



CITY COUNCIL CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS
September 1, 2022

AGENDA TOPIC: Discussion of Cost of Living Adjustments (COLAs) and Compensation Study
DATE: September 1, 2022
DEPARTMENT: Administration
PRESENTED BY: Scott M. Huizenga, Assistant City Manager, Administrative Services

INTRODUCTION/BACKGROUND:

The City Council adopted the Classification and Compensation Study and Analysis (“Compensation Study”) for the City on November 19, 2020. The Compensation Study included a pay philosophy to “bring the City’s salary structure in line with the top third of the market.” The study also includes a new Pay Schedule establishing Pay Grades and Steps for all Classified Civilian, Non-Civilian, and Seasonal positions. The study also recommends using Consumer Price Index (CPI) and the Employer Cost Index (ECI) data as guideposts in determining Cost of Living Adjustments (COLAs) to the Pay Schedule.

The City Council at its July 7, 2022 meeting approved a mid-year Cost of Living Adjustment (COLA) of 3.2 percent to all employees effective July 4, 2022. The motion also included a 3.2% COLA on October 1, 2022 and Merit (Step) increases to eligible employees on the first pay period in October 2022. Based on City Council feedback, the City Manager’s FY 2022-23 Proposed Budget revised the proposed pay increases for October so that employees in Civilian Pay Grades 1-27 would receive - 3.2% COLAs and Civilian Pay Grades 28-45 would receive 1.0% COLAs. Similarly, Non-Civilian (Police) Pay Grades PD-6 and PD-7 would receive 3.2% COLAs and Non-Civilian Pay Grade PD-8 would receive a 1% COLA.

Staff identified Pay Grade 27 as the “cut off” primarily because the City currently does not have classified positions in Pay Grades 28-30. Therefore, there is “natural break” that denotes generally upper management from non-supervisory staff. This gap between Pay Grades 27 and 31 will result in less compression between non-supervisory and supervisory staff – although some compression will occur anytime pay increases are not distributed proportionally. Similarly, Pay Grade PD-8 on the Police Pay Schedule is close to Pay Grade 31 on the Civilian Pay Schedule.

The proposed resolution (**Exhibit A**) adjusts the entire Pay Schedule by 3.2% to maintain consistency with the City’s Adopted Compensation Study while providing actual increases of 1.0% for selected pay grades as listed above. The resolution also provides Merit, or Step, increases for all eligible employees. The Council would adopt this resolution in conjunction with the FY 2022-23 Budget, which is scheduled for its second and final reading on September 22, 2022.

The materials herein provide the following.

- Summary analysis of the Fiscal Impact of the Proposed COLAs by Fund and by Department
- Draft resolution adopting the proposed Pay Schedule and “tiered” pay increases as reflected in the FY 2022-23 Proposed Budget.
- Proposed Pay Schedule (Attachment A) for FY 2022-23, which displays Pay Grades and Steps for all classified City positions

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

Project 5.1.1 of the Strategic Action Plan is to Evaluate & Update Compensation and Benefit Plans inclusive of Exempt/Non-Exempt status. Best practice as detailed in the Compensation Study is to update the Pay Schedule annually based on CPI and ECI data with additional market-based adjustments, where applicable. This resolution adjusts the entire Pay Schedule consistent with the study. It does not, however, provide equal COLAs across all Pay Grades. Pay compression and potential long-term inequities among incumbent employees can result when the City does not apply COLAs equally across all Pay Grades.

LONG-TERM FINANCIAL & BUDGETARY IMPACT:

The total budgeted impact of a “tiered” 3.2%/1.0% COLA is \$124,734 to the General Fund and \$38,403 to the Utility Fund for FY 2022-23.

LEGAL ANALYSIS:

N/A

RECOMMENDATION/PROPOSED MOTION:

This agenda item is for information and discussion. No formal action is required for the September 1st meeting unless the Council chooses to amend the FY 2022-23 COLAs or to provide further guidance to the City Manager for the FY 2022-23 Budget. Staff recommends approval of an annual resolution adopting the Pay Schedule in conjunction with the annual budget ordinance.