CITY OF UNALASKA
UNALASKA, ALASKA

ORDINANCE 2026-18

CREATING BUDGET AMENDMENT #8 TO THE FISCAL YEAR 2026 OPERATING AND CAPITAL BUDGET TO APPROPRIATE AND TRANSFER $1,594,898 FROM THE GENERAL FUND TO PORTS AND HARBORS CAPITAL PROJECT FUND; APPROPRIATE AND TRANSFER $336,205 FROM THE 1% SALES TAX FUND TO THE PORTS AND HARBORS CAPITAL PROJECT FUND; INCREASE TRANSFERS FROM THE GENERAL FUND BY $1,594,898 AND TRANSFERS FROM SPECIAL REVENUE FUNDS BY $336,205 IN THE PORTS AND HARBORS CAPITAL PROJECT FUND; INCREASE CONSTRUCTION SERVICES BY $1,931,103 IN THE ENTRANCE CHANNEL DREDGING CAPITAL PROJECT

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. 8 to Ordinance 2025-05

I. OPERATING BUDGETS

A. General Fund	Current	Requested	Revised
Sources:			
Appropriated use of Fund Balance	$ 18,716,017	$ 1,594,898	$ 20,310,915
Uses:			
Transfers to Enterprise Capital Projects	$ 3,756,570	$ 1,594,898	$ 5,351,468
B. 1% Sales Tax Fund			
Sources:			
Appropriated use of Fund Balance	$ 2,054,908	$ 336,205	$ 2,391,113
Uses:			
Transfers to Enterprise Capital Projects	$ 6,804,908	$ 336,205	$ 7,141,113

II. CAPITAL PROJECT BUDGETS

A. Proprietary Funds	Current	Requested	Revised
Sources:			
Ports and Harbors Capital Project Fund - Transfers from General Fund	$ 1,961,884	$ 1,594,898	$ 3,556,782
Ports and Harbors Capital Project Fund - Transfers from Special Revenue Fund	400,844	336,205	737,049
	$ 2,362,728	$ 1,931,103	$ 4,293,831

	Current	Requested	Revised
Uses:			
Ports and Harbors Capital Project Fund - Entrance Channel Dredging (PH2	$ 734,343	$ 1,931,103	$ 2,665,446

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on September 8, 2026.

Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:

Estkarlen P. Magdaong, CMC
City Clerk

Ordinance 2026-18
Amendment No. 8 to Ordinance 2025-05

1) General Fund - Operating Budget
   Increase Appropriated Fund Balance by $1,594,898
   Increase Transfers to Enterprise Capital Projects by $1,594,898

2) 1% Sales Tax Fund - Operating Budget
   Increase Appropriated Fund Balance by $336,205
   Increase Transfers to Enterprise Capital Projects by $336,205

3) Ports Capital Projects Fund
   Increase Transfers from General Fund by $1,594,898
   Increase Transfers from Special Revenue Fund by $336,205
   Increase Construction Services by $1,931,103

		Org	Object		Current	Requested	Revised
1)	**General Fund Operating Budget**						
	Sources:						
	Appropriated Fund Balance	01010049	49900		18,716,017	1,594,898	20,310,915
	Uses:						
	Transfers to Enterprise Capital Projects	01029854	59940		3,756,570	1,594,898	5,351,468
2)	**1% Sales Tax Fund Operating Budget**						
	Sources:						
	Appropriated Fund Balance	11029954	49900		2,054,908	336,205	2,391,113
	Uses:						
	Transfers to Enterprise Capital Projects	11029954	59940		6,804,908	336,205	7,141,113
3)	**Ports & Harbors Capital Project Fund**						
	Sources:						
	Transfers from General Fund	54119848	49100	PH201	1,961,884	1,594,898	3,556,782
	Transfers from Special Revenue Fund	54119848	49110	PH201	400,844	336,205	737,049
	Uses:						
	Construction Services	54127053	54500	PH201	734,343	1,931,103	2,665,446

MEMORANDUM TO COUNCIL

To:	Mayor and City Council Members
From:	Jim Sharpe, Interim Finance Director
Through:	Marjorie Veeder, Acting City Manager
Date:	August 25, 2026
Re:	Ordinance 2026-18: Creating Budget Amendment #8 to the fiscal year 2026 Operating and Capital Budget to appropriate and transfer $1,594,898 from the General Fund to Ports and Harbors Capital Project Fund; appropriate and transfer $336,205 from the 1% Sales Tax Fund to the Ports and Harbors Capital Project Fund; increase transfers from the General Fund by $1,594,898 and transfers from the special revenue funds by $336,205 in the Ports and Harbors Capital Project Fund; and increase construction services by $1,931,103 in the Entrance Channel Dredging Capital Project.

SUMMARY: Ordinance 2026-18 will increase the Ports and Harbors project PH201 – Entrance Channel Dredging budget. This budget amendment corrects an accounting oversight when the City received a refund from the U.S. Army Corp of Engineers (USACE) in the amount of $5,994,332.57.

At the time of the cash receipt, the full amount was offset against a prepaid asset balance sheet account. However, the remaining balance of $1,931,102.43 was not moved to an expense account at that time. The project was closed via Resolution 2026-40 and the full amounts remaining in the budget were reduced to $0.

The proposed budget amendment will provide sufficient budgetary capacity to re-open the project, record the expenses, liquidate the amount advanced to the USACE and close the project once again. It does not represent a need for the City to provide additional monies to USACE related to the entrance channel dredging.

PREVIOUS COUNCIL ACTION:

Pre-Dredging

On May 21, 2011, City Council approved Resolution 2011-21, adopting the FY 2012 to FY 2016 CMMP, including the recognition of the Entrance Channel Dredging Project (feasibility study)

On May 21, 2011, City Council approved Ordinance 2011-05, adopting the Fiscal Year 2012 Operating and Capital Budget, including $100,000 from the General Fund

On April 28, 2015, City Council approved Resolution 2015-27 adopting the FY 2016 to FY 2020 CMMP, including $150,000 from the Ports & Harbors Proprietary Fund (feasibility and biological information)

On May 26, 2015, City Council approved Ordinance 2015-10, adopting the FY 2016 Operating and Capital Budget, including $150,000 from the Ports & Harbors Proprietary Fund ($250,000 total)

On April 26, 2016, City Council approved Resolution 2016-23 adopting the FY 2017 to FY 2021 CMMP, returning $209,000 to the Ports & Harbors Proprietary Fund (reduction to the project based on revised project estimates from the UASACE; also included $500,000 grant, which is excluded from the total amount funded as it was later removed)

On May 24, 2016, City Council approved Ordinance 2016-12, adopting the City's FY 2017 Operating and Capital Budget, providing a $209,000 reduction in project funding ($41,000 total)

On June 28, 2016, City Council approved Resolution 2016-48 authorizing the City Manager to enter into an agreement with the USACE for Dutch Harbor Channel Feasibility Study

On September 8, 2016, City Council approved Ordinance 2016-17, adopting FY 2017 Budget Amendment #01, providing $400,000 additional funding from the General Fund to the Entrance Channel Dredging Project ($441,000 total)

On February 28, 2017, City Council approved Ordinance 2017-05, adopting FY 2017 Budget Amendment #03, providing $350,000 additional funding from the General Fund to the Entrance Channel Dredging Project ($791,000 total) for a geotechnical study

On April 25, 2017, City Council approved Resolution 2017-24 adopting the City's FY 2018 to FY 2022 CMMP (feasibility and biological information)

On May 24, 2017, City Council approved Ordinance 2017-07, adopting the FY 2018 Operating and Capital Budget, including $709,000 from the General Fund to the Ports and Harbors Capital Project Fund ($1,500,000 total)

Dredging

On November 27, 2018, City Council approved Resolution 2018-68 supporting the USACE proposed dredging of the Iliuliuk Entrance Channel to a depth of 58 feet plus a margin of 2 additional feet

On April 23, 2019, City Council approved Resolution 2019-18, adopting the FY 20-FY24 Capital and Major Maintenance Plan. The CMMP included additional funding in the amount of $1,000,000 for the Entrance Channel Dredging Project, indicating the feasibility was complete

On May 28, 2019, City Council approved Ordinance 2019-07, adopting the Fiscal Year 2020 Operating and Capital Budget, authorizing additional funding of $1,000,000 from the General Fund for the Entrance Channel Dredging Project ($2,500,000 total)

On April 26, 2021, City Council approved Resolution 2021-24, adopting the FY 22-FY31 Capital and Major Maintenance Plan. The CMMP included additional funding in the amount of $4,494,500 ($3,494,500 - General Fund; $1,000,000 - 1% Sales Tax Fund) for the Entrance Channel Dredging Project

On May 25, 2021, City Council approved Ordinance 2021-07, adopting the Fiscal Year 2022 Operating and Capital Budget, authorizing additional funding in the amount of $4,494,500 ($3,494,500 - General Fund; $1,000,000 - 1% Sales Tax Fund) for the Entrance Channel Dredging Project ($6,994,500 total)

On July 27, 2021, City Council approved Resolution 2021-51 Authorizing the City Manager to sign an agreement with the USACE in an amount not to exceed $575,000 for the Plans and Specifications for Construction of the Entrance Channel Dredging Project

On June 28, 2022, City Council approved Ordinance 2022-10, adopting the Fiscal Year 2023 Operating and Capital Budget authorizing additional funding in the amount of $4,494,500 ($3,494,500 - General Fund; $1,000,000 - 1% Sales Tax Fund) for the Entrance Channel Dredging Project ($11,489,000 total)

On March 18, 2024, City Council approved Resolution 2024-08 Authorizing the City Manager to enter into a Project Partnership Agreement with the USACE for dredging of the Iliuliuk Bay Entrance Channel in an amount not to exceed $8,644,000, March 18, 2024

On March 26, 2024, City Council approved Resolution 2024-09 Authorizing the City Manager to enter into a Project Partnership Agreement with the United States Army Corp of Engineers for the dredging of the Iliuliuk Bay Entrance Channel, to include payment of an estimated $8,644,000 for the construction and an amount equal to 10% of the total project cost, estimated to be $3,457,600.

On June 24, 2025, City Council adopted the Fiscal Year 2026 Operating and Capital budget through Ordinance 2025-05; this is the eighth amendment

On July 14, 2026, City Council approved Resolution 2026-40 acknowledging the closure and completion of various capital projects and purchases, including the Entrance Channel Dredging Project (PH201)

BACKGROUND AND DISCUSSION: The Entrance Channel Dredging project was created in FY 2012 and included pre-dredging costs (feasibility and geotechnical studies) and dredging costs (construction).

From FY 2012 through FY 2018 project costs were associated with feasibility and geotechnical studies and total project costs during this time totaled $1,054,559.94, leaving $445,440.06 unused but available for future project costs, if needed.

Beginning in FY 2019, the project focus shifted to the actual dredging and additional funding was appropriated to fund the construction portion of the dredging. In total, an additional $9,989,000 was appropriated for construction costs.

The Entrance Channel Dredging project was administered by the U.S. Army Corp of Engineers (USACE) and included a Project Partnership Agreement between the USACE and the City, whereby the City provided a 25% cost share of the project's construction costs, plus an amount equal to 10% of the total project cost.

In FY 2022 and FY 2024, the City issued checks to the USACE in the amounts of $500,000 and $40,000, respectively ($540,000 total), to meet their obligations related to plans and specifications for construction of the Entrance Channel Dredging Project.

In March 2024, the City signed a Project Partnership Agreement (PPA) with the USACE that stated the City's cost share of the construction cost would be 25%, estimated at $8,644,000. The City remitted that amount to the USACE as a requirement of the agreement. However, the City would not know the full amount or timing of dredging costs to be incurred. Therefore, during the preparation for the fiscal year 2024 audit, the full amount of the prepayment ($8,644,000) was recorded as an advance to USACE, rather than reflecting it as an expense.

The dredging began in FY 2025 and costs were incurred. During the preparation for the FY 2025 audit, staff requested and obtained from the USACE a report of construction costs incurred during FY 2025, which totaled $718,565, representing the City's share. As a result, the advance to USACE amount was reduced to $7,925,435 and expenses were recorded to the project in the City's accounting system. Dredging continued into FY 2026 and the project was completed in late 2025. In February 2026, the City was notified that the project had been completed and the City would receive a refund of the unused cost share amount.

In March 2026, the City received a refund of $5,994,332 from USACE. Within the Finance department, the cash receipt was recorded and reduced the amount advanced to $1,931,103: $8,644,000 - $718,565 (FY 2025 costs) - $5,994,332 (refund amount). At that time, it would have been appropriate for Finance to record project expenses in the amount of $1,931,103; however, the City did not receive further expenditure details from the USCACE related to the project. As a result, an expense amount was not recorded at that time.

This resulted in the project being closed without capturing all costs in the project. The error was realized while preparing for the fiscal year 2026 audit. Unfortunately, the project closure and closeout of the budget amounts necessitate a budget amendment to allow the remaining project costs to be properly recorded and not reconcile the project balance to $0.

The budget amendment will re-open the project and provide budgetary capacity to record the FY 2026 dredging costs to the currently closed project. It does not require the City to provide additional money to the USACE related to the entrance channel dredging. Instead, it allows Finance to complete the required accounting entries to record project costs and reduce the amount advanced to the USACE to $0.

The proposed budget amendment will appropriate fund balance from the General Fund and the 1% Sales Tax Fund and transfer a combined $1,931,103 to the Ports Proprietary Capital Projects budget. The requested appropriation and transfer amounts were determined based on the original allocation of funding: 83% General Fund & 17% 1% Sales Tax Fund.

While the budget amendment does not require the City to provide additional monies to the USACE, it will have to move monies from the General Fund and the 1% Sales Tax Fund to the Ports and Harbors Capital Project Fund. This internal movement of cash will make it possible to balance the project-related activity and leave a $0 balance in the amount advanced to the USACE while properly capturing all the costs within the project itself.

FINANCIAL IMPLICATIONS: This budget amendment does not require the City to provide any additional funding to the USACE related to the Entrance Channel dredging. Instead, the proposed budget amendment will appropriate and transfer $1,594,898 from the General Fund and $336,205 from the 1% Sales Tax Fund to the Ports Capital Project Fund to record dredging costs and reduce the amount advanced to the USACE from $1,931,103 to $0.

LEGAL: None

STAFF RECOMMENDATION: Staff recommends adoption of Ordinance 2026-18.

PROPOSED MOTION:

- 1st reading: I move to introduce Ordinance 2026-18, and schedule it for public hearing and second reading on September 8, 2026.

- 2nd reading: I move to adopt Ordinance 2026-18.

CITY MANAGER COMMENTS: I support the Staff Recommendation for Council adopt this Budget Amendment.

PLEASE NOTE:

The City of Unalaska has a further financial liability to the USACE for this project.

As the non-federal partner for the Channel Dredging Project, the city entered into a Project Partnership Agreement in 2024, through Resolution 2024-09, for the construction phase. The City's financial responsibility is:

a) $8,644,000 for the City's 25% portion of estimated construction costs; PLUS

b) An amount equal to 10% of the total project cost. In March 2024 the City's estimated responsibility for this portion was $3,457,000.

The $8,644,000 has already been paid, and as stated above, the Corps of Engineers refunded $5,994,332.57 of that amount in March 2026. While we assume the total project costs are less than originally anticipated due to the refund, we do not yet know the final amount the city owes on this project. We have made inquiries with the Corps of Engineers to determine the exact amount of the city's responsibility for 10% of the total project cost. This unknown amount has not yet been budgeted, and the City may choose to pay the amount at one time, or spread payments over 30 years, with interest.

ATTACHMENTS: None