State of Texas
County of Bexar
City of San Antonio

FINAL

Meeting Minutes

City Council B Session

City Hall Complex
114 W. Commerce
San Antonio, Texas 78205

Wednesday, January 28, 2015	2:00 PM	Municipal Plaza Building

The City Council of San Antonio convened in the "B" Room of the Municipal Plaza Building. City Clerk Leticia Vacek took the Roll Call with the following Councilmembers present:

Present 11 - Mayor Taylor, Trevino, Warrick, Viagran, Saldaña, Gonzales, Lopez, Medina, Nirenberg, Krier, and Gallagher

1. An informational briefing by three independent consultants regarding the following items:

A) Financial review of the impact of the City of San Antonio and the San Antonio Police Officers Association collective bargaining proposals on the City's General Fund Budget. [Michael Nadol, Managing Director, Public Financial Management]

B) Actuarial review of the legislative amendments proposed by the San Antonio Fire and Police Pension Fund and review of the financial impact of the proposed legislative amendments on the City's Credit Rating. [Mark Randall, Executive Vice President, Gabriel, Roeder, Smith & Company; Jorge Rodriguez, Managing Director, Coastal Securities]

Michael Nadol of The PFM Group stated that they had conducted an independent review of

the City's cost of the proposals exchanged with the San Antonio Police Officers' Association (SAPOA). He noted that they had also evaluated the General Fund impact in consideration of City Council Negotiation Principles: 1) Public Safety Costs should not exceed 66% of the General Fund; 2) Police/Fire Union Uniform Employees should contribute to the cost of Healthcare by paying premiums similar to civilian employees and other peer cities in Texas; and 3) The City will maintain financial policies and practices to support a "AAA" General Obligation Bond Rating. He explained that they had approached the project by evaluating City Costing Spreadsheet and Calculations, as well as reviewing underlying source data and documents. He indicated that they performed a Credit Rating Assessment and requested data from the City's Finance and Budget Staff.

Mr. Nadol outlined the Budget Impact for FY 2015-2017 comparing the City Proposal of $28.5 Million over the three years and the SAPOA Proposal of $76.8 Million over the same three years. He stated that PFM concurred with the use of the General Fund as the denominator for calculating the share of City Resources dedicated to Public Safety. He noted that the Cities of Austin, Corpus Christi, Dallas, El Paso, Fort Worth, and Houston all required Healthcare Premium Contributions for Police and Firefighters. He mentioned that City of San Antonio Civilian Employees contribute toward premiums for all City Plans for dependent coverage and toward individual coverage in two of three plans. He reported that Health Plan Costing Certifications for the City's Model were developed under a separate actuarial engagement with Healthcare Analytics Consulting. He stated that PFM reviewed the Certifications and verified that the City's Costing Model was appropriately based on these estimates.

Mr. Nadol added that the City of San Antonio holds a Triple A General Obligation Credit Ratings from all Major Credit Rating Agencies. He noted that this was the highest-level credit rating possible which reduced borrowing costs to the Taxpayers. He indicated that the City's Credit Rating from Moody's has been assigned a negative outlook noting "Two years of operating Deficits which reduced the General Fund Balance."

Mr. Nadol concluded that the City Costing Model ties to the Adopted Budget and Audited Financial Statements with limited and appropriate adjustments. He noted that most adjustments were updated based on more recent available financial information. He added that revenue forecasts for future years were based on historical 10-year revenue trends. He stated that this trend-based methodology was sound but less conservative than those used in the City's Standard Budgeting Process. He noted that if a downturn or other volatility were to reduce City Receipts during the contract period, the same level of Public Safety Spending under either proposal would represent a higher percentage of General Fund Revenues than now shown.

Ryan Falls of Gabriel Roeder Smith & Company (GRS) presented best practices for

Pension Fund Management. Mr. Falls stated that they had performed an analysis of the Amendment Proposal from the Fire and Police Pension Fund (FPPF). He reported that the FPPF was in a strong financial position due to continued financial commitment from the City as well as effective management from the Fund's Board and Staff. He recommended that the City create a written funding policy that clearly communicates the City's Contribution Commitment to the FPPF and the potential for future benefit modifications.

Mr. Falls explained that in September, the FPPF Board approved a package of proposed changes that include: 1) Increase Cost of Living Adjustment (COLA) for subset of Retirees; 2) Give the FPPF Board discretion to grant similar increases in the future; 3) Increase the benefit multiplier for members retiring with less than 30 years of service; and 4) Reduce the City's Contribution Rate from 24.64% of payroll to 23.25%. He stated that the estimates of the impact on the financial health of the FPPF prepared by FPPF's retained actuary were reasonable. He added that due to the potential for further COLA changes, all stakeholders may want to know the ultimate cost of providing an enhanced COLA to all Retirees.

Mr. Falls indicated that lower City Contributions would help short-term budgeting but delay full funding. He stated that the current best practice encourages Public Retirement Systems and their sponsors to adopt a written funding policy. He noted that this would reduce the uncertainty of all stakeholders as a Pension Plan approaches a fully funded status. He added that a well-written funding policy would codify the City's approach when the plan is fully funded.

Mr. Falls reported that benefits provided by the FPPF were comparable with their peer groups. He stated that the most notable trend with benefit changes had been to institute new tiers of less costly benefits for new hires. He noted that the funding period for the FPPF was significantly less than the funding period for the other systems in the peer group.

Jorge Rodriguez representing Coastal Securities, Inc. stated that their role was to review the underlying General Obligation Bond Ratings of the City of San Antonio and assess the potential impact of the FPPF Proposed Legislative Package upon such underlying ratings. He noted that in order to obtain and preserve San Antonio's Triple A Rating, the City has had to overcome economic challenges relating to per capita wealth. He explained that for the past 20 years, the City of San Antonio has operated under a self-imposed financial constraint of maintaining and not increasing the Ad Valorem Tax Rate. He noted that the FPPF Proposed Legislative Package includes several proposals: 1) 100% COLA to all members who retired between October 1, 1999 and September 30, 2003; 2) Board discretion to adjust the date for a 100% COLA; 3) Reduce Disability Pension from 50% to 47.5%; 4) Maximum years allowed for BackDROP from 34 to 33 years; 5) Reduce City Contribution Rate from 24.64% to 23.25%; and 6) Changes to the Uniform Pension Benefit Formula.

Mr. Rodriguez stated that a determination regarding the impact of the Proposed Legislative Changes to the FPPF upon the underlying General Obligation Bond Ratings of the City of San Antonio must be viewed through the context of the existing ratings and status of each of the respective Rating Agencies. He noted that the current Negative Outlook assigned by Moody's Investors Service represents challenges to the City even before consideration of the Proposed Legislative Changes. He mentioned that the increase to unfunded liability and years to amortize unfunded liability alone should not lead to rating changes; they will place additional pressure on calculated measures. He expressed concern that any Legislative Action which allows a third party to obligate the City of San Antonio to additional financial considerations will be regarded as inconsistent with the Managerial Control Principals characteristic of a Triple A rated city. He stated that given the current rating environment, the adoption of such proposed changes may result in the downgrade of the City of San Antonio's Triple A Ratings by one or more of the major Municipal Bond Rating Agencies.

Mayor Taylor thanked everyone for the presentations and asked of the significant differences in the City and SAPOA Proposals for FY 2016 and 2017. Mr. Nadol replied that the differences were attributed to the structure in the wage proposals. He stated that the city's first year proposal includes a 1 ½% of pay lump sum that does not go into the base and is not carried over. He noted that the SAPOA Proposal includes a 4% across the board increase that would be effective on July 1, 2016. Mayor Taylor asked how conservative the assumptions to eliminate the Unfunded Liability were. Mr. Falls replied that every dollar contributed by the City and the FPPF was used to fund the cost of the benefits accruing for new members and everything that remained was used for the Unfunded Liability. He stated that an Actuarial Audit was performed a year ago and felt that all of the assumptions were reasonable. Mayor Taylor asked if the city had a written funding policy. Mrs. Sculley replied that a policy would be prepared by the FPPF. Ben Gorzell added that the written funding plan referenced by GRS would establish how to reach 100% funding or more and could be worked out between the City and the FPPF.

Councilmember Lopez stated that he served as a Trustee on the FPPF and spoke of his experiences. He asked of the Investment/Return Assumption. Mr. Falls replied that it was important to look at the target investment allocation. He stated that more equity would provide a higher expected return. He noted that risk should also be reviewed. Mr. Rodriguez added that the Rating Agencies utilize an Adjusted Net Pension Liability. Councilmember Lopez stated that he supported the Legislative Package being recommended by the FPPF and asked for additional information regarding the $4 Million that the City would not have to put into the fund each year. Mr. Gorzell referenced Slide 7 of the GRS Power Point Presentation noting that if the Legislative Package was approved, the City would reduce their contribution by $4 Million but would take 13 years for the fund to become fully funded. Warren Schott noted that in order for the City not to make

payments in Years 8-13; there would have to be a change in State Law.

Councilmember Warrick asked if there was a precedence regarding the amount of reserve reductions. Mr. Nadol replied that it was a question of direction and not of actual amounts and that the right amount of reserves varied from city to city. Mr. Rodriguez added that the City of San Antonio was the only city with a population over one million that holds Triple A Ratings from all three Municipal Bond Rating Agencies. He stated that the Bond Rating Agencies look to see how the city responds to variables both in and out of their control. Councilmember Warrick asked if the amount of debt on the next Bond Program would be limited. Mrs. Sculley replied that it would be the decision of the City Council and that the Financial Plan assumes no property tax increase. Councilmember Warrick asked why GRS did not include any City Contributions in Years 8-13 (Slide 7) of their presentation. Mr. Falls stated that the dollar amounts reflected the Unfunded Liability and it would be fully funded after Year 7. Therefore, no amount would need to be contributed in Years 8-13. Councilmember Warrick asked if the Rating Agencies compared San Antonio to other cities. Mr. Rodriguez stated that they did but each city was unique. He noted that the Rating Agencies would be concerned if San Antonio started issuing 10-Year Bonds instead of 20-Year Bonds.

Councilmember Viagran asked if the 66% of the General Fund allocated toward Public Safety included Park and Airport Police. Maria Villagomez replied that it included Park Police but Airport Police was not paid from the General Fund.

Councilmember Gallagher asked of the impact to the City of San Antonio if the Triple A Bond Rating was lost. Mrs. Sculley replied that there would be higher interest rates on debt issued and would decrease the amount of projects that could be implemented. Mr. Rodriguez added that a one-step downgrade would equate to $10 Million. Councilmember Gallagher stated that it was very important for the public to understand the importance of the Triple A Bond Rating.

Councilmember Nirenberg asked of the verification of the City's Costing Model. Mr. Nadol replied that the City of San Antonio hired Healthcare Analytics Consulting to perform an actuarial analysis and PFM had reviewed the numbers and application of the numbers into the City's Model. Councilmember Nirenberg asked what would occur when the FPPF was fully funded. Mr. Falls replied that the City of San Antonio could continue to contribute a small amount and become overfunded in case of a market downturn. He noted that the benefits increases could also be restructured. Councilmember Nirenberg stated that the FPPF had been extraordinarily well-managed and was a model for other cities. He asked of the cost difference to the City of San Antonio between the two proposals. Mr. Nadol referenced his presentation (Slide 5) and stated that the absolute three-year cost difference was $50 Million but averaged $30 Million per year between the two proposals.

He noted that the impact to the Budget varied due to other factors.

Councilmember Medina stated that it was important to bring the parties back to the negotiating table and asked if the two parties had paid for the study. Mrs. Sculley replied that the City of San Antonio paid for the study and noted that Mayor Taylor had asked staff to hire two or three firms that could provide the data. Mayor Taylor noted that she had hoped to jointly agree on the firms but had not received a response from the other party. She mentioned that GRS had been used by the FPPF and was confident in their credibility. Mrs. Sculley added that they were awaiting certified actuarial reports from the SAPOA.

Councilmember Krier asked if Mayor Taylor had requested input from the Unions. Mayor Taylor confirmed that she had requested their suggestions on firms that could be procured but had not received a response. Councilmember Krier asked what impact the proposed Pension Changes will have on the City's Financial Position. He stated that he would prefer to pay more now and get fully funded sooner. He spoke of the City's Strong Management and Conservative Financial Practices. Mr. Nadol stated that the City of San Antonio benefited from having a diverse and healthy economy which were factors that were given substantial weight by the Bond Rating Agencies. Councilmember Krier stated that losing the current Bond Ratings would cost a lot of money and should be avoided.

Councilmember Gonzales asked of the 3-year cost of $76.8 Million under the SAPOA Proposal. Mr. Nadol replied that it included all of the incremental costs of the wage-related elements and health benefits.

Councilmember Treviño concurred with the importance of maintaining the City's Triple A Bond Rating and asked of the impact of a downgrade across the city and to all City Departments. Mrs. Sculley replied that if more money was spent on interest; there would be less money for projects. She noted that there would be an impact across the city and to all City Departments due to less projects being implemented.

Councilmember Saldaña asked if Public Safety costs were rising at a faster rate than the General Fund was increasing revenue. Mr. Nadol replied that the information was not included in the scope of their analysis and indicated that he felt the assumptions utilized were reasonable. Councilmember Saldaña asked of next steps. Mayor Taylor stated that she would like to schedule additional negotiating meetings and that she was pleased with the great amount of information provided. She noted that the firms were reputable and had provided information that would be useful to both sides. Councilmember Saldaña stated that he hoped to get back to the negotiating table and commended Mayor Taylor for her leadership.

Mayor Taylor stated that they wanted to be proactive and was pleased to be planning for the

future. She thanked everyone for the presentations.

Councilmember Lopez asked when an official position would be made by the City Council regarding the FPPF Legislative Package. Mr. Jeff Coyle stated that the Intergovernmental Relations Council Committee had voted to approve an amendment to the City's Legislative Package to oppose increases in Benefits or Unfunded Liability for the FPPF. Councilmember Lopez stated that there should be direction from the full City Council. Mayor Taylor stated that it could be discussed in a future Executive Session.

EXECUTIVE SESSION

The Executive Session was not held.

A. Deliberations regarding economic development negotiations and discuss related legal issues pursuant to Texas Government Code Sections 551.087 (economic development) and 551.071 (consultation with attorney).

B. Deliberate the purchase, exchange, lease or value of real property and discuss related legal issues pursuant to Texas Government Code Sections 551.072 (real property) and 551.071 (consultation with attorney).

C. Discuss legal issues related to collective bargaining pursuant to Texas Government Code Section 551.071 (consultation with attorney).

D. Discuss legal issues related Thelma Franco v. City of San Antonio pursuant to Texas Government Code Section 551.071 (consultation with attorney).

RECESSED

Mayor Taylor recessed the meeting at 5:12 pm and announced that the meeting would resume at 5:15 pm for Ceremonials.

RECONVENED

Mayor Taylor reconvened the meeting at 5:20 pm and addressed the Ceremonial Items.

CEREMONIALS

Mayor Taylor presented a Proclamation in recognition of Black/African American History Month that would be celebrated during the month of February to honor the history, accomplishments and contributions of African Americans. Mayor Taylor noted that public libraries, universities, military bases and places of worship would hold events and activities to recognize the struggle for racial justice, and renew efforts to fight for equal rights for all Americans.

Mayor Taylor presented a Proclamation to the American Heart Association in recognition of their use of the month of February to create awareness on cardiovascular disease in women. It was noted that their signature event is the "Go Red for Women Day" on February 6th to encourage citizens to learn the warning signs of heart attack and stroke.

Mayor Taylor presented a Proclamation in recognition of the 66th Annual San Antonio Stock Show & Rodeo that will be held at the Freeman Coliseum/AT&T Center Grounds. Mayor Taylor noted that the San Antonio Livestock Exhibition (SALE), Inc. sponsors the event and provides scholarships, grants, endowments, and other financial assistance to Texas Youth in Agriculture Programs.

CITIZENS TO BE HEARD

Mayor Taylor called upon the citizens registered to speak.

Nikki Kuhns addressed the City Council and spoke of the International Council Code that the City Council would vote on the next day. She stated that the Code addresses meter installations and expressed concern with the low qualifications required for the individuals that install meters.

Phil Sevilla addressed the City Council in opposition to the Planned Parenthood Facility located at 2140 Babcock Road. He expressed concern that they did not have the proper permits and with the increased traffic.

Dr. Guy McClung addressed the City Council in opposition to the Planned Parenthood Facility located at 2140 Babcock Road. He expressed concern with the many abortions that would be performed and noted that many of them were Hispanic.

Mark Perez addressed the City Council regarding public safety issues and expressed concern with city staff that had not responded to his requests for information. He referenced the Kimberly Clark and AGE Refinery Facilities that were operating without the proper

permits.

Sylvia Villarreal addressed the City Council in opposition to the Planned Parenthood Facility located at 2140 Babcock Road. She expressed concern that they did not have the proper zoning for the great amount of abortions that would be performed.

Patrick Von Dohlen addressed the City Council in opposition to the Planned Parenthood Facility located at 2140 Babcock Road. He expressed concern with the many abortions that would be performed.

Mike Knuffke addressed the City Council in opposition to the Planned Parenthood Facility located at 2140 Babcock Road. He read a letter from the Development Services Department noting several uses that were not permitted within the C1 Base Zoning District including a medical surgery facility or hospital.

Betty Eckert expressed concern with the Planned Parenthood Facility located at 2140 Babcock Road. She requested that the City Council pull the lawsuit related to the San Antonio Police and Fire Associations. She expressed concern that the proposed City Council Pay would not be approved by the voters.

Gerald Ripley addressed the City Council in opposition to the Planned Parenthood Facility located at 2140 Babcock Road. He spoke of Former President John Quincy Adams who opposed slavery and Daniel Webster who had a firm grasp of Biblical Principles.

Artman Bland addressed the City Council with concern that some businesses were operating without the proper permits. He spoke of issues that he has encountered with the Code Enforcement Division and requested additional time to fix his home before it is demolished.

Michael Osborn addressed the City Council in opposition to the proposed Planned Parenthood Facility located at 2140 Babcock Road. He asked why a building permit for the facility was issued by the City of San Antonio.

Nazirite Ruben Flores Perez addressed the City Council in support of the continuation of the 1/8th cent sales tax to protect the water supply. He stated that he was opposed to fluoride in the water supply. He referenced an article in the Express-News noting that a Mormon was in support of Homosexuality.

Edith Stockhardt addressed the City Council and expressed concern with San Antonio Housing Authority (SAHA). She stated that SAHA Residents had trashed her home and SAHA had not addressed the issue.

Theresa Berlanga addressed the City Council and expressed concern with the many abortions that were performed in San Antonio. She noted concerns with the educational system in the city.

Rhett Smith addressed the City Council and requested that the Citizens to be Heard portion of the meetings be broadcast on television. He stated that he had recorded the Charter Review Commission Meeting with his video camera and would coordinate with the Communications Department to make it available to the public.

Keith Toney addressed the City Council in support of the proposed Charter Revision to provide City Council Pay in the amount of the Median Family Income. He spoke of the great amount of time required of the City Councilmembers and thanked the City Council for their service.

Julia Iris Oldham expressed concern with the City Manager Contract and spoke in opposition to fluoride in the water supply.

Faris Hodge, Jr. submitted written testimony noting that everything that has been said regarding President Obama's Economic Policies is likely wrong. He wrote of the Young Men's Leadership Academy, an All-Boys Public School opening in August 2015. He recommended Trey Martinez Fischer for Senate and highlighted the Power Walks for Diabetes. He wrote that all city vans and buses need to be replaced as they are not ADA Compliant. He expressed concern that vehicles were the main source of the city's polluted air.

ADJOURNMENT

There being no further discussion, Mayor Taylor adjourned the meeting at 7:00 pm.

APPROVED

Ivy R. Taylor

IVY R. TAYLOR
MAYOR

ATTEST: Leticia M. Vacek

LETICIA M. VACEK, TRMC/MMC
CITY CLERK