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BUDGET MESSAGE

To: Ilwaco City Councilmembers
 From: Gary Forner, Mayor

Subject: Budget request for 2022

I am pleased to submit for your consideration the 2022 proposed budget for the City of Ilwaco. Proposed 2022 expenditures and reserve contribution appropriations stated on a comparative basis with the 2021 budget and 2020 actual results are as follows:

	Actual	Budget	Proposed
	2020	2021	2022
<i>General/Streets Fund</i>			
General City government (including legal svc and courts)	163,160	196,063	274,983
Law Enforcement	271,916	282,360	293,654
Fire Department	105,810	108,577	96,337
Other Services (Dispatch, Correctional Institution, etc.)	26,415	23,385	28,167
Physcial Environment including Planner	78,339	50,886	11,897
Library	22,891	19,038	23,623
Community Building	28,162	20,692	21,383
Parks	83,604	60,866	69,810
Streets (including grant funded projects)	163,324	113,340	145,148
Debt Repayment/Capital Expenditures	204,870	148,274	151,960
Reserve contribution/(usage)	(62,414)	21,207	161
Total Expenditures	1,086,077	1,044,687	1,117,122
<i>Tourism Fund</i>			
Ilwaco Merchants Association	7,000	8,000	11,000
Miscellaneous	7,496	-	-
Fireworks	-	10,000	10,000
Visitors Bureau	14,769	14,769	20,769
Heritage Museum (includes insurance provided)	18,356	18,337	18,931
Ilwaco Charter Association	4,000	4,000	5,000
Other	-	-	238,657
Reserve contribution/(usage)	5,131	894	679
Total Expenditures	56,753	56,000	305,036
<i>Excise Reserve Fund</i>			
Contribution to projects	35,000	40,000	-
Reserve contribution/(usage)	(15,969)	-	20,000
	19,031	40,000	20,000



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	Actual 2020	Budget 2021	Proposed 2022
<i>Water Fund</i>			
Operations & Maintenance	579,261	537,827	578,737
Capital Expenditures	100,426	2,155,470	1,205,986
Debt Service	146,895	164,444	162,740
Reserve contribution/(usage)	(177,462)	1,659	2,067
Total Expenditures	649,120	2,859,400	1,949,530
<i>Water/Sewer Bond Redemption Fund</i>			
Debt Service	454,074	453,522	452,970
Total Expenditures	454,074	453,522	452,970
<i>Water/Sewer Bond Reserve Fund</i>			
Contribution to Reserve	21,253	2,995	21,254
Total Expenditures	21,253	2,995	21,254
<i>Stormwater Fund</i>			
Operations & Maintenance	57,933	94,388	64,652
Capital Expenditures	6,150	2,178,765	2,170,615
Debt Service	28,981	28,561	31,572
Reserve contribution/(usage)	8,137	(32,934)	1,041
Total Expenditures	101,201	2,268,780	2,267,880
<i>Wastewater Fund</i>			
Operations & Maintenance	632,773	657,649	717,657
Capital Expenditures	52,524	70,000	82,000
Debt Service	473,720	473,168	490,875
Reserve contribution/(usage)	(23,558)	14,837	57,186
Total Expenditures	1,135,460	1,215,655	1,347,718

Revenues

The budget is balanced by a proposed levy of \$237,719 in property taxes that will be split between the General Fund (60%) and Streets Fund (40%). The levy is limited to a 1% increase each year which for 2022 is \$2,326.

The estimated yield from retail sales and use tax for 2022 has been increased to \$200,000 from \$180,000. Tourism revenue is captured both here and in lodging tax dollars and is reflective of an increased number of visitors to our rural area in response to the COVID19 pandemic. 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 25% of the annual support. Additionally, Business and Occupation Tax, business license fees and Motor Vehicle Fuel Tax provide approximately 15% of the annual funding.

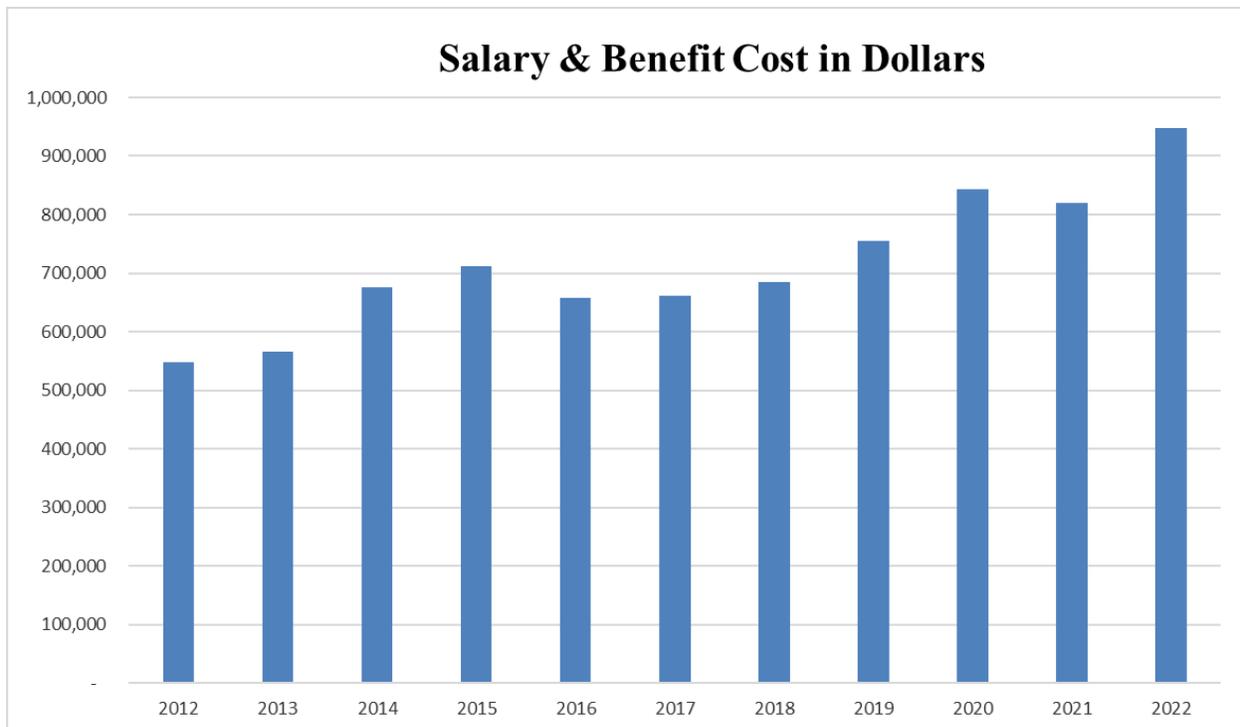
Personnel

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



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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 project conditions. The budget provides for normal progressive step increases under the newly adopted Ordinance 924 establishing an updated pay table from current federal scales. In 2022, the city will switch from the HDHP plan with HSA to full family coverage at a \$250 annual deductible as authorized by council and included in the appropriations provided.



The 2022 budget estimates provide for two and a half full-time employees at City Hall, nine full-time utility employees and one part-time fire chief and fire chief admin. Compensation for Mayor and Council have been re-allocated after a brief halt during the pandemic.

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 2022, 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



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5 years which will allow for additional support of the Fire Hall equipment updates and Community Building exterior.

Streets Fund (101)

The fund was depleted of reserve objectives in 2021 as property taxes were directly allocated to the general fund in order to offset COVID19 responses. The Federal government's historic infrastructure bill should open more avenues for financing our badly needed street improvements.

Tourism Fund (104)

Lodging tax revenues are being generated at an all time high allowing the city some flexibility in funding tourism related aspects of the city. In 2021 the city completed a purchase of vacant land on the Cooks Hill overlook which will be utilized for extension of the Discovery Coast Trail from the port and over Cooks Hill. Lodging tax requests were again fully funded.

Excise Reserve Fund (301)

As typical, Real Estate Excise Tax collected on the sale of property is estimated in the amount of \$20,000 for 2022 however the market has experienced a surge in value and sales which will hopefully continue for the near future and while interest rates are still low. The revenue can be used to fund capital improvement projects and provided very necessary relief to the waste water plant in 2021 in order to finish SCADA improvements.

Water Fund (401)

The estimated Water Fund budgeted expenditures of \$827,477 are for maintenance and operation of the plant and distribution system, as well as repayment of long-term debt and capital projects. In late 2021 the city began the Whealdon Road Distribution Improvement project and successfully funded the required \$192,200 city contribution. A significant rate increase was adopted for 2021 to assist in capturing enough revenue for the match and has propped the fund reserve. These rates will remain the same for 2022 in order to rebuild the council reserve objective.

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 2022, the city will continue to collect 10% of the USDA Whealdon Road Improvements payment reserve and the final loan payment for the Sahalee sewer line improvements.



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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 continues to spend a significant amount of time locating and diagraming storm drainage.

Sewer Fund (409)

The estimated expenditures of \$1,290,532 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 2022. In order to maintain the revenue from Ilwaco customers to meet these operational and debt needs, a \$1.00 base rate increase will be implemented in 2022.

Summary

2021 brought us continued challenges with COVID-19. We returned to in person meetings, but sadly had to go back to zoom meetings within a month as the pandemic wave resurged over the summer. Activities like the Annual Black Lake Fishing Derby and Loyalty Day Parade were again cancelled but the city has shown strength in these times and pivoted to online and socially distanced activities which we can be proud of. The Ilwaco Fire Department saw the retirement of Chief Williams and the recruitment of Chief Archer. The city is excited to see what fresh minds will bring to the table. The department air packs and charging system is expiring in 2022 and requires a \$200,000 update which Chief Archer is submitting to federal funding for. The three year audit scheduled for the city this year has been postponed to 2022 and will become a single time "4-year" audit. This was caused by delays at the State Auditor Team level brought about by COVID19.

Respectfully submitted,

Gary Forner, Mayor