

FAQ - PRICE INDEX GUIDELINES

1. I currently have a contract with Orange County, how do I know if it is eligible for an increase?

Review the special terms and conditions within your contract, there will be specific language addressing the method for requesting an increase, the method for calculating your eligibility for an increase, limitations on increases and the frequency at which these requests may be approved.

2. My contract references the Consumer Price Index (CPI), how do I use this measure?

Price adjustments shall be based on the latest version of the Consumers Price Index (CPI-U) for All Urban Consumers, All Items, U.S. City Average, **non-seasonal**, as published by the U.S. Department of Labor, Bureau of Labor Statistics. This information is available at www.bls.gov.

Price adjustment shall be calculated by applying the simple percentage model to the CPI data. This method is defined as subtracting the base period index value (at the time of initial award) from the index value at time of calculation (latest version of the CPI published as of the date of request for price adjustment), divided by the base period index value to identify percentage of change, then multiplying the percentage of change by 100 to identify the percentage change. An interactive formula is provided below:

CONSUMER PRICE INDEX PERCENT CHANGE CALCULATOR

(Fields in Yellow can be changed)

CPI for Current Period (Non-Seasonal) (Final data only, no preliminary (P) values)	
CPI for Base Period (Non-Seasonal) (Month/Yr of Initial Contract Award)	
Index Point Change (Current Period - CPI for Base Period)	
Percent Change (Index Point Change/CPI for Base Period) X 100	

3. My contract references the Producers Price Index (PPI), how do I use this measure?

Price adjustments shall be based on the latest version of the Producer Price Index (PPI) – Industry Data, as published by the U.S. Department of Labor, Bureau of Labor Statistics. This information is available at www.bls.gov. Contractor shall utilize the North American Industry Classification System (NAICS) to identify the industry code most similar to the contracted commodity for the required calculation below. This information is available at www.census.gov/eos/www/naics/.

Price adjustment shall be calculated by applying the simple percentage model to the PPI data. This method is defined as subtracting the base period index value (at the time of initial award) from the index value at time of calculation (latest version of the PPI published as of the date of request for price adjustment), divided by the base period index value to identify percentage of change, then multiplying the percentage of change by 100 to identify the percentage change. An interactive formula is provided below:

PRODUCER PRICE INDEX PERCENT CHANGE CALCULATOR

(Fields in Yellow can be changed)

PPI for Current Period (Final data only, no preliminary (P) values)	
PPI for Base Period (Month/Yr of Initial Contract Award)	
Index Point Change (Current Period - PPI for Base Period)	
Percent Change (Index Point Change/PPI for Base Period) X 100	

4. I have reviewed the Price Index applicable to my contract and the calculation indicates that there has been a decrease. How should I proceed?

Should the Price Index Data as published by the U.S. Department of Labor, Bureau of Labor Statistics decrease during the term of the contract, or any renewals, the Contractor shall notify the Orange County Procurement Division of this price decrease. If the Contractor fails to pass the decrease on to the County, the County reserves the right to place the Contractor in default, cancel the award, and remove the Contractor from the County Vendor List for a period of time deemed suitable by the County.