

AGENDA ITEM

Cost of Living Adjustment

September 23, 2021

BACKGROUND

The interim operating and capital budgets will be presented to Council on December 3, 2021. Prior to completion of these documents, Administration is seeking direction from Council regarding a potential cost of living (COLA) adjustment for the 2022 budget.

ANALYSIS

COST OF LIVING ADJUSTMENT

In 2017, Council adopted a formal process whereby the Cost of Living Adjustment (COLA) rate would be approved in September each year.

The COLA Adjustment section of the Council approved HR Manual states:

The Cost of Living Allowance (COLA) for the following fiscal year will be determined in September each year by Council based upon an analysis of various economic factors including:

- (i) The Consumer Price Index (CPI) for Alberta and for Canada for the period beginning July 1st of the previous year and ending June 30th of the current year;*
- (ii) A comparison of what other municipalities within the province have approved in the prior year for CPI and salary adjustments;*
- (iii) Other market data that may be pertinent (i.e. private sector market, Lacombe County attrition rate, etc.);*
- (iv) Any other economic or fiscal data that may be pertinent.*

If approved by Council, any COLA changes will be effective on January 1st.



A COLA rate is applicable to employee/Council/firefighter remuneration and annual operating grants provided pursuant to our recreation and cemetery policies and agreements for the upcoming budget year.

Review of market adjustments and other staff benefits will take place at the November 3, 2021 salary and wage meeting.

i. Consumer Price Index (CPI)

The CPI, a commonly used indicator of inflation, is a measure of the rate of average price changes for goods and services bought by consumers.

CPI for Alberta and Canada

- The July 2020 to June 2021 Alberta CPI is: **2.76%**
- The July 2020 to June 2021 Canada CPI is: **3.06%**

Below is an analysis over the last several years of Alberta’s CPI (July – June) and the subsequent approved COLA:

Year	Alberta CPI	Canada CPI	Approved COLA
2017	1.26%	1.41%	0%
2018	0.96%	1.16%	2.5%
2019	2.70%	2.45%	2.5%
2020	0.63%	1.49%	1.25%
2021	0.97%	0.15%	0%
Total	6.52%	6.66%	6.25%

ii. Comparison of Other Municipalities

The COLA proposal data from other municipalities is varied ranging from 0% - 4%.

iii. Other Market Data

The pandemic has created a lot of uncertainty for individuals. We are seeing a decrease in experienced and highly skilled candidates applying to posted positions.

iv. Economic Data

Economists are predicting a continued, but slow, recovery. In August 2021, Alberta's seasonally adjusted unemployment rate was 7.9%, down 4.3 percent points from August of 2020.

COST OF LIVING ADJUSTMENT SCENARIOS

1. A COLA – Cost Scenario worksheet (attached) provides for various examples of the impacts of a COLA rate increase relative to employee/Council remuneration and benefits.

It may be reasonable to consider a minimum option of a 2.5% increase at an estimated cost of \$358,120 for salary and wages based upon the average increase of Alberta and Canada CPI (July to June) at 2.91%.

2. Approved policies authorizing fire department wages/honorariums and operational support for cemeteries and recreational facilities include a provision for payment rates to be indexed annually for inflation in an amount as determined by Council. Recommendation for 2022 would be to approve fire and cemetery payments at the same rate approved for employee/council remuneration accordingly. Additional costs relative to Fire, Cemeteries and Recreation, based on a COLA increase of 2.5% are estimated at approximately \$52,620.

BUDGET IMPLICATIONS

The total cost of employee/council remuneration and approved policy grants and agreements based on a 2.5% COLA increase is approximately \$410,000.

LEGISLATIVE RESPONSIBILITIES

Sections 242(1) and 245 of the Municipal Government Act (MGA) requires Council to adopt an operating and capital budget annually.

STRATEGIC PLAN

“Attract, engage, and retain new and existing employees” has been identified as a strategic priority in the Lacombe County Strategic Plan. The 2022 preliminary budget information has been established in an effort to attract and retain key talent within the organization.



PUBLIC PARTICIPATION

For this item, the following engagement will take place:

- *Inform:* To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions

Highlights of all County Council meetings are published on the County Website and in the County News.

RECOMMENDATION

That Council pass the following resolution:

That a cost of living adjustment of 2.5% for staff/Council remuneration and annual operating grants provided pursuant to our fire, recreation and cemetery policies and agreements be approved for 2022.

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