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BUDGET MESSAGE

To: Ilwaco City Councilmembers
 From: Gary Forner, Mayor

Subject: Budget request for 2020

I am pleased to submit for your consideration the 2020 proposed budget for the City of Ilwaco. Proposed 2020 expenditures and reserve contribution appropriations stated on a comparative basis with the 2019 budget and 2018 actual results are as follows:

	Actual	Budget	Proposed
	2018	2019	2020
<i>General/Streets Fund</i>			
General City government (including legal svc and courts)	218,043	189,177	190,051
Law Enforcement	251,402	261,058	276,500
Fire Department	104,163	110,125	110,378
Other Services (Dispatch, Correctional Institution, etc.)	31,967	26,421	23,133
Physcial Environment including Planner	82,745	48,797	62,802
Library	20,911	18,622	19,039
Community Building	22,681	19,344	18,699
Parks	132,938	87,082	109,785
Streets (including grant funded projects)	93,022	154,227	522,894
Debt Repayment/Capital Expenditures	132,988	144,988	177,988
Reserve contribution/(usage)	24,931	(55,693)	(92,644)
Total Expenditures	1,115,790	1,004,148	1,418,625
<i>Tourism Fund</i>			
Ilwaco Merchants Association	8,100	5,500	7,000
Miscellaneous	400	1,400	3,000
Fireworks	9,000	10,000	10,000
Visitors Bureau	10,769	12,769	14,769
Heritage Museum (includes insurance provided)	15,346	17,507	18,344
Ilwaco Charter Association	2,000	3,000	4,000
Other	36,000	2,500	-
Reserve contribution/(usage)	(27,490)	(12,601)	(16,113)
Total Expenditures	54,125	40,075	41,000
<i>Excise Reserve Fund</i>			
Contribution to projects	6,000	-	30,000
Reserve contribution/(usage)	20,548	20,000	(10,000)
	26,548	20,000	20,000



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	Actual	Budget	Proposed
	2018	2019	2020
<i>Water Fund</i>			
Operations & Maintenance	516,680	581,059	513,628
Capital Expenditures	434,079	38,599	62,599
Debt Service	99,777	98,491	143,550
Reserve contribution/(usage)	(31,155)	35,832	492
Total Expenditures	1,019,381	753,981	720,269
<i>Water/Sewer Bond Redemption Fund</i>			
Debt Service	458,766	453,403	462,284
Total Expenditures	458,766	453,403	462,284
<i>Water/Sewer Bond Reserve Fund</i>			
Contribution to Reserve	17,588	2,995	2,995
Total Expenditures	17,588	2,995	2,995
<i>Stormwater Fund</i>			
Operations & Maintenance	39,592	41,034	53,018
Capital Expenditures	6,150	9,150	10,150
Debt Service	29,822	29,388	29,305
Reserve contribution/(usage)	23,592	12,586	685
Total Expenditures	99,157	92,158	93,158
<i>Wastewater Fund</i>			
Operations & Maintenance	690,651	530,066	612,837
Capital Expenditures	1,222,332	65,000	40,000
Debt Service	477,162	451,250	459,180
Reserve contribution/(usage)	(107,697)	43,517	1,550
Total Expenditures	2,282,449	1,089,833	1,113,567

Revenues

The budget is balanced by a proposed levy of \$228,941 in property taxes that will be split between the General Fund (90%) and Streets Fund (10%). The levy is limited to a 1% increase each year which for 2020 is \$2,222. The City has traditionally split the property tax revenue 70/30, however reserves for the Street Fund are far above the objectives set by Council. Alternatively, the General Fund has depleted reserves below the council objectives. This is mainly due to planning/physical environment expenses (i.e. GMA update and new construction). The General Fund proforma reflects an 80/20 split in 2021, and returns to a 70/30 split in 2022.

The estimated yield from retail sales and use tax for 2020 is \$180,000. The 2020 sales tax estimate is increased by \$10,000 as businesses at the Port of Ilwaco continue to flourish. The General and Streets Fund are further provided for by utility taxes collected on electricity, solid waste collection, telephone, cable modem, water, sewer, and storm drainage; making up approximately 20% of the annual support. Additionally, Business and Occupation Tax, business license fees and Motor Vehicle Fuel Tax provide approximately 10% of the annual funding.

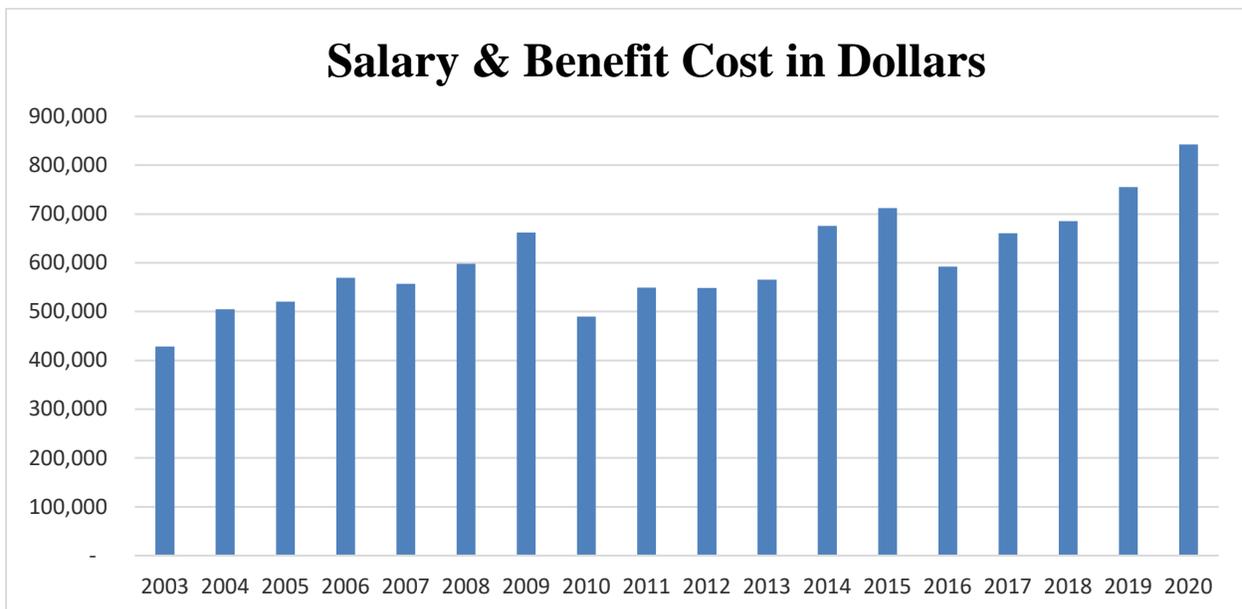
City of Ilwaco is an equal opportunity provider and employer.



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Personnel

Salary and benefit costs are allocated to the General, Streets, Stormwater, Water and Wastewater Funds based on the time staff provide services for those activities. A time study will be completed in 2020 as recommended by the State Auditor’s Office at the conclusion of the 2015-2018 Three Year Financial and Accountability Audit. The budget provides for normal progressive step increases as noted in Resolution 2006-05 passed by the council during regular session of December 11, 2006. For 2018 a 2% COLA was granted, the 2019 budget had no COLA increase and the 2020 budget includes a 2% increase. For 2020, the city continues to utilize a high-deductible health care plan for city staff, along with a contribution to a health care savings account for the amount of the deductible. The city currently makes no contribution to insurance for family members of the city staff. The City intends to complete a review and comparison of health care plans in 2020 in order to ensure the best plan with the most competitive rates.



The 2020 budget estimates provide for three full-time employees at City Hall, eight full-time utility employees and one part-time fire chief. There was no increase to the 2020 benefit plan costs.

General Fund (001)

The General Fund provides for numerous city services, such as law enforcement, courts and detention facilities, fire protection and emergency services; parks, lakes, trails and recreation; library, senior services and community facilities; city planner, city attorney, clerk, treasurer, council and mayor. Approximately 30% of the annual operational expenditures from the General Fund are strictly for payment of the law enforcement services provided by the City of Long Beach. This includes an extra \$5,000 allocation to support an additional School Resource officer for the department. For 2020, 10% of the fund’s expenditures will be for operations, maintenance and improvements for the fire department. 10% of the General Fund budget is to maintain the city parks. 30% of the expenditures will provide for City Hall administration, municipal court, city attorney, elected officials and audit costs. Substantial debt from the remodel of the community building, reconstruction of the fire station and purchase of the city hall and shop facility, along with capital expenditures, make up 15% of the fund’s annual expenditure.



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The General Fund proforma reflects the payoff of both the Community Building and Fire Hall debt in the next 5 years which will allow for additional support of the Fire Hall equipment updates and Community Building exterior.

Streets Fund (101)

The Streets Fund has enjoyed numerous years of reserve growth from the 30% split of property tax collections. In 2019, the City and TIB completed improvements to a few of the Vandalia streets at a cost of about \$20,000 to the city. The Treasurer continues to work with TIB to find projects suitable for grant funding with a 5% to 15 % city match. In the fall of 2019, the city met with the Pacific County Road Department about improvements around Hilltop Middle School. The city will submit a grant request to TIB in 2020 for approximately \$300,000 to complete the repairs.

Tourism Fund (104)

While lodging tax revenues have been consistent with the estimated yield, the fund is projecting a second year of reserve utilization in order to fully sponsor LTAC requests, carry the cost of property insurance for the Columbia Pacific Heritage Museum, and 4th of July fireworks.

Excise Reserve Fund (301)

The fund, established to provide for capital improvement projects, is forecast to begin 2020 with approximately \$61,000. Fund revenue was utilized in 2019 for capital improvements of City Hall and the Community Building. In 2020, the fund will assist with city vehicle replacements. As typical, Real Estate Excise Tax collected on the sale of property is estimated in the amount of \$20,000 for 2020.

Water Fund (401)

The estimated Water Fund budgeted expenditures of \$719,777 are for maintenance and operation of the plant and distribution system, as well as repayment of long-term debt and capital projects. In 2018, the city was awarded financing from USDA for the Whealdon Street water main relocation and water system improvements. Design of the project was placed on hold in the fall of 2019 in order to review the fund debt service capacity in conjunction with the new Sahalee Water Improvement debt. In 2020, the city must fund capital improvements to the Water Plant structural beams and French Drain System at the base of the Indian Creek Dam. In order to maintain the required revenue from Ilwaco customers to meet capital and debt expenses, a \$2.10 increase to the base charge and a 6% increase to consumption will be implemented in 2020.

Watershed Fund (402)

In 2019, council authorized the creation of the Watershed Fund for revenue from timber harvesting and to handle expenses specifically related to Source Water Protection as identified in the 2015 Source Watershed Control Plan. The fund will continue to be utilized as the council looks at ways to purchase the land and timber rights throughout the watershed.

Water/Sewer Bond Redemption Fund (403)

Revenues are transferred from the Water and Sewer Funds to provide for payments of long-term debt redemption.



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Water/Sewer Bond Reserve Fund (404)

Debt covenants for certain bonds require that the city hold one annual payment in reserve. In 2019, the final loan payment associated with the waste water plant was made and the reserve payment was transferred back to the waste water fund. In 2020, the city will continue to collect 10% of the USDA Whealdon Road Improvements payment reserve.

Stormwater Fund (408)

At the end of 2011, the Ilwaco City Council passed the necessary legislation to form a stormwater utility. The utility is responsible for the operation, maintenance, construction and debt service related to Ilwaco's stormwater infrastructure. Additionally, the utility has alleviated the burden on the Streets Fund allowing for future streets maintenance and repair. The Public Works crew continues to spend a significant amount of time locating and diagramming storm drainage.

Sewer Fund (409)

The estimated expenditures of \$1,134,767 are for daily maintenance and operation of the plant and collection system, as well as repayment of long-term debt and necessary capital expenditures. Long term debt associated with the completion of the Sahalee Improvements have been included and forecasted in the proforma. The city will begin utilizing the Long Beach Regional Bio-Solid Facility for bio-solid disposal in 2020. For this budget, and possibly the 2021 budget, there will be higher operation costs as we learn to operate under a new normal. Ultimately, costs for bio-solid land application will be phased out of operational expenses. In order to maintain the revenue from Ilwaco customers to meet these operational and debt needs, a 3% increase to the consumption charge will be implemented in 2020.

Summary

2020 is slated to be another year of working toward improving our city. The City of Ilwaco council and staff continue to work together to make well-informed, responsible decisions regarding the maintenance and improvement of the city's existing infrastructure in order to sustain our treasured community.

Respectfully submitted,
Gary Forner, Mayor