



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 2019-2020**

DATE: May 30, 2019

Approved

D. D. Sy L

Date

5/31/19

RECOMMENDATION

Adopt a resolution increasing the Library Parcel Tax rates for Fiscal Year 2019-2020 by 3.00% over the Fiscal Year 2018-2019 rates and approving the placement of the Library Parcel Tax on the Fiscal Year 2019-2020 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, 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 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 has changed the name of the CPI index to San Francisco-Oakland-Hayward; however, this index continues to cover the City of San José. Per Section 4.79.330 of the Municipal Code, the renamed index is the index to be used for purposes of calculating the annual adjustment to the library parcel tax rate. 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 Chapter 4.79 of the Municipal Code.

| Annual Increases In Library Parcel Tax Rate | |
|--|----------------------------|
| Fiscal Year | Percentage Increase |
| 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% |
| 2019-2020 | 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 Fiscal Year 2019-2020. 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 3.53% during the period from February 2018 to February 2019, however per Chapter 4.79 of the Municipal Code, the annual increases are capped at 3.0%:

| | |
|--|--------|
| CPI February 2019 | 291.23 |
| Less: CPI February 2018 | 281.31 |
| Index Point Change | 9.92 |
| Divided by previous period CPI | 281.31 |
| Percent Change | 3.53% |
| Percentage Change over 3.0% Cap | 0.53% |
| Proposed 2019-20 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 \$34.25 for Fiscal Year 2018-2019 to \$35.28 for Fiscal Year 2019-2020 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 Fiscal Year 2019-2020 for all types of parcels. Assuming the same land use classifications and number of parcels as in Fiscal Year 2018-2019, the approximate tax collection for all land use classifications in Fiscal Year 2019-2020 will be approximately \$9.5 million or an increase of approximately \$278,000 over Fiscal Year 2018-2019 estimated collections of approximately \$9.2 million.

The collection of the Library Parcel Tax for Fiscal Year 2019-2020 represents the fifth 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 19% of the San Jose Public Library System's Operating Budget and 14% of its Capital Budget.

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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 11, 2019 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 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 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 Fiscal Year 2019-2020 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-50 in the 2019-2020 Proposed Operating Budget, and the 2019-2020 Proposed Capital Budget (Page V-229 – V-232).

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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 2018-2019 Actual and FY 2019-2020 Proposed Library Tax Rates)

| Land Use Classification | FY 2018-2019 Parcel Tax Rate | Proposed FY 2019-2020 Parcel Tax Rate (3.00% Increase) |
|---|--|--|
| Single Family Parcels Condominium/Townhome Parcels | \$34.25/Parcel \$34.25/Parcel | \$35.28/Parcel \$35.28/Parcel |
| Other Residential Parcels (Fraternity, Sorority, Boarding, Rooming House, Farm Labor Camp) | | |
| Up to 20 Units | \$12.83/Unit | \$13.21/Unit |
| 21 to 50 Units | \$252.55 + \$8.55/Unit Greater than 20 Units | \$260.13 + \$8.81/Unit Greater than 20 Units |
| 51 to 100 Units | \$513.43 + \$4.28/Unit Greater than 50 Units | \$528.83 + \$4.41/Unit Greater than 50 Units |
| Over 100 Units | \$727.09 + \$1.73/Unit Greater than 100 Units | \$748.90 + \$1.78/Unit Greater than 100 Units |
| Multi-Family Residential Parcels | | |
| Up to 20 Units | \$17.22/Unit | \$17.74/Unit |
| 21 to 50 Units | \$344.01 + \$11.45/Unit Greater than 20 Units | \$354.33 + \$11.79/Unit Greater than 20 Units |
| 51 to 100 Units | \$687.91 + \$5.72/Unit Greater than 50 Units | \$708.55 + \$5.89/Unit Greater than 50 Units |
| Over 100 Units | \$974.15 + \$2.28/Unit Greater than 100 Units | \$1,003.37 + \$2.35/Unit Greater than 100 Units |

EXHIBIT A
LIBRARY PARCEL TAX RATES (Continued)
(FY 2018-2019 Actual and FY 2019-2020 Proposed Library Tax Rates)

| Land Use Classification | FY 2018-2019 Parcel Tax Rate | Proposed FY 2019-2020 Parcel Tax Rate (3.00% Increase) |
|------------------------------------|--|---|
| Commercial Parcels | | |
| Less than or equal to 0.5 acres | \$102.71/Acre | \$105.79/Acre |
| Greater than 0.5 acres to 1.0 acre | \$51.35 + \$68.50/Acre Greater than 0.50 Acres | \$52.89 + \$70.56/Acre Greater than 0.50 Acres |
| Greater than 1.0 acre to 5.0 acres | \$85.58 + \$51.35/Acre Greater than 1.00 Acres | \$88.15 + \$52.89/Acre Greater than 1.00 Acres |
| Greater than 5.0 acres to 10 acres | \$291.00 + \$34.25/Acre Greater than 5.00 Acres | \$299.73 + \$35.28/Acre Greater than 5.00 Acres |
| Greater than 10 acres | \$462.21 + \$8.55/Acre Greater than 10 Acres | \$476.08 + \$8.81/Acre Greater than 10 Acres |
| Minimum Special Tax per Parcel | \$17.11/Acre | \$17.62/Acre |
| Professional Parcels | | |
| Less than or equal to 0.5 acres | \$154.07/Acre | \$158.69/Acre |
| Greater than 0.5 acres to 1.0 acre | \$77.05 + \$102.71/Acre Greater than 0.50 Acres | \$79.36 + \$105.79/Acre Greater than 0.50 Acres |
| Greater than 1.0 acre to 5.0 acres | \$128.38 + \$77.05/Acre Greater than 1.00 Acres | \$132.23 + \$79.36/Acre Greater than 1.00 Acres |
| Greater than 5.0 acres to 10 acres | \$436.52 + \$51.35/Acre Greater than 5.00 Acres | \$449.62 + \$52.89/Acre Greater than 5.00 Acres |
| Greater than 10 acres | \$693.31 + \$12.83/Acre Greater than 10 Acres | \$714.11 + \$13.21/Acre Greater than 10 Acres |
| Minimum Special Tax per Parcel | \$25.71/Acre | \$26.48/Acre |

EXHIBIT A
LIBRARY PARCEL TAX RATES (Concluded)
(FY 2018-2019 Actual and FY 2019-2020 Proposed Library Tax Rates)

| Land Use Classification | FY 2018-2019 Parcel Tax Rate | Proposed FY 2019-2020 Parcel Tax Rate (3.00% Increase) |
|------------------------------------|--|--|
| Industrial Parcels | | |
| Less than or equal to 0.5 acres | \$51.35/Acre | \$52.89/Acre |
| Greater than 0.5 acres to 1.0 acre | \$25.71 + \$34.25/Acre Greater than 0.50 Acres | \$26.48 + \$35.28/Acre Greater than 0.50 Acres |
| Greater than 1.0 acre to 5.0 acres | \$42.81 + \$25.71/Acre Greater than 1.00 Acres | \$44.09 + \$26.48/Acre Greater than 1.00 Acres |
| Greater than 5.0 acres to 10 acres | \$145.53 + \$17.11/Acre Greater than 5.00 Acres | \$149.9 + \$17.62/Acre Greater than 5.00 Acres |
| Greater than 10 acres | \$231.08 + \$4.28/Acre Greater than 10 Acres | \$238.01 + \$4.41/Acre Greater than 10 Acres |
| Minimum Special Tax per Parcel | \$8.55/Acre | \$8.81/Acre |
| Vacant Parcels | | |
| Less than or equal to 0.5 acres | \$12.82/Acre | \$13.20/Acre |
| Greater than 0.5 acres to 1.0 acre | \$6.41 + \$8.55/Acre Greater than 0.50 Acres | \$6.60 + \$8.81/Acre Greater than 0.50 Acres |
| Greater than 1.0 acre to 5.0 acres | \$10.68 + \$6.41/Acre Greater than 1.00 Acres | \$11.00 + \$6.60/Acre Greater than 1.00 Acres |
| Greater than 5.0 acres to 10 acres | \$36.33 + \$4.28/Acre Greater than 5.00 Acres | \$37.42 + \$4.41/Acre Greater than 5.00 Acres |
| Greater than 10 acres | \$57.67 + \$1.06/Acre Greater than 10 Acres | \$59.40 + \$1.09/Acre Greater than 10 Acres |
| Minimum Special Tax per Parcel | \$8.55/Acre | \$8.81/Acre |