



HB 4591 Analysis

**Goal 6: Set the Standard for Sound
Governance and Fiscal Management**

Background:

Level-setting

Article 6243b of Vernon's Texas Civil Statutes

- Governs contributions and modifications of benefits, among other aspects

Unfunded Debt

- When pension no longer has the money necessary to meet the full obligations of its members, measured in years (amortization period)

30-years of Unfunded Debt– Triggers Funding Soundness Restoration Plan

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Background:

2007 Memorandum of Agreement

- El Paso Firemen and Policemen's Pension Fund (EPFPPF) was chronically underfunded
- 2007 Memorandum of Agreement:
 - \$210 Million (obligation \$157.7M through 2035)
 - Creation of Tier 2 COLA
 - Agreement establishes foundational safeguards
 - Requires actuarial finding that any benefit increase is supported by the existing funding status of the fund

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Section 14:

Increasing Contributions

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Current law

- Requires taxpayer vote for contribution increases
- In the event of an emergency (i.e., more than 40 years of unfunded debt), Council can intervene and raise both City and member contributions

HB 4591 Proposal

- Fund can request contribution increases at any time, for any reason, regardless of the fund's health
- Fund may demand costly election to approve the increase if Council refuses
- Fundamentally weakens fiscal accountability

Section 10:

Modifying Benefits

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Current Law

- New or increased benefits can only be introduced if the fund can afford them

HB 4591

- Enables benefit changes without debt reduction
- Opens door to taxpayer-funded enhancements regardless of fund status

Financial Risk Outlook

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October 2024 Actuarial letter:

- Pension fund currently has \$476.8M (20 years) in unfunded debt
- COLA (Nov 2024) projected to add 4 to 6 more years of debt
- 30-year threshold triggers a formal state warning
- Increases likelihood of required taxpayer intervention

Timing and Fiscal Responsibility

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- City Council has broad flexibility today to work with EPFPPF through creation of joint funding policy
- City supports achieving a fully funded plan that honors commitments
- Reforms should align with progress toward full funding
- Fund liabilities are currently growing, not shrinking

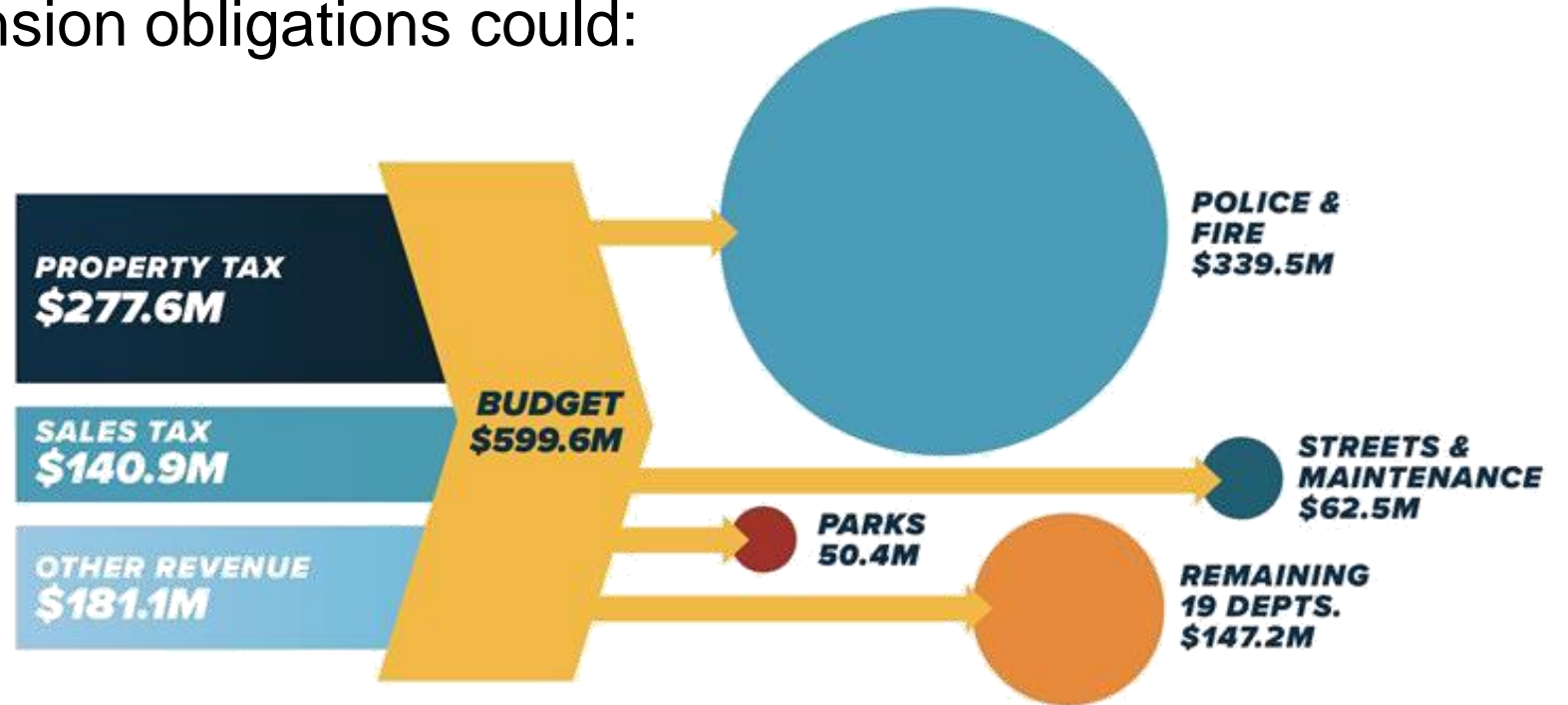


Broader Budget Impacts

- SB2 (2019): Limits growth of municipal property tax revenue
- Fire & Police comprise more than half of the City's operating budget
- Additional unfunded pension obligations could:
 - Further strain limited resources
 - Lead to trade-offs across remaining 21 City depts

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Recommendations

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Postpone Legislative Action

- Defer changes to Article 6243b until 2027
- Aligns with EPFPPF's stated timeline for changes
- Preserves vital fiscal safeguards

Engage Independent Actuary

- Assess impact of the 1.5% COLA (Nov 2024)
- Provide an objective financial assessment

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Questions?



Mission

Deliver exceptional services to support a high quality of life and place for our community



Values

Integrity, **R**espect, **E**xcellence,
Accountability, **P**eople



Vision

Develop a vibrant regional economy, safe and beautiful neighborhoods and exceptional recreational, cultural and educational opportunities powered by a high performing government

