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BUDGET MESSAGE

To: Ilwaco City Councilmembers
From: Mike Cassinelli, Mayor

Subject: Budget request for 2025

I am pleased to submit for your consideration the proposed 2025 budget for the City of Ilwaco. Proposed 2025 expenditures and reserve contribution appropriations stated on a comparative basis with the 2024 budget and 2023 actual results are as follows:

| | Actual | Budget | Proposed |
|---|-----------|-----------|-----------|
| | 2023 | 2024 | 2025 |
| <i>General/Streets Fund</i> | | | |
| General City government (including legal svc and courts) | 364,890 | 337,419 | 337,546 |
| Law Enforcement | 305,400 | 320,670 | 340,464 |
| Fire Department | 199,373 | 115,000 | 151,939 |
| Other Services (Dispatch, Correctional Institution, etc.) | 18,075 | 28,167 | 31,398 |
| Physcial Environment including Planner | 99,687 | 197,616 | 162,616 |
| Library | 29,563 | 29,115 | 30,062 |
| Community Building | 34,990 | 28,966 | 48,254 |
| Parks | 153,387 | 336,449 | 121,375 |
| Streets (including grant funded projects) | 190,463 | 203,704 | 1,681,638 |
| Transport Operations | 6,746 | 313,933 | 275,394 |
| Debt Repayment/Capital Expenditures | 96,460 | 106,460 | - |
| Reserve contribution/(usage) | (119,152) | (185,744) | (49,906) |
| Total Expenditures | 1,379,882 | 1,831,755 | 3,130,781 |
| | | | |
| <i>Tourism Fund</i> | | | |
| Ilwaco Merchants Association | 12,000 | 10,000 | 8,000 |
| Miscellaneous | 9,806 | 15,000 | 5,000 |
| Fireworks | 10,000 | 20,000 | 16,500 |
| Visitors Bureau | 18,769 | 17,769 | 18,769 |
| Heritage Museum (includes insurance provided) | 21,799 | 24,093 | 27,191 |
| Ilwaco Charter Association | 5,000 | 5,000 | 5,000 |
| Other | - | - | - |
| Reserve contribution/(usage) | (4,096) | (28,862) | (17,460) |
| Total Expenditures | 73,278 | 63,000 | 63,000 |
| | | | |
| <i>Excise Reserve Fund</i> | | | |
| Contribution to projects | - | 50,000 | 75,000 |
| Reserve contribution/(usage) | 13,776 | (28,500) | (52,500) |
| | 13,776 | 21,500 | 22,500 |



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| | Actual 2023 | Budget 2024 | Proposed 2025 |
|--|------------------------|------------------------|--------------------------|
| <i>Water Fund</i> | | | |
| Operations & Maintenance | 682,738 | 767,203 | 706,664 |
| Capital Expenditures | 432,714 | 147,400 | 997,000 |
| Debt Service | 191,869 | 186,707 | 205,768 |
| Reserve contribution/(usage) | (103,338) | 14,681 | 20,369 |
| Total Expenditures | 1,203,983 | 1,115,991 | 1,929,801 |
| | | | |
| <i>Water/Sewer Bond Redemption Fund</i> | | | |
| Debt Service | 480,026 | 479,475 | 477,427 |
| Total Expenditures | 480,026 | 479,475 | 477,427 |
| | | | |
| <i>Water/Sewer Bond Reserve Fund</i> | | | |
| Contribution to Reserve | 12,124 | 11,890 | 14,214 |
| Total Expenditures | 12,124 | 11,890 | 14,214 |
| | | | |
| <i>Stormwater Fund</i> | | | |
| Operations & Maintenance | 79,483 | 86,999 | 58,383 |
| Capital Expenditures | 123,756 | 1,500,851 | 900,000 |
| Debt Service | 31,152 | 30,731 | 30,732 |
| Reserve contribution/(usage) | 8,542 | (23,573) | 5,043 |
| Total Expenditures | 242,933 | 1,595,008 | 994,158 |
| | | | |
| <i>Wastewater Fund</i> | | | |
| Operations & Maintenance | 742,737 | 772,065 | 798,526 |
| Capital Expenditures | 41,018 | 116,274 | 129,000 |
| Debt Service | 479,943 | 479,392 | 479,392 |
| Reserve contribution/(usage) | 17,046 | (96,517) | (106,288) |
| Total Expenditures | 1,280,744 | 1,271,214 | 1,300,629 |

Revenues

The budget is balanced by a proposed levy of \$251,531 in property taxes that will be split between the General Fund (80%) and Streets Fund (20%). The levy is limited to a 1% increase each year which for 2025 is \$2,475.

The estimated yield from retail sales and use tax for 2025 has been increased to \$250,000. This tax represents the single greatest source of revenue to the general fund currently. 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

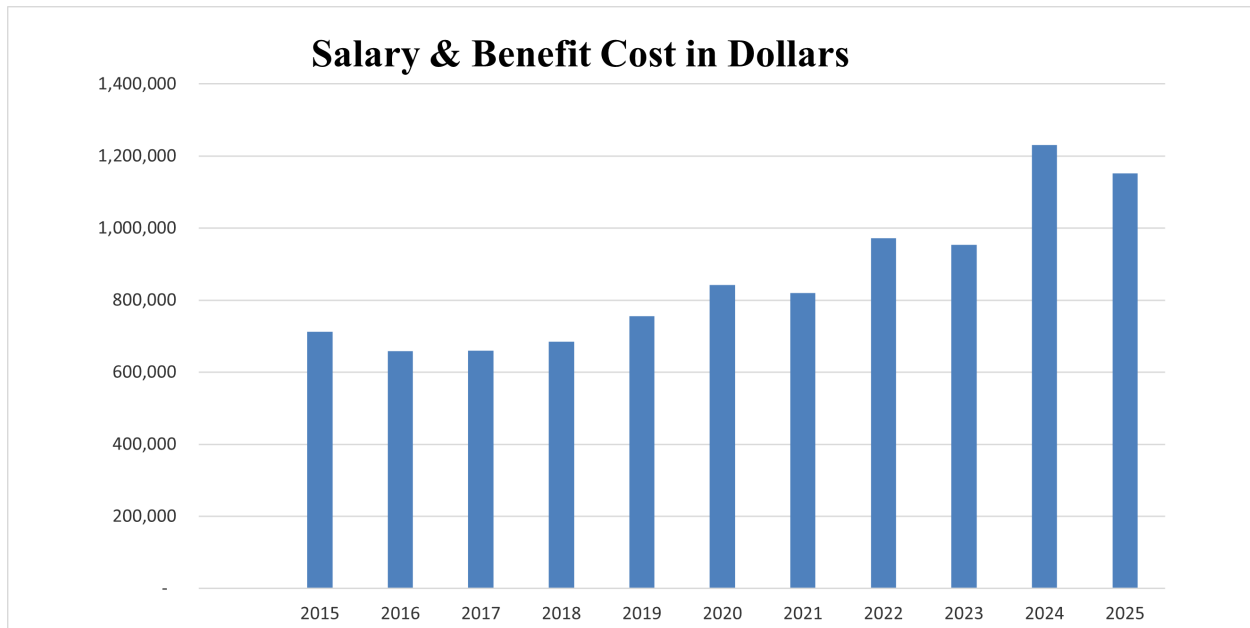
Salary and benefit costs are allocated to the General, Streets, Stormwater, Water and Wastewater Funds based on the time staff provide services for those activities. Time studies are implemented to ensure that allocations are true to the actual time spent by the crew, however the city crew is small and continues to

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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 Ordinance 952 establishing an updated pay table from current federal scales. In 2025, the city will provide a 2% Cost of Living increase to the 2024 salary scale. The city continues to provide a full benefit package to employees and their families.



The 2025 budget for salary and benefit costs has decreased over 2024. The wastewater plant cost went down with the departure of an employee earlier in the year, and benefit costs have been reduced over 2024 estimated amounts as a result of employee changes with reduced dependent coverages. Compensation for the Mayor and Council are also included in the salary allocations.

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. 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. In 2024, the city paid off both loans for the Ilwaco Community Building and Fire Hall. In 2025, the city will be looking at obtaining funding for improvements to the Community Building such as HVAC upgrades, roof replacement, and siding repairs. The city will also be applying for new funding to eradicate Black Lake Brazilian Elodea and replacement of the docks.

Streets Fund (101)

The fund continues to fall short of reserve targets. In 2025 the fund will only receive 20% of the property tax allocations as the taxes are necessary to support the general fund. The Transportation Improvement

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Board awarded a \$1.5 million dollar street improvement grant to the city to chip-seal nearly all of the arterial streets. The 5% match requirement will be funded by an allocation from the Excise Tax Reserve fund.

Tourism Fund (104)

Lodging tax revenues are slightly lower than projected but are still meeting the needs of the reserve. This has been a concerning trend throughout the county.

Transport Fund (105)

The Transport Fund (formerly called the Fire Fund) was established to separate the expenses of EMS/Fire response and BLS Transport services from the general fund in order to efficiently track revenues and expenditures for the transport services. The fund has been further refined to now reflect the revenue and expenditures associated only with BLS Transport services so that the city may be more transparent to our citizens that we are able to meet EMS/Fire response needs with general tax dollars, and not co-mingling the funds.

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 2025 although with increased housing prices and new home development the fund seems to be regularly exceeding the estimation in recent years. The revenue can be used to fund capital improvement projects and an allocation will be made to the Street Fund in 2025 to support the TIB road improvement project.

Water Fund (401)

The estimated expenditures of \$1.M are for daily maintenance and operation of the plant and distribution system, as well as repayment of long-term debt and necessary capital expenditures. The fund, while falling short of reserve target goals, remains solvent in light of many recent improvement projects. Best practices are always to continue increasing rates to hedge against inflation costs, however the city has chosen not to take a utility rate increase in 2025. The replacement of all the water meters secured low interest, long term funding from USDA-RD which is a welcome relief. The city is currently working on the Water System Plan update which will open additional avenues for funding water improvement projects in the coming year. With the new Kamstrup water meter acoustic leak detection it will be prudent to have these additional fund resources to repair/replace deteriorating water mains that will soon be found. Additionally, the city will seek an updated utility rate study to determine if a new rate structure would benefit both the fund and our customers.

Watershed Fund (402)

The Watershed Fund was created to track revenues from timber sales in order to acquire our watershed. The fund has served its primary goal and continues to hold a small amount of seed money for continued planning efforts in the Bear River Community Forest. The fund also can support the Water Fund reserve when absolutely necessary.

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. In 2025, the city will begin collecting a reserve for the final payment on the USDA-RD water meter 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 continues to spend a significant amount of time locating and diagramming storm drainage.

Sewer Fund (409)

The estimated expenditures of \$1.3M are for daily maintenance and operation of the plant and collection system, as well as repayment of long-term debt and necessary capital expenditures. Inclusion of land application costs have remained for 2025. The city continues to look for new methods of treating and disposing of the solid waste in order to keep expenses low. The fund reserves remain strong, and the city will not need to adopt a utility rate increase for 2025.

Summary

2024 will close with a variety of projects in mid-development. The year-end balances will fluctuate down to the final minutes of the fiscal year and will be dependent on how quickly expenses can be received and turned around for reimbursement by the contractual sources. The General fund planning projects for the Sea Level Rise Risk Assessment and Local Salmon Recovery Planning that are both mid-way through development. The Water Fund bears the costs of the High Hazard Potential Dam analysis. With the majority of the geotechnical expenses coming in early December, the administration will be hard pressed to get a reimbursement turned around in order to offset a depletion of the reserve and possible dip into the watershed fund. Since the watershed fund is not adopted as its own fund, the short term loan can be done without a formal resolution. However, the Stormwater Fund is seeing the Baker Bay Stormwater Project in full construction. Considerable expenses will be incurred in the 2024 fiscal year which won't be reimbursed by the DOE grant until 2025. This will likely cause the need for an interfund loan from wastewater. Looking at 2025, development of the vacant MSW land could bring much needed relief to the citizens from carrying the operational costs of a small city for so many years. And as always, the city also continues to look at ways to encourage housing development for workforce and retirement needs.

Respectfully submitted,

Mike Cassinelli, Mayor