

RESOLUTION 2021-BB

**A RESOLUTION OF THE TOWN OF EATONVILLE, WASHINGTON
AUTHORIZING THE MAYOR TO EXECUTE AN AGREEMENT
FOR EXCISE TAX CONSULTING SERVICES**

WHEREAS, The Town of Eatonville is required submit excise taxes to the Washington State Department of Revenue (“DOR”) monthly; and

WHEREAS, the Town recently underwent a DOR audit and was directed to use the “cost of doing business” formula as outlined in Section 458-20-251 of the Washington State Administrative Code (“WAC”) for the allocation of its wastewater revenues; and

WHEREAS, the Town wishes to hire a consulting service to create a methodology specific to the Town of Eatonville’s Wastewater infrastructure for allocating between collection costs and “related business activities” including transmission, treatment and disposal; and

WHEREAS, the Town has received an estimate for excise tax consulting services from FCS Group and wishes to execute a consulting agreement; and

WHEREAS, the Public Utilities Committee met and discussed the need for a methodology to allocate Wastewater Revenues specific to the Town of Eatonville’s Wastewater Infrastructure and recommends approval of a consulting agreement; now, therefore

**THE TOWN COUNCIL OF THE TOWN OF EATONVILLE, WASHINGTON,
HEREBY RESOLVES AS FOLLOWS:**

THAT: The Town Council approves and the Mayor is authorized to execute on behalf of the Town a consulting agreement with FCS Group as outlined in the proposal attached hereto as exhibit A, not to exceed the estimate amount of \$8,140.00.

PASSED by the Council of the Town of Eatonville at a regular meeting this 26th day of July, 2021.

Mike Schaub, Mayor

ATTEST:

Miranda Doll, Town Clerk

TOWN OF EATONVILLE

EXCISE TAX CONSULTING SERVICES

The Town of Eatonville owns and operates a wastewater collection system that consists of roughly six miles of sewer mains that convey wastewater collected from customers to the Town's Sequential Batch Reactor (SBR) wastewater treatment plant. The Town sets user rates to recover the cost of providing wastewater collection and treatment service, paying tax on the revenues derived from those rates as well as other utility revenues.

In a recent audit, the Washington State Department of Revenue directed the Town to use the "cost of doing business" formula outlined in Section 458-20-251 of the Washington Administrative Code (WAC) to allocate its wastewater revenues between collection and "related business activities" including transmission, treatment, and disposal. The Town has requested assistance in allocating its wastewater revenues between these functions based on the utility's underlying costs. The task plan below summarizes our proposed approach to meet the Town's needs.

TASK PLAN

TASK 1 | PROJECT INITIATION & DATA COLLECTION

FCS GROUP will provide a data request outlining key information required to complete the study, working with Town staff to resolve questions and obtain additional records as needed. Task 1 includes reviewing data provided for the study and identifying any potential data anomalies that could impact the integrity of the study's findings or recommendations. This task also includes the administrative efforts involved with project initiation and ongoing management.

TASK 2 | ALLOCATION OF WASTEWATER REVENUES

Task 2 involves allocating the Town's wastewater expenses (as a proxy to revenues) between "collection" and "related business activities" (e.g. transmission, treatment, and disposal), determining a set of percentages that the Town can use to allocate its wastewater revenues for tax purposes. Key elements of this task include:

- **Asset Allocation.** An allocation of the cost of the Town's wastewater assets between collection and related business activities will inform the functional allocation of specific expenses. This task assumes that the Town (or its engineer) can provide an allocation of its sewer mains (in terms of length) between collection and transmission using the definition established in *City of Spokane v. Washington State Department of Revenue (2001)*. Specifically, a "collection pipe" is a pipe with no upstream junctions except for side sewers

- **Expense Allocation.** The next step in the process will be to allocate the expenses of the Town's wastewater utility between collection and related business activities. We will consider the various components of the annual wastewater revenue requirement including operating expenses, debt service, and rate-funded capital in this allocation. Consistent with the direction that the Town received from the Department of Revenue, we envision allocating 2019 – 2020 expenses as part of this task.

TASK 3 | DOCUMENTATION

FCS GROUP will prepare a technical memorandum documenting the methodology used to allocate wastewater revenues between collection and related business activities, as well as recommended procedures for future updates.

BUDGET

The proposed level of effort to complete this work is shown below.

Task	Budget
Project Initiation & Data Collection	\$1,860
Allocation of Wastewater Revenues	4,100
Documentation	2,180
Total Cost Estimate	\$8,140

This budget does not include attendance at meetings or preparation of presentation materials, for which we would bill incrementally on a time-and-materials basis with the Town's advance authorization.