

The Drain Report

HANG ON TO YOUR WALLET - A NEW TAX MAY BE COMING

By: Ken Kase

The City of Des Moines is considering Substitute Ordinance No. 15-173. This creates a new tax on sewer utilities within the City. We want our Des Moines rate payers to know that the Midway Sewer District asked the City of Des Moines to not tax its customers. The District is willing to offer the City a franchise agreement, instead of a tax, that would pay the City a substantial amount of money (up to 6% of the revenue from the sewer customers within the City) in exchange for the agreement. To date, the City has shown little interest in the idea of a franchise agreement that would preclude a tax on sewers.

The originally proposed City of Des Moines tax on sewers, which was not approved, set the sewer tax rate at 16%. The City apparently revised the ordinance to set the tax on sewers at 11%. This may be due to the opposition expressed at several Des Moines City Council meetings by many of the local sewer and water utilities and affected citizens. As a tax payer, you should be aware that there is currently **no limit** on the rate the City can set for this tax on the sewer.

The City of Des Moines taxes other utilities. They tax electrical utilities at 6%, natural gas at 6%, telephone service providers at 6%, solid waste collection was taxed at 8%, but that tax was recently increased to 18%, cable TV service was taxed at 8%, but that tax was recently increased to 10%. The City increased the tax on their Surface Water Management utility from 8% to 15%. The City is experiencing a budget shortfall and cannot fund all the services they are projecting to provide with their current revenue streams. For this reason they are looking for new sources of revenue.

Most, if not all, of the utilities that have a tax on their revenue actually charge their customers slightly more than the tax rate that is imposed. This is not done to make money off of the tax, but instead to pay the "tax on the tax". For instance, if your bi-monthly sewer charge is \$52.00 and an additional 11% (\$5.72) is added to the bill, to pay the 11% tax, your bill would be \$57.72. The City would consider all of that \$57.72 as taxable income. The District would pay the City 11% of the \$57.72 or \$6.35. The remaining amount to pay for sewer related expenses would be \$51.37 or \$0.63 short of our intended charge. The Midway Sewer District will be passing the full cost of any new City of Des Moines utility tax onto its City of Des Moines customers

How will the District be calculating the correct amount to charge its Des Moines customers? We will be using the following formula: $(\text{Stated Tax Rate}) \div (1 - \text{Stated Tax Rate}) = \text{Equivalent Markup Rate}$. At an 11% tax rate the markup rate is: $(.11) \div (1 - .11) = .1236$ or **12.36%**. The formula for calculating the city utility tax correctly can be found at <http://mrsc.org/Home/Stay-Informed/MRSC-Insight/July-2015/Are-You-Calculating-Your-City-Utility-Tax-Correctly.aspx>. If the City enacts this new utility tax, our residential customers who live within the City of Des Moines will be receiving a bi-monthly (every other month) sewer bill of \$58.43. \$6.43 of that bill will be to pay the new tax on sewer utilities. If you are a District residential customer and live in SeaTac, Burien, Federal Way, Kent, or Normandy Park your bi-monthly sewer bill will be \$52.00. Regardless of the City you live in, the sewer service you receive will be the same.

If you live in the City of Des Moines and do not mind paying a little extra on your sewer bill to pay for the services the City of Des Moines provides, we would like you to tell us. Conversely, if you object to paying extra on your sewer bill to pay for services provided by the City, we would also like to hear that. Your input concerning this new sewer tax will assist the District in our response to this new tax.



Go Ahead...Raise Our Taxes.

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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.



Pilot Project to Control Infiltration and Inflow

By: Jack Hendrickson

Unwanted water in the sanitary sewer system (infiltration and inflow AKA I&I) is a problem every sewer system must deal with. It can be a difficult problem to solve. Engineers use a factor to allow for a certain amount of I&I when determining the correct diameter of sewer pipe to use to provide reliable service to an area. They do this because it is impractical to stop all sources of I&I. At the Midway Sewer District we have placed flow meters at strategic locations to measure the sewer flow coming from different portions of our District (basins and sub basins). These meters measure the flow in the sewer during dry weather and wet weather. The difference in the flow measurements between dry and wet weather reveal how much I&I is coming from the portion of the sewer system upstream from the flow meter.

Some of these meters indicate that we have an unacceptable amount of I&I getting into our system. We are preparing to take on a pilot I&I control project in the vicinity of 13th Pl. S. and S. 258th St. This is a known problem area. The District plans on using successful I&I control methods already tested on other projects in King County.

The District believes that major source of I&I in this area comes from private property. The District will be asking property owners in the pilot I&I control area to allow the District to have access to their property to detect and eliminate the sources of I&I. In this pilot project area the District will offer assistance to the property owners to fix their I&I problems.

If this pilot I&I control project is successful we will move to the next problem area and repeat the process. If we are successful in reducing I&I everybody will win.

SEWER RATE INCREASE

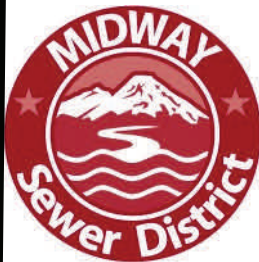
By: Ken Kase

Effective January 1, 2016, there will be a \$1.00 per month increase in the residential rate and a \$1.00 increase per 750 cubic feet of water consumption for commercial customers. In 2015 our monthly rate for residential customers was \$25. That rate will increase to \$26 per month. The minimum charge for commercial customers will also be \$26. Commercial customers who use more than 750 cubic feet of water in a month will be charged an additional \$0.0347 per cubic foot of water consumed. Because we bill our customers every other month residential customers will receive a bill for sewer service in the amount of \$52.00. If you are a customer that resides within a city that imposes a utility tax on sewer service, your bill will be adjusted up to include payment of this new tax. If your next bill is for a billing period that includes some days in 2015 and some days in 2016 your bill will be prorated to correctly charge the rate in effect at the time the service is provided.

Listen To Your Sewer

By: Ken Kase

If you have experienced recurring sewer problems, your sewer may be trying to tell you something. You may be better off fixing the root of the problem. Roots love to find their way into the sewer. Sewers are an excellent source of hydration and nutrition for plants. Once inside a sewer pipe, roots will grow quickly and obstruct the flow. Some services will come out and remove the root obstruction, however the roots will grow back and eventually you will need the root removal service again. In the long run, it may be less expensive and far more convenient to fix the problem permanently. The permanent fix could involve removing the source of the roots and installing new sewer pipe.



Board of Commissioners



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Midway Sewer District

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