Question WC-1: Truckee River Flood Management Authority Funding Question

Executive Summary

Question WC-1: Truckee River Flood Management Authority Funding Question is a Washoe County ballot question that proposes to impose an additional property tax rate in the amount of $0.0248 per $100 of assessed value for the purpose of funding a Truckee River flood prevention project and to allow the Truckee River Flood Management Authority to issue up to $89 million of general obligation bonds to finance this project.

A “YES” vote would authorize Washoe County to increase property taxes by $0.0248 per $100 of assessed valuation for the purpose of financing a flood control project on the Truckee River.

A "NO" vote would keep the current property tax structure in place.

Our intent, in the pages that follow, is to summarize the primary arguments for and against the measure and to answer questions voters may have. The following are the questions this Voter Guide addresses:

1. What is WC-1: Truckee River Flood Management Authority Funding Question?
2. Why is it coming before the voters?
3. What happens if it passes?
4. What happens if it fails to pass?
5. What are the primary arguments for WC-1?
6. What are the primary arguments against WC-1?

The Guinn Center will not take a position on Question WC-1: Truckee River Flood Management Authority Funding Question.
Question WC-1: Truckee River Flood Management Authority Funding Question

1. What is Question WC-1: Truckee River Flood Management Authority Funding Question?

Question WC-1 is a Washoe County ballot question that proposes to impose an additional property tax rate in the amount of $0.0248 per $100 of assessed valuation for the purpose of funding a Truckee River flood prevention project and to allow the Truckee River Flood Management Authority (TRFMA) to issue up to $89 million of general obligation bonds to finance this project. Earmarked revenue from the taxes would fund the design, acquisition, construction, improvement and equipment for the flood control project that would protect properties in Downtown Reno, Truckee Meadows, and the Lower Truckee.¹

Question WC-1 Reads:

Shall Washoe County be authorized to levy an additional property tax rate for the purpose of paying for the cost of designing, acquiring, constructing, improving and equipping a flood protection project by the Truckee River Flood Management Authority for the Truckee River in the amount of $0.0248 per $100 of assessed valuation and for the Truckee River Flood Management Authority to issue up to $89,000,000 of general obligation bonds for those purposes? The bonds are expected to require a property tax levy of 30 years for each series of bonds from the dates of issuance. The tax will terminate when these bonds have been retired in approximately 30 years from the dates they are issued. The cost of the $0.0248 property tax levy for the owner of a new $100,000 home is estimated to average $8.68 per year. If this question is approved by the voters, any property tax as authorized by this question will be outside of the caps on the taxpayer's liability for property (ad valorem) taxes established by the legislature in the 2005 session and exempt from partial abatement from taxation as provided by NRS 361.4722, 361.4723 and 361.4724.²

In sum, the tax levy is expected to cost taxpayers, on average, an additional $8.68 per $100,000 of assessed valuation annually.³ The tax would expire after the bonds have been fully retired, or 30 years from the date they are issued. Furthermore, the proposed property tax would be exempt from partial abatement from taxation and the existing statutory rate cap of $3.64 per $100 as currently delineated in the Nevada Revised Statutes (NRS).³

2. Why is it coming before the voters?

Concerns over insufficient flood-prevention infrastructure in northern Nevada, particularly near downtown Reno where the Truckee River flows, prompted the Nevada Legislature to explore solutions that address these deficiencies. Some legislators have argued that one of the primary obstacles to developing a more robust infrastructure is a lack of funding.⁴ Hence, the Nevada Legislature introduced Assembly Bill (AB) 375 during the 79th Legislative Session as a mechanism to

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¹ The $0.0248 per $100 of assessed valuation translates into an additional property tax levy in the amount of $8.68 per year, on average, for the owner of a new $100,000 home based on the calculation of property taxes under Nevada law.
potentially secure financing for a flood control project that would protect vulnerable flood-hazard areas near the Truckee River.\(^5\)

AB 375 required the governing flood management authority to establish and recognize a flood project needs committee comprised of local lawmakers, stakeholders, and experts. The bill authorized the needs committee to recommend fees, charges, rates, levies, and the ability to recommend “…taxes for consideration by the voters at the 2018 General Election to fund the approved flood management projects of the flood management authority.”\(^6\) Subsequent to a recommendation, the Washoe County Board of Commissioners would be required to submit a ballot question asking voters to approve any taxes, fees, levies or other assessments.

In March 2018, the Truckee River Flood Control Needs Committee recommended an increase in property taxes to help finance a flood control project.\(^7\) The Washoe County Board of Commissioners approved the recommendation on May 22, 2018 and placed the question on the ballot for the November 6, 2018, General Election pursuant to the requirements outlined in AB 375.\(^8\)

3. **What happens if Question WC-1 passes?**

If Question WC-1 passes, then taxpayers in Washoe County would be required to pay an additional $0.0248 per $100 in property tax and the Truckee River Flood Management Authority (TRFMA) would be authorized to issue up to $89 million of general obligation bonds. The earmarked tax revenue would assist in financing a flood control project that would protect flood-prone properties near “…Downtown Reno (Jones Street to US Highway 395/I-580), Truckee Meadows (US Highway 395/I-580 to Vista Boulevard), and Lower Truckee River (Vista Boulevard to Wadsworth).”\(^9\)

4. **What happens if Question WC-1 fails to pass?**

If the measure fails to pass, then the current property tax structure would remain in place and no additional tax will be imposed on property owners in Washoe County.

5. **What are the primary arguments for WC-1?**

The following section briefly summarizes the primary arguments in support for the passage of Question WC-1: Truckee River Flood Management Authority Funding Question.

**Flood Protection**

According to the Federal Emergency Management Agency (FEMA), flooding is the most frequent and costly natural disaster in the United States.\(^10\) Despite its location in the driest state in the country, Washoe County is not immune to such catastrophes.\(^11\) Residents of Washoe County, and proponents
of WC-1, frequently cite the downtown Reno “100-year flood” of 1997, which cost approximately $700 million in damages and resulted in two deaths.\(^b\)\(^{12}\)

In 1998, following the flood, the Washoe County Commission earmarked revenue from a one-eighth cent sales tax to help fund flood control in the Truckee Meadows region.\(^{13}\) These revenues have “…produced 20 years of funding for flood control during which it has fluctuated from about $5 million to $8 million annually.”\(^{14}\) However, supporters contend that significant flood issues remain in northern Nevada, and that current revenue yields have become insufficient to manage the problem.\(^{15}\)

Proponents assert that a new flood control project “will help avoid the life-threatening and economic impacts that a major flood event could cause in the future […]”\(^{16}\) The annual deficiency in flood control funds has been estimated at $17 million.\(^{17}\) Advocates argue that the ballot measure would help secure financing to build the flood project.\(^{18}\)

Mike Kazmierski, president and Chief Executive Officer of the Economic Development Authority of Western Nevada (EDAWN), argued that it is better to develop the flood protection infrastructure before the region experiences another flood like the 1997 “100-year flood,” which experts agree is a matter of “when” rather than “if.”\(^{19}\) According to proponents, doing so would ensure that, if a major flood occurs in the Truckee Meadow region again, damage and economic disruption would be minimal. Kazmierski estimates that if a flood of the same magnitude were to occur in the same region today, the costs would exceed $2.4 billion.\(^{20}\) Comparatively, the Truckee River Flood Management Authority estimates that the proposed flood project will cost $446 million.\(^{21}\) Hence, addressing the costs in the short run could potentially mitigate more significant costs in the long run.

**Economic Benefits**

The Reno-Sparks Chamber of Commerce has explained that flooding is a direct threat to economic development and stability.\(^{22}\) The “100-year flood” of 1997 is estimated to have resulted in a loss of hundreds of millions of dollars to the local economy, as the flood affected a significant number of businesses and severely halted tourism and commerce in the region.\(^{23}\) The Reno-Sparks Chamber of Commerce asserts that developing the flood project would protect the economic drivers of the region, which includes businesses near the affected flood-hazard area as well as the Reno-Tahoe International Airport.\(^{24}\)

Proponents also argue that passage of Question WC-1 would help Washoe County secure $182 million in federally matched funding for the flood control project. In accordance with the Water Resources Reform and Development Act (WRRDA) of 2014, federal funding is available for flood projects that meet certain requirements set by the United States Army Corps of Engineers.\(^{25}\) If federal funding is not secured, “…the overall effort becomes more expensive[,] tying up money that could have been spent for other flooding problems.”\(^{26}\)

\(b\) A 100-year flood is a high-risk flood that has a one percent chance or more of occurring in a single year; Some estimates find that the damages exceeded $750 million. The ensure that values are not overstated, this report uses the lower bound of those estimates.
Proponents state that the tax increase will assist in securing the funding by “...ensuring that TRFMA will be able to meet required financial commitments to the United States Army Corps of Engineers.” Appropriation of the federal money requires proof by the TRFMA of capacity to provide its requisite share of the match. According to the TRFMA, the property tax increase would raise the revenue necessary to demonstrate the monetary means for a cost-sharing agreement with the federal government. The funding offer is due to expire in 2021, and, as such, the TRFMA asserts, “If we fail to complete the agreement by the year 2021, the TRFMA will lose project authorization and the opportunity to share in any federal funding... Since it will take more than a year to negotiate the agreement, a successful vote in 2020 would be too late to complete all that is required to do. Therefore, the last opportunity we have, as a community, to prove to the Corps that we have the necessary funding, is November 2018.”

6. What are the primary arguments against WC-1?

The following section summarizes the primary arguments opposing the passage of Question WC-1.

Taxation

Opponents of Question WC-1 are concerned about raising property taxes on homeowners, which could make housing relatively more expensive. Estimates suggest that the increased property tax would cost homeowners an additional $8.68 per $100,000 annually. For a homeowner with a $350,000 home, this would amount to an increased cost of $30 more per year in property taxes.

Moreover, in accordance with NRS 361.450, ad valorem taxes may not exceed $3.64 per $100 of assessed valuation. Opponents express concern that the property tax increase exceeds the current rate cap in Nevada law. While increases outside the cap are legally permissible through voter overrides (e.g., ballot initiatives), opponents are concerned about a ratchet effect, whereby voter-approved property taxes continue to increase above the statutory cap and eventually may approach the limit of $5.00 per $100 of assessed valuation established under the Nevada Constitution. For example, Senate Bill (SB) 546, which was enacted during Nevada’s 79th Legislative Session, imposes an additional increase of two cents per $100 that is currently exempt from the rate caps stipulated in NRS 361.450 for the purposes of funding capital projects and conservation measures.

Opponents note that if WC-1 passes in November 2018, the additional 0.0248 cents increase would be outside of the rate cap, as well. This would mean that a total of $0.0448 per $100 of assessed valuation would exceed the cap and that property tax rates in Washoe County would be as high as $3.6848 per $100 of assessed valuation. Specifically, opponents argue that, “Article 10, Section 2 of our Nevada Constitution limits the total tax levy to 5% [percent] of assessed value. If this succeeds, taxpayers can expect many more ballot proposals until the 5% [percent] cap is reached.”

Table 1 below displays the property tax rates for each jurisdiction throughout Washoe County under current law and as proposed.

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\(^{c}\) This money is not earmarked for the proposed flood project.
Table 1: Total Property Tax Rates, by Taxing Unit (per $100 of Assessed Valuation)

<table>
<thead>
<tr>
<th>Local Government Taxing Unit</th>
<th>Total Property Tax Rate (Current)</th>
<th>Total Property Tax Rate (Proposed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerlach GID</td>
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</tr>
<tr>
<td>Grandview Terrace GID</td>
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<td>$3.2650</td>
</tr>
<tr>
<td>Incline Village GID</td>
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<td>$3.4765</td>
</tr>
<tr>
<td>North Lake Tahoe Fire Protection District</td>
<td>$3.3293</td>
<td>$3.3541</td>
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<tr>
<td>Palomino Valley GID (Fire District)</td>
<td>$3.6600</td>
<td>$3.6848</td>
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<tr>
<td>Reno</td>
<td>$3.6600</td>
<td>$3.6848</td>
</tr>
<tr>
<td>Sparks</td>
<td>$3.6600</td>
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<tr>
<td>Sun Valley Water &amp; Sanitation District</td>
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<td>$3.4578</td>
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<tr>
<td>Truckee Meadows Fire Protection District</td>
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</tr>
<tr>
<td>Washoe County</td>
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<td>$2.7250</td>
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</tbody>
</table>

Note: "Current" refers to state fiscal years (FYs) 2018-2019; "Proposed" refers to changes to the property tax rate were WC-1 to pass in November 2018.

Moreover, in the question, “What are the primary arguments for WC-1?” (page 3), we noted that proponents contend that the one-eighth cent sales tax dedicated for flood control in Washoe County does not provide sufficient funding to mitigate catastrophic flood events. However, opponents say that the current tax is adequate.

Another issue related to taxes is that all Washoe County property owners would bear the burden of the tax, but the revenue is only earmarked for a limited geographic area of Reno. In other words, all property owners in Washoe County would be subject to the additional levy, but only a limited area would benefit from the infrastructure enhancements. As it currently stands, if Question WC-1 were to pass, then the revenue would be available only for the Truckee River flood control project and would only apply to very specific regions in Washoe County. Thus, property owners who are not at risk of flooding from the Truckee River would continue to pay for tax for the entire taxable period despite the fact that they are not directly affected by the flood risk.

Insufficient Protection

Opponents argue that WC-1 does little to address other major flood-risk areas throughout Washoe County. Tina Nappe, a conservationist based in northern Nevada, contends that the ballot measure “applies only to the Truckee River and not to the tributaries which feed it,” and that “with a warming climate we may experience more tributary flooding as we receive more rain than snow.” For example, certain areas such as Swan Lake are also at risk of flooding, but funding from the initiative does not directly address or assist these areas. Opponents therefore argue that it would be more efficient to capture flood waters upstream in smaller tributaries that feed into the Truckee River rather than to capture flooding directly from the Truckee River. However, the revenue earmarked from WC-1 would only be available for flood projects on the Truckee River.
About the Guinn Center
The Kenny C. Guinn Center for Policy Priorities is a 501(c)(3) nonprofit, bipartisan, independent policy institute focused on providing fact-based, relevant, and well-reasoned analysis of critical policy issues facing Nevada and the Intermountain West. The Guinn Center engages policy-makers, experts, and the public with innovative, data-driven research and analysis to advance policy solutions, inform the public debate, and expand public engagement.

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