

SUBJECT: COST OF LIVING ADJUSTMENT (COLA) POLICY

I. Purpose:

The purpose of this policy is to establish how and when Cost of Living Adjustments (COLA) will be given to full-time City of Cottonwood employees.

II. Procedures:

- A. The annual COLA will be incorporated into the annual budget process as part of the personnel costs of the City of Cottonwood. The expenditure shall be approved along with the entire fiscal year budget.
- B. The COLA percent will be the rate set annually by the Social Security Administration. These percentages are based on increases in the cost of living, as measured by the Consumer Price Index (CPI-W) from the third quarter of one year to the next (ex. 3<sup>rd</sup> qtr. 2010 through 3<sup>rd</sup> qtr. 2011) , and are typically announced in October of each year.
- C. Staff will provide a recommendation to the City Council to approve the COLA for the upcoming fiscal year or reject the COLA for the coming fiscal year. The recommendation will be evaluated based on the estimated needs and financial resources available as projected during the annual budget process.
- D. If Council does the budget including the COLA, the effective date will be July 1 of the upcoming fiscal year. After approval, all full-time City of Cottonwood employees will receive a COLA, calculated on their base salary as of June 30 of the year.