

West Plains Annexation  
**Utility Tax Issue**  
City of Spokane Fact Sheet

***Background:***

The City of Airway Heights, the City of Spokane, and Spokane County have been cooperatively working on a proposal to annex portions of the West Plains into Spokane and Airway Heights since late 2008/early 2009. Considerable financial analysis of the annexation proposal has been ongoing and has continued to inform consideration of the proposal throughout this time.

In an effort to consider all possible financial impacts, the City of Spokane's Finance Division recently began to look at whether the City of Spokane could impose a utility tax on the Spokane Regional Solid Waste System operations if the Waste to Energy facility were located within the Spokane City limits.

The Finance Division spent a month researching the issue from a financial and legal perspective, and the City has concluded that, so long as ownership of the utility is maintained by the City, a utility tax could be implemented, and that all partners in the Regional Solid Waste System could share in the revenue. The basic factual information is included here. **At this point, the City of Spokane is not advocating a position for or against such a tax, but merely providing information so everyone is working from the same information.**

**What is the possible utility tax on the Regional Solid Waste System?**

Cities are allowed by state law to charge taxes on the gross receipts of private and public utilities doing business in the City. In this case, the City could tax the gross receipts of the Spokane Regional Solid Waste System once the Waste to Energy facility were located within the City limits after annexation is complete. The Regional Solid Waste System operates the Waste to Energy facility and North Side and Valley garbage transfer stations.

**How would such a tax impact citizens?**

Citizens may not see any impact on their utility bills. Such a tax could be implemented after the System's bonds are paid off in 2011 or earlier. Once payments on these bonds cease, the tipping fees still could be reduced even with the addition of this tax.

**What would the tax rate be?**

The Regional Solid Waste System could be taxed similarly to the City's water, wastewater, and solid waste utilities. Those utilities are taxed at a rate of 20 percent of gross revenues, as established by City ordinance. By comparison, telephone, cable, and power utility tax rates are capped by state law at 6 percent.

**How much money could be generated?**

At the 20 percent tax rate, the amount that would be generated totals \$6.7 million. The City of Spokane already captures \$2.2 million from City Solid Waste customers for disposal costs, and this wouldn't be double counted. The net increase to all the communities served by the Regional Solid Waste System would be about \$4.42 million.

## **How would the money be allocated among jurisdictions?**

The allocations would be based on the existing interlocal agreement that created the Regional Solid Waste System and the agreements with each of the regional cities. Here is an estimated breakdown of where the net amount of money would go based on 2008 revenues:

- City of Spokane \$1.1 million\*
- Spokane County \$1.7 million
- Airway Heights \$69,000
- Cheney \$134,000
- Deer Park \$44,000
- Fairfield \$8,000
- Latah \$3,000
- Liberty Lake \$92,000
- Medical Lake \$63,000
- Millwood \$22,000
- Rockford \$7,000
- Spangle \$4,000
- Spokane Valley \$1.17 million
- Waverly \$2,000
- **TOTAL \$4.42 million**

*\*This is a net amount. The City already collects \$2.2 million on the amount of money its Solid Waste utility customers inside the City already pay toward disposal as part of their monthly bills.*

## **How could the money be spent?**

The tax collected would be a General Fund resource for each jurisdiction. Elected leadership within each jurisdiction would decide how to spend the money through their normal budgeting processes based on their own priorities. The Mayor of Spokane proposes using the City of Spokane's share to mitigate the costs of annexation and potentially to reduce the City's utility tax rate.

## **Can you tax the revenues generated outside of the City limits?**

Our legal analysis concludes that because the main operations of the Solid Waste System would be within the City limits after annexation, the revenues of the entire system could be taxed.

## **Are there any other applications of a utility tax?**

The City of Spokane also could implement a utility tax on the power sales from the Waste to Energy facility. That rate is capped at 6 percent by state law. Such a tax would generate \$700,000 for the City of Spokane.

## **What would be required for implementation?**

The Spokane City Council can implement the tax by ordinance with a majority vote.

