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MATT BOSTON
CHIEF FINANCIAL OFFICER

May 13, 2025

Spokane County

Re: Delinquent Utility Tax Return & Unpaid Taxes

Dear Spokane County:

Thank you for your letter dated March 18, 2025. We likewise appreciate the longstanding history of cooperation and collaboration regarding City and County wastewater operations. However, we respectfully disagree with your position regarding a tax on the operations of the Spokane County Regional Water Reclamation Facility (SCRWRF).

It is a matter of settled law that the City can tax “the gross revenue generated from [SCRWRF’s] proprietary business activities transacted within the City’s limits.” *Lakehaven Water & Sewer Dist. v. City of Fed. Way*, 195 Wn.2d 742, 768 (2020). Your proposed limitation of the tax to only those ratepayers who are City residents is not supported by the law. Indeed, in *Lakehaven* itself, the Washington Supreme Court approved a tax on business operations conducted within city limits that impacted “ratepayers within and without the City’s limits.” *Id.* at 750.

As you know, the Spokane Municipal Code (SMC) 08.10.010 levies a utility tax of 20% up through 2023 and 21% from 2024 forward upon operating public wastewater collection and treatment systems. The City has evaluated available financial records filed by Spokane County and has calculated the outstanding unpaid and delinquent taxes from June 30, 2020 – March 12, 2025. Per the attached spreadsheet, the current amount due and owing as of March 12, 2025, is \$ 34,140,620. Interest and penalties are calculated per SMC 8.10.110 and total \$23,282,982.84. (Interest due is \$15,471,253.89 and penalties due is \$7,811,728.95.

Prior to a formal assessment, the City would welcome the opportunity to further discuss a resolution of the past-due amounts, as well as a path forward for compliance on an ongoing basis. Please contact me at your earliest convenience.

Sincerely,

Matt Boston | City of Spokane | Chief Financial Officer

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