San Gorgonio Pass Water Agency

DATE: July 13, 2026

TO: Board of Directors

FROM: Lance Eckhart, General Manager

BY: Jennifer Ustation, Chief Financial Officer

SUBJECT: COST-OF-LIVING ADJUSTMENT (COLA) FOR FY 2026-27

RECOMMENDATION

The Board authorize a 3.09% cost-of-living adjustment for Staff, effective July 1, 2026.

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.

Economic conditions remain generally stable. Inflation has moderated from the historic highs experienced in recent years but continues to exceed pre-pandemic levels in certain sectors. The Federal Reserve has maintained current interest rates while monitoring inflation and economic activity. Although tariffs and other federal policy changes have created some economic uncertainty, the impacts on consumer prices and overall economic growth have been less pronounced than originally projected. Given these conditions, staff believes the proposed Cost-of-Living Adjustment appropriately balances maintaining employee purchasing power with the Agency's long-term financial sustainability.

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 2025 and 2026, the index for the Riverside-San Bernardino-Ontario area, March to March, has changed from 136.511 to 140.728. This represents a 3.09% increase in 12 months. By comparison, the U.S. City Average, March to March, has changed from 319.799 to 330.213, which represents a 3.26% 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: 140.728 (current year value) minus 136.511 (previous year value) = 4.217 (difference between the years); 4.217 divided by 136.511 = 3.09%.

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 $21,400
- Debt Service Staff: up to $16,000

This represents 0.1% of the overall approved General Fund Budget for FY 2026-27.

ACTION

The Board authorize a 3.09% cost-of-living adjustment for Staff, effective July 1, 2026.

ATTACHMENTS

CPI Comparison Data Table

SAN GORGONIO PASS WATER AGENCY						
CPI Comparison						
Time Period: Thru March or April 2026						
Area	Month	Yr	Previous	Current	Difference	% change
US City	May	25	314.069	321.465	7.396	2.35%
	Jun	25	314.175	322.561	8.386	2.67%
	Jul	25	314.540	323.048	8.508	2.70%
	Aug	25	314.796	323.976	9.180	2.92%
	Sep	25	315.301	324.800	9.499	3.01%
	Oct	25	315.664	325.700	10.036	3.18%
	Nov	25	315.493	324.122	8.629	2.74%
	Dec	25	315.605	324.054	8.449	2.68%
	Jan	26	317.671	325.252	7.581	2.39%
	Feb	26	319.082	326.785	7.703	2.41%
	Mar	26	319.799	330.213	10.414	3.26%
R-S-O	May	25	133.144	137.456	4.312	3.24%
	Jul	25	133.943	137.708	3.765	2.81%
	Sep	25	133.113	138.029	4.916	3.69%
	Nov	25	133.179	138.851	5.672	4.26%
	Jan	26	132.853	139.602	6.749	5.08%
	Mar	26	136.511	140.728	4.217	3.09%