

CITY OF SAN ANTONIO
INTERDEPARTMENTAL CORRESPONDENCE
Finance Department

TO: Mayor and City Council

FROM: Ben Gorzell Jr., CPA, Public Utilities Supervisor/Assistant Director of Finance

THROUGH: Terry M. Brechtel, City Manager

COPIES TO: J. Rolando Bono, Deputy City Manager; Melissa Byrne Vossmer, Assistant City Manager; Frances Gonzalez, Assistant City Manager; Erik J. Walsh, Assistant to the City Manager; Milo D. Nitschke, Finance Director; Albert Ortiz, Chief of Police; Robert Ojeda, Fire Chief; Sharon De La Garza, Human Resources Director; file

SUBJECT: Amendment to the Professional Services Agreement with The Segal Company

DATE: June 24, 2004

SUMMARY AND RECOMMENDATION

This ordinance authorizes the execution of an amendment to the Professional Services Agreement with The Segal Company to provide up to an additional \$20,000 in consulting services related to the Fire and Police Retiree Healthcare Fund; authorizes a modification to the scope of the Agreement to include employee benefits consulting services related to health benefits plans provided by the City in an amount not to exceed \$25,000; approves the terms and conditions of the amendments to the Agreement; and authorizes payment in the amount not to exceed \$45,000.

Staff recommends approval of this Ordinance.

BACKGROUND INFORMATION

The Fire and Police Retiree Healthcare Fund ("Fund") was originally established pursuant to the respective Fire and Police collective bargaining agreements to provide post-employment health care benefits for San Antonio Fire Fighters and Police Officers who retired from the City on or after October 1, 1989. Effective October 1, 1997, with the passage of Senate Bill 1568, the Fund was created as a separate and distinct statutory trust. The Fund is governed by a nine member Board of Trustees comprised of Mayor Edward D. Garza, Councilman Art A. Hall, Councilman Carroll W. Schubert, two active police officers, two active fire fighters, a retiree representative of the Fire Department, and a retiree representative of the Police Department. The Board of Trustees is responsible for the investment of the assets of the Fund. Contribution and benefit levels are determined by the respective collective bargaining agreements with the Fire and Police Associations.

Due to the very different results of actuarial studies of the Fund and the significant potential impact to the active police and fire members, retirees, and the City, City staff recommended that an independent review and valuation of the Fund be conducted by another actuarial firm. With the passage on May 22, 2003 of Ordinance No. 97666, the City engaged the Segal Company to provide the City with an actuarial valuation of the Fund for a cost not to exceed \$30,000. Additionally, the Agreement provided for an additional \$20,000 in contingent additional services such as modeling related to changes in contributions, benefits, cost containment, and/or legislative review. The actuarial study has been completed on the Fund for \$30,000 and the final report has been issued. With respect to contingent services, the City has obligated \$12,000 of the \$20,000 for additional services rendered by Segal related to the following: Modeling on the interest rate assumption; claims cost comparison; modeling on the medicare assumption; updating of contribution rate information; updating of claims cost assumption for changes in fire and police drug programs; reviewing and commenting on areas of potential impact to the Fund for the recent Medicare legislation; and modeling on medical trend rates.

This Ordinance would amend the Agreement to allow for up to an additional \$20,000 in contingent additional services related to the Fund. Under the terms of the Agreement, for any additional service requested, Segal must submit to the City a written estimate of the cost to provide such service. Prior to proceeding with the service(s) requested, the City must accept the estimate provided and authorize the commencement of the work.

The proposed \$20,000 being requested through this Ordinance plus the \$8,000 remaining under the existing agreement will provide for a total of \$28,000 available for additional consulting services on the Fund. It is anticipated that the funds will be primarily utilized to conduct additional modeling of contribution and benefit levels and the review, analysis, and monitoring of legislation which may be proposed by the Board of Trustees of the Fire and Police Retiree Healthcare Fund for the next legislative session. With the significant potential impact that proposed legislation may have on the active fire and police members, retirees, and the City, it is important that the City retain outside consultants to provide specialized expertise in areas such as actuarial valuations, benefits consulting, and related services. Additionally, the work done on this Fund will benefit the City as it prepares for collective bargaining with the Fire and Police Associations next year.

In addition, this Ordinance would amend the scope of services of the Agreement to include employee benefits consulting services related to the health benefits plans provided by the City in an amount not to exceed \$25,000. As presented in the Five Year Financial Forecast, the deficit in the City's Employee Benefits Fund is anticipated to increase to a negative \$28.4 million by the end of this fiscal year. A combined Health and Benefits Request for Proposal was released in March 2004 to evaluate alternative plan options to further contain cost for the Citimed and HMO plans. Additionally, City staff will be reviewing potential plan design changes as part of the budget process for Fiscal Year 2005. The proposed amendment to the scope of services under the Agreement will allow Segal to analyze potential cost savings related to any proposed design changes.

The proposed services related to the Employee Benefits Fund were not included in the original scope of services under the request for proposal as the consulting services were limited to the Fire and Police Retiree Healthcare Fund. While the proposed benefits consulting services are the same types of service included under the existing Agreement with Segal, the scope is being modified to now include the City's Employee Benefits Fund. Given the importance of addressing challenges associated with the City's employee benefits and the impact changes may have on the City and its employees, a consultant with expertise in that area would be very beneficial to the City as various options are contemplated over the course of the summer. Amending the scope of services of the Agreement with Segal will allow the City to accomplish this within the time constraints.

POLICY ANALYSIS

This action is consistent with the City's desire to retain outside consulting services to provide specialized expertise such as actuarial valuations, benefits consulting, and related services. The work performed will assist the City in addressing challenges with the Fire and Police Retiree Health Care Fund and the City's Employee Benefits Fund.

FINANCIAL IMPACT

Funds for the payment of services up to \$20,000 related to the Fire and Police Retiree Health Care Fund are available in the General Fund, Non-departmental Budget. Funds in the amount of \$25,000 will be appropriated in the Employee Benefits Fund for services provided by Segal related to this Fund.

COORDINATION

This item has been coordinated with the City Manager's Office, City Attorney's Office, Human Resources Department, and the Office of Management and Budget.

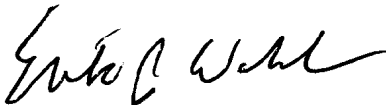
SUPPLEMENTARY COMMENTS

The required ethics disclosure form is attached.



Ben Gorzell Jr., CPA
Public Utilities Supervisor/
Assistant Director of Finance

Approved:



Erik J. Walsh
Assistant to the City Manager

City of San Antonio Discretionary Contracts Disclosure*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2
Attach additional sheets if space provided is not sufficient.
State "Not Applicable" for questions that do not apply.

* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract:

Mr. Kenneth Jacobsen
Mr. K. Eric Fredén
Mr. Garry Spinks

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

The Segal Company

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract:

None

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract:

The Segal Company

¹ A **business entity** means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

Segal does not employ either.

Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current or former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
As a firm, we do not contribute to political campaigns.	NA	

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

There are no circumstances that apply that we can identify.

Signature: 	Title: Senior Vice President Company: The Segal Company	Date: 6/18/04
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² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.