



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Julia H. Cooper  
Jill Bourne

**SUBJECT: APPROVAL TO INCREASE THE  
LIBRARY PARCEL TAX RATES  
FOR FISCAL YEAR 2018-2019**

**DATE:** May 21, 2018

Approved

Date

6/1/18

## RECOMMENDATION

Adopt a resolution increasing the Library Parcel Tax rates for fiscal year 2018-2019 by 3.00% over the fiscal year 2017-2018 rates and approving the placement of the Library Parcel Tax on the fiscal year 2018-2019 Santa Clara County Property Tax Roll.

## OUTCOME

The increase in Library Parcel Tax rates will continue to provide funding to maintain and enhance City-wide library services and facilities through the acquisition of materials; the development and delivery of homework and educational programs; and the repair, equipping, and staffing of libraries.

## BACKGROUND

In August 2004, the City Council adopted Resolution No. 72268 placing a Library Parcel Tax, as provided in the San José Library and Reading Protection Ordinance (“Ordinance”), on the November 2004 General Municipal Election. The Library Parcel Tax was approved by the required two-thirds vote of the electorate. The Library Parcel Tax took effect on July 1, 2005 with an expiration date of June 30, 2015.

In August 2005, the City Council adopted Resolution No. 72844 approving the placement of the Library Parcel Tax on the FY 2005-2006 Santa Clara County Property Tax Roll. Library Parcel Tax rates for FY 2005-2006 were set at the same rates that had been charged through the Library Benefit Assessment District: \$25 per single-family or condominium/townhome parcel and varying rates for other residential, industrial, and vacant parcels.

In March 2014, the City Council adopted Resolution No. 76935 placing a 25-year extension of the existing Library Parcel Tax on the June 2014 Special Municipal Election ballot. The Library Parcel Tax was approved by the required two-thirds vote of the electorate. The passage of the measure extends the Library Parcel Tax for the period beginning July 1, 2015 through June 30, 2040.

Per the San José Library and Reading Protection Ordinance, commencing with FY 2006-2007 and by resolution of the City Council, the City Council may increase the Library Parcel Tax rates, if the City Council finds that the cost of living in the City of San José as shown on the Consumer Price Index (“CPI”) has increased over the preceding Base Period, but in no event shall the increase exceed 3.0%. The specific CPI required to be used for the calculation is the All Urban Consumers for the San Francisco-Oakland-San José area with all items included as published by the U.S. Department of Labor, Bureau of Labor Statistics (“BLS”). Due to the timing and availability of the CPI data, the period used to calculate the adjustment is the February through February time period.

The table below shows the last 10 years of annually approved percentage increases for the Library Parcel Tax per the aforementioned ordinance.

<b>Annual Increases In Library Parcel Tax Rate</b>	
<b>Fiscal Year</b>	<b>Percentage Increase</b>
2008-2009	2.77%
2009-2010	1.17%
2010-2011	1.79%
2011-2012	1.69%
2012-2013	3.00%
2013-2014	2.45%
2014-2015	2.45%
2015-2016	2.53%
2016-2017	3.00%
2017-2018	3.00%

**ANALYSIS**

Following the same methodology used since fiscal year 2006 -2007 for the CPI adjustment to the Library Parcel Tax rate, staff recommends an increase of 3.00% for FY 2018-2019. Specifically, as outlined in the table below, the CPI for All Urban Consumers for the San Francisco-Oakland-San José area, as published by the U.S. Department of Labor, BLS, increased by 3.56% during the period from February 2017 to February 2018, however, per the Ordinance, the annual increases are capped at 3.0%:

CPI February 2018	281.31
Less: CPI February 2017	271.63
Index Point Change	9.68
Divided by previous period CPI	271.63
Percent Change	3.56%
Percentage Change over 3.0% Cap	0.56%
Proposed 2018-19 Library Parcel Tax Rate Increase	3.00%

The proposed 3.00% increase in the Library Parcel Tax rate will increase the Library Parcel Tax for a single-family or condominium/townhome parcel from \$33.25 for FY 2017-2018 to \$34.25 for FY 2018-2019 or an increase of \$1.00 per parcel. The complete Library Parcel Tax schedule is attached to this memorandum (Exhibit A). The exhibit shows the current tax schedule and the proposed tax schedule to be placed on the County Property Tax Roll for FY 2018-2019 for all types of parcels. Assuming the same land use classifications and number of parcels as in FY 2017-2018, the approximate tax collection for all land use classifications in FY 2018-2019 will be approximately \$9.2 million or an increase of approximately \$269,000 over FY 2017-2018 estimated collections of approximately \$8.9 million.

The collection of the Library Parcel Tax for FY 2018-2019 represents the fourth year of the extended 25-year term of the Library Parcel Tax scheduled to end on June 30, 2040. Currently, the Library Parcel Tax provides approximately 20% of the San Jose Public Library System's Operating Budget and 11% of its Capital Budget.

### **EVALUATION AND FOLLOW-UP**

The Library Parcel Tax is adjusted each year based on the Consumer Price Index. No follow-up is required.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City's website for the June 12, 2018 City Council Agenda.

As stated above, City voters approved to extend the Library Parcel Tax in the June 2014 election by more than the two-thirds required vote, providing this funding for another period of 25 years

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beginning July 1, 2015 through June 30, 2040 for the purpose of maintaining and enhancing City-wide library services.

### **COORDINATION**

This item has been coordinated with the Library Department, City Attorney's Office, and the City Manager's Budget Office.

### **COMMISSION RECOMMENDATION/INPUT**

This item does not require any input from a board or commission.

### **FISCAL/POLICY ALIGNMENT**

This Council item is consistent with Council approved Budget Strategy Memo General Principle #2, "We must focus on protecting our vital core City services."

### **BUDGET REFERENCE**

The 2018-2019 Proposed Operating Budget includes the estimated increase of 3.00% in revenue for Library Parcel Tax. Additional details can be found in the Library Parcel Tax Source and Use of Funds on page X-54 in the 2018-2019 Proposed Operating Budget, and the 2018-2019 Proposed Capital Budget (Page V-236 – V-238).

### **CEQA**

Statutory Exemption, File No. PP10-067 (a), CEQA Guidelines Section 15273 - Rates, Tolls, Fares, and Charges.

/s/  
JILL BOURNE  
Director of Library

/s/  
JULIA H. COOPER  
Director of Finance

For questions, please contact Julia H. Cooper, Director of Finance, at (408) 535-7011.

**EXHIBIT A**  
**LIBRARY PARCEL TAX RATES**  
**(FY 2017-2018 Actual and FY 2018-2019 Proposed Library Tax Rates)**

<b>Land Use Classification</b>	<b>FY 2017-2018 Parcel Tax Rate</b>	<b>Proposed FY 2018-2019 Parcel Tax Rate (3.00% Increase)</b>
<b>Single Family Parcels</b>	\$33.25/Parcel	\$34.25/Parcel
<b>Condominium/Townhome Parcels</b>	\$33.25/Parcel	\$34.25/Parcel
<b>Other Residential Parcels (Fraternity, Sorority, Boarding, Rooming House, Farm Labor Camp)</b>		
Up to 20 Units	\$12.46/Unit	\$12.83/Unit
21 to 50 Units	\$245.19 + \$8.30/Unit Greater than 20 Units	\$252.55 + \$8.55/Unit Greater than 20 Units
51 to 100 Units	\$498.48 + \$4.16/Unit Greater than 50 Units	\$513.43 + \$4.28/Unit Greater than 50 Units
Over 100 Units	\$705.91 + \$1.68/Unit Greater than 100 Units	\$727.09 + \$1.73/Unit Greater than 100 Units
<b>Multi-Family Residential Parcels</b>		
Up to 20 Units	\$16.72/Unit	\$17.22/Unit
21 to 50 Units	\$333.99 + \$11.12/Unit Greater than 20 Units	\$344.01 + \$11.45/Unit Greater than 20 Units
51 to 100 Units	\$667.87 + \$5.55/Unit Greater than 50 Units	\$687.91 + \$5.72/Unit Greater than 50 Units
Over 100 Units	\$945.78 + \$2.21/Unit Greater than 100 Units	\$974.15 + \$2.28/Unit Greater than 100 Units

**EXHIBIT A**  
**LIBRARY PARCEL TAX RATES (Continued)**  
**(FY 2017-2018 Actual and FY 2018-2019 Proposed Library Tax Rates)**

<b>Land Use Classification</b>	<b>FY 2017-2018 Parcel Tax Rate</b>	<b>Proposed FY 2018-2019 Parcel Tax Rate (3.00% Increase)</b>
<b>Commercial Parcels</b>		
Less than or equal to 0.5 acres	\$99.72/Acre	\$102.71/Acre
Greater than 0.5 acres to 1.0 acre	\$49.85 + \$66.50/Acre Greater than 0.50 Acres	\$51.35 + \$68.50/Acre Greater than 0.50 Acres
Greater than 1.0 acre to 5.0 acres	\$83.09 + \$49.85/Acre Greater than 1.00 Acres	\$85.58 + \$51.35/Acre Greater than 1.00 Acres
Greater than 5.0 acres to 10 acres	\$282.52 + \$33.25/Acre Greater than 5.00 Acres	\$291.00 + \$34.25/Acre Greater than 5.00 Acres
Greater than 10 acres	\$448.75 + \$8.30/Acre Greater than 10 Acres	\$462.21 + \$8.55/Acre Greater than 10 Acres
Minimum Special Tax per Parcel	\$16.61/Acre	\$17.11/Acre
<b>Professional Parcels</b>		
Less than or equal to 0.5 acres	\$149.58/Acre	\$154.07/Acre
Greater than 0.5 acres to 1.0 acre	\$74.81 + \$99.72/Acre Greater than 0.50 Acres	\$77.05 + \$102.71/Acre Greater than 0.50 Acres
Greater than 1.0 acre to 5.0 acres	\$124.64 + \$74.81/Acre Greater than 1.00 Acres	\$128.38 + \$77.05/Acre Greater than 1.00 Acres
Greater than 5.0 acres to 10 acres	\$423.81 + \$49.85/Acre Greater than 5.00 Acres	\$436.52 + \$51.35/Acre Greater than 5.00 Acres
Greater than 10 acres	\$673.12 + \$12.46/Acre Greater than 10 Acres	\$693.31 + \$12.83/Acre Greater than 10 Acres
Minimum Special Tax per Parcel	\$24.96/Acre	\$25.71/Acre

**EXHIBIT A**  
**LIBRARY PARCEL TAX RATES (Concluded)**  
**(FY 2017-2018 Actual and FY 2018-2019 Proposed Library Tax Rates)**

<b>Land Use Classification</b>	<b>FY 2017-2018 Parcel Tax Rate</b>	<b>Proposed FY 2018-2019 Parcel Tax Rate (3.00% Increase)</b>
<b>Industrial Parcels</b>		
Less than or equal to 0.5 acres	\$49.85/Acre	\$51.35/Acre
Greater than 0.5 acres to 1.0 acre	\$24.96 + \$33.25/Acre Greater than 0.50 Acres	\$25.71 + \$34.25/Acre Greater than 0.50 Acres
Greater than 1.0 acre to 5.0 acres	\$41.56 + \$24.96/Acre Greater than 1.00 Acres	\$42.81 + \$25.71/Acre Greater than 1.00 Acres
Greater than 5.0 acres to 10 acres	\$141.29 + \$16.61/Acre Greater than 5.00 Acres	\$145.53 + \$17.11/Acre Greater than 5.00 Acres
Greater than 10 acres	\$224.35 + \$4.16/Acre Greater than 10 Acres	\$231.08 + \$4.28/Acre Greater than 10 Acres
Minimum Special Tax per Parcel	\$8.30/Acre	\$8.55/Acre
<b>Vacant Parcels</b>		
Less than or equal to 0.5 acres	\$12.45/Acre	\$12.82/Acre
Greater than 0.5 acres to 1.0 acre	\$6.22 + \$8.30/Acre Greater than 0.50 Acres	\$6.41 + \$8.55/Acre Greater than 0.50 Acres
Greater than 1.0 acre to 5.0 acres	\$10.37 + \$6.22/Acre Greater than 1.00 Acres	\$10.68 + \$6.41/Acre Greater than 1.00 Acres
Greater than 5.0 acres to 10 acres	\$35.27 + \$4.16/Acre Greater than 5.00 Acres	\$36.33 + \$4.28/Acre Greater than 5.00 Acres
Greater than 10 acres	\$55.99 + \$1.03/Acre Greater than 10 Acres	\$57.67 + \$1.06/Acre Greater than 10 Acres
Minimum Special Tax per Parcel	\$8.30/Acre	\$8.55/Acre