



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 2022-2023**

DATE: May 23, 2022

Approved

Date

06/01/22

RECOMMENDATION

Adopt a resolution increasing the Library Parcel Tax rates for Fiscal Year 2022-2023 by 3.00% over the fiscal year 2021-2022 rates and approving the placement of the Library Parcel Tax on the fiscal year 2022-2023 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, development and delivery of education and digital literacy programs, and 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, 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 fiscal year 2005-2006 Santa Clara County Property Tax Roll. Library Parcel Tax rates for fiscal year 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 (Chapter 4.79 of the San José Municipal Code), 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 base period for calculating the CPI adjustment is the February to February reporting period. 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). BLS discontinued the San Francisco-Oakland-San José index in 2018. Starting in fiscal year 2019-2020, the Finance Department has used the BLS San Francisco-Oakland-Hayward CPI index to calculate the Library Parcel Tax cost of living adjustment as the geographical area covered by this index is comparable to San José.

The table below shows the last 10 years of annually approved percentage increases for the Library Parcel Tax per Chapter 4.79 of the Municipal Code.

| Annual Increases in Library Parcel Tax Rate | |
|--|--------------------------------|
| Fiscal Year | Percentage Increase |
| 2013-2014 | 2.45% |
| 2014-2015 | 2.45% |
| 2015-2016 | 2.53% |
| 2016-2017 | 3.00% |
| 2017-2018 | 3.00% |
| 2018-2019 | 3.00% |
| 2019-2020 | 3.00% |
| 2020-2021 | 2.91% |
| 2021-2022 | 1.57% |
| 2022-2023 | 3.00% |

ANALYSIS

Following the 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 fiscal year 2022-2023. Specifically, as outlined in the table below, the CPI for All Urban Consumers for the San Francisco-Oakland-Hayward area, as published by the U.S. Department of Labor, BLS, increased by 5.19% during the period from February 2021 to February 2022; however, per Chapter 4.79 of the Municipal Code, the annual increases are capped at 3.00%.

| | |
|---|---------|
| CPI February 2022 | 320.195 |
| Less: CPI February 2021 | 304.387 |
| Index Point Change | 15.808 |
| Divided by previous period CPI | 304.387 |
| Percent Change | 5.19% |
| Percentage Change over 3% Cap | 2.19% |
| Proposed 2022-23 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 \$36.88 for fiscal year 2021-2022 to \$37.98 for fiscal year 2022-2023 or an increase of \$1.10 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 Fiscal Year 2022-2023 for all types of parcels. Assuming the same land use classifications and number of parcels as in Fiscal Year 2021-2022, the approximate tax collection for all land use classifications in Fiscal Year 2022-2023 will be approximately \$10.4 million, or an increase of approximately \$300,000 over Fiscal Year 2021-2022 collections of approximately \$10.1 million.

The collection of the Library Parcel Tax for Fiscal Year 2022-2023 represents the eighth year of the extended twenty-five-year term of the Library Parcel Tax scheduled to end on June 30, 2040. Currently, the Library Parcel Tax provides approximately 17% of the San José Public Library System 2021-2022 Adopted Operating Budget and 9% of 2021-2022 Adopted Capital Budget.

CONCLUSION

Approval of the increase in Library Parcel Tax rates will continue to provide funding to supplement the maintenance and enhancement of City-wide library services and facilities through the acquisition of materials, development and delivery of education and digital literacy programs, and repair, equipping, and staffing of libraries.

EVALUATION AND FOLLOW-UP

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

CLIMATE SMART SAN JOSE

The recommendation in this memorandum has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the June 14, 2022 City Council Agenda.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

This City 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 2022-2023 Proposed Operating Budget includes an increase of 2.00% for the Library Parcel Tax revenue estimate in the Library Parcel Tax Fund. Due to the timing of the development of the 2022-2023 Proposed Operating Budget, the proposed estimated increase is not in alignment with the recommendation to increase the Library Parcel Tax rates by 3.00%. To address this, the City Manager's Budget Office and Library Department will coordinate a 2022-2023 budget clean-up action to adjust the estimated Library Parcel Tax revenue in the 2022-2023 Adopted Operating Budget to match the revenue level in accordance with the 3.00% Library Parcel Tax increase included in this memorandum. Additional details can be found in the Library Parcel Tax Fund Statement of Source and Use of Funds on page 895 in the 2022-2023 Proposed Operating Budget, and pages 304 to 307 of the 2023-2027 Proposed Capital Budget.

HONORABLE MAYOR AND CITY COUNCIL

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CEQA

Statutorily Exempt, File No. PP17-005, CEQA Guidelines Section 15273 - Rates, Tolls, Fares, and Charges.

/s/

JULIA H. COOPER

Director of Finance

/s/

JILL BOURNE

City Librarian

For finance specific questions, please contact Julia H. Cooper, Director of Finance, at (408) 535-7011. For library specific questions, please contact Jill Bourne, City Librarian, at (408) 808-2150.

EXHIBIT A
LIBRARY PARCEL TAX RATES
(FY 2021-2022 Actual and FY 2022-2023 Proposed Library Tax Rates)

| Land Use Classification | FY 2021-2022 Parcel Tax Rate | Proposed FY 2022-2023 Parcel Tax Rate (3.00% Increase) |
|---|--|---|
| Single Family Parcels | \$36.88/Parcel | \$37.98/Parcel |
| Condominium/Townhome Parcels | \$36.88/Parcel | \$37.98/Parcel |
| | | |
| Other Residential Parcels (Fraternity, Sorority, Boarding, Rooming House, Farm Labor Camp) | | |
| Up to 20 Units | \$13.80/Unit | \$14.21/Unit |
| 21 to 50 Units | \$271.90 + \$9.21/Unit Greater than 20 Units | \$280.05+ \$9.48/Unit Greater than 20 Units |
| 51 to 100 Units | \$552.76 + \$4.61/Unit Greater than 50 Units | \$569.34 + \$4.74/Unit Greater than 50 Units |
| Over 100 Units | \$782.79 + \$1.86/Unit Greater than 100 Units | \$806.27 + \$1.91/Unit Greater than 100 Units |
| Multi-Family Residential Parcels | | |
| Up to 20 Units | \$18.55/Unit | \$19.10/Unit |
| 21 to 50 Units | \$370.36 + \$12.32/Unit Greater than 20 Units | \$381.47 + \$12.68/Unit Greater than 20 Units |
| 51 to 100 Units | \$740.62 + \$6.16/Unit Greater than 50 Units | \$762.83 + \$6.34/Unit Greater than 50 Units |
| Over 100 Units | \$1,048.78 + \$2.46/Unit Greater than 100 Units | \$1,080.24 + \$2.53/Unit Greater than 100 Units |

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| Land Use Classification | FY 2021-2022 Parcel Tax Rate | Proposed FY 2022-2023 Parcel Tax Rate (3.00% Increase) |
|------------------------------------|--|---|
| Commercial Parcels | | |
| Less than or equal to 0.5 acre | \$110.58/Acre | \$113.89/Acre |
| Greater than 0.5 acre to 1.0 acre | \$55.28 + \$73.75/Acre Greater than 0.50 Acre | \$56.93 + \$75.96/Acre Greater than 0.50 Acre |
| Greater than 1.0 acre to 5.0 acres | \$92.14 + \$55.28/Acre Greater than 1.00 Acre | \$94.90 + \$56.93/Acre Greater than 1.00 Acre |
| Greater than 5.0 acres to 10 acres | \$313.29 + \$36.88/Acre Greater than 5.00 Acres | \$322.68 + \$37.98/Acre Greater than 5.00 Acres |
| Greater than 10 acres | \$497.62 + \$9.21/Acre Greater than 10 Acres | \$512.54 + \$9.48/Acre Greater than 10 Acres |
| Minimum Special Tax per Parcel | \$18.41/Acre | \$18.96/Acre |
| Professional Parcels | | |
| Less than or equal to 0.5 acre | \$165.87/Acre | \$170.84/Acre |
| Greater than 0.5 acre to 1.0 acre | \$82.95 + \$110.58/Acre Greater than 0.50 Acre | \$85.43 + \$113.89/Acre Greater than 0.50 Acre |
| Greater than 1.0 acre to 5.0 acres | \$138.22 + \$82.95/Acre Greater than 1.00 Acre | \$142.36 + \$85.43/Acre Greater than 1.00 Acre |
| Greater than 5.0 acres to 10 acres | \$469.96 + \$55.28/Acre Greater than 5.00 Acres | \$484.05 + \$56.93/Acre Greater than 5.00 Acres |
| Greater than 10 acres | \$746.43+ \$13.80/Acre Greater than 10 Acres | \$768.82+ \$14.21/Acre Greater than 10 Acres |
| Minimum Special Tax per Parcel | \$27.68/Acre | \$28.51/Acre |

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| Land Use Classification | FY 2021-2022 Parcel Tax Rate | Proposed FY 2022-2023 Parcel Tax Rate (3.00% Increase) |
|------------------------------------|--|---|
| Industrial Parcels | | |
| Less than or equal to 0.5 acre | \$55.28/Acre | \$56.93/Acre |
| Greater than 0.5 acre to 1.0 acre | \$27.68 + \$36.88/Acre Greater than 0.50 Acre | \$28.51 + \$37.98/Acre Greater than 0.50 Acre |
| Greater than 1.0 acre to 5.0 acres | \$46.08 + \$27.68/Acre Greater than 1.00 Acre | \$47.46 + \$28.51/Acre Greater than 1.00 Acre |
| Greater than 5.0 acres to 10 acres | \$156.68 + \$18.41/Acre Greater than 5.00 Acres | \$161.38 + \$18.96/Acre Greater than 5.00 Acres |
| Greater than 10 acres | \$248.79 + \$4.61/Acre Greater than 10 Acres | \$256.25 + \$4.74/Acre Greater than 10 Acres |
| Minimum Special Tax per Parcel | \$9.21/Acre | \$9.48/Acre |
| Vacant Parcels | | |
| Less than or equal to 0.5 acre | \$13.79/Acre | \$14.20/Acre |
| Greater than 0.5 acre to 1.0 acre | \$6.90 + \$9.21/Acre Greater than 0.50 Acre | \$7.10 + \$9.48/Acre Greater than 0.50 Acre |
| Greater than 1.0 acre to 5.0 acres | \$11.50 + \$6.90/Acre Greater than 1.00 Acre | \$11.84 + \$7.10/Acre Greater than 1.00 Acre |
| Greater than 5.0 acres to 10 acres | \$39.11 + \$4.61/Acre Greater than 5.00 Acres | \$40.28 + \$4.74/Acre Greater than 5.00 Acres |
| Greater than 10 acres | \$62.09 + \$1.14/Acre Greater than 10 Acres | \$63.95 + \$1.17/Acre Greater than 10 Acres |
| Minimum Special Tax per Parcel | \$9.21/Acre | \$9.48/Acre |