

QUESTION NO. CC 1

Advisory Question

Do you support an increase in the sales and use tax in Carson City, Nevada, of 1/8th of 1% for the purpose of repaying approximately \$10 million in general obligation bonds (additionally secured by pledged revenues) which will be issued to pay a portion of the cost of the Virginia and Truckee Railroad construction project in return for 5% of the gross ridership revenues generated by the project for the next 99 years.

EXPLANATION TO QUESTION NO. CC 1

The Board of Supervisors of Carson City, Nevada, is proposing to increase the sales and use tax in Carson City from 7 1/8% to 7 1/4%. The revenue generated by this 1/8 of 1% increase would be used to repay the principal and interest on \$10 million of general obligation bonds (additionally secured by pledged revenues). The bonds will be issued to pay a portion of the cost of the Virginia and Truckee Railroad construction project and will help ensure that the railroad lines will go through Brunswick Canyon. In exchange for its financial support of the project, Carson City will receive 5% of the gross ridership revenues generated by the project for the next 99 years.

The increase in the sales and use tax would sunset when the bonds are paid in full, which is estimated to be approximately 2020, or sooner, depending on the amount of revenues generated by the increase. It is anticipated that the Board of Supervisors will impose the additional 1/8th of 1% sales and use tax if the voters approve this ballot question.

ARGUMENTS IN SUPPORT OF A "YES" VOTE

A "yes" vote will show the Board of Supervisors that Carson City is committed to the completion of the V&T Railway. This project is a link to our past that will generate future revenues and, at the same time, make Carson City a destination for travelers from all over the world.

At a cost of approximately \$1.00 a month to the average household, a "yes" vote will advise the Board of Supervisors to implement 1/8 of 1% of additional sales and use tax to pay the principal and interest on \$10 million dollars of

bonds, the proceeds of which will be used for the reconstruction of this historic project.

In addition to the sales, gaming, room, and gas taxes that the train will generate, Carson City will receive 5% of the *Gross* ridership fees for 99 years. This will generate approximately \$250,000 to \$350,000 annually which will amount to \$25 million to \$35 million over the contract period. This revenue will not go to the Carson City General Fund. It will go to a set aside account that can *only* be used for community enhancements such as parks, recreation, youth programs, culture and arts, etc., which will be decided by the Board of Supervisors working with the community.

This is not a permanent tax. This tax is expected to sunset (terminate) by the year 2020 or sooner. Additionally, a previously imposed 1/8 cent tax will also sunset (terminate) by the year 2024 or sooner.

Carson City is rich in history with its museums, historic homes, and the State Capital. The V&T Railway will compliment these historic assets. There is not a venue that can compare with the recognition, both nationally and internationally, and has the tourist appeal which this historic train will bring to Carson City.

A “yes” vote will ensure that the project will not stop at Highway 50 but will instead proceed through the canyon (the heart of the ride) and into Carson City. In essence, we will be rebuilding our past to ensure our future.

ARGUMENTS IN SUPPORT OF A “NO” VOTE

The 1/8 cent sales and use tax increase is the last opportunity for the Board of Supervisors to find funding for capital improvement projects without a vote of the people. This small sales and use tax increase could go for such projects as building a new library, fixing streets and roads, installing an odor control system at the sewer treatment plant, or improving our downtown. By approving the V&T tax increase, Carson City voters are indicating the V&T is the number one priority for our capital improvements.

Carson City has already contributed \$21 million to the V&T recreational railroad and this additional \$10 million may not be enough to complete the project. Completion costs keep growing and are now estimated at \$60 million. The proponents of the sales and use tax increase have offered a small part of

the ticket sales to Carson City to recover the millions spent. This proposal does not take into account the operation cost of the railroad, and so far there has been no public discussion of the operating season, ticket costs, estimated ridership, or overhead costs. We simply don't know enough to support this extra money.

Within the Sacramento, California day trip area, there are currently six recreational railroads and the V&T would be the seventh to enter the same market.

Historical railroads hold a special place in the heart of older travelers. But, younger generations may not share this enthusiasm.

ENVIRONMENTAL IMPACT

None.

DESCRIPTION OF ANTICIPATED FINANCIAL EFFECT

The sales and use tax increase of 1/8 of 1% would last for up to approximately 11 years. The average annual cost of this sales and use tax increase is expected to be \$12.50 for a payer of sales and use tax in Carson City, based on average annual taxable expenditures of \$10,000. If the sales and use tax is imposed, Carson City expects to sell general obligation bonds payable from the sales and use tax that are also backed by the full faith and credit of the assessed value of Carson City.