



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jane E. Light

SUBJECT: REPLACEMENT FUNDING
SOURCE FOR LIBRARY
BENEFIT ASSESSMENT
DISTRICT

DATE: 07-16-04

Approved

Date

7/21/04

Council District: Citywide

RECOMMENDATION

- A. Adoption of a resolution of the City Council ordering, on its own motion, the submission to the electors of the City of San José, at the General Municipal Election to be held on November 2, 2004, a measure to impose an annual special tax in the form of a parcel tax for library purposes.
- B. Adoption of a resolution stating the City Council's intention that the base General Fund level of funding support for the Library Department will not fall below that of fiscal year 2004-05, to be determined by the City Manager's Budget Office, but in no case lower than 3.79% of the City's General Fund budget.

BACKGROUND

In November, 1994, an advisory vote of the San José electorate supported (with a 65% affirmative vote) the establishment of a ten-year Library Benefit Assessment District to contribute directly to the Library's budget. The revenues were to provide needed funding for the San José Public Library System to acquire new books, magazines, computers, and other materials; to improve educational programs and other services for children, adults, and seniors; and to repair and upgrade libraries.

Prior to the advisory vote on the Library Benefit Assessment District, the Council approved a resolution declaring the Council's intent to maintain the current City funding levels for the Library Department in the event that the City formed a Library Benefit Assessment District. This was done to assure the voters that assessment revenues would not simply replace budgeted general funds. The Library Benefit

Assessment District sunsets in fiscal year 2004-05, which means this is the final year for revenue collection.

In November, 2000, the voters of San José approved the upgrade and expansion of the library facilities in their communities with passage of Measure O, the Library Bond measure, which is on track to expand fourteen current branches and construct six new library branches in San José. Bond funding can only be used for construction-related costs. It cannot be used for the costs of operating the City's library system.

This fiscal year is the tenth and final year of collection of the Library Benefit Assessment District funds. As a result of Proposition 218 restrictions, the Library Benefit Assessment District (Assessment District) is no longer the appropriate mechanism to provide dedicated library funding. If continued alternative funding through the Library Parcel Tax is not approved, the Library Department will lose almost \$6.2 million annually.

By Resolution No. 72035, the City Council previously called for a General Municipal election to be held on November 2, 2004. Staff recommends that the Library Parcel Tax measure, described below, be placed on the November ballot.

ANALYSIS

Proposed Measure

The City Attorney's Office has determined that a parcel tax is the most appropriate funding measure to replace the Library Benefit Assessment District and continue dedicated funding for the San José Public Library. The proposed ten-year Library Parcel Tax will be an annual special tax in the form of a parcel tax. The parcel tax requires approval by a two-thirds majority of the voters. Recent residential surveys indicate widespread community approval of the Library and the willingness of the voters to continue support for dedicated funding at the same level as currently paid.

The rate schedule and the types of properties charged are proposed to mirror the current Assessment District's fees. Accordingly, the annual Library Parcel Tax for fiscal year 2005-06 will continue to be \$25 for single-family residences, condominiums and townhomes, and proportional for other properties based on the 1995 benefit formula approved by City Council for the Assessment District. The tax rate schedule for the property classifications subject to the proposed tax is attached to this memo as Exhibit A. The City Attorney's Office will separately distribute the ordinance that, if approved by the voters, would impose the Library Parcel Tax.

The Library Parcel Tax will not generate any additional revenue in fiscal year 2005-06. In future years, the proposed measure would increase the tax rate by a Bay Area cost of living rate limited to no more than three percent annually. The proposed parcel tax, with this cost of living adjustment, will maintain specially funded services at their current level. It will be unable to meet the needs of the City's growing library system as new libraries are opened.

The proposed language of the measure to be placed on the November ballot is as follows:

SAN JOSE LIBRARY AND READING PROTECTION MEASURE

To support neighborhood libraries, including:
buying needed books and materials;
preventing severe reductions in hours;
preventing deep cuts in children's reading programs;

YES	
NO	

shall the City of San José replace the expiring library assessment with an annual parcel tax in the same amount, \$25 for single-family residences and proportional for other properties, adjusted for inflation capped at 3% annually, limited to ten years and subject to independent audits and citizen oversight?

Use of Library Parcel Tax

The Library Parcel tax proceeds will be deposited in a special fund and will be spent exclusively on library purposes, including:

1. the acquisition of library books and materials and related costs to maintain library collections at all libraries;
2. development and delivery of homework and educational programs for all age groups to support literacy and lifelong learning;
3. the repair, equipping, and staffing of libraries; and
4. the cost of collection and administration of the Library Parcel Tax.

Oversight and Reporting

The City Council will appoint an Oversight Committee upon passage of the measure which will report annually to the City Council regarding expenditure of the Library Parcel Tax proceeds. The expenditure of these proceeds will also be reviewed annually by the City's outside auditor in connection with the preparation of the City's audited financial statements.

Need for Continued Funding--Impacts

The current Library Benefit Assessment District has provided needed funding for more than 1,500,000 new books and materials. The system circulation has dramatically increased 180%, from 4.8 million items in 1994-95 to nearly 13.5 million items last year. In addition, it has funded nearly two-thirds of all computers used by the public for general and school-related research. Staff who conduct children's programs and provide access to materials at all libraries have been funded from this special source.

If continued funding from the Library Parcel Tax is not approved in November, 2004, the Library Department will lose almost \$6.2 million annually. Without dedicated Library funding, the City's library system and customers will suffer immediately:

- The Library Department will be unable to purchase seven out of ten books and other library materials needed annually. This will result in a library collection that is no longer current and up-to-date.
- Outdated and worn materials will not be replaced.
- The Library will not have adequate revenues to maintain and keep current with library technology, such as self service checkout machines and computers for homework center and public use.
- Over forty positions (one in eight of the department's current staff) would be eliminated.
- Branches would close several days per week.
- Reading programs and other important children's services such as homework assistance and after-school programs would be deeply cut or eliminated.
- Longer delivery delays of library materials to customers and critical lapses in technology maintenance would occur.
- Services for customers wanting to improve their English, improve their reading skills, and obtain citizenship would be severely cut or eliminated.

Declaration of Council Intent Regarding Library Funding

The proposed Library Parcel Tax is essential to ongoing operating and capital funding for the San José Library Department. To assure voters that funding from parcel tax revenues will not replace budgeted general funds, a resolution is recommended that states the Council's intent that the base General Fund level of funding support for the Library Department will not fall below that of fiscal year 2004-05.

PUBLIC OUTREACH

The sunseting of the Library Benefit Assessment District has generated a renewed effort on the part of the Library to share information with the community about the services and materials provided by virtue of the current Assessment District. Information boards and flyers are posted in all branch locations and at several public service points at the King Library to ensure that the community is aware of our special funding dependence. Members of the Library Commission are attending public meetings in neighborhoods throughout San José to communicate the Library Department's need for funding continuation.

COORDINATION

The Library Department has coordinated this memo with the City Manager's Office, the City Attorney's Office, and the Office of the City Clerk, and the Finance Department.

HONORABLE MAYOR AND CITY COUNCIL

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COST IMPLICATIONS

If the proposed library parcel tax ballot measure is not approved by City Council for voter consideration, or should the voters not pass the measure by a two-thirds affirmative vote, the net cost implication to the City is a loss of \$6.2 million annually in funding dedicated to library services.

CEQA

Exemption, PP04-07-219.



JANE E. LIGHT
Director, Library Department

Attachment



**EXHIBIT A
LIBRARY PARCEL TAX RATES**

Land Use Classification	Tax Rate
Single Family Parcels	\$25.00/Parcel
Condominium/Townhome Parcels	\$25.00/Parcel
Other Residential Parcels (<i>Fraternity, Sorority, Boarding, Rooming House, Farm Labor Camp</i>)	
Up to 20 Units	\$9.37/Unit
21 to 50 Units	\$184.40 + \$6.25/Unit Greater than 20 Units
51 to 100 Units	\$374.90 + \$3.12/Unit Greater than 50 Units
Over 100 Units	\$530.90 + \$1.25/Unit Greater than 100 Units
Multi-Family Residential	
Up to 20 Units	\$12.56/Unit
21 to 50 Units	\$251.20 + \$8.37/Unit Greater than 20 Units
51 to 100 Units	\$502.30 + \$4.18/Unit Greater than 50 Units
Over 100 Units	\$711.30 + \$1.67/Unit Greater than 100 Units
Commercial Parcels	
Less than or equal to 0.5 acres	\$75.00/Acre
Greater than 0.5 acres to 1.0 acre	\$37.50 + \$50.00/Acre Greater than 0.50 Acres
Greater than 1.01 acre to 5.0 acres	\$62.50 + \$37.50/Acre Greater than 1.00 Acres
Greater than 5.01 acres to 10 acres	\$212.50 + \$25.00/Acre Greater than 5.00 Acres
Greater than 10 acres	\$337.50 + \$6.25/Acre Greater than 10.00 Acres
Minimum Tax per Parcel	\$12.50/Parcel
Professional Parcels	
Less than or equal to 0.5 acres	\$112.50/Acre
Greater than 0.5 acres to 1.0 acre	\$56.25 + \$75.00/Acre Greater than 0.50 Acres
Greater than 1.01 acre to 5.0 acres	\$93.75 + \$56.25/Acre Greater than 1.00 Acres
Greater than 5.01 acres to 10 acres	\$318.75 + \$37.50/Acre Greater than 5.00 Acres
Greater than 10 acres	\$506.25 + \$9.37/Acre Greater than 10.00 Acres
Minimum Tax per Parcel	\$18.75/Parcel

**EXHIBIT A
LIBRARY PARCEL TAX RATES**

Land Use Classification	Tax Rate
Industrial Parcels	
Less than or equal to 0.5 acres	\$37.50/Acre
Greater than 0.5 acres to 1.0 acre	\$18.75 + \$25.00/Acre Greater than 0.50 Acres
Greater than 1.01 acre to 5.0 acres	\$31.25 + \$18.75/Acre Greater than 1.00 Acres
Greater than 5.01 acres to 10 acres	\$106.25 + \$12.50/Acre Greater than 5.00 Acres
Greater than 10 acres	\$168.75 + \$3.12/Acre Greater than 10.00 Acres
Minimum Tax per Parcel	\$6.25/Parcel
Vacant Parcels	
Less than or equal to 0.5 acres	\$9.36/Acre
Greater than 0.5 acres to 1.0 acre	\$4.68 + \$6.25/Acre Greater than 0.50 Acres
Greater than 1.01 acre to 5.0 acres	\$7.80 + \$4.68/Acre Greater than 1.00 Acres
Greater than 5.01 acres to 10 acres	\$26.52 + \$3.12/Acre Greater than 5.00 Acres
Greater than 10 acres	\$42.12 + \$0.78/Acre Greater than 10.00 Acres
Minimum Tax per Parcel	\$6.25/Parcel