



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

**SUBJECT: APPROVAL TO INCREASE THE
LIBRARY PARCEL TAX
FOR FISCAL YEAR 2006-2007**

DATE: June 5, 2006

Approved

Date

6-12-06

Council District: CITY-WIDE

RECOMMENDATION

Adoption of a resolution increasing the Library Parcel Tax rates for FY 2006-2007 by 2.0% over the FY 2005-2006 rates and approving the placement of the Library Parcel Tax on the FY 2006-07 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 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, which was then approved by the required two-thirds vote. The Library Parcel Tax took effect July 1, 2005 for FY 2005-2006 and shall continue in effect for each fiscal year thereafter until 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 2005-06 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. The resulting tax collection for FY 2005-06 amounted to approximately \$6,150,000.

As described below, City Council action is required to increase the Library Parcel Tax rates for FY 2006-07 and to place the Library Parcel tax on the County property tax roll. The City must submit Library Parcel Tax rate schedule to the County no later than August 10, 2006.

ANALYSIS

Per the Ordinance, commencing with FY 2006-2007, the City Council may, by resolution of the City Council, increase the Library Parcel Tax rate 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%. For purposes of calculating any increase to the Library Parcel Tax rate for FY 2006-2007, the Base Period shall be the period commencing July 1, 2005 and ending on March 31, 2006. The specific CPI required to be used for the calculation is the All Urban Consumers, published by the U.S. Department of Labor, Bureau of Labor Statistics (“BLS”) for the San Francisco-Oakland-San José area, with all items included.

The BLS collects and reports CPI data for the San Francisco-Oakland-San José area on a bi-monthly basis, in even months (i.e., February, April, June, etc.). As a result, the indexes used for the Base Period commencing July 1, 2005 and ending on March 31, 2006 were August 2005 and February 2006, respectively. During the period from August 2005 to February 2006, the CPI increased 2.0%, as follows:

| | |
|--------------------------------|-------|
| CPI February 2006 | 207.1 |
| | |
| Less: CPI August 2005 | 203.0 |
| | |
| Index Point Change | 4.1 |
| | |
| Divided by previous period CPI | 203.0 |
| | |
| Percent Change | 2.0% |

The proposed 2.0% increase will bring the rates to \$25.50 per single-family or condominium/townhome parcel, or an increase of \$0.50 per parcel over FY 2005-2006 rates. The complete Library Parcel Tax rate schedule, showing both current rates and the proposed rates to be placed on the County property tax roll for FY 2006-07 is set out in the attached Exhibit A. Assuming the same land use classifications and number of parcels as in FY 2005-2006, the approximate tax collection for all land use classifications in FY 2006-2007 will be \$6.3 million or an increase of approximately \$150,000 over FY 2005-2006 collections.

Future Year Rate Calculations

In years subsequent to FY 2006-2007, the Base Period to be considered in calculating any increase in the Library Parcel Tax rate is for the period from April 1 through March 31. Due to the timing and availability of CPI data published by BLS, the indexes to be used for future calculations will be for the period from February to February.

Honorable Mayor and City Council

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PUBLIC OUTREACH

San José voters approved the Library Parcel Tax in the November 2004 election by slightly more than the two-thirds required vote, committing this funding for ten years to maintain and enhance Libraries.

COORDINATION

This item has been prepared by the Finance Department in coordination with the Library Department and City Attorney's Office.

COST IMPLICATIONS

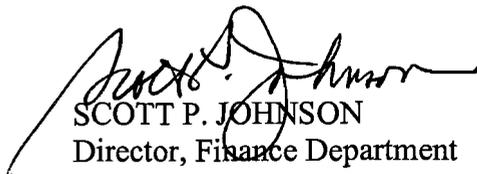
The enhancements to library services and facilities will be funded by the parcel tax.

BUDGET REFERENCE

The Library Parcel Tax is appropriated in the 2006-2007 Proposed Operating Budget (Page XI-44) and the 2007-2011 Proposed Capital Improvement Program (Page V-234).

CEQA

Not a project.


SCOTT P. JOHNSON
Director, Finance Department

For questions please contact Scott P. Johnson, the Director of Finance at (408) 535-7000.

**EXHIBIT A
LIBRARY PARCEL TAX RATES**

(FY 2005-06 Actual and FY 2006-07 Proposed Library Tax Rates)

| | FY 2005-06 | Proposed FY 2006-07 |
|---|---|---|
| Land Use | Parcel | Parcel Tax |
| Classification | Tax Rate | Rate (2.0% Increase) |
| Single Family Parcels | \$25.00/Parcel | \$25.50/Parcel |
| Condominium/Townhome Parcels | \$25.00/Parcel | \$25.50/Parcel |
| Other Residential Parcels (Fraternity, Sorority, Boarding, Rooming House, Farm Labor Camp) | | |
| Up to 20 Units | \$9.37/Unit | \$9.56/Unit |
| 21 to 50 Units | \$184.40 + \$6.25/Unit Greater than 20 Units | \$188.09 + \$6.38/Unit Greater than 20 Units |
| 51 to 100 Units | \$374.90 + \$3.12/Unit Greater than 50 Units | \$382.40 + \$3.18/Unit Greater than 50 Units |
| Over 100 Units | \$530.90 + \$1.25/Unit Greater than 100 Units | \$541.52 + \$1.28/Unit Greater than 100 Units |
| Multi-Family Residential | | |
| Up to 20 Units | \$12.56/Unit | \$12.81/Unit |
| 21 to 50 Units | \$251.20 + \$8.37/Unit Greater than 20 Units | \$256.22 + \$8.54/Unit Greater than 20 Units |
| 51 to 100 Units | \$502.30 + \$4.18/Unit Greater than 50 Units | \$512.35 + \$4.26/Unit Greater than 50 Units |
| Over 100 Units | \$711.30 + \$1.67/Unit Greater than 100 Units | \$725.53 + \$1.70/Unit Greater than 100 Units |
| Commercial Parcels | | |
| Less than or equal to 0.5 acres | \$75.00/Acre | \$76.50/Acre |
| Greater than 0.5 acres to 1.0 acre | \$37.50 + \$50.00/Acre Greater than 0.50 Acres | \$38.25 + \$51.00/Acre Greater than 0.50 Acres |
| Greater than 1.0 acre to 5.0 acres | \$62.50 + \$37.50/Acre Greater than 1.0 Acres | \$63.75 + \$38.25/Acre Greater than 1.0 Acres |
| Greater than 5.0 acres to 10 acres | \$212.50 + \$25.00/Acre Greater than 5.0 Acres | \$216.75 + \$25.50/Acre Greater than 5.0 Acres |
| Greater than 10 acres | \$337.50 + \$6.25/Acre Greater than 10.0 Acres | \$344.25 + \$6.38/Acre Greater than 10.0 Acres |
| Minimum Special Tax per Parcel | \$12.50/Parcel | \$12.75/Parcel |

| | FY 2005-06 | Proposed FY 2006-07 |
|------------------------------------|---|---|
| Land Use | Parcel | Parcel Tax |
| Classification | Tax Rate | Rate (2.0% Increase) |
| Professional Parcels | | |
| Less than or equal to 0.5 acres | \$112.50/Acre | \$114.75/Acre |
| Greater than 0.5 acres to 1.0 acre | \$56.25 + \$75.00/Acre Greater than 0.50 Acres | \$57.38 + \$76.50/Acre Greater than 0.50 Acres |
| Greater than 1.0 acre to 5.0 acres | \$93.75 + \$56.25/Acre Greater than 1.0 Acres | \$95.63 + \$57.38/Acre Greater than 1.0 Acres |
| Greater than 5.0 acres to 10 acres | \$318.75 + \$37.50/Acre Greater than 5.0 Acres | \$325.13 + \$38.25/Acre Greater than 5.0 Acres |
| Greater than 10 acres | \$506.25 + \$9.37/Acre Greater than 10.0 Acres | \$516.38 + \$9.56/Acre Greater than 10.0 Acres |
| Minimum Special Tax per Parcel | \$18.75/Parcel | \$19.13/Parcel |
| Industrial Parcels | | |
| Less than or equal to 0.5 acres | \$37.50/Acre | \$38.25/Acre |
| Greater than 0.5 acres to 1.0 acre | \$18.75 + \$25.00/Acre Greater than 0.50 Acres | \$19.13 + \$25.50/Acre Greater than 0.50 Acres |
| Greater than 1.0 acre to 5.0 acres | \$31.25 + \$18.75/Acre Greater than 1.0 Acres | \$31.88 + \$19.13/Acre Greater than 1.0 Acres |
| Greater than 5.0 acres to 10 acres | \$106.25 + \$12.50/Acre Greater than 5.0 Acres | \$108.38 + \$12.75/Acre Greater than 5.0 Acres |
| Greater than 10 acres | \$168.75 + \$3.12/Acre Greater than 10.0 Acres | \$172.13 + \$3.18/Acre Greater than 10.0 Acres |
| Minimum Special Tax per Parcel | \$6.25/Parcel | \$6.38/Parcel |
| Vacant Parcels | | |
| Less than or equal to 0.5 acres | \$9.36/Acre | \$9.55/Acre |
| Greater than 0.5 acres to 1.0 acre | \$4.68 + \$6.25/Acre Greater than 0.50 Acres | \$4.77 + \$6.38/Acre Greater than 0.50 Acres |
| Greater than 1.0 acre to 5.0 acres | \$7.80 + \$4.68/Acre Greater than 1.0 Acres | \$7.96 + \$4.77/Acre Greater than 1.0 Acres |
| Greater than 5.0 acres to 10 acres | \$26.52 + \$3.12/Acre Greater than 5.0 Acres | \$27.05 + \$3.18/Acre Greater than 5.0 Acres |
| Greater than 10 acres | \$42.12 + \$0.78/Acre Greater than 10.0 Acres | \$42.96 + \$0.80/Acre Greater than 10.0 Acres |
| Minimum Special Tax per Parcel | \$6.25/Parcel | \$6.38/Parcel |