



WASHOE COUNTY

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CM/ACM	<input checked="" type="checkbox"/>
Budget	<input checked="" type="checkbox"/>
DA	<input checked="" type="checkbox"/>
Comptroller	<input checked="" type="checkbox"/>
HR	<u>n/a</u>
Other	<u>NA</u>

STAFF REPORT BOARD MEETING DATE: November 29, 2016

DATE: October 26, 2016

TO: Board of County Commissioners

FROM: Mark Mathers, Budget Manager
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THROUGH: Al Rogers, Director of Management Services
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SUBJECT: Acknowledge the status report on collection of AB 104 gaming taxes through the first quarter of Fiscal Year 2016-17 [no fiscal impact]. (All Commission Districts)

SUMMARY

On February 9, 2016, the Board of County Commissioners (Board) received a report of agreed-upon procedures by the accounting firm of Grant Thornton LLP. The report verified new budget staff's calculations that the County had under-collected AB 104 gaming taxes billed to gaming operators in the County. Based upon a legal opinion of the District Attorney's Office and other factors, the Board directed staff to retroactively collect the corrected amount of taxes due for Fiscal Year 2015-16, but to provide an option for gaming operators to pay the correct amount due for Fiscal Year 2015-16 over four installments during Fiscal Year 2016-17. This status report provides an update to the Board on collections through September 30, 2016 and addresses other questions raised by the Board on April 12, 2016.

Washoe County Strategic Objective supported by this item: Stewardship of Our Community.

PREVIOUS ACTION

On June 9, 1991, upon the adoption of Ordinance Number 833, the Washoe County Board of County Commissioners imposed five new revenues as allowed by Assembly Bill 104, often referred to as the "fair share" bill. These new AB 104 revenues included a new gaming tax.

On February 9, 2016, the Board received a report of agreed-upon procedures for collection of the County's AB 104 gaming tax prepared by Grant Thornton LLP.

On April 12, 2016, the Board received a report from staff presenting options for collection of AB 104 gaming taxes from gaming operators, and provided direction to staff to retroactively collect taxes due for Fiscal Year 2015-16.

AGENDA ITEM # 6.H.4

BACKGROUND

Beginning in Fiscal Year 1991-1992, the County began collections of the AB 104 gaming tax. The tax is limited by law and is calculated by multiplying all other AB 104 revenues projected for the fiscal year by a percentage based on historical gaming tax revenues for Fiscal Year 1990-1991. In 2015, new staff and management of the Budget Office observed that the amount collected from the AB 104 gaming tax had declined precipitously during the period of fiscal years 2008-2009 through 2014-15 and believed that previous staff had underestimated the amount of taxes due. The County Manager's Office contracted with the accounting firm of Grant Thornton LLP to validate the new budget team's calculations and to conduct a review of agreed upon procedures. Grant Thornton verified that an error had been made by previous staff in calculating the amount of taxes due.

On April 12, 2016, staff recommended that the County bill gaming operators in Washoe County for the amount that had been under-charged in Fiscal Year 2015-16. The total net amount due was \$994,696. Due to this large amount, the Board concurred with staff's recommendation to allow gaming operators to pay this amount over the four quarters of Fiscal Year 2016-17 or upfront.

As a status update, below is a summary of collections for both the additional amount due in Fiscal Year 2015-16 and the amount due in Fiscal Year 2016-17. A number of operators chose to make their full payment of the taxes due in Fiscal Year 2015-16 by June 30, 2016, but the County is also collecting a significant amount on a quarterly installment basis. The Community Services Department has confirmed that no major gaming operator is in arrears.

Period Paid	Supplemental FY16 Taxes Received	FY17 Taxes Received	Total
04/01/16-06/30/16	\$ 190,133.05	\$ 175,675.31	\$ 365,808.36
07/01/16-09/30/16	281,947.69	319,491.68	601,439.37
10/01/16-12/31/16	-	-	-
01/01/17-03/31/17	-	-	-
Total @ 9/30/16	\$ 472,080.74	\$ 495,166.99	\$ 967,247.73

On April 12, 2016, the Board also asked staff to consider changing the process for collection and remittance of AB 104 gaming taxes, so that gaming operators would self-certify and self-calculate the amount of taxes due. In considering this concept, it is important to note that the calculation of each gaming operator's quarterly AB 104 gaming tax bill is a two-step process. First, the Budget Office must calculate the total amount of AB 104 gaming taxes for the fiscal year based on the formula set in State law and the County Code, which depends on estimates of other AB 104-imposed taxes (property taxes, sales tax, and real property transfer tax) on a countywide basis. The second step is a pro-rata distribution of the total amount of AB 104 gaming taxes due between the 300+ gaming operators in Washoe County based on the ratio of each operator's gaming license fees due to the total amount of gaming license revenue due for all operators.

A gaming operator does not have the data on other operators' operations in order to calculate their proportionate share of the total amount billed by the County. In each quarter an operator may have changes to the number of slot machines and tables. A gaming operator may also cease

or start up a business during the quarter. With each increase or decrease in the total number of games in operation the proportionate share of the AB 104 gaming tax for each gaming operator changes, even if a gaming operator operates the same number of games each quarter. Therefore, due to the complexity of the calculations throughout the year and the lack of information available for gaming operators to individually calculate the amount their business owes in a quarter, staff does not recommend any changes to the process to calculate and collect gaming fees.

Staff has followed the recommendations of Grant Thornton concerning additional reviews of the AB 104 gaming tax calculation to mitigate the chance for errors in the calculation of this tax going forward.

FISCAL IMPACT

There is no fiscal impact associated with this status update.

RECOMMENDATION

It is recommended that the Board of County Commissioners acknowledge this status report on collection of AB 104 gaming taxes through the first quarter of Fiscal Year 2016-17.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be: Move to acknowledge the status report on collection of AB 104 gaming taxes through the first quarter of Fiscal Year 2016-17.