



MEMORANDUM

Recommendation for Mid Biennium Budget Amendment to Add a COLA for the FY25 Budget

Item Type: Memorandum
Prepared For: Mayor Castner and Homer City Council
Date: April 30, 2024
From: Employee Committee
Through: Melissa Jacobsen, Interim City Manager

Summary:

The Employee Committee respectfully requests the Fiscal Year 2025 budget be amended to reflect a 4.5% COLA increase. The FY25 Budget did not include a COLA when Council adopted the Biennium FY24/FY25 Budget via Ordinance 23-23(A-3).

Background:

COLAs are an important way to keep the City's wage scale competitive in the local market. A fair and equitable COLA helps with both recruitment and retention. In FY23, through a mid-biennium review of the prior budget, Council approved a 7% COLA (2022 CPI was 8.1%) as a way to keep pace with the high inflationary environment in which our employees are living. That COLA was a major reason why the wage parity study released by the City in early 2023 showed that the majority of our low- to mid-level positions were competitive with other public agencies with similar characteristics to Homer. The FY24 budget contained a 1.5% COLA (2023 CPI 1.8%). FY25 was left open for renegotiation during the next mid-biennium budget adjustment.

Inflation for Urban Alaska (Anchorage) over the last 12 months from February 2023 to March 2024 is 3.2% in accordance with the published CPI. The cumulative CPI increase from 2018 to 2023 was 17.8%, while our cumulative COLAs were 13.5% showing that overall we are behind by 4.3%.

Research has shown that Federal Employees received a 5.2% COLA, Social Security recipients received a 3.2% COLA (which is based on CPI from October of each year for the upcoming year), many State employees received a 5% COLA, and the Mat-su Borough will be receiving a 4.7% COLA while the City of Kenai has a proposed .9% COLA, City of Soldotna proposed a 1.5% COLA. There was no response from the City of Seward or the Kenai Peninsula Borough at the time.

Recommendation: Approve the request for a 4.5% COLA for FY25

Memorandum

City Council

May 28, 2024

CC-24-111

Attachments:

April Consumer Price Index News Release



**Transmission of material in this release is embargoed until
8:30 a.m. (ET) Wednesday, May 15, 2024**

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CONSUMER PRICE INDEX – APRIL 2024

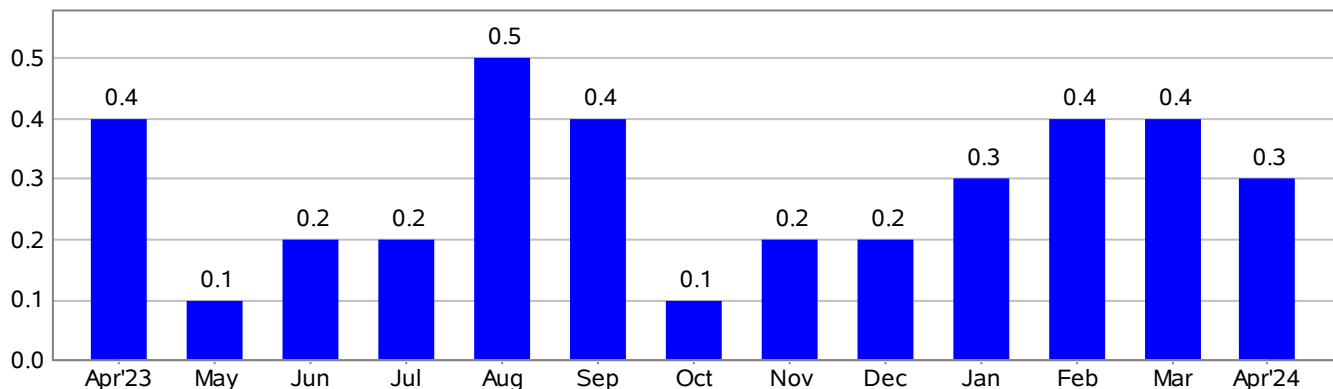
The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in April on a seasonally adjusted basis, after rising 0.4 percent in March, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index increased 3.4 percent before seasonal adjustment.

The index for shelter rose in April, as did the index for gasoline. Combined, these two indexes contributed over seventy percent of the monthly increase in the index for all items. The energy index rose 1.1 percent over the month. The food index was unchanged in April. The food at home index declined 0.2 percent, while the food away from home index rose 0.3 percent over the month.

The index for all items less food and energy rose 0.3 percent in April, after rising 0.4 percent in each of the 3 preceding months. Indexes which increased in April include shelter, motor vehicle insurance, medical care, apparel, and personal care. The indexes for used cars and trucks, household furnishings and operations, and new vehicles were among those that decreased over the month.

The all items index rose 3.4 percent for the 12 months ending April, a smaller increase than the 3.5-percent increase for the 12 months ending March. The all items less food and energy index rose 3.6 percent over the last 12 months. The energy index increased 2.6 percent for the 12 months ending April. The food index increased 2.2 percent over the last year.

Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Apr. 2023 - Apr. 2024
Percent change



Food

The food index was unchanged in April after increasing 0.1 percent in March. The index for food at home decreased 0.2 percent in April. Three of the six major grocery store food group indexes decreased over the month while the remaining three had price advances. The index for meats, poultry, fish, and eggs decreased 0.7 percent in April, led by a 7.3-percent decline in the index for eggs. The fruits and vegetables index declined 0.8 percent over the month, and the nonalcoholic beverages index fell 0.2 percent.

The index for cereals and bakery products increased 0.6 percent in April, after decreasing 0.9 percent in March. The index for other food at home and the index for dairy and related products both increased 0.1 percent over the month.

The food away from home index rose 0.3 percent in April, as it did in March. The index for limited service meals rose 0.4 percent, and the index for full service meals increased 0.3 percent over the month.

The food at home index rose 1.1 percent over the last 12 months. The index for other food at home rose 1.4 percent over the 12 months ending in April, and the index for fruits and vegetables increased 1.7 percent over the year. The nonalcoholic beverages index increased 2.3 percent over that period. The index for meats, poultry, fish, and eggs rose 1.0 percent over the 12 months ending in April, and the index for cereals and bakery products increased 0.6 percent over the same period. In comparison, the dairy and related products index fell 1.3 percent over the year.

The index for food away from home rose 4.1 percent over the last year. The index for limited service meals rose 4.8 percent over the last 12 months, and the index for full service meals rose 3.4 percent over the same period.

Energy

The energy index rose 1.1 percent in April, the same increase as in March. The gasoline index increased 2.8 percent in April. (Before seasonal adjustment, gasoline prices rose 5.2 percent in April.) The fuel oil index increased 0.9 percent in April. In contrast, the index for natural gas fell 2.9 percent in April, and the index for electricity decreased 0.1 percent over the month.

The energy index increased 2.6 percent over the past 12 months. The gasoline index rose 1.2 percent, and the electricity index increased 5.1 percent over this 12-month span. In contrast, the index for natural gas decreased 1.9 percent over the last 12 months and the index for fuel oil fell 0.8 percent over the same period.

All items less food and energy

The index for all items less food and energy rose 0.3 percent in April. The shelter index increased 0.4 percent in April and was the largest factor in the monthly increase in the index for all items less food and energy. The index for rent rose 0.4 percent over the month, as did the index for owners' equivalent rent. The lodging away from home index decreased 0.2 percent in April, after rising 0.1 percent in March.

The motor vehicle insurance index rose 1.8 percent in April, following a 2.6-percent increase in March. The index for apparel increased 1.2 percent over the month. The indexes for personal care, recreation, and education also increased in April.

The medical care index rose 0.4 percent in April after rising 0.5 percent in March. The index for hospital services rose 0.6 percent over the month, and the index for physicians' services increased 0.1 percent. The prescription drugs index rose 0.2 percent in April.

The index for used cars and trucks fell 1.4 percent in April, following a 1.1-percent decrease in March. Over the month, the household furnishings and operations index fell 0.5 percent, the new vehicles index decreased 0.4 percent, and the airline fares index declined 0.8 percent.

The index for all items less food and energy rose 3.6 percent over the past 12 months. The shelter index increased 5.5 percent over the last year, accounting for over two thirds of the total 12-month increase in the all items less food and energy index. Other indexes with notable increases over the last year include motor vehicle insurance (+22.6 percent), medical care (+2.6 percent), personal care (+3.7 percent), and recreation (+1.5 percent).

Not seasonally adjusted CPI measures

The Consumer Price Index for All Urban Consumers (CPI-U) increased 3.4 percent over the last 12 months to an index level of 313.548 (1982-84=100). For the month, the index increased 0.4 percent prior to seasonal adjustment.

The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increased 3.4 percent over the last 12 months to an index level of 307.811 (1982-84=100). For the month, the index increased 0.4 percent prior to seasonal adjustment.

The Chained Consumer Price Index for All Urban Consumers (C-CPI-U) increased 3.2 percent over the last 12 months. For the month, the index increased 0.4 percent on a not seasonally adjusted basis. Please note that the indexes for the past 10 to 12 months are subject to revision.

The Consumer Price Index for May 2024 is scheduled to be released on Wednesday, June 12, 2024, at 8:30 a.m. (ET).