

YRCAA Cost of Living Allowance

Does the explanation for increases in employee salaries and benefits run contrary to discussions at the December 2024 YRCAA Board Meeting? Here is what we know.

From the Proposed 2025-25 YRCAA Budget (Page 11 of the Proposed Budget, Page 23/30 for the Packet)

When, and to the extent, one or both of these conditions exist, the actual wages and benefits expense in any given fiscal year will be lower than the budgeted amount. The presence of several vacant positions in FY 2023-24 and FY 2024-25 accounts for the lower actual and projected costs shown. However, as positions are filled and/or qualifications are gained, the total expense for wages and benefits will grow until it reaches the budgeted amount. If the budget were based only on the actual wages and benefits expenses at the beginning of the fiscal year and projected forward, there would be insufficient funds available when, during the budget period, replacement personnel are hired or pay is adjusted for the training and experience gained.

The amount shown includes a three percent (3%) annual cost-of-living-adjustment (COLA) for all positions. The purpose of a COLA is to help ensure wages remain competitive with the general labor market during the period between compensation analyses and to help prevent wages from falling behind over time, resulting in the need for substantial future increases (as was necessary in FY 2022-23 and FY 2023-24).

The median wages determined by the September 2022 analysis serve as the basis for the proposed wages and benefits. At the time the analysis was completed, the Consumer Price Index—All Urban Consumers (CPI-U) as calculated by the U.S. Bureau of Labor Statistics was 296.808. During the intervening months through February 2025 (the most recent month for which stable data is available) the CPI-U grew to 319.082—an increase of seven and one-half percent (7.5%). A four and one-half percent (4.5%) COLA was adopted for FY 2024-25, leaving the three percent (3%) difference noted above.

The implementation of a federal minimum ten percent (10%) tariff on all goods from countries other than Mexico and Canada that occurred April 2 may substantially increase inflation during the coming fiscal year. For example, an article by Barbiero and Stein appearing on the Federal Reserve Bank of Boston web site (<http://www.bostonfed.org/publications/current-policy-perspectives/2025/the-impact-of-tariffs-on-inflation.aspx>) suggests the initial impact of these tariffs could be an added inflationary increase of two and two-tenths percent (2.2%). As a result, a more substantial COLA for FY 2026-27 should be anticipated.

From the Minutes for the December 2024 YRCAA Board Meeting

7. **Resolution 2024-09 Adopting a Fee Schedule for 2025**

DeVaney asked if there were any proposed amendments to the resolution or a motion to adopt the resolution.

Jones stated he was unable to find any authorization other than Resolution 2023-03 granting the director discretion to adopt cost-of-living adjustments (COLAs). He added the sole exception pertained to insurance matters. Jones inquired as to the resolution giving such direction to the director.

Thornsbury explained the fee schedule only factors in a potential COLA as failing to account for it now would preclude its availability when the Agency later adopts the budget. He added because the Agency adopts fees on a calendar year basis and its budget on a fiscal year basis, it is necessary to anticipate future developments or the option will not be available later.

Jones asked Thornsbury if he needed a resolution to provide the authority for a COLA. Thornsbury stated the Agency is not adopting a COLA, but rather adopting fees providing sufficient funding to allow for a COLA.

Jones suggested adopting one predicts the next. Thornsbury explained the approval of a fee structure that provides for a COLA does not obligate the Board to later approve a COLA. He noted the Board previously discussed budgets and the handling of fee increases, emphasizing its preference for regular, incremental adjustments to avoid large, periodic increases. Thornsbury added adjustments would be made as needed—though one is not required this year—and would provide a mechanism for a COLA so the Agency does not fall behind in wages again. Thornsbury reminded the Board the complaints concerning the most recent increases were that they were too large—after having waited twelve years to make any substantial change—and noted this was the mechanism to avoid that circumstance in the future.

Jones stated his belief the second paragraph of the resolution is misleading, offered an amendment changing a portion of the resolution to read, “deemed it necessary to adopt minor adjustments to Agency fees in support of health insurance premium changes only”, and suggested the third paragraph be stricken.

Deccio inquired as to whether Jones did not want a traditional COLA. Jones replied he did not, adding the Agency never implemented a traditional COLA during his ten years as a board member and he has always resisted it.

DeVaney asked whether the issue is with terminology concern regarding preapproving a COLA. Jones replied it is both, adding he supports preapproval of health insurance cost increases, but is opposed to any other cost increase.

McKinney concurred with Jones's analysis, adding the Board would appear to be condoning a COLA and an increase. She noted at minimum there would be contradictory resolutions in play. Jones noted the board is funding a COLA in advance. Thornsby asked how a COLA not funded now could be approved later?

Deccio cautioned without COLAs, the Board will again face the same challenge in another ten years where it has to approve a large increase in wages because there were no COLAs. Jones replied it can be done on an annual basis. Deccio asked if the Board will not provide for a COLA now, when will it do so? McKinney replied it will be at the discretion of the future board.

Thornsby reminded the Board no actual increase in fees is being proposed and reiterated if the fee structure cannot accommodate a COLA now, when the budget comes up in June of next year the decision regarding a COLA will have been made now. He explained if the Board provides for a COLA in the fee structure, it has the option of adopting the COLA later, but if a COLA is not built-in now, the option will not be available later.

Deccio requested confirmation the board could adopt the fee structure and choose not to use the COLA. Thornsby affirmed the statement. Jones asked if that had ever occurred. Deccio noted it would be at the discretion of the Board.

DeVaney cautioned if the Board later chose to adjust compensation in order to retain staff, there would not be adequate income from fees or enough [unallocated] reserve funds to do so. DeVaney explained the Board would be prejudging the question if it does not adopt the proper fee language.

DeVaney requested clarification as to whether Jones' objection concerned the fee amounts or the "Whereas..." statements. Jones stated his concern was with the "Whereas..." statements. DeVaney noted it is usually desirable to have a lot of supporting explanatory content for record-keeping purposes and asked Thornsby if it is explicitly required or whether some of the language could be removed without affecting the substance of the resolution.

Thornsby explained the only requirement is that the resolution state what action is being taken and anything beyond that is explanatory in nature to provide context for those who may want to understand the purpose of the adopted language.

DeVaney suggested amending the resolution to replace the language of the second paragraph, "an annual cost of living adjustment (COLA) to ensure the Agency is able to recruit and retain qualified staff" with "anticipated operating costs" and strike paragraphs three and four in their entirety. Jones moved to amend the resolution as stated by DeVaney. McKinney seconded. Amendment passed 4-0.

McKinney asked Thornsby to explain why some fee items are listed at a certain cost plus actual cost. Thornsby noted several items are listed this way and most function similarly. He explained there is typically a certain amount of overhead associated with an application, including processing through the front desk, entry into the [computer] system, and internal routing, before reaching

permitting where much of the work occurs. Thornsby added it is also where much of the actual cost is incurred which is largely dependent on what happens during the permit application process. He noted in some cases an application may be deemed incomplete and withdrawn, resulting in minimal additional cost, with the base fee covering the costs incurred by the Agency simply to make that determination. Thornsby stated some applications may be relatively simple, allowing for the issuance of a permit with relatively minor actual costs.

Thornsby provided another example in which a substantial source might qualify as a Title V source which would involve a more complex process and explained an applicant might want to adjust their operations to avoid being a Title V source. He stated such a modification would require a lot of work between the Agency and the applicant and this would tend to increase the actual cost as Agency staff would be spending more time with the permit and applicant. Thornsby noted this is a common reason for the difference between the base cost—which covers costs incurred regardless of what happens with the application—and the actual cost—which covers Agency costs for processing the application to completion.

Thornsby noted there are special conditions for air operating permits—a statutory term used for sources that are subject to Title V of the federal Clean Air Act—and there are only three in the county, each of which is large. He explained federal law prohibits the Agency from charging anything for such permits apart from the actual cost to the Agency and, as a result, there was no base fee. Thornsby stated the Agency air operating permits are audited by the State Auditor's Office every two years to ensure all costs associated with the permit are charged and no additional costs are charged. He added this is not a decision by the Agency and that all actual expenses incurred by the Agency are covered.

Jones asked if the increased cost for temporary and portable sources from \$150 to \$150 plus actual cost was the result of inspections for new temporary or portable facilities.

Thornsby explained the decision to include the actual cost in addition to the base cost was made to accommodate the increasing complexity of portable sources which has resulted in the time spent on these sources becoming greater and more unpredictable. He added it proved difficult to increase the base fee adequately for more complex sources without overburdening less complex sources and this prompted adding "plus actual cost" to the base fee.

Jones asked Thornsby for an example of a temporary or portable new source. Thornsby replied one of the most common is rock crushing operations where there may be considerable variability based on demand, location, material quantity and type, operating hours, duration on site, etc.

McKinney moved to adopt the 2025 fee schedule as amended. Jones seconded. Motion passed 4-0.

