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BUDGET MESSAGE

To: Ilwaco City Councilmembers
From: Mike Cassinelli, Mayor

Subject: Budget request for 2023

I am pleased to submit for your consideration the 2023 proposed budget for the City of Ilwaco. Proposed 2023 expenditures and reserve contribution appropriations stated on a comparative basis with the 2022 budget and 2021 actual results are as follows:

	Actual	Budget	Proposed
	2021	2022	2023
<i>General/Streets Fund</i>			
General City government (including legal svc and courts)	141,247	270,904	275,176
Law Enforcement	282,360	293,654	305,400
Fire Department	105,888	113,930	138,757
Other Services (Dispatch, Correctional Institution, etc.)	25,642	28,167	28,167
Physical Environment including Planner	30,285	14,565	27,089
Library	25,128	26,623	27,015
Community Building	30,265	27,383	29,893
Parks	65,032	78,296	115,709
Streets (including grant funded projects)	112,851	142,673	176,882
Debt Repayment/Capital Expenditures	139,839	136,460	136,460
Reserve contribution/(usage)	270,543	7,967	(63,243)
Total Expenditures	1,229,080	1,140,622	1,197,305
<i>Tourism Fund</i>			
Ilwaco Merchants Association	8,000	11,000	12,000
Miscellaneous	30,477	-	3,000
Fireworks	10,000	10,000	10,000
Visitors Bureau	14,769	20,769	15,769
Heritage Museum (includes insurance provided)	18,337	18,931	21,799
Ilwaco Charter Association	4,000	5,000	5,000
Other	-	238,657	-
Reserve contribution/(usage)	(594)	679	(27,068)
Total Expenditures	84,989	305,036	40,500
<i>Excise Reserve Fund</i>			
Contribution to projects	90,000	-	-
Reserve contribution/(usage)	(40,452)	20,000	20,000
	49,548	20,000	20,000



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	Actual	Budget	Proposed
	2021	2022	2023
<i>Water Fund</i>			
Operations & Maintenance	599,630	582,012	617,110
Capital Expenditures	739,247	1,205,986	155,000
Debt Service	167,750	162,740	188,410
Reserve contribution/(usage)	(60,513)	7,791	29,669
Total Expenditures	1,446,114	1,958,530	990,190
<i>Water/Sewer Bond Redemption Fund</i>			
Debt Service	453,522	452,970	480,578
Total Expenditures	453,522	452,970	480,578
<i>Water/Sewer Bond Reserve Fund</i>			
Contribution to Reserve	21,253	21,254	11,890
Total Expenditures	21,253	21,254	11,890
<i>Stormwater Fund</i>			
Operations & Maintenance	78,824	64,308	86,137
Capital Expenditures	-	2,170,615	1,975,623
Debt Service	36,712	31,572	31,152
Reserve contribution/(usage)	(15,445)	1,386	(25,032)
Total Expenditures	100,090	2,267,881	2,067,881
<i>Wastewater Fund</i>			
Operations & Maintenance	768,538	779,437	706,243
Capital Expenditures	105,922	82,000	102,000
Debt Service	492,725	490,875	481,194
Reserve contribution/(usage)	(14,322)	15,279	(46,707)
Total Expenditures	1,352,864	1,367,591	1,242,730

Revenues

The budget is balanced by a proposed levy of \$243,582 in property taxes that will be split between the General Fund (50%) and Streets Fund (50%). The levy is limited to a 1% increase each year which for 2023 is \$2,367.

The estimated yield from retail sales and use tax for 2023 has been increased to \$240,000 from \$220,000. Tourism revenue is captured both here and in lodging tax dollars and is reflective of an increased number of visitors/homeowners to our rural area in response to the COVID19 pandemic and short but steep sellers market. 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

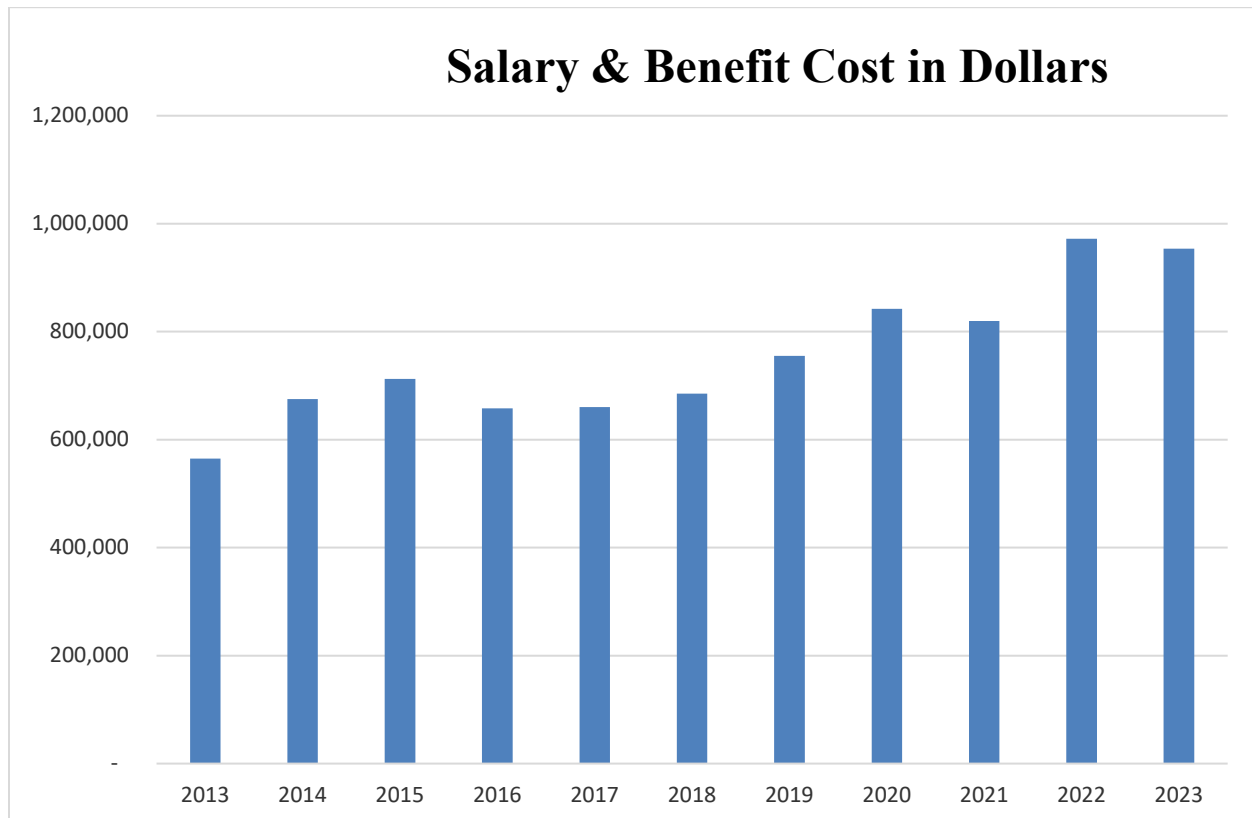
Salary and benefit costs are allocated to the General, Streets, Stormwater, Water and Wastewater Funds based on the time staff provide services for those activities. Time studies are being implemented to ensure

City of Ilwaco is an equal opportunity provider and employer.



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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 switched 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 2023 budget estimates provide for two and a half full-time employees at City Hall, ten 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 2023, 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



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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 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 2023 budget continues to rebuild reserves with the 50/50 property tax split. The Federal government's historic infrastructure bill should open more avenues for financing our badly needed street improvements.

Tourism Fund (104)

Lodging tax revenues continue to exceed the budgeted revenue expectations of the last decade and is likely going to sustain into the future as cost of living increases and post pandemic trends continue.

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 2023 and is still benefitting from the 2021-2022 sellers market. The revenue can be used to fund capital improvement projects.

Water Fund (401)

The estimated Water Fund budgeted expenditures of \$950,521 are for maintenance and operation of the plant and distribution system, as well as repayment of long-term debt and capital projects. A significant rate increase was adopted in 2021 to assist in rebuilding the depleted reserve. These rates will remain the same for 2023.

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. In 2022 the city will finalize the purchase of the watershed, creating the Bear Ridge Community Forest.

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 2023, 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.

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



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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 \$1,289,437 are for daily maintenance and operation of the plant and collection system, as well as repayment of long-term debt and necessary capital expenditures. 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 2023. In order to maintain the revenue from Ilwaco customers to meet these operational and debt needs, a \$3.00 base rate increase will be implemented in 2023.

Summary

2022 brought back some stability to the city operations with the pandemic in our rearview mirror. The city has nearly completed the Whealdon Road Water Distribution project, and is looking forward to continued action on the Bake Bay Stormwater Infiltration Project. The Water plant will seek completion of its SCADA system improvements.

Respectfully submitted,

Mike Cassinelli, Mayor