

Agenda Item #92

**CITY OF SAN ANTONIO
FINANCE DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Sheryl Sculley, City Manager

FROM: Ben Gorzell Jr., CPA, Director of Finance

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

DATE: June 29, 2006

SUMMARY AND RECOMMENDATION

This Ordinance authorizes the execution of the third amendment to the Professional Services Agreement with The Segal Company to provide additional contingent services such as modeling, related to changes in contributions, benefits, cost containment, and/or legislative review of the Fire and Police Retiree Healthcare Fund ("Fund"), ratifies actuarial valuation services in the amount of \$15,000, for a total amount not to exceed \$50,000.

Approval of this Ordinance is recommended.

BACKGROUND INFORMATION

The San Antonio Fire and Police Retiree Healthcare Fund ("Fund") was originally established pursuant to the respective Fire and Police collective bargaining agreement 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 the following members: Mayor Phil Hardberger; Councilman Art Hall; Councilman Kevin Wolff; two active firefighters; two active police officers; a retiree representative of the Fire Department; and a retiree representative from 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, respectively.

Historically, actuarial valuations had been performed to periodically determine the actuarial position of the Fund. Due to significantly different results in an actuarial study issued in May 2002, the City recommended an independent review of and valuation of the Fund be conducted by another firm. Through a request for proposal process, the City engaged The Segal Company to perform an actuarial valuation of the Fund. The agreement also provided for contingent services that could be provided related to changes in contributions, benefits, cost containment, and/or legislative review. Total funding for the original agreement was \$50,000.

The agreement has been amended twice to include the addition of another actuarial valuation of the Fund and other contingent services for total additional funding of \$76,800. This proposed third amendment would ratify services in the amount of \$15,000 related to analysis and research of census data for the actuarial valuation and provide additional funding for contingent additional

services. The total estimated funding for the proposed third amendment would not exceed \$50,000. Through the collective bargaining agreement, the City will seek reimbursement of those costs related to the actuarial valuations and the modeling of scenarios for collective bargaining by reducing the City's contribution to the Fund by the amount of those costs.

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 Segal Company was engaged in May 2003 after a request for proposal process was conducted. The original agreement was amended in June 2004 and April 2005 and this proposed third amendment will importantly allow for continuity of services on a variety of complex issues related to the Fund.

Based on the last actuarial valuation, the Fund has an unfunded liability of \$354.2 million and the results indicate that current contribution rates are not sufficient to fund current benefit levels and amortize this unfunded liability. The proposed work will assist the City and Fire and Police Associations develop a comprehensive solution through collective bargaining to addressing the financial challenges associated with the Fire and Police Retiree Healthcare Fund.

FISCAL IMPACT

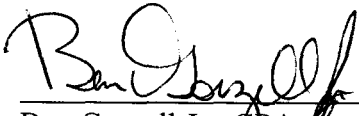
Total funding in the amount of \$50,000 for the proposed amendment and ratification is available in the General Fund non-departmental budget. This amount is planned to be recovered through the City's contribution to the Fire and Police Retiree Healthcare Fund subject to the final collective bargaining agreements.

COORDINATION

This item has been coordinated with the City Attorney's Office.

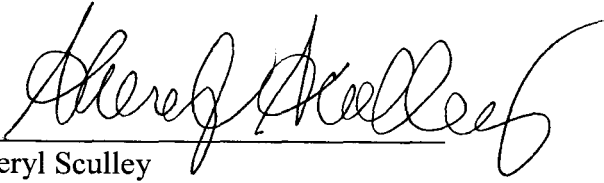
SUPPLEMENTARY COMMENTS

The disclosure requirements of the City's Ethics Ordinance are attached.



Ben Gorzell Jr., CPA
Director of Finance

Approved for Council Consideration:



Sheryl Sculley
City Manager

City of San Antonio
Discretionary Contracts Disclosure

*For use of this form, see Section 2-59 through 2-61 of the City Code (Ethics Code)
Attach additional sheets if space provided is not sufficient.*

(1) Identify any individual or business entity that is a party to the discretionary contract:

The Segal Company
Mr. Eric Freden

(2) Identify any individual or business entity which is a partner, parent or subsidiary business entity, or any individual or business entity identified above in Box (1):

☐ No partner, parent or subsidiary; or

List partner, parent or subsidiary of each party to the contract and identify the corresponding party:

The Segal Group, Inc., parent of the Segal Company.
The Segal Group, Inc. is employee-owned

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

☒ No subcontractor(s); or

List subcontractors:

(4) Identify any lobbyist or public relations firm employed by any party to the discretionary contract for purposes related to seeking the discretionary contract:

☒ No lobbyist or public relations firm employed; or

List lobbyists or public relations firms:

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. A sole proprietor should list the name of the individual and the d/b/a, if any.

(5) Political Contributions

List all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made 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 Box (1), (2), (3) or (4) above, or by the officers, owners of any business entity listed in Box (1), (2) or (3).

☒ No contributions made; If contributions made, list below:

| By Whom Made: | To Whom Made: | Amount: | Date of Contribution: |
|--|---------------|---------|-----------------------|
| As a firm we do not contribute to political campaigns. | | | |


(6) Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city must disclose any known facts which reasonably understood raise a question as to whether any city official or employee would violate Section 2-43 of the City Code (Ethics Code) ("conflicts of interest") by participating in official action relating to the discretionary contract.

☒ Party not aware of facts which would raise a "conflicts-of-interest" issue under Section 2-43 of the City Code; or

Party aware of the following facts:

This form is required to be supplemented in the event there is any change in the information 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, whichever occurs first.

| | | |
|---|---|--------------------|
| Signature:  | Title: Consulting Actuary Company or D/B/A: The Segal Company | Date: 6/23/2006 |
|---|---|--------------------|

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.