
MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Jim Sharpe, Interim Finance Director
Through: Marjorie Veeder, Acting City Manager
Date: January 27, 2026
Re: Work Session Discussion – FY27 Budget Goals

SUMMARY: This memo provides information regarding recommended Fiscal Year 2027 (FY27) Budget Goals. The FY 2026 Budget Goals are attached, 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. During tonight's work session we anticipate City Council providing guidance regarding the attached budget goals. The budget goals will be updated to correspond with Council's direction and be presented for approval at the February 10, 2026 City Council meeting.

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 176.50 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 will be presented tonight. Council considers the property tax millage rate annually as part of the budget process. 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.

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: Various alternatives exist. As Staff completes the budget process we will seek ways to perform our work more efficiently in an effort to reduce costs and increase our effectiveness.

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

LEGAL: None.

STAFF RECOMMENDATION: Discussion only on January 27. Staff will amend the budget goals at Council's direction, and present the budget goals for adoption on February 10, 2026.

PROPOSED MOTION: None as this is a work session discussion only.

CITY MANAGER COMMENTS: It is important for Council to provide direction to staff through the adoption of their goals for preparation of the FY27 budget. Tonight's discussion will facilitate that process.

ATTACHMENTS:

[Proposed FY27 Budget Goals](#)

[FY26 Council Budget Goals](#)

**CITY COUNCIL
FISCAL YEAR 2027 BUDGET GOALS**

Personnel Goals

The FY 2026 budget included 176.50 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".

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION 2025-14

A RESOLUTION OF THE UNALASKA CITY COUNCIL APPROVING THE COUNCIL'S GOALS FOR THE FISCAL YEAR 2026 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 2026; and

WHEREAS, management will utilize the adopted goals as guidelines when developing the Fiscal Year 2026 budget.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council adopts the attached goals as a guideline for developing the Fiscal Year 2026 budget.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on February 25, 2025.



Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:


Estkaileen P. Magdaong, CMC
City Clerk



**CITY COUNCIL
FISCAL YEAR 2026 BUDGET GOALS**

Personnel Goals

The FY 2025 budget included 176.50 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 2026 goal represents no change from the approved FY 2025 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 2026 goal represents no change from the approved FY 2025 budget goal.

Proprietary Funding

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

The FY 2026 goal represents no change from the approved FY 2025 budget goal.

Operating Expenses

The overarching goal regarding the City Manager's proposed FY 2026 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 2026 goal does not include a specific cap for non-payroll operating expenses, which represents a change from prior years where a 3% or 5% cap were approved budget goals.

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 2026 goal represents no change from the approved FY 2025 budget goal.

Revenues

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

The mil rate will be reviewed annually to establish an appropriate mil rate to maintain infrastructure and operations.

The FY 2026 goal represents no change from the approved FY 2025 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 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 2026 goal represents no change from the approved FY 2025 budget goal.

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Jim Sharpe, Interim Finance Director
Through: Bil Homka, City Manager
Date: February 25, 2025
Re: Resolution 2025-14: Approving the Council's Goals for the Fiscal Year 2026 Budget

SUMMARY: This memo provides information regarding recommended FY 2026 Budget Goals. The FY 2025 Budget Goals are attached, along with staff recommendations for FY 2026, and will be utilized to help 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. Tonight's work session discussion will be followed by an action item for City Council to discuss and potentially adopt.

BACKGROUND: Much of what we do as a municipal government is legislatively or code driven. City staff will continue 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 Fiscal Year 2026 are attached to the resolution 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 2025, Council authorized a total of 176.50 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 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.

The City has engaged an outside firm to perform a rate study for the City's Public Utilities, which is expected to be completed prior to adoption of the FY 2026 budget. It is anticipated that the study will indicate that rate increases will be required for each utility to operate at a break-even level in FY 2026.

Operating Expenses: Directors will prepare their proposed budgets with the understanding that any non-personnel increases will have to be justified and evaluated to ensure that the level and quality of services to the public is maintained or improved. It has been determined that there is a need to fully understand the impact of deferring costs from prior years and Staff recommends allowing Directors to complete a full evaluation in order to ascertain the fiscal impact of those deferred costs.

The City Manager 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 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 was presented at the February 11, 2025 City Council meeting. The draft CMMP will be discussed again at a later City Council meeting.

Revenues: Projected FY 2026 General Fund revenues will be presented tonight. Council considers the property tax millage rate annually as part of the budget process. Projected revenues for the Proprietary Funds will be presented along with the draft budget later in the budgeting process.

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 FY 2026.

ALTERNATIVES: Various alternatives exist. As Staff completes the budget process, we will seek ways to perform our work more efficiently to reduce costs and increase our effectiveness.

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

LEGAL: None.

STAFF RECOMMENDATION: Staff recommends approval of the proposed FY 2026 Budget Goals through adoption of Resolution 2025-14.

PROPOSED MOTION: I move to adopt Resolution 2025-14.

CITY MANAGER COMMENTS: I support the Staff Recommendation.