

## ATTACHMENT B

### City of Fernley Business Impact Statement Business License Fee Restructure 2016

The following Business Impact Statement (BIS) was prepared pursuant to Nevada Revised Statute (NRS) 237.090 revising the City of Fernley business license fee schedule.

1. The following constitutes a description of the number of the manner in which comment was solicited from affected businesses, namely businesses categorized as "Commercial", a summary of their responses and an explanation of the manner in which other interested persons may obtain a copy of the summary. All "Commercial" businesses within the City of Fernley may be affected by the proposed rule.
  - a. **NOTICE:**
    - i. A public notice regarding the proposed changes to the business license fee structure was made available to persons of interest using the following methods:
      1. A notice was mailed on January 25, 2016 to 367 businesses categorized as "Commercial" in the City of Fernley licensing database. This notice included a public comment card with an invitation to attend two (2) separate public workshops. The proposed fee schedule was also included in the mailing as well as City Clerk contact information.
      2. A public notice was posted in the Fernley Leader Courier newspaper on January 27 and February 3, 2016. The notice provided the proposed business license fee restructure, who might be affected by the fee changes, invitation to the public workshops, and City Clerk contact information.
      3. A notice was posted to the City website, [www.cityoffernley.org](http://www.cityoffernley.org) and the City Facebook page, providing links to the proposed fee schedule and public comment card, and information regarding the two (2) public workshops.
      4. The notice, public comment cards, and proposed fee schedule was made available at the City Clerk's office at 595 Silver Lace Blvd, Fernley, NV 89408.
      5. Two (2) public workshops were held at the City of Fernley, City Council Chambers, on February 22, 2016 at 5:30 pm and on February 27, 2016 at 10:00 am. Notices, the proposed fee schedule, and public comment cards were provided at both workshops.
      6. Copies of this Statement and the comment cards can be obtained from the City Clerk's office.
2. The estimated economic effect of the proposed rule on businesses, including, without limitation, both adverse and beneficial effects, and both direct and indirect effects:
  - a. Of the 367 notices mailed out, the City Clerk's office received 10 written public comment cards and fielded several telephone calls regarding the proposed business license fee restructure. The effects and benefits named in the public comments are summarized below:
    - i. Adverse effects:

1. The increased license fees have not been included in the business budgets for this year. By imposing the higher fees with insufficient notice the new rule would create a financial hardship on businesses.
2. There will be adverse effects on companies with low profit margins.
3. The "Specialty License" fee for RV Parks is too high and would cause people who normally camp in Fernley to go to Reno/Sparks and would place a financial burden on the business owner especially for unrented spaces. This would cause the business to require higher nightly fees for the customers.
4. There is opportunity for businesses to be deceitful of their actual gross receipts reported to the City therefore resulting in businesses not paying their fair share of license fees.
5. Extra work added to City staff for processing more complicated business license fees.
6. The cost of an audit if the City has reason to believe a financial discrepancy exists with the gross receipts of a business.
7. The business is a retirement investment, raising the business license fee would affect their retirement.
8. Concern of higher business license fees affecting new businesses wanting to come to Fernley.
9. Large and permanent increase to companies fixed overhead costs that restrict margins

ii. Beneficial Effects:

1. If additionally license fees were added to the General Fund and reserved for City street maintenance and improvements, the citizens and customers would have better roads to drive on, specifically East Newlands Drive and the industrial area.
2. If additional license fees were added to the General Fund and reserved for City parks maintenance and improvements, the residents would have better parks.
3. Proposed increased fees on businesses that have a higher impact on the City infrastructure such as roads and streets will allow for improvements to be made to public safety, prevent or reduce hazards in our community by proactive road maintenance verses reactive repairs.

iii. Direct Effects:

1. An expense to the business owner(s).
2. Unbudgeted expense for this budget year.
3. City streets inventory degrades daily and without proper maintenance and improvement can deteriorate further causing road hazards.
4. City parks and playground equipment have a shelf life that with time is deteriorating. New equipment and field repair is needed for safe environment for parks users.

iv. Indirect Effects:

- a. Potential inability to fund streets maintenance and improvements in the future.

***Staff reviewed the comments above and amendments to the fee schedule were suggested and incorporated into the proposed Resolution. Additionally, if this new rule is imposed, Title 3 of the Fernley Municipal Code will require updating and will be brought to Council for proposal and adoption in the near future.***

3. The following is a description of the methods the local government considered to reduce the impact of the proposed rule on business and a statement regarding whether any, and if so which, of these methods were used:
  - a. The limit for the gross receipts multiplier increased from \$400,000+ to \$500,000+.
  - b. After receiving feedback from business owners/managers it is the opinion of staff that the gross receipts payment method is tiered in over a period of time to reduce the impact on businesses.
  - c. Contractors to be charged gross receipts for the revenue earned in the City of Fernley and not out of town projects. The base fee is required regardless of gross receipts.
  - d. Possible fee exemption for Home-based sole proprietors who obtain a business license exemption from the State of Nevada. These businesses would be eligible for City of Fernley business license fee exemption, if criteria is met:
    - i. Home-based businesses will need to comply with all federal, State, and local regulations to qualify for the exemption.
    - ii. Annual registration and renewal required.
    - iii. In the event home-based exemptions are not approved: staff recommends implementing a home-based hobby/crafter license or permit and exempt a business license fee from those hobby/crafters:
      1. The business must earn less than \$5,000/annually and must register with the City annually.
      2. The business must comply with all federal, State, and local regulations.
  - e. The business must register annually with the City of Fernley and pay a one-time \$25 application fee.
  - f. The business must apply for State exemption and City of Fernley exemption annually. In the event they can no longer obtain a State exemption, the City would require the business to obtain a home-based business license and pay the annual business license fee of \$75.
  - g. RV & Mobile Trailer Parks were restructured allowing for additional units at a lower annual fee.
  
4. The City of Fernley estimates the annual cost to the local government for enforcement of the proposed rule will be minimal. Initial cost to change functions of the software program, additional copy materials to mail the new rule out with annual invoices, legal posting of the new Resolution(s) in the Fernley Leader Courier newspaper, and additional staff time to provide customer service and guidance will be estimated at less than \$3,000.00
  - a. The level of compliance with the new rule can increase the cost if audits are required. To reduce the financial impact of a reasonable audit, the City may opt to charge the business for said audit if a significant discrepancy is found in the amount of gross receipts reported and the actual revenue of the business.

5. The proposed rule provides for a new fee or existing fee increases and the total amount expected to be collected will vary based on the method of collection adopted. The home-based business exemption may result in decreased revenue of less than \$ 10,000.00. The estimated increase in annual fees for the first year is \$ 25,000.00. However, variable gross receipts and a potential tiered increase model makes it difficult to estimate the overall expected increase.
6. The money generated by the new fee or increased existing fees will be deposited to the General Fund. Staff recommends committing any business license fees collected that exceed previous business license revenue projections to the maintenance and improvements budget line items for City streets and parks.
7. The following constitutes an explanation of the reasons for the conclusions regarding the impact of the proposed rule on businesses:

The anticipated impact imposed upon the commercial businesses in the City of Fernley is based upon information provided directly from the industry. As identified above there are several areas of concern for local business owners. However, there are significant benefits for the City with having an additional funding mechanism for road and park improvements and maintenance. The impacts identified can be mitigated as growth and development continue in Fernley and in Nevada and the increases are applied based on the three (3) year tier model outlined above.

**CERTIFICATION REQUIRED PER NRS 237.090(2):**

I, Daphne Hooper, as City Manager of the City of Fernley, hereby certify that, to the best of my knowledge and belief, the information contained in this Business Impact Statement was prepared properly and accurately.

Dated this 11 day of March, 2016.



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Daphne Hooper, City Manager