

December 14, 2022

Agenda Item 11 c

Cost of Living Adjustment

As part of the annual PECSD budgets, a Cost of Living Adjustment (COLA) for employee wages has been included in the budget. Until FY 18-19 the adjustment was tied to the Western States Consumer Price Index (CPI). Since FY 18-19 the adjustment has been tied to the Social Security COLA, which had been running lower than the CPI.

In 2018 the Social Security COLA was calculated at 2.6%; 2019 the COLA was 1.6%; in 2020 the COLA was 1.3%; in 2021 the COLA was 5.9 %; in 2022 the COLA was 8.7% . The Western States CPI for 2022 is 9%.

In this Fiscal year, the COLAs were calculated at 3% for the System Operator and the Administrative Manager. The difference between the calculated increase and the actual increase is \$3061 for the remainder of the Fiscal Year. The COLA is applied starting January of each year.

There is no written policy guiding the calculation of COLAs. Past practices have calculated the COLAs according to the CPI or Social Security COLA, not the amount estimated in the budgets.

The Board has the following options:

1. direct the General Manager to pay the COLA according to the past practice of paying the percentage according to the Social Security COLA,
2. direct the General Manager to limit the COLA to 3% or some other amount
3. direct the General Manager to develop a written policy to be included in Policy 2150 Compensation.

It is recommended that COLA be paid according to past practices and that a written COLA policy be adopted.