CITY COUNCIL CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: Consideration and possible action approving a resolution establishing the target market position for the City's Compensation Plan

DATE: July 3, 2025

DEPARTMENT: Human Resources

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

INTRODUCTION/BACKGROUND:

As part of the City's FY 2024-25 Comprehensive Compensation and Benefits Study (the Study), Evergreen Solutions LLC conducted a detailed market analysis based on newly adopted benchmark organizations. Evergreen is currently developing pay plan options that reflect this market data, in addition to ensuring internal and external pay equity across classifications.

Chapter 4 of the Study, attached as Exhibit A, summarizes the methodology and results of the market analysis. Evergreen surveyed 20 peer organizations (with 16 providing data), assessing 50 benchmark positions. The analysis focused on pay range minimums, midpoints, and maximums – adjusted for cost of living – rather than individual salaries. Results showed Fair Oaks Ranch's pay structure is:

- 5.8% below market at the **minimum**,
- 2.4% below market at the **midpoint**, and
- 0.1% above market at the **maximum**, with
- a wider-than-average spread (47.7% vs. the market's 39.9%).

These findings suggest the City's current ranges are structured to be competitive over an employee's career progression, even if starting salaries lag slightly behind the market.

Based on this data and findings, staff is requesting City Council approval of a target market percentile to guide Evergreen's final pay plan recommendations. Two options are presented:

Option A: 50th Percentile Market Placement	
Advantages	**Disadvantages**
• Aligns Fair Oaks Ranch with the average of comparative and competitive peers. ***Aligned with stated project goal*** • Approved market peers were carefully selected to reflect the City's demographic and fiscal profile • Represents a more sustainable investment for the City's long-term financial planning	• Represents a reduction from the City's prior benchmark target (66th percentile), which may carry a negative connotation • Results in more moderate salary adjustments

Option B: 66th Percentile Market Placement	
Advantages	**Disadvantages**
• Positions Fair Oaks Ranch above the average of its current comparative market peers • Increases competitiveness for talent attraction and retention	• Requires a higher investment • Increases financial obligations in future years to maintain alignment

Staff and Evergreen recommend adoption of the **50th percentile** market placement as a sustainable and representative option for the City's current labor market conditions. This selection will guide preparation of the final classification and compensation plan, which will be presented for review at the August 7, 2025, City Council work session and proposed for adoption as part of the FY 2025-26 budget.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

- Supports Strategic Action Plan 5.1.1 – Evaluate and Update Compensation and Benefit Plans Inclusive of Public Safety
- Ensures alignment of City pay structures with competitive market standards to attract and retain a high-performing workforce
- Enhances transparency, equity, and long-term fiscal sustainability

LONGTERM FINANCIAL & BUDGETARY IMPACT:

- Final financial impact is contingent on the selected market percentile
  - Estimated cost for the 50th percentile: $130,000 - $770,000
  - Estimated cost for the 66th percentile: $240,000 - $1.05 million

LEGAL ANALYSIS:

Approved as to form

RECOMMENDATION/PROPOSED MOTION:

I move to approve a resolution adopting the 50th percentile as the market placement for the City's compensation plan.