

To the Mayor and Members of the City Council

May 7, 2024

Page 1 of 4



SUBJECT: EMPLOYEE ENTRY WAGE ANALYSIS

The purpose of this Informal Report (IR) is to share the City's proposed compensation initiatives for Fiscal Year 2025 (FY25). The Human Resources Department (HR) proposes to increase the base pay rate to \$16.07 per hour in FY25. In addition, HR proposes to conduct a comprehensive compensation evaluation to review the entire classification system, pay structure and minimum wage rates. This compensation evaluation is necessary to support the competitive and changing labor market and to address workforce recruitment and retention strategies for all general employee classifications.

The City conducts biennial market studies comprised of both the public and private sector pay data to set pay ranges. Market studies consider the going rate of pay for a benchmark job as it relates to knowledge, experience, skills and abilities in comparison to similar jobs in the public and private market to ensure the City is competitive in attracting and retaining top talent.

The market study approach is a validated practice compliant with the Professions and Intellectual Property Section of the Department of Justice and creates an effective and equitable approach to establishing pay. Market data provides, in aggregate form, comparable benchmark jobs within public and private sector and prevents price fixing salaries that create pay inequities impacting sound factors in establishing base pay.

Over the years the City increased entry wage rates from \$7.88 to \$15.45 per hour as of FY24, resulting in a cumulative increase of 74% as compared to the U.S. Federal required minimum wage of \$7.25 per hour, which has remained unchanged (see Chart A below).

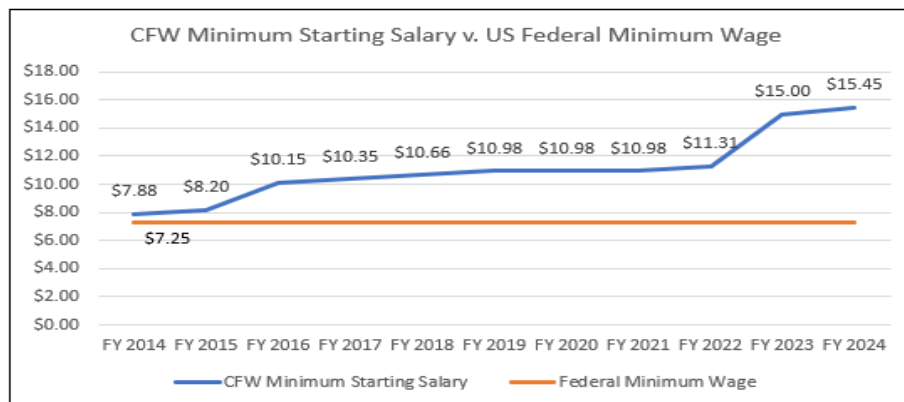


Chart A

City Proposed Minimum Wage Rate for FY25: The City proposes to increase the minimum entry base rate to \$16.07 per hour. The increase is based on market pay projections for FY25, an evaluation of Consumer Price Index, and allows for an incremental increase without impacting the City's salary structure or pay compression. Job classifications impacted by the minimum wage rate of \$16.07 include entry level jobs with minimal experience and educational requirements (see Table A for sample jobs).

To the Mayor and Members of the City Council

May 7, 2024

Page 2 of 4



SUBJECT: EMPLOYEE ENTRY WAGE ANALYSIS

Job Classification	Minimum Qualifications	Certification/ License	Supervises
Arborist I	High School Diploma / GED, No Experience	Not Required	No
Customer Service Rep I	High School Diploma / GED, No Experience	Not Required	No
Community Center Aide	High School Diploma / GED, 6 Months Experience	Not Required	No
Food & Beverage Attendant	High School Diploma / GED, No Experience	Not Required	No
Golf Shop Attendant	High School Diploma / GED, No Experience	Not Required	No
Library Page	Less Than High School Diploma / GED, No Experience	Not Required	No
Public Events Attendant	Ability to Obtain High School Diploma / GED in 1 Year, No Experience	Not Required	No
Recreation Assistant	16 Years Old, No Experience	Not Required	No

Table A

As previously mentioned, market data provides a foundation of comparable jobs and the rate of pay for similar skill sets. Increasing the base pay above the market price has a ripple effect through all job classifications and people. Pay compression occurs in which pay variances are minimized between low skilled jobs and those jobs that require higher knowledge, skill sets and abilities (see Table B).

From				
Job Class	Job Grade	Minimum Qualifications	Certification/License/Skills	Supervises/Leads/Trains
Recreation Assistant	Temporary	16 Yrs Older, No Experience	Not Required	No
Customer Service Rep I	503	High School/GED, No Experience	Not Required	No
Library Page	503	Less than High School/GED, No Experience	Not Required	No
Maintenance Worker	504	High School/GED, No Experience	Not Required	No
To				
Senior Customer Service Rep	507	High School/GED, 3Yrs Experience	Public Records Systems	Leads Staff
Sr Equipment Operator	508	High School/GED, 3 Yrs Experience	CDL, Hazmat, TCEQ	Supervises, Trains Staff
Fleet Mechanic II	508	High School/GED, 2 Yrs Experience	CDL	Trains staff
Electronics Technician	508	High School/GED, 2 Yrs Experience	CJIS Clearance	Trains staff

Table B

Alternative Minimum Wage Rate Options: As requested, alternative minimum base pay scenarios, including wage amounts using the ALICE wage tool, were also evaluated (see Table C). ALICE is an acronym for Asset Limited, Income Constrained, Employed, and represents households with income above the Federal Poverty Level (FPL) who earn too much to qualify as “poor” but are still struggling to cover basic household expenses.

Impact Analysis Summary							
Minimum Base Pay	Employees Impacted	Job Classifications Affected	Pay Structure Impact	Pay Increase Cost Estimate	Compression Cost Estimate	Total Cost Estimate	Pension and Medicare Portion
\$16.07	121	15	None	\$679,006	\$0	\$679,006	\$148,905
\$18.00	525	34	Yes	\$2.9M	\$62.9M	\$65.9M	\$14.4M
\$21.17	964	70	Yes	\$6.2M	\$131.7M	\$137.9M	\$30.3M
\$25.95	1,816	127	Yes	\$22.2M	\$231.1M	\$253.3M	\$55.6M

Table C

To the Mayor and Members of the City Council

May 7, 2024

Page 3 of 4



SUBJECT: EMPLOYEE ENTRY WAGE ANALYSIS

Addressing salary compression requires a large financial commitment as reflected in Table C. However, leaving salary compression unresolved or through a multi-year approach will cause pay inequities and will negatively impact employee morale. This approach would further exacerbate turnover and hiring challenges.

Operational Impact Analysis Considerations: The City provides services in an active marketplace at the Convention Center and Will Rogers including services such as maintenance and repair. The cost of increasing the starting salary may impact operations and service delivery for city departments and it makes the jobs and employees more susceptible to outsourcing or privatization of services. Modeling the various pay scenarios beyond \$16.07 per hour in the Neighborhood Services, Park and Recreation and Public Event Departments reflects an impact that could result in reduction of hours, staff and/or services. For the Convention Center, increased wages present a negative effect and downstream impact on hotels and businesses in the downtown area as wage increases would be passed down. This could result in decreased sales and hotel tax revenues collected by the City.

Total Compensation for Full-Time Employees: When evaluating pay adjustment scenarios for employees, the City must consider total compensation and observe mandated pension contributions. Listed below is a table displaying the total compensation for an employee making \$20 and \$25 per hour in the City.

Hourly Rate	Annualized	FICA 1.45%	Pension 26.64%	Health Insurance Contribution	Total Hourly Rate	Annualized
\$ 20.00	\$ 41,600	\$ 0.29	\$ 5.33	\$ 3.69	\$ 29.31	\$ 60,961
\$ 25.00	\$ 52,000	\$ 0.36	\$ 6.66	\$ 3.69	\$ 35.71	\$ 74,282

In addition, below is a comparison of employee, employer, and total pension contribution rates of municipal and public organizations in the primary labor market in which the City competes for job candidates (see Table D). This cost places the City at a slight disadvantage with a higher cost of labor and forces the City to more carefully evaluate salary adjustments.

Plan Name*	Eligibility	Employee Rates	Employer Rates	Total Rate
Fort Worth Employees' Retirement Fund**	General and Sworn Fire Employees with the City	10.95%	26.64%	37.59%
Dallas Employees' Retirement Fund	General Employees with the City	13.32%	14.46%	27.78%
State-wide Retirement Systems				
Employees Retirement System of Texas	Employees of the State of Texas Agencies	9.50%	16.83%	26.33%
Texas Municipal Retirement System	Most small to large cities (100k + population)	6.71%	14.50%	21.21%
Texas County & District Retirement System	Governmental entity of the State of Texas not in other statewide public pension plan	6.78%	12.31%	19.09%

*Note: Rates As of FY 2022

** City of Fort Worth Rates as of 2023

Table D

To the Mayor and Members of the City Council**May 7, 2024**

Page 4 of 4

**SUBJECT: EMPLOYEE ENTRY WAGE ANALYSIS**

Conclusion: In closing, the City recommends the proposed minimum wage rate increase of \$16.07 per hour for FY25. The City does not support a higher wage rate at this time nor does HR support a phased approach. It should be noted in benchmarking the primary DFW municipal labor market, the average minimum wage rate is \$14.74 per hour and expanding the market to include major Texas cities reflects an average of \$15.48 per hour, supporting the existing and proposed minimum wage rate. The incremental increase to \$16.07 in FY25 allows the City to preserve the current structure and minimizes pay compression. This position allows the City to conduct a comprehensive market study in FY25 to evaluate pay, including minimum wage rates, job classifications, FLSA exemptions and other factors. The City's goal is to be good stewards of public funds while providing high quality services at the reasonable cost to the tax payer, rate payer and users of city services.

For questions, please contact Dianna Giordano, Director of Human Resources, via e-mail to dianna.giordano@fortworthtexas.gov.

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City Manager