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**CITY COUNCIL CONSIDERATION ITEM**  
**CITY OF FAIR OAKS RANCH, TEXAS**  
**July 7, 2022**

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AGENDA TOPIC: Consideration and possible action to approve a Cost-of-Living Adjustment (COLA) due to recent market trends and inflationary costs.

DATE: July 7, 2022

DEPARTMENT: Human Resources & Communications

PRESENTED BY: Joanna Merrill, IPMA-SCP, Director of Human Resources and Communications

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**INTRODUCTION/BACKGROUND:**

In 2019, the City Council approved a comprehensive salary and benefit survey. Staff began work on this when the pandemic hit in 2020 not knowing how long the pandemic would last or what effects it might have on the future market.

The recent pandemic, along with several other factors including inflation, have created unprecedented challenges for employers to overcome including hiring new staff, retaining current staff, maintaining engagement and morale within the organization, and sustaining a competitive stance in the market.

Cost of housing, goods, and services are at significantly higher rates than in years past and the employment market is rapidly changing to compensate for these challenges. In order to be competitive within this market, we have conducted an internal survey of the Council's approved benchmark cities and pulled data from the Department of Labor in order to develop a plan to keep up with the ever-changing market.

Staff analyzed data from the Bureau of Labor Statistics including the Employment Cost Index (ECI) and the Consumer Price Index (CPI). As of the end of March 2022, the ECI increased by an average of 4.11% year over year across all sectors. The CPI increased by 8.5% year over year. This results in an aggregated average increase of 6.31%, which is the basis for a recommendation to provide enhanced Cost-of-Living Adjustments (COLAs) to City employees.

Staff has prepared three potential options to provide COLA's to maintain the City's competitive position and to adjust for inflationary pressures in the economy.

**Option 1:**

- 4.0 % COLA to be provided effective July 4, 2022, for the most impacted positions at the City
- 2.0% COLA to be provided effective July 4, 2022, for all other positions above pay grade 27
- 2.5% COLA to be provided to all employees during the 1<sup>st</sup> pay period of the new fiscal year in October 2022
- Merit (step) increase to be provided to eligible employees the 1<sup>st</sup> pay period of the new fiscal year in October 2022

**Option 2:**

- 6.31% COLA to be provided effective July 4, 2022, for all positions
- Merit (step) increase to be provided to eligible employees the 1<sup>st</sup> pay period of the new fiscal year in October 2022

**Option 3:**

- 3.2% COLA to be provided effective July 4, 2022 for all positions
- 3.2% COLA to be provided to all employees during the 1<sup>st</sup> pay period of the new fiscal year in October 2022
- Merit (step) increase to be provided to eligible employees the 1<sup>st</sup> pay period of the new fiscal year in October 2022

**POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

- 1.) Sustains Council's desire to remain competitive in the market in order to recruit the highest quality candidates.
- 2.) Long term retention of employees has been shown to reduce hiring costs.
- 3.) Employee satisfaction, engagement, and morale have all been shown to increase productivity which has a direct impact on project completion.

**LONG-TERM FINANCIAL & BUDGETARY IMPACT:**

The overall personnel costs to implement these options are estimated as follows:

	Option 1	Option 2	Option 3
Mid-Year Adjustment	\$181,718	\$325,034	\$164,835
FY 2022-23 Budget	\$259,881	\$129,993	\$296,300
Total Cost	\$441,599	\$455,027	\$461,135

**LEGAL ANALYSIS:**

N/A

**RECOMMENDATION/PROPOSED MOTION:**

I move to approve Option \_\_ as the current fiscal year's Cost-of-Living Adjustment.