



**Meeting Date:** 12.19.2018  
**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.

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**FERNLEY CITY COUNCIL MEETING - STAFF REPORT**

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**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 action to approve the Business Impact Statement, a conclusion based on the Business Impact Study and public comments received regarding the proposed increase of the Transient Lodging Tax from 9% to 11%.

**ACTION REQUESTED:** \_Consent \_Ordinance \_Resolution \_Motion \_Receive/File

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**RECOMMENDED ACTION BY CITY COUNCIL**

Staff recommends the following action: "I Move to approve the Business Impact Statement, a conclusion on the Business Impact Study and public comments received regarding a proposed increase of the Transient Lodging Tax from 9% to 11%. Further, Council directs staff to bring back a Bill, modifying Title 26 (Taxation), Chapter 3 of the Fernley Municipal Code, by increasing the assessment of the Transient Lodging Tax from 9% to 11%.

**Key Points:**

1. An increase in the transient lodging tax will affect a variety of motel, hotel, and RV Park customers.
2. The 2% room tax increase would add \$1.48 to \$2.14 a night to the average room rate.
3. 50% of the transient lodging tax revenue is committed to the construction, operation, and maintenance of the future Fernley Community Center. The planning of the Fernley Community Center is projected to be completed by the end of current fiscal year.
4. The projected increase in revenue generated from the 2% increase is \$87,062.
5. The Fernley Community Center committed fund balance at the end of FY 2017/2018 was \$121,423.

## **POLICY REFERENCE**

*Nevada Statutes:* NRS 268.095

*Fernley Municipal Code:* FMC Title 26, Chapter 3

*Policies & Procedure Manual:*

*Community Assessment:* N/A

*Other:*

## **SUPPORTING INFORMATION**

On October 3<sup>rd</sup>, 2018 Council directed staff to start a business impact study on the potential increase of the transient lodging tax from 9% to 11%, and specifically address who will be mostly affected by the tax increase and the average length of stay. Transient Lodging Tax, also sometimes called the “room tax,” applies to the rent that is charged to guests staying in motels, hotels, recreational vehicle parks and other short-term rentals located in the City of Fernley. Room tax rates vary from city to city. In the state of Nevada, the room tax rates range from 5% to 16%. The surrounding counties and cities room tax range from 6% to 13.5%. The current City of Fernley room tax is 9%. The hotel guest is responsible for paying the tax.

The City of Fernley has two motels: Extended Stay and Lahontan Motels. The motel average length of stay is one week to three weeks plus with a few nightly stays and almost no event stays. The type of customers they service are usually work crews and people in housing transition.

The City of Fernley has three hotels: Best Western Fernley Inn, Super 8, and Comfort Suites. The hotel average length of stay varies from one night to an extended stay of a couple of weeks. The hotels customers are either passing through Fernley, visiting family or friends, attending a local event staying, or customers in housing transition.

The City of Fernley has four RV parks: Desert Rose RV Park, Fernley RV Park, Kornegay’s RV Park, and Best Western RV Park. Two of the RV Parks in business no longer rent nightly or weekly but monthly. The estimated lost in room tax revenue is calculated at \$2418.29 a month. In the last five years, the City of Fernley RV Parks account for 3.40% at best, of the total TLT collected and last year RV Parks accounted for only 2.65% of the TLT collected.

### **Purpose of Tax Increase**

Increasing the room tax will place the City of Fernley in a better financial position to pay for the construction, operation, and maintenance of the future Fernley Community Center. The measure will enact a modest 2% increase in the tax paid by out-of-town visitors staying in the City of Fernley motels, hotels, and other short-term rentals. Over the year, the average monthly room rate from the transient lodging motel and hotel rentals in the City of Fernley ranges from \$73.84 a night to \$106.83 a night. The additional 2% room tax would add an additional \$1.48 a night to \$2.14 a night. Visitors or businesses choosing not to stay in Fernley and drive 30-50 miles will quickly offset the modest savings by the increased travel costs.

### **Options**

In researching the TLT rates in the state of Nevada, staff found that some jurisdictions assess the motels and hotels at a higher tax percentage rate than the RV Parks. For example, Mineral County lodging tax rate for hotels and motels is 12% and RV Parks is 10%.

The City uses the transient lodging tax funds to promote tourism to the Fernley and to fund the

future Fernley Community Center: 50% is disbursed to outside agencies to promote tourism to Fernley and the other 50% is committed to the Fernley Community Center. Per Ordinance #2011-005 section 2.04.05 (d) the distribution of funds and allowed uses of funds generated by the TLT may be amended by Resolution of the City Council. Staff would like the City Council to consider changing the allocation to 60% to the Fernley Community Center and 40% to promote tourism.

The projected increase in revenue generated from the 2% increase is \$87,062. To put the City of Fernley in a better financial position to pay for the construction of the community center, staff recommends the 2% is put aside for the community center only.

**FINANCIAL INFORMATION**

**FISCAL IMPACT:**

- 1. Is There a Fiscal Impact? Yes
- 2. Is it Currently Budgeted? No
- 3. If Budgeted, Which Line Item/Account?  
225-310-300

**FISCAL SYNOPSIS:**

Increasing the room tax may increase the transient lodging tax revenue.

**PRIOR COUNCIL ACTION/REVIEW**

October 3, 2018 – Council approved staff to initiate a business impact statement process to possibly increase the transient lodging tax from 9% to 11%.

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

August 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 TLT fund-transient lodging tax of the City.

February 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 committed 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.

December 2009 - Bill #142, Ordinance 2009-022 passed unanimously to modify the TLT, depositing all of the 5% of the tax into a TLT fund, the transient lodging tax of the City, removing the original designation of 2% into the park and recreation fund and the 1% into the general obligation fund.

November 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.

**ATTACHED INFORMATION**

Attachment A: Business Impact Statement – Transient Lodging Tax Increase 11%

Public Comment

Lodging Tax Rates by County as of July 1, 2018