Before the District of Columbia Tax Revision Commission (TRC)
Public Testimony of David Jonas Bardin
3 December 2012

Chairman Williams and Commissioners:

Thanks for letting me address TRC's research agenda. My focus is on the District of Columbia Water and Sewer Authority (known as WASA or, more recently, DC Water) as compared to other public utilities in DC. I will highlight incongruous aspects which seem outmoded.

<u>DC WASA</u>

WASA is an important public utility within the Executive Branch of DC Government. I served on WASA's board of directors for over 10 years.

- WASA delivers water supplies to all customers in the District.

- It takes sanitary sewage from all those customers and from sewage utilities in Maryland and Virginia for treatment at the Blue Plains Waste Water Treatment Plant in Ward 8.

The DC Council created WASA in 1996 as an independent authority which operates, maintains, and replaces facilities owned by the District and raises capital via delegated revenue-bonding powers (a delegation which Congress authorized in 1996).

<u>Public utilities gross receipts taxes versus "WASA – P.I.L.O.T."</u> [1]

Other public utilities operating in DC pay statutory gross receipts taxes.[2] WASA does not.

- WASA makes payments in lieu of taxes (PILOTs) -- without specific legislation.

- WASA payments work out to less than the 10 or 11 percent which other utilities pay.

WASA's operating receipts totaled $404 million in FY2011 and are projected to rise every year thereafter (per its own 2011-2020 financial plan).

- WASA charges "PILOT Fees" solely to its customers in DC. MD or VA sewage utility customers, which use the Blue Plains Waste Water Treatment Plant, contribute nothing.

- WASA collects $16.8 million in "PILOT Fees" but pays $12.4 million to the OCFO.

- Unlike all other public utilities, WASA doesn't help pay off the Ballpark Bonds.

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[1] DC FY2013 Proposed Budget and Financial Plan, Table 4-15, General Purpose Non-Tax Revenue by Source, FYs 2011-2016, page 4-29.

[2] DC Tax Facts 2012, pages 27, 36.

WASA's unusual "PILOT" arrangements seem old, fuzzy, and problematic. TRC review, in the context of public utility gross receipts taxes generally, could lead to clarity and broaden the tax base to include sewage receipts from MD and VA suburbs. Recommendations by the TRC followed by specific legislation would likely be more useful than negotiations between WASA and "the Wilson Building."

Real property taxes and payments for use of DC land

WASA does not pay real property taxes. [3]

The largest tract used by WASA is 153 acres along the Potomac River at Blue Plains.

- It is assessed at $522 million according to the OTR web site. If taxed, the commercial rate would be 1.65 percent on the first $3 million and 1.85 percent on remaining value.

- Suggestions that the District charge a reasonable rental (which WASA would allocate roughly 50-50 between its DC and suburban customers) merit attention.

Suburban sewage customers have paid an uncharacterized $1.5 million yearly fee escalating by 1.5 percent annually since 1986, pursuant to the Blue Plains Municipal Agreement of 1985. They also contribute funds in aid of construction at Blue Plains. Yet access to Blue Plains lets them save much, much more.

Conclusion

I believe that your Research Agenda should consider tax and other revenue treatment of water and sewage public utility service – asking whether there are sufficient reasons for treating WASA / DC Water differently from other public utilities. Equivalent treatment, enhanced transparency, and accountability, are worthy principles.

Any changes which the TRC recommends to broaden the tax and revenue base may expand General Fund revenues but need not necessarily do so because they could be used instead as revenue-neutral offsets or to accelerate pay down of Ballpark Bonds. (My testimony does not address overall revenue levels.)

I would be happy to answer any questions.

[3] WASA (like PEPCo, Washington Gas, and others) pays the District a "Right of Way" (ROW) charge, now $5.1 million annually, under a specific DC law and passes the cost along to customers.