

Explain what index the County is using to determine annual cost of living increases for staff.

On June 27, 2017 the Board of Supervisors approved implementation of the County's total compensation study as presented by staff. That presentation included a recommendation from the County Administrator that an annual cost of living increase be provided to County staff using the previous year annual average Consumer Price Index (CPI) – All Urban Consumers (not seasonally adjusted – U.S. City Average). Staff's recommendation to use this specific CPI index was based on our review of available indexes and our determination that this particular index was the appropriate factor to use.

At the 2/26/18 CBRC meeting a suggestion was made to incorporate a consistent index for annual cost of living increases for staff and to use the CPI – Urban Wage Earners and Clerical Workers (Not seasonally adjusted - South).

The US Bureau of Labor Statistics produces a Handbook of Methods to explain the various CPI calculations. The handbook notes that a consumer price index measures the price-change experience of a particular group called its target population. The CPI uses two target populations for its main series:

1. All Urban Consumers (the "CPI-U" population)
2. Urban Wage Earners and Clerical Workers (the "CPI-W" population)

The All Urban Consumer population, "which covers about 88 percent of the U.S. population, covers households in all areas of the United States except people living in rural nonmetropolitan areas, in farm households, on military installations, in religious communities, and in institutions such as prisons and mental hospitals." Whereas the Urban Wage Earners and Clerical Workers population consists of "households for whom 50 percent or more of household income comes from wages and clerical workers' earnings" including "clerical workers, sales workers, protective and other service workers, laborers, or construction workers" and excluding "professional and salaried workers, part-time workers, the self-employed, and the un-employed, along with households with no one in the labor force." Because County staff includes both Clerical and Professional workers as well as part-time workers, we find the Urban Consumer population index to be the appropriate index to apply to all County staff. Additionally, we know from experience the CPI-U to be the most widely used gauge of price change.

Staff continues to recommend using the U.S. City Average instead of using the South area index as was proposed by the CBRC member. The BLS handbook notes the primary reason for publishing CPI area-item detail indexes, such as the South index, "is to aid in analysis of movements in the national all-items CPI." The handbook notes that the CPI area indexes "use only a portion of the CPI sample; this makes them subject to substantially greater sampling error than the national CPI. **For this reason, the BLS strongly urges users to consider the U.S. city average all-items CPI for use in escalator clauses.**" (This language is taken from the handbook in which the BLS added emphasis through the use of bold font.)

The CPI-U (U.S. City Average) is used in the Recommended Budget and continues to be staff's recommended price-change gauge.