



## Finance Agenda Item

Meeting Date:	December 19, 2024
Agenda Item:	Compensation Policy
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### BACKGROUND

(Enter the who, what when, where, why)

1. A municipality should have a well-structured compensation plan to attract and retain talented employees, ensure fair and equitable pay, and align workforce incentives with organizational goals. A clear plan provides transparency, fosters employee satisfaction, and helps the municipality remain competitive in the job market. Additionally, it ensures compliance with legal and regulatory standards while supporting budgetary planning and fiscal responsibility.
2. Small Cost-of-Living Adjustments (COLAs) are designed to help employees keep pace with inflation but do not effectively move employees through their designated pay ranges. Over time, this creates salary compression, where long-tenured employees are compensated similarly to newer hires, reducing incentives for growth and development. Without meaningful progression, employee morale and retention can suffer, as salaries do not reflect their increasing experience, skills, or contributions.

### PREVIOUS ACTIONS – COMMITTEE RECOMMENDATIONS

(Dates, committees, action taken)

1. From 2019 to 2021, the merit-based pay plan failed due to several challenges. Inconsistent application of merit increases, limited funding, and a lack of clear, objective criteria for evaluations undermined the plan's effectiveness. Employees perceived the process as inequitable and overly subjective, which diminished its motivational impact.
2. Since 2021, the Council has approved COLAs as part of the annual budget process.

### FINANCIAL IMPACT

(If none, state N/A)

The financial impact is still being determined at this time.

### STAFF RECOMMENDATION

Staff is only seeking feedback on the Compensation Policy and implementation plan at this time. The policy and adjustments based on feedback will be brought back in January once the financial impact has been determined.

Implementation of the Compensation Plan should be under the following pattern of adjustments:

1. Employees whose present compensation is below the minimum compensation of the range for their classification should be raised to the minimum of the range. (Complete)
2. The compensation of employees whose present compensation is within the range for their classification should be slotted into the new Compensation Plan at their current pay rate. (Complete)
3. Employees with at least five (5) years of service whose present compensation is below the mid-point of the range and have performance evaluations that at least "meets expectations" should be moved to the mid-point of the range.
4. The compensation of employees whose present compensation is above the maximum compensation of the range should be held at their present rate, without a reduction in compensation, until such time that further market analysis indicates commensurate alignment with the marketplace. However,

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the City can consider lump sum increases for these employees, which does not impact base compensation levels, until the ranges adjust to include the individual employee compensation rates.

5. It is recommended that the City set aside a fund every year, to fund increases for employees in this Plan. This money would then serve as the pool for merit payments, knowing that some employees will be high performers, getting a higher percentage, and some employees will be lower performers, getting a lower percentage.

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ATTACHMENT(S) INCLUDED

(If none, state N/A)

1. Compensation Policy
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