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BUDGET MESSAGE

To: Ilwaco City Councilmembers
From: Mike Cassinelli, Mayor

Subject: Budget request for 2026

I am pleased to submit for your consideration the proposed 2026 budget for the City of Ilwaco. Proposed 2026 expenditures and reserve contribution appropriations stated on a comparative basis with the 2025 budget and 2024 actual results are as follows:

	Actual	Budget	Proposed
	2024	2025	2026
<i>General/Streets Fund</i>			
General City government (including legal svc and courts)	314,699	300,046	260,619
Law Enforcement	320,670	340,464	357,487
Fire Department	104,494	151,939	161,835
Other Services (Dispatch, Correctional Institution, etc.)	27,047	31,398	41,823
Physcial Environment including Planner	163,031	162,616	202,890
Library	28,451	30,062	32,740
Community Building	31,761	48,254	34,169
Parks	136,901	121,375	91,929
Streets (including grant funded projects)	262,273	1,681,638	1,579,275
Transport Operations	308,864	275,394	298,650
Debt Repayment/Capital Expenditures	409,975	37,500	99,679
Reserve contribution/(usage)	(263,054)	(49,907)	39,066
Total Expenditures	1,845,112	3,130,779	3,200,162
<i>Tourism Fund</i>			
Ilwaco Merchants Association	10,000	8,000	18,000
Miscellaneous	2,141	5,000	-
Fireworks	20,000	16,500	12,000
Visitors Bureau	17,000	18,769	18,000
Heritage Museum (includes insurance provided)	24,093	27,191	28,029
Ilwaco Charter Association	5,000	5,000	5,000
Other	-	-	-
Reserve contribution/(usage)	(11,117)	(17,460)	(18,029)
Total Expenditures	67,117	63,000	63,000
<i>Excise Reserve Fund</i>			
Contribution to projects	10,000	75,000	100,000
Reserve contribution/(usage)	33,962	(52,500)	(72,000)
	43,962	22,500	28,000



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	Actual 2024	Budget 2025	Proposed 2026
<i>Water Fund</i>			
Operations & Maintenance	648,016	706,664	676,604
Capital Expenditures	193,218	992,000	1,029,888
Debt Service	189,891	205,769	196,411
Reserve contribution/(usage)	(44,494)	25,369	14,673
Total Expenditures	986,631	1,929,802	1,917,576
<i>Water/Sewer Bond Redemption Fund</i>			
Debt Service	479,473	477,427	479,866
Total Expenditures	479,473	477,427	479,866
<i>Water/Sewer Bond Reserve Fund</i>			
Contribution to Reserve	11,890	14,214	14,214
Total Expenditures	11,890	14,214	14,214
<i>Stormwater Fund</i>			
Operations & Maintenance	82,739	56,384	80,222
Capital Expenditures	1,079,417	902,000	2,000
Debt Service	30,731	30,731	8,150
Reserve contribution/(usage)	(65,882)	5,043	3,286
Total Expenditures	1,127,005	994,158	93,658
<i>Wastewater Fund</i>			
Operations & Maintenance	703,467	798,526	794,246
Capital Expenditures	310,653	129,000	131,000
Debt Service	479,392	479,392	456,546
Reserve contribution/(usage)	(173,312)	(106,288)	14,889
Total Expenditures	1,320,200	1,300,630	1,396,681

Revenues

The budget is balanced by a proposed levy of \$258,700 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 2026 is \$2,515.

The estimated yield from retail sales and use tax for 2026 remains at \$250,000, although the city has seen a single year over year trend increase of 20%. 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

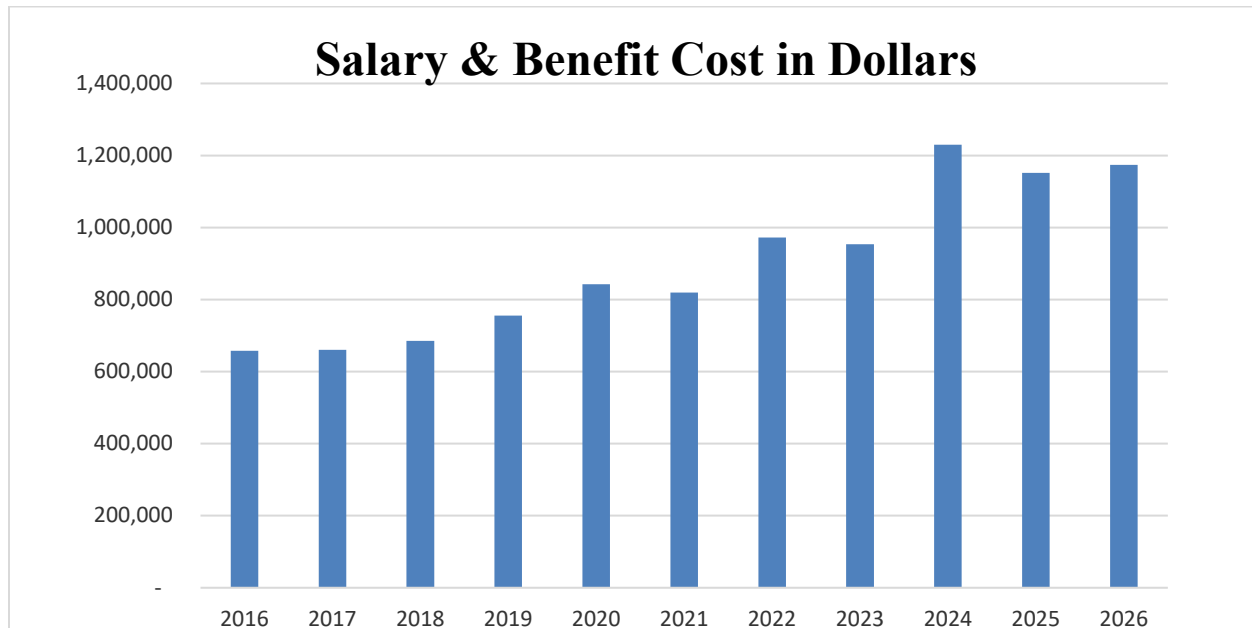
Salary and benefit costs are allocated to the General, Streets, Stormwater, Water and Wastewater Funds based on the time staff provide services for those activities. Time studies are implemented to ensure that allocations are true to the actual time spent by the crew, however the city crew is small and 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 963 establishing an updated pay table from current federal scales. In 2026, the city will provide a 2% Cost of Living increase to the 2025 salary scale. The city continues to provide a full benefit package to employees and their families.



The 20265 budget for salary and benefit costs has slightly increased over 2025. This is primarily from the inclusion of salaries attributed to the community paramedicine program and funded by a grant from the State of Washington. Compensation for the Mayor and Council is 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.

Streets Fund (101)

The Transportation Improvement 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.



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Tourism Fund (104)

Lodging tax revenues continue to plateau. Expenditures supported by the fund continue to be in high demand. For the third year in a row the fund will be utilizing reserves which is a concerning trend for the city.

EMS Fund (105)

Since inception, Fund 105 has proven to be useful for tracking revenue and expenses associated with the evolving needs of our community and services offered by the Ilwaco Fire Department. The fund was first established as the “Fire” fund and used 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 then morphed into the “Transport” fund, further refining dollars 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. Today the fund stands as the “EMS” fund; fully supporting the costs of BLS transport services and establishing a community paramedicine program intending to service frequent users of the pre-hospital and hospital systems.

Excise Reserve Fund (301)

The Real Estate Excise Tax collected on the sale of property is estimated in the amount of \$25,000 for 2026. The revenue can be used to fund capital improvement projects. An allocation is budgeted to the Street Fund to support the TIB road improvement project, as well as the water fund to assist with the Water Meter Replacement project affected by inflation and tariff costs.

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. Rate changes implemented for 2026 were chosen for being least impactful to low income households and most equitable overall. The increase does not meet the reserve target goals, but the Rate Study will be complete in 2026 and provide additional options for changes in 2027.

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.

Water/Sewer Bond Reserve Fund (404)

Debt covenants for certain bonds require that the city hold one annual payment in reserve.

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



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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 \$1.3M 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 in 2026, while the city continues to look for new methods of treating and disposing of 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 2026.

Summary

2025 saw a plethora of forethought and planning throughout the city with more scheduled in 2026. Comprehensive planning for sea level rise, stormwater management, and growth management is key for attracting housing development for workforce and low income. The water system plan update and utility rate study will greatly assist the city in laying the ground for utility rates that will support operation and maintenance costs as well as a reserve ready for capital improvements. In 2026 the city will seek a funding package for updating the wastewater system plan, a trifecta that should financially poise the city for years to come.

Respectfully submitted,

Mike Cassinelli, Mayor