

CITY OF FERNLEY ADVISORY QUESTION TO PURSUE LEGISLATION

This question is advisory only.

Do you support the City of Fernley pursuing legislation to authorize an increase of up to \$.05 per gallon in the tax on diesel fuel sold in Fernley, with the proceeds to be controlled by and used by the City of Fernley for the sole purpose of construction, maintenance, and repair of public roads within the City of Fernley?

Yes..... No.....

EXPLANATION

The tax on diesel fuel is set by the Nevada Legislature. Currently, that tax is imposed at a rate of \$.27 per gallon. All proceeds from the tax are distributed to the State Highway Fund and primarily used by the Nevada Department of Transportation for the construction, maintenance and repair of public highways throughout Nevada. This advisory question will measure support among Fernley voters for efforts to seek legislation to increase the tax on diesel fuel in Fernley by up to an additional \$.05 per gallon, with the proceeds of any such increase to be controlled and used exclusively by the City of Fernley for the sole purpose of construction, maintenance and repair of public roads within the City of Fernley. The proposed question is advisory only and is not binding on the City of Fernley City Council, but may ultimately result in the creation, generation, or increase of public revenues.

The response to this advisory question will be used to pursue legislation during the 2019 Legislative Session.

ARGUMENT IN FAVOR OF PURSUING LEGISLATION

A YES VOTE, will allow the citizens of Fernley to gain a consistent flow of revenue which will be dedicated to a Reserved Budget Line item, that may only be used for the maintenance of and eventual replacement our city's roads that can be enjoyed by future generations of Fernley residents, and cannot be redistributed by larger governmental agencies.

A YES VOTE, will not impact local farmers, home heating needs, or construction operations which have diesel fuel delivered to on site tanks.

A YES VOTE, will provide a consistent source of road maintenance revenue which is largely collected from the huge volume of transient diesel trucks passing through Fernley, which have increasingly chosen one of Fernley's 3 truck stops to refuel before entering Washoe County or California, that are known to have much higher local or state taxes than the 5 cents we propose.

There are approximately 120 miles of paved roads within Fernley City Limits that require maintenance by the City. The 40 miles of roads owned by the State of Nevada and maintained by NDOT, such as Main Street, 50 A, 95A, and Farm District Rd. Unless City roads are routinely maintained (every 7 years) they degenerate prematurely and require replacement at approximately 1/3 of the life expectancy of properly maintained roads. Our City does have a road maintenance program in place to properly recondition 1/7 of our roads each year in the form of crack and/or chip seal reconditioning. This allows our roads to meet or even exceed full life expectancy. In the long run, this saves our future Fernley residents many millions of dollars in the cost of premature replacement of our roads.

The City of Fernley's Road Maintenance Program is seriously under-funded. The City receives some revenue from the Regional Transportation Commission (RTC). There is also the Lyon County Road Tax Fund, referred to as the "777 Road Tax Fund". The County pledged to Fernley upon its incorporation in 2001 a proportional share of revenue, when all county roads and public right of ways within the new City were turned over to the City. However, the residents of Fernley soon learned that when budgets are tight, Lyon County did not distribute any money to the City for the 777 Road Tax Fund

During the economic downturn the City was forced to temporarily suspend its Road Maintenance Program. Since then, revenue is still slow to rise due to the reset of the property tax cap. Fortunately, the City has been able to reinstate its Road Maintenance Program on a very limited basis. The lack of road repair funding will continue unless a new revenue source is added as soon as possible.

ARGUMENT AGAINST PURSUING LEGISLATION

Although the need for additional revenue for road maintenance and improvements in the City of Fernley is recognized, the advisory question regarding the pursuit of legislation authorizing up to a \$0.05 per gallon increase in diesel fuel tax represents an ill-conceived, unfair attempt to raise that revenue. The main reasons that this initiative should be voted down are listed below.

1. This question does not redirect existing County taxes to the City; its intent is to create a new CITY tax by lobbying the state legislature and asking for this new tax. Do you want the citizens of Fernley to be known statewide as the ones who requested a new tax that could potentially impact other cities across the state?
2. This tax will be passed onto you as a consumer whether or not you own a diesel vehicle. You will increase the likelihood that you will pay more for goods and services that are delivered by vehicles that consume diesel fuel.
3. Local businesses will be negatively impacted if pass-through trucking can find cheaper alternatives outside City of Fernley limits. Raising the diesel fuel tax will increase the likelihood of them finding cheaper alternatives. If a new city tax is passed, the rest Lyon County and other surrounding communities would have cheaper diesel prices than the City of Fernley.
4. Remember, truckers and those who pass through the city have an option as to where to buy their fuel. If you live here, what are your options in purchasing diesel fuel? Will you take your business elsewhere?

We believe there are better, fairer proposals to raise needed revenue for roads. A smaller tax on all fuel, including gasoline, might not have such a negative effect on one segment of our transportation and might not have as large of an overall negative economic impact, but could still be able to raise significant money for road maintenance and improvements. Greater efforts to collaborate with other governmental entities to secure state federal funds related to transportation could help, particularly with the Nevada Department of Transportation. Lastly, some of the manufacturing and distributing companies who are bringing large diesel trucks into our City and profiting off of a strong economy could be asked to help finance road improvements, particularly on City streets directly used and accessed for carrying their products.

REBUTTAL TO ARGUMENT "AGAINST" PURSUING LEGISLATION

Opposition suggests that the County may be willing to allow existing tax revenue to be redirected to the City. Lyon County has an established record of withholding tax revenue from the City, whenever, the County budget is challenged, such as occurred with the 777 Road Tax. Therefore, it's in the best interest of the citizens of Fernley secure our own revenue source for the maintenance our streets, that can be counted on.

City of Fernley is already experiencing a lack of respect by other jurisdictions across Nevada for not getting its fair share of the Consolidated Tax Fund. The Nevada Legislature has repeatedly indicated that we as a city should solve our own problems. Washoe County's voters approved a gas tax to help in their road maintenance funds, resulting in respect for approving that tax by the Legislature and Governor.

Raising prices on goods and services is more of a national and regional issue that if this tax is approved by the voters, it is unlikely it will affect local businesses and consumers in a negative way. Fernley fueling stations will still capture the lion's share of transient truck traffic.

This ballot question is requesting a very small 5 cent tax on only diesel fuel sold at pumps in the City of Fernley, which happens to have 3 of the most active truck stops along the I-80 corridor. A 5-Cent Diesel Tax would be a fraction of what Washoe County's fuel taxes are and would not likely affect the trucker's choice in re-fueling stops. Fernley's Truck Stop will still be the cheapest option for hundreds of miles.

A 5-Cent Diesel Fuel Tax would not impact those who do not own diesel vehicles, which is the vast majority of Fernley citizens. However, this tax would create a dependable and significant source of revenue, mainly from transient traffic, to help maintain our city streets.

"Asking" manufacturing and distributing companies for donations for street revenue is not a valid point. The better long-term solution is establishing Special Assessment Districts, that are collected with industrial property taxes. City streets in industrial park areas, such as East Newlands, are much thicker commercially-rated roads. They are much more expensive to build, maintain, and replace due to the heavy volume of truck traffic around them. They need to be taken care of financially by those companies that use them.

REBUTTAL TO ARGUMENT "FOR" PURSUING LEGISLATION

The basis of needing some sort of additional revenue for road improvement in the City of Fernley is recognized by both sides. The main point of contention with the FOR argument is how that additional revenue is proposed to be collected. A diesel fuel tax has many issues which the FOR argument simply ignores. Although the majority of this tax revenue would be collected from transient diesel trucks, consideration for how this will affect local business is not properly conveyed. Professionals in transportation will absolutely plan their fueling stops around prices, as their profitability depends on it, so trucks will begin bypassing Fernley (just like they bypass the Reno/Sparks area) for stops like Fallon, Lovelock, Winnemucca, Carson City, and other parts of Lyon County, even if the difference in price is "only" 5 cents. This will also have a negative trickle-down effect on the whole economy of Fernley, as less truck stops means less business for everyone.

The issues of working with Lyon County to secure additional revenue for the City of Fernley should be solved rather than consistently used as an excuse. With a comprehensive plan of working with County and State officials to explain dilemmas in funding for the City in a logical manner, we believe that the City of Fernley could do much more to help repair or create relationships that could lead to more revenue for road repairs. If a tax is necessary after every other avenue for increasing revenue is exhausted, the tax

should equally affect all residents of Fernley, not just diesel owners and users. A smaller tax on both gasoline and diesel would be a more equitable solution for everyone that would not hurt the Fernley economy as much as the current proposal. For these reasons, this specific questions deserves a NO vote.

FISCAL NOTE

There are no fiscal impacts, no expected environmental impacts nor other impacts on public safety (and other elements in the statute) because this is an advisory question to pursue legislation.

The aggregate fiscal impact is unknown and is dependent on whether legislation to increase the tax on diesel fuel sold in Fernley is adopted. However, if such legislation is ultimately adopted then any person purchasing diesel fuel in Fernley will experience an increase in the tax on diesel fuel by up to \$.05 per gallon. The City of Fernley City Council may issue bonds based on increased revenues if deemed appropriate and viable. If such an increase is enacted, there is no anticipated expiration date.