

CITY OF UNALASKA
UNALASKA, ALASKA

ORDINANCE 2026-12

CREATING BUDGET AMENDMENT #7 TO THE FISCAL YEAR 2026 OPERATING AND CAPITAL BUDGET TO APPROPRIATE AND TRANSFER \$66,364 FROM ELECTRIC PROPRIETARY FUND TO THE ELECTRIC CAPITAL PROJECT FUND FOR PROJECT EL25A (ENGINE REBUILD PROJECT); INCREASING PROJECT EL25A EXPENSE BUDGET BY \$66,364; APPROPRIATE AND TRANSFER \$41,690 FROM WATER PROPRIETARY FUND TO THE WATER CAPITAL PROJECT FUND FOR PROJECT WA504 (WATER AUTOMATIC METER READ SYSTEM); INCREASING CAPITAL PROJECT EXPENSE BUDGET FOR PROJECT WA504 BY \$41,690.

BE IT ENACTED BY THE UNALASKA CITY COUNCIL

Section 1. Classification: This is a non-code ordinance.
Section 2. Effective Date: This ordinance becomes effective upon adoption.
Section 3. Content: The City of Unalaska FY26 Budget is amended as follows:

- A. That the following sums of money are hereby accepted and the following sums of money are hereby authorized for expenditure.
- B. The following are the changes by account line item:

Amendment No. 7 to Ordinance 2025-05

I. OPERATING BUDGETS

A. Proprietary Funds

Sources:

	Current	Requested	Revised
Electric Fund - Budgeted Use of Unrestricted Net Assets	\$ 4,725,732	\$ 66,364	\$ 4,792,096
Water Fund - Budgeted Use of Unrestricted Net Assets	2,057,967	41,690	2,099,657
	\$ 6,783,699	\$ 108,054	\$ 6,891,753

Uses:

	Current	Requested	Revised
Electric Fund - Transfer to Enterprise Capital Projects	\$ 3,491,250	\$ 66,364	\$ 3,557,614
Water Fund - Transfer to Enterprise Capital Projects	650,000	41,690	691,690
	\$ 4,141,250	\$ 108,054	\$ 4,249,304

II. CAPITAL PROJECT BUDGETS

A. Proprietary Funds

Sources:

	Current	Requested	Revised
Electric Capital Project Fund - Transfers from Proprietary Fund	\$ 805,000	\$ 66,364	\$ 871,364
Water Capital Project Fund - Transfers from Proprietary Fund	106,052	41,690	147,742
	\$ 911,052	\$ 108,054	\$ 1,019,106

Uses:

	Current	Requested	Revised
Electric Capital Project Fund - Gen Sets Rebuild (EL25A)	\$ 805,000	\$ 66,364	\$ 871,364
Water Capital Project Fund - Water Automatic Meter Read System (WA504)	106,052	41,690	147,742
	\$ 911,052	\$ 108,054	\$ 1,019,106

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on July 14, 2026.


Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:


Estkaeren P. Magdang, CMC
City Clerk



Ordinance 2025-12

- 1) Electric Proprietary Fund - Operating Budget
 Appropriate \$66,364 from unrestricted net assets
 Transfer \$66,364 to Electric Capital Projects Fund
- 2) Water Proprietary Fund - Operating Budget
 Appropriate \$41,690 from unrestricted net assets
 Transfer \$41,690 to Water Capital Projects Fund
- 3) Electric Proprietary Fund - Capital Project Budget (Project EL25A)
 Increase Repairs and Maintenance in the amount of \$66,364
- 4) Water Proprietary Fund - Capital Project Budget (Project WA504)
 Increase Other Professional Services by \$11,690
 Increase General Supplies by \$30,000

	<u>Org</u>	<u>Object</u>		<u>Current</u>	<u>Requested</u>	<u>Revised</u>
1) <u>Electric Proprietary Fund - Operating Budget</u>						
<u>Sources:</u>						
Budgeted Use of Unrestricted Net Assets	50015049	49910		4,725,732	66,364	4,792,096
<u>Uses:</u>						
Transfers to Enterprise Capital Projects	50029854	59940		3,491,250	66,364	3,557,614
2) <u>Water Proprietary Fund - Operating Budget</u>						
<u>Sources:</u>						
Budgeted Use of Unrestricted Net Assets	51015549	49100		2,057,967	41,690	2,099,657
<u>Uses:</u>						
Transfers to Enterprise Capital Projects	51029854	59940		650,000	41,690	691,690
3) <u>Electric Fund - Capital Project Budgets</u>						
<u>Sources:</u>						
Transfers from Proprietary Fund	50119848	49130	EL25A	805,000	66,364	871,364
<u>Uses:</u>						
Repair/Maintenance Services	50125053	54300	EL25A	805,000	66,364	871,364
4) <u>Water Fund - Capital Project Budgets</u>						
<u>Sources:</u>						
Transfers from Proprietary Fund	51119848	49130	WA504	106,052	41,690	147,742
<u>Uses:</u>						
Other Professional Services	51125553	53300	WA504	26,750	11,690	38,440
General Supplies	51125553	56100	WA504	1,645	30,000	31,645

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Erik Hernandez, Utilities Director
Through: Abner Hoage, Interim City Manager
Date: June 23, 2026
Re: Ordinance 2026-12, Creating Budget Amendment #7 to the fiscal year 2026 Operating and Capital Budget to appropriate and transfer \$66,364 from Electric Proprietary Fund to the Electric Capital Project Fund for Project EL25A (Engine Rebuild Project); increasing project EL25A expense budget by \$66,364; appropriate and transfer \$41,690 from Water Proprietary Fund to the Water Capital Project Fund for Project WA504 (Water Automatic Meter Read System); increasing capital project budget for project WA504 by \$41,690.

SUMMARY: Ordinance 2026-12 will increase Electric project EL25A – Engine Rebuild budget to cover additional expenses not included in the original budget and will increase Water project WA504 – Automatic Meter Read System to cover additional expenses not included in the original budget.

BACKGROUND:

Engine Rebuild Project (EL25A): In September 2024, the Powerhouse requested a proposal from Wartsila North America to perform the 24,000-hour major overhaul of Unit #10. The maintenance was scheduled to occur between the 2024 “B” season and 2025 “A” season, which has been historically utilized to minimize service interruptions as electrical demand is typically at its lowest. Wartsila’s original proposal totaled \$694,087 and included all associated planned parts and labor costs.

The City elected to engage with Wartsila for the overhaul due to their direct experience with the equipment, use of original equipment manufacturer (OEM) parts, and ability to provide warranty support on completed work. These factors protect the City’s investment and help ensure the reliability, performance, and longevity of the generator following major maintenance.

Water Automatic Meter Read System (WA504): In 2014, the Water Division began evaluating replacement options for its remote Automatic Meter Read (AMR) system. In FY15, funding was approved for implementation of the Itron AMR system. During project development, staff identified an opportunity to coordinate meter replacement efforts with the Electric Division. In FY18, a separate project was created to replace electric meters with units from the same manufacturer as the water AMR system. This would allow both Divisions to utilize a single software platform for meter data collection and reporting, simplifying the transfer of billing data to the Finance Department. Once completed, the system will eliminate the dependency on multiple collection systems and software platforms currently used by the City.

DISCUSSION:

Engine Rebuild Project (EL25A): After the overhaul began, several additional components were identified that required maintenance or replacement beyond the original scope of work, including

twelve piston skirts and a lubrication pump. Because the piston skirts required recoating by a specialty vendor, they were shipped off-island early in the overhaul process. Wartsila technicians remained in Unalaska to complete as much of the scheduled work as possible while awaiting the return of the components. However, extended shipping delays resulted in a period where the remaining work could not proceed. To avoid extended downtime without productive work available, the technicians departed Unalaska and returned once the recoated piston skirts were received. This delay resulted in additional travel and lodging expenses for the City.

Additionally, during the overhaul, premature failures were identified in several cylinder heads that had previously been serviced by MSHS. The failures caused premature wear to the cylinder heads and associated components, requiring additional repairs beyond those originally anticipated. The combination of these unforeseen maintenance items, shipping delays, and corrective repairs increased the overall cost of the overhaul project beyond the amount included in the original budget by \$66,363.

Water Automatic Meter Read System (WA504): In 2024, the City contracted with McAvoy & Markham, an authorized Itron partner, to provide engineering services and procure materials necessary for the completion of the AMR system project. Due to the extended project timeline, labor and material costs increased beyond original estimates. While staff initially anticipated the project would remain within budget, final costs exceeded the water AMR portion of the project by \$11,690.

Additionally, during testing of the new radio transmitters, it was determined that approximately 40 existing water meter registers were incompatible with the upgraded system due to their age. While the radio transmitter exports the read to the collection system, the register is the component that measures and records the water consumption. The replacement of the registers is necessary to ensure full functionality of the AMR system and is estimated to cost an additional \$23,151.

To address both the current project overage, completion of the required register replacements, and provide contingency for any remaining expenses, a budget increase of \$41,689 is requested for project WA504. This amount includes a 30% contingency on the cost of the necessary materials.

ALTERNATIVES:

Engine Rebuild Project (EL25A): The overhaul on Unit #10 has been completed and the remaining funds are required to satisfy final invoicing related to the project. Additionally, Wartsila has made two visits to Unalaska under warranty to address follow-up items at no cost to the City.

Water Automatic Meter Read System: A portion of the requested funding is necessary to cover project costs already incurred that exceed the approved budget. The remaining funding is required to complete the necessary meter register replacements, place the AMR system online, and close out the project.

FINANCIAL IMPLICATIONS:

Engine Rebuild Project (EL25A): An increase of \$66,364 to the project from the Electric Proprietary Fund is required to cover the additional expenses incurred.

Water Automatic Meter Read System (WA504): An increase of \$41,689 to the project from the Water Proprietary Fund is required to cover the additional expenses incurred and purchase of necessary materials.

LEGAL: None

STAFF RECOMMENDATION: Staff recommends approval of Ordinance 2026-12.

PROPOSED MOTION: I move to introduce Ordinance 2026-12 and schedule it for second reading and public hearing on July 14, 2026.

CITY MANAGER COMMENTS: I support staff's recommendation. The additional funding for both projects reflects conditions that emerged during implementation and are necessary to complete the work to standard. These adjustments ensure the reliability of our electric generation assets and the full functionality of the AMR system.

ATTACHMENTS: None