

Independent Reviews Support City Vs. Police Union

ROBERT RIVARD on 29 January, 2015 at 01:03



Three national financial firms hired to scrutinize competing health care proposals put on the bargaining table by the City of San Antonio and the [San Antonio Police Officers Association](#) appeared before City Council Wednesday and strongly affirmed the City's financial practices and projections, praising its coveted [AAA credit rating](#), and warning that union proposals would drive up wage and benefits costs by \$76.8 million over the next three years.

The financial reports delivered to Mayor Ivy Taylor and City Council Wednesday represented an across-the-board affirmation of the fiscal management of City Manager Sheryl Sculley and her staff, who have long warned that rising union health care and pension costs cannot be sustained without putting other essential city services at risk. Union officials were in the audience, and afterwards Mike Helle, the president of the San Antonio Police Officers Association, rejected the third-party presentations and said the union would soon release its own independent financial analysis.

Both sides appear ready to return to the bargaining table in February.

The City's proposed wage and benefits plan would cost an additional \$28.5 million over the life of a proposed three-year contract, and keep public safety costs at 66% of the General Fund, according to the outside review. The union proposal would cost \$48.3 million more than the City plan and would elevate public safety spending to 69% of the General Fund. That assumes the firefighters, who have yet to come to the bargaining table, would receive the same wage and benefits package as police.

"The City's analysis is sound, and we concur with the City Council's adopted approach at looking at public safety costs in the context of the city's General Fund. Each one of those percentage points above that established 66% target would equate to more than \$10.5 million each fiscal year," said Michael Nadol, managing partner with [Public Financial Management](#) (PMF), a Philadelphia-based financial and investment firm that specializes in state and local government work. "Certainly in (the) private industry most of us contribute to our health care costs, and that's increasingly true in the public sector. Across Texas, the other major cities all require police and firefighters to contribute."

Nadol warned Council not to jeopardize San Antonio's credit rating, the only U.S. city of more than one million people that holds the highest-possible Triple A rating from all three major rating agencies. Council heard how that rating has allowed city staff to repeatedly refinance public debt at favorable interest rates in recent years, driving down the costs of capital improvements at the Henry B. Gonzalez Convention Center and the San Antonio International Airport by tens of millions of dollars.

"Not every city we work with is able to attain a Triple A rating," Nadol said. "A Triple A rating is hard to achieve, and once lost, it is hard to get back."

Irving, TX-based actuaries [Gabriel Roeder Smith & Company](#) (GRS) reviewed a proposed legislative change to the Fire and Police Pension Fund that would increase cost-of-living benefits for retirees and give the pension board the power now held by City Council to decide when to increase benefits, while also reducing the City's annual contribution to the pension fund.

Ryan Falls, a GRS actuary, said the \$2.5 billion pension fund is 92% funded, unusually sound for a public pension fund, but the proposed changes would prevent the City from fully funding its \$230 million in liabilities in seven years, as planned, and extend its annual \$38 million contributions to reduce the unfunded liability to 13 years, costing the City an additional \$172 million.

"To have a fully funded pension fund within the next 10 years is an enviable position, especially in the state of Texas," Falls said. Noting that achieving that goal would free up \$38 million annually that could be applied to other needs, he added, "You can have conversations now that some of our clients will have to wait 20 years or more to have because you are so close to being fully funded."

Falls also advised the City to adopt a written funding policy with a "systematic set of procedures used to determine the level of the city's contributions and document the City's approach towards benefit modifications."

A written policy, Falls said, would assure ratings agencies of the City's long-term policies and practices.

"Really what this City needs is a written funding policy, a road map," Falls said. "The bonding agencies are not exactly sure where you are going with pension funding. There are a lot of questions out there."

Jorge Rodriguez, managing director and head of public finance for [Coastal Securities](#) of Houston, which has worked extensively with the City for 20 years in managing its credit rating, warned City Council that Moody's already has assigned a "Negative Outlook" to San Antonio, meaning its credit rating could be downgraded unless it controls public safety spending.

He said San Antonio's top credit rating was remarkable given the City's "depressed socioeconomic profile," and represented recognition of the City's diversified economy, conservative fiscal management, and a commitment to long-term budgeting and capital spending planning at City Hall.

"For the past 20 years, the City has operated under a self-imposed financial constraint of maintaining and not increasing the ad valorem tax rate," Rodriguez added. "A decade ago it was 57 cents per \$100 of property value. Today it's 56 cents per \$100 value."

Rodriguez said Moody's recognized the City's track record, but has developed "serious concerns" that the City might not be able to control costs going forward.

Click [here](#) to access the three third party reports.

The presentations went on for several hours. Afterwards, questions from individual Council members suggested the strong affirmations of City fiscal practices and projections will not end divisions among

elected officials. At least four Council members appear ready to support the pension fund changes. As was made evident earlier in the day **when the Governance Committee met**, five Council members want to vote on withdrawing the City's lawsuit against the unions over the legality of the contract's 10-year evergreen clause. The Council is likely to vote Feb. 11 whether to support or oppose the proposed pension fund changes.

"That was very helpful information and I'm sure it will take us awhile to digest it," said Mayor Ivy Taylor after the briefings. Later, she added, "We heard good news today, that we are ahead of the curve compared to other cities. The invitation continues to be open for negotiating dates. Hopefully, we can get the ball rolling, turn the page and we can all move on with our lives."



Mayor Ivy Taylor. Photo by Scott Ball.

"It's no secret that I generally support the proposed legislation," said Councilmember Ray Lopez (D6), who sits on the pension fund board.

"This is something we should take pride in as a city," said Councilmember Ron Nirenberg (D8) after the briefings. He was the first in the room to express hope that the third-party reviews would settle the matter and result in renewed talks and any doubts about the credibility of city staff. "I think there is high expectations for today, there is hope this will serve as a breakthrough."

Addressing the proposed pension changes, Nirenberg said he favored paying down the unfunded liabilities as quickly as possible.

"I am wary of messing with success," he said. "If we do adopt a road map, I would want to see us become fully funded as early as possible. Hopefully, today provides all of us here with some ground to stand on together."



District 8 Councilmember Ron Nirenberg



Councilmember Cris Medina (D7), who authored the memo seeking to withdraw the lawsuit and was not happy **Mayor Taylor tabled the issue Wednesday**, asked if the City and police union jointly paid for the independent reviews. When told by Sculley that the City paid, Medina asked, "Does the information qualify as third-party independent review?"



District 7 Councilmember Cris Medina

Mayor Taylor said union officials have not been responsive to her invitation to participate in the selection process of independent analysts and actuaries, while Helle said after the meeting that the mayor misrepresented their conversations.

"Certainly it was our desire to have reports and data that was respected by both sides," Mayor Taylor said. "We asked the union to participate, but did not receive input." PFM, she said, has "credibility with the union."

Councilmember Mike Gallagher (D10) asked Sculley a single question after the third-party presentations: "What would the loss of (San Antonio's) Triple A credit rating mean?"

"It would mean higher interest rates," Sculley replied. "With a Triple A rating we are able to achieve the lowest possible interest rates on debt. ... It's similar to your home mortgage. If you have a high interest rate you are going to have a higher monthly payment with more money going to the interest payment rather than the actual debt."



District 10 Councilmember Mike Gallagher

She reminded council members that each one had a wish list of essential projects in their district that they want funded. Suffering a downgrade in the City's credit rating, Sculley said, would leave less money for individual district improvements.

Sculley also said staff is trying to find money to undertake several street projects to make the city safer for pedestrians after several fatalities in 2014.

Councilmember Joe Krier (D9) praised the reputations of the three firms, saying, "The question has been: Has the city been making the right assumptions in calculating the costs of police and fire health care? What I am hearing is that the City has been making the correct assumptions on how to calculate changes in the union contract."

Krier broke through the numbers by recalling his days as a bachelor several decades ago, noting that when a young woman he was dating told him she had "serious problems" with him, he knew things were about to end badly. That, he said, meant Council should listen closely to Moody's warning.

"I am delighted that we have a pension plan that is well run and well-funded," Krier said. "When I look at the comments by the rating agencies in regard to our Triple A rating, I see the words 'strong management' repeatedly, 'conservative management' repeatedly."

Councilmember Rey Saldaña (D4) was the last to pose a question and he pressed PFM's Nadol to assure Council that the work of the firms was truly independent and sufficient to put the disagreements over competing financial assumptions to rest.

"Are we there? Do we have to wait for the next set of assumptions?" Saldaña asked.

"I would be hard pressed to see how the wage costing analysis would come out any different if another third-party was hired," Nadol replied.

"I think there should be an opportunity for rebuttal by the other side, and the place to do that is at the negotiating table," Saldaña responded.

Minutes later, the meeting adjourned and the police union's Helle held an impromptu press conference in the hallway, disputing the reliability of the reports and promising to present his own third-party assessment of the police union's proposals when the two sides meet at the bargaining table in February.