

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION 2026-12

A RESOLUTION OF THE UNALASKA CITY COUNCIL ADOPTING THE COUNCIL'S GOALS FOR THE FISCAL YEAR 2027 BUDGET

WHEREAS, budget guidelines help to ensure that the budget is prepared in a manner consistent with City Council desires; and

WHEREAS, the City Council has discussed and selected the attached set of budget goals for Fiscal Year 2027; and

WHEREAS, management will utilize the adopted goals as guidelines when developing the Fiscal Year 2027 budget.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council adopts the attached goals as a guideline for developing the Fiscal Year 2027 budget.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on February 24, 2026.



Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:



Estkarlen P. Magdaong, CMC
City Clerk



**CITY COUNCIL
FISCAL YEAR 2027 BUDGET GOALS**

Personnel Goals

The FY 2026 budget included 175.25 full-time equivalent (FTE) positions. Any proposed increase to the total number of full-time equivalent (FTE) positions will be fully evaluated and justified during the budget approval work sessions.

The FY 2027 goal represents no change from the approved FY 2026 budget goal.

General Fund Surplus/Deficit

The General Fund operations will be budgeted without a deficit. The Council may appropriate additional funds from surplus to cover costs of capital projects.

The FY 2027 goal represents no change from the approved FY 2026 budget goal.

Proprietary Funding

Staff will continue to seek ways to balance budgets in the proprietary funds.

The FY 2027 goal represents no change from the approved FY 2026 budget goal.

Operating Expenses

The overarching goal regarding the City Manager's proposed FY 2027 General Fund budget is non-financial in nature. Specifically, the goal is to accumulate, evaluate and include costs that have been deferred in prior years.

City management shall continue to examine ways to reduce expenditures without significantly impacting the level and quality of services to the public.

City management shall continue to examine ways to reduce inventory without significantly impacting the level and quality of services to the public.

The total amount available to fund the Community Support Program grants is based on Resolution 2024-44 and states:

Three and one-half percent (3.5%) of the average General Fund revenue for the five most recently completed and audited fiscal years; plus the current fund balance of the Bed Tax Fund and the Tobacco Excise Tax Fund, less committed amounts.

The FY 2027 goal indicates that any increases to each department's non-personnel operating budget will not exceed 3% without proper justification for the increase.

Capital Projects

New capital assets or maintenance of existing capital assets will be limited to projects approved by Council in the CMMP, which will include projects that are mandated or required by statute, projects that maintain our existing infrastructure, projects that address life, safety, or health issues, and projects that support the economic development of Unalaska.

The replacement and maintenance plans for all existing capital assets will be reviewed annually.

The vehicle and heavy equipment fleet requirements will be reviewed annually and reduced where appropriate without significantly impacting services provided to the public.

The FY 2027 goal represents no change from the approved FY 2026 budget goal.

Revenues

Proprietary Fund rate studies will be completed every three years and presented to council.

The property tax millage rate will be reviewed annually to establish an appropriate rate to maintain infrastructure and operations.

The FY 2027 goal represents no change from the approved FY 2026 budget goal.

Debt Service

The City will not incur new debt without appropriate analysis to show impacts to rates or taxpayers, and will not incur new debt unless the capital asset is eligible for a debt reimbursement program; is mandated by State or Federal government; or is needed to address life, safety, identified deferred maintenance or health issues.

The City may incur debt for its Proprietary Funds provided there is a documented plan to pay the debt through rate adjustments.

The FY 2027 goal represents no change from the approved FY 2026 budget goal, exception for the addition of the phrase "identified deferred maintenance".

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Jim Sharpe, Interim Finance Director
Through: Abner Hoage, Interim City Manager
Date: February 24, 2026
Re: Resolution 2026-12: Approving the Council's Goals for the FY 2027 Budget

SUMMARY: This memo provides information regarding recommended Fiscal Year 2027 (FY27) Budget Goals. The FY 2026 Budget Goals are attached to the resolution, along with staff recommendations for FY27. The adopted budget goals will be utilized to direct the preparation of the budget once approved.

PREVIOUS COUNCIL ACTION: The City Council has reviewed budget goals at the beginning of each budget cycle since about 2002. Budget goals were discussed at the January 27, 2026 and guidance provided by Council is included in the staff memo. Council discussed the proposed FY27 budget goals on January 27 and February 10, 2026.

BACKGROUND: Much of what we do as a municipal government is legislatively or code driven. City staff will continue to seek ways to perform our services to the community more efficiently, in an effort to reduce costs and increase our effectiveness.

DISCUSSION: Proposed Budget Goals for FY27 are attached and include narrative related to any changes from the prior fiscal year. Key points on various issues impacting the budget goals are provided below

Personnel:

Any proposed increase to the total number of full-time equivalent (FTE) positions will be fully evaluated and justified during the budget approval work sessions. In FY 2026, Council authorized a total of 175.25 FTE employees. Administration will have a more detailed discussion with the Council during the budget presentation regarding approval for any proposed new positions.

General Fund Surplus/Deficit:

Staff will work to develop a budget in which the General Fund will operate without a deficit.

Proprietary Funds:

Staff will continue to review operating expenditures so as to budget and operate at a break-even point. However, increased revenue is most likely the only way proprietary fund budgets will operate without a deficit in the near term.

City owned housing is used as an incentive for recruitment and retention, therefore, while we conservatively budget operations and renovations, a gap in funding will continue. In addition, the cost of operating the airport continues to increase faster than the revenue gains.

In preparation for the FY 2026 budget, the City engaged an outside firm to perform a rate study for the City's Public Utilities. The proposed rates were adopted and, except for Electric, revenue streams for each of the utilities have improved and are largely tracking with the FY 2026 budget through December 2025.

Operating Expenses:

Directors will prepare their proposed budgets with the understanding that, in total, non-personnel operating expenses in excess of 3% will include justification related to need and how the increased costs will allow their Department to provide a higher quality service to City of Unalaska residents.

The Interim City Manager, Controller and Interim Finance Director will meet with each director individually and review proposed budget increases and decreases. This will allow Staff to develop a schedule to address the prior year deferrals.

Certain departments may request one-time increases in order to purchase items or perform studies that do not qualify as a capital purchase but would otherwise not be purchased at their existing operating budget levels.

Capital Projects:

The CMMP is currently being developed. A presentation of the initial draft projects is scheduled to be presented to City Council at the February 10, 2026 City Council Meeting. The draft CMMP will be discussed again at future City Council meetings.

Revenues:

Projected FY27 General Fund revenues were presented at the January 27, 2026 City Council meeting and will continue to be evaluated throughout the budget process with any updates reflected in the budget provided to Council at a later date. Projected revenues for the Proprietary Funds will be presented along with the draft budget later in the budgeting process.

In December 2025, initial funding in the amount of \$50,000,000 was completed and it is expected that at some point in the future, the City will be able to utilize the earnings as a measure to offset operating or capital costs; however, that will not be the case for FY27. Therefore, considering the significant reduction in operating cash of \$40,000,000, as a result of establishing the Sustainability Fund, it is recommended that Council maintain the mil rate at 10.5 mils for the foreseeable future. If the mil rate remains unchanged, General Fund revenue will be maximized with the expectation that those monies will be available for unanticipated operational needs as well as certain capital projects.

Council considers the property tax millage rate annually as part of the budget process. During the January 27, 2026 City Council meeting, certain council members indicated a desire to reduce the mil rate for FY 2027. Staff will research the revenue impact of any changes in the mil rate for FY 2027 and has begun gathering information regarding property tax rates within other Alaska municipalities. Once the information has been received and evaluated, staff will present the findings of this research and make a recommendation to City Council through a work session at a City Council meeting prior to adopting the mil rate.

Additionally, staff will research ways to offset potential lost property tax revenue through a review of City services that currently do not include a requirement for the customer to pay

sales tax. This information will also be presented to City Council through a work session item at a City Council meeting prior to adopting the mil rate. Any proposed changes would require consultation with the City's attorney and potentially a City Code update.

Debt Service:

In prior years, the City has incurred debt in their Proprietary Funds; each of which requires annual debt services. The City refunded a portion of this debt at the beginning of Fiscal Year 2021 through bond refinancing opportunities, achieving significant cost savings over the remaining term of the debt. The City has entered into an agreement with Foster Garvey to provide counsel related to refunding certain Electric proprietary fund debt, which is expected to provide interest savings of approximately \$650,000 spread over several years. Pricing related to this debt refunding has not yet been determined.

Additional City debt service is related to the Ports proprietary fund for the UMC Positions 3 and 4. There are no anticipated changes to the Port debt service in FY27.

While the City's cash position remains strong, the establishment of the Sustainability Fund has the potential to limit the City's ability to easily cash flow larger projects. Therefore, for projects greater than \$10,000,000 there may be a need to issue bonds. It is expected that staff will begin the process of understanding this process and to better develop a plan with respect to funding larger capital projects.

ALTERNATIVES: Council may:

- Adopt Resolution 2026-12 as presented.
- Modify the resolution or the attached FY27 Budget Goals and adopt the resolution as amended.
- Provide additional direction to staff regarding changes to the FY27 Budget Goals and postpone adoption to a future meeting.

FINANCIAL IMPLICATIONS: Financial implications will be brought forward during the budget presentations.

LEGAL: None.

STAFF RECOMMENDATION: Staff recommends adoption of Resolution 2026-12. The proposed FY27 Budget Goals reflect Council's guidance from the January 27 work session and provide the framework needed for departments to begin preparing the FY27 operating and capital budgets. Adoption at this time ensures staff can proceed with budget development in alignment with Council's expectations.

PROPOSED MOTION: I move to adopt Resolution 2026-12.

CITY MANAGER COMMENTS: The proposed FY27 Budget Goals reflect Council's direction from the January 27 work session and maintain continuity with the financial principles that have guided prior budgets. These goals provide the framework needed for departments to begin assembling the FY27 operating and capital budgets, particularly as we continue addressing deferred maintenance, stabilizing operating costs, and managing the impacts of establishing the Sustainability Fund.

The goals reinforce the City's commitment to preparing a balanced General Fund budget,

evaluating any proposed increases to staffing, and limiting growth in non-personnel operating expenses unless clearly justified. They also emphasize the importance of using the CMMP to prioritize capital investments and ensuring that long-term maintenance and replacement needs are incorporated into the planning process.

Adopting the FY27 Budget Goals at this time provides staff with the clarity necessary to proceed with budget development in alignment with Council's expectations.

ATTACHMENTS: None.