Expense												
Compensation	$ 201.86	$ 217.90	$ 227.97	$ 243.60	$ 258.15	$ 278.00	$ 294.52	$ 306.46	$ 314.91	$ 326.90	$ 348.08	**5.6%**
Pension	44.06	47.37	49.05	50.83	54.10	57.24	61.56	63.50	65.79	68.67	72.27	**5.1%**
Pre-Funded Healthcare	15.02	16.44	17.04	17.43	18.56	19.79	21.30	21.93	23.53	23.91	25.04	**5.2%**
Active Healthcare	21.46	26.79	26.36	29.41	28.51	31.36	33.73	36.87	41.93	43.56	51.71	**9.2%**
Legal, Dental & Vision Insurance	4.61	4.63	4.56	4.70	4.72	4.81	4.94	5.08	5.09	5.10	5.31	**1.4%**
Medicare & Life Insurance	2.81	2.96	3.16	3.28	3.49	3.60	3.85	3.97	4.11	4.29	4.52	**4.9%**
Subtotal: Uniform Personnel	**$ 289.81**	**$ 316.09**	**$ 328.14**	**$ 349.24**	**$ 367.53**	**$ 394.79**	**$ 419.90**	**$ 437.81**	**$ 455.35**	**$ 472.44**	**$ 506.92**	**5.8%**
Civilian Public Safety Personnel Expense												
Compensation (Wages & Other Pays)	$ 27.63	$ 21.78	$ 22.98	$ 23.71	$ 25.85	$ 28.44	$ 31.43	$ 30.78	$ 32.80	$ 35.11	$ 38.12	**3.3%**
Pension TMRS and Social Security	3.93	3.62	3.92	4.20	4.62	5.03	5.66	5.71	5.86	5.61	6.23	**4.7%**
Active Healthcare	2.84	3.29	2.91	3.25	3.70	3.17	3.70	4.62	4.18	5.01	5.26	**6.4%**
Pay-As-You-Go Retiree Healthcare	0.72	0.79	0.86	1.05	1.05	1.07	1.11	0.90	0.91	0.78	0.70	**-0.2%**
Medicare & Life Insurance	0.48	0.41	0.39	0.44	0.46	0.45	0.47	0.46	0.49	0.52	0.56	**1.6%**
Subtotal: Civilian Public Safety Personnel	**$ 35.59**	**$ 29.89**	**$ 31.05**	**$ 32.64**	**$ 35.67**	**$ 38.16**	**$ 42.37**	**$ 42.46**	**$ 44.24**	**$ 47.03**	**$ 50.88**	**3.6%**
Non-Personnel Public Safety Support Expense [3]	54.85	53.48	61.91	66.09	73.90	76.94	82.98	87.79	95.93	93.33	96.08	**5.8%**
Total Public Safety Cost	**$ 380.26**	**$ 399.46**	**$ 421.10**	**$ 447.98**	**$ 477.10**	**$ 509.89**	**$ 545.24**	**$ 568.06**	**$ 595.52**	**$ 612.80**	**$ 653.89**	**5.6%**
Non-Public Safety Expenses												
Civilian Personnel Expense												
Compensation (Wages & Other Pays)	$ 78.11	$ 79.96	$ 91.59	$ 96.22	$ 88.44	$ 92.81	$ 93.81	$ 102.04	$ 96.87	$ 106.70	$ 109.53	**3.4%**
Pension TMRS & Social Security	13.42	13.82	15.96	16.76	15.31	15.83	16.75	17.37	17.71	16.32	17.08	**2.4%**
Active Healthcare	12.90	14.89	12.74	14.06	14.22	11.57	12.54	14.43	13.27	15.16	15.49	**1.8%**
Pay-As-You-Go Retiree Healthcare	3.28	3.60	3.76	4.54	4.02	3.89	3.78	2.82	2.90	2.35	2.07	**-4.5%**
Medicare & Life Insurance	1.28	1.31	1.48	1.55	1.41	1.52	1.43	1.55	1.48	1.62	1.70	**2.9%**
Subtotal: Civilian Personnel	**$ 108.97**	**$ 113.57**	**$ 125.53**	**$ 133.15**	**$ 123.41**	**$ 125.62**	**$ 128.31**	**$ 138.20**	**$ 132.22**	**$ 142.16**	**$ 145.86**	**3.0%**
Non-Personnel Services Cost[3]	129.89	131.24	129.38	148.00	190.28	208.40	195.85	183.38	178.94	192.08	189.32	**3.8%**
Total Non-Public Safety Cost	**$ 238.87**	**$ 244.81**	**$ 254.92**	**$ 281.15**	**$ 313.69**	**$ 334.02**	**$ 324.16**	**$ 321.58**	**$ 311.16**	**$ 334.24**	**$ 335.18**	**3.4%**
Total General Fund Expenses[4]	**$ 619.13**	**$ 644.27**	**$ 676.02**	**$ 729.13**	**$ 790.79**	**$ 843.91**	**$ 869.40**	**$ 889.64**	**$ 906.68**	**$ 947.05**	**$ 989.06**	**4.8%**
Ending Balance	**$ 64.65**	**$ 61.24**	**$ 75.54**	**$ 107.88**	**$ 99.89**	**$ 127.83**	**$ 111.30**	**$ 102.03**	**$ 100.93**	**$ 80.09**	**$ 51.81**	
Less Budgeted Financial Reserves (Incremental Amount)	23.17			5.36	19.59	20.05	10.99	0.68	3.58	1.91	2.84	
Reserve for 2-Year Balanced Budget Plan						22.71	28.27	38.33	76.87	68.89	6.84	
Ending Balance	**$ 41.48**	**$ 61.24**	**$ 75.54**	**$ 102.52**	**$ 80.30**	**$ 85.07**	**$ 72.04**	**$ 63.02**	**$ 19.23**	**$ 8.28**	**$ 42.14**	
Total Budgeted Financial Reserves	$ 23.17	$ 23.17	$ 23.17	$ 28.53	$ 48.12	$ 68.17	$ 79.16	$ 79.84	$ 83.42	$ 85.33	$ 88.17	
Reserves as % of General Fund Revenues	**4%**	**4%**	**3%**	**4%**	**6%**	**8%**	**9%**	**9%**	**9%**	**9%**	**9%**	
Public Safety as a % of Revenue	**60.6%**	**61.9%**	**59.5%**	**57.9%**	**60.2%**	**57.6%**	**63.4%**	**64.8%**	**65.6%**	**66.7%**	**69.7%**	

Notes

1. General Fund Beginning Balance adjusted for actual employee healthcare expenses incurred in the Self Insurance Fund. Accounting Adjustment represents the change in Commitments, Carry forwards and Inventory at the end of each fiscal year.

2. General Fund Revenues adjusted for EMS activity from FY 2003 to FY2007. Prior to FY 2008 EMS was a separate fund and in FY 2008 it was incorporated into the General Fund. For purposes of this analysis General Fund Revenues and Expenses have been adjusted to reflect EMS activity prior to FY 2008.

3. Non-Personnel Cost includes Equipment Cost, Facilities Maintenance, Technology Support, Tools and Supplies.

4. General Fund Expenditures adjusted for EMS activity from FY2003 to FY2007. Prior to FY2008 EMS was a separate fund and in FY 2008 it was incorporated into the General Fund. Expenses also adjusted for the actual cost of healthcare which is recorded in a Self Insurance Fund.

Healthcare & Retirement Benefits Task Force Recommendations

City of San Antonio

HEALTHCARE & RETIREMENT BENEFITS TASK FORCE
Recommendations Summary
Presented to Mayor and City Council

February 19, 2014

City of San Antonio
Healthcare and Retirements Benefits Task Force
Recommendations for Mayor and Council Consideration

Submitted by:
W. Reed Williams, Task Force Chair

Celina Burns
Community Business Leader

Rebecca Waldman
City of San Antonio Civilian Retiree Representative

Jerry Clancy
Police and Fire Uniform Retiree Representative

Ogden Chamberlain
Service Employees International Union (SEIU) Representative

Buddy Morris
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Warren Schott
Community Business Leader with Pension Expertise

Ed White
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Randy McGraw
San Antonio Police Officers Association (SAPOA) Representative

Rosemary Calvillo
Community Business Leader with Healthcare Expertise

Lt. Jerry Cortes
San Antonio Professional Firefighters Association (SAPFFA) Representative

Sam Dawson
Community Business Leader with Pension Expertise

Sheryl Sculley
City Manager

City of San Antonio
Healthcare and Retirements Benefits Task Force
Recommendations for Mayor and Council Consideration

This report transmits the recommendations made by the Task Force. The recommendations below were developed by the Task Force at the February 3, 2014 meeting and are intended to provide the Mayor and City Council with a summary of the individual recommendations made by every member. Subsequent pages of the report provide the individual, detailed recommendations made by each Task Force Member.

Task Force Summary Recommendations Developed on February 3, 2014

Policy and Budget:

Public Safety expenses have been growing faster than the General Fund revenues. It is recommended that the City Council establish policies and approve budgets that assure Public Safety expenses are managed in a balanced manner to the General Fund revenues and to the expenditures.

Pension: [1]

The Task Force recognizes the Police & Fire Pension Fund is well managed and well-funded, pension contributions are only slightly growing more when compared to General Fund revenues (.03% per annum). The Task Force recommends that the City continue to study active compensation and retirement benefits (i.e. wages and pension) and submit those recommendations to the City Council through the Intergovernmental Relations City Council Committee as part of a future City of San Antonio legislative program with disclosure to the Pension Board.

Pre-Fund Uniform Healthcare: [1]

The Task Force recommends that the City continue to study pre-funded healthcare for retirees including the exploration of bridge insurance options. Strategies should be presented to the City Council through the Intergovernmental Relations City Council Committee as part of a future City of San Antonio legislative program with disclosure to the Pre-Fund Board.

Healthcare

Adequacy of Benefits (Healthcare Plan Design): The Task Force recognizes that the uniformed healthcare benefits are richer by a large margin than civilian employees, peer cities in Texas and private employers in San Antonio, as a result of mutually collectively bargained agreements. It is recommended that City Council review adjusting the uniformed level of healthcare benefit to more closely align with civilians, other peer cities, and public and private employers in San Antonio.

Healthcare Contributions (Premiums): The Task Force recognizes that the uniformed contribution levels are richer by a large margin than civilian employees, peer cities in Texas, and private employers in San Antonio as a result of mutually collectively bargained agreements. It is recommended that City Council review adjusting the uniformed contribution levels to more closely align with civilians, other peer cities, and public and private employers in San Antonio.

Wellness: We recommend a vigorous Wellness Strategy for all City employees.

Notes:

[1] ***Uniform pension and pre-fund healthcare are governed by State Statute and any changes would require legislative action***

Task Force Summary Recommendations Developed on February 3, 2014 (continued)

Negotiate Uniform Healthcare Plan Design and Healthcare Premiums as part of Collective Bargaining Agreement: Controlling healthcare costs should be a priority in the next round of collective bargaining negotiations.

Stop Loss: Continue annual analysis of stop-loss insurance.

Dependent Audits: Implement regular dependent audits of all City employees.

Individual Task Force Member Recommendations

Pages 5 through 20 of this report provide the recommendations made by individual Healthcare and Retirement Benefits Task Force members. Recommendations are organized into the following Topics and Categories:

TOPIC - Policy and Budget
TOPIC - Pension
TOPIC - Pre-Fund Uniform Healthcare
TOPIC - Healthcare

Healthcare Categories

(1) Adequacy of Benefits (Healthcare Plan Design)

(2) Healthcare Contributions (Premiums)

(3) Wellness

(4) Negotiate Uniform Healthcare Plan Design and Healthcare Premiums as part of Collective Bargaining Agreement

(5) Stop Loss

(6) Dependent Audits

(7) Miscellaneous

City of San Antonio
Healthcare and Retirements Benefits Task Force
Recommendations for Mayor and Council Consideration

Topic: Policy and Budget

Task Force Recommendation: Public Safety expenses have been growing faster than the General Fund revenues. It is recommended that the City Council establish policies and approve budgets that assure Public Safety expenses are managed in a balanced manner to the General Fund revenues and to the expenditures.

Individual Task Force Member Recommendations	Task Force Member
1. Public Safety budget as a % of the General Fund Budget	
a. Utilize the Bartell Model to develop a financial plan to obtain the target ratio to be established by Council between Public Safety expenses and General Fund revenues	Reed Williams
b. I recommend that the Public Safety Budget not exceed 60 percent of the total General Fund Budget and develop a policy and guidelines to maintain proper "healthy city" guidelines.	Sam Dawson
c. Consider a policy recommendation that public safety budget growth cannot exceed general fund revenue growth in a given year.	Sheryl Sculley
d. Establish guidelines for the amount of the public safety budget as a percentage of the general fund.	Sheryl Sculley
e. Recommend to the City Council that Public Safety in total, not just salaries, does not exceed a percentage of General Fund Revenues.	Reed Williams
f. I recommend that Wage rates, salaries and specialty pay established in the Collective Bargaining Agreement should include appropriate "stop-gaps" to ensure personnel costs, pension plan contributions, and pre-paid healthcare contributions do not grow at a rate faster than the City revenue.	Sam Dawson
2. Create an ongoing legacy cost task force to continue to study and recommend strategies to reduce the costs for pension and healthcare for civilian and uniform employees.	Sheryl Sculley

Topic: Policy and Budget (continued)

Individual Task Force Member Recommendations	Task Force Member
3. Police and Fire Personnel Staffing Levels	
a. There was a large growth in public safety personnel between 2006 and 2011. That growth should be adjusted so that future trends do not incorporate one-time personnel increases.	Warren Schott
b. City Council and the community should discuss what level of staffing is required to best protect its citizens. In recent Council surveys, public safety is the number one priority and being a large percentage of the budget reflects that priority. If a reduction in personnel is considered, then community should understand effect on response time and service.	Warren Schott
c. Any increases in public safety are a direct result of citizens and Council asking for more fire and police protection. I have asked for but never received the increases in Fire and Police over the last 6 years or more (partially paid by Obama) and that's why public safety costs are increasing faster than the revenue growth.	Jerry Clancy
d. The current staffing procedure, officers per capita is not the right way to fight crime it's no longer approved by anyone but SAPD and it is the most expensive of all.	Jerry Clancy
e. If this committee does anything let’s get the true number of San Antonio fire and police the citizens are actually funding, not budgeted vs actual.	Jerry Clancy
f. In closing, we should demand the actual number of sworn police officers and fire fighters we have. For anyone to say we have 2.11 police officers per 1000 citizens, shows their desire to mislead the people of San Antonio. Park Rangers, Airport Police and School District Police do not make house calls. Do the math 2.11 officers per 1,000 citizens would equal 2,954 Officers. That will not happen.	Jerry Clancy
4. Recent charts provided by staff segregating costs of public safety indicate that in addition to health care there are other areas of the public safety budget that are increasing faster than General Revenues. Management should implement cost-controls so those expenses do not grow faster than General Revenues.	Warren Schott

City of San Antonio
Healthcare and Retirements Benefits Task Force
Recommendations for Mayor and Council Consideration

Topic: Policy and Budget (continued)

Individual Task Force Member Recommendations	Task Force Member
5. The City should create a formal strategy and policy for Total Compensation for all classes of employees. Total Compensation Statements should be considered for all employees.	Randy McGraw
6. Comprehensive compensation study that includes both civilian and uniform employees	Task Force Recommendation
7. Maintaining the City's excellent bond rating should be a top priority for a future task force and collective bargaining session's discussions. By doing so, this provides an independent and objective view of the City's financial well being and allows the City to finance its priorities, infrastructure, public safety equipment and vehicles at the lowest rates possible.	Ed White

City of San Antonio
Healthcare and Retirements Benefits Task Force
Recommendations for Mayor and Council Consideration

Topic: Pension

Task Force Recommendation: The Task Force recognizes the Police & Fire Pension Fund is well managed and well-funded, pension contributions are only slightly growing more when compared to General Fund revenues (.03% per annum). The Task Force recommends that the City continue to study active compensation and retirement benefits (i.e. wages and pension) and submit those recommendations to the City Council through the Intergovernmental Relations City Council Committee as part of a future City of San Antonio legislative program with disclosure to the Pension Board.

Individual Task Force Member Recommendations	Task Force Member
8. I recommend a tiered pension plan program that could establish varying contribution rates and healthcare benefits. Different contribution rates and/or "base plans" should be established.	Sam Dawson
9. Develop a more balanced Pension contribution rate	
a. Develop a more balanced approach for making contributions to the pension fund and pre-paid healthcare plan. Contribution rates should not be independent of portfolio growth rates.	Sam Dawson
b. Develop a more equitable contribution structure by the City to civilian and uniform pensions. The City currently contributes approximately 12% of civilian employee pay to the Texas Municipal Retirement System (TMRS). In addition, the City contributes 6.2% toward Social Security for a total of approximately 18.2% toward a civilian's retirement. The City currently contributes 24.64% of uniform pay to the Fire and Police Pension Fund (no Social Security), or 6.44% more than is contributed by the City for civilian pensions.	Rebecca Waldman
10. The report (by Shawn Ury) clearly shows that Pension and Prefund Healthcare are NOT driving the cost of "Public Safety" in the budget and should be removed from any further discussion.	Jerry Cortes
11. The Pension Fund is only slightly growing when compared to General Fund revenues (.03% per annum) and therefore is not a large contributor to increases in "legacy costs" or public safety expenditures. The Fund is well-managed, strategically balanced to avoid market downturns, and the assumed rate of return is conservative. The Pension Fund is a key component to recruiting and retaining qualified public safety personnel. Because of it 95% funding status, it also contributes to the AAA bond rating of the City.	Warren Schott

City of San Antonio
Healthcare and Retirements Benefits Task Force
Recommendations for Mayor and Council Consideration

Topic: Pension (continued)

Individual Task Force Member Recommendations	Task Force Member
12. Analyze information from the SA Fire & Police Pension Fund to determine the average pension annuity by years of service as well as any lump sum distributions for current uniform retirees and beneficiaries. Compare this with the same information for both civilian and uniform retirees who have retired in the last five years.	Rebecca Waldman
13. Consideration should be given to increasing TMRS contributions for current civilian employees to the maximum amount allowed: 7% by civilian employees and 14% by the City. This would begin to reduce the gap between the City's contribution for civilian and uniform employees.	Rebecca Waldman
14. Develop a proactive legislative strategy to assure that civilian retirees have TMRS cost-of-living increases on which they can rely. This could include addressing the current retroactive vs. ad hoc nature of TMRS COLA increases, linking retirees' annual COLA increases to the same amount given to active employees, as opposed to 70% of COLA CPI, or a link to some other benchmark, etc. Civilian retirement annuities have not grown sufficiently to offset double-digit annual increases in the cost of healthcare benefits.	Rebecca Waldman

City of San Antonio
Healthcare and Retirements Benefits Task Force
Recommendations for Mayor and Council Consideration

Topic: Pre-Fund Uniform Healthcare

Task Force Recommendation: The Task Force recommends that the City continue to study pre-funded healthcare for retirees including the exploration of bridge insurance options. Strategies should be presented to the City Council through the Intergovernmental Relations City Council Committee as part of a future City of San Antonio legislative program with disclosure to the Pre-Fund Board.

Individual Task Force Member Recommendations	Task Force Member
15. Eliminate pre-funded employee healthcare.	Sam Dawson
16. Study the possibility of an alternative to the current uniform pre-paid healthcare program. One possibility could be for the City to purchase an insurance policy for eligible uniform employees at retirement until age 65 and a supplemental Policy after age 65.	Reed Williams
17. Retiree Health Care Fund likewise is not growing as compared to General Fund revenues (.002% per annum) and is not a contributor to increases in "legacy costs" or public safety expenditures. The "pre-funding" of Fire and Police retiree health care is very beneficial and better than "pay-as-you-go" plans, which is the case in most American cities. Members are required to contribute for 30-years, regardless of years of service, while City only contributes while members are employed by City. City's exposure for fire and police retiree health care is limited as the Fund must provide health care to its members w/out additional contributions from the City. Dependents of retirees pay full costs of health care.	Warren Schott
Note: Recommendation #10 also applies to this topic.	

City of San Antonio
Healthcare and Retirements Benefits Task Force
Recommendations for Mayor and Council Consideration

Topic: Healthcare
Category 1: Adequacy of Benefits

Task Force Recommendation: The Task Force recognizes that the uniformed healthcare benefits are richer by a large margin than civilian employees, peer cities in Texas and private employers in San Antonio, as a result of mutually collectively bargained agreements. It is recommended that City Council review adjusting the uniformed level of healthcare benefit to more closely align with civilians, other peer cities, and public and private employers in San Antonio.

Individual Task Force Member Recommendations	Task Force Member
18. Reduce the "richness" of the insurance plan for public safety employee dependents.	Sam Dawson
19. Adjust uniform benefits to match or more closely resemble civilians	
a. Adjust adequacy of Benefits to match that of peers and civilian employees.	Buddy Morris
b. Plan design changes for civilian and uniform employees - offer equal medical plan design/options (co-pays, deductibles, out of pocket expenses, out of network costs, etc.).Provide same consumer-driven healthcare options	Rosemary Calvillo
c. Evaluate the benefits/savings that would accrue if active uniform & civilian employees as well as uniform and civilian retirees are all in one large health insurance pool.	Rebecca Waldman
20. Continue to offer Out of Network benefits at a reduced rate of coverage.	Rebecca Waldman
21. Increase the City's percentage contribution toward current civilian retiree health benefits. Current City contribution for retirees is an average of 70% as opposed to an average of 80% for pre-2009 active civilian employees.	Rebecca Waldman
22. The City should investigate private exchanges with insured risk characteristics and consider a defined contribution approach as opposed to a defined benefit approach	Randy McGraw
23. Cost sharing premium strategy employer/employee split - 1 to 3 years (i.e.). Year 1 - 85/15 split; Year 3 – 80/20 split.	Rosemary Calvillo
24. Evaluate an option of "dependents/employer option first" policy.	Sam Dawson

Category 1: Adequacy of Benefits (continued)

Individual Task Force Member Recommendations	Task Force Member
25. Consumer Driven Health Plan (CDHP) and Health Savings Account (HSA)	
a. Offer a Consumer Driven Healthcare Plan option for both civilian and uniform employees, but provide at least one other affordable option for those who want more traditional coverage.	Rebecca Waldman
b. Both civilian and public safety policies should provide for consumer-driven healthcare options	Sam Dawson
c. Consider converting the uniform/non-civilian plan to a consumer-driven plan commensurate with the civilian City of San Antonio associates. Optimally, the plan would include an HSA	Celina Burns
d. Expand the city's offering of Consumer Driven Healthcare Plans and Health Savings Accounts to uniform employees.	Sheryl Sculley
e. The City should consider contributions to employee accounts to promote Consumerism	Randy McGraw
26. Spousal surcharge	
a. Charge more for spouses (if they are employed and their employer offers health insurance).	Rosemary Calvillo
b. Adopt a spousal surcharge for spouses who have alternate coverage options.	Rebecca Waldman
c. Add a health plan benefit eligibility requirement that precludes dependent spouses who are eligible for benefits as an active employee through their respective employer to be eligible for coverage as a dependent spouse under the City of San Antonio plan.	Celina Burns
27. Develop policies to reduce uniform dependent ratios such as: A) Requiring retired uniform employees who after retirement obtain other employment to utilize that employer's healthcare plan, and B) Requiring working spouses of active and retired employees to utilize healthcare from the spouse's employer.	Sheryl Sculley
28. Offer the same dental insurance coverage, both HMO and PPO, to civilian retirees that is available to active employees. Dental premiums are 100% paid by retirees. Currently, only a dental HMO plan is available to civilian retirees.	Rebecca Waldman

City of San Antonio
Healthcare and Retirements Benefits Task Force
Recommendations for Mayor and Council Consideration

Topic: Healthcare
Category 2: Healthcare Contributions

Task Force Recommendation: The Task Force recognizes that the uniformed contribution levels are richer by a large margin than civilian employees, peer cities in Texas, and private employers in San Antonio as a result of mutually collectively bargained agreements. It is recommended that City Council review adjusting the uniformed contribution levels to more closely align with civilians, other peer cities, and public and private employers in San Antonio.

Individual Task Force Member Recommendations	Task Force Member
29. Adjust uniform benefits to match or more closely resemble civilians (may be phased in)	
a. Adjust contribution levels to match peers and civilian employees.	Buddy Morris
b. Phase-in, if necessary, the same healthcare plan options and benefit tiers for active uniform employees as are provided to active civilians and civilian retirees. This would include deductibles and out of pockets as well as the same premiums for both uniform and civilian employees and their dependents.	Rebecca Waldman
c. Adjust healthcare benefits for newly hired uniform employees while remaining competitive with other Texas cities.	Rebecca Waldman
d. Civilian and public safety active healthcare policies, costs, and plans should be the same.	Sam Dawson
e. Public safety employees should pay a more equitable percentage of premiums, deductibles, and out of pocket expenses.	Sam Dawson
f. Implement a plan for active uniform employees to contribute to their cost for healthcare; different tiers of payment could be considered depending on employee tenure.	Sheryl Sculley
g. Align active uniform employee healthcare benefit plans with civilian healthcare benefit plans. All new uniform hires should pay the same premiums, out-of-pocket maximums, and deductibles as civilian employees hired after January 2009.	Sheryl Sculley
30. Place a cap on the annual increase in the premiums current civilian retirees can be charged, possibly tied to the Consumer Price Index for healthcare services.	Rebecca Waldman

City of San Antonio
Healthcare and Retirements Benefits Task Force
Recommendations for Mayor and Council Consideration

Topic: Healthcare
Category 3: Wellness

Task Force Recommendation: We recommend a vigorous Wellness Strategy for all City employees.

Individual Task Force Member Recommendations	Task Force Member
31. Implement a stronger wellness program	
a. Implement a rigorous wellness program that rewards employees for participation and better health metrics.	Buddy Morris
b. Provide wellness services to both uniform and civilian employees as well as all retirees.	Rebecca Waldman
c. Expand the city's offering of wellness programs to uniform employees.	Sheryl Sculley
d. The City should re-design its wellness programs and incentives or dis-incentives to drive true behavioral and discretionary decisions regarding the consumption of health care.	Randy McGraw
32. Include fitness testing as part of job requirements	
a. Implement a wellness program with fitness testing incentives for all civilian and uniform employees.	Celina Burns
b. Require annual fitness testing for uniform employees as well as civilian employees who are required to perform physical activities. Provide appropriate support to meet fitness goals.	Rebecca Waldman
33. Implement a smoking cessation program with premium contribution incentives for all civilian and uniform employees.	Celina Burns
34. Charge a tobacco rate to employees.	Rosemary Calvillo
35. The City should implement better measurement tools to actually gauge the effectiveness of its various programs and incentives with respect to wellness, absenteeism, productivity and the return on investment of these programs.	Randy McGraw
36. The City should target high cost and chronic conditions for more affective risk avoidance and control.	Randy McGraw

Topic: Healthcare
Category 4: Negotiate Uniform Healthcare Plan Design and Healthcare Premiums as part of Collective Bargaining Agreement

Task Force Recommendation: Controlling healthcare costs should be a priority in the next round of collective bargaining negotiations.

Individual Task Force Member Recommendations	Task Force Member
37. Maintain healthcare plan design and premiums as part of Collective Bargaining Agreements	
a. Do not remove active healthcare from the Collective Bargaining Agreement. I recommend that this committee direct the city to make healthcare a priority in the next round of collective bargaining. We should recommend that the city fully cooperate with the unions and provide all available financial and health insurance related information requested by fire and police during contract negotiations, so long as providing the information does not violate medical or privacy laws. In this way both sides can understand the issue and come to a negotiated resolution of the concerns raised by healthcare costs.	Jerry Cortes
b. Every benefit under discussion in the committee has been negotiated over the past 37 years through the collective bargaining and approved by the city manager and sitting city council members. That's where these discussions should be, not at this committee.	Jerry Clancy
c. Health care benefits and other compensation issues are required to be negotiated through collective bargaining by law. NO benefit has been granted in the past without the approval of the Council, Manager and unions. Since the law requires collective bargaining, the parties should meet and address all compensation issues.	Warren Schott
d. With the rising cost of health care, the parties should pay particular attention to addressing health care costs increases, keeping in mind that fire and police have unique health care needs. Consumer-driven strategies, wellness programs, and other creative health care containment options should be considered. Shorter term or flexibility in adjusting health care expenses should be considered as part of the new CBA.	Warren Schott

Topic: Healthcare
Category 4: Negotiate Uniform Healthcare Plan Design and Healthcare Premiums as part of Collective Bargaining Agreement (continued)

Individual Task Force Member Recommendations	Task Force Member
38. Remove healthcare plan design and premiums as part from the Collective Bargaining Agreements	
a. Remove healthcare from the CBA.	Buddy Morris
b. Remove healthcare benefits from the Police and Fire Collective Bargaining Agreements.	Rebecca Waldman
c. I would recommend that healthcare benefits and policies be removed from the Police and Fire Collective Bargaining Agreements.	Sam Dawson

Topic: Healthcare
Category 5: Stop Loss

Task Force Recommendation: Continue annual analysis of stop-loss insurance.

Individual Task Force Member Recommendations	Task Force Member
39. Purchase stop-loss policy	
a. Initiate an RFP bid process for medical stop-loss coverage for all plans in force.	Celina Burns
b. Purchase stop/loss policy to cover high cost claims.	Rebecca Waldman
c. Purchase stop loss policy.	Rosemary Calvillo
d. The City should consider purchasing reinsurance to protect the plans from catastrophic losses.	Randy McGraw

City of San Antonio
Healthcare and Retirements Benefits Task Force
Recommendations for Mayor and Council Consideration

Topic: Healthcare
Category 6: Dependent Audits

Task Force Recommendation: Implement regular dependent audits of all City employees.

Recommendation	Task Force Member
40. Conduct regular dependent audits for all City of San Antonio employees	
a. Implement dependent audits for all City of SA employees.	Buddy Morris
b. Conduct periodic dependent eligible audits for all civilian and all segments of non-civilian/ uniform City of San Antonio employees.	Celina Burns
c. Undertake periodic dependent audits of uniform, civilian, and retiree dependents.	Rebecca Waldman
d. Eliminate the “no dependents pay” philosophy.	Sam Dawson
e. Perform dependent coverage audits.	Sam Dawson
f. Conduct a dependent eligibility verification audit and confirm that every dependent that’s on the plan is truly eligible to be on the plan. For new hires they would need to submit proof before dependents are enrolled in the plan.	Rosemary Calvillo

Topic: Healthcare
Category 7: Miscellaneous

Recommendation	Task Force Member
41. Improve employee communication and education on healthcare topics	
a. **Communication:** Regardless of the exact message, education and communication will be key in getting employees to change their mindset (get buy-in). i. Explain that the City is committed to providing employees with quality benefit programs that support the needs of the employee and their family. The ongoing strategy and commitment is to: 1) offer comprehensive insurance coverage and 2) make every effort to minimize the rising costs of healthcare. ii. The City is self-funded, which means the City accepts the financial responsibility for claim payments, as well as management of the plan to include the Health Care Reform Law enacted in 2010 and that this comes from the same budget that's used for salary increases, bonuses, etc. As the cost of health care goes up, there's less to be spent on the extras, just like their family budgets. iii. Why are premiums increasing? Explain the increased use of health insurance, escalating prescription cost, medical inflation, and the cost of new health care technology which impact the growing cost of providing group health benefits. Other factors include plan designs, plan coverage, experience rating, medical inflation, Heath Care Reform, etc. iv. FAQs are good. These can be written or done as a video presentation. Videos can be posted to the online enrollment site for employees to use. v. Onsite group meetings to include spouses of employees. This is helpful in keeping the rumors and misinformation to a minimum.	Rosemary Calvillo
b. Provide healthcare education to all employees and retirees to help them become more savvy healthcare consumers in an effort to reduce individual and City costs.	Rebecca Waldman

Topic: Healthcare
Category 7: Miscellaneous - Continued

Recommendation	Task Force Member
c. The City should improve the tools, education and engagement of plan members to enable them to make better consumption and lifestyle decisions.	Randy McGraw
42. Coordinate with University Health System (UHS) to access healthcare services provided to Bexar County employees and their dependents through UHS's network of health centers, including low cost co-pays and discounted prescriptions, and access to onsite labs and imaging services.	Rebecca Waldman

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ADDITIONAL COMMENTS AND OBSERVATIONS SUBMITTED BY TASK FORCE MEMBERS

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Submitted by: Celina Burns, Task Force Member

With 28 years of health care benefit experience the last time I recall seeing a benefit plan as rich as that offered to the City of San Antonio Uniform Personnel was in 2000 and the group was General Motors. Much of what caused GM's not too distant financial demise was driven by unsustainable benefit spends in both their health care and pension plans.

The most viable, competitive and employee health plan benefits are balanced in terms of contribution levels. More specifically, there are virtually not any employer sponsored plans in place today that do not have some level of employee contribution across all industry sectors both private and public. In today's market a 68% employer contribution and 32% contribution level is not uncommon.

Notwithstanding the need for financial balance to ensure long term plan benefit offering viability for all City of San Antonio active and inactive employees, the reality is there is extensive evidence that reflects that employees are less engaged in personal health where there is little to no financial accountability and/or incentive.

Recommendations for strong consideration would be as follows:

- Consider converting the uniform/non-civilian plan to a consumer-driven plan commensurate with the civilian City of San Antonio associates. Optimally, the plan would include an HSA.
- Add a health plan benefit eligibility requirement that precludes dependent spouses who are eligible for benefits as an active employee through their respective employer to be eligible for coverage as a dependent spouse under the City of San Antonio plan
- Conduct periodic dependent eligible audits for all civilian and all segments of non-civilian/ uniform City of San Antonio employees
- Implement a smoking cessation program with premium contribution incentives for all civilian and uniform employees
- Implement a wellness program with fitness testing incentives for all civilian and uniform employees
- Initiate an RFP bid process for medical stop-loss coverage for all plans in force

The above referenced initial changes would go a long way toward creating a more financially sound plan overall that mitigates the extent to which the civilian plan benefits subsidize the non-civilian and/or forces the City to look for funding externally through public tax increases and the like.

This should also ensure a stronger foundation for the City of San Antonio to offer competitive employee benefits across all aspects of the benefit and compensation spectrum.

CITY OF SAN ANTONIO

Healthcare Observations for the Benefits Task Force

Submitted by Rebecca Waldman, Benefits Task Force Member, 1.17.14

- The number of uniform positions has grown and a higher percentage of uniform positions have been filled.
- The number of civilian positions has decreased and a lower percentage of civilian positions have been filled.
- It appears that personnel costs have decreased in the General Fund and increased in the Employee Benefits Fund.
- As overall costs have increased in the Employee Benefits Fund, those costs have been disproportionally borne by active civilian employees and retirees due to the fixed nature of the uniform contract.
- There are fewer civilian active employees to bear those costs due to decreasing number and lower percentage of positions filled.
- There are fewer civilian retirees to bear those costs as the number of retirees with continuing healthcare is declining, likely because of increasing cost of coverage and significantly reduced benefits.
- Civilian retirees have not been offered the services of health coaches or other wellness programs offered to active civilian employees.
- While premiums did not significantly change for active civilians and pre-65 retirees in for 2014, the plan design has significantly reduced healthcare benefits and increased out of pocket costs, including double-digit percentage increases in deductibles, out-of-pocket maximums, co-pays, and pharmacy charges.
- This follows the previous year of dramatic double-digit percentage increases in premiums to civilian active employees and pre-65 retirees.
- Significant changes in FY 2014 benefit plans will result in additional healthcare costs to pre-65 retirees that will not begin to be offset by the 1.19% cost-of-living adjustment to the retirees' TMRS annuities.
- While efforts have been made to increase current civilians' salaries to a market level and to concomitantly shift a higher share of benefit costs to civilian employees, this model does not work for current retirees who worked for lower wages, have modest pensions with even more modest cost of living increases, and often can not afford the City's healthcare plans.
- In the past, generous healthcare benefits were offered to uniform personnel to offset lower wages. As wages have increased to market rates, these generous benefits have continued to exist for current uniform employees at the expense of active civilian employees and retirees.

Comments submitted by Jerry Clancy

1. Every benefit under discussion in the committee has been negotiated over the past 37 years through the collective bargaining and approved by the city manager and sitting city council members. that's where these discussions should be, not at this committee.

2. Any increases in public safety are a direct result of citizens and Council asking for more fire and police protection. I have asked for but never received the increases in Fire and Police over the last 6 years or more (partially paid by Obama) and that's why public safety costs are increasing faster than the revenue growth.

3. The current staffing procedure, officers per capita is not the right way to fight crime it's no longer approved by anyone but SAPD and it is the most expensive of all.

4. If this committee does anything let’s get the true number of San Antonio fire and police the citizens are actually funding, not budgeted vs actual.

5. In closing, we should demand the actual number of sworn police officers and fire fighters we have. For anyone to say we have 2.11 police officers per 1000 citizens, shows their desire to mislead the people of San Antonio. Park Rangers, Airport Police and School District Police do not make house calls. Do the math 2.11 officers per 1,000 citizens would equal 2,954 Officers That will not happen.

Task Force Recommendations

Submitted by Randy McGraw

Comments:

I view the role and responsibilities of this board / task force to be the same as I do most boards. I believe that the board should refrain from making micro-management recommendations to the administrators of the City, and perceive that our charge as participants is to provide guidance and recommendations for the City to consider and to implement after their review and consideration.

I recognize that a lot of information was compiled and presented and that a lot of hours and resources were deployed by the City in this project. My observations regarding the data and modeling is that it appears that the accuracy of the data was not always completely vetted and different assumptions will generate different results in forecasting. I don't completely agree with all of the assumptions used in the models presented and forecasted results. I do not put much credibility into the comparisons to other cities with regards to benefits and costs. There were many errors and mis-statements made in the presentation of that data. There are too many variables embedded in the perceived "cost" of self-funded medical plans that are not detailed or reflected in the comparisons and the sample size is not credible.

I do agree with the actuary's statement that the only thing she can guarantee is that none of the forecasts will be right.

I also do not believe that the city can solve its fiscal challenges only by making cuts and reductions to existing programs, and only by making changes and cuts to Public Safety related programs and benefits.

I do believe that benefit plans are truly intended to be what they are named – benefit plans. Not penalty plans.

I do understand the principles of risk management and adverse selection. When benefit plans become contributory to employees, adverse selection sets in as good risk migrates out of the group. This effect causes cost inflation to accelerate over time, and participation to decline – as evidenced in the Civilian plans. The Public Safety plans, due to their 100% City paid status, have the purest spread of the risk of any eligible population. This is evident when looking at the limited large claims data shared by MHBT. By the way, providing a detailed list of claims by size is not prohibited by HIPAA, and the statement that the data at that detail level could not be provided is incorrect. Using HIPAA concerns to avoid providing the detail is not a valid reason to not provide a picture of the true cost drivers of any of the plans.

I do understand the requirements to provide coverage under the Affordable Care Act, which means employees and citizens in San Antonio have a requirement to have coverage for everyone in their family or face a penalty from the IRS. I note that the City's website and Mayor offers information to all citizens promoting the requirement to have coverage, the Healthcare.gov website, and "affordable care". http://www.sanantonio.gov/Health/AffordableCareAct.aspx

Comments have been offered that the number of dependents in the public safety plans are "too high" compared to civilians or other plans and employers. This concept completely conflicts with the objective of the Affordable Care Act and the Requirement to have coverage – especially on the younger population. The reality is that the other plans and employees in those plans need to cover their dependents now, and

the employer health plan should be the best and most efficient place to acquire that coverage. Those plans have too low dependent participation. Group plans should want to attract the preferable risk into the plan (children)

The Public Safety Active Care program is the poster child of affordability. I find it interesting that City promotes affordable care to everyone via its website, but wants to keep raising the cost of care to its own employees in an environment that now requires everyone to have affordable coverage.

I agree with the comments and statements from other Committee members that the Public Safety Pension Plan and the Pre-paid retiree health plan are well managed and are not the cost drivers that warrant attention. In fact, to say that the pre-paid retiree plan and pension plan"costs" $xxx.xx annually is a misstatement. The City and Active employees are pre-paying (funding) for the future costs. The money isn't being spent at this time. It is being placed in a fund to avoid reflecting a future liability on the City's Balance sheet, which helps the City's credit rating. Funding in advance of the future liability ensures the money will be present to cover the future costs, but it isn't being "spent".

The inclusion of medical benefits should definitely be included in the existing Collective Bargaining Agreements. If benefits aren't considered wages, why must the value of the medical plan be reported to the IRS on W-2 statements? Benefits are a valuable component of total compensation.

The Collective Bargaining Agreements have contained provisions that allow for review and discussion during the term of the agreement. The City has not activated any agreed upon work groups to address these concerns at any time during the current agreement.

Questions and Recommendations the Task Force should discuss in order to offer recommendations for consideration by the City – with my short answer in bold.

1. Should the City consider dropping its employer provided group medical benefits and adjust compensation and just direct employees to enroll at their own expense in individual plans now that they are guaranteed issue? - **No**
2. Should the City investigate private exchanges with insured risk characteristics and consider a defined contribution approach as opposed to a defined benefit approach? **– Yes**
3. Should the City consider contributions to employee accounts to promote Consumerism? **– Yes**
4. Should the City improve the tools, education and engagement of plan members to enable them to make better consumption and lifestyle decisions? **- Yes**
5. Should the City re-design its wellness programs and incentives or dis-incentives to drive true behavioral and discretionary decisions regarding the consumption of health care? **– Yes**

6. Should the City implement better measurement tools to actually gauge the effectiveness of its various programs and incentives with respect to wellness, absenteeism, productivity and the return on investment of these programs? **- Yes. The City described an array of programs, but offered no empirical evidence that any of the programs are effective or offered a positive Return on Investment.**
7. Should the City target high cost and chronic conditions for more affective risk avoidance and control? **- Yes**
8. Should the City create a formal strategy and policy for Total Compensation for all classes of employees? – **Yes. In fact, Total Compensation Statements should be considered for all employees.**
9. Should the City consider purchasing reinsurance to protect the plans from catastrophic losses? – **Yes. In years past the concept that the City was large enough to self-insure this risk was valid. However, with unlimited lifetime maximum benefits now required under the ACA, the City should revisit this concept. In 2009, during Collective Bargaining negotiations, the Police Officers Association repeatedly addressed this topic with the City.**

In conclusion, I believe that the details of plan management should be left to City Staff and the Collective Bargaining process. I do not believe it is the function of this Committee to recommend specific plan design or premium or contributions strategies to either the Civilian or Public Safety Plans.

CITY OF SAN ANTONIO
Legacy Task Force

RECOMMENDATIONS

1. The original Police and Fire Collective Bargaining Agreements were executed in 1975/1976. At that time, the Public Safety Budget (police and fire) comprised 36 percent of the total General Fund Budget.

   Current Public Safety Budget – 66.5 percent of the total General Fund Budget.

   Since 2003, the Public Safety Budget costs have grown 75 percent, while the city revenue has grown 63 percent.

   The Public Safety Budget will comprise of 100 percent of the total General Fund Budget by approximately fiscal year 2031. The exact date can be argued, but the trend cannot be argued.

   Therefore, I recommend that the Public Safety Budget not exceed 60 percent of the total General Fund Budget and develop a policy and guidelines to maintain proper "healthy city" guidelines.

2. Healthcare benefits do not need to be a part of police and fire Collective Bargaining Agreements. No other major city in Texas ties them together.

   The average cost for pension, healthcare, and other benefits:

   - Civilian - $15,067 (7,254 positions) ($101 million)
   - Uniform - $41,242 (4,038 positions) ($166.7 million)

   Therefore, I would recommend that healthcare benefits and policies be removed from the Police and Fire Collective Bargaining Agreements.

3. To reduce pension cost, Texas peer cities (Austin, Dallas, El Paso, Fort Worth, Houston) have added new pension tiers since 2007, reducing benefits for newly hired employees.

   Therefore, I recommend a tiered pension plan program that could establish varying contribution rates and healthcare benefits. Different contribution rates and/or "base plans" should be established.

4. No other major peer city in Texas pre-funds the cost of uniform employee healthcare (9.4 percent wage rates, salaries, and specialty pay).

   Therefore, I would recommend that San Antonio eliminate pre-funded employee healthcare.

5. Pension and pre-paid healthcare percentage contributions are based upon total wages, salaries, and specialty pay. City contributions:

Pension Plan	24.64 percent
Pre-Paid Healthcare	9.4 percent

   Uniform employee wage rates, salaries, and specialty pay are determined by the Collective Bargaining Agreements and are independent of city revenue. Therefore, personnel compensation, pension contributions, and pre-paid healthcare contributions can grow at a rate faster than the growth of city revenue without proper stop-gaps (balancing opportunities) incorporated into the Collective Bargaining Agreements. Civilian compensation adjustments are based on the financial health of the city, uniform rates are not.

   San Antonio's bond rating is greatly dependent upon maintaining a proper balance between funded/unfunded liabilities. Poor portfolio performance (which is not our case presently) reflects badly on the city's bond rating and therefore, requires higher contribution rates from the city to maintain AAA bond ratings. When the portfolio is doing exceedingly well, there is not a mechanism in place to reduce city contributions.

   Therefore, I recommend:

   a. ***Wage rates, salaries and specialty pay established in the Collective Bargaining Agreement include appropriate (stop-gaps) to ensure personnel costs, pension plan contributions, and pre-paid healthcare contributions do not grow at a rate faster than the city revenue.***

   b. ***Develop a more balanced approach for making contributions to the pension fund and pre-paid healthcare plan. Contribution rates should not be independent of portfolio growth rates.***

6. Uniform healthcare costs are approximately three times (3x) higher than civilian costs – $19,122/employee vs. $7,080/employee.

   Uniform claims costs have risen 100 percent since 2005.

   Civilian employees have a consumer-driven healthcare option, uniform employees do not.

   Peer city comparisons for the uniform positions range from a high of $19,122/employee for San Antonio to a low of $3,575/employee for Dallas. Dallas uniform cost and civilian costs are the same.

   San Antonio is the only major city in Texas where uniform employees pay no healthcare premiums for dependents or families.

No other Texas peer city offer comparable benefit offerings to uniform employees.

Uniform employees:

- $0 – premium
- $250 – deductible
- $500 – out of pocket max

Austin, Dallas, Fort Worth, and Houston all have equal premium, deductibles, and out of pocket costs for both uniform and civilian employees.

Civilian employee benefits represent 38 percent of salaries; uniform employee benefits represent 55 percent of salaries.

Uniform employee dependents pay no insurance premiums after a uniform employee retires.

Therefore, I recommend:

a. ***Eliminate the "no dependents pay" philosophy.***

b. ***Civilian and public safety active healthcare policies, costs, and plans should be the same.***

c. ***Both civilian and public safety policies should provide for consumer-driven healthcare options.***

d. ***Public safety employees should pay a more equitable percentage of premiums, deductibles, and out of pocket expenses.***

7. The dependent coverage ratio for uniform employees is 2.3 dependents per employee as compared to civilian – 1.2 dependents per employee; Dallas – 1.1 dependents per employee: National average – 1.2 dependents per employee.

Therefore, I recommend:

a. ***Perform dependent coverage audits.***

b. ***Reduce the "richness" of the insurance plan for public safety employee dependents.***

c. ***Evaluate an option of "dependents/employer option first" policy.***

Samuel G. Dawson
Legacy Task Force Member

Submitted by: Warren Schott

As follows are my recommendations/comments:

1. Health care benefits and other compensation issues are required to be negotiated through collective bargaining by law. NO benefit has been granted in the past without the approval of the Council, Manager and unions. Since the law requires collective bargaining, the parties should meet and address all compensation issues.

2. With the rising cost of health care, the parties should pay particular attention to addressing health care costs increases, keeping in mind that fire and police have unique health care needs. Consumer-driven strategies, wellness programs, and other creative health care containment options should be considered. Shorter term or flexibility in adjusting health care expenses should be considered as part of the new CBA.

3. The Pension Fund is only slightly growing when compared to General Fund revenues (.03% per annum) and therefore is not a large contributor to increases in "legacy costs" or public safety expenditures. The Fund is well-managed, strategically balanced to avoid market downturns, and the assumed rate of return is conservative. The Pension Fund is a key component to recruiting and retaining qualified public safety personnel. Because of it 95% funding status, it also contributes to the AAA bond rating of the City.

4. Retiree Health Care Fund likewise is not growing as compared to General Fund revenues (.002% per annum) and is not a contributor to increases in "legacy costs" or public safety expenditures. The "pre-funding" of Fire and Police retiree health care is very beneficial and better than "pay-as-you-go" plans, which is the case in most American cities. Members are required to contribute for 30-years, regardless of years of service, while City only contributes while members are employed by City. City's exposure for fire and police retiree health care is limited as the Fund must provide health care to its members w/out additional contributions from the City. Dependents of retirees pay full costs of health care.

5. Recent charts provided by staff segregating costs of public safety indicate that in addition to health care there are other areas of the public safety budget that are increasing faster than General Revenues. Management should implement cost-controls so those expenses do not grow faster than General Revenues.

6. City Council and the community should discuss what level of staffing is required to best protect its citizens. In recent Council surveys, public safety is the number one priority and being a large percentage of the budget reflects that priority. If reductions in personnel is considered, then community should understand effect on response time and service.

7. There was a large growth in public safety personnel between 2006 and 2011. That growth should be adjusted so that future trends do not incorporate one-time personnel increases.

LEGACY COMMITTEE COMMENTS
AND
RECOMMENDATIONS

(Submitted by Jerry Cortes Lt. SAFD - San Antonio Professional Firefighters Association, member)

Before I give my comments and recommendations, I would like to remind the members of this committee why we are participating in this process. This committee was formed by the Mayor and City Council to address the perceived out-of-control cost of Pension, Retiree Healthcare and Active Healthcare and the doomsday predictions by the City Manager and her staff that "Public Safety" will consume 100% of the General Fund by the year 2031. Even a cursory review of the factual information has shown that the city's projections are inaccurate, the formula utilized by the city is flawed and the impact of other portions of the budget have not even been considered in determining the reasons behind the increases in city costs moving into the future.

Moreover, the information that has been provided by the City is one sided. The committee did not receive factual information that broke out the actual cost of the Pension and Prefund Health until the Pension and Prefund board representative Shawn Ury gave his report. The award winning Fire and Police Pension Fund has been cited as a "Model Pension" for the state of Texas. That report clearly shows that Pension and Prefund Healthcare are NOT driving the cost of "Public Safety" in the budget and should be removed from any further discussion. The report also shows that when the Prefund Health was controlled by the City the growth rate was greater than 11% per year and when the Unions took over and replaced the City with a Board made up of representatives from the City and both Unions the growth rate is now below 2% per year. Despite the facts, the City Manager and her staff continue to demand changes in Pension and Prefund Health. I recommend that instead of suggesting changes to Pension and Prefund Health, this committee do what the city has failed to do – acknowledge our Pension as a model for the rest of the state and nation and urge the city to study the reasons why union control of Prefund Health dramatically reduced the growth rate of that component of the budget. Perhaps the city can incorporate union practices in other aspects of its budget process to reduce growth rate as well.

The City is also using a growth model for future hires that does not even follow the city's own hiring matrix which it implemented in 2010. How can we make informed decisions regarding reductions in growth of services when we do not even have the proper growth assumptions in place? Once again, the city tried and failed to use a discredited growth model merely to feed into its theme that "Public Safety" will very soon consume 100% of the general fund and ultimately bankrupt the city. Such misinformation does not further the goals of this committee.

The City has misstated the facts of the Collective Bargaining Agreement and the Fire Department as to Fitness Standards and Wellness. Despite what has been stated to the committee, the facts demonstrate that wellness programs have been adopted by police and fire, due primarily to the urging of the unions at the collective bargaining table.

I strongly disagree with the idea of separating active healthcare from the collective bargaining agreement process. I started working for the San Antonio Fire department in 1987. I have been a member of almost every collective bargaining agreement team since that time. Collective bargaining revolves around three major subjects.

HOURS, WAGES/BENEFITS, and WORKING CONDITIONS. Active health care has been a major topic of negotiations and is a mandatory subject for negotiations. The firefighters and police officers have bargained with the city of San Antonio in good faith and the agreements reached through the years reflect a comprehensive package taking into account all the mandatory subjects of negotiations. Firefighter and Police Unions have bargained healthcare benefits in exchange for wages and other benefits and the health benefits have been changed as a result of these agreements. Over the years both sides have agreed to all terms of the contracts and the contracts are ratified and signed by the Mayor, City Manager, Union President, and Negotiators.

The subject of premiums was introduced during the 2005 negotiations. The Firefighters' Union requested specific costing to determine the correct amount of premium if any was appropriate. This would require the city to open the books. The city refused to open its books, dropped the issue and subsequently agreed to a contract with no changes to healthcare.

The subject of premiums was not an issue during the 2009 negotiations. The Firefighters Union proposed a Wellness plan that would save long term costs. The Wellness plan implementation was delayed by the city. After the contract was agreed to and ratified it was the Firefighters' Union that was able to move forward and create a pocket of money to implement and maintain wellness in a cost neutral fashion. The wellness program saves lives as well as will create long term savings into the future for the city. The City agreed and implemented a MANDATORY Wellness plan. The Wellness plan requires all firefighters to submit to annual physicals which include blood work, x-rays, hearing, vision, and cardiac stress test. Firefighters with results that fall outside the acceptable range are placed on modified duty until they can get their numbers back in line. Although the city agreed to Wellness and Fitness standards they deny they exist and they have failed to implement any Fitness standards as of yet. The language from the Collective Bargaining Agreement is attached below:

Section 2. Fitness Requirements for New Employees.

A. Effective with the first class to enter the Fire Academy after the approval of the 2002 Agreement, all new employees must agree to maintain a standard of fitness throughout their careers with the San Antonio Fire Department.

B. The City and the Union will meet and come to an agreement on the standard of fitness to be maintained and the regulations, policies, penalties, medical considerations, etc. which will be necessary to implement this section.

Section 3. Fitness Program for Existing Employees.

The City and the Union shall meet and come to an agreement on a physical fitness program for existing employees which is not punitive in nature, but is instead aimed at promoting physical fitness among all employees of the Department. Any discipline which may be issued for non-compliance with the physical fitness program or plan must be corrective in nature and must take into account the individual characteristics of the employee involved.

The City agrees to promote compliance with the plan through education, incentives, interdepartmental counseling and other positive approaches.

Section 4. Wellness Program.

In the spirit of improving the quality of life of all uniform employees, the City and the Union have met and have come to an agreement in principle on a mandatory wellness program for all employees, which is not punitive in nature, but is instead aimed at promoting the overall health and well-being among all employees of the Department. The City and the Union further agree that the parties shall approve a wellness program, and once approved, any substantive changes to the program can only be made by mutual agreement of the parties.

I would not recommend removing active healthcare from the Collective Bargaining Agreement. The City has further failed to inform the committee that in negotiations with the San Antonio Police Officers the city agreed to establish a "Police Active Health Benefits Working Group" which was supposed to bring the city and union together to discuss and seek resolution of healthcare issues. THE CITY HAS NEVER ATTEMPTED TO UTILIZE THIS WORKING GROUP DESPITE THE TRIGGERING MECHANISM BEING IN PLACE FOR FIVE YEARS. If we are in such a crisis due to healthcare, why did the city not at least attempt to utilize the mechanisms it negotiated in the Fire and Police CBA, including the ability to reopen contract talks or at least calling for the working group to discuss and seek solutions to healthcare issues? The answer is simple – the city wants to "address" these concerns on its own terms and in an environment where it controls the information and not under conditions where all information can be reviewed and discussed to reach a fair solution.

I have attached a copy of the police contract provision which discusses the working group. Look at the responsibilities of the group and ask yourself, why has the city NEVER requested that this group move forward?

ARTICLE 30
Health Benefits

Section 1. Police Active Health Benefits Working Group.

The City and the Association agree in principle that health benefit costs and market based health plans are issues that will be reviewed in the next collective bargaining cycle. The City and the Associations further agree to establish a health benefits working group. The City will provide access to claims information of a statistical and financial nature (consistent with medical privacy laws), third party vendor contracts, and other information necessary to perform its function. The Working Group shall be afforded training opportunities which shall be paid for respectively by each representing organization (Association or City).

The working group will have the following responsibilities:

1. Review City's uniformed health benefit plan, usage trends and cost trends.
2. The City will provide and review with the Association the claims, cost/experience reporting forms which are currently being provided to the Association's Health Benefit Consultant.
3. Identify Master Contract Document language clarification issues for discussion in the next round of negotiations.
4. Participate in future Requests for Proposals for vendors as to benefits products and services, by providing input, evaluation and suggestions to the City officials designated by the City Manager to carry out the selection and administration process.
5. Conduct or purchase a health benefits survey of other public entities for comparison with City's plan and design and experience.
6. Create an educational forum to inform Officers of the costs associated with health benefits and the increasing need to address increasing costs.
7. Provide the City and the Associations with suggestions regarding possible cost-saving initiatives to incorporate into future benefits programs.

Section 2. Active Police Officer Health Benefits

A. The City shall provide all active Police Officers who are eligible with family medical benefits and shall pay the full cost of said benefits as agreed upon herein. The minimum benefits provided are those as stated in the Master Contract Document for the City of San Antonio, San Antonio Professional Firefighters Association and San Antonio Police Officer's Association Bargaining Unit (hereinafter referred to as "Master Contract Document") which is attached and incorporated herein as Attachment 6. Provisions and benefits specified in the Master Contract Document shall not be reduced during the life of this Agreement; however, the City reserves the right to change carriers or plan administrators at any time at its discretion. While the City is prohibited from reducing the provisions and benefits specified in the Master Contract Document during the life of this Agreement, a determination of what medical

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I believe the committee can agree that private and public employers, as well as state and federal governments are struggling with rising healthcare costs. But without separating and dissecting healthcare based on factual data it cannot be determined that healthcare is the driving factor behind the significant increases in the "public safety" budget. Several members have requested a detailed breakdown on what are the drivers behind the increases in the public safety budget and the City has refused to provide that detailed information.

I believe the City has treated its civilian active and retirees unfairly and has attempted to pit Uniform versus Civilian in this committee. The idea that the City has actively and repeatedly promoted is the City has to cut benefits for civilians when it increases pay or other benefits for uniform employees. This is shameful and a large, economically successful city such as San Antonio should be above this strategy. As an experienced member of the Fire Union's negotiating team, I can tell you (and the videotaped meetings will support) that the city has NEVER approached negotiations as a "rob Peter to pay Paul" scenario. In fact, in the last round of negotiations in 2009, the city told the Fire Union exactly what had been budgeted for the Fire Contract and it was up to the union to determine how those dollars should be best spent (i.e., salary increases, healthcare benefits, etc.). We should all recognize that whatever savings the City generates from its uniformed employees, those savings are NOT going to be used to increase benefits for civilian employees. To imply that, as the city has through the presentations to this committee, is disingenuous at best.

What the committee has learned is that the City has with its civilian employees used the carrot of wage increases to lessen the impact of the stick of healthcare benefit reductions. This is the same carrot and stick that the City has tried unsuccessfully to use against the unions in negotiations. As I stated, If this was a Collective Bargaining setting this one sided flow of information would not fly. That is why the process is so important because it forces both sides to put open and factual information on the table. Unfortunately, the civilian employees and retirees do not have a Collective Bargaining Agreement or any similar process to protect their benefits.

Several times different committee members have referred to the "Elephant in the room". I agree we need to talk about the elephant in the room. I believe the elephant is the massive growing debt the City is amassing in the other sections of the budget. I disagree that raising taxes is the only way to address the issue. The City must reprioritize its resources to invest in its uniform and civilian employees and retirees instead of amassing billions in debt.

The excerpted article below illustrates the debt crises for the city of San Antonio.

$363,371,290 IN DEBT SERVICE PAYMENTS. NOW THAT'S PROGRESSIVE.

Posted on January 15, 2014 by Greg Brockhouse 3 comments

While watching the recent debate between Nelson Wolff and Tommy Adkisson on Texas Week with Rick Casey, I heard one line that stuck in my head. It wasn't from either candidate, but from Rick Casey himself,

when he said Wolff was still doing City work after more than a decade as County Judge. That line prompted me to do a little research about who is spending what and how much.

Let me be clear on a few points regarding debt and paying for public services. First of all, I am not an opponent of debt. When used properly, it is an excellent tool for growth and expansion. Secondly, there is only so much money to go around and there is never enough to meet the needs of our community. If it can't be paid for by what you have, you may have to borrow. We shouldn't be having a street or health care conversation, or a police versus drainage conversation. As a government, we should provide both to the best of our abilities.

The real difference is in the prioritization of resources and knowing when to draw the line on extending public indebtedness. It's a conversation of debt pricing, of priorities, and of political values.

I compiled some stats regarding City and County debt and exactly how we measure up to like sized neighbors.

<u>As of August 2012</u>

San Antonio (click here for link to Texas Transparency):

- ***San Antonio debt per capita: $7,151***
- ***San Antonio outstanding debt: $9,889,390,460***
- ***Of the Top 10 Texas cities in population, San Antonio has the highest debt per capita, 12% higher than 2nd place Austin.***
- ***San Antonio is closest in size to Dallas, who has a debt per capita at $5,426 or 32% less per person than San Antonio.***
- ***Dallas has $3,154,476,124 or 47% less debt than San Antonio.***
- ***The debt service allocation for 2014 is $239,500,000 or 14.3% of the 2014 budget projection.***

Bexar County (click here for link to Texas Transparency):

- ***Bexar County debt per capita: $725***
- ***Bexar County outstanding debt: $1,293,810,000***
- ***Of the Top 10 Counties in Texas, Bexar is actually 4th in debt per capita. But, don't get too happy, because…***
- ***Bexar County has the highest total outstanding debt by far. The closest match to Bexar in population is Tarrant County, which has $317,725,000 in total debt.***
- ***That's over 300% more outstanding debt with Tarrant having only 5% more residents.***
- ***The debt service allocation for 2014 is $123,871,290 or 8.2% of the 2014 budget projection.***

Combined:

- ***San Antonio and Bexar County have allocated $363,371,290 towards debt service in their respective 2014 projected budgets.***

Those are quick facts and the budget links to verify are right here:

- ***San Antonio Budget***
- ***Bexar County Budget***

. . . . .

2009 saw the election of Julian Castro and an upswing in debt per capita, coinciding with an explosion of County debt under Nelson Wolff. Progressive agendas met and found like minded spending partners. Debt ballooned as large, legacy projects began taking shape in our community.

Mission Reach, Streetcar, Decade of Downtown, Hemisfair Redevelopment, sports venues, and countless other big-ticket items and incentives require an allocation of resources to fund. We have borrowed big time and spent the money for the projects. We are now spending money on the debt service. The list of big-ticket items affects a relatively small amount of our community and is mostly focused in the downtown area, but it has taken a huge chunk of everyone's future to make it happen.

Here is an example of where a progressive spending agenda affects core services. The City is about to embark on negotiations for our Police and Fire collective bargaining agreements. It will be contentious and difficult. These items already take up the largest portion of our budget allocation. Many are calling this a discussion that must be held to save our fiscal future. I am sorry, but the real discussion is the prioritization of our spending and borrowing.

I wore a uniform when I served in the military. Full benefits were an incentive for me to join and stay for years. Our Police and Fire teams wear a uniform. It is a job unlike any other in the City and requires us to offer extraordinary benefits. But instead, we are going to find ways to decrease the impact of their benefits to create fiscal stability? Wrong answer. The first step is asking why in the world we are spending money on all the wrong things.

Issues like our first responders and their collective bargaining agreements are staring us right in the face because we have chosen to spend the money elsewhere. Here is a simple fact: if we spend it on debt service, something else suffers for a lack of funding, regardless of our sterling credit rating. We should be having a conversation with our first responders about a far smaller impact because we prioritized our spending, put the money in core services, and kept true to being a good steward of the taxpayer dollar.

I hope we can all agree that as first responders, fire and police employees are exposed to all manner of danger and threat to the city on a daily basis. We do not have to look far to know how dangerous it is to be a police officer in any city, including San Antonio, and that an officer lays his or her life on the line everyday

they come to work. Similarly, fire fighters are being exposed to all manner of contaminants and carcinogens, even with improved safety equipment, as well as disease and illness. These are the realities of the job. Healthcare is and remains a vital component of the benefits package to these men and women.

I recommend that this committee direct the city to make healthcare a priority in the next round of collective bargaining. We should recommend that the city fully cooperate with the unions and provide all available financial and health insurance related information requested by fire and police during contract negotiations, so long as providing the information does not violate medical or privacy laws. In this way, both sides can understand the issue and come to a negotiated resolution of the concerns raised by healthcare costs.

Police and Fire Compensation Survey

City of San Antonio, Texas

Public Safety Compensation Analysis

February 7, 2014

The PFM Group
Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

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Summary

- San Antonio police and fire personnel receive compensation that is highly competitive with the six other large Texas cities identified for comparison by the Task Force (Austin, Corpus Christi, Dallas, El Paso, Fort Worth, and Houston)
- Much of San Antonio's strong relative position is due to the City's longevity structure and premium pays, for which San Antonio generally pays more than these other large Texas cities
- Cash compensation across jurisdictions should further be evaluated within the context of regional labor markets. Across a broad range of occupations, the San Antonio metropolitan area tends to have lower wages than the labor markets for most other large Texas cities (Austin, Dallas, Fort Worth, Houston)
  - Adjusted for these regional differences, San Antonio's already competitive total cash compensation compares even more favorably
- This analysis does not compare overtime compensation across jurisdictions. In San Antonio for FY 2013:
  - Rank-and-file police officers earned an average of $4,044 of overtime; $4,548 across all ranks
  - Rank-and-file firefighters earned an average of $10,561 of overtime; $14,843 across all ranks
- Beyond cash compensation, San Antonio's health and retirement benefits package is also generous in comparison to the other large Texas cities evaluated
  - Among these cities, only San Antonio requires no uniform employee contributions toward healthcare premiums, such that the City's contribution is the highest within this comparison grouping
  - San Antonio also has one of the highest employer contributions towards police and firefighter pensions
  - San Antonio is the only jurisdiction that contributes to the pre-funding of retiree healthcare
- When these costs for major benefits are added to regionally adjusted cash compensation:
  - City of San Antonio has the highest total costs for fire, and the second highest total costs for police among the seven Texas cities evaluated

Police Compensation Overview

- In addition to base pay, longevity and other pay premiums represent a significant component of San Antonio police officer total cash compensation
  - On average, longevity and premium pays add over $20,000 per year to police officer base salary, accounting for more than one quarter of the resulting total pay
- San Antonio police officers are eligible to receive longevity pay and 17 additional premiums depending on assignment, certification, and education. Relative to other Texas cities evaluated for comparison by the Task Force, San Antonio:
  - Provides the richest longevity pay structure, which tops out at 18% of base pay at 30 years of service (YOS)
  - Is the only city to offer a pay premium for "basic" certification; 32% of rank-and-file San Antonio police officers receive this premium of $600 per year (and over 98% receive some level of certification pay – up to $2,880 annually for Masters certification)
  - Is one of just three cities to offer both certification **and** education pay premiums. Two of the other six cities offer a pay premium for either certification **or** education, and two offer **no** pay premiums at all for certification or education
- Additionally, San Antonio offers among the most generous premiums for clothing allowance, shift differential, and education pay
- Overall, San Antonio rank-and-file police officers rank near the top of the comparison cities for cash compensation, and are even more competitive when adjusting for regional labor market differences
- Over and above this cash compensation, San Antonio also contributes more than the other large Texas cities toward healthcare and pension benefits

Police – All Ranks

Average Cash Compensation (FY 2013)

- The table below details the components average police officer pay, as well as average pay for all ranks within the bargaining unit above probationary police officer, for FY 2013

	Police Officer	All Ranks
Base Pay	$59,404	$64,368
Longevity	$3,394	$4,964
Overtime	$3,184	$3,716
Shift Differential	$2,945	$2,560
Leave Buy-back	$2,138	$2,931
Police Certification Pay	$1,853	$2,179
Education Incentive Pay	$1,583	$1,897
Clothing Allowance	$1,190	$1,191
Premium Pay	$1,117	$1,185
Court Time/Overtime	$860	$832
Other Compensation	$1,841	$1,838
Average Cash Compensation per Employee	**$79,509**	**$87,662**

Analysis includes all bargaining unit members above rank of "Police Officer – Probationary." Table summarizes actual pay received between October 1, 2012 and September 30, 2013. Data provided by City of San Antonio; analyzed by PFM.

Police Compensation Comparisons

Twenty Years of Service

	El Paso	Corpus Christi	Houston	Fort Worth	Dallas	San Antonio	Austin
Police Officer (Post-Probationary)							
Cash Compensation (Regionally Adjusted) + Major Benefits Costs	$62,543	$70,983	$68,758	$78,691	$71,040	**$93,386**	$94,861
Overall Rank	7	5	6	3	4	**2**	1
Police Officer (20 Years of Service)							
Cash Compensation (Regionally Adjusted) + Major Benefits Costs	$96,772	$95,992	$90,647	$106,813	$105,584	**$124,668**	$130,523
Overall Rank	7	5	6	3	4	**2**	1
Detective (20 Years of Service)							
Cash Compensation (Regionally Adjusted) + Major Benefits Costs	$96,772	$95,992	$113,675	$118,100	$116,253	**$134,803**	$141,982
Overall Rank	6	7	5	3	4	**2**	1
Sergeant (20 Years of Service)							
Cash Compensation (Regionally Adjusted) + Major Benefits Costs	$105,154	no match	$111,612	$128,540	$122,386	**$144,167**	$152,548
Overall Rank	6	no match	5	3	4	**2**	1
Lieutenant (20 Years of Service)							
Cash Compensation (Regionally Adjusted) + Major Benefits Costs	$122,131	$107,118	$122,572	$140,103	$132,645	**$157,418**	$171,752
Overall Rank	6	7	5	3	4	**2**	1
Captain (20 Years of Service)							
Cash Compensation (Regionally Adjusted) + Major Benefits Costs	$139,260	$116,256	$173,134	$152,841	$144,133	**$175,627**	$194,766
Overall Rank	6	7	3	4	5	**2**	1

Figures for San Antonio assume maximum base pay
Police Sergeant job match for Corpus Christi not identified

Rank & File Police Officer Compensation

- San Antonio police officers rank **2 of 7** among the Texas cities for total cash compensation at the beginning of a career, and at 20 years of service (when an officer is eligible for normal retirement) when adjusted for regional labor market differences
- In addition, San Antonio contributes more toward both pension and healthcare benefits than any of the comparison cities

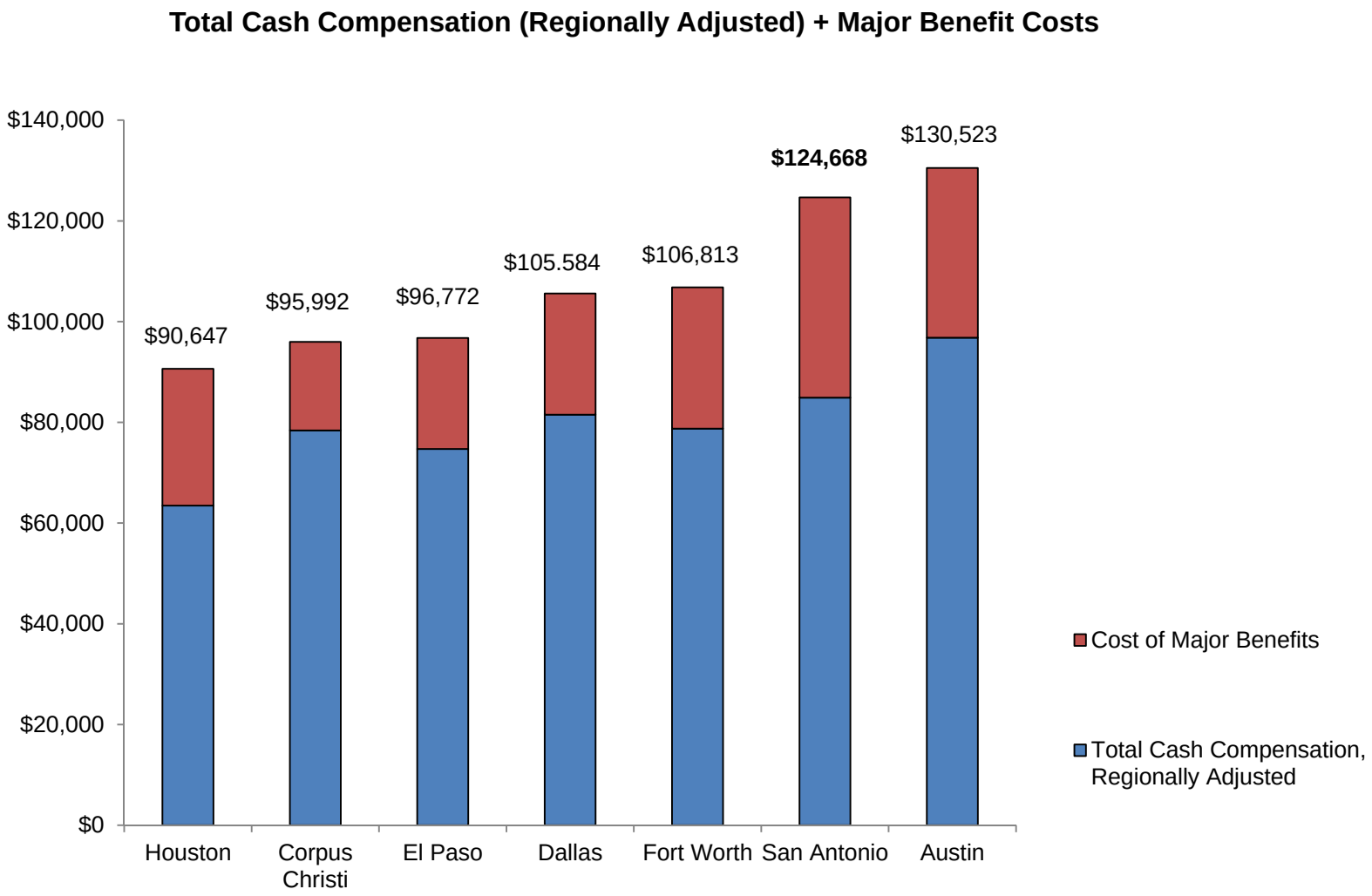
Post-Probationary Officer	El Paso	Houston	Corpus Christi	Dallas	Fort Worth	San Antonio	Austin
Total Cash Compensation	$45,843	$49,212	$54,492	$57,596	$59,292	**$59,820**	$69,092
Regional Labor Market Adjustment	1.000	1.076	0.978	1.065	1.065	**1.000**	1.022
Total Cash Compensation, Regionally Adjusted	$45,843	$45,736	$55,718	$54,081	$55,673	**$59,820**	$67,605
Rank, Cash Comp (Regionally Adjusted)	6	7	3	5	4	**2**	1
City Pension Contribution	$8,481	$10,679	$5,727	$13,383	$12,065	**$14,444**	$13,468
City Healthcare Contribution	$8,219	$12,343	$9,538	$3,575	$10,954	**$19,122**	$13,788
Cash Comp (Regionally Adjusted) + Major Benefit Costs	$62,543	$68,758	$70,983	$71,040	$78,691	**$93,386**	$94,861
Overall Rank	7	6	5	4	3	**2**	1

Police Officer – 20 YOS	Houston	Corpus Christi	El Paso	Dallas	Fort Worth	San Antonio	Austin
Total Cash Compensation	$68,306	$76,671	$74,728	$86,826	$83,882	**$84,918**	$98,948
Regional Labor Market Adjustment	1.076	0.978	1.000	1.065	1.065	**1.000**	1.022
Total Cash Compensation, Regionally Adjusted	$63,481	$78,396	$74,728	$81,527	$78,763	**$84,918**	$96,818
Rank, Cash Comp (Regionally Adjusted)	7	5	6	3	4	**2**	1
City Pension Contribution	$14,822	$8,058	$13,825	$20,482	$17,096	**$20,628**	$19,917
City Healthcare Contribution	$12,343	$9,538	$8,219	$3,575	$10,954	**$19,122**	$13,788
Cash Comp (Regionally Adjusted) + Major Benefit Costs	$90,647	$95,992	$96,772	$105,584	$106,813	**$124,668**	$130,523
Overall Rank	7	6	5	4	3	**2**	1

See appendix for technical notes

Rank & File Police Officer Compensation

Twenty Years of Service



See appendix for technical notes

Firefighter Compensation Overview

- Much as with police officers, longevity and pay premiums represent a significant component of San Antonio firefighter cash compensation
  - On average, longevity and premium pays add over $23,000 per year to firefighter base salary, accounting for nearly 29% of the resulting total cash compensation
- San Antonio firefighters are eligible to receive longevity pay and 15 additional premiums depending on assignment, certification, and education. Relative to other Texas cities evaluated for comparison by the Task Force, San Antonio:
  - Provides the richest longevity pay structure, which tops out at 18% of base pay at 30 YOS
  - Is again the only city to offer a pay premium for "basic" certification; 80.1% of rank-and-file firefighter receive this premium of $780 per year (and 99.8% receive some certification pay up to a maximum of $2,100 for the Masters level)
  - Is one of just two cities to offer EMT certification pay to firefighters who are not assigned to work in EMS ($900 - $2,100 annually, depending on YOS)
- Additionally, San Antonio offers among the most generous premiums for paramedic pay, and is one of only two cities to offer a uniform allowance to firefighters ($720 in FY 2014 + $500 in commissary)
- Overall, San Antonio rank-and-file firefighters rank near the top among the comparison cities for cash compensation, and are even more competitive when adjusting for regional labor market differences
- Over and above this cash compensation, San Antonio again further contributes more than the other large Texas cities toward healthcare benefits and among the highest levels for pensions

Fire – All Ranks

Average Cash Compensation (FY 2013)

- The table below summarizes average firefighter pay, as well as average pay for all ranks within the bargaining unit above probationary firefighter, for FY 2013
- Overtime figures include "scheduled overtime" to conform with the Federal Labor Standards Act

	Firefighter	All Ranks
Base Pay	$57,284	$64,286
Overtime	$10,561	$14,843
Longevity	$2,411	$4,908
EMT/Paramedic Certification	$1,503	$2,383
Bonus Leave Buy-back*	$1,354	$1,391
Vacation Buy-back	$1,467	$1,640
Education Incentive Pay	$1,167	$1,387
High Class Pay	$1,145	$943
Fire Certification Pay	$926	$1,190
Premium Pay	$627	$581
Other Compensation	$1,846	$2,487
Average Cash Compensation per Employee	**$80,292**	**$96,040**

** - SAFD reports that FY 2013 represented abnormally high use of bonus leave buy-back because of changes in the collective bargaining agreement that encouraged a spike in payouts. About 90% of rank-and-file firefighters received bonus leave payouts in FY 2013.*

Analysis includes all bargaining unit members above rank of "Firefighter–Probationary." Table summarizes actual pay received between October 1, 2012 and September 30, 2013. Data provided by City of San Antonio; analyzed by PFM.

Firefighter Compensation Comparisons

	El Paso	Corpus Christi	Houston	Fort Worth	Dallas	San Antonio	Austin
Post-Probationary Officer							
Cash Compensation (Regionally Adjusted) + Major Benefits Costs	$52,594	$75,682	$63,483	$71,870	$62,655	**$88,792**	$76,943
Overall Rank	7	3	5	4	6	**1**	2
Firefighter (20 Years of Service)							
Cash Compensation (Regionally Adjusted) + Major Benefits Costs	$77,858	$84,222	$85,522	$91,118	$93,992	**$110,296**	$110,499
Overall Rank	7	6	5	4	3	**2**	1
Fire Engineer (20 Years of Service)							
Cash Compensation (Regionally Adjusted) + Major Benefits Costs	no match	$93,244	$87,801	$98,538	$98,238	**$118,270**	$117,994
Overall Rank	no match	5	6	3	4	**1**	2
Lieutenant (20 Years of Service)							
Cash Compensation (Regionally Adjusted) + Major Benefits Costs	$92,314	$93,244	$96,043	$106,912	$111,599	**$127,332**	$126,088
Overall Rank	7	6	5	4	3	**1**	2
Captain (20 Years of Service)							
Cash Compensation (Regionally Adjusted) + Major Benefits Costs	$100,671	$104,886	$105,646	$117,758	$121,367	**$141,622**	$134,830
Overall Rank	7	6	5	4	3	**1**	2
District Chief (20 Years of Service)							
Cash Compensation (Regionally Adjusted) + Major Benefits Costs	$114,844	$117,733	$118,846	$132,752	$132,305	**$158,139**	$145,450
Overall Rank	7	6	5	3	4	**1**	2

Rank & File Firefighter Compensation

- San Antonio firefighters rank **1 of 7** among the Texas cities for total cash compensation at the beginning of a career, and **2 of 7** at 20 YOS (when an officer is eligible for normal retirement), when adjusted for regional labor market differences
- In addition, San Antonio contributes among the highest amounts toward both pension and healthcare benefits. At 20 YOS, San Antonio trails Austin for the top ranking by $203 (0.2%)

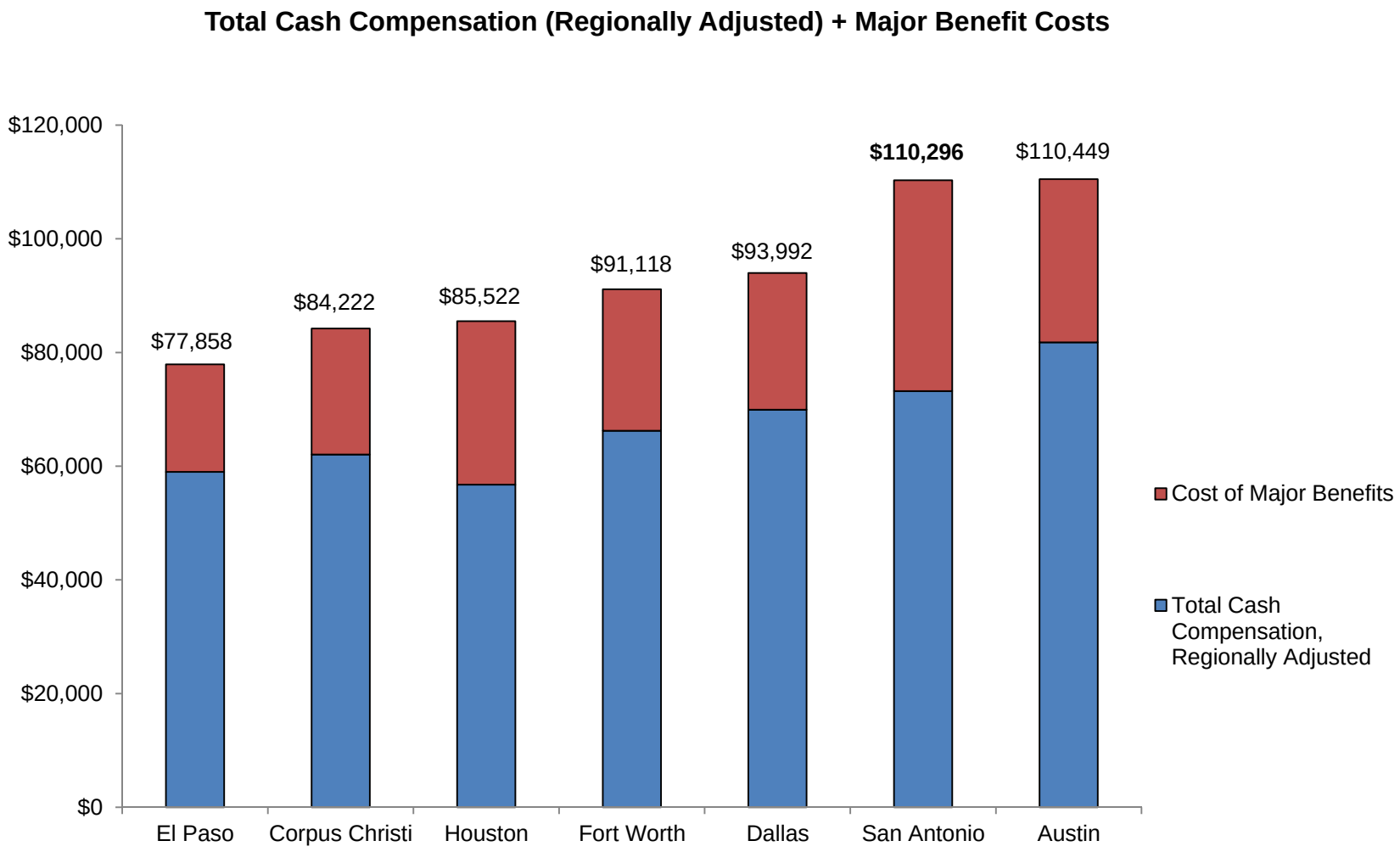
Post-Probationary Firefighter	El Paso	Dallas	Houston	Fort Worth	Corpus Christi	Austin	San Antonio
Total Cash Compensation	$37,447	$48,667	$42,675	$53,606	$53,754	$54,656	**$55,968**
Regional Labor Market Adjustment	1.000	1.065	1.076	1.065	0.978	1.022	**1.000**
Total Cash Compensation, Regionally Adjusted	$37,447	$45,697	$39,660	$50,334	$54,963	$53,479	**$55,968**
Rank, Cash Comp (Regionally Adjusted)	7	5	6	4	2	3	**1**
City Pension Contribution	$6,928	$13,383	$11,479	$10,582	$11,181	$9,676	**$13,702**
City Healthcare Contribution	$8,219	$3,575	$12,343	$10,954	$9,538	$13,788	**$19,122**
Cash Comp (Regionally Adjusted) + Major Benefit Costs	$52,594	$62,655	$63,483	$71,870	$75,682	$76,943	**$88,792**
Overall Rank	7	6	5	4	3	2	**1**

20 YOS – Firefighter	El Paso	Corpus Christi	Houston	Fort Worth	Dallas	San Antonio	Austin
Total Cash Compensation	$58,767	$60,694	$61,066	$70,544	$74,481	**$73,221**	$83,597
Regional Labor Market Adjustment	1.000	0.978	1.076	1.065	1.065	**1.000**	1.022
Total Cash Compensation, Regionally Adjusted	$58,767	$62,060	$56,752	$66,238	$69,935	**$73,221**	$81,797
Rank, Cash Comp (Regionally Adjusted)	6	5	7	4	3	**2**	1
City Pension Contribution	$10,872	$12,624	$16,427	$13,925	$20,482	**$17,953**	$14,914
City Healthcare Contribution	$8,219	$9,538	$12,343	$10,954	$3,575	**$19,122**	$13,788
Cash Comp (Regionally Adjusted) + Major Benefit Costs	$77,858	$84,222	$85,522	$91,118	$93,992	**$110,296**	$110,499
Overall Rank	7	6	5	4	3	**2**	1

See appendix for technical notes

Rank & File Firefighter Compensation

Twenty Years of Service



See appendix for technical notes

Technical Notes: Compensation Comparisons

- Total cash compensation as shown includes: base pay, longevity, clothing allowance, patrol duty pay (where applicable), certification pay (assumes Master level and Basic level, the most prevalent level attained among San Antonio police and fire personnel, respectively), education pay (assumes Bachelors degree, the most prevalent level attained among San Antonio public safety workers), and police shift differential (approximately 75% of San Antonio police receive shift differential; for comparison cities, the highest available shift payment is shown where payments vary by shift).
  - For individual police and firefighters, total cash compensation will vary based on factors such as years of service, shift assignment, duty assignment, educational level attained, certification level attained, and overtime hours worked
- The effective date for the cash compensation analysis is 9/30/2013 for all cities, based on the survey timing. Subsequent pay increases in all jurisdictions, where applicable, are not included so that a consistent point of reference is established across the entire survey group . As a result, the figures shown for San Antonio do not reflect the most recent (October 1, 2013) across-the-board wage increase of 3.0% for police and 3.4% for fire.
- Retirement and health benefit data included in this analysis was developed and provided by pension and healthcare consultants working with the Task Force, and has not been independently evaluated or verified by PFM. City healthcare contributions represent the average healthcare costs for active and retiree uniform employees. Detail regarding which cash compensation items were “pensionable” for the City of El Paso could not be confirmed; analysis assumes that all premiums shown are “pensionable.”
- Regional cash compensation adjustments are based on the most recent (July 2010) *occupational pay relatives* produced by the U.S. Bureau of Labor Statistics (BLS). These pay relatives control for the different types of jobs prevalent in each region to isolate the typical geographic effect on wage determination by metropolitan area across all occupations. The BLS does not produce pay relatives for the El Paso region, so no adjustment is reflected for this city

About PFM

Founded in 1975, Public Financial Management, Inc. (PFM) is ranked as the top municipal financial advisory firm in the United States. The firm has over thirty locations nationwide, including its southwest headquarters in Austin.

The PFM Management and Budget Consulting practice has provided workforce consulting services to state and local governments across the United States, and regularly conducts wage and benefit analyses for some of the nation's largest public employers. National workforce clients include the City of New York (NY) Office of Labor Relations, New York Metropolitan Transportation Authority, Commonwealth of Pennsylvania, State of Tennessee, and State of Delaware.

In Texas, PFM has previously evaluated public safety compensation on behalf of the Cities of Austin and Fort Worth.