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Committee: HR Committee	Date: 9/17/2024
Common Council Item Number: ID#24-10699	Date: 9/17/2024
Submitted By: Anthony Brown, City Administrator	City Administrator Approval: Click here to enter text.
Finance Department Review: Click here to enter text.	City Attorney's Office Review: Click here to enter text.
Subject: Consideration and Possible Action on Adopting a Revised Classification and Compensation System	

Details:
 Last year in August 2023 the Council approved the Segal Group to undertake a Market Analysis and Compensation Study. Since that time, Staff have been working diligently in collaboration with their team to undertake and complete the necessary work. Currently, Segal is prepared to present the results and recommendations.

The intent of the study was to conduct a comprehensive classification and compensation evaluation to determine the competitiveness of the City's compensation structure. An additional goal was to assess whether the City's pay was equitable, market-sensitive, and designed in a way to attract, motivate, and retain employees. To accomplish these goals, Segal conducted a custom survey targeting 12 peer public sector organizations and collected additional salary data from four private-sector sources. Overall, the study focused on 56 benchmarked job titles across various City departments.

The results showed that, on average, Waukesha's pay structure is competitive within the overall market, with pay levels close to or within 95-105% of the market average. However, there were variations by job title, with some roles being below or above the market. The recommendations from the study included updating the salary structure with a proposed pay plan designed to better align Waukesha's compensation system with market data.

The salary structure design is based on the principles of market competitiveness, internal equity, and flexibility for future adjustments. The market-based compensation structure uses the external market data from peer organizations and internal equity evaluations. Segal's approach aimed to align individual job titles with pay grades that reflect market conditions while ensuring fairness across similar positions within the City.

The pay structure changes involve reducing the current 19 pay grades to 17, with an increased range spread of 40% and a consistent 10% midpoint differential for most pay grades. The new structure replaces fluctuating differentials in the current system, offering a more streamlined and predictable salary progression. This update is intended to simplify management while making the pay system more competitive externally and fairer internally.

The financial impact of the proposed pay structure was identified through a costing analysis. One important adjustment is ensuring all employees are brought up to at least the new minimum salary for their pay grade. This represents a cost of approximately \$55,000 or 0.22% of total base salaries for non-represented employees.

Additionally, to address pay compression, adjustments based on time in position are recommended, costing approximately \$305,000 or 0.71% of the total salaries for non-represented employees. The total cost for these changes is estimated at \$360,000, equating to 1.48% of the overall base salaries for non-represented employees.

Beyond the salary structure and pay plan, Staff is actively discussing how to incorporate these transitional costs into the budget, whether entirely in 2025 or spread over multiple years. At a minimum, the 2025 budget will include employees being brought up to the minimum salary for their respective position grades.

The study and implementation of these recommendations represent the first phase of a broader effort related to performance and compensation. The next phase will involve reviewing the City's pay policies and the performance evaluation process. In the coming months, we will determine the best approach to move forward on both fronts.

Options & Alternatives:

1. Reject the recommendations and keep the existing salary structure and pay plan. This would likely lead to the City's compensation being less competitive and, as a by-product, the City may experience an unhealthy amount of turnover that leads to a decrease in the quality of services provided.
2. Reject the recommendations and request Staff come back to the HR Committee and/or Council when they have an alternative(s).

Financial Remarks:

No financial impact.

Executive Recommendation:

Staff recommends the adoption of the classification and compensation system outlined by Segal.

"I move that the revised classification and compensation system be adopted." OR "Move to accept Staff's recommendation."