

**LOCAL GOVERNMENT
FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: March 26, 2015

Agency Submitting: Local Government

Items of Revenue or Expense, or Both	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Effect on Future Biennia
Total	0	0	0	0

Explanation

(Use Additional Sheets of Attachments, if required)

See attached.

Name Michael Nakamoto

Title Deputy Fiscal Analyst

The following responses from local governments were compiled by the Fiscal Analysis Division. The Fiscal Analysis Division can neither verify nor comment on the figures provided by the individual local governments.

Local Government Responses
A.B. 332 / BDR 28 - 256

City/County: **City of Henderson**

Approved by: Mike Cathcart, Business Operations Manager

Comment: This legislation could impact the City's ability to keep certain items in supply that need to be replaced quickly do to a public safety concern. As an example, our Traffic division keeps a supply of streetlight poles on hand in the event of an accident or knockdown, and bids out the on-call replacement of those poles to a contractor. The poles are kept in stock for expedience. If this legislation were to pass, the City would have to pay the sales tax on those poles, increasing that cost by 8.1%. The fiscal impact cannot be determined because the decision would need to be made on whether the City continued to pre-order certain items and pay the sales tax or only acquire the items when needed and project is put out to bid.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **City of Las Vegas**

Approved by: Michelle Thackston, Administrative Secretary

Comment: AB 332 amends NRS 338 which will prohibit the city from procuring materials for installation by a Contractor or require us to pay taxes on those items we procure for installation by a Contractor. In addition, the bill seems like it would require taxes to be paid through the Contractor and not the material supplier.

The immediate fiscal impact of implementing this bill is an 8.1% increase on all items directly procured, along with an expected increase in material costs. Additional costs reported by Public Works would total approximately \$2,671,030 per year, which would include administrative costs, punitive damages, required owner furnished materials and specific costs related only to the Wastewater Treatment Plant.

Additional Comments:

The Benefits of directly procuring the items and having the Contractor install them are:

- Do not have to pay taxes (this is a benefit but in most cases not the City's primary concern)
- Can standardize materials across the City by independently procuring in contrast to low-bidder selecting technology based on specifications
- Can utilize an RFP to evaluate/select new technology
- Can finalize design drawings (some equipment are infrastructure dependent)
- Can avoid construction delays by ordering long-lead items while construction is being bid
- Post-construction maintenance calls go directly to equipment supplier and avoid GC coordination
- Enable to City to get better material pricing and avoiding contractor and subcontractor markups which could be up to 30%

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **City of Sparks**

Approved by: Jeff Cronk, Financial Services Director

Comment: This bill would impact the City by increasing certain public works projects at least by the amount of the applicable sales tax rate (currently 7.725% in Washoe County).

Additional costs are expected from delaying or lengthening the bidding/purchasing process.

We are unable to make a specific fiscal impact estimate as this is tied to future events; however, we do believe that the fiscal impact would result in a fairly significant increase in public works costs.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **City of Reno**

Approved by: Ryan High, Budget/Strat. Initiatives Mgr.

Comment: The City of Reno anticipates a negative fiscal impact as a result of this legislation in terms of increased costs to various public work projects within the City's Public Works and Parks and Recreation departments. While noting a negative fiscal impact, the City cannot estimate a specific dollar amount in future fiscal years due to unknown quantities and pricing of construction materials or goods requiring the payment of state or local taxes should the City have to contract pursuant to Section 1 subsection 2 of the proposed legislation.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

City/County: **Carson City**

Approved by: Nickolas A. Providenti, Finance Director

Comment: This would have a fiscal impact to Carson City. We anticipate we would have to pay an additional \$100,000 per year (average) in additional costs of projects if this bill were to become law.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$100,000	\$100,000	\$200,000

City/County: **Churchill County**

Approved by: Eleanor Lockwood, Countu Manager

Comment: BDR 28-256 would prohibit the purchase of materials by a local government that are turned over for installation by a contractor without the payment of sales/use taxes. It would make such contracts void and a gross misdemeanor, exclusively enforceable by the Attorney General. The fine to the local government would be 2 times the identified tax or \$500,000, whichever is greater. This would prevent Churchill County from materials for various projects and having a contractor install them. This will have a fiscal impact on the County, but it is difficult to determine.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **Clark County**

Approved by: David Dobrzynski, Assistant Director of Finance

Comment: Fiscal Impact cannot be determined. This bill would make Public Works projects more expensive where the public body provides any construction materials or goods to be used on the public work. No estimate on how many projects could be affected.

The \$500,000 penalty for violations of provisions of subsection 1 being deducted from the amount of money otherwise payable from the proceeds of any tax distribution to the public body is a major fiscal impact if imposed.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **Humboldt County**

Approved by: Ben Garratt, County Road Supervisor

Comment: Numerous projects are completed with both contractor crews and public forces. All materials on these annual maintenance projects would be subject to taxes. Public entities would be forced to change the way project contracts were awarded. Project costs would increase, resulting in less projects in the future. Tracking of material cost subject to tax and the ones not subjected to tax will be quite labor intensive.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$43,000	\$50,000	\$93,000

City/County: **Washoe County**

Approved by: Liane Lee, Government Affairs Manager

Comment: Based on the wording of this bill and within the context of NRS 338 I have interpreted the way that Washoe County purchases equipment and materials outside of a construction contract the fiscal impact will be fairly small, around \$20,000 per year.

Occasionally large pieces of equipment, a chiller for example, will be purchased under NRS 332 by Washoe County, additionally this does allow WC to purchase the equipment without paying sales taxes.

If the intent of this bill is to require the local government to pay sales tax on all items listed in the body of the text in general and supersede the following:

NRS 338.011 Applicability: Contracts related to normal operation and normal maintenance; contracts related to emergency. The requirements of this chapter do not apply to a contract:

1. Awarded in compliance with chapter 332 or 333 of NRS which is directly related to the normal operation of the public body or the normal maintenance of its property.

Then the fiscal impact will be the cost of sales tax on materials that are purchased in the maintenance of public works or approximately \$200,000 per year.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

City/County: **White Pine County**

Approved by: Elizabeth Frances, Finance Director

Comment: In the next several years the County is scheduled to undertake multiple public works projects. This will increase the total cost to the County for these projects by 7.725% for all goods required. The total additional cost is estimated at approximately one million dollars over the next five years. For a small County these are very large amounts that are shifted from the County to the State and other entities that receive portions of the sales tax. This would have a huge adverse impact to the County that currently struggles to meet its obligation to provide for the capital improvement needs required.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$250,000	\$250,000	\$1,000,000

School District: **Carson City School District**

Approved by: Andrew J Feuling, Director of Fiscal Services

Comment: We try to minimize costs wherever we can so that we get the taxpayers the most "bang for their buck" when it comes to the education and educational facilities we can provide to the students and community of Carson City. This type of opportunity does not come up often here, but it would seem to me that it benefits us to find lower pricing on items, so that our dollars go further. When those dollars are purchasing more economic activity, they should in turn generate even more economic activity through a multiplier effect. It is not clear what the dollar value of this change would be, other than negative.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

School District: **Clark County School District**

Approved by: Nikki Thorn, Deputy CFO

Comment: The impact to CCSD would be approximately \$61,560 annually based on average affected purchases of \$760,000 X 8.10% (sales tax rate).

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$61,560	\$61,560	\$123,120

School District: **Douglas County School District**

Approved by: HOLLY LUNA, CFO, BUSINESS SERVICES

Comment: Will have negative fiscal impact if passed. However, there is not sufficient information to determine or calculate the effects or to provide a meaningful or substantial submittal on behalf of the school district. Additionally, the impact will vary and would depend on the construction and / or renovation of the school district (tied to our 5 year CIP Plan).

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

School District: Esmeralda County School District Approved by: Monie L. Byers, Superintendent Comment: Cannot determine impact because the BDR addresses government purchasing and bidding.				
Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

School District: Lincoln County School District Approved by: Steve Hansen, Superintendent Comment: No fiscal impact in Lincoln County because sales tax is computed in the bid by subcontractors. Budgets must contain sales tax for subcontractors.				
Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
No Impact	\$0	\$0	\$0	\$0

School District: Lyon County School District Approved by: Philip Cowee, Director of Finance Comment: No Impact				
Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
No Impact	\$0	\$0	\$0	\$0

School District: Nye County School District Approved by: Kerry Paniagua, Executive Secretary Comment: This would prevent the District from buying any construction materials/supplies for the purpose of avoiding an installing contractor from paying sales/use tax on materials.				
Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$0	\$0	\$0

School District: Pershing County School District Approved by: Dan Fox, Superintendent Comment: There should not be an impact on the district since what's trying to be stopped has not been practiced by the district in the past.				
Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
No Impact	\$0	\$0	\$0	\$0

School District: Storey County School District Approved by: Robert Slaby , Superintendent Comment: Possible increase cost by contractors.				
Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Cannot Be Determined	\$0	\$0	\$0	\$0

School District: **Washoe County School District**

Approved by: Lindsay E. Anderson, Director of Government Affairs

Comment: Occasionally the Washoe County School District procures materials for school construction projects due to technical reasons and thus do not pay sales tax on those materials. Those savings are reinvested into additional capital projects. However this practice is not done to avoid sales tax but to meet construction deadlines. On average, this saves the district roughly \$65,000 per year.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
Has Impact	\$0	\$65,000	\$65,000	\$65,000

School District: **White Pine County School District**

Approved by: Paul Johnson, CFO

Comment: All costs for construction project have typically been supplied by the contractor and taxes passed through the contract.

Impact	FY 2014-15	FY 2015-16	FY 2016-17	Future Biennia
No Impact	\$0	\$0	\$0	\$0

The following cities, counties and school districts did not provide a response: Boulder City, City of Elko, City of Mesquite, City of North Las Vegas, Douglas County, Elko County, Esmeralda County, Eureka County, Lander County, Lincoln County, Lyon County, Mineral County, Nye County, Pershing County, Storey County, Churchill County School District, Elko County School District, Eureka County School District, Humboldt County School District, Lander County School District, and Mineral County School District.