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BUDGET MESSAGE

To: Ilwaco City Councilmembers
 From: Gary Forner, Mayor

Subject: Budget request for 2021

I am pleased to submit for your consideration the 2021 proposed budget for the City of Ilwaco. Proposed 2021 expenditures and reserve contribution appropriations stated on a comparative basis with the 2020 budget and 2019 actual results are as follows:

	Actual	Budget	Proposed
	2019	2020	2021
<i>General/Streets Fund</i>			
General City government (including legal svc and courts)	209,926	187,416	193,770
Law Enforcement	259,725	276,500	282,360
Fire Department	114,670	110,379	108,918
Other Services (Dispatch, Correctional Institution, etc.)	26,639	23,133	23,385
Physcial Environment including Planner	70,467	65,437	53,521
Library	20,819	19,039	19,102
Community Building	25,580	18,699	21,021
Parks	178,920	109,785	71,468
Streets (including grant funded projects)	461,706	522,894	113,396
Debt Repayment/Capital Expenditures	151,399	177,987	137,774
Reserve contribution/(usage)	(82,821)	(92,643)	20,144
Total Expenditures	1,437,029	1,418,626	1,044,859
<i>Tourism Fund</i>			
Ilwaco Merchants Association	5,500	7,000	8,000
Miscellaneous	6,588	3,000	-
Fireworks	10,000	10,000	10,000
Visitors Bureau	12,769	14,769	14,769
Heritage Museum (includes insurance provided)	17,507	18,344	18,655
Ilwaco Charter Association	3,000	4,000	4,000
Other	2,500	-	-
Reserve contribution/(usage)	39,412	(16,113)	576
Total Expenditures	97,276	41,000	56,000
<i>Excise Reserve Fund</i>			
Contribution to projects	30,000	30,000	40,000
Reserve contribution/(usage)	(10,203)	(10,000)	-
	19,797	20,000	40,000



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	Actual 2019	Budget 2020	Proposed 2021
<i>Water Fund</i>			
Operations & Maintenance	630,917	536,330	542,835
Capital Expenditures	361,469	132,599	2,178,069
Debt Service	145,258	143,551	141,845
Reserve contribution/(usage)	147,007	(92,211)	651
Total Expenditures	1,284,650	720,269	2,863,400
<i>Water/Sewer Bond Redemption Fund</i>			
Debt Service	466,894	462,285	453,522
Total Expenditures	466,894	462,285	453,522
<i>Water/Sewer Bond Reserve Fund</i>			
Contribution to Reserve	(101,313)	2,995	2,995
Total Expenditures	(101,313)	2,995	2,995
<i>Stormwater Fund</i>			
Operations & Maintenance	52,424	57,018	94,416
Capital Expenditures	6,150	6,150	2,178,765
Debt Service	29,402	29,304	28,562
Reserve contribution/(usage)	15,958	686	38
Total Expenditures	103,934	93,158	2,301,781
<i>Wastewater Fund</i>			
Operations & Maintenance	584,568	612,837	657,649
Capital Expenditures	1,361,727	62,750	92,750
Debt Service	465,088	459,181	450,418
Reserve contribution/(usage)	58,510	1,549	14,837
Total Expenditures	2,469,894	1,136,317	1,215,655

Revenues

The budget is balanced by a proposed levy of \$233,558 in property taxes that will be split between the General Fund (70%) and Streets Fund (30%). The levy is limited to a 1% increase each year which for 2021 is \$2,288.

The estimated yield from retail sales and use tax for 2021 continues at \$180,000. 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.

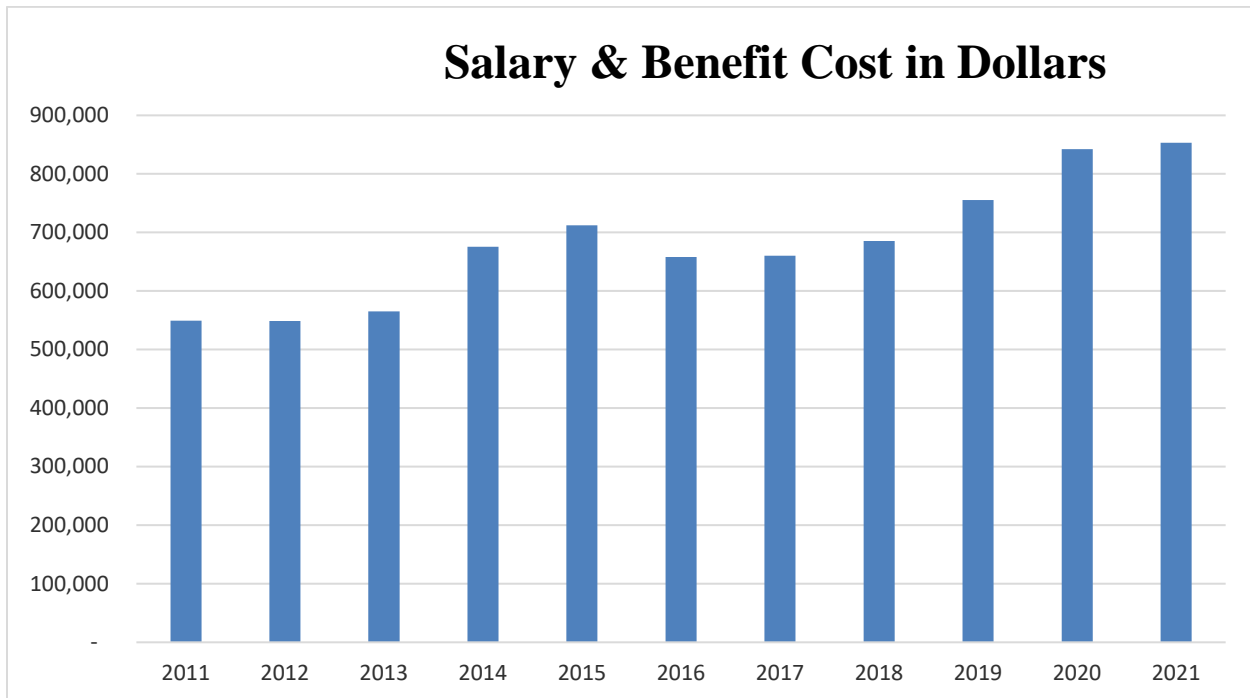
Personnel

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. Time studies are being implemented to ensure that allocations are true to the actual time spent by the crew, however the city crew is small and continues to assist over many different areas and time accounting practices are difficult to adhere to under stressful



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project conditions. 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. The 2021 budget includes a 1.3% COLA increase. In 2021, 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 2021 in order to ensure the best plan with the most competitive rates.



The 2021 budget estimates provide for two full-time employees at City Hall, nine full-time utility employees and one part-time fire chief. There was a 4% increase to the 2021 medical 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. For 2021, 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. 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.



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Streets Fund (101)

TIB grant discussions were abandoned under COVID-19 restrictions in 2020, however the city did choose to complete improvements to Howerton Way, and portions of Pearl and Myrtle Avenues as other projects in the area reduced mobilization costs. This impacted reserves to the fund which will aim to be re-established in 2021 and the coming years.

Tourism Fund (104)

Lodging tax revenues continue to meet expectations, however the expenditures are outpacing revenue growth. Costs continue to increase for the Heritage Museum insurance. The fund has a very healthy reserve to support these increases.

Excise Reserve Fund (301)

The fund, established to provide for capital improvement projects, is forecast to begin 2021 with approximately \$45,000. \$40,000 of the reserve will be allocated to the water fund to assist with costs for the structural improvements of the water plant. As typical, Real Estate Excise Tax collected on the sale of property is estimated in the amount of \$20,000 for 2021 which should leave this fund with the reserve objective of \$20,000 at year end.

Water Fund (401)

The estimated Water Fund budgeted expenditures of \$723,279 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, and a \$900,000 CDBG grant was secured thus funding additional improvements at the Water Treatment Plant. In order to maintain the required revenue from Ilwaco customers to meet capital and debt expenses, a significant rate increase to this fund will be implemented for 2021.

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.

Water/Sewer Bond Reserve Fund (404)

Debt covenants for certain bonds require that the city hold one annual payment in reserve. In 2021, 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



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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 \$1,200,818 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 continues to find that when the treatment plant is running at its best, there is little need for utilizing the bio-solid facility. Inclusion of land application costs have remained for 2021. In order to maintain the revenue from Ilwaco customers to meet these operational and debt needs, a \$5.00 commodity charge increase for metered sewage flow will be implemented in 2021.

Summary

2020 and COVID-19 brought us a year of unforeseen challenges not just to our city, but the world in its entirety. The City and Staff continue to flex with the ups and downs of the economy and quarantine restrictions. Council and Mayor suspended their monthly pay early in the year to help with cash flow, and further motioned that they would not take pay in 2021 unless there is a revenue surplus. The council continues to make difficult decisions on rate increases but strives to keep an eye towards future growth and planning expenses in order to provide the best possible future for our treasured city.

Respectfully submitted,

Gary Forner, Mayor