

HEALTHCARE & RETIREMENT BENEFITS TASK FORCE

City of San Antonio, Texas

Orientation on City's Budget, Healthcare and Pension Benefits

Presented by: Ben Gorzell, Chief Financial Officer
October 28, 2013

Presentation Overview

- Overview of City Budget
- General Fund
 - Current Budget and Historical Trends
 - Cost Management Measures
 - Challenges in General Fund
- Healthcare and Pension Benefits Overview

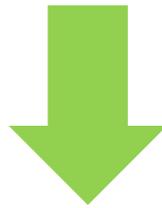


Consolidated Budget

Total Consolidated City Budget
(All Funds)
\$2.3 Billion



\$988 Million
General Fund

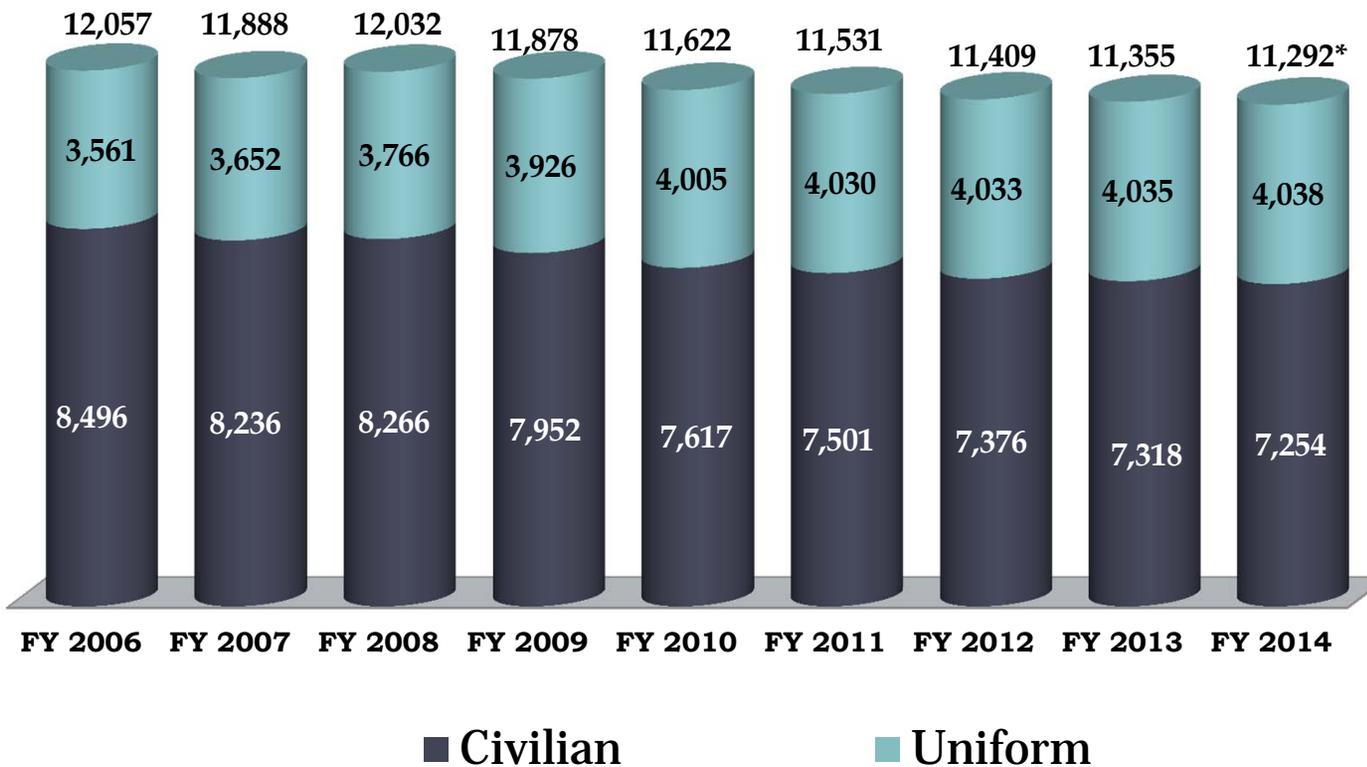


\$700 Million
Restricted
Funds



\$570 Million
Capital
Budget

City Authorized Positions



- 1,547 Civilian Positions eliminated since FY 2006
- 305 New Civilian Positions added
- 477 New Police and Fire Positions added since FY 2006
- 765 Net Decrease in City Positions

***Does not include 158 Pre-K 4 SA positions**

Citywide Employee Demographics

- FY 2014 Budget includes 11,292* authorized positions
 - 4,038 Uniform Police & Fire
 - 3,982 filled as of September 30
 - 7,254 full-time and part-time civilian positions
 - 6,914 filled as of September 30



* Excludes 158 Pre-K 4 SA positions

City Vacancy Rate

Fiscal Year	Average Annual Vacancy Rate		
	Civilian	Uniform	Total
2006	19%	1%	14%
2007	17%	2%	12%
2008	16%	3%	12%
2009	13%	4%	10%
2010	12%	4%	9%
2011	12%	2%	9%
2012	11%	2%	8%
2013	9%	1%	6%

- City Manages Civilian Vacancies
 - Adjusts to changes in financial position
 - Avoids layoffs during budget reductions
- City budgets for employee turnover

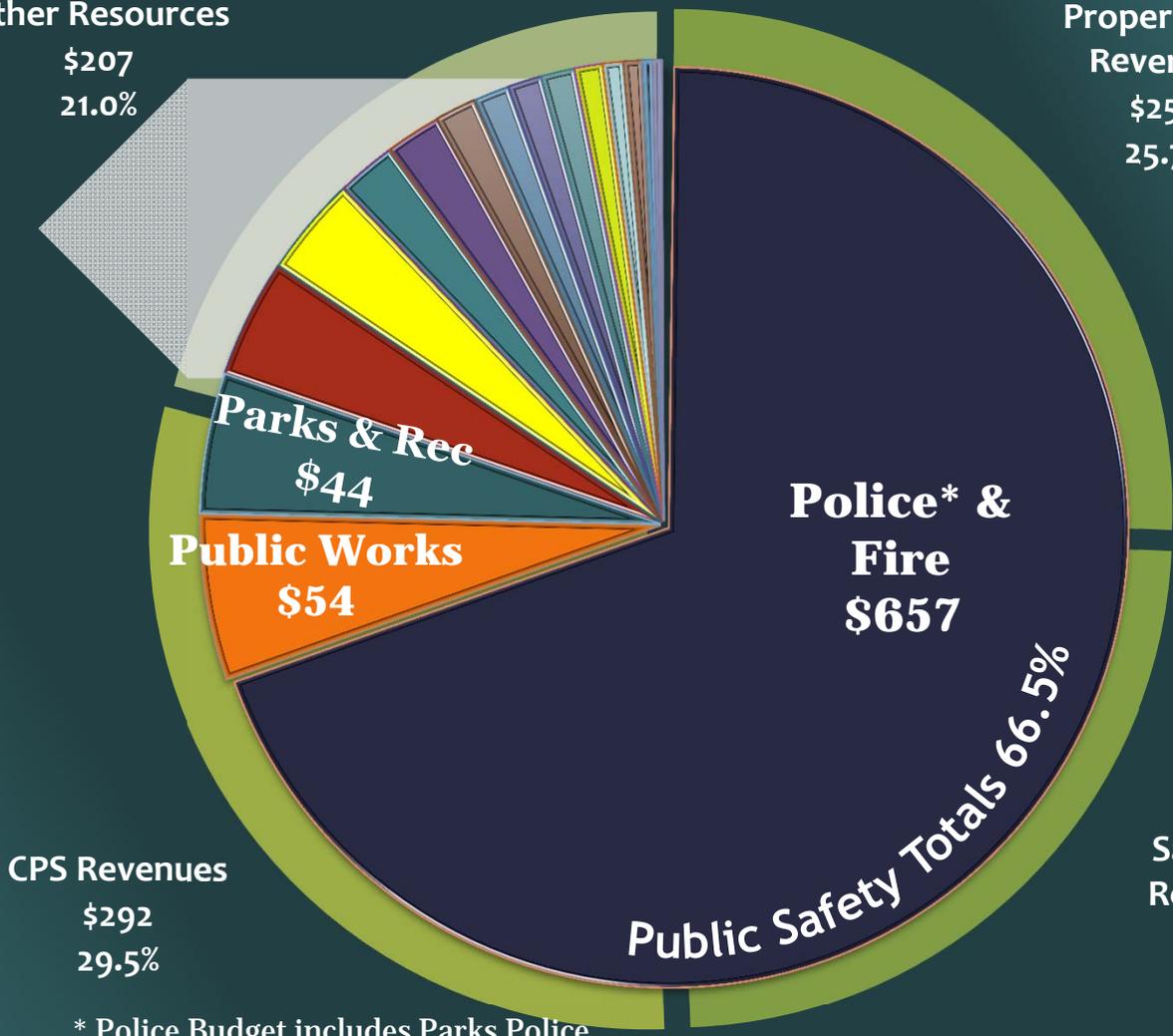
GENERAL FUND AVAILABLE RESOURCES DISTRIBUTED OVER MAJOR SPENDING AREAS (\$ IN MILLIONS)

Non-Public Safety Operating Depts. \$233 Million

- Historic Preservation
- Center City Planning
- Economic Development
- One-Time Projects
- Downtown Operations
- Transfers
- Animal Care
- Health
- Code Enforcement
- Municipal Court Agencies
- Human Services
- Library
- Non-Departmental Administration:
 - *City Attorney
 - *City Clerk
 - *Human Resources
 - *Finance & Budget
 - *City Manager

Other Resources

\$207
21.0%



Property Tax Revenues

\$254
25.7%

**Police* &
Fire
\$657**

Public Safety Totals 66.5%

CPS Revenues

\$292
29.5%

Sales Tax Revenues

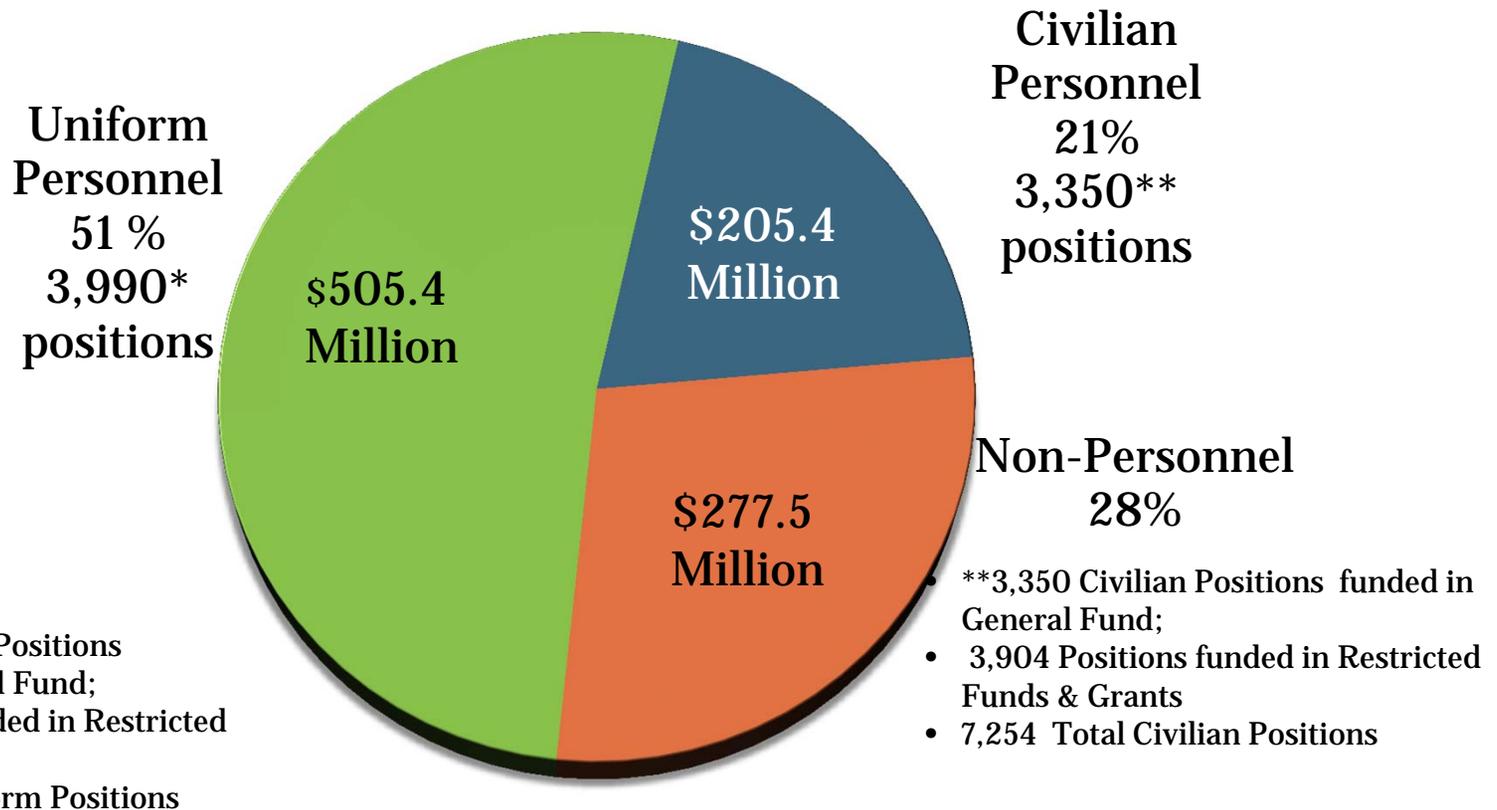
\$235
23.8%

* Police Budget includes Parks Police

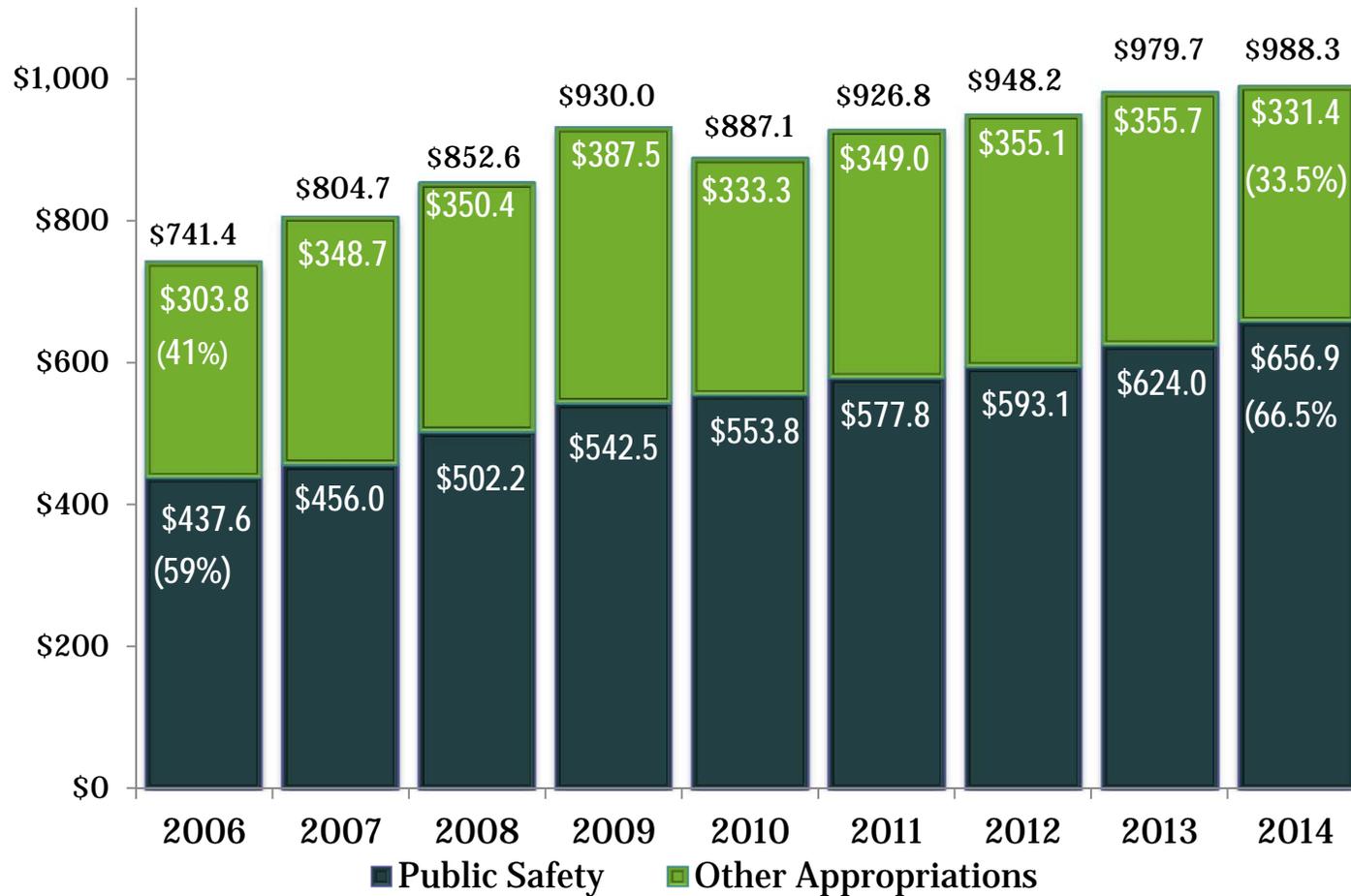
FY 2014 ADOPTED BUDGET: \$988.3 Million

FY 2014 General Fund Appropriations

FY 2014 General Fund Appropriations \$988.3 Million

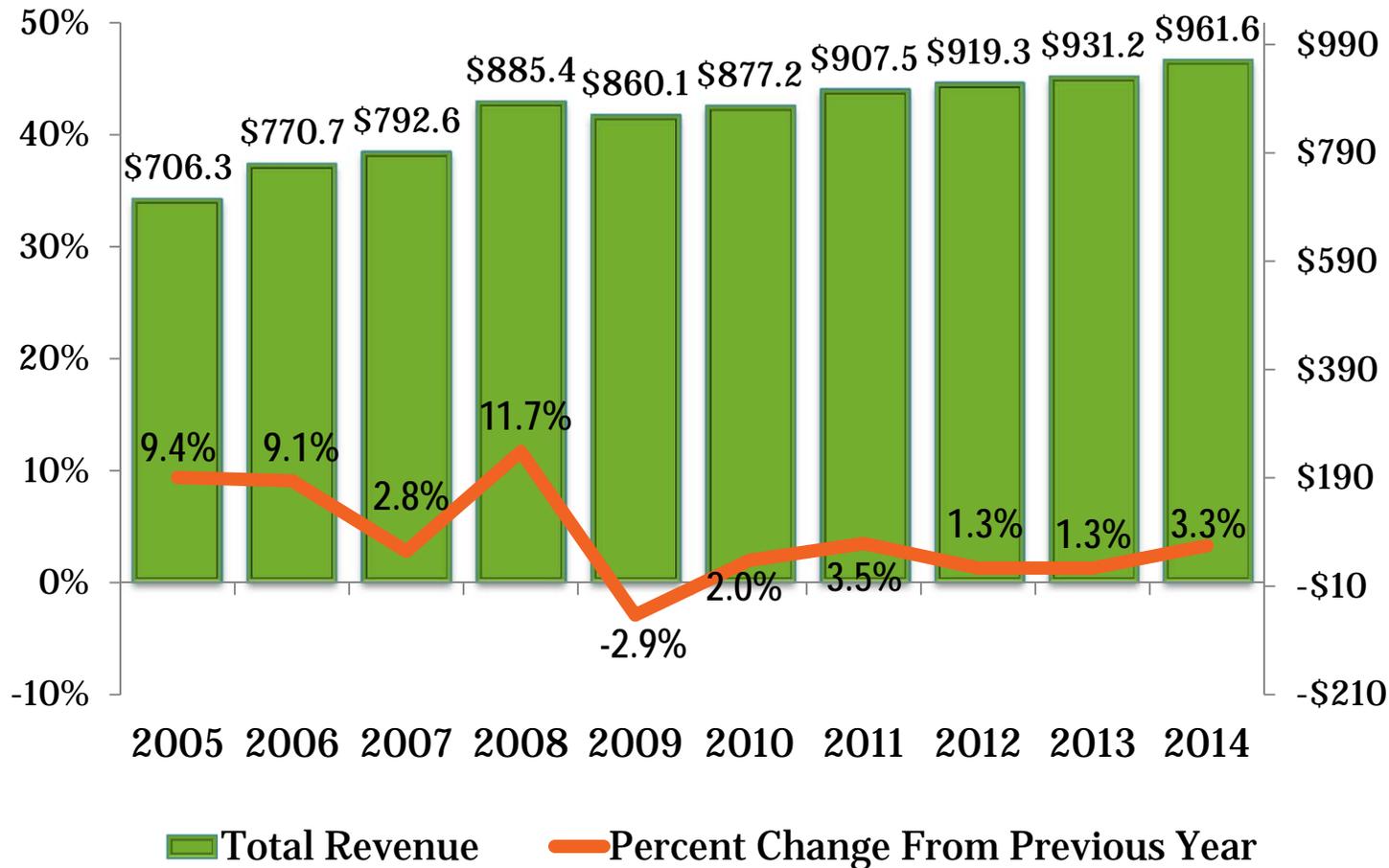


General Fund Expenditure Budget History FY 2006 to FY 2014 (\$ in Millions)



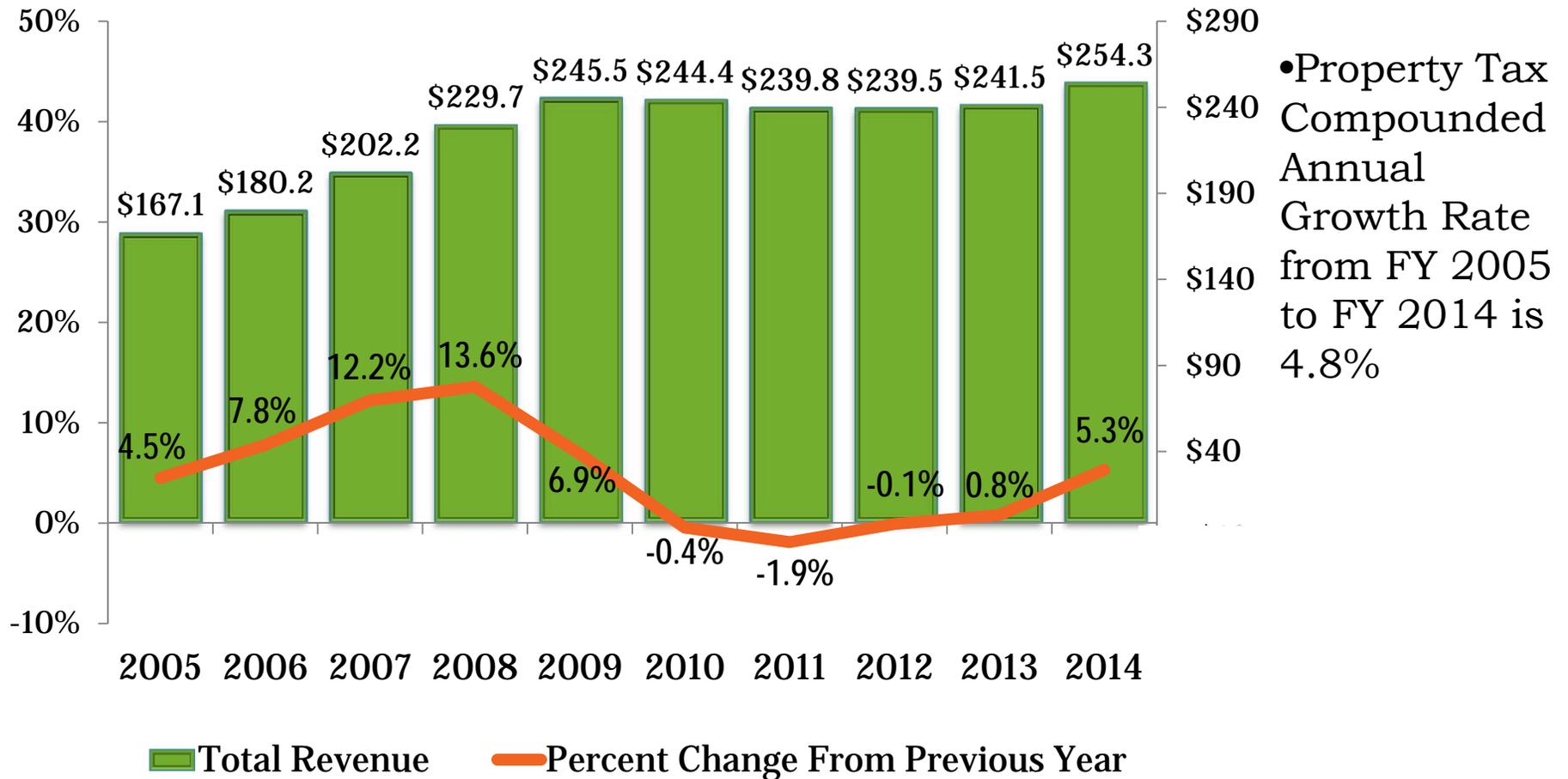
- Total General Fund Appropriations increased by 33% or \$246.9 Million
- Public Safety Appropriations increased by 50% or \$219.3 Million
- Non Public Safety Appropriations increased by 9% or \$27.6 Million

General Fund Operating Revenues 10 year History - (\$ in Millions)



• General Fund Operating Compounded Annual Growth Rate from FY 2005 to FY 2014 is 3.4%

Property Tax 10 year History-(\$ in Millions)



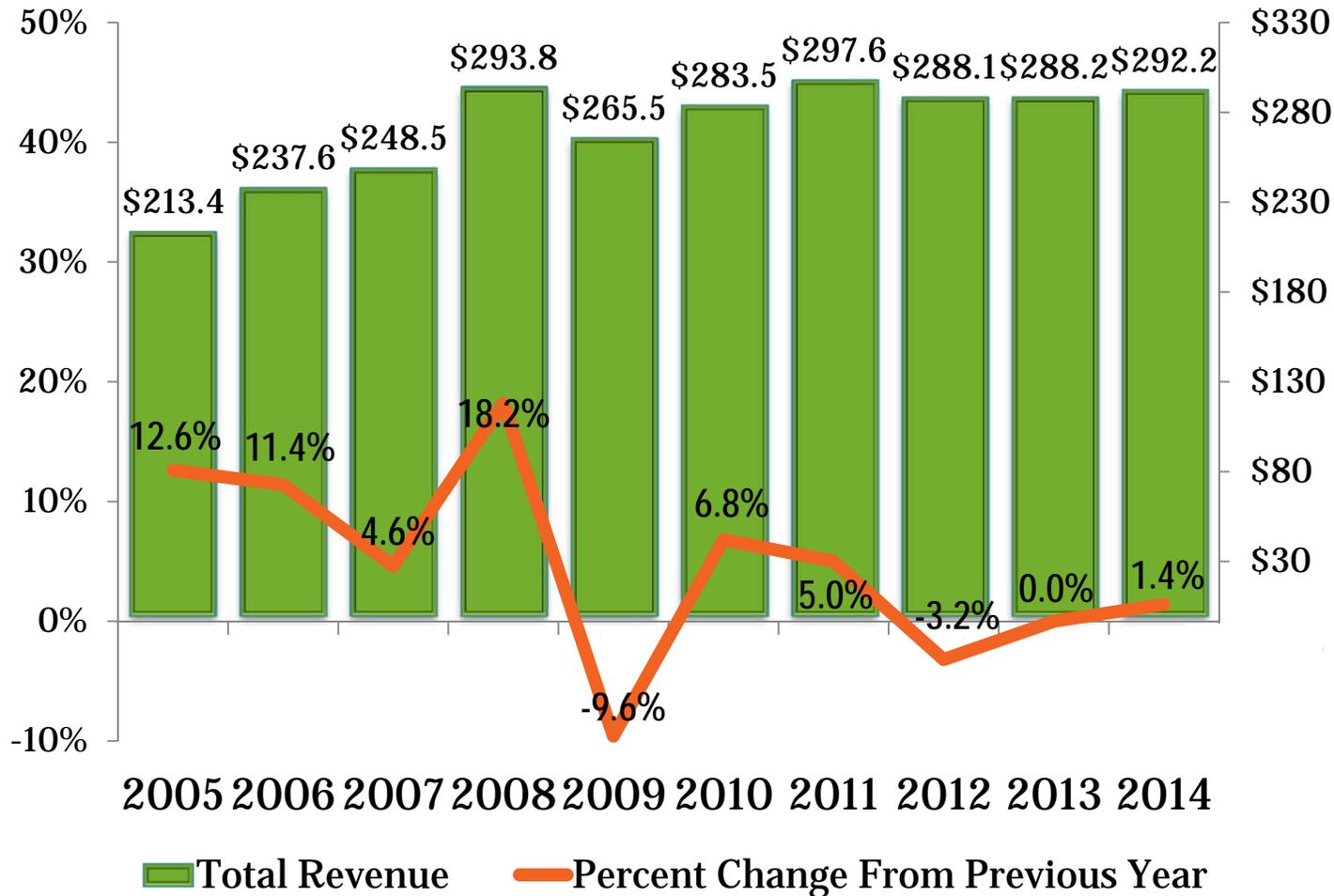
Sales Tax 10 year History-(\$ in Millions)



•Sales Tax
Compounded
Annual
Growth Rate
from FY 2005
through FY
2014 is 4.2%

■ Total Revenue
 — Percent Change From Previous Year

CPS Energy 10 year History-(\$ in Millions)



•CPS Energy
 Compounded
 Annual
 Growth Rate
 from FY 2005
 to FY 2014 is
 3.6%

Other General Fund Revenues 10 Year History - (\$ in Millions)



Cost Management Measures since 2006

- Reductions through:
 - Efficiencies
 - Use of Technology
 - Reduction in administrative overhead and process improvements
- Increases in civilian participation in cost of healthcare
- Restructuring of civilian retirement plan (TMRS)

History of Reductions

- \$84.7 Million in General Fund budget reductions since 2006
- Eliminated 1,547 non-uniform civilian positions with no layoffs since 2006
- Close to 50% of positions eliminated were filled; impacted employees were placed in other vacancies

Fiscal Year	Amount
FY 2007	\$4.5 M
FY 2008	4.3 M
FY 2009	3.8 M
FY 2010	19.2 M
FY 2011	10.9 M
FY 2012	24.0 M
FY 2013	8.0 M
FY 2014	10.0 M
Total	\$84.7 M

1,547 Civilian Positions Eliminated since 2006

Reduction Type	Civilian Positions Eliminated Since FY 2006
Administrative Staff	161
Automation/Technology	196
Contract Services	449
Organizational Efficiencies	601
Service Modifications	140
Total	1,547

- 305 new civilian positions added since 2006
- Net reduction of 1,242 civilian positions or 15%

477 Uniform Positions Added since 2006

- Total Firefighters/EMS uniform positions have increased by 170 or 11%
 - Total of 1,663
- Total Police Officer uniform positions have increased by 307 or 15%
 - Total of 2,375
- San Antonio population grew 11% from 2006 to 2013

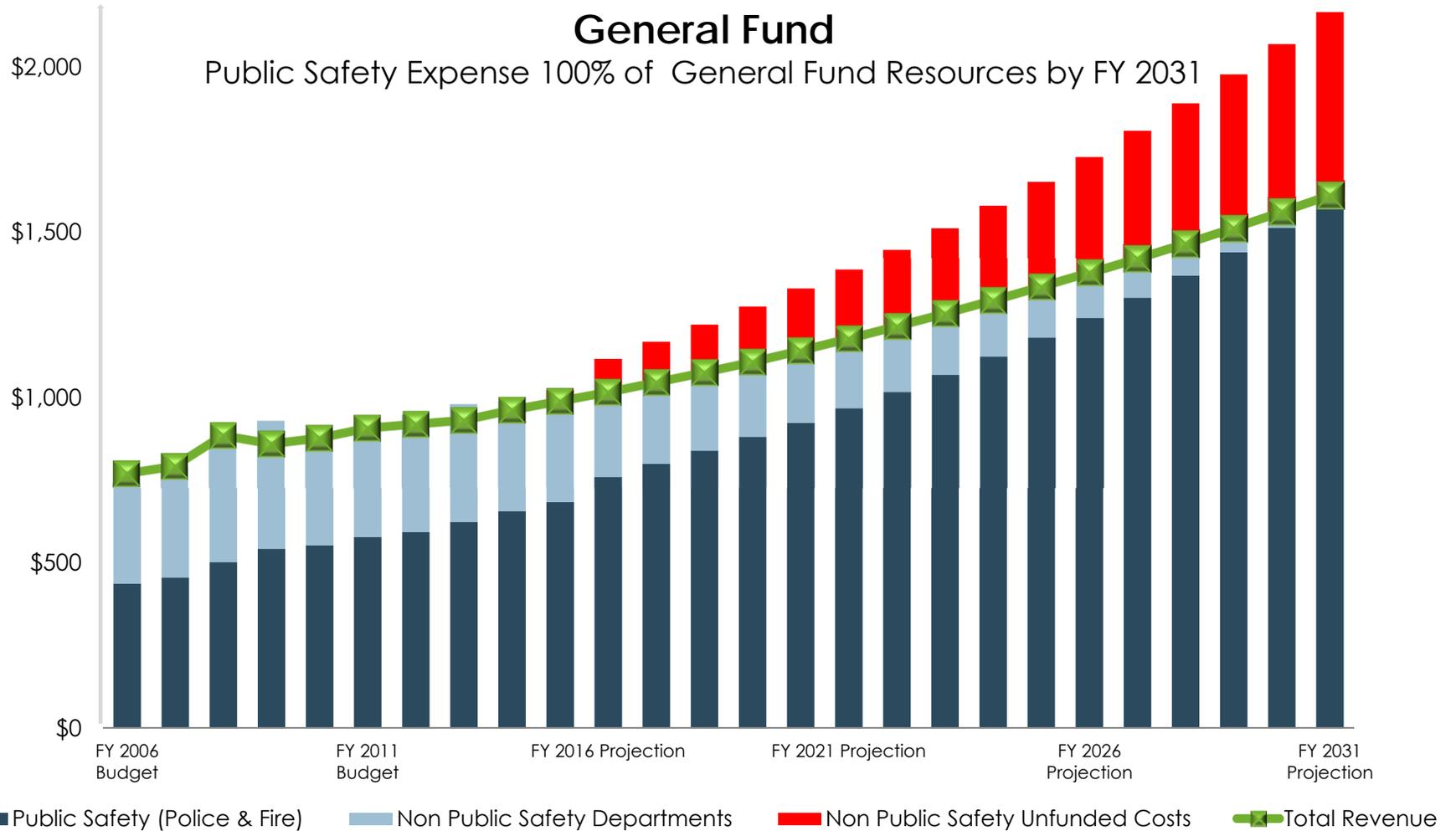


Challenges in the General Fund

- General Fund Expenditures continue to grow at a faster pace than revenues
- Budget Office projected General Fund Expenses in June 2013 based on a set of assumptions
- Police and Fire Departments could consume 100% of General fund resources by 2031



General Fund Analysis



General Fund Financial Analysis

Revenue Assumptions

- 3.1% Compounded Annual Growth Rate (CAGR) for General Fund Revenues
- First 5 years of analysis reflects growth assumptions utilized for City's General Fund Five Year Financial Forecast presented to City Council in May 2013

Revenue Type	Amount (\$ in Millions)
Property Tax	4.0%
Sales Tax	3.5%
CPS	2.5%
Other Revenue	2.1%
Total	3.1%

General Fund Financial Analysis

Expenditure Assumptions

Expenditure - Compounded Annual Growth Rate (CAGR) FY 2014 to FY2031		4.7%
Position Growth		
Uniform Position Growth	Equal Population Growth	
Civilian Position Growth	½ Population Growth	
Payroll		
Uniform Payroll Growth ¹	4.5%	
Civilian Payroll Growth ²	3.0%	
Pension		
Uniform	Actuarial Report for Fire and Police Pension Fund	
Civilian	TMRS projection (short term) City of San Antonio Budget Office (long term)	

1) 3.5% Projected Salary Increases (2012 Actuarial Report for Fire & Police Pension Fund; Section 4, Exhibit IV) plus 1% from longevity and rank increases (Budget Office)

General Fund Financial Analysis

Expenditure Assumptions

Healthcare

Medical Inflation

Short Term: 7%
Long Term: 5%

Prepaid Retiree Healthcare

Uniform Employee

2012 Actuarial Report for Fire and Police Retiree
Healthcare Fund

Non-Personnel Cost

Equipment, Supplies,
Contractual Services
Facilities Operating Cost

Public Safety 3%
Non-Public Safety 2.5%



HEALTHCARE & PENSION BENEFITS OVERVIEW

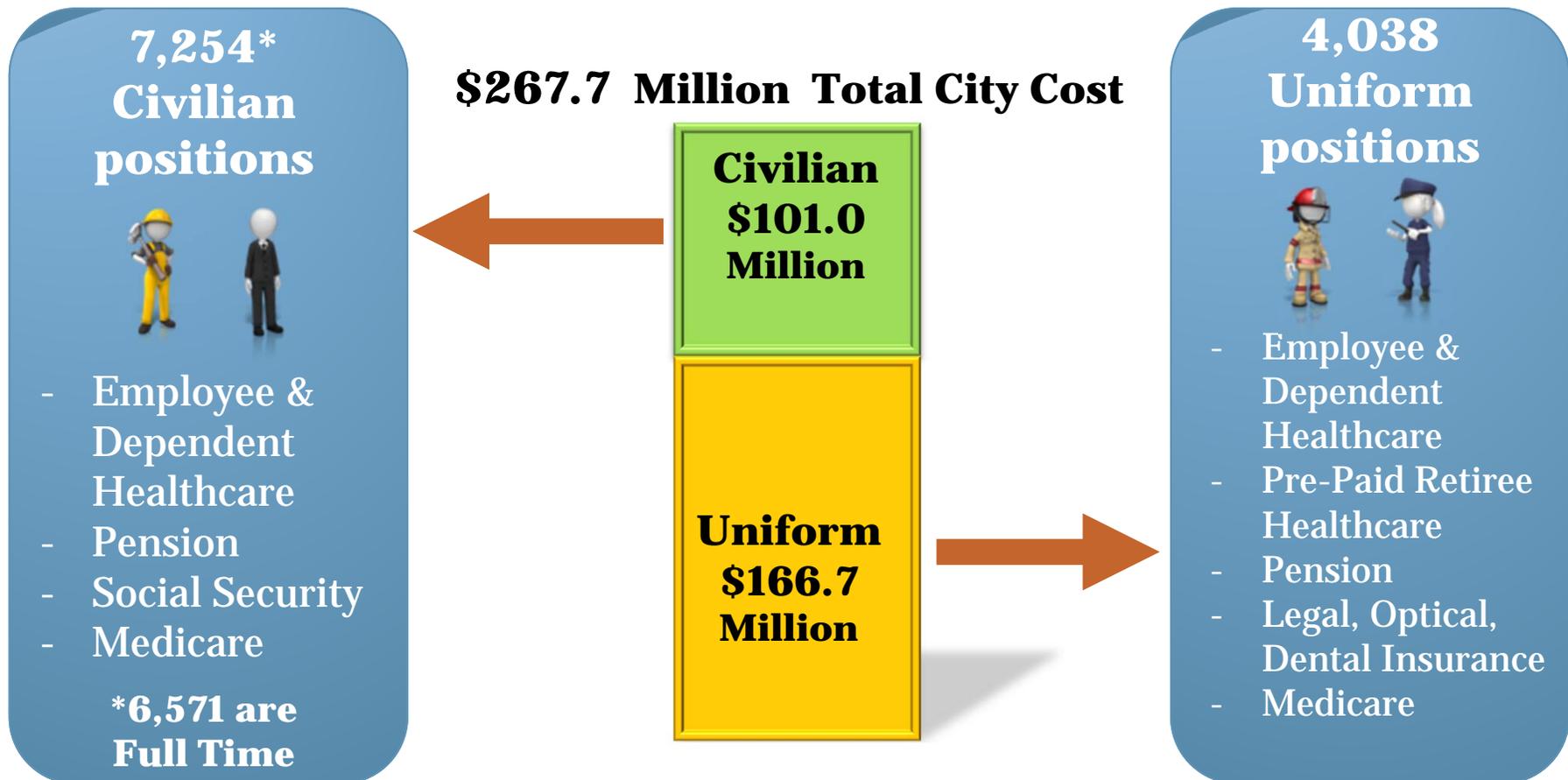


Healthcare & Pension Overview

Benefit	State Statue	Collective Bargaining Agreement	Budget Ordinance
Healthcare – Active			
Uniform			
Civilian			
Healthcare – Retiree			
Uniform			
Civilian			
Pension			
Uniform			
Civilian			

City-Wide Benefits- FY 2014

- FY 2014 Budget includes \$267.7 Million for Uniform and Civilian Pension, Healthcare, and other benefits



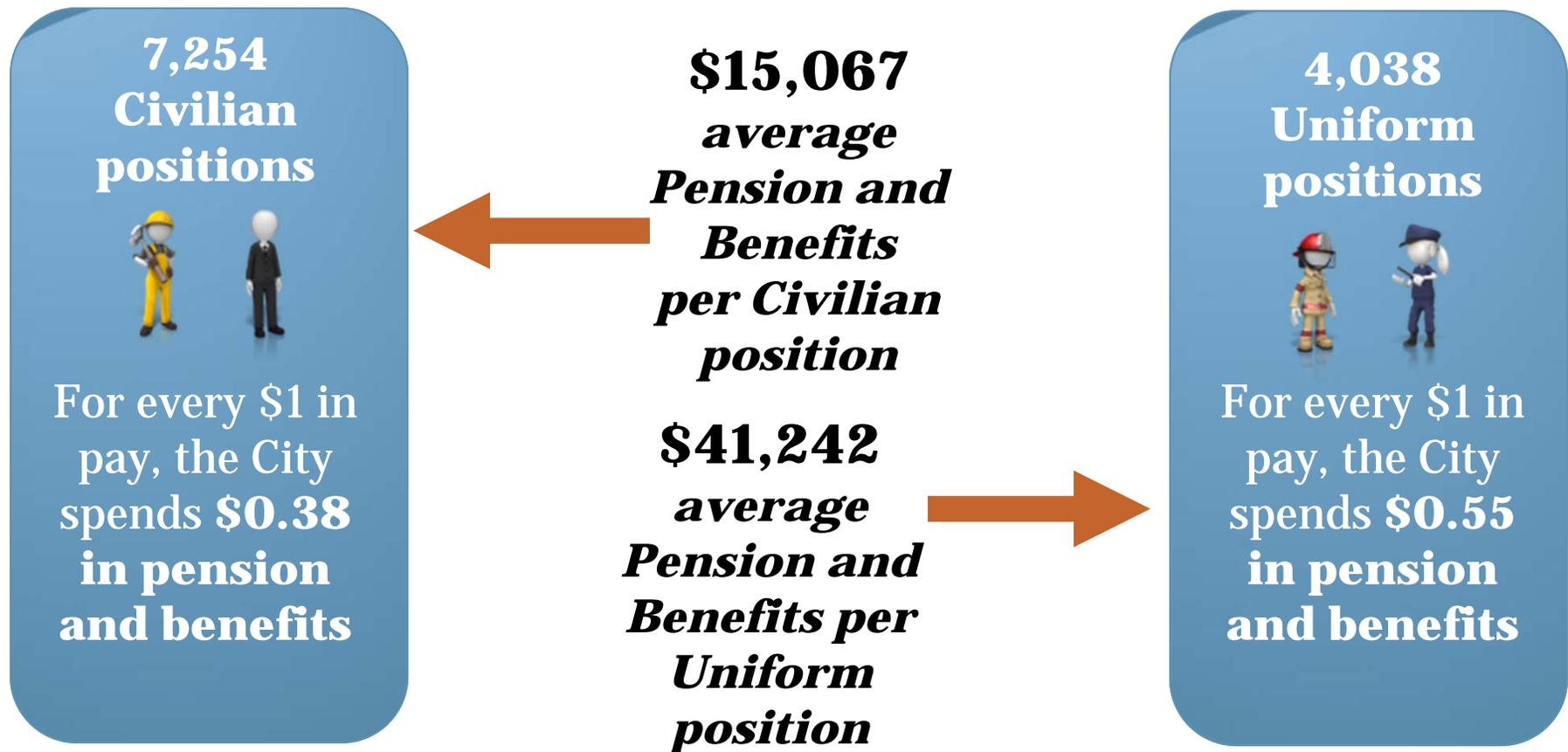
City Wide Benefits - FY 2014

FY 2014 Budget Amount – (\$ in Millions)

Benefit	Uniform	Civilian	Total
Pension	\$75.1	\$31.6	\$106.7
Social Security		18.3	18.3
Medicare	3.8	4.3	8.1
Active - Healthcare	54.7	46.9	101.6
Prefund - Retiree Healthcare	27.1		27.1
Legal/Dental/Optical	5.8		\$5.8
Total	\$166.5	\$101.1	\$267.6

City-Wide Benefits

- Uniform benefits costs are **more than 2^{1/2}** than civilians



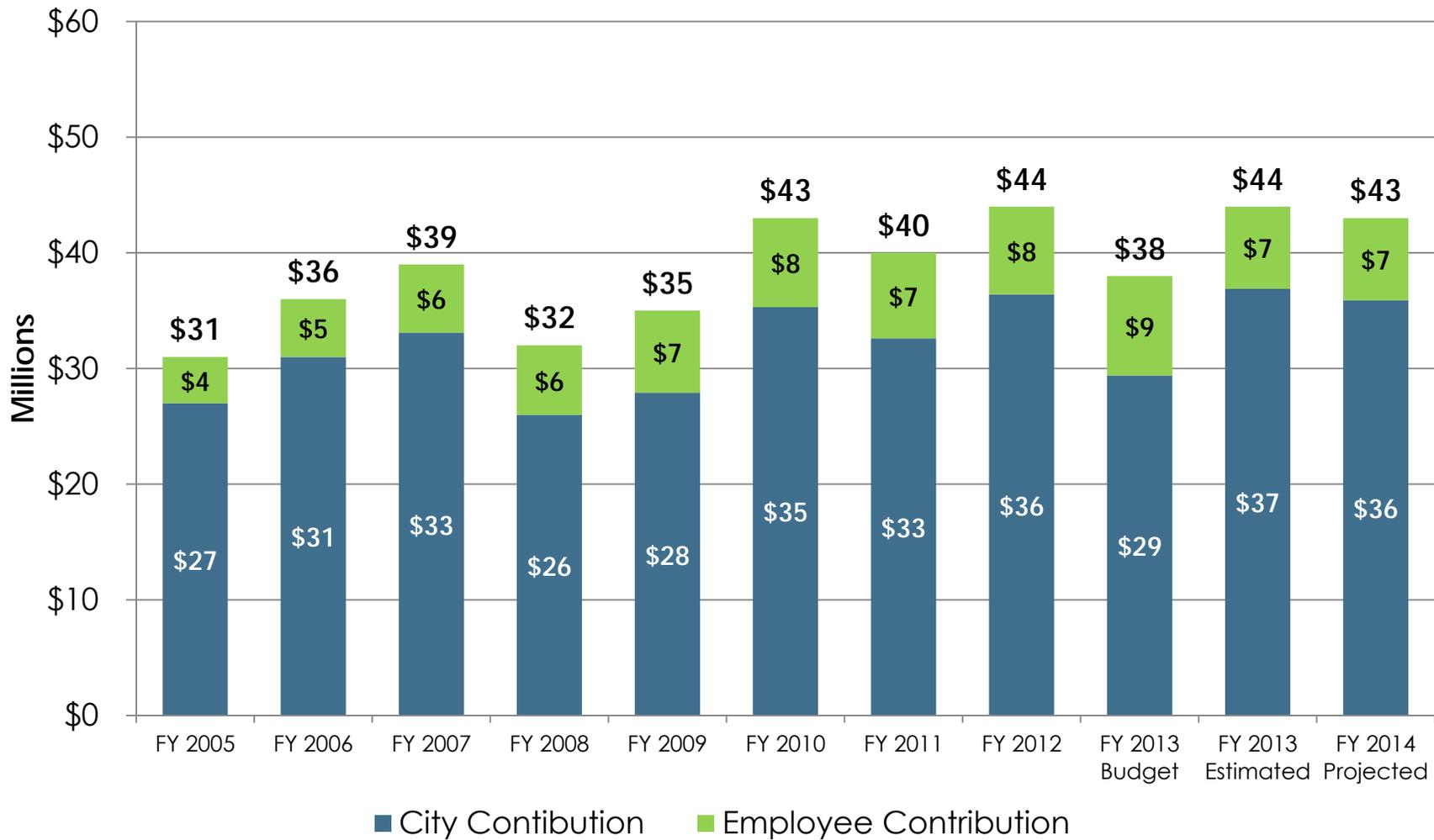
EMPLOYEE HEALTHCARE

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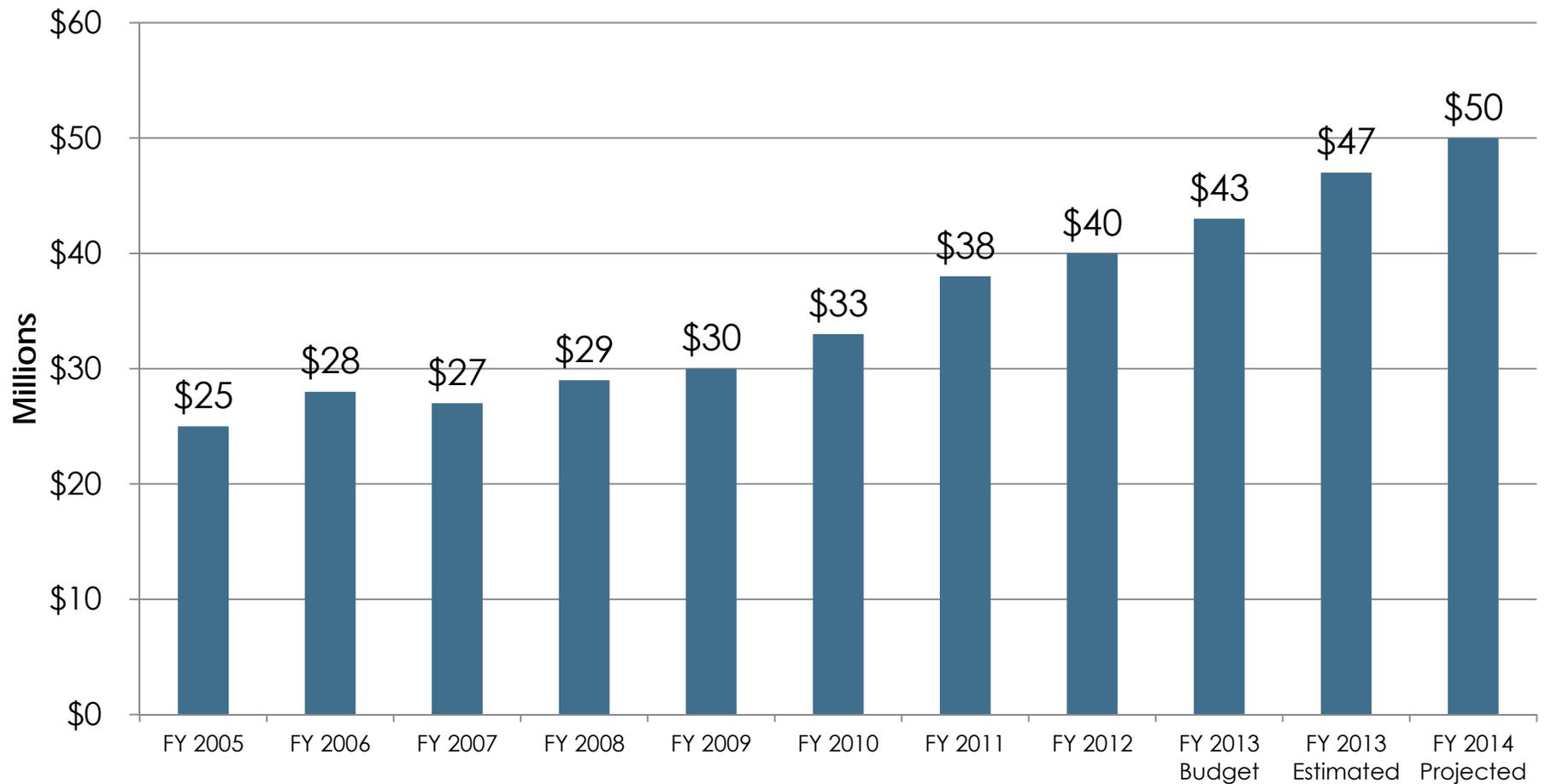
Employee Health Benefits Membership

(Figures as of Sept. 2013)	Civilian	Uniform	Retiree (Pre-65)	Total
Employees	5,816	3,914	369	10,099
Dependents	6,835	9,002	138	15,975
Total People Insured by City of San Antonio	12,651	12,916	507	26,074
Employee to Dependent Ratio	1.2 dependents per employee	2.3 dependents per employee		

Civilian Claims History



Uniform Health Claims Cost History



COSA Healthcare Costs

Uniform Healthcare Costs

No bi-weekly premiums
Low Deductibles among major Texas cities
Lowest Out-of-Pocket costs
Low Out-of-Network costs

Civilian Healthcare Costs

Bi-weekly premiums
Different tiers for employees hired before and after January 2009
Higher Deductibles and Out-of-Pocket costs
High Out-of-Network costs
Variety of health plans available

- *Cost sharing by civilian employees with bi-weekly premiums have helped manage the rate of growth in civilian healthcare costs*

Healthcare Plans: Deductible and Out-Of-Pocket

	Civilian Healthcare Plans						Public Safety	
	Consumer Choice		New Value		Premier		Police	Fire
	Pre-09	Post-09	Pre-09	Post-09	Pre-09	Post-09		
Annual Employee Deductibles								
In-Network Individual	\$1,250	\$1,250	\$1,250	\$1,250	\$600	\$600	\$250	\$250
In-Network Family	\$2,500	\$2,500	\$2,500	\$2,500	\$1,500	\$1,500	\$500	\$500
Out-of Network Individual	\$2,500	\$2,500	\$2,500	\$2,500	\$1,200	\$1,200	\$500	\$500
Out-of Network Family	\$5,000	\$5,000	\$5,000	\$5,000	\$3,000	\$3,000	\$1,000	\$1,000
Annual Employee Maximum Out-Of-Pocket (OOP)								
In-Network Individual	\$4,000	\$4,000	\$3,000	\$3,000	\$2,200	\$2,200	\$600	\$500
In-Network Family	\$8,000	\$8,000	\$6,000	\$6,000	\$4,400	\$4,400	\$1,500	\$1,500
Out-of Network Individual	\$8,000	\$8,000	\$6,000	\$6,000	\$3,400	\$3,400	\$1,200	\$1,000
Out-of Network Family	\$16,000	\$16,000	\$12,000	\$12,000	\$6,800	\$6,800	\$3,000	\$3,000

2014 Healthcare Plan

Civilian Healthcare Plans						Public Safety	
Consumer Choice		New Value		Premier		Police	Fire
Pre-09	Post-09	Pre-09	Post-09	Pre-09	Post-09		

Employee Monthly Premiums

Employee Only	\$0	\$0	\$40	\$83	\$214	\$299	\$0	\$0
Employee + Child	\$16	\$32	\$105	\$194	\$437	\$587	\$0	\$0
Employee + Spouse	\$46	\$92	\$196	\$308	\$597	\$768	\$0	\$0
Employee + Family	\$65	\$130	\$265	\$414	\$817	\$1,065	\$0	\$0

Higher Cost for Uniform Healthcare

FY 2013	Civilian	Uniform
Current Healthcare Cost	\$7,080	\$12,757
Pre-Fund Retiree Healthcare	0	6,365
Total Cost Per Position	\$7,080	\$19,122

- Uniform healthcare cost is almost three times higher than civilians
 - For every Uniform position, the City covers 2.3 dependents
 - For every Civilian position, the City covers 1.2 dependents

Peer City Comparison - City Costs

FY 2013	Per Uniform position cost to provide healthcare	Per Civilian position cost to provide healthcare
San Antonio	\$19,122	\$7,080
Houston	11,559	10,066
Ft Worth	10,954	10,954
Austin	10,546	9,961
Corpus Christi	9,319	4,480
El Paso	7,820	3,063
Dallas	3,575	3,575

- Cost to provide active and retiree healthcare to a City of San Antonio uniform employee is much higher than other major Texas cities and almost three times higher than costs for a San Antonio civilian employee

RETIREE HEALTHCARE

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Retiree Healthcare Benefits

Civilian Retiree Healthcare Benefits

- Pay-as-you-go model
- Same healthcare plans as active employees
- Pre-2007: 67% City 33% Retiree
- Post-2007 cost sharing
 - 10+ Years of Service: 50% City, 50% Retiree
- Post- age 65 Eligible for Medicare Advantage Plan

Uniform Retiree Healthcare Benefits

- City pays today for future retirees
- Single Employer Defined Benefit Post-Employment Healthcare Plan
- Contribution: City 9.4%
- Employee 4.7% or \$279.61 monthly (FY 2014)
- Contribution and Benefits included in State Statute
 - Some benefits can be changed by Board of Trustees

Civilian Retiree Healthcare Premiums

Retirees (30+ Years) – Monthly Premiums			
TIER	Consumer Choice	New Value	Premier
Employee Only	\$175	\$237	\$464
Employee +1	\$350	\$448	\$910
Employee +2	\$500	\$621	\$1,219

Uniform Retiree Healthcare Premiums

Benefit Plan 2013	In-Network	Out-of-Network
Premiums: 30-years of service (Retiree and Spouse)	\$0	\$0
Premiums: 20 to 29 years of service (Retiree)	Same as prefund amount paid by active uniform	
Maximum Annual Deductible –Per Individual	\$520	\$1,040
Maximum Out-of-Pocket Payment Per Individual (<i>includes deductible</i>)	\$1,976	\$3,952
Coinsurance	80% Fund 20% Retiree	60% Fund 40% Retiree

Retiree Healthcare Liability - Actuarial Valuation

	Civilian (\$ in Millions)	Uniform (\$ in Millions)
Market Value	\$0	\$235.9
Actuarial Value of Assets	\$0	\$250.7
Actuarial Accrued Liability	\$324.5	\$664.4
Unfunded Actuarial Accrued Liability	\$324.5	\$413.7
Funded Ratio	0%	37.7%
Projected Investment Return		8%



- Projected adjustments to achieve 30-year amortization
 - Employee Contribution: 4.7% to 5.16%
 - City Contribution: 9.4% to 10.31%
 - Increases to Deductibles and Out-of-pocket Maximums

EMPLOYEE PENSION

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Pension Costs

Civilian Pension Costs

Texas Municipal Retirement System (TMRS)

- City contributes 10.78%
- Civilian contributes 6%
- Vesting Period: 5 years
- Eligible at age 60 and 5 yrs. of service or at any age with 20 yrs. of service

Social Security

- City: 6.2%; Employee: 6.2%

Uniform Pension Costs

Police and Fire Pension Fund

- City contributes 24.64%
- Uniform contributes 12.32%
- Eligible after 20 years
- No contribution to Social Security

Civilian Texas Municipal Retirement System (TMRS)



- Statewide agent multiple-employer public employee retirement system
 - Non-traditional, joint contributory, hybrid defined benefit
- Annuity Computation
 - Benefits depend on sum of employee's contributions with TMRS plan with interest along with City's matching funds with interest

Civilian Texas Municipal Retirement System (TMRS)



- Lump Sum Distribution Options
- TMRS restructuring of Plan and Funds
 - 70% of Consumer Price Index
 - Retroactive feature
 - Eliminated Annually Repeating COLA in 2010
 - Granted Ad Hoc COLAs

San Antonio Fire and Police Pension Fund

- Single Employer Defined Benefit Plan
- Annuity Computation:



- Annuity Computation % of Average Salary:

- 2.25% - 1st 20 Years
- 5.00% - next 7 Years
- 2.00% - next 3 Years
- 0.50% - next 3 Years

=Not to Exceed 87.5% of Average Total Salary

San Antonio Fire and Police Pension Fund



- Average Total Salary – Average of the Employee's Total Salary, excluding overtime, for the highest three years of the last five years
- Backwards Deferred Retirement Plan (BackDROP) Option
- Cost of Living Adjustment (COLA)
 - Based on Consumer Price Index for all Urban Consumers (CPI-U)
 - Ranges from 75% to 100%

Pension Liability - Actuarial Valuation

	Civilian (\$ in Millions)	Uniform (\$ in Millions)
Actuarial Valuation as of 2012 (Not including Impact of GASB 68)		
Market Value	N/A 	\$2.2 Billion
Actuarial Value of Assets	\$1.1 Billion	\$2.4 Billion
Actuarial Accrued Liability	\$1.2 Billion	\$2.7 Billion
Unfunded Actuarial Accrued Liability	\$98.6 Million	\$214.7 Million
Funded Ratio	91.7%	91.9%
# of Retired Participants and Beneficiaries	3,707	2,225
Number of Active Participants	6,091	3,925



849 Cities participating; Market Value of Total Plan \$20.5 Billion

EMPLOYEE COMPENSATION

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Supplemental Pays

Police Supplemental Pays

- | | |
|------------------------------------|-----------------------------------|
| 1 Longevity | 14 Instructors Certificate |
| 2 Field Training Pay | 15 Education Pay |
| 3 Drug Recognition | 16 Language Skill Pay |
| 4 Meth Lab Detective | 17 Clothing Allowance |
| 5 K-9 | 18 Car Allowance |
| 6 Crisis Negotiating | |
| 7 Bomb Squad | |
| 8 Helicopter Detail | |
| 9 SWAT Team | |
| 10 Volunteers-in-Policing | |
| 11 Standby Pay | |
| 12 Shift Differential Pay | |
| 13 Police Certification Pay | |

Fire Supplemental Pays

- | | |
|--|------------------------------|
| 1 Longevity Pay | 14 Education Pay |
| 2 Haz-Mat | 15 Language Skill Pay |
| 3 Special Duty Pay | 16 Clothing Allowance |
| 4 Arson Assignment | |
| 5 Arson Investigator Certification | |
| 6 Crash Rescue (Aviation) | |
| 7 Technical Rescue Assignment | |
| 8 Technical Rescue Team Qualification | |
| 9 Administrative Assignment | |
| 10 Training Instructors | |
| 11 Fire Certification | |
| 12 EMT Certification | |
| 13 Paramedic Certification | |

Uniform Average Gross Pay

Police Average Gross Pay		
Average Gross Pay	San Antonio	Austin
Avg. Base Pay	\$64,113	\$76,959
Avg. Supplemental Pays	\$18,352	\$4,507
Avg. Overtime	\$5,340	\$5,581
Total Avg. Gross Pay	\$87,805	\$87,047

• *Other Texas Cities Average Gross Pays being reviewed*

Uniform Average Gross Pay

Fire Average Gross Pay		
Average Gross Pay	San Antonio	Austin
Avg. Base Pay	\$63,094	\$77,005
Avg. Supplemental Pays	\$14,335	\$2,472
Avg. Overtime	\$15,492	\$3,261
Total Avg. Gross Pay	\$92,921	\$82,738

• *Other Texas Cities Average Gross Pays being reviewed*

Next Steps

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Next Steps

- Next meeting:
Tuesday
November, 12
- Proposed Topic:
Active Healthcare



HEALTHCARE & RETIREMENT BENEFITS TASK FORCE

City of San Antonio, Texas

Orientation on City's Budget, Healthcare and Pension Benefits

Presented by: Ben Gorzell, Chief Financial Officer

October 28, 2013