THE ARCHER COMPANY

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September 24, 2014

Ms. Sandra Pate
Assistant City Administrator/HR Director
City of Foley
P.O. Box 1750
Foley, Alabama 36536

Dear Ms. Pate,

This letter is written to present annual adjustment recommendations for maintaining the current competitiveness level of your pay structure and pay schedule. Our recommendation is based on an analysis of changes in the Consumer Price Index (CPI), the Employment Cost Index (ECI) and wage and salary survey data.

As you know, the CPI is a percentage measure of the change in the prices of consumer goods and services related to the cost of day-to-day living. The CPI is often used by organizations to determine the percent change in wages each year that would allow their employees to be able to purchase the same goods and services that they were able to purchase in the previous year. Employers use the CPI as the foundation for making cost of living adjustments (COLA) in their pay structure.

The ECI is a percentage measure of the change in the cost of maintaining a competitive labor supply. The ECI includes both a benefit component and a wage and salary component. The wage and salary component of the ECI is often used by employers to determine the percent change in wages each year that would ensure that their pay structures remain competitive in the labor market(s) in which they compete for their labor supply.

The annual CPI index and the annual ECI index reflect the changes that have taken place during the past 12-month period. For example:

The total change in the CPI for state and local governments in your region for the period from August 2013 to August 2014 was as follows:

All Urban Consumers	1.7 percent

For civilian workers in your region, the total changes in the ECI for the period from August 2013 to August 2014 were as follows:

Total Compensation	2.0 percent
Wage and Salary	2.0 percent
Benefit Costs	2.2 percent

Please note in the foregoing data that the change in the CPI is 1.7 % and the change in the wage and salary component of the ECI is 2.0 % for wage earners.

In general, we would recommend that public sector organizations in your region move their pay ranges forward somewhere between the CPI and the ECI, unless our wage and salary survey review indicates otherwise. If the wage and salary data does indicate otherwise, we might recommend more or less than the ECI but rarely less than the CPI. Within this context, our survey data for your area confirms that the ECI of **2.0 %** is a viable reflection of the level of salary increases taking place in your labor market. **In accordance with the foregoing, therefore, we are recommending that all current pay ranges in your pay structure be increased by at least 2.0 % for your upcoming fiscal year.**

Please note that the recommended 2.0 % reflects the wage and salary adjustments being paid by employers in the labor markets in which the City of Foley competes for its labor supply.

Please note further that an employee's pay increase should be tied to the movement of the pay ranges wherein the midpoint of the pay range assigned to each job title represents the current competitive rate of pay currently being paid by organizations with which the City of Foley competes for its labor supply.

We are pleased to provide this information. Please feel free to contact us at (803) 366-2400 if you have questions or concerns.

Sincerely,

Earnest R. Archer

Earnest R. Archer, Ph.D., P.E., SPHR
President