

The Drain Report

Good News & Bad News by: Ken Kase

I have some good news and some bad news concerning the City of Des Moines (City) proposed new tax they were calling a utility tax. First the good news. A group of special purpose water and sewer districts that operate within the boundaries of the City have convinced the City to not impose a tax on their services for a period of ten years. The City had originally proposed a 16% utility tax. That proposal was reduced to 11% following several public meetings. It is difficult to know why the City decided not to impose this new tax on sewer and water service, but it may have been the threat of litigation by the group of districts. The districts that comprise this group include Highline Water District, Southwest Suburban Sewer District, Water District 54, and Midway Sewer District.



The bad news is that instead of paying a utility tax, some of the districts, including Midway Sewer District, have agreed to pay a 6% franchise payment to the City instead of the new tax. The City and the group of districts negotiated a franchise agreement that provides for the utilities to operate within the City public right of way in exchange for the 6% payment. The franchise agreement with the City includes provisions regarding the City will not attempt to assume the districts, will share in the cost of utility relocation in certain circumstances, and both parties will be obligated to coordinate planning of projects that affect the right of way.

Whether or not the City has the right to impose a "utility tax" (or excise tax) on a publically owned sewer or water district is a murky subject. By agreeing to a franchise agreement with the City, instead of going through litigation and fighting the City, we have essentially punted this issue down the road. Sooner or later somewhere in this State this battle is going to be fought. Perhaps the legislature will settle this matter and prevent the need for a court battle. At least for the Des Moines community, they will not be paying the cost to litigate both sides of this matter for at least the near future.

There can be a lot at stake in this matter. If a tax on public water and sewer service is allowed by the courts or legislature there is currently **no limit** on the amount of an excise or B&O tax. There is an interesting article on this subject in the Washington State Wire, dated November 7, 2014, titled, "**Creeping City Utility Taxes Exceed 36% In Some Cities, And They Aren't Even Utility Taxes By Law**". It can be found on line at <http://washingtonstatewire.com/blog/creeping-city-utility-taxes-exceed36-cities-arent-even-utility-taxes-law/>. Based on that article, some of the cities that make my utility tax hall of shame include the 2012 tax rates for water sewer and garbage in Granger which reached 36 percent, 20 percent in Port Townsend, 18 percent in Davenport and 33 percent in Wapato, south of Yakima.



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Special points of interest:

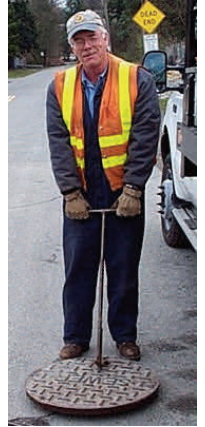
- Midway Sewer District has one of the lowest monthly rates in the state.
- The Board meets the 2nd and 4th Wednesday of each month. Please contact the office for the meeting time.
- Midway serves the Cities of Des Moines, SeaTac, Kent, Federal Way, Normandy park, Burien, and the Port of Seattle's SeaTac Airport.
- We have been part of this community since 1946.
- You can expect fast personal service when you need it.
- Our employees care about their customers.
- We have a single focus of providing quality sanitary sewer service.

RETIREMENTS TAKE THEIR TOLL By: Vince Koester



Jim Rice

Jim Rice retired from the District at the end of February, 2016. He is well known in the community, is a long time resident, and has raised his remarkable family here as well. He took with him almost 39 years of valuable experience. He was a master mechanic and senior operator for the District. He attained the highest level of Treatment Plant Operator certification available, level 4, from the Washington State Department of Ecology. He knew every piece of equipment at the treatment plant well and could keep the place working like a clock. He was always willing to do any job asked of him and he worked hard! He was an extremely valuable after hours response person. He is a unique and intelligent individual who will be impossible to replace.



Dale Curry

As if that wasn't enough, Dale Curry retired at the end of March, 2016. Dale has also lived in this community, and is well known and respected. He took with him almost 32 years of valuable experience. He attained a level 3 Collection System Operator's certification. Dale would contribute his effort to any crew he was assigned to without complaint. He was a skilled equipment operator and would often be called upon to perform more difficult excavation work. He was a very cooperative and experienced employee who knew how to do whatever task was assigned to him. He was a great addition to our team and he will be sorely missed!

I wish them both a happy retirement as they have truly earned it! Their replacements have some big shoes to fill.

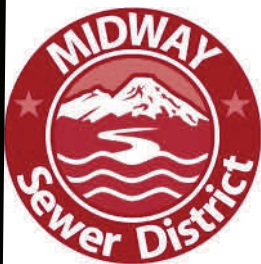


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How will the Midway/Des Moines franchise agreement impact the typical Des Moines residential sewer customer? The 2016 residential sewer rate is \$52.00, billed every 2 months. We will add \$3.18 to our Des Moines customers for the franchise payment and also the additional Washington State tax burden. The total bill amount will increase to \$55.18. We will pay \$3.12 to the City and \$.06 to the State, leaving Midway Sewer the original amount of \$52.00. Multi-unit and commercial customers in Des Moines will see 6.11% of their billed amount added for the franchise payment. Midway customers in SeaTac, Kent, Federal

Way, Burien or Normandy Park will not see this increase on their bills. I suspect that it may not be long after Des Moines taps into this new source of revenue that the surrounding cities will be doing the same. Midway Sewer intends to pass on (add to the bill) the cost of any tax or payment, and we have worked hard to keep the amount as low as possible.

You may be angry that the Districts negotiated this franchise agreement with the City, which will in effect cost you more money than before the agreement. However, I would suggest that by negotiating this agreement, we have protected you from the City and an even higher cost in the form of a new tax, which has no limits. To sum it all up, the good news is you won't have to pay 16% of your sewer bill to the City. The bad news is that you will be paying 6% of the sewer bill to the City.



Board of Commissioners



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