

Martha's Vineyard Cost of Living Index for 2006



Martha's Vineyard Commission
April 2007

Introduction

In the second half of 2006, the Martha's Vineyard Commission carried out a Cost of Living Index (COLI) study for Martha's Vineyard, using the methodology of the American Chamber of Commerce Researchers Association (ACCRA).

The ACCRA Composite Index measures relative differences among urban areas in the cost of consumer goods and services appropriate for professional and managerial households in the top income quartile. It allows comparison of data for a specific region with national averages of prices for consumer goods and services from all participating urban areas in a particular quarter. The ACCRA Cost of Living Index is conducted several times a year.

The analytical approach used in this study is based on one developed by ACCRA. The COLI study was conducted during the same time period that similar ACCRA studies were carried out in many areas across the United States. The purpose of the Cost of Living Index is to provide a "snapshot" of how prices compare at a single point in time in addition to track information regarding changes in price levels overtime.

Although this study was not authorized by ACCRA – which does not carry out official studies in areas with a population as small as the Vineyard – ACCRA kindly offered advice on methodology. This study gives an approximation of the cost of living index on the Vineyard. However, the number of items surveyed and the number of samples for each item using the ACCRA methodology is relatively small, and this study is not as precise as a cost of living analysis prepared using a more exhaustive methodology. The Commission cautions against using the results for salary compensation or other legal reasons.

This study was coordinated by Christine Flynn, MVC Economic Development Planner, under the supervision of Mark London, MVC Executive Director and with the participation of Bill Veno, Senior Planner. Brian Leblanc helped with data collection.

Findings

Component Indices	Martha's Vineyard	Boston	<i>MV relative to Boston</i>	<i>Number of establishments surveyed</i>	<i>Weight</i>	<i>Number of Items</i>
<i>Grocery</i>	137	123	12%	3-5	0.13	26
<i>Housing</i>	196	173	13%	1-4	0.28	3
<i>Utilities</i>	152	132	16%	2	0.10	4
<i>Transportation</i>	139	114	22%	3	0.10	2
<i>Health Care</i>	129	138	-7%	2-5	0.04	5
<i>Miscellaneous Goods & Services</i>	144	130	10%	0-5	0.35	20
Composite Index	157	140	12%			

The Cost of Living composite index for Martha's Vineyard was estimated to be 157, based on a national average of 100.0. In other words, the cost of living for professional and managerial households was about 57% above the average of participating urban areas during the survey period. This is about 12% higher than the composite index for Boston for the same time period, 140.

Table 1 gives the index for each component for Martha's Vineyard and for Boston.

The highest component index was housing, almost twice the national average and 13% higher than Boston. The transportation index was the highest compared to Boston, namely 22% higher; this index was based on only two items, namely the average price of a gallon of gasoline (68 cents higher than Boston) and the cost to balance a tire (\$2.60 more than Boston).

The Health Care Index for the Vineyard in this survey came out lower than that of Boston. This is largely due to the pricing of one of the five items that make up this index, namely a doctor's office visit for a specific procedure for which the average cost in Boston was \$119 while on Martha's Vineyard, the average cost was \$105.

Conclusion

The MVC is considering updating the study for the Vineyard on an annual basis. With each updated index study, it should be possible to reduce the overall margin of error by enlarging the sample size, making more accurate estimates, and dealing more effectively with the various special circumstances. Also, we have discussed with ACCRA the possibility of expanding their official survey locations to include resort areas with high seasonal populations, such as Martha's Vineyard.

Note: For more information about ACCRA and its methodology for cost of living index studies, go to www.coli.org.

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Appendix A – Methodology, Assumptions, and Limitations

Methodology and Assumptions

The methodology used to perform a Cost of Living Index for Martha's Vineyard is that described by the American Chamber of Commerce Researchers Association (ACCRA). The purpose of the Cost of Living Index (COLI) is to collect living cost differentials in consumer goods and services among urban areas that are suitable for managerial and professional households. The ACCRA Index has outlined the following steps to perform a Cost of Living Index.

Step One: Data Collection

ACCRA identified sixty consumer goods and services within six categories, namely: Grocery, Housing, Utilities, Transportation, Healthcare, and Miscellaneous. See table 1 for the number of items in each category.

The pricing period for all items was between July 12 – 14, 2007. Prices for each of the grocery and other retail items were collected during the survey period. Some of the service items were collected after the survey period.

The ACCRA methodology recommends collecting three samples for each item in non-metropolitan areas with a county population of 50,000 and a city population 35,000, but recognizes and accepts smaller samples for rural area such as the Vineyard. For the Vineyard the number of samples was usually three to five, although there were a few cases where there were only one or two samples and two cases where there were no samples.

In some cases, items did not match the specific criteria and the closest possible match was used. Appendix B lists the specific items in each category, and the total number of establishments for each of the items. Table 1 indicates the range of establishments used for the component indexes.

Step Two: Data Analysis

Step Two involved data analysis and calculating the Component Index by category and the total Composite Index for Martha's Vineyard. To determine the component index, the average price for each item was calculated based on the total number of establishments. Each price average was then placed into a weighted formula by category. The formula results determined the component index for each category. The Component Indexes were then weighted to determine the total Composite Index for Martha's Vineyard.

The Component Index Weights reflect the typical distribution for the entire nation of spending for a professional or managerial household. The weights are a ratio of local cost for that category to nationwide total living costs and thus the weights are what define the standard of living. For

example, the housing weight represents the ratio between the nationwide housing costs to the nationwide total living costs. ACCRA assumes that there is a 3% margin of error for the Composite Index, and a 5% margin of error for each of the component indices. The ACCRA Component Index Weight for each category is in table 1.

Limitations

There are several limitations to the ACCRA Cost of Living Index.

1. The index focuses on consumer goods and services in urban areas that are suitable for managerial and professional households, although individuals in lower income brackets could also purchase many of the items. The ACCRA methodology was used because it allowed preparing an analysis at low cost and using a standard methodology which gave results which were comparable to other locations at a the same point in time.
2. The methodology is reflective of a market basket of consumer goods and services, but does not consider costs for childcare, healthcare, taxes, or other monthly costs to support oneself or a family.
3. The index numbers are approximations, due to sampling errors and non-sampling errors.
4. Some of the data were collected after the July three-day collection period.
5. It was not possible to provide exact comparisons for some items because they do not exist on the Vineyard (e.g. certain types of housing, products from certain chain stores or restaurants). In some cases, the closest possible comparison was provided, such as substituting items that specified a Pizza Hut or MacDonald's with local restaurants. Items such as bowling and Kentucky Fried Chicken, were left blank because there are no such establishments on Martha's Vineyard. These two items were calculated as zero and deflated the Miscellaneous Goods and Service sector down by 16 points (160) and the composite index down by 6 points (163) compared to using national averages were used as a substitute.
6. Some of the prices for component index items varied significantly. Those numbers were nevertheless included in the total average calculations. Therefore those items could have inflated the Component Index figures and ultimately the Composite Index for Martha's Vineyard.
7. Boston prices were not collected as a part of this study but were supplied by ACCRA. It is possible that some items were slightly different.
8. This study looks at the cost of a selection of goods and services, but doesn't indicate how much Vineyarders actually spend on these items. For example, it has been suggested that the cost of buying a business suit and tie might be greater on the Vineyard than in Boston, but this is doesn't account for the fact that as a rule, Vineyarder men don't wear a suit and tie at work, so the actual cost of clothes could be far less.

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Appendix B: Worksheet

		Number of Establishment	Notes	Boston	Martha's Vineyard
Grocery Items					
1	T - Bone Steak price per pound	5		\$10.53	\$12.09
2	Ground Beef or Hamburger Meat Price per pound, lowest price (min 80% lean)	5		\$3.85	\$4.07
3	Pork Sausage 1 lb. Of Jimmy Dean or Owen brand (use other sizrs only when 1 lb - 16 oz. Size is not available in pure pork variety)	4	Jimmy Dean Pork Sausage Product	\$4.31	\$4.37
4	Frying Chicken Whole uncut price per pound, lowest price	5		\$1.63	\$1.59
5	Chunk Light Tuna 6 oz can, Starkist or Chicken of the Sea	5	Starkist Product	\$1.00	\$0.95
6	Whole Milk 1/2 Gallon, lowest price	5		\$2.45	\$2.27
7	Eggs 1 dozen, grade A or AA, large	5		\$2.13	\$2.31
8	Margarine 1 lb, Blue Bonnet or Parkay, Stick Form	4		\$1.23	\$1.27
9	Parmesan Cheese, Grated 8 oz canister, Kraft Blend	5		\$3.25	\$3.95
10	Potatoes 10lb sack, white or red, lowest price	5	5 lb bags of white potatoes	\$5.78	\$4.11
11	Bananas Price per pound	5		\$0.79	\$0.79
12	Iceburg Lettuce Head (approxiamately 1 - 1/4 lb)	5		\$1.99	\$1.73
13	White Bread Price Loaf with lowest price per oz in each store	5		\$1.28	\$1.74
14	Fresh Orange Juice 64 oz Tropicana or Florida Natural	5	Tropicana Product	\$2.50	\$3.89
15	Coffee, Vacuum Packed 11.5 oz can or brick, Maxwell House, Hills Brothers, or	5	Maxwell House	\$3.45	\$3.55
16	Sugar, White 4 - 5 lb, cane or beet, lowest price sack	5		\$2.12	\$3.39
17	Corn Flakes 18 oz Kellog's or Post	5	Kellog's	\$5.41	\$3.73
18	Sweet Peas 15 oz can, Del Monte or Green Giant	5	Del Monte Product	\$1.03	\$1.21
19	Peaches 29 oz can Hunts, Del Monte, or Libby's halves or slices	2	Del Monte Product	\$2.43	\$1.87
20	Facial Tissue 200 - count box, Kleenex	1		\$2.25	\$3.19
21	Dishwashing Powder 75 oz, Cascade Brand (powder, not liquid)	3	45 oz Container	\$5.19	\$5.42
22	Shortning 3 lb can, all-vegatble shortning, Crisco brand	5		\$4.49	\$4.67
23	Frozen Prepared Food 8 to 10 oz frozen chicken entrée Healthy Choice or Lean Cuisine Brand If the Size is larger than 10 oz, please report the size.	5	8 oz Box of Lean Cuisine Product	\$2.71	\$3.27
24	Frozen Corn 16 oz sack, whole kernal, lowest price	5		\$1.73	\$1.52
25	Potato Chips 11.5 or 20 oz plan in regular poptato chips Lay's potato chip	5	11.5 oz Lay's Potato Chip Bag	\$1.82	\$2.99

26	Soft Drink 2 liter Coca-Cola, excluding deposit if any	5		\$1.24	\$1.67
Housing					
27	Apartment: Monthly Rent, 2 bedrooms. 1 1/2 or 2 bathrooms, unfurnished, 950 sq ft, exclude utilities except water and sewer.	2	The rentals used in this study did not meet the specified criteria	\$1,408.00	\$1,300.00
28	Home Purchase: New Home 2,400 sq ft living area new house, pro-rated prices from homebuilders	1	The house used in this study did not meet the specified criteria. The data was collected after the July pricing	\$525,000.00	\$599,000.00
29	Mortgage Rates: a) interest rate mortgage (calculated from table below), b) Monthly Principal and Interest Payment (calculated from Q30a and Q29)	1	The house used in this study did not meet the specified criteria. The data was collected after the July Pricing	\$2,562.00	\$3,029.00
Utilities					
30	Electric	4	The houses used both had wood burning stoves	\$82.91	\$147.24
32	Natural Gas	3	The house used had a wood burning stove	\$118.62	\$203.89
34	Heating Oil	1	The house used had a wood burning stove		\$213.00
35	Telephone	4	The houses used both had two land lines so the average monthly bill for two land lines was divided in	\$36.79	\$53.75

Transportation					
36	Auto Maintenance, Average price to coputer balance one front wheel (use spin balance if computer n/a)	3	Data was collected after the July Pricing Period	\$12.40	\$15.00
37	Gasoline, 1 gallon unleaded regular, incl. All taxes, cash price at self service pump. Use only national brands	3	All three stations provided full service.	\$3.07	\$3.75
Healthcare					
38	Office Visit, Optometrist, Full vision eye exam for established adult patient. Price includes eye examination, eyeglass prescription, glaucoma and dilation	3	Data was collected after the July Pricing Period	\$80.60	\$78.33
39	Office Visit, Doctor, AMA Procedure 99213: General practitioner average charge for established adult patient.	3	Data was collected after the July Pricing Period	\$119.60	\$101.67
40	Office Visit, Dentist ADA Procedure 01110; teeth cleaning for established adult patient, no exam	5	Data was collected after the July Pricing Period	\$115.20	\$103.00
41	Non-Prescription Drug Advil Tablets, 200 mg. 50 Tablets (not gelcaps, pain relief only)	5		\$5.55	\$8.25
42	Prescription Drug, Lipitor 20 mg, 30 tablets	2		\$136.64	\$127.60
Miscellaneous					
43	Hamburger Sandwich 1/4 lb patty with cheese, pickle, onion, mustard and ketchup. Use McDonald's Quarter-Pounder with cheese where available.	3	There are no McDonald locations on the Vineyard. Local restuarants were surveyed and two prices were for 1/2 lb. Burgers.	\$3.09	\$7.13
44	Pizza 11" - 12" diameter thin crust regular cheese pizza(no extra cheese). Use only Pizza Hut and Pizza Inn where available.	2	There are no Pizza Hut or Pizz Inn locations on Martha's	\$10.32	\$9.37
45	Fried Chicken Thigh and Drumstick - with or without extra's whichever is lower cost. Use only KFC or Church's where available.	0	There are no KFC location on Martha's Vineyard. No local	\$3.06	\$0.00
46	Haircut Men's barbershop haircut, no styling	3		\$13.40	\$17.66

47	Beauty Care Women's cut with shampoo and blow-dry. Price only beauty salons that make appointments and allow customer to select stylist.	3		\$45.00	\$35.00
48	Toothpaste 6 oz - 6.4 oz tube, Crest or Colgate	5		\$2.50	\$3.15
49	Shampoo 15 oz bottle, Alberto VO5 brand	5		\$1.00	\$1.61
50	Dry Cleaning Men's Two Piece Suit	1		\$8.15	\$13.25
51	Men's Dress Shirt Cotton/Polyester, Pinpoint, white, long sleeves, size range 15/32-16/34	3		\$37.99	\$69.33
52	Boy's Jeans Name brands such as Levi's, Lee, or Wrangler Regular, Relaxed or Loose Fit - sizes 8-20	2		\$19.99	\$43.50
53	Women Slacks Women's flat front Knakis (at least 95% cotton) misses 4-14	3		\$51.99	\$65.33
54	Major Appliance Repair Home service call, clothes washing machine incl. Minimum labor charge but not parts.	2		\$80.00	\$85.00
55	Newspaper Subscription Home Delivery, daily and Sunday for large city newspaper	1		\$26.67	\$26.87
56	Movie 1st run (new release) indoor 6-10 pm Saturday evening rates, no discounts	3		\$10.45	\$8.00
57	Bowling Average Price per line (game) Saturday evening with rates in effect from 6 - 10pm.	0	There are no bowling establishments on the Vineyard	\$4.35	\$0.00
58	Tennis Balls Wilson or Penn Brand, can of 3 extra-duty balls	3		\$3.52	\$3.93
59	Veterinary Services Annual exam, 4 year old dog	2		\$48.40	\$47.50
60	Beer Heineken's, 6-pack, 12 oz containers, excluding any deposit	3		\$7.27	\$8.36
61	Wine Livingston Cellars or Gallo brand Chablis or Chenein Blanc, 1.5 liter bottle	3		\$7.57	\$6.96
62	Combined State & Local Tax Rate.			5% MA State Sales Tax on everything except clothes & grocery items	5% MA State Sales Tax on everything except clothes & grocery items



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