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BUDGET MESSAGE

To: Ilwaco City Councilmembers
 From: Gary Forner, Mayor

Subject: Budget request for 2019

I am pleased to submit for your consideration the 2019 proposed budget for the City of Ilwaco. Proposed 2019 expenditures and reserve contribution appropriations stated on a comparative basis with the 2018 budget and 2017 actual results are as follows:

	Actual	Budget	Proposed
	2017	2018	2019
<i>General/Streets Fund</i>			
General City government (including legal svc and courts)	186,540	206,192	191,977
Law Enforcement	241,733	251,402	261,058
Fire Department	101,611	110,309	110,125
Other Services (Dispatch, Correctional Institution, etc.)	33,977	19,501	26,421
Physcial Environment including Planner	46,499	40,978	45,997
Library	21,059	16,203	18,622
Community Building	23,947	10,603	19,344
Parks	193,408	100,324	87,083
Streets (including grant funded projects)	120,304	71,725	132,383
Debt Repayment/Capital Expenditures	161,679	151,832	166,833
Reserve contribution/(usage)	(35,004)	51,244	(55,694)
Total Expenditures	1,095,750	1,030,313	1,004,148
<i>Tourism Fund</i>			
Ilwaco Merchants Association	4,000	8,000	5,500
Miscellaneous	-	-	1,400
Fireworks	9,000	9,000	10,000
Visitors Bureau	10,769	10,769	12,769
Heritage Museum (includes insurance provided)	13,124	15,346	17,507
Ilwaco Charter Association	1,000	2,000	3,000
Other	2,500	36,000	2,500
Reserve contribution/(usage)	10,462	(41,040)	(12,601)
Total Expenditures	50,855	40,075	40,075
<i>Excise Reserve Fund</i>			
Contribution to projects	-	-	-
Reserve contribution/(usage)	23,069	20,000	20,000
	23,069	20,000	20,000



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	Actual	Budget	Proposed
	2017	2018	2019
<i>Water Fund</i>			
Operations & Maintenance	527,977	576,314	581,058
Capital Expenditures	59,638	892,813	38,599
Debt Service	109,107	99,636	98,490
Reserve contribution/(usage)	102,231	10,529	35,833
Total Expenditures	798,953	1,579,292	753,981
<i>Water/Sewer Bond Redemption Fund</i>			
Debt Service	472,766	459,048	453,404
Total Expenditures	472,766	459,048	453,404
<i>Water/Sewer Bond Reserve Fund</i>			
Contribution to Reserve	17,588	12,924	2,995
Total Expenditures	17,588	12,924	2,995
<i>Stormwater Fund</i>			
Operations & Maintenance	49,513	40,566	41,034
Capital Expenditures	10,082	69,150	9,150
Debt Service	30,242	29,820	29,387
Reserve contribution/(usage)	8,166	(47,378)	12,587
Total Expenditures	98,003	92,158	92,158
<i>Wastewater Fund</i>			
Operations & Maintenance	515,367	497,328	530,067
Capital Expenditures	111,043	1,821,175	65,000
Debt Service	508,750	490,368	474,000
Reserve contribution/(usage)	59,012	83,313	43,516
Total Expenditures	1,194,173	2,892,184	1,112,583

Revenues

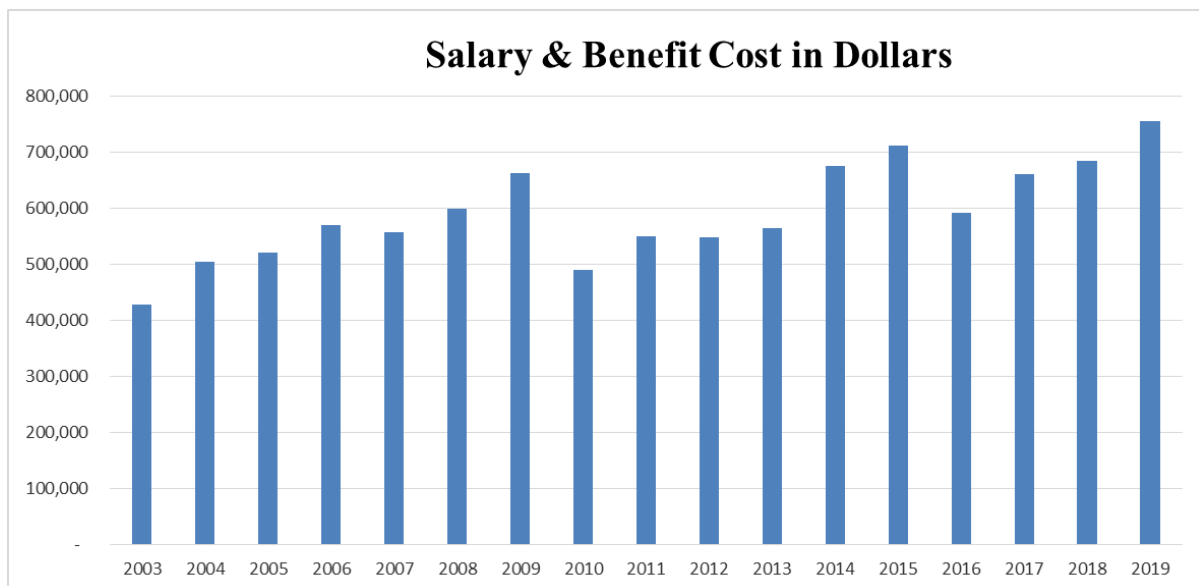
The budget is balanced by a proposed levy of \$221,769 in property taxes that will be split between the General Fund (70%) and Streets Fund (30%). The levy is limited to a 1% increase each year which for 2019 is \$2,170. The estimated yield from retail sales and use tax for 2019 is \$170,000. The 2019 sales tax collection will 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 approximately 13% 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, and in 2018 a 2% COLA was granted. The 2019 proposal does not include a COLA increase. For 2019, 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 2019 budget estimates provide for three full-time employees 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 10%.

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 2019, 15% 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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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, but has steadily improved since. For 2019, the Marketing (LTAC) committee awarded the full requests to the Ilwaco Merchants Association, Columbia Pacific Heritage Museum, Ilwaco Charter Fishing Association, and the Long Beach Peninsula Visitor's Bureau. In 2019 the City will continue fundraising for the annual fireworks display, while also allocating \$10,000 towards the fireworks. The marketing committee also favored a \$2,500 transfer to the general fund to assist with any shortfalls in public donations for the show.

Excise Reserve Fund (301)

The fund, established to provide for capital improvement projects, is forecast to begin 2019 with approximately \$76,000. Real Estate Excise Tax collected on the sale of property is estimated in the amount of \$20,000 for 2019.

Water Fund (401)

The estimated Water Fund budgeted expenditures of \$718,148 are for maintenance and operation of the plant and distribution system, as well as repayment of long-term debt and capital projects. In 2019, the city will begin the design of the Whealdon Street water main relocation and water system improvements. The project cost of \$1,245,200 is being financed by USDA with a loan of \$681,000, grant of \$372,000 and city contribution of \$192,200. As we end 2018, the Sahalee Water improvements are nearly complete and should be closed out by the end of the fiscal year. 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. In order to maintain the required revenue from Ilwaco customers to meet state standards, a dollar increase to the base charge will be implemented in 2019.

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. 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 Public Works crew spent a significant amount of time in 2018 locating and diagramming storm drainage and continues to review and repair the areas of most concern. Quaker Ave and Cooks Hill were two of these areas.

Sewer Fund (409)

The estimated expenditures of \$1,069,067 are for daily maintenance and operation of the plant and collection system, as well as repayment of long-term debt and necessary capital expenditures. 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 dollar increase to the base charge will be implemented in 2019. Reserves depleted with the Dissolved Oxygen and Variable Speed Drive Upgrades (Energy Improvement Measures) will be replenished with the 2019 payments from PCOG and PUD.

Summary

2019 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