



# MEMO

## Human Resources

To: Finance & Personnel Committee  
From: HR Director Hodge  
Date: April 14, 2025  
Re: Step Increase Process Change

### Background information:

#### Pay Scale Conversion

The process for step pay increases had changes that went into effect for 2025 based on a new structure for the time in a step and overall eligibility based on the annual review score. These changes were recommended and approved by the previous HR Director, however, they did not account for the conversion effects on some employees.

The 2024 Pay Schedule had several steps where the employee was only required to be in that step on the chart for 6 or 9 months before being eligible to move to the next step in the pay schedule. The 2025 Pay Schedule changed all but one to have a 12-month waiting period for time in a step before being eligible for the next step. This has resulted in twelve (12) employees who would have been eligible in 6 or 9 months for an increase from the prior schedule now being delayed an additional 6 or 3 months, respectively, to meet the 12-month requirement for 2025. It is proposed to grandfather those affected by this change to step eligibility timing and to allow those to receive their 2025 step at the 6 or 9-month interval from their 2024 step date.

#### Minimum performance rating requirement

Additionally, the 2025 Pay Schedule also implemented a minimum annual rating that an employee must have received with their 2024 review to be eligible for a step increase, depending on where in the scale they currently are for pay. There are now employees who are ineligible for a step increase because their summer 2024 Performance Review scores were below the thresholds implemented for 2025's eligibility. See the sample schedule on the last page for scale and step reference. Through leadership conversations regarding those affected, it has been an unintended consequence of the new processes and lack of training, and understanding from changes to the performance review process. To mitigate

this issue and ensure fairness, it is proposed to waive the performance score rating requirement for 2025 step increase eligibility and provide the step pay increases to those who did not meet the score eligibility but who still received above a three (3) performance rating for their summer 2024 Performance Review. Those employees who are affected by this do not have a performance problem and would be recommended for the step by their manager.

### Strategic Plan:

#### People Management: Building Performance Management

The updates and changes to building performance management and tying it back to pay are an important strategy for the City to build into the culture. Growing the strength of the performance process and how it will affect pay builds on responsibility, action, and continuous improvement to recognize and reward those employees who meet and exceed expectations. However, the implementation of going to new processes must be balanced with adequate training and communication to ensure there aren't unforeseen consequences for the employees. The Human Resource Director will also come back with a revised format that connects pay and performance, which will not cause skewed responses and will include constructive feedback for employees.

### Budget:

There is no additional budget impact. These increases were included in the 2025 budget.

### Staff Recommended Action:

#### Recommendation 1

It is recommended that the affected employees (12) who were originally planned for a 6 or 9-month step increase be eligible at their date based on the 2024 timing. Pay rates will be updated with the original effective date, and any applicable retro pay will be calculated and paid for those who have dates that have passed.

#### Recommendation 2

It is recommended that the affected employees (4) who did not receive the minimum 3.25 or 3.5 performance rating but where scores were still above 3.0 be given their 2025 step increase.

### *Sample Schedule:*

2025									
Step	1	2	3	4	5	6	7	8	9
Min time on step	6 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	
Performance Score	2.75	2.75	2.75	3.00	3.00	3.25	3.25	3.50	3.50

2024								
Step	Entry	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7
Min time on step	6 months	6 months	6 months	9 months	9 months	12 months	12 months	

\*No performance rating factor