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BUDGET MESSAGE

To: Ilwaco City Councilmembers
 From: Mike Cassinelli, Mayor

Subject: Budget request for 2016

I am pleased to submit for your consideration the 2016 proposed budget for the City of Ilwaco. Proposed 2016 expenditures, reserve contribution/use, and anticipated revenues stated on a comparative basis with the 2015 amended budget and 2014 actual results are as follows:

	Actual	Budget	Proposed
	2014	2015	2016
<i>General/Streets Fund</i>			
General City government (including legal svc and courts)	173,872	189,373	170,409
Law Enforcement	183,140	214,250	222,820
Fire Department	82,155	92,124	92,852
Other Services (Dispatch, Correctional Institution, etc.)	22,434	38,032	35,367
Physcial Environment including Planner	89,285	72,173	72,673
Library	30,247	16,921	17,610
Community Building	8,900	37,340	28,276
Parks	76,216	107,070	88,671
Streets (including grant funded projects)	775,310	89,405	81,564
Debt Repayment/Capital Expenditures	210,374	198,686	450,472
Reserve contribution/(usage)	63,809	(45,790)	13,673
Total Revenue	1,715,742	1,009,584	1,274,386
<i>Tourism Fund</i>			
Ilwaco Merchants Association	7,500	3,000	3,200
Fireworks	-	7,500	7,500
Visitors Bureau	8,269	8,644	9,269
Heritage Museum (includes insurance provided)	10,504	10,520	10,796
Ilwaco Charter Association	1,000	1,000	1,000
Other	38,500	38,500	38,500
Reserve contribution/(usage)	(35,085)	(39,034)	(33,190)
Total Revenue	30,688	30,130	37,075
<i>Excise Reserve Fund</i>			
Contribution to projects	14,000	20,000	
Reserve contribution/(usage)	(4,566)	(11,000)	15,000
Total Revenue	9,434	9,000	15,000



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	Actual	Budget	Proposed
Water Fund	2014	2015	2016
Operations & Maintenance	562,520	549,836	482,692
Capital Expenditures	893,034	1,045,500	269,645
Debt Service	82,220	101,826	120,500
Reserve contribution/(usage)	217,063	(193,572)	2,095
Total Revenue	1,754,837	1,503,590	874,932
Water/Sewer Bond Redemption Fund			
Debt Service	452,777	478,949	473,943
Total Revenue	452,777	478,949	473,943
Water/Sewer Bond Reserve Fund			
Contribution to Reserve	20,553	20,553	20,553
Total Revenue	20,553	20,553	20,553
Stormwater Fund			
Operations & Maintenance	29,433	40,233	47,113
Capital Expenditures	227	48,500	7,000
Debt Service	37,002	31,082	31,082
Reserve contribution/(usage)	9,601	(5,277)	4,279
Total Revenue	76,264	114,538	89,474
Wastewater Fund			
Operations & Maintenance	469,379	483,330	421,948
Capital Expenditures	151,047	548,625	405,000
Debt Service	489,251	515,422	512,888
Reserve contribution/(usage)	(33,493)	(95,095)	37,178
Total Revenue	1,076,185	1,452,282	1,377,014

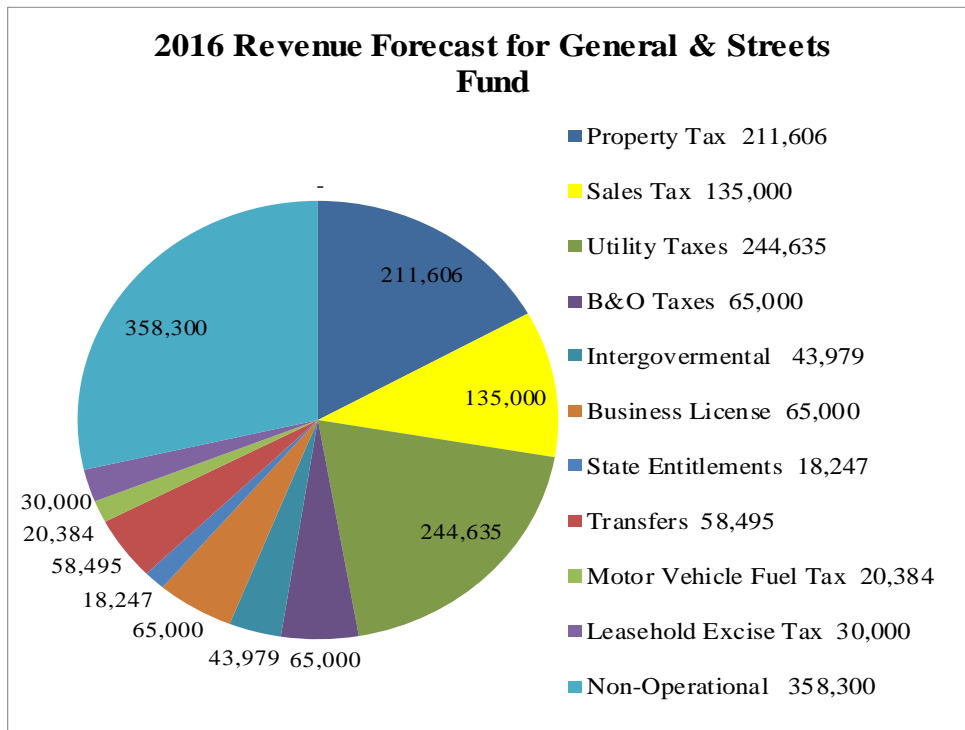
Revenues

The budget is balanced by a proposed levy of \$211,600 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 2016 is \$2,087. The estimated yield from retail sales and use tax for 2016 is \$135,000. Sales tax collections are projected to be near the \$135,000 target for 2015. However, the average collected for 2012 and 2013 was \$137,000. In 2011 there appeared to be no significant projects supplementing sales tax revenues. The 2012 and 2013 sales tax revenue forecast were supplemented to include taxes collected as a result of the School Street reconstruction and First Avenue sewer replacement projects. The 2016 sales tax collection should minimally benefit from anticipated projects, as well. The General and Streets Fund are further provided for by utility taxes collected on electricity, solid waste collection, telephone,



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cable modem, water, sewer, storm drainage, natural gas or telegraph making up approximately 25% of the annual support. Additionally, Business and Occupation Tax, business license fees and Motor Vehicle Fuel Tax provide almost 11% of the annual funding. The General Fund will also receive grant funds to complete the Shoreline Master Program Update (\$25,000) and continued work on the weeds in Black Lake (\$20,000). Not to mention the RCO grant that was awarded to transform the Ilwaco Park (\$150,000) grant monies and (\$150,000) match through donations and pledged labor.



The 2016 Water Fund budget includes revenues of \$31,000 funded by adjusted rates and increased sales. The Sewer Fund includes \$285,000 related to the Department of Ecology loan to replace the Sahalee sewer lines, this portion would be for the engineering and the project would soon follow. Additionally, a Public Works Trust Fund loan is still available to be received for the replacement of the sewer line on Nesadi Drive, this would combine with the whole Sahalee project.

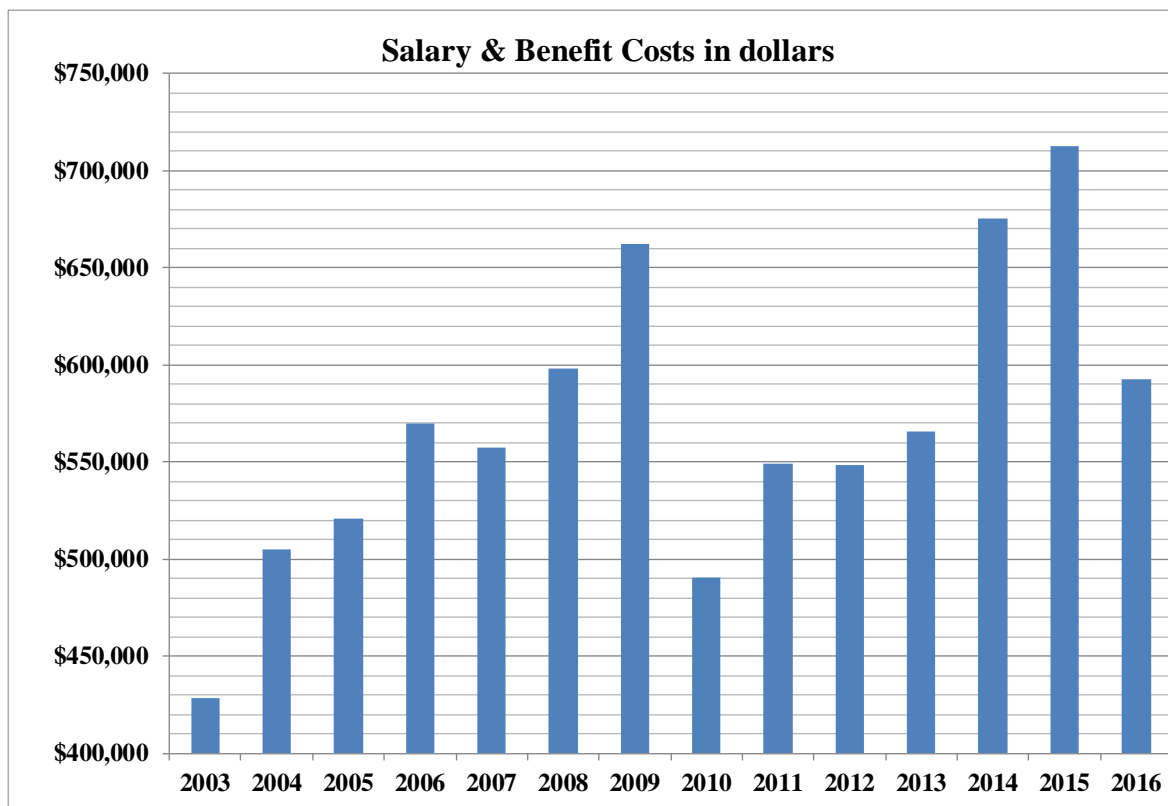
Personnel

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. 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. There is no cost of living increase planned for the year 2016. For 2011 and 2012 there was a 2% reduction in social security tax, in 2013 that reduction



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was no longer allowed. In 2013, city staff were granted a 2% pay increase and in 2014 there was a 1% increase. Prior to that, city staff had not been awarded a cost of living increase since the 2009 budget. At the beginning of 2010, three city staff were laid off and the City Council and mayor waived their salary reducing the overall expense. With the reduction in force at the Waste Water Treatment Facility and the Water Treatment Plant, the salaries for both funds are slightly lower. For 2012, the city selected 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. For 2013, 2014, 2015 and 2016, the city has continued to provide the high-deductible plan.



The 2016 budget estimates provide for two full-time employees and one part-time employee at City Hall, six full-time utility employees and one part-time fire chief. The benefit plans were not changed and increased in cost by approximately 9%. Mayor and City Council stipends waived in 2010 were restored in the 2011 and proceeding budgets. Since the layoff of three city staff in early 2010, the city has continued to restrain personnel expenses, while still attempting to provide adequate service to its citizens. The new hires in 2014 allowed Public Works staff to begin to address the back log of maintenance projects, devote more attention to the water distribution system, begin to create maintenance plans for the city facilities, and add depth to the succession plan.

General Fund (001)



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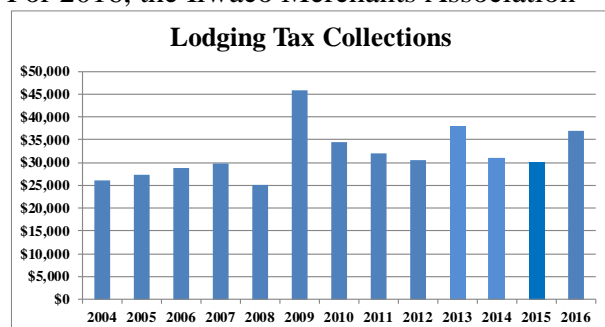
The General Fund provides for numerous city services, such as law enforcement, courts and detention facilities, fire protection and emergency services; parks, lakes, trails and recreation; library, senior services and community facilities; city planner, city attorney, clerk, treasurer, council and mayor. Approximately 27% 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 2016, 11% of the fund's expenditures will be for operations, maintenance and improvements for the fire department. 11% of the General Fund budget is to maintain the city parks including the expenditure of the Black Lake Aquatic Weed grant. 20% 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 20% of the fund's annual expenditure. In addition to expenditures related to the Black Lake Aquatic Weed Grant, the city will be working on completing the Shoreline Master Program.

Streets Fund (101)

While in prior years the Streets Fund has included the costs associated with the city's stormwater system, in 2011 the council explored the potential need to maintain and improve the stormwater system, while alleviating the burden from the Streets Fund. By forming a separate source of revenue for the stormwater system, the Streets Fund has had the resources to begin annual maintenance and upgrades to city streets. In 2012, over \$700,000 of grant funds awarded from the Transportation Improvement Board, along with \$37,000 of the city's funds, were used to reconstruct School Street, which is the alternative bypass if there is an emergency in the city center. During 2013, Transportation Improvement Board funds were used to overlay Brumbach Avenue. The 2014 budget included a \$547,321 grant funded project to reconstruct Elizabeth Street and increase the size of the water main, which provides access and water to the Port of Ilwaco. Additional grant funds totaling \$102,000 were used to improve sidewalks. The City and Port participated together on the required match for the projects totaling over \$86,000. In the future, grant opportunities will continue to be pursued to reconstruct and improve city streets. TIB applications were submitted in 2015 to reconstruct a portion of Howerton and a portion of Lake St. those will be awarded in late 2015.

Tourism Fund (104)

In 2010, lodging tax revenues began to reflect a downward trend that has resulted in lower appropriations, which has steadily improved since. For 2016, the Ilwaco Merchants Association requested a total of \$3,200 for tourism promotion. Alternatively, again in 2016 the City will continue fundraising for the annual fireworks display, allocating \$7,500 towards the fireworks. The Columbia-Pacific Heritage Museum requested a total of \$5,000 for expenditures in 2016, and \$5,000 has been appropriated.





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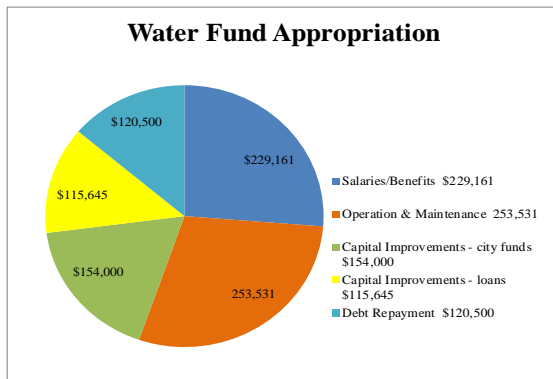
Additionally, \$5,796 has been appropriated from this fund to provide insurance on the building the museum rents from the city. The Visitors Bureau was appropriated \$8,500 after requesting \$10,000. An additional \$769 is appropriated for the Visitors Bureau building. \$1,000 was appropriated for the Ilwaco Charter Association. \$2,500 will be used to display event banners and maintain tourist-related facilities.

Excise Reserve Fund (301)

The fund, established to provide for capital improvement projects, is forecast to begin 2016 with approximately \$7,000. Real Estate Excise Tax collected on the sale of property is estimated in the amount of \$15,000 for 2016.

Water Fund (401)

The estimated Water Fund budgeted expenditures of \$872,837 are for maintenance and operation



of the plant and distribution system, as well as repayment of long-term debt and capital projects. Over the past four years, the City Council has held regular meetings with representatives from the Washington State Department of Health to find solutions to the challenges of the city's water utility. After the completion of the update to the Water Comprehensive Plan in 2011, the city was awarded loans to fund improvements to the backwash basin and add two reservoirs to the water distribution system. Remaining portions of those

projects were completed in 2014. During 2012, the city was awarded a Jobs Creation Grant by the Washington State Legislature for \$1,019,234, which replaced the two aging water filters at the treatment plant in early 2015. Additionally, the city intends to paint the city's steel reservoir



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during 2016. Overall, the Water Fund is beginning to provide for needed maintenance, while building reserves to provide for the replacement of essential equipment and other assets.

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)

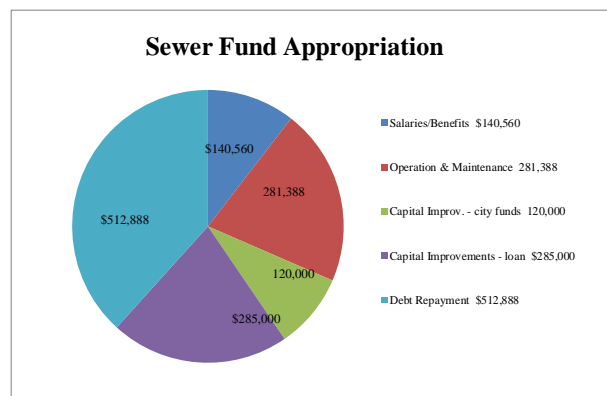
Debt covenants for certain bonds require that the city hold one annual payment in reserve. Currently, the City must put \$20,553 into the reserve fund until the total annual payment is reserved for each specific loan.

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. Since the beginning of 2012, the rates of the utility have not been increased. A slight increase that began in 2015 added approximately \$14,000 of revenue to assist with the costs of much needed replacement and repair projects. In 2015 the city crew repaired the Lakeview estates stormwater drainage system to provide a more adequate design.

Sewer Fund (409)

The estimated \$1,339,836 are for operation of the plant as well as repayment necessary capital Expenditures include two new pumps at station, roof maintenance. construction funds \$336,000 from the Fund will fund the



expenditures of daily maintenance and and collection system, of long-term debt and expenditures. the replacement of the the North Head pump maintenance, building Additionally, the from a loan for Public Works Trust replacement of the

Nesadi sewer line. Reserves are being established to fund short-lived assets and the future purchase of the sludge site. At the beginning of 2013, a new sewer rate structure was implemented that split the rate between a base charge and a consumption charge. Close monitoring of the implementation of these rates has resulted in some minor adjustments over the last three years. In order to maintain the revenue from Ilwaco customers to meet the minimum needed, a slight increase to the base charge will be implemented in early 2016. In 2016, continued improvements will be made to the plant and system. The Nesadi sewer line project



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will move forward along with the Department of Ecology grant and loan to replace the rest of the Sahalee sewer system.

Summary

2016 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,
Mike Cassinelli, Mayor