

San Gorgonio Pass Water Agency

DATE: June 26, 2025

TO: Finance and Budget Committee

FROM: Lance Eckhart, General Manager

BY: Tom Todd, Jr., Chief Financial Officer

SUBJECT: COST-OF-LIVING ADJUSTMENT (COLA) FOR FY 2025-26

RECOMMENDATION

The Board authorize a 2.5% cost-of-living adjustment for Staff, effective July 1, 2025.

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.

The Board has been consistent in its approach to COLAs. If a COLA is warranted, it has been granted. If a COLA is negative or minimal, it has not been granted. 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. In years when COLA has been an increase, the Board has consistently approved the calculated amount, even in years when inflation was significant.

Currently, the economy seems to be on an even keel. The Federal Reserve Board is uncertain about what it will do with the interest rate, but appears to be holding it at this time. Tariffs have made the news, but do not seem to be impacting the economy as much as expected.

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 2024 and 2025, the index for the Riverside-San Bernardino-Ontario area, March to March, has changed from 133.144 to 136.511. This represents a 2.53% increase in 12 months. By comparison, the U.S. City Average, March to March, has changed from 312.332 to 319.799, which represents a 2.39% 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: the current-year value minus the previous-year value (difference between the years) divided by the previous-year value.

This is the calculation for the current year: 136.511 (current year value) minus 133.144 (previous year value) = 3.367 (difference between the years); 3.367 divided by 133.144 = 2.5% .

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 \$15,000
- Debt Service Staff: up to \$11,000

This represents 0.1% of the overall approved General Fund Budget for FY 2025-26.

ACTION

The Board authorize a 2.5% cost-of-living adjustment for Staff, effective July 1, 2025.

ATTACHMENTS

CPI Comparison Data Table

SAN GORGONIO PASS WATER AGENCY						
CPI Comparison						
Time Period: Thru March or April 2025						
Area	Month	Yr	Previous	Current	Difference	% change
US City	May	24	304.127	314.069	9.942	3.27%
	Jun	24	305.109	314.175	9.066	2.97%
	Jul	24	305.691	314.540	8.849	2.89%
	Aug	24	307.026	314.796	7.770	2.53%
	Sep	24	307.789	315.301	7.512	2.44%
	Oct	24	307.671	315.664	7.993	2.60%
	Nov	24	307.051	315.493	8.442	2.75%
	Dec	24	306.746	315.605	8.859	2.89%
	Jan	25	308.417	317.671	9.254	3.00%
	Feb	25	310.326	319.082	8.756	2.82%
	Mar	25	312.332	319.799	7.467	2.39%
R-S-O	May	24	128.768	133.144	4.376	3.40%
	Jul	24	129.525	133.943	4.418	3.41%
	Sep	24	131.372	133.113	1.741	1.33%
	Nov	24	131.372	133.179	1.807	1.38%
	Jan	25	131.358	132.853	1.495	1.14%
	Mar	25	133.144	136.511	3.367	2.53%