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## CITY COUNCIL WORKSHOP

### CITY OF FAIR OAKS RANCH, TEXAS

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AGENDA TOPIC: Compensation and Classification Study Final Report and Recommendations  
DATE: November 6, 2025  
DEPARTMENT: Human Resources  
PRESENTED BY: Joanna Merrill, Director of Human Resources

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#### **INTRODUCTION/BACKGROUND:**

The goal of the upcoming City Council workshop is to review and discuss the final report of the Compensation and Classification Study. Staff also seeks the Council's direction on which recommendations should return in a formal resolution for adoption.

To recap the project, in March 2025, the City engaged Evergreen Solutions, LLC to conduct a comprehensive Compensation and Classification Study to modernize the City's compensation systems, strengthen internal equity, enhance external competitiveness, and align workforce practices with long-term sustainability.

The study included a Job Assessment Tool survey with 92 percent employee participation, focus groups, interviews, and a salary and benefits survey of 20 approved peer organizations.

Over the past several months, the City Council has taken incremental actions to support the study, including the adoption of benchmark peer organizations in April, the approval of the 50th percentile as the City's target market placement in July, the adoption of the "Minimum Plus 1 Step" implementation methodology with a 30-step, 1.5% progression structure in August, and the approval of the FY 2025–26 General Government and Public Safety pay schedules in September. The newly adopted pay schedule will address challenges in recruitment and retention with pay ranges that are set within the City's overall peer market.

The final step of the Compensation and Classification and Study is to review the consultant's recommendations to job classification progressions, enhancements to employee benefits, improvements to performance evaluation practices, and administrative guidelines for ongoing plan management.

#### **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 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 Adopted Budget for 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 and established the link between performance evaluations and step progression, which became operational on August 7.

No further action is required from City Council in this category, as 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.

Staff seeks Council direction on the proposed final recommendations from the comprehensive Compensation and Classification Study. Staff will present formal policies for council adoption at a future City Council meeting. Exhibit A provides a summary of study recommendations.

## **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:**

The proposed adjustments do not impact the recently adopted budget, and any items with potential future financial implications will be brought forward through the regular budget process as required.