



To the Mayor and Members of the City Council

February 21, 2023

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SUBJECT: CITY OF FORT WORTH COMPETITIVE PAY PLAN

The purpose of this informal report is to share information regarding the Mayor and City Council's request on the City's comprehensive compensation plan review process, including study timelines, and cost. The request was also to analyze the income levels necessary to meet the standard cost of living for residents of the City of Fort Worth in consideration of the City's workforce. The City continuously reviews compensation for City employees to ensure we remain competitive in the North Texas marketplace.

Compensation Competitiveness in Fort Worth

There are very intentional activities to review pay competitiveness that include, but are not limited to, conducting market studies within the metro region, major Texas cities, other like-size municipalities and counties, and other available salary survey data. This comprehensive information allows the City to evaluate pay and determine wages for most jobs using relevant and validated data.

Through this process, the City compares jobs and job values with benchmark positions that share similar responsibilities, qualifications and educational/licensure requirements. Data collected identifies the City's position in the market place and, where necessary, the need to make changes to the associated pay grades or classifications in the City's compensation system. This process is completed biennially through a third-party consultant and is currently in progress with an estimated cost of \$27,500. The biennial market study is conducted every odd year and the current study will be completed in the Spring of 2023 for Fiscal Year 2024 implementation.

There are many factors and benefits extended to employees that contribute to the total compensation package. These factors include base pay, direct and indirect benefits such as pension contributions and health care subsidies, and other desirable benefits like paid leave, overtime and incentive pay, all of which have a monetary value. The market study underway evaluates the base pay afforded to employees.

In the example below, the median base rate for full-time employees¹ is \$27.23, which increases the total compensation to \$38.40 when factoring in the City's pension, FICA/Medicare and health insurance² contributions made on behalf of employees (see table below):

Classification Type	Median Pay Rate	Annualized	FICA/Medicare 1.45%	Pension Contribution 26.64%	Health Insurance Contribution	Total Median Pay Rate	Annualized
Clerical Classifications	\$21.42	\$44,554	\$0.31	\$5.71	\$3.52	\$30.96	\$64,387
Management Classifications	\$53.45	\$111,176	\$0.78	\$14.24	\$3.52	\$71.98	\$149,724
Professional Classifications	\$37.50	\$78,000	\$0.54	\$9.99	\$3.52	\$51.55	\$107,229
Public Safety Classifications	\$26.70	\$55,536	\$0.39	\$7.11	\$3.52	\$37.72	\$78,455
Service Trades Classifications	\$21.70	\$45,136	\$0.31	\$5.78	\$3.52	\$31.31	\$65,133
Technical/Para-Professional	\$26.46	\$55,037	\$0.38	\$7.05	\$3.52	\$37.41	\$77,815
Citywide	\$27.23	\$56,638	\$0.39	\$7.25	\$3.52	\$38.40	\$79,867

¹ Pay information as of 1/25/23 and excludes the following job families: Appointed Classifications, Executives, Department Directors, Assistant and Deputy Department Directors, Fire Civil Service, Police Civil Service and Temporary Classifications.

² Health insurance contribution based on the City's contribution rate for the most popular plan, which is the Health Center Plan coverage. This plan is subsidized at \$7,318 annually per employee (or \$3.52 per each hour worked by a full-time employee).



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Compensation & Living Wage

In August 2022, the City's average hourly pay rate for authorized full-time positions was \$27.00, but increased to \$30.33 as of January 2023. This increase was due in part to funding included in the FY2023 budget to raise the City's minimum pay rate to \$15 per hour for all full- and part-time positions, as well as funding for pay for performance and additional pay adjustments for most general employees. Furthermore, the City Council approved action to increase the pay rate for the Police trainee positions.

The following estimates provided by the Neighborhood Services Department indicate the average household expenses for individuals and families living in the City of Fort Worth.

City of Fort Worth Average Household Expenses	Individual	Family of Four
Monthly Average Household Expenses	\$2,856	\$6,884
<i>Food/Entertainment</i>	\$614	\$2,421
<i>Transportation (Auto/Gas)</i>	\$441	\$588
<i>Leisure</i>	\$48	\$192
<i>Utilities</i>	\$187	\$313
<i>Clothing</i>	\$27	\$108
<i>Rent</i>	\$1,463	\$3,025
<i>Childcare</i>	\$0	\$0
<i>Other Good/Services</i>	\$78	\$237
Annualized	\$34,278	\$82,611
Full-Time Hours <i>(assumes two adult workers for Family of Four)</i>	2,080	2,080 x 2
Minimum Hourly Rate Needed to Fund Average Household Expenses	\$16.48	\$19.86
Variance from \$15.00/Hour Minimum Pay Rate	(\$1.48)	(\$4.86)
Annualized Variance	(\$3,078)	(\$10,109)

Source: Neighborhood Services Department, October 2022

As of January 2023, there are 548 full-time employees, or 7.8% of the City's workforce, with pay rates between \$15.00 and \$19.85 per hour. This includes full-time employees across seven pay grades and 50 different job classifications such as custodians, municipal court clerks, payroll technicians and stock clerks. Of the 548 employees, 165, or 2.4% of the City's workforce, have hourly pay rates between \$15.00 and \$16.47. Progress has been accomplished with the change to the minimum wage rate. It should be noted that the preferred method for minimum pay rate or other pay rate adjustments is best determined by the market studies and analysis described previously as this method allows the City to affect the salary structure and is not limited to

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entry positions and entry pay rates. It involves a more complex review and adjustment, due to the number of employees and pay grades affected in the system, along with analyzing pay compression issues as a result of changes.

In today's market, many businesses are struggling to remain competitive by managing increased operational and commodity expenses with increased labor costs. A common argument about increasing the minimum wage and not letting the market decide, can result in fewer jobs and outsourcing jobs to remain competitive. All costs cannot be passed on to the customers. The same is true for the City. The City must remain competitive in delivering the services our residents expect while managing increasing labor costs that have an added 26.64% to 27.36% markup for the City's pension contributions.

In closing, when efforts to raise the minimum wage do not consider the impact on the overall pay structure and job families, the affect creates pay compression issues in which pay becomes negligible between jobs and people with differing skills, responsibilities, licensures and experience. Currently, the HR department is evaluating pay compression issues and pay competitiveness. The review of employee compensation is an ongoing, multi-pronged process involving many factors. The Human Resources Department appreciates city leadership's support of these efforts and will continue to work diligently to ensure that compensation is competitive and sustainable to hire and retain high-performing employees..

Please contact Human Resources Director Dianna Giordano at (817) 392-7783 with any questions about this information.

David Cooke
City Manager