



Town of Cutler Bay

Town Hall
10720 Caribbean Blvd
Cutler Bay, FL 33189

Memorandum

File #: Item # 2017-061, **Version:** 1

MEMORANDUM

To: Honorable Mayor and Town Council

From: Rafael G. Casals, Town Manager

Date: April 19, 2017

Re: Selection of Consumer Price Index for Inflation Rate Calculations

REQUEST

A RESOLUTION OF THE MAYOR AND TOWN COUNCIL OF THE TOWN OF CUTLER BAY, FLORIDA, DESIGNATING THE USE OF A SPECIFIC CONSUMER PRICE INDEX TABLE FOR CALCULATING THE INFLATION RATE; AND PROVIDING FOR AN EFFECTIVE DATE.

BACKGROUND AND ANALYSIS

Section 2.6 of the Town Charter provides that the compensation of the Town Council shall be increased, but not decreased, by the Consumer Price Index ("CPI") on an annual basis. Historically, via adopted operating and capital outlay budgets, the Town Council has approved Cost of Living Adjustments ("COLA") to Town Staff and Charter Officials using the same percentage increase as determined for the Town Council.

The Town Charter does not indicate which CPI table to use, nor the method of calculation. In an effort to bring consistency to the annual calculation, it was decided several years ago, to use the COLA percentages utilized by the Social Security Administration ("SSA") for its beneficiaries. The SSA typically followed the CPI nationwide index when computing its COLA adjustments, but recent changes have modified the SSA's calculations, resulting in lower than typical COLA adjustments for its beneficiaries, including those set for the Town Council and Town Staff, since the Town has been using the COLA percentages adopted by the SSA.

In an effort to move away from the SSA's revised calculations, and to better reflect consumer price changes in the Town's geographic area, it is believed it is in the best interest of the Town to formally adopt, and consistently follow, the CPI for All Urban Consumers for the Miami-Fort Lauderdale, FL region, as published by the Bureau of Labor Statistics.

The inflation rate adopted for the budget commencing on October 1st each fiscal year shall be the inflation rate calculated for the immediately preceding calendar year based on this CPI table.

For purposes of the calculation, the index numbers to be used each year shall be the “Annual” column index amounts and the calculation to be performed for the budget year commencing October 1st each fiscal year shall be based on the change in the Annual column index amount for the immediately preceding calendar year over the Annual column index amount for the second preceding calendar year, rounded to two decimal places. For example, for the budget year commencing October 1, 2017, the annual inflation rate shall be calculated using the Annual column index amounts for 2016 and 2015, yielding a **1.78%** cost of living change for calendar year 2016 (see Attachment “A”).

Town Council previously directed Town Staff to calculate the impact on the current year budget if COLA adjustments were made effective January 1, 2017 based on revised COLA percentages. As we are now half way through the fiscal year, we believe any COLA adjustment for the current fiscal year should be made effective April 1, 2017, should the Town Council so desire. Applying the adjustment retroactively to January 1, 2017 would not be prudent at this time. If the aforementioned CPI methodology had been in place when setting the budget starting October 1, 2016, a **0.93%** COLA rate would have applied. Applying this cost of living compensation adjustment effective April 1, 2017, the total budgetary impact is estimated at approximately \$14,800 for Town Council and Town Staff, including the Charter Officials.

RECOMMENDATION

It is recommended that the Town Council approve the attached Resolution determining the consumer price index to be used for calculating the inflation rate.

ATTACHMENTS

- Attachment “A” - Consumer Price Index Table