

San Geronio Pass Water Agency

DATE: April 29, 2024
TO: Board of Directors
FROM: Lance Eckhart, General Manager
BY: Tom Todd, Jr., Chief Financial Officer
SUBJECT: COST-OF-LIVING ADJUSTMENT (COLA) FOR FY 2024-25

RECOMMENDATION

The Board authorize a 4.3% cost-of-living adjustment for Staff, effective July 1, 2024.

PREVIOUS CONSIDERATION

- The Board considers a COLA every year as part of the budget cycle

BACKGROUND

A cost-of-living adjustment helps counteract the increases of inflation that employees experience and helps them maintain the buying power of their salary. Because General Manager compensation is determined and formalized by separate Board action, this action is for Staff and may affect Board compensation.

By providing COLAs, the Agency accomplishes two objectives: 1) encourages employees to remain with the Agency, and 2) maintains competitive salary levels to attract new employees.

ANALYSIS

Determination of a COLA percentage is a data-driven process. The Bureau of Labor Statistics keeps records of consumer prices for the United States, subdivided into multiple categories and regional areas. The Agency uses this data to determine if a COLA is warranted.

COLA is determined by comparing the consumer price index at a specific point in the year to the same point in the previous year. The Agency has consistently made the calculation in April, using the data from March. By using the same month each year, there is no possibility of under- or over-counting the change in the index.

The Agency also uses the same demographic each year. The index used is the 'All Urban Consumers' and 'All Items.' Until 2017, the Los Angeles area was the geographic identifier. In 2017, the BLS sub-divided the Los Angeles area, and the Agency currently uses the Riverside-San Bernardino-Ontario statistical area.

In the past, the Board has approved COLAs if they are warranted. In recent history, from 2007-2010 (recession years), the Board did not approve an adjustment because the increase was minimal, or there was a decrease. The Board also did not grant a COLA in 2015 because it was minimal.

There may be more factors to consider for the coming fiscal year. Inflation has moderated somewhat in the last few months, but the Federal Reserve Board is still uncertain about what it will do with the interest rate. The economy still seems to be doing well, but there continues to be some concern about the potential of a slow-down later this year. The predicted recession hasn't happened yet, which gives many economists hope that an economic down-turn won't happen after all.

Adjustments are historical by definition; COLAs are not forward-looking. The index changes on the basis of historical data collected. So, granting a COLA tries to restore buying power, after the negative effects of inflation have already been experienced. The effects of a recession in the future do not change the effects of inflation that have already been experienced in the previous 12 months.

For the years between 2023 and 2024, the index for the Riverside-San Bernardino-Ontario area, March to March, has changed from 127.707 to 133.144. This represents a 4.3% increase in 12 months. By comparison, the U.S. City Average, March to March, has changed from 301.836 to 312.332, which represents a 3.5% increase.

The formula for determining the percentage change compared to the previous year is the difference between the years compared to the previous year and looks like this: current year value minus previous year value (difference between the years) divided by previous year value.

This is the calculation for the current year: 133.144 (current year value) minus 127.707 (previous year value) = 5.437 (difference between the years); 5.437 divided by 127.707 = 4.3%.

Historically, COLA takes effect for Staff on July 1, concurrent with the beginning of the new fiscal year.

FISCAL IMPACT

The COLA amount the Board authorizes will affect the budget for Staff salaries in the General Fund and in the Debt Service Fund. The amount the Board authorizes may affect

Board compensation, depending on a future Board decision. Based on projected budget amounts for these categories, an estimate of the increases due to COLA is as follows:

- General Fund Staff: up to \$23,000
- Debt Service Staff: up to \$17,000

This represents 0.2% of the overall proposed General Fund Budget for FY 2024-25.

ACTION

The Board authorize a 4.3% cost-of-living adjustment for Staff, effective July 1, 2024.

ATTACHMENTS

CPI Comparison Data Table

SAN GORGONIO PASS WATER AGENCY

CPI Comparison

Time Period: Thru March or April 2024

Area	Month	Yr	Previous	Current	Difference	% change
US City	May	23	292.296	304.127	11.831	4.05%
	Jun	23	296.311	305.109	8.798	2.97%
	Jul	23	296.276	305.691	9.415	3.18%
	Aug	23	296.171	307.026	10.855	3.67%
	Sep	23	296.808	307.789	10.981	3.70%
	Oct	23	298.012	307.671	9.659	3.24%
	Nov	23	297.711	307.051	9.340	3.14%
	Dec	23	296.797	306.746	9.949	3.35%
	Jan	24	299.170	308.417	9.247	3.09%
	Feb	24	300.840	310.326	9.486	3.15%
	Mar	24	301.836	312.332	10.496	3.48%
R-S-O	May	23	123.893	128.768	4.875	3.93%
	Jul	23	125.262	129.525	4.263	3.40%
	Sep	23	125.272	131.372	6.100	4.87%
	Nov	23	125.983	131.372	5.389	4.28%
	Jan	24	127.683	131.358	3.675	2.88%
	Mar	24	127.707	133.144	5.437	4.26%