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**MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY**

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**MEMORANDUM**

**TO:** BOARD OF TRUSTEES  
**FROM:** BRIAN PASSARO, GENERAL MANAGER  
**SUBJECT:** CUMULATIVE CPI INCREASE FOR BENEFIT ASSESSMENT  
**DATE:** 05-JUN-09  
**CC:**

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At a recent board meeting the President of the Board requested a written document which would substantiate the Benefit Assessment increase for FY 2009-10 despite the fact that the Consumer Price Index (CPI) for Los Angeles/Riverside/Orange Counties is being reported as a negative number this year. As implied within the California State Constitution, Article 13D, Section 4; the Engineer's Report for a benefit assessment provides detailed information regarding the amount of the levy, the underlying need for the levy and the structure established to raise the levy over time. Within our Districts Engineer's Report the following excerpt can be found on pages 41-2:

*The assessment for Service Zone 1 is subject to an annual adjustment tied to the Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange County Area as of December of each succeeding year (the "CPI"), with a maximum annual rate not to exceed \$20.00 per benefit unit for Service Zone 1. Any CPI increase not levied in any given year shall be cumulatively reserved as the "Unused CPI" and shall be used to increase the maximum authorized assessment rate in future years, not to exceed the CPI for that year. The maximum authorized assessment rate is equal to the maximum assessment rate in the first fiscal year the assessment was levied adjusted annually by the minimum of the change in the CPI plus any Unused CPI as described above.*

*The change in the CPI from March 2008 to March 2009 was -0.99% and the Unused CPI carried forward from the previous fiscal year is 3.28%. Therefore, the maximum authorized assessment rate for Service Zone 1 for fiscal year 2009-10 is increased by 3.28%, which equates to \$8.77 per single family equivalent benefit unit. The estimate of cost and budget in this Engineer's Report proposes assessments for fiscal year 2009-10 at the rate of \$7.99 per single family equivalent benefit unit, which is less than the maximum authorized assessment rate.*

*The assessment for Service Zone 2 is not subject to a CPI limitation. However, the maximum assessment rate may not exceed \$16.00 per benefit unit. The estimate of cost and budget in this Engineer's Report also proposes assessments for Service Zone 2 for fiscal year 2009-10 at the rate of \$7.99 per single family equivalent benefit unit, which is less than the maximum authorized assessment rate.*

To further clarify the issue staff prepared the report shown in Table 1 below, which was originally presented to the Board at the November 14, 2008 Board meeting and subsequently updated. This table shows that since the inception of the benefit assessment in FY 1996-97 the assessment for Zone 1 was increased by \$0.64 (a 10% increase) despite the ability per the engineer's report to increase by \$2.61 (a 30% increase) over that 14 year time frame. The accumulated annual CPI increases determine the ceiling for the per parcel charge in Zone 1 per the formula outlined in the engineer's report. Table 1 shows an estimated total per parcel assessment of \$8.70 available in Zone 1 for FY 2009-10; this estimate was nearly identical to the engineer's official calculation of \$8.77. Zone 2 is not tied to the CPI index for annual increases and therefore can be set at any value between the original assessment of \$7.91 and \$16 per parcel. The assessment in this zone has never been raised in the 14 years since its inception. Table 1 demonstrates what the assessment for Zone 2 would be had it also been raised by the same CPI index factor as Zone 1. As Zone 2 is not tied to this CPI index these calculations are merely presented for comparative purposes.

Considering the likelihood of lost revenue due to the high probability of the State suspending Proposition 1A and thereby withholding 8% of the Districts ad valorem property tax revenue, staff recommended increasing the assessment in Zone 1 to the maximum available per the engineer's report. In addition staff recommended raising the assessment for Zone 2 to an amount equal to that of Zone 1. The Board, by majority decision, opted to increase the assessment for Zone 1 to a point lower than the maximum available. The Board then unanimously approved the rate. The Board did agree with staff in regard to setting the assessment for each zone at the same amount and therefore unanimously voted to raise the assessment for Zone 2 to match that of Zone 1.

**Table 1: Analysis of Benefit Assessment for Zone 1 and Zone 2 Since Inception**

Year	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Beginning BA-Z1	6.17	6.17	6.26	6.36	6.51	6.74	6.95	7.15	7.32	7.59	7.95	8.26	8.54	8.78
CPI		0.014	0.016	0.024	0.035	0.032	0.029	0.023	0.037	0.047	0.040	0.033	0.029	-0.010
Ending BA-Z1	6.17	6.26	6.36	6.51	6.74	6.95	7.15	7.32	7.59	7.95	8.26	8.54	8.78	8.70
Year	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Beginning BA-Z2	7.91	7.91	8.02	8.15	8.34	8.64	8.91	9.17	9.38	9.73	10.19	10.59	10.94	11.26
CPI		0.014	0.016	0.024	0.035	0.032	0.029	0.023	0.037	0.047	0.040	0.033	0.029	-0.010
Ending BA-Z2	7.91	8.02	8.15	8.34	8.64	8.91	9.17	9.38	9.73	10.19	10.59	10.94	11.26	11.15
Year	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Total parcels Z1	15332.5	15396	18008	21705.25	21940.75	22097.5	22097.5	22119	50882.25	51012.25	51290	51333	51481.75	51531
Total parcels Z2	1571.5	1578	1846	2224.75	2249	2265	2265	2267.25	5218.75	5220.5	5220.25	5222.75	5277.75	5291.25
BA Rate Z1	6.17	6.17	6.17	6.17	6.17	6.17	6.17	6.17	6.17	6.17	6.46	6.67	6.89	7.99
BA Rate Z2	7.91	7.91	7.91	7.91	7.91	7.91	7.91	7.91	7.91	7.91	7.91	7.91	7.91	7.99
Collected Z1&Z2	\$107,941	\$108,391	\$126,779	\$152,805	\$154,463	\$155,424	\$155,567	\$155,722	\$355,034	\$355,687	\$372,439	\$383,633	\$396,456	\$454,010
Available Z1&Z2		\$108,980	\$129,511	\$159,845	\$167,236	\$173,820	\$178,860	\$183,153	\$436,942	\$458,529	\$479,163	\$495,369	\$511,666	\$507,130
Difference		\$589	\$2,732	\$7,040	\$12,773	\$18,396	\$23,293	\$27,431	\$81,908	\$102,842	\$106,724	\$111,736	\$115,210	\$53,120