



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Rick Bruneau
Jill Bourne

**SUBJECT: APPROVAL TO INCREASE THE
LIBRARY PARCEL TAX RATES
FOR FISCAL YEAR 2023-2024**

DATE: May 15, 2023

Approved

Date

5/23/23

RECOMMENDATION

Adopt a resolution increasing the Library Parcel Tax rates for Fiscal Year 2023-2024 by 3% over the Fiscal Year 2022-2023 rates, and approving the placement of the Library Parcel Tax on the Fiscal Year 2023-2024 Santa Clara County Property Tax Roll.

SUMMARY AND OUTCOME

The increase in Library Parcel Tax rates will continue to provide funding to maintain and enhance Citywide library services and facilities through the acquisition of materials, development and delivery of education and digital literacy programs, and to repair, equip, and staff 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 ballot. 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 fiscal year 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 3.00%. 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 United States Department of Labor, Bureau of Labor Statistics. The Bureau of Labor Statistics discontinued the San Francisco-Oakland-San José index in 2018. Starting in fiscal year 2019-2020, the Finance Department has used the Bureau of Labor Statistics' 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 San José Municipal Code.

| Annual Increases in Library Parcel Tax Rate | |
|--------------------------------------------------------|--------------------------------|
| Fiscal Year | Percentage Increase |
| 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% |
| 2023-2024 | 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 2023-2024. Specifically, as outlined in the table below, the CPI for All Urban Consumers for the San Francisco-Oakland-Hayward area, as published by the United States Department of Labor Bureau of Labor Statistics, increased by

5.30% during the period from February 2022 to February 2023. However, per Chapter 4.79 of the San José Municipal Code, the annual increases are capped at 3.00%.

| | |
|---------------------------------------------------|---------|
| CPI February 2023 | 337.173 |
| Less: CPI February 2022 | 320.195 |
| Index Point Change | 16.978 |
| Divided by previous period CPI | 320.195 |
| Percent Change | 5.30% |
| Percentage Change over 3% Cap | 2.30% |
| Proposed 2023-24 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 \$37.98 for fiscal year 2022-2023 to \$39.11 for fiscal year 2023-2024 or an increase of \$1.13 per parcel. The complete Library Parcel Tax schedule is attached to this memorandum (see the **Exhibit** - Library Parcel Tax Rates (FY 2022 - 2023 Actual and FY2023 – 2024 Proposed Library Tax Rates). The exhibit shows the current tax schedule and the proposed tax schedule to be placed on the County of Santa Clara Property Tax Roll for fiscal year 2023-2024 for all types of parcels. Assuming the same land use classifications and number of parcels as in fiscal year 2022-2023, the approximate tax collection for all land use classifications in fiscal year 2023-2024 will be approximately \$10.7 million or an increase of approximately \$300,000 over fiscal year 2022-2023 collections of approximately \$10.4 million.

The collection of the Library Parcel Tax for fiscal year 2023-2024 represents the ninth 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 17% of the San José Public Library System's 2022-2023 Operating Budget and 7% of 2022-2023 Capital Budget.

EVALUATION AND FOLLOW-UP

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

BUDGET REFERENCE

The fiscal year 2023-2024 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 903 in the 2023-2024 Proposed Operating Budget.

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the June 6, 2023 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Statutorily Exempt, File No. PP17-005 CEQA Guidelines Section 15273, adjustment to fees, rates and fares without changes to or expansion of services.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

RICK BRUNEAU
Director of Finance

/s/

JILL BOURNE
City Librarian

For finance-related questions, please contact Rick Bruneau, Director of Finance, at rick.bruneau@sanjoseca.gov. For library-related questions, please contact Jill Bourne, City Librarian, at jill.bourne@sanjoseca.gov.

ATTACHMENT

EXHIBIT – Library Parcel Tax Rates (FY 2022 - 2023 Actual and FY2023 – 2024 Proposed Library Tax Rates)

EXHIBIT
LIBRARY PARCEL TAX RATES
(FY 2022-2023 Actual and FY 2023-2024 Proposed Library Tax Rates)

| Land Use Classification | FY 2022-2023 Parcel Tax Rate | Proposed FY 2023-2024 Parcel Tax Rate (3.00% Increase) |
|---------------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------|
| Single Family Parcels | \$37.98/Parcel | \$39.11/Parcel |
| Condominium/Townhome Parcels | \$37.98/Parcel | \$39.11/Parcel |
| | | |
| Other Residential Parcels (Fraternity, Sorority, Boarding, Rooming House, Farm Labor Camp) | | |
| Up to 20 Units | \$14.21/Unit | \$14.63/Unit |
| 21 to 50 Units | \$280.05+ \$9.48/Unit Greater than 20 Units | \$288.45+ \$9.76/Unit Greater than 20 Units |
| 51 to 100 Units | \$569.34 + \$4.74/Unit Greater than 50 Units | \$586.42 + \$4.88/Unit Greater than 50 Units |
| Over 100 Units | \$806.27 + \$1.91/Unit Greater than 100 Units | \$830.45 + \$1.96/Unit Greater than 100 Units |
| Multi-Family Residential Parcels | | |
| Up to 20 Units | \$19.10/Unit | \$19.67/Unit |
| 21 to 50 Units | \$381.47 + \$12.68/Unit Greater than 20 Units | \$392.91 + \$13.06/Unit Greater than 20 Units |
| 51 to 100 Units | \$762.83 + \$6.34/Unit Greater than 50 Units | \$785.71+ \$6.53/Unit Greater than 50 Units |
| Over 100 Units | \$1,080.24 + \$2.53/Unit Greater than 100 Units | \$1,112.64 + \$2.60/Unit Greater than 100 Units |

EXHIBIT
LIBRARY PARCEL TAX RATES (Continued)
(FY 2022-2023 Actual and FY 2023-2024 Proposed Library Tax Rates)

| Land Use Classification | FY 2022-2023 Parcel Tax Rate | Proposed FY 2023-2024 Parcel Tax Rate (3.00% Increase) |
|------------------------------------|----------------------------------------------------|---------------------------------------------------------------|
| Commercial Parcels | | |
| Less than or equal to 0.5 acre | \$113.89/Acre | \$117.30/Acre |
| Greater than 0.5 acre to 1.0 acre | \$56.93 + \$75.96/Acre Greater than 0.50 Acre | \$58.63 + \$78.23/Acre Greater than 0.50 Acre |
| Greater than 1.0 acre to 5.0 acres | \$94.90 + \$56.93/Acre Greater than 1.00 Acre | \$97.74 + \$58.63/Acre Greater than 1.00 Acre |
| Greater than 5.0 acres to 10 acres | \$322.68 + \$37.98/Acre Greater than 5.00 Acres | \$332.36 + \$39.11/Acre Greater than 5.00 Acres |
| Greater than 10 acres | \$512.54 + \$9.48/Acre Greater than 10 Acres | \$527.91 + \$9.76/Acre Greater than 10 Acres |
| Minimum Special Tax per Parcel | \$18.96/Acre | \$19.52/Acre |
| Professional Parcels | | |
| Less than or equal to 0.5 acre | \$170.84/Acre | \$175.96/Acre |
| Greater than 0.5 acre to 1.0 acre | \$85.43 + \$113.89/Acre Greater than 0.50 Acre | \$87.99 + \$117.30/Acre Greater than 0.50 Acre |
| Greater than 1.0 acre to 5.0 acres | \$142.36 + \$85.43/Acre Greater than 1.00 Acre | \$146.63 + \$87.99/Acre Greater than 1.00 Acre |
| Greater than 5.0 acres to 10 acres | \$484.05 + \$56.93/Acre Greater than 5.00 Acres | \$498.57 + \$58.63/Acre Greater than 5.00 Acres |
| Greater than 10 acres | \$768.82+ \$14.21/Acre Greater than 10 Acres | \$791.88+ \$14.63/Acre Greater than 10 Acres |
| Minimum Special Tax per Parcel | \$28.51/Acre | \$29.36/Acre |

EXHIBIT
LIBRARY PARCEL TAX RATES (Concluded)
(FY 2022-2023 Actual and FY 2023-2024 Proposed Library Tax Rates)

| Land Use Classification | FY 2022-2023 Parcel Tax Rate | Proposed FY 2023-2024 Parcel Tax Rate (3.00% Increase) |
|------------------------------------|----------------------------------------------------|---------------------------------------------------------------|
| Industrial Parcels | | |
| Less than or equal to 0.5 acre | \$56.93/Acre | \$58.63/Acre |
| Greater than 0.5 acre to 1.0 acre | \$28.51 + \$37.98/Acre Greater than 0.50 Acre | \$29.36 + \$39.11/Acre Greater than 0.50 Acre |
| Greater than 1.0 acre to 5.0 acres | \$47.46 + \$28.51/Acre Greater than 1.00 Acre | \$48.88 + \$29.36/Acre Greater than 1.00 Acre |
| Greater than 5.0 acres to 10 acres | \$161.38 + \$18.96/Acre Greater than 5.00 Acres | \$166.22 + \$19.52/Acre Greater than 5.00 Acres |
| Greater than 10 acres | \$256.25 + \$4.74/Acre Greater than 10 Acres | \$263.93 + \$4.88/Acre Greater than 10 Acres |
| Minimum Special Tax per Parcel | \$9.48/Acre | \$9.76/Acre |
| Vacant Parcels | | |
| Less than or equal to 0.5 acre | \$14.20/Acre | \$14.62/Acre |
| Greater than 0.5 acre to 1.0 acre | \$7.10 + \$9.48/Acre Greater than 0.50 Acre | \$7.31 + \$9.76/Acre Greater than 0.50 Acre |
| Greater than 1.0 acre to 5.0 acres | \$11.84 + \$7.10/Acre Greater than 1.00 Acre | \$12.19 + \$7.31/Acre Greater than 1.00 Acre |
| Greater than 5.0 acres to 10 acres | \$40.28 + \$4.74/Acre Greater than 5.00 Acres | \$41.48 + \$4.88/Acre Greater than 5.00 Acres |
| Greater than 10 acres | \$63.95 + \$1.17/Acre Greater than 10 Acres | \$65.86 + \$1.20/Acre Greater than 10 Acres |
| Minimum Special Tax per Parcel | \$9.48/Acre | \$9.76/Acre |