



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: Consideration and possible action approving a resolution adopting the Compensation and Classification Study Final Report and the study recommendation development plan

DATE: November 20, 2025

DEPARTMENT: Human Resources

PRESENTED BY: Joanna Merrill, PSHRA-SCP, Director of Human Resources

INTRODUCTION/BACKGROUND:

This agenda item, if approved by City Council, would formally adopt Evergreen Consulting's Compensation and Classification Study Final Report and a study recommendation development plan. The final report is attached as **Exhibit A**. The study recommendations development plan is attached as **Exhibit B**.

History

In March 2025, the City of Fair Oaks Ranch engaged Evergreen Solutions, LLC to conduct a comprehensive Compensation and Classification Study designed to modernize the City's compensation system, strengthen internal equity, enhance external competitiveness, and ensure long-term workforce sustainability.

The study was extensive in both scope and participation. It included a Job Assessment Tool (JAT) survey completed by 92 percent of employees, focus groups, individual interviews, and a market analysis of 20 City Council-approved peer organizations. This comprehensive evaluation provided a detailed understanding of how the City's pay structures, job classifications, and benefit programs compare to municipalities and organizations of similar size and complexity.

Throughout the project, City Council took deliberate, phased actions to align the City's compensation framework with best practices and market standards. In April 2025, City Council adopted the benchmark peer organizations that formed the foundation of the analysis. In July 2025, City Council approved the 50th percentile of the market as the City's target placement - balancing competitiveness with fiscal responsibility. In August 2025, City Council adopted the "Minimum Plus One Step" methodology, establishing a 30-step pay structure with 1.5 percent progression between steps. Finally, in September 2025, City Council approved the FY 2025-26 General Government and Public Safety Pay Schedules, formally implementing the first phase of the new structure.

These actions collectively established a modern, transparent, and financially sustainable compensation framework. The new pay plan positions the City competitively within the peer market and provides predictable, performance-based progression opportunities that strengthen recruitment and retention.

Below is a consolidated summary of the consultant's findings and recommendations across five key areas: Benefits, Job Classifications, Compensation, Performance Evaluations, and System Administration.

Benefits

The City's benefits program remains a strong component of the overall compensation package, particularly through the employer-paid employee-only medical coverage, TMRS retirement plan, and generous leave accruals. However, the study found that dependent health coverage, parental leave, and tuition reimbursement lag behind peer organizations.

The study recommends including multiple medical options for employees, including an HSA-eligible High-Deductible Health Plan (HDHP). The recommendations also include consideration of paid Parental Leave and Tuition Reimbursement programs and a leave buyback program. These enhancements could strengthen recruitment and retention by addressing identified benefit gaps while at the same time maintaining the City's competitive core offerings.

Job Classifications

The study identified inconsistencies in position titles, FLSA designations, and job descriptions - particularly in administrative and professional roles where career ladders are limited. The Council previously approved multiple job title changes in the FY 2025-26 Budget, to reflect accuracy and compliance. The report also recommends reclassifying certain positions, and creating multi-level progressions (e.g., Finance Specialist I-II, Court Clerk I-III, Inspector I-II) to recognize professional growth and allow for long-term succession planning.

Compensation

The study confirmed that the City's pay structure lagged the market by 5.8 percent at minimums and 2.4 percent at midpoints, with approximately 90 percent of employees positioned below the midpoint of their ranges. To address these gaps, City Council has already taken several key actions, including the selection of benchmark peer cities, the adoption of the 50th percentile as the City's target market placement, and the approval of the "Minimum Plus 1 Step" methodology with a 1.5 percent step progression structure. Council also approved classification title updates for the FY 2025-26 Pay Schedule, establishing a link between performance evaluations and step progression.

No further action is required from City Council in this category. Adoption of these elements has already established a consistent, transparent, and fiscally sustainable pay structure that reinforces the strong foundation previously approved by Council.

Performance Evaluations

The study recommends modernizing the City's performance evaluation system to align with the adopted step-based pay structure and strengthen the link between performance, development, and advancement. Staff supports incorporating mid-year check-ins and competency-based measures tied to the City's core values beginning in FY 2026-27, along with simplified and standardized evaluation forms to be used starting July 1, 2027. Under the adopted 1.5 percent step progression plan, employee movement through the pay schedule is based on performance results, which became operational with City Council's August 7, 2025, approval. Staff also supports developing a phased approach to integrate technology systems for performance management, professional development, and succession planning in a future budget cycle, while 360-degree feedback for leadership roles is not recommended at this time due to process challenges in smaller departments.

System Administration

The study recommends formalizing the ongoing management of the new classification and compensation systems through clear administrative guidelines. These include conducting targeted market surveys as needed based on retention and vacancy data, completing full classification and compensation studies every three to five years, and adopting a cost-of-living adjustment (COLA) formula that utilizes the Consumer Price Index (CPI).

As proposed, the primary guide for COLAs will be 12-month change in CPI for the Southwest (West South Central) Census region. The Employment Cost Index (ECI) will be used as a secondary measure to compare applied adjustments to actual market movement. The study recommends the following thresholds for incorporating annual COLAs into the budget:

Thresholds

- De minimis: 1.0% (prevents zero movement in mild inflation years)
- Cap: 5.0% (maintains fiscal control – not to exceed unless in conjunction with multiyear budget projects and council approval)
- Rounding: nearest 0.25%

Governance

- **Administratively Apply:** 1.0 to 3.0 percent → proceed administratively
- **Limited Scope Market Check:** 3.0 to 5.0 percent → validate with a limited scope of peer movement (pay plan movement, anticipated movement)
- **Exception Review:** > 5.0 percent → provide council briefing on recommended approach, including any deferred portion or alternative measures

In Summary

Based on City Council direction at a recent workshop, the final report and implementation plan have been developed reflecting Council's priorities and feedback. The final report is attached as **Exhibit A**, and the implementation plan is attached as **Exhibit B**.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

- Advances Strategic Action Plan Goal 5.1.1: Evaluate and Update Compensation and Benefit Plans Inclusive of Public Safety
- Promotes transparency, consistency, and fairness in the City's compensation system.
- Strengthens staffing sustainability and supports long term workforce development.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

Adoption of the final report and supported recommendations does not impact the FY 2025–26 budget. Recommendations with potential fiscal implications will be evaluated and presented through the regular annual budget process or separate Council action as appropriate.

LEGAL ANALYSIS:

Resolution approved as to form.

RECOMMENDATION/PROPOSED MOTION:

I move to approve a resolution adopting the Compensation and Classification Study Final Report and the study recommendation development plan as described in Exhibits A and B, respectively.