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11 November 2013

FOR: DC Tax Revision Commission (by email)

RE: Why DCTRC should recommend abolition of DC WASA P.I.L.O.T. in any event

Dear Chairman Williams and other Commissioners,

The Commission should recommend that the Mayor and Council abolish the WASA Payment in Lieu of Taxes (“PILOT”), which rests solely on executive fiat, with no statutory basis or support -- whether or not they enact a substitute.

A Memorandum of Understanding (MOU) calls for payment of annual sums tied to WASA water rates.

- This year (FY2014), WASA interprets the murky formula to call for \$20 million, which it is collecting in full from DC customers – only.
- But WASA pays the General Fund less than \$13 million, with WASA retaining the rest in a PILOT Reserve.¹

The Office of Tax and Revenue (OTR) has assessed the Blue Plains wastewater treatment plant in Ward 8 at \$522 million.²

- WASA would pay ~\$10 million a year were it required to pay real property tax, at 1.85 percent, on the Blue Plains property.
- WASA would pay ~\$2½ million were it to pay a Boston-type PILOT.

The WASA scheme, charging \$20 million in “PILOT fees” (to DC customers alone), is not a PILOT in any conventional sense. It is some other kind of tax. Elected officials should decide – transparently, by enacting laws – whether and, if so, how to tax WASA.

If elected officials consider taxing WASA they should distinguish between activities conducted in DC (notably treatment of DC and suburban sewage at Blue Plains) and those conducted in MD or VA or by a federal agency in DC for WASA. They will want estimates of costs of uncompensated services DC renders to WASA. They will find that sensible provisions are already in place for sharing operation and maintenance costs (both direct and indirect) between DC and suburban customers – and that shared costs already include federal and DC taxes related to WASA’s payroll.

Faithfully, *David J Bardin*

¹ WASA held \$22.4 million in its “DC PILOT Reserve Fund” as of year-end FY2013. District of Columbia Water and Sewer Authority, Board of Directors Finance and Budget Committee, Minutes of October 24, 2013 meeting, page 2.

² OTR proposes to raise that assessment to \$535 million next year. That could soon jump higher as facilities under construction become operational. Blue Plains is the lion’s share of real property that WASA manages.