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BUDGET MESSAGE

To: Ilwaco City Councilmembers
 From: Mike Cassinelli, Mayor

Subject: Budget request for 2017

I am pleased to submit for your consideration the 2017 proposed budget for the City of Ilwaco. Proposed 2017 expenditures, reserve contribution/use, and anticipated revenues stated on a comparative basis with the 2016 amended budget and 2015 actual results are as follows:

	Actual	Budget	Proposed
	2015	2016	2017
General/Streets Fund			
General City government (including legal svc and courts)	203,288	173,981	175,262
Law Enforcement	214,250	222,820	241,733
Fire Department	83,735	108,452	106,907
Other Services (Dispatch, Correctional Institution, etc.)	37,400	35,367	29,227
Physcial Environment including Planner	73,640	52,673	37,673
Library	21,347	16,630	17,797
Community Building	17,597	17,576	30,233
Parks	78,976	420,485	89,213
Streets (including grant funded projects)	88,047	83,751	83,624
Debt Repayment/Capital Expenditures	174,911	154,222	276,119
Reserve contribution/(usage)	9,140	(11,872)	21,740
Total Revenue	1,002,330	1,274,086	1,109,526
Tourism Fund			
Ilwaco Merchants Association	3,000	3,200	4,000
Fireworks	7,500	7,500	9,000
Visitors Bureau	8,644	9,269	10,769
Heritage Museum (includes insurance provided)	10,827	10,796	12,875
Ilwaco Charter Association	1,000	1,000	1,000
Other	38,500	38,500	38,500
Reserve contribution/(usage)	(22,256)	(33,190)	(36,069)
Total Revenue	47,215	37,075	40,075
Excise Reserve Fund			
Contribution to projects	20,000	15,000	
Reserve contribution/(usage)	(3,756)	-	15,000
Total	16,244	15,000	15,000



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	Actual	Budget	Proposed
Water Fund	2015	2016	2017
Operations & Maintenance	527,355	491,776	505,774
Capital Expenditures	971,092	289,249	716,767
Debt Service	125,194	100,896	100,896
Reserve contribution/(usage)	(87,812)	(6,990)	25,447
Total Revenue	1,535,829	874,931	1,348,885
Water/Sewer Bond Redemption Fund			
Debt Service	473,985	473,943	473,062
Total Revenue	473,985	473,943	473,062
Water/Sewer Bond Reserve Fund			
Contribution to Reserve	20,553	20,553	17,588
Total Revenue	20,553	20,553	17,588
Stormwater Fund			
Operations & Maintenance	33,561	44,021	44,353
Capital Expenditures	12,607	7,000	8,000
Debt Service	36,199	36,812	36,813
Reserve contribution/(usage)	32,194	1,641	2,992
Total Revenue	114,560	89,474	92,158
Wastewater Fund			
Operations & Maintenance	506,310	423,406	479,270
Capital Expenditures	127,660	405,000	1,822,208
Debt Service	510,459	512,888	509,440
Reserve contribution/(usage)	(137,679)	58,820	28,148
Total Revenue	1,006,750	1,400,114	2,839,066

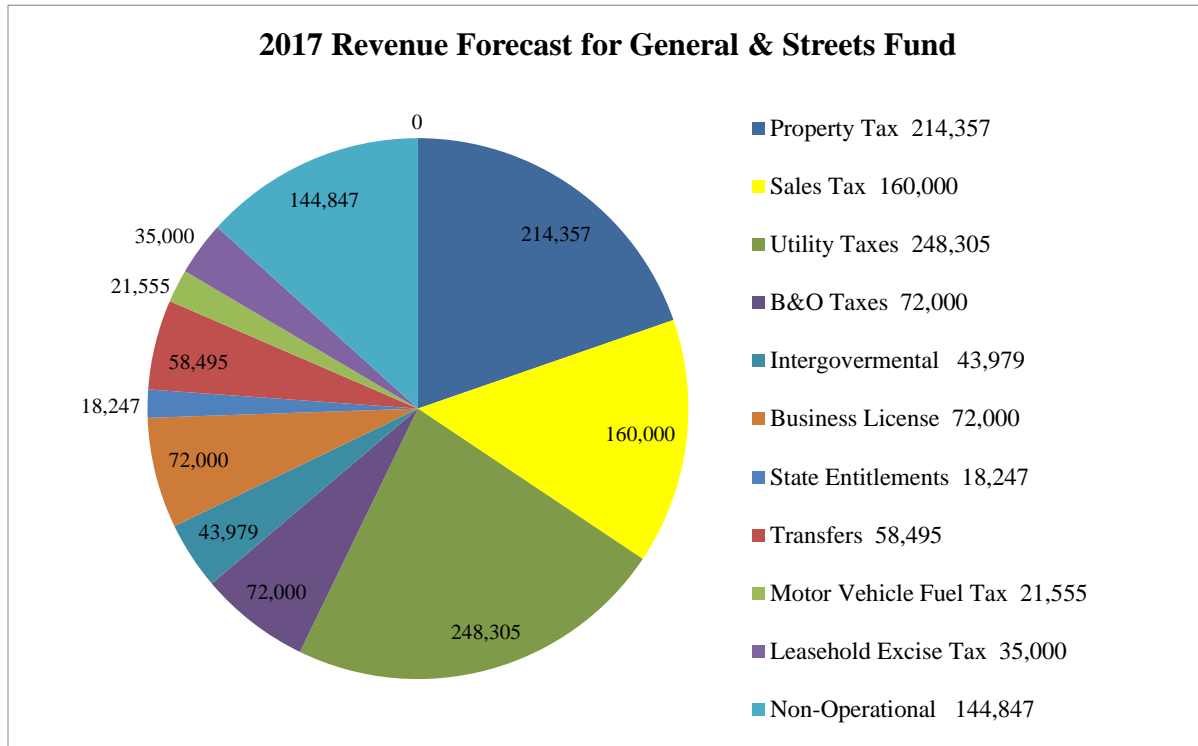
Revenues

The budget is balanced by a proposed levy of \$214,357 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 2017 is \$2,751. The estimated yield from retail sales and use tax for 2017 is \$160,000. Sales tax collections are projected to be greater than the \$135,000 target that was budgeted for in 2016, hence the projected increase for 2017. 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. During 2014 and 2015 there were multiple projects surrounding the high school where significant amounts of tax revenue was collected. The 2017 sales tax collection should benefit from the Sahalee water and sewer improvements and newly added retail store fronts. The General and Streets Fund are further provided for by utility taxes collected on electricity, solid waste collection, telephone, 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 and continue work on the weeds in Black Lake (\$10,000).



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Not to mention the RCO grant that was received to transform City Park, the park project will be completed in 2017.



The 2017 Water Fund budget includes revenues of \$26,500 funded by adjusted rates and increased sales. As well revenue from the Department of Health through the State Revolving Fund to fund the Sahalee water lines \$563,163. The Sewer Fund includes \$1,700,000 related to the Department of Ecology loan to replace the Sahalee sewer lines, this portion would be for the construction of the project. 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.

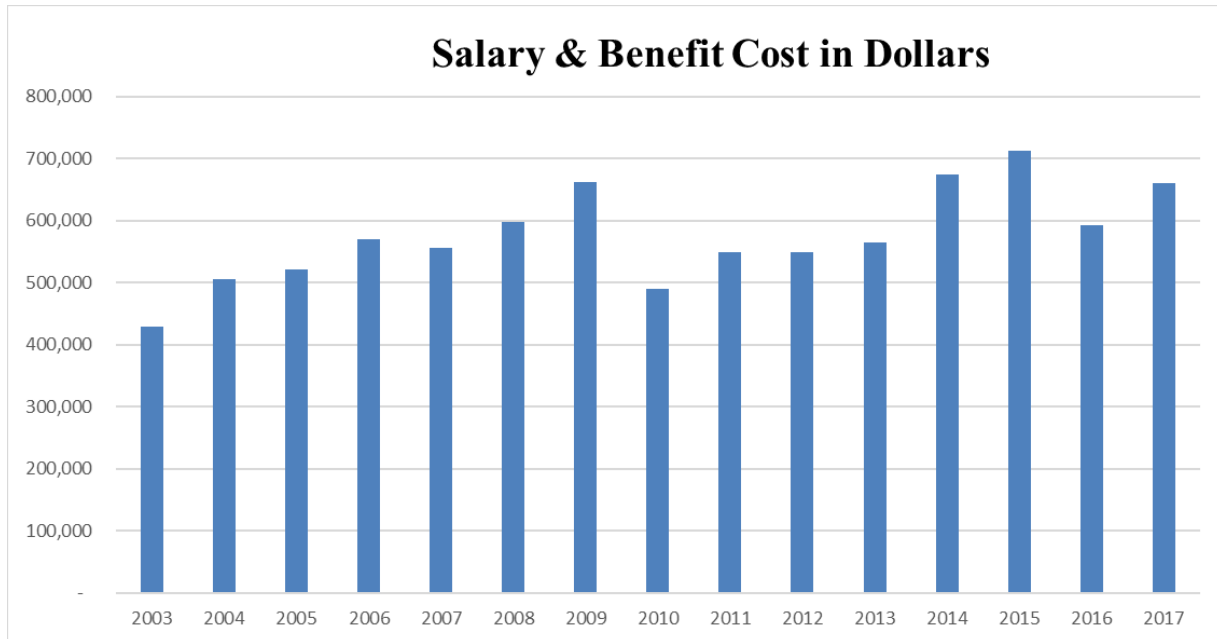
Personnel

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. For 2011 and 2012 there was a 2% reduction in social security tax, in 2013 that reduction 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. There was no COLA given in 2015 or 2016, the Mayor presented a 1% COLA for 2017. 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



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amount of the deductible. The city currently makes no contribution to insurance for family members of the city staff. For 2013, 2014, 2015, 2016 and 2017, the city has continued to provide the high-deductible plan combined with an employer contributed HSA.



The 2017 budget estimates provide for two full-time employees and one part-time employee at City Hall, seven 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)

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 24% 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 2017, 11% of the fund's expenditures will be for operations, maintenance and improvements for the fire department. 22% of the General Fund budget is to maintain the city parks including the expenditures of the Black Lake Aquatic Weed grant and the Transform City Park project. 24% 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.

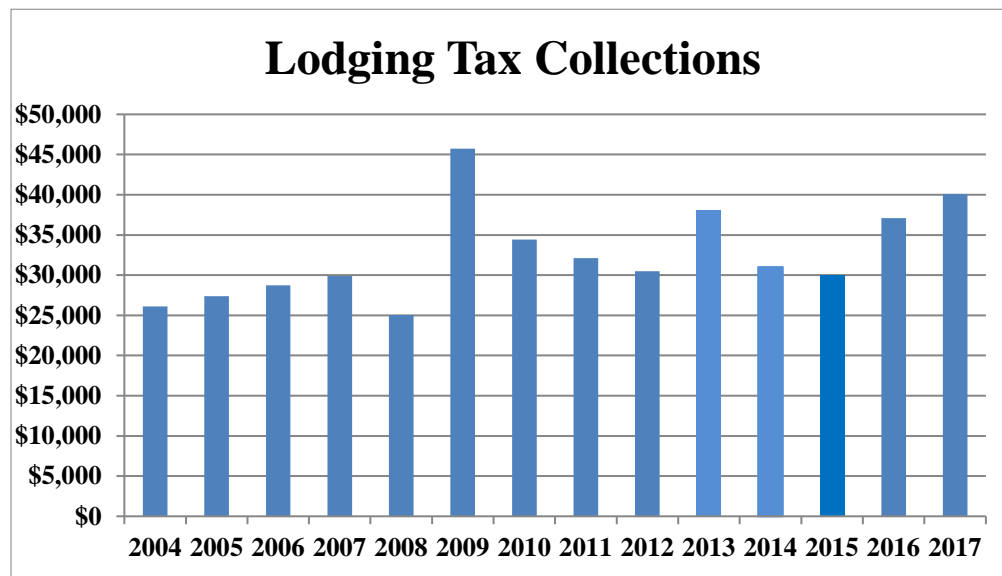


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Streets Fund (101)

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 both 2015 & 2016.

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 2017, the Ilwaco Merchants Association requested a total of \$4,000 for tourism promotion. Alternatively, again in 2017 the

City will continue fundraising for the annual fireworks display, allocating \$9,000 towards the fireworks. The Columbia-Pacific Heritage Museum requested a total of \$6,500 for expenditures in 2017, and \$6,500 has been appropriated. Additionally, \$6,375 has been appropriated from this fund to provide insurance on the building the museum rents from the city. The Visitors Bureau was appropriated \$10,000 as requested. 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.

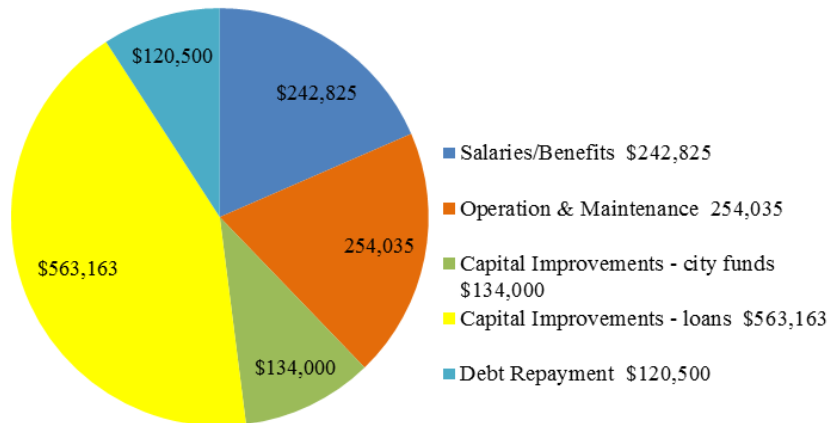
Excise Reserve Fund (301)

The fund, established to provide for capital improvement projects, is forecast to begin 2017 with approximately \$14,000. Real Estate Excise Tax collected on the sale of property is estimated in the amount of \$15,000 for 20



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Water Fund Appropriation



Water Fund (401)

The estimated Water Fund budgeted expenditures of \$1,314,523 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 during 2017. Another major project affecting the water fund is the construction of the Sahalee water lines, this project was mostly engineered in 2016 and construction will begin 2017. The funding for this project is DOH State Revolving Fund monies, low-interest loan. 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 \$17,588 into the reserve fund until the total annual payment is reserved for each specific loan.

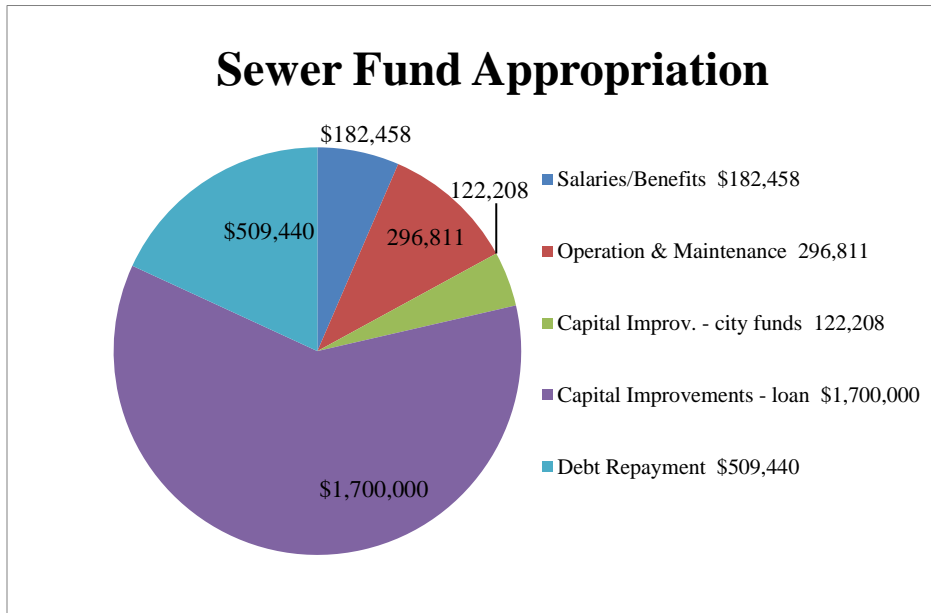
Stormwater Fund (408)

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



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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. The crew plans to replace multiple culverts throughout the city in the year 2017 and schedule maintenance on those that are still intact.



Sewer Fund (409)

The estimated expenditures of \$2,810,918 are for daily maintenance and operation of the plant and collection system, as well as repayment of long-term debt and necessary capital expenditures. Expenditures include the replacement of the two new pumps at the North Head pump station, roof maintenance, building maintenance. Additionally, the construction funds from

a loan for \$336,000 from the Public Works Trust Fund will fund the 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 2017. In 2017, continued improvements will be made to the plant and system. The Nesadi sewer line project will move forward along with the Department of Ecology grant and loan to replace the rest of the Sahalee sewer system.

Summary

2017 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