

San Antonio could pay more than \$70 million in Cadillac taxes over police, fire pacts, city manager says

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The City of San Antonio could be liable for huge tax penalties unless it can come to terms with police and fire unions on new collective bargaining agreements that includes less costly health benefits.

According to City Manager [Sheryl Sculley](#), there is a growing concern that the health benefits San Antonio is paying its public safety workers are "so rich" they could trigger an excise, or "Cadillac," tax, a provision included in the Affordable Care Act to help drive down health care costs. The tax, which takes effect in 2018, targets high-cost health plans.

"If there is no change in the public safety benefit plan design, the city will have to pay penalties to the federal government beginning in 2018," Sculley told me. "Over the term of the evergreen clause, the Cadillac tax penalties paid by the city to the federal government are estimated at \$71 million."

The city's pact with police and fire unions expired on Sept. 30, 2014. However, the evergreen provision in the expired deal states that, absent any new agreement, the current contracts remain in force until Sept. 30, 2024.

City officials warned last fall that, without new union agreements, the cost to provide health care for public safety workers would increase by \$1.6 million per month through September 2024.

In November, I reported that City Council had agreed to amend the municipal budget, slashing more than \$14 million to fund those increased costs.

"Public safety expenses are growing faster than general fund revenues," Sculley said.

W. Scott Bailey covers health care, tourism, sports business, economic development; he also plans and edits some special reports.