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**BUDGET MESSAGE**

To: Ilwaco City Councilmembers  
 From: Mike Cassinelli, Mayor

Subject: Budget request for 2018

I am pleased to submit for your consideration the 2018 proposed budget for the City of Ilwaco. Proposed 2018 expenditures and reserve contribution appropriations stated on a comparative basis with the 2017 amended budget and 2016 actual results are as follows:

	<b>Actual</b>	<b>Budget</b>	<b>Proposed</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b><i>General/Streets Fund</i></b>			
General City government (including legal svc and courts)	180,200	175,261	204,156
Law Enforcement	228,725	241,733	251,402
Fire Department	103,197	98,306	110,294
Other Services (Dispatch, Correctional Institution, etc.)	35,161	29,227	19,501
Physcial Environment including Planner	58,788	37,673	42,978
Library	19,963	17,797	17,828
Community Building	22,093	18,533	18,929
Parks	89,287	100,914	100,283
Streets (including grant funded projects)	81,402	83,623	84,542
Debt Repayment/Capital Expenditures	359,990	276,119	138,987
Reserve contribution/(usage)	17,309	30,341	41,412
<b>Total Expenditures</b>	<b>1,196,115</b>	<b>1,109,526</b>	<b>1,030,313</b>
<b><i>Tourism Fund</i></b>			
Ilwaco Merchants Association	3,344	4,000	8,000
Miscellaneous	8,576	-	-
Fireworks	-	9,000	9,000
Visitors Bureau	9,269	10,769	10,769
Heritage Museum (includes insurance provided)	10,724	12,875	15,346
Ilwaco Charter Association	1,000	1,000	2,000
Other	38,500	38,500	36,000
Reserve contribution/(usage)	(36,000)	(36,069)	(41,040)
<b>Total Expenditures</b>	<b>35,413</b>	<b>40,075</b>	<b>40,075</b>
<b><i>Excise Reserve Fund</i></b>			
Contribution to projects	-	-	-
Reserve contribution/(usage)	18,435	-	20,000
	<b>18,435</b>	<b>-</b>	<b>20,000</b>



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	<b>Actual 2016</b>	<b>Budget 2017</b>	<b>Proposed 2018</b>
<b><i>Water Fund</i></b>			
Operations & Maintenance	507,237	505,775	576,131
Capital Expenditures	78,799	716,767	892,813
Debt Service	99,013	100,897	99,636
Reserve contribution/(usage)	45,143	25,446	10,713
<b>Total Expenditures</b>	<b>730,192</b>	<b>1,348,885</b>	<b>1,579,292</b>
<b><i>Water/Sewer Bond Redemption Fund</i></b>			
Debt Service	473,648	473,063	459,048
<b>Total Expenditures</b>	<b>473,648</b>	<b>473,063</b>	<b>459,048</b>
<b><i>Water/Sewer Bond Reserve Fund</i></b>			
Contribution to Reserve	17,588	17,588	12,924
<b>Total Expenditures</b>	<b>17,588</b>	<b>17,588</b>	<b>12,924</b>
<b><i>Stormwater Fund</i></b>			
Operations & Maintenance	40,891	44,353	43,550
Capital Expenditures	7,095	8,000	60,000
Debt Service	36,812	44,813	35,970
Reserve contribution/(usage)	3,646	2,992	(47,362)
<b>Total Expenditures</b>	<b>88,444</b>	<b>100,158</b>	<b>92,158</b>
<b><i>Wastewater Fund</i></b>			
Operations & Maintenance	479,823	479,269	497,193
Capital Expenditures	149,491	1,822,208	1,821,175
Debt Service	512,598	509,440	490,368
Reserve contribution/(usage)	10,502	113,149	83,395
<b>Total Expenditures</b>	<b>1,152,414</b>	<b>2,924,066</b>	<b>2,892,131</b>

**Revenues**

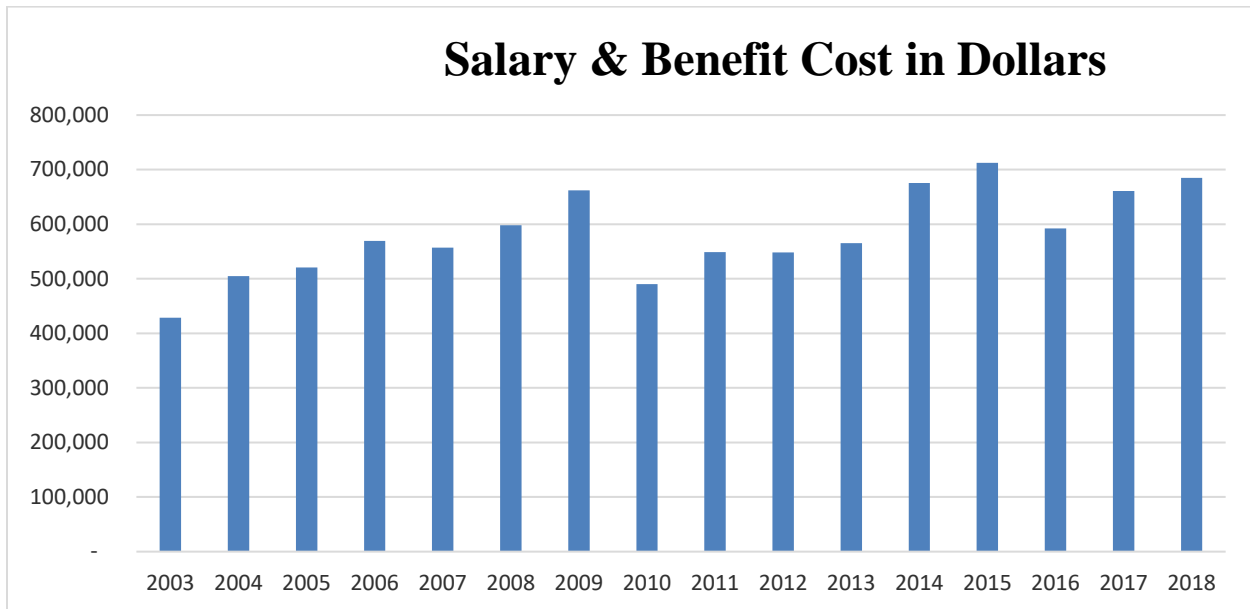
The budget is balanced by a proposed levy of \$216,978 in property taxes that will be split between the General Fund (70%) and Streets Fund (30%). The levy is limited to a 1% increase each year which for 2018 is \$2,139. The estimated yield from retail sales and use tax for 2018 is \$160,000. The 2018 sales tax collection should continue to benefit from the addition of the Freedom Market at the Port of Ilwaco. 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.



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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. 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 2017 a 1% COLA was granted, the proposed budget for 2018 includes a 2% COLA. For 2018, 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 2018 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 12%.

### **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 28% 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 2018, 13% 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. 22% 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 2015, 2016, and 2017. In late 2017 TIB awarded funds for improvements to the Vandalia streets in 2019.

### **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 2018, the Ilwaco Merchants Association was granted an increase of \$4000 for a total of \$8,000 for tourism promotion. Again in 2018 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 2018, and \$6,500 has been appropriated. Additionally, \$8,846 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. The Ilwaco Charter Association requested an increase of \$1,000 over their last appropriation of \$1,000 for a total of \$2,000 in 2018.

### **Excise Reserve Fund (301)**

The fund, established to provide for capital improvement projects, is forecast to begin 2018 with approximately \$26,000. Real Estate Excise Tax collected on the sale of property is estimated in the amount of \$20,000 for 2018.

### **Water Fund (401)**

The estimated Water Fund budgeted expenditures of \$1,579,292 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 intends to paint the city's steel reservoir. In prior years, \$100,000 was budgeted for the expense but in 2017 the lowest bid received was still well above the budgeted funds. In 2018, the city will make application to USDA for grant/loan funds to complete the project along with other capital repairs of water lines and seismic valve additions to the in city reservoirs. Another major project affecting the water fund is the construction of the Sahalee water lines. The majority of engineering was expected in 2017 but with the state unable to pass a capital budget the funds have been delayed and the remaining engineering and construction will be pushed into 2018. 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.



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**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 is collecting the last reserve payment for the existing debt.

**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 crew plans to replace multiple culverts throughout the city in the year 2018, however the Quaker Ave storm drain will be the primary planned replacement.

**Sewer Fund (409)**

The estimated expenditures of \$2,892,131 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 for 2018 include the replacement of the pump at the North Head pump station, and additional 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. 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 consumption charge will be implemented in early 2018. In 2018, 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**

2018 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