

Meeting Date: October 3, 2018
Agenda Item: # _____

Mission Statement

To provide our growing dynamic community excellent municipal services to make Fernley a great place to live, work, and play. Together, we enhance the desirability, safety, friendliness, aesthetics and quality of life in our city.

CITY OF FERNLEY CITY COUNCIL MEETING STAFF REPORT

REPORT TO: Mayor & City Council
REPORT THRU: **Daphne Hooper, City Manager**
REVIEWED BY: Brandi Jensen, City Attorney
REVIEWED BY: Denise Lewis, Finance Director
AGENDA ITEM: Discussion and possible direction for staff to proceed with a Business Impact Statement relating to an increase to the current Transient Lodging Tax rate from 9% to 11%.

ACTION REQUESTED: Consent Ordinance Resolution Motion Receive/File

RECOMMENDED ACTION BY CITY COUNCIL:

“I move to direct staff to initiate a Business Impact Statement process to possibly increase the current Transient Lodging Tax rate from 9% to 11%.”

Key Points:

1. The City of Fernley's Transient Lodging Tax rate currently assessed and collected is 9%. The average TLT in the state of Nevada is 10.9%.
2. The Transient Lodging Tax revenue assessed and collected increases on average 10% a year.
3. Fifty percent (50%) of the TLT is committed for the construction, operation and maintenance of the City of Fernley Convention/Civic Center and fifty percent (50%) is made available to be disbursed in the form of grants to organizations that promote, develop and improve tourism to and within the City of Fernley.

POLICY REFERENCE

<i>Nevada Statutes:</i>	<i>NRS 268.095</i>
<i>Fernley Municipal Code:</i>	<i>FMC Title 26, Chapter 3</i>
<i>Policies & Procedure Manual:</i>	<i>N/A</i>
<i>Community Assessment:</i>	<i>N/A</i>
<i>Other:</i>	

SUPPORTING INFORMATION

History of Transient Lodging Tax

The Transient Lodging Tax (TLT) is authorized to be collected under Nevada Revised Statute section 268.095.

Prior to December 2009, Lyon County assessed and collected the TLT in the City of Fernley. The TLT rate, at that time, was six percent (6%).

The City of Fernley adopted Ordinance #2009-18 on November 4, 2009 which authorized the City to implement a mandatory room tax on all transient lodging within the city limits. The ordinance became effective December 1, 2009, and the City of Fernley started collecting 6% TLT. One percent (1%) of the six percent (6%) the City collected was distributed between Lyon County and the State of Nevada Department of Taxation. The remaining 5% was to be distributed as follows: 2% to the park and recreation fund; 2% paid to the civic facilities fund; and 1% paid to the general obligation fund to be used to:

- pay the principal, interest or any other indebtedness on any general or special obligations issued by the City;
- for the expense of operating or maintaining, or both, any facilities of the city; and
- for any other purposes for which other money of the city may be used.

Shortly thereafter, on December 16, 2009, the City Council amended the allocations, uses and purposes of the TLT proceeds under Ordinance #2009-022. While the 1% continued to be distributed between Lyon County (5/8 of 1%) and the State of Nevada Department of Taxation (3/8 of 1%), the remaining 5% was to be allocated to a Transient Lodging Tax Fund and that the distribution of the funds collected from the TLT can be changed by the City Council by resolution. This modification removed the original designation of 2% into the park and recreation fund, 2% paid to civic facilities fund and the 1% into the general obligation fund.

In February of 2010, the Fernley Convention and Tourism Authority (FCTA) was created by City Council. Per the FCTA Budget (2.04.04):

- City of Fernley Convention and Tourism Authority Board programs and operating expenses shall be funded from the City's TLT Fund generated by the Transient Lodging Tax, grants, donations and admission charges. The City Manager's Office shall be responsible for submitting the annual operating budget to the City Treasurer, Mayor, and City Council.
- Disbursement of Funds: FCTA Board recommendations for disbursement of funds to outside agencies shall not exceed 50% of the revenue generated by the TLT.
- Convention/Civic Center: The remainder of the funds generated by the transient lodging tax, no less than 50%, shall be collected and used for the construction, operation, and maintenance of the City of Fernley Convention/Civic Center.
- The distribution of funds and allowed uses of funds generated by the Transient Lodging Tax may be amended by Resolution of the City Council.

In August 2010, Ordinance #2010-013 was adopted by City Council which increased the TLT from six percent (6%) to nine percent (9%).

In November 2011, City Council modified the penalty notification for non-compliant monthly Transient Lodging Tax returns, including late or failure to file tax report or return.

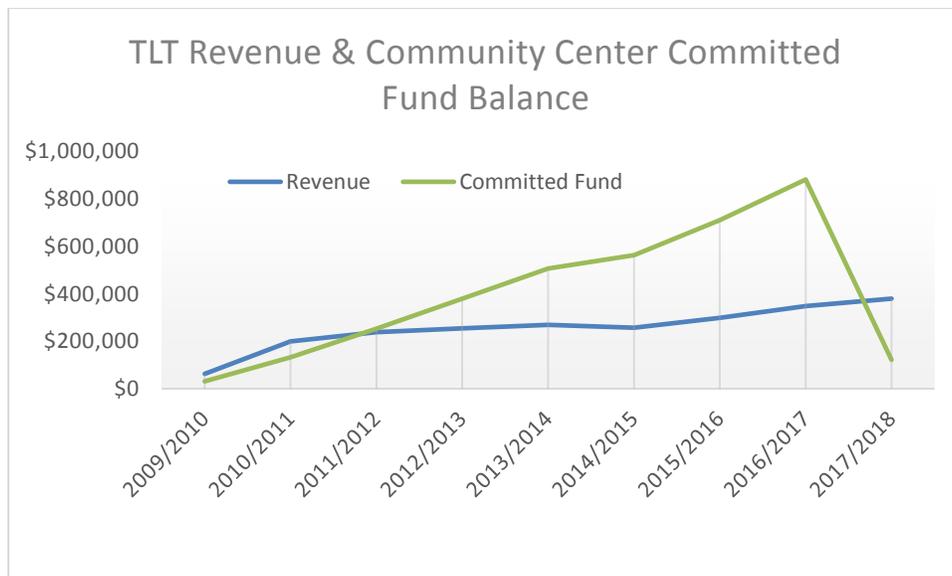
Transient Lodging Tax Revenue & Allocation to Community Center Committed Fund

The table and graph below shows the TLT revenue and the Committed Fund balance for the community center over the last nine fiscal years; information received from the City of Fernley Comprehensive Annual Financial Reports (CAFR).

The City of Fernley started collecting a 6% TLT in fiscal year 2009/2010 for a total revenue of \$62,728. In fiscal year 2010/11, the Council increased the TLT tax to 9% and the TLT revenue increased to \$199,144, a 217% jump from the previous year. In the next three fiscal years from 2011/12 to 2013/14, the TLT revenue increased each year until FY2014/15 there was a slight 5% decrease in TLT revenue. In the last three fiscal years, 2015/16, 2016/17, and 2017/18 the TLT revenue has increased \$298,576; \$349,262; and, \$379,903 respectively.

Fiscal Year	Revenue	Revenue % Change	Committed Fund Balance
2009/2010	\$62,728	N/A	\$31,364
2010/2011	\$199,144	217%	\$132,588
2011/2012	\$238,712	20%	\$252,876
2012/2013	\$254,530	7%	\$379,458
2013/2014	\$269,248	6%	\$507,599
2014/2015	\$256,968	-5%	\$562,851
2015/2016	\$298,576	16%	\$710,306
2016/2017	\$349,262	17%	\$882,421
2017/2018	\$379,903	9%	\$121,423

In July 2017, City Council authorized the purchase of property behind The Depot for \$950,000 for our future community center. The current Committed Fund Balance as of the end of FY 2017/2018 is \$121,423.



Lodging Tax Rates by County as of July 1, 2018

The Lodging Tax Rates by County as of July 1, 2018 lists rural and urban jurisdictions in the state of Nevada and their Transient Lodging Tax rate. The TLT ranges from 5% to 16%. The lowest tax rate is 5% in Lincoln County and the highest tax rate is 16% in West Wendover. The average room tax is 10.9%. The jurisdictions closest to the City of Fernley TLT rate ranges from 6% in Yerington to 14% in Reno and Sparks. Lovelock is 12% and Fallon is 9%.

TLT Revenue at 9%, 11% and Difference

The table below show the TLT revenue at 9% in yellow and 11% in blue from July 2017 to June 2018. The green shows the differences in TLT revenue from 9% to 11%. If the TLT rate was 11% from July 2017 to June 2018 the total additional revenue would be \$87,062.62.

	July 2017	Aug 2017	Sept 2017	Oct 2017	Nov 2017	Dec 2017
9%	39,025.60	29,155.75	47,702.23	42,621.49	29,343.48	45,608.33
11%	47,697.96	35,634.81	58,302.73	52,092.94	35,864.25	55,743.51
Difference	8,672.36	6,479.06	10,600.50	9,471.44	6,520.77	10,135.18

	Jan 2018	Feb 2018	March 2018	April 2018	May 2018	June 2018
9%	25,068.56	17,308.75	20,722.74	32,999.91	27,990.84	34,234.11
11%	30,639.35	21,155.13	25,327.79	40,333.22	34,211.03	41,841.69
Difference	5,570.79	3,846.39	4,605.05	7,333.31	6,220.19	7,607.58

Business Impact Study Timeline

Pursuant to NRS 237.080, the City is required to prepare a Business Impact Statement prior to adopting a rule to determine whether the proposed rule will impose a direct and significant economic burden upon a business. Upon Council direction, staff will conduct a Business Impact Statement, staff will solicit public comment regarding the proposed increase beginning October 4, 2018 by mailing the Business Impact Statement letter to any owners and officers of businesses which are likely to be affected by the proposed tax rate increase. A Public Hearing regarding the proposed increase will be scheduled during a regular council meeting on October 17, 2018. The Business Impact Statement results will be brought forth to City Council for discussion and approval on December 5, 2018 at the regular council meeting. The City Council may then initiate the process to modify ordinance Title 4, Chapter 2 of the Fernley Municipal Code establishing a higher rate for transient lodging tax through a proposed bill.

FINANCIAL INFORMATION

FISCAL IMPACT:

1. Is There A Fiscal Impact?	No
2. Is it Currently Budgeted?	n/a
3. If Budgeted, Which Line Item/Account?	

FISCAL SYNOPSIS:
There is a fiscal impact, should the Council decide to proceed, however it would be a positive impact to revenue. This staff report just requests direction, so there is not fiscal impact for this decision

PRIOR COUNCIL ACTION/REVIEW

In November of 2009, Council unanimously passed Bill #138, Ordinance 2009-018 for the assessment of a transient lodging tax (TLT) in the total amount of 6%, with 1% distributed to the Department of Taxation and Lyon County. The remaining 5% was to be distributed as follows: 2% to the park and recreation fund; 2% paid to the civic facilities fund, including for the purpose of constructing, purchasing, or otherwise acquiring such facilities; and 1% paid to the general obligation fund to be used to:

- a) pay the principal, interest or any other indebtedness on any general or special obligations issued by the City;
- b) for the expense of operating or maintaining, or both, any facilities of the city; and
- c) for any other purposes for which other money of the city may be used.

In December of 2009, Bill #142, Ordinance 2009-022 passed unanimously to modify the TLT, depositing all of the 5% of

the tax into a TLT fund, removing the original designation of 2% into the park and recreation fund and the 1% into the general obligation fund.

In February of 2010, Bill #147, Ordinance 2010-006 passed 4-0 amending the municipal code by establishing the Fernley Convention and Tourism Authority. Looking specifically at item 2.04.05 the budget states:

(B) Disbursement of Funds: FCTA Board recommendations for disbursement of funds to outside agencies shall not exceed 50% of the revenue generated by the TLT.

(C) Convention/Civic Center: The remainder of the funds generated by the transient lodging tax, no less than 50%, shall be collected and used for the construction, operation, and maintenance of the City of Fernley Convention/Civic Center.

(D) The distribution of funds and allowed uses of funds generated by the Transient Lodging Tax may be amended by Resolution of the City Council.

In August of 2010, Bill #157, Ordinance 2010-013 passed 3-2 to modify the TLT in the total amount of 9%. 1% of the total paid to the Department of Taxation and Lyon County, with the 8% deposited into the transient lodging tax fund.

Lastly in December of 2011, Bill #170, Ordinance 2011-009 passed unanimously to modify the penalty for non-compliant monthly transient lodging tax returns and other matters.

ATTACHED INFORMATION

Copy of Lodging Tax Rates FY 2018 – Verified