



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Human Resources

CM/ACM: Sara Hensley, City Manager

DATE: May 16, 2023

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding an overview of the compensation and classification study conducted by Evergreen Solutions LLC.

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Pursue Organizational Excellence and Collaborative and Respectful Leadership.

BACKGROUND

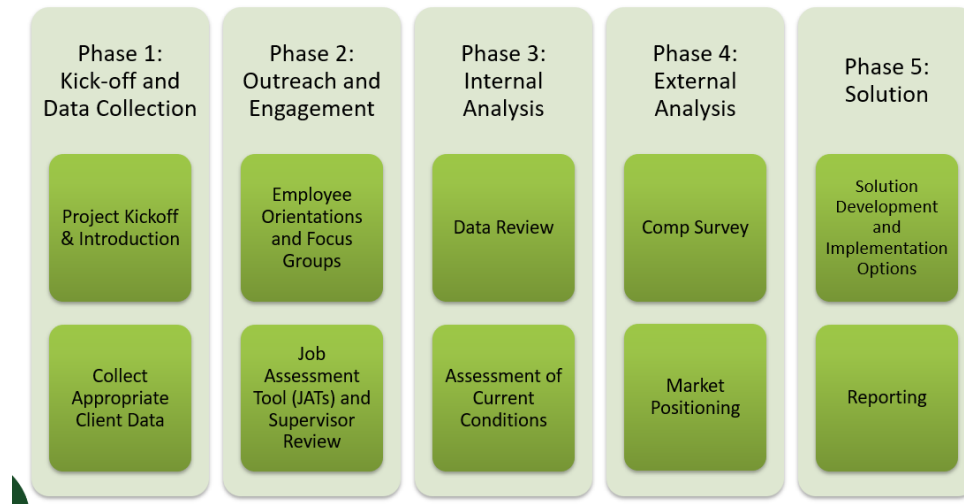
The City's current compensation system and pay plans were implemented in 2016 following the last city-wide compensation study. The City has experienced challenges in administering the compensation system due to stagnant ranges and pay plans that have not evolved with the economic conditions, challenges in attracting and retaining talent in a competitive market, and significant change in the organization structure over the last few years to adapt and meet the needs of the growing community. Further, a key focus area and priority of City Council is to *Pursue Organizational Excellence* with an objective to *Become an Employer of Choice* offering competitive compensation and benefits.

To comprehensively evaluate and provide recommendations for a compensation and classification system that is equitable, both internally and externally, the City underwent a Request for Proposal (RFP) process in summer 2022 to find a third-party consultant that could conduct a comprehensive compensation and classification study. A contract was awarded to Evergreen Solutions LLC on October 25, 2022 to conduct the study in the not-to-exceed amount of \$95,000.00. Evergreen Solutions has strong experience with performing compensation studies and market analysis, conducting over a 1,000 similar studies across the nation, including for other municipalities in the DFW metroplex and in Texas.

The study included all positions in the City, except for Police and Fire Civil Service positions, DME Craft Pay Plan positions and Energy Management Organization (EMO) positions, and City Council appointee positions. These positions have alternative processes to set compensation. For example, annual compensation for Police and Fire Civil Service positions is determined according to the processes set forth in the Police and Fire Meet & Confer agreements.

DISCUSSION

Evergreen Solutions began work on the City's study in November 2022. The process included several phases and extensive employee engagement as shown in the graphic below.



On May 16, Evergreen Solutions will present an overview of their methodology, key results, implementation strategy, and recommendations (*Exhibit 2*). More detail is provided in the attached draft report from Evergreen Solutions (*Exhibit 3*).

In summary, the key recommendations from Evergreen Solutions are to:

1. Adopt adjusted pay plans with modified grades.

- The recommended draft pay plans have consistent range spreads and progression between the grades. (For the pay plans for General, Technology Services, Electric, Special Agreement, and a new Trades Pay Plan)
- The proposed draft pay plans are attached as *Exhibit 5* showing pay grades and ranges. **Please note that these are in a draft format and are subject to change based upon final revisions and review.**

2. Reassign pay grades to positions based on internal equity and the market results.

- Some positions will see larger adjustments than others due to the market response.

3. Place employees within their newly recommended pay grades.

- Select an implementation methodology that aligns with the compensation philosophy and financial means of the City. Recommended to apply:
 - A “*Compa Ratio*” - Provides increases to employees on the basis of the market adjustment provided to their position; employee placement within the range remains the same in the new range).
 - And a “*Move Towards Market*” Additional Adjustment - Above and beyond the Compa Ratio cost to provide additional movement for employees to align with the Market and considers employee tenure).
- To adjust 1,125 current employees, the total “Compa Ratio” cost is \$7,286,421.64 with an additional cost of \$890,113.28 for the “Move Towards Market” additional adjustment, for a total of \$8,014,534.92.

RECOMMENDATION

Staff recommends implementing the proposed solution. The solution will address a number of challenges the City is facing with its current system, including adopting pay plans that offer competitive compensation based upon market data, adjusting existing employees into their new pay grades, and addressing some internal compression and equity challenges. The solution offers significant benefits for the City's workforce and operations.

If implementation is supported, there are a number of implementation steps that would need to be taken, including employee communications, set-up and implementation of data and changes in the relevant systems, and implementation and training on the new compensation plan procedures and guidelines.

FISCAL INFORMATION

In preparation for the compensation study, a budget for implementation of the compensation study recommendations was included in the FY22/23 Approved Budget. With the funding budgeted in FY22/23 and the general 3% compensation increase budget planned for FY23/24, staff recommends implementing the solution and changes as soon as possible, which is anticipated to be late summer (July/August 2023). The following provides information:

- FY22/23 - If changes are implemented this summer, the funding budgeted in FY22/23 is sufficient (see chart below). Please note that there are minor gaps shown in the Street Improvement, Airport, and Customer Service Funds that should be able to be absorbed in the current budget.

Fund	Compa Ratio + Market (Cost for Full Year)	Compa Ratio + Market (Cost for Remainder of FY 22-23)	Funding Included in FY22-23	Additional Funding Needed
100 – General Fund	\$3,024,557	\$756,139	\$2,162,219	(\$1,406,079)
203 – Recreation Fund	\$132,200	\$33,050	\$77,997	(\$44,948)
285 – Street Improvement Fund	\$314,185	\$78,546	\$77,539	\$1,007
301 – CDBG Fund	\$7,307	\$1,827	\$7,163	(\$5,336)
600 – Electric Fund	\$710,503	\$177,626	\$637,705	(\$460,079)
630 – Water Fund	\$600,745	\$150,186	\$289,578	(\$139,391)
640 – Wastewater Fund	\$690,210	\$172,552	\$245,294	(\$72,742)
660 – Solid Waste Fund	\$1,182,637	\$295,659	\$331,024	(\$35,365)
680 – Airport Fund	\$76,088	\$19,022	\$8,926	\$10,096
800 – Procurement Fund	\$92,462	\$23,116	\$49,019	(\$25,903)
820 – Fleet Fund	\$154,699	\$38,675	\$52,365	(\$13,691)
830 – Tech Services Fund	\$398,932	\$99,733	\$192,491	(\$92,758)
840 – Engineering Fund	\$275,347	\$68,837	\$113,686	(\$44,850)
860 – Risk Fund	\$43,467	\$10,867	\$53,325	(\$42,459)
870 – Customer Service Fund	\$381,411	\$95,353	\$77,560	\$17,793
880 – Facilities Fund	\$91,784	\$22,946	\$36,443	(\$13,497)
Total	\$8,176,535	\$2,044,134	\$4,412,335	(\$2,368,201)

- FY23/24 - The below chart shows the annual cost for the first full year of implementation (1st column). Based upon budget in the current FY22/23 that will carry over into next year (2nd column), and the general 3% compensation increase budget planned for the next FY23/24 (3rd column), the planned funding would be sufficient in most of the funds including the General Fund.

However, there are some funds, such as Solid Waste, Wastewater, and Street Improvement, where a funding deficit exists. This is not unexpected as the skilled labor positions in these departments

are further behind in a competitive market, leading to higher increases and costs through the study. Staff recommends building the proposed FY23/24 Fund budgets to cover the necessary personnel expenses as a recommended priority to meet market demands and stabilize personnel in these operations.

Fund	Compa Ratio + Market (Cost for Full Year)	Funding Included in FY 22-23 Budget	Additional 3% Increase Included in FY 23-24 Budget	Total Funding for FY 23-24 Budget	Funding Need in FY 23-24
100 – General Fund	\$3,024,557	\$2,162,219	\$1,313,404	\$3,475,623	(\$451,066)
203 – Recreation Fund	\$132,200	\$77,997	\$119,477	\$197,474	(\$65,274)
285 – Street Improvement Fund	\$314,185	\$77,539	\$119,221	\$196,760	\$117,425
301 – CDBG Fund	\$7,307	\$7,163	\$6,703	\$13,866	(\$6,559)
600 – Electric Fund	\$710,503	\$637,705	\$746,804	\$1,384,509	(\$674,006)
630 – Water Fund	\$600,745	\$289,578	\$300,716	\$590,294	\$10,451
640 – Wastewater Fund	\$690,210	\$245,294	\$263,447	\$508,741	\$181,469
660 – Solid Waste Fund	\$1,182,637	\$331,024	\$369,522	\$700,546	\$482,091
680 – Airport Fund	\$76,088	\$8,926	\$16,812	\$25,738	\$50,350
800 – Procurement Fund	\$92,462	\$49,019	\$78,442	\$127,461	(\$34,999)
820 – Fleet Fund	\$154,699	\$52,365	\$88,453	\$140,818	\$13,881
830 – Tech Services Fund	\$398,932	\$192,491	\$268,954	\$461,445	(\$62,513)
840 – Engineering Fund	\$275,347	\$113,686	\$156,477	\$270,163	\$5,184
860 – Risk Fund	\$43,467	\$53,325	\$30,013	\$83,338	(\$39,871)
870 – Customer Service Fund	\$381,411	\$77,560	\$128,037	\$205,597	\$175,814
880 – Facilities Fund	\$91,784	\$36,443	\$58,908	\$95,351	(\$3,567)
Total	\$8,176,535	\$4,412,335	\$4,065,388	\$8,477,723	(\$301,188)

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On Oct. 25, 2022, City Council awarded a contract for a city-wide compensation and classification study for non-civil service City of Denton employees to Evergreen Solutions, LLC in the not-to-exceed amount of \$95,000.00.

EXHIBITS

1. Agenda Information Sheet
2. Presentation
3. **Draft** Report from Evergreen Solutions
4. Current Pay Plans
5. **Draft** Proposed Pay Plans

Respectfully submitted:
Sarah Kuechler
Director of Human Resources