HEALTHCARE & RETIREMENT BENEFITS TASK FORCE
MEETING AGENDA*
MONDAY, JANUARY 27, 2014
2:00 P.M.
MEETING ROOM B, MUNICIPAL PLAZA

A MEETING OF THE HEALTHCARE & RETIREMENT BENEFITS TASK FORCE WILL BE HELD AT MUNICIPAL PLAZA, PLAZA ROOM B, SAN ANTONIO, TEXAS 78205 ON MONDAY, JANUARY 27, 2014 AT 2 P.M., TO CONSIDER THE FOLLOWING MATTERS:

-*Agenda Subject to Change -

Item 1: Categorize Recommendations Submitted by Task Force Members

Aggregate individual recommendations into major categories (30 minutes)

Item 2: Discuss and Prioritize Healthcare Recommendations (90 minutes)

DISABILITY ACCESS STATEMENT

This meeting is accessible to disabled persons. City Hall and Municipal Plaza are wheelchair accessible. The accessible entrance for City Hall is located at 100 Military Plaza. Accessible parking is also located at City Hall, 100 Military Plaza. To arrange for special assistance to attend this meeting, please call the Disability Access Office at 207-7243. Requests for interpreter for the hearing impaired must be received at least 48 hours prior to the meeting by calling 207-7245 V/TTY for assistance.

Healthcare and Retirement Benefits Task Force

Recommendations submitted by Task Force Members

1. 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.

2. 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.

3. 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.

4. Expand the city's offering of wellness programs to uniform employees.

5. Expand the city's offering of Consumer Driven Healthcare Plans and Health Savings Accounts to uniform employees.

6. Establish guidelines for the amount of the public safety budget as a percentage of the general fund.

7. Consider a policy recommendation that public safety budget growth cannot exceed general fund revenue growth in a given year.

8. 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.

9. Remove healthcare from the CBA.

10. Adjust Adequacy of Benefits to match that of peers and civilian employees.

11. Adjust contribution levels to match peers and civilian employees.

12. Implement a rigorous wellness program that rewards employees for participation and better health metrics.

13. Implement dependent audits for all City of SA employees.

14. 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.

15. 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.

16. Conduct periodic dependent eligible audits for all civilian and all segments of non-civilian/ uniform City of San Antonio employees.

17. Implement a smoking cessation program with premium contribution incentives for all civilian and uniform employees.

18. Implement a wellness program with fitness testing incentives for all civilian and uniform employees.

19. Initiate an RFP bid process for medical stop-loss coverage for all plans in force.

20. 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

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.

22. 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.

23. 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.

24. Remove healthcare benefits from the Police and Fire Collective Bargaining Agreements.

25. Adjust healthcare benefits for newly hired uniform employees while remaining competitive with other Texas cities.

26. 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.

27. Purchase stop/loss policy to cover high cost claims.

28. 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.

29. Provide wellness services to both uniform and civilian employees as well as all retirees.

30. 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.

31. 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.

32. Undertake periodic dependent audits of uniform, civilian, and retiree dependents.

33. Adopt a spousal surcharge for spouses who have alternate coverage options.

34. Continue to offer Out of Network benefits at a reduced rate of coverage.

35. 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.

36. 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.

37. 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.

38. 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.

39. 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

40. 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.

41. 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.

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

43. 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.

44. Eliminate pre-funded employee healthcare.

45. 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.

46. 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.

47. Eliminate the “no dependents pay” philosophy.

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

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

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

51. Perform dependent coverage audits.

52. Reduce the “richness” of the insurance plan for public safety employee dependents.

53. Evaluate an option of “dependents/employer option first” policy.

54. Communication: Regardless of the exact message, education and communication will be key in getting employees to change their mindset (get buy-in).

    - 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.

    - 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.

    - 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.

- 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.

- Onsite group meetings to include spouses of employees. This is helpful in keeping the rumors and misinformation to a minimum.

55. Cost sharing premium strategy employer/employee split - 1 to 3 years (i.e.). Year 1 - 85/15 split; Year 3 – 80/20 split.

56. Charge a tobacco rate to employees.

57. Charge more for spouses (if they are employed and their employer offers health insurance).

58. 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.

59. 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.

60. Purchase stop loss policy.

61. 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.

62. The City should investigate private exchanges with insured risk characteristics and consider a defined contribution approach as opposed to a defined benefit approach.

63. The City should consider contributions to employee accounts to promote Consumerism.

64. The City should improve the tools, education and engagement of plan members to enable them to make better consumption and lifestyle decisions.

65. 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.

66. 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.

67. The City should target high cost and chronic conditions for more affective risk avoidance and control.

68. 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.

69. The City should consider purchasing reinsurance to protect the plans from catastrophic losses.

70. 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.

ADDITIONAL COMMENTS AND OBSERVATIONS SUBMITTED BY TASK FORCE MEMBERS

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

86

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.

Attachments

CITY OF SAN ANTONIO
Office of the City Manager

MEMORANDUM

TO: Sheryl Sculley, City Manager

FROM: Ben Gorzell, Jr., Chief Financial Officer

COPIES: Mayor and Council

SUBJECT: City's Outstanding Debt, Debt Management, and Transparency Efforts

DATE: January 24, 2014

This memorandum serves to provide information specifically on the City of San Antonio's outstanding debt, debt management, and transparency efforts.

On May 28, 2013, the Texas Comptroller Susan Combs announced the creation of a new Web resource, "Tell the Truth Texas" (www.tellthetruthtexas.org) that would collect an array of information on the debt and finances of local governments throughout Texas. According to the Comptroller, the website was in response to the 2013 Legislature's failure to enact substantive transparency legislation for local government. Information from the website has been utilized for various news stories and reports since inception. The information focuses on debt issued by local government to include cities, community and junior colleges, counties, health/hospital districts, public school districts, water districts/river authorities, and other special purpose districts. Much of the information provided is based upon aggregate information on this broad group of local government entities from across the State of Texas. It also includes specific references to the City's outstanding debt with a comparison to other cities, which is not a fair comparison. The summary information presented on the website may lead to incorrect conclusions regarding the City's debt position and debt management practices, and as such, the following information is being provided to more clearly describe the City's debt position and debt management program.

The information provided on the website indicates that San Antonio has outstanding debt of $9.9 billion second only to the City of Houston. However, the $9.9 billion noted in the report includes the debt outstanding for San Antonio's city-owned utilities, CPS Energy and the San Antonio Water System ("SAWS"). When comparing debt outstanding for cities, it is difficult to make a universal comparison given the diversity of types of capital programs funded by cities. Differences can occur whether debt programs include ownership of electric and gas utilities, water and wastewater utilities, airport systems, or the size of the geographic area in which infrastructure must be maintained (for example, the City of Dallas and the City of Houston do not own their electric and gas utilities, therefore, would not have debt associated with this function).

The $9.9 billion in outstanding debt for the City as of August 31, 2012, includes $2.1 billion that is applicable to the City, $5.3 billion applicable to CPS Energy and $2.5 billion applicable to SAWS. Debt issued by CPS Energy and the SAWS is payable only from the revenues of those utilities, respectively. Debt per capita based on $2.1 billion in debt outstanding (excluding CPS Energy and SAWS debt) is approximately $1,518 instead of the $7,151 noted on the website.

The following table summarizes the City's outstanding debt as of September 2013 and excludes debt applicable to CPS Energy and SAWS. A calculation of the debt per capita based on the City's total outstanding debt as of September 2013 of $2,466.5 billion, and a population of 1,382,951, is approximately $1,784.

	Outstanding Principal	Effective Interest Rate	Average Life (Years)
General Obligation/Certificates of Obligation/ Tax Notes	$1,406.2M	3.70%	9.15
Airport	207.7M	4.52%	10.58
Airport – Passenger Facility Charge	153.9M	4.80%	11.9
Stormwater	74.5M	2.55%	9.07
Contract Revenue Bonds – Starbright (Toyota)	20.9M	3.86%	12.42
Lease Revenue Bonds:			
One Stop	7.0M	2.98%	4.10
Police and Fire Emergency Dispatch Center	27.4M	4.88%	17.19
Convention Center Expansion	550.4M	3.97%	21.84
Revenue Notes	18.5M	0.85%	1.01
Total	$2,466.5M		

The largest category of debt outstanding for the City is $1.4 billion in general obligation, certificates of obligation, and tax notes (property tax supported debt). With respect to legal limitations on the City's property tax supported debt, the City Charter provides that our property tax supported debt cannot exceed 10% of the City's total assessed valuation. For FY 2013, the City's total assessed valuation was $83.6 billion providing a debt ceiling of $8.4 billion. The City's outstanding property tax supported debt was $1.4 billion, which is well below the debt ceiling established under the City Charter. Pursuant to State requirements, the City's debt service property tax rate, which is used to provide the funds to pay for the debt service on our property tax debt, cannot exceed $1.50. The City's current debt service tax rate is $.2115 which is significantly below the State's requirement.

The City's current total tax rate is $.56569 per $100 of valuation and is comprised of $.35419 for operations (62.6% of the tax rate) and $.21150 for debt service (37.4% of tax rate). The debt service tax rate has been $.2115 since FY 2004 and there is no projected increase in the debt service tax rate required to support the City's current capital program or projected bond programs of similar size in 2017 and 2022. The property tax supported debt management plan includes planned voter authorized bond programs every five years to allow the City to continue to invest

in needed infrastructure. The debt for the bond programs is issued in installments over five years.

It is also important to note the bond ratings on the City's current property tax supported debt. The City's property tax supported debt has a 'AAA' bond rating from each of the three major rating agencies and San Antonio remains the only major city with a population of more than 1 million to have a 'AAA' bond rating from all three major rating agencies. Credit ratings on debt issuances are an evaluation by an independent agency of the risk and ability of an organization to repay the debt. The 'AAA' bond rating is the strongest rating that can be achieved and reflects the lowest degree of credit risk to the bondholder resulting in a lower cost of borrowing.

Please note that Moody's Investors Service ("Moody's") has affirmed the City's 'AAA' with a negative outlook. A negative outlook means that the rating could potentially be lowered in the intermediate term and reflects Moody's view of the City's weakened financial performance due to a draw on the City's General Fund Fund Balance starting in FY 2012. Moody's will continue to monitor the City's financial performance, operating pressures and the City's ability to return to structurally balanced operations, and strong reserves.

The City-owned utilities, CPS Energy and the SAWS, both have strong credit ratings. The bond ratings for SAWS from all three rating agencies are one notch below 'AAA' for its senior lien debt. CPS Energy's bond ratings on its senior lien debt are also one notch below 'AAA' from Moody's and Fitch and two notches below 'AAA' from Standard & Poor's.

With respect to transparency, the City, for the fourth year in a row, earned a Gold Leadership Award for its financial transparency from the Texas Comptroller of Public Accounts. The Comptroller Leadership Program was launched by the State to encourage and applaud local governments across Texas that have focused on giving taxpayers a transparent look at local expenditures. The requirements for the program include making certain financial information easily available and accessible on the entity's website. The "Gold" level is the highest level that can be achieved and highlights those entities that are setting the bar with their transparency efforts.

In order to foster greater transparency, the City also voluntarily provides additional financial information on the City's website related to its debt programs. This information includes documents such as:

- Official Statements for Bond Issuances – Offering document utilized in the sale of bonds
- Rating Reports from the Rating Agencies – Credit report from the rating agencies
- Continuing Disclosure Reports – Reports required to be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system which details the City's outstanding debt, compliance with bond covenants, and other financial tables and related information.

In conclusion, the City continues to have a strong and solid financial position, which is aided by the City's proactive financial management practices and strategies. These include comprehensive long-term financial planning, active management of all of our debt programs,

maintenance of budgeted reserves, utilization of a two-year budget plan for the General Fund and monthly financial reporting and monitoring. Adherence to these strong financial management practices have positioned the City well to adjust to changing economic conditions, while maintaining our solid financial position.

With recent reductions in the General Fund Fund Balance, continued pressure on the General Fund Operating Budget, and revised rating agency criteria, City staff is reviewing the City's current financial policies. Recommendations on updates to these financial policies will be presented to City Council in late February. Staff will continue to make recommendations based on long-term comprehensive financial planning and thorough financial due diligence.

CITY OF SAN ANTONIO
Office of the City Manager
MEMORANDUM

TO: Sheryl Sculley, City Manager

FROM: Ben Gorzell, Jr., Chief Financial Officer

COPIES: Health and Retirement Benefits Task Force; Mayor and Council

SUBJECT: Summary of Rating Agency Criteria for U.S. Local General Obligation Bonds

DATE: January 24, 2014

In 2013, both Standard and Poor's ("S&P") and Moody's Investors Service ("Moody's") revised their respective rating criteria for US local government general obligation bonds. The information below is a summary of the current criteria for each of three major bond rating agencies. Please note that Moody's has placed less weight on local economy conditions and more emphasis on City debt and pensions. Likewise, S&P has revised its evaluation approach to include more quantitative criteria and to provide additional transparency and comparability to help market participants better understand their rating process. In all cases, the rating agencies are becoming stricter in their financial reviews of local governments, demonstrated by the recent downgrades of cities such as Indianapolis, Chicago, and Phoenix.

The City Manager has directed staff to review and provide recommended updates to our financial policies that will help maintain the City's 'AAA' general obligation bond ratings. These recommendations will be presented to City Council in late February.

Moody's Investors Service

Previous Rating Criteria & Weight		New Rating Criteria & Weight	
Local Economy/Tax Base	40%	Local Economy/Tax Base	30%
City Finances	30%	City Finances	30%
City Management	20%	City Management	20%
City Debt/Pensions	10%	City Debt/Pensions	20%

Standard & Poor's

Previous Rating Criteria & Weight[1]	New Rating Criteria & Weight	
	City Institutional Framework	10%
Local Economy	Local Economy	30%
City Management	City Management	20%
City Financial Performance and Flexibility	City Financial Measures Liquidity Budgetary Performance Budgetary Flexibility	30%
City Debt Burden	City Debt & Contingent Liabilities	10%

Fitch

Current Rating Criteria[1]
City Debt and Other Liabilities
Local Economy
City Finances
City Management and Administration

[1] No weights were applied under these rating criteria.