



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

**SUBJECT: APPROVAL TO ESTABLISH THE
LIBRARY PARCEL TAX
FOR FISCAL YEAR 2008-2009**

DATE: May 27, 2008

Approved

Christine J. Shippy

Date

6-3-08

Council District: CITY-WIDE

RECOMMENDATION

Adopt a resolution increasing the Library Parcel Tax rates for FY 2008-2009 by 2.77% over the FY 2007-2008 rates and approving the placement of the Library Parcel Tax on the FY 2008-2009 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. The Library Parcel Tax was approved by the required two-thirds vote of the electorate. 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 2005-2006 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. The resulting tax collection for FY 2005-2006 amounted to approximately \$6.15 million.

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In June 2006, the City Council adopted Resolution No. 73304 approving a 2.0% increase in Library Parcel Tax rates for FY 2006-2007. The resulting tax collection for FY 2006-2007 amounted to approximately \$6.3 million.

In June 2007, the City Council adopted Resolution No. 73844 approving a 3.0% increase in Library Parcel Tax rates for FY 2007-2008. Library Parcel Tax rates for FY 2007-2008 were set at \$26.27 per single-family or condominium/townhome parcel and varying rates for other residential, industrial and vacant parcels. The resulting tax collection for FY 2007-2008 amounted to approximately \$6.5 million.

ANALYSIS

Per the San José Library and Reading protection Ordinance, commencing with FY 2006-2007, the City Council may, by resolution of the City Council, 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, 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.). For FY 2006-2007, the Ordinance specified the period for measuring CPI as the time period from July 1, 2005 (the Ordinance's effective date) through March 31, 2006 ("Base Period"). However, due to the timing and availability of CPI data published by BLS, the Base Period used was August 2005 through February 2006.

For purposes of calculating any increase to the Library Parcel Tax rates for each fiscal year following FY 2006-07, the Ordinance specifies that the Base Period shall be the period from April 1 through March 31, commencing with April 1, 2006 through March 31, 2007. Due to the timing and availability of the CPI data, the period used for the FY 2007-08 calculation was February 2006 (the end of the first CPI adjustment period) through February 2007. Future CPI adjustments will continue to use the February through February time period.

During the period from February 2007 to February 2008, the CPI increased, resulting in a proposed increase of 2.77% to the FY 2008-09 Library Parcel Tax rates as shown below:

CPI February 2008	219.61
Less: CPI February 2007	213.69
Index Point Change	5.92
Divided by previous period CPI	213.69
Percent Change	2.77%
Proposed 2008-09 Library Parcel Tax Rate Increase	2.77%

The proposed 2.77% increase will bring the rates to \$27.00 per single-family or condominium/townhome parcel, or an increase of \$0.73 per parcel over FY 2007-2008 rates. The complete Library Parcel Tax rate schedule is attached to this memorandum (See Exhibit A). The exhibit shows the current rates and the proposed rates to be placed on the County Property Tax Roll for FY 2008-2009 for all types of parcels. Assuming the same land use classifications and number of parcels as in FY 2007-2008, the approximate tax collection for all land use classifications in FY 2008-2009 will be approximately \$6.7 million or an increase of approximately \$200,000 over FY 2007-2008 collections.

POLICY ALTERNATIVES

Not applicable.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Although this item does not meet any of the criteria listed above, the memorandum will be posted on the City's website for the June 17 Council Agenda. As stated above, City voters

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

COORDINATION

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

COST SUMMARY/IMPLICATIONS

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

BUDGET REFERENCE

The Library Parcel Tax provides funding to various appropriations in the 2008-2009 Proposed Operating Budget (Page XI-51) and the 2009-2013 Proposed Capital Improvement Program (Page V-233-235).

CEQA

Not a project.


SCOTT P. JOHNSON
Director, Finance

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

Attachment

EXHIBIT A
LIBRARY PARCEL TAX RATES
(FY 2007-08 Actual and FY 2008-09 Proposed Library Tax Rates)

Land Use Classification	FY 2007-08 Parcel Tax Rate	Proposed FY 2008-09 Parcel Tax Rate (2.77% Increase)
Single Family Parcels	\$26.27/Parcel	\$27.00/Parcel
Condominium/Townhome Parcels	\$26.27/Parcel	\$27.00/Parcel
Other Residential Parcels (Fraternity, Sorority, Boarding, Rooming House, Farm Labor Camp)		
Up to 20 Units	\$9.85/Unit	\$10.12/Unit
21 to 50 Units	\$193.73 + \$6.57/Unit Greater than 20 Units	\$199.10 + \$6.75/Unit Greater than 20 Units
51 to 100 Units	\$393.87 + \$3.28/Unit Greater than 50 Units	\$404.78 + \$3.37/Unit Greater than 50 Units
Over 100 Units	\$557.77 + \$1.32/Unit Greater than 100 Units	\$573.22 + \$1.36/Unit Greater than 100 Units
Multi-Family Residential Parcels		
Up to 20 Units	\$13.19/Unit	\$13.56/Unit
21 to 50 Units	\$263.91 + \$8.80/Unit Greater than 20 Units	\$271.22 + \$9.04/Unit Greater than 20 Units
51 to 100 Units	\$527.72 + \$4.39/Unit Greater than 50 Units	\$542.34 + \$4.51/Unit Greater than 50 Units
Over 100 Units	\$747.30 + \$1.75/Unit Greater than 100 Units	\$768.00 + \$1.80/Unit Greater than 100 Units
Commercial Parcels		
Less than or equal to 0.5 acres	\$78.80/Acre	\$80.98/Acre
Greater than 0.5 acres to 1.0 acre	\$39.40 + \$52.53/Acre Greater than 0.50 Acres	\$40.49 + \$53.99/Acre Greater than 0.50 Acres
Greater than 1.0 acre to 5.0 acres	\$65.66 + \$39.40/Acre Greater than 1.0 Acres	\$67.48 + \$40.49/Acre Greater than 1.0 Acres
Greater than 5.0 acres to 10 acres	\$223.25 + \$26.27/Acre Greater than 5.0 Acres	\$229.43 + \$27.00/Acre Greater than 5.0 Acres
Greater than 10 acres	\$354.58 + \$6.57/Acre Greater than 10.0 Acres	\$364.40 + \$6.75/Acre Greater than 10.0 Acres
Minimum Special Tax per Parcel	\$13.13/Parcel	\$13.49/Parcel

Land Use Classification	FY 2007-08 Parcel Tax Rate	Proposed FY 2008-09 Parcel Tax Rate (2.77% Increase)
Professional Parcels		
Less than or equal to 0.5 acres	\$118.19/Acre	\$121.46/Acre
Greater than 0.5 acres to 1.0 acre	\$59.10 + \$78.80/Acre Greater than 0.50 Acres	\$60.74 + \$80.98/Acre Greater than 0.50 Acres
Greater than 1.0 acre to 5.0 acres	\$98.50 + \$59.10/Acre Greater than 1.0 Acres	\$101.23 + \$60.74/Acre Greater than 1.0 Acres
Greater than 5.0 acres to 10 acres	\$334.88 + \$39.40/Acre Greater than 5.0 Acres	\$344.16 + \$40.49/Acre Greater than 5.0 Acres
Greater than 10 acres	\$531.87 + \$9.85/Acre Greater than 10.0 Acres	\$546.60 + \$10.12/Acre Greater than 10.0 Acres
Minimum Special Tax per Parcel	\$19.70/Parcel	\$20.25/Parcel
Industrial Parcels		
Less than or equal to 0.5 acres	\$39.40/Acre	\$40.49/Acre
Greater than 0.5 acres to 1.0 acre	\$19.70 + \$26.27/Acre Greater than 0.50 Acres	\$20.25 + \$27.00/Acre Greater than 0.50 Acres
Greater than 1.0 acre to 5.0 acres	\$32.84 + \$19.70/Acre Greater than 1.0 Acres	\$33.75 + \$20.25/Acre Greater than 1.0 Acres
Greater than 5.0 acres to 10 acres	\$111.63 + \$13.13/Acre Greater than 5.0 Acres	\$114.72 + \$13.49/Acre Greater than 5.0 Acres
Greater than 10 acres	\$177.29 + \$3.28/Acre Greater than 10.0 Acres	\$182.20 + \$3.37/Acre Greater than 10.0 Acres
Minimum Special Tax per Parcel	\$6.57/Parcel	\$6.75/Parcel
Vacant Parcels		
Less than or equal to 0.5 acres	\$9.84/Acre	\$10.11/Acre
Greater than 0.5 acres to 1.0 acre	\$4.91 + \$6.57/Acre Greater than 0.50 Acres	\$5.05 + \$6.75/Acre Greater than 0.50 Acres
Greater than 1.0 acre to 5.0 acres	\$8.20 + \$4.91/Acre Greater than 1.0 Acres	\$8.43 + \$5.05/Acre Greater than 1.0 Acres
Greater than 5.0 acres to 10 acres	\$27.86 + \$3.28/Acre Greater than 5.0 Acres	\$28.63 + \$3.37/Acre Greater than 5.0 Acres
Greater than 10 acres	\$44.25 + \$0.82/Acre Greater than 10.0 Acres	\$45.48 + \$0.84/Acre Greater than 10.0 Acres
Minimum Special Tax per Parcel	\$6.57/Parcel	\$6.75/Parcel