
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: Fiscal Year 2027 Revenue Projections

SUMMARY: The focus tonight is the Fiscal Year 2027 (FY27) Revenue Projections for the General Fund. For FY27, Staff is proposing a total General Fund revenue budget of \$37,950,050 for your consideration. This is a decrease of \$1,131,051 (2.89%) from the revised FY26 Budget. Tonight's discussion is the first step in preparing the budget and we are open to suggestions from Council as we move forward. The budget amounts before you are not fixed and may require adjustment based on feedback and additional information received.

PREVIOUS COUNCIL ACTION: Each year the revenues are adjusted. This is the first time that Council has seen this estimate for FY27.

BACKGROUND: There are many external factors affecting City revenues; however, the primary driver is the fishing industry as it impacts so much of the City's tax revenue. Fish tax revenues are based on both historical information and fishing season 2025-26 quotas allocated for the sustainable fishery resources of the Bering Sea and Aleutian Islands that are landed in Unalaska, and the prices paid for that product to the harvesters by the processors. Due to those factors, staff consulted with the City's fisheries consultant, Frank Kelly, with respect to the budgeted fish tax revenue and he is available to answer Council's questions.

DISCUSSION: Historically, approximately 80% of the City's revenue has been derived from taxes (property, sales and seafood – both local and state). For the sake of this discussion, the accounts below are collectively referred to as major revenue sources:

- Real Property Tax
- Personal Property Tax
- Sales Tax
- Raw Seafood Tax
- Alaska Fisheries Business Tax
- Alaska Resource Landing Tax

During the last 10 fiscal years (FY 2016 to FY 2025), the City has exceeded their Major revenue budget six times with the only exceptions being fiscal years 2016, 2018, 2024, and 2025. During this period, revenue has exceeded budget by an average of approximately \$1,865,754 or 6.75% annually.

It is estimated that the major revenue sources analyzed below will comprise approximately 92% of the City's FY27 General Fund revenue. Historically, the City budgets little investment income, due to volatility and non-cash nature of changes in unrealized gains and losses in the City's investment portfolio.

While a significant portion of tonight's discussion will center on the major General Fund revenue sources, other revenue categories presented include:

- Investment Income
- Everything Else
 - Payment in Lieu of Taxes (PILT)
 - State Corrections Contract
 - PERS Non-Employer Contributions
 - State Revenue Sharing
 - Tideland Lease Revenue

The following table summarizes the FY 2027 General Revenue projections followed by a more detailed explanation for each major revenue source.

	<u>FY 2026 Budget</u>	<u>FY 2026 through 01/20/26</u>	<u>FY 2027 Proposed</u>
Real Property Tax	\$ 6,150,000.00	\$ 6,294,030.00	\$ 6,250,000.00
Personal Property Tax	2,800,000.00	2,774,174.00	2,700,000.00
General Sales Tax 2%	9,500,000.00	5,169,643.00	9,500,000.00
Raw Seafood Sales Tax	6,000,000.00	3,820,318.00	6,500,000.00
Fisheries Business Tax	4,500,000.00	4,185,724.00	4,875,000.00
Fisheries Resource Landing Tax	5,000,000.00	4,301,068.00	5,000,000.00
Investment Income	2,000,000.00	4,386,283.00	1,000,000.00
Everything Else	<u>2,131,101.00</u>	<u>1,911,647.00</u>	<u>2,125,050.00</u>
Total Revenues	\$ 38,081,101.00	\$ 32,842,887.00	\$ 37,950,050.00

Real Property Tax - \$6,250,000

The amount proposed represents a \$100,000 or 1.63% increase from the FY26 budget amount. As of January 20, 2026, the City has recorded \$6,294,030, or 102.34% of the budgeted amount. The small budget increase represents the expected annual increase due to non-assessment year property value adjustments. Later during the budget cycle, Council will have an opportunity to review the millage rate, which is currently 10.5 and was last adjusted from 9.0 in 2023 during the FY24 budget cycle.

Personal Property Tax - \$2,700,000

The amount proposed represents a \$100,000 decrease from the FY26 budget and is directly tied to the amount reported and received during FY26. Personal property tax is calculated based on self-reported information from local businesses. Once that

information has been received, value and estimated tax will be determined. As of January 20, 2026, the City has recorded \$2,774,174, or 99.08% of the budgeted amount. Later during the budget cycle, Council will have an opportunity to review the millage rate, which is currently 10.5 and was last adjusted from 9.0 in 2023 during the FY 2024 budget cycle.

Sales Tax - \$9,500,000

The amount proposed represents no change from the FY26 and FY25 budgeted amounts. As of January 20, 2026, the City has recorded \$5,169,643 or 54.42% of the budgeted amount, which projects to come in under budget by approximately \$300,000 below the FY26 budgeted amount. However, given the projected robust increases in fishery activity, it is expected that the projected shortfall will shrink as collections increase over the next few months.

Raw Seafood Tax - \$6,500,000

The amount proposed represents a \$500,000 or 8.33% increase over the FY26 budget amount. As of January 20, 2026, the City has recorded \$3,820,318, or 63.67% of the budget amount. Based on Mr. Kelty's analysis (increase in quotas and values), it is expected that the City should meet FY26 budgeted amounts during the spring. The FY27 estimate is based on two components:

- 2024-25 fishing season allocations published in December by the North Pacific Fishery Management Council (NPFMC) as they relate to Unalaska, Alaska; and
- Estimated prices based on recent information reported to the City by processors.

The estimate of the raw seafood tax is likely the most challenging fish tax to forecast as it requires applying data that is specific to fishing season 2025 to the 2026 fishing season. Staff communicates on a regular basis with Mr. Kelty in order to develop an expectation surrounding the fisheries that will impact the tax revenue estimate. While an increase, the amount proposed is in line with the City's conservative approach to budgeting.

Alaska Fisheries Business Tax – \$4,875,000

The amount proposed represents a \$375,000, or 8.33% increase from the FY26 budgeted amount. As of January 20, 2026, the City has recorded \$4,185,724, or 93.02% of the FY26 budget.

Given that this tax amount is paid to the City based 100% on historical data, staff followed that same approach to estimate an amount for the FY27 budget. The proposed budget amount was calculated using calendar year 2025 shore value information reported to the City monthly by local processors. The FY27 estimate includes shore value to the City through November 30, 2025 as it is not expected that December 2025 will provide much additional value. Frank Kelty can elaborate on how we developed the projection for FY27.

Alaska Fisheries Resource Landing Tax - \$5,000,000

The amount proposed represents no change from the FY26 budget amount. As of January 20, 2026, the City has recorded \$4,301,068, or 86.02% of the FY 2026 budget.

The estimate for Alaska Fisheries Resource Landing Tax is based on total catch amounts reported by the NPFMC through November 2025, and the State price book, last published in 2024. The actual amount paid to the City, however, is based on information provided to the State by the fishing vessels. While the City has requested additional detail related to amounts paid, the State has not been willing to provide such information. Frank Kelty can weigh in with details as needed.

ALTERNATIVES: This is a work session item for discussion.

FINANCIAL IMPLICATIONS: General Fund revenue projections provide preliminary information regarding the City's FY27 budget and will help guide staff as they establish departmental expenditure budgets for the upcoming fiscal year. Staff will continue to monitor any items that will impact projections discussed this evening and make necessary adjustments. Council will see any change in the draft budget later in the budget cycle. Council will also have an opportunity to review proprietary fund projections later in the budget cycle while reviewing and approving rates and fees.

The City's full schedule of budgeted revenue accounts, including proprietary funds, 1% Sales Tax, Bed Tax, Tobacco Tax, and E911 Enhancement will accompany budget documents presented to Council in April 2026. That information will also provide greater detail with respect to General Fund revenue accounts not fully detailed within this memo.

LEGAL: There are no legal implications.

STAFF RECOMMENDATION: No staff recommendation; this is a discussion item only. Staff will continue to monitor factors that impact these projections and will provide any necessary updates in future budget drafts shared with City Council.

PROPOSED MOTION: No action required.

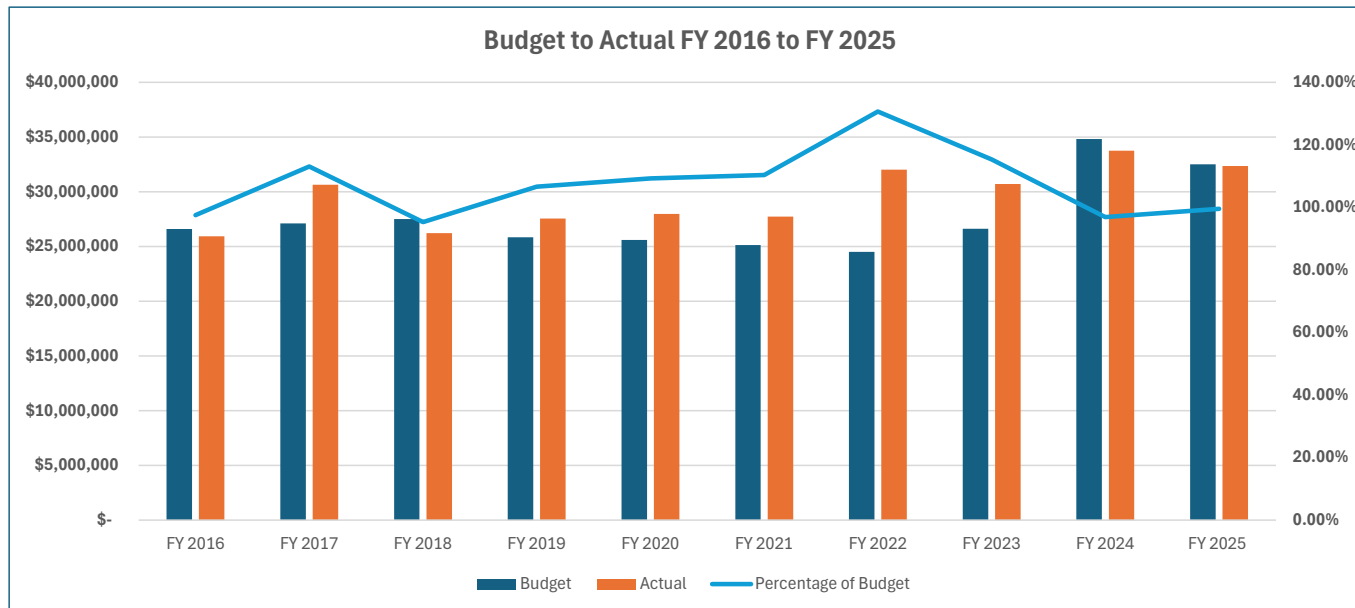
CITY MANAGER'S COMMENTS: This report serves as an integral tool for developing the city's FY27 budget. Conservative revenue budgeting facilitates long-term financial stability by maintaining continuity of services and preparing for potential economic volatility. By reasonably underestimating revenues, we can create a financial cushion in relation to operating expenses.

ATTACHMENTS:

1. [10-Year Budget to Actual General Fund Tax Revenue Sources – Summary](#)
2. [10-Year Budget to Actual General Fund Tax Revenue Sources – Detail](#)
3. [FY27 Budget by Revenue Category, with pie chart](#)

10-Year Budget to Actual General Fund Tax Revenue Sources - Summary

Summary				
	Budget	Actual	Over (under) budget	Percentage of budget
FY 2016	\$ 26,600,900	\$ 25,935,653	\$ (665,247)	97.50%
FY 2017	\$ 27,100,000	\$ 30,649,134	\$ 3,549,134	113.10%
FY 2018	\$ 27,500,000	\$ 26,210,921	\$ (1,289,079)	95.31%
FY 2019	\$ 25,850,000	\$ 27,562,890	\$ 1,712,890	106.63%
FY 2020	\$ 25,600,000	\$ 27,966,645	\$ 2,366,645	109.24%
FY 2021	\$ 25,125,161	\$ 27,728,038	\$ 2,602,877	110.36%
FY 2022	\$ 24,500,000	\$ 32,012,087	\$ 7,512,087	130.66%
FY 2023	\$ 26,620,000	\$ 30,710,582	\$ 4,090,582	115.37%
FY 2024	\$ 34,809,809	\$ 33,743,047	\$ (1,066,762)	96.94%
FY 2025	\$ 32,500,000	\$ 32,344,411	\$ (155,589)	99.52%
FY 2026 - Budget	\$ 33,950,000	\$ 26,544,957	\$ (7,405,043)	78.19%
FY 2027 - Proposed	\$ 34,825,000	\$ -	\$ -	
Last 10 Years Average	276,205,870	294,863,408	18,657,538	106.75%
	27,620,587	29,486,341	1,865,754	



10-Year Budget to Actual General Fund Tax Revenue Sources - Detail

Real Property Tax					Personal Property Tax					Sales Tax				
	Budget	Actual	Over (under) budget	Percentage of budget		Budget	Actual	Over (under) budget	Percentage of budget		Budget	Actual	Over (under) budget	Percentage of budget
FY 2016	3,900,000	4,085,050	185,050	104.74%	FY 2016	1,900,000	1,836,163	(63,837)	96.64%	FY 2016	6,120,000	7,757,315	1,637,315	126.75%
FY 2017	4,200,000	4,233,663	33,663	100.80%	FY 2017	1,800,000	1,797,663	(2,337)	99.87%	FY 2017	6,600,000	7,411,475	811,475	112.30%
FY 2018	4,200,000	4,347,513	147,513	103.51%	FY 2018	1,800,000	1,796,294	(3,706)	99.79%	FY 2018	7,000,000	7,045,535	45,535	100.65%
FY 2019	4,300,000	4,666,560	366,560	108.52%	FY 2019	1,800,000	2,085,644	285,644	115.87%	FY 2019	7,250,000	7,299,723	49,723	100.69%
FY 2020	4,300,000	4,489,648	189,648	104.41%	FY 2020	1,800,000	2,550,033	750,033	141.67%	FY 2020	7,000,000	7,093,282	93,282	101.33%
FY 2021	5,000,000	4,799,516	(200,484)	95.99%	FY 2021	2,100,000	2,421,302	321,302	115.30%	FY 2021	5,333,333	7,096,330	1,762,997	133.06%
FY 2022	4,750,000	4,737,374	(12,626)	99.73%	FY 2022	2,350,000	3,007,081	657,081	127.96%	FY 2022	6,000,000	8,962,048	2,962,048	149.37%
FY 2023	4,950,000	4,920,699	(29,301)	99.41%	FY 2023	2,350,000	2,370,417	20,417	100.87%	FY 2023	7,650,000	10,219,951	2,569,951	133.59%
FY 2024	6,029,591	6,016,500	(13,091)	99.78%	FY 2024	2,780,218	2,788,828	8,610	100.31%	FY 2024	9,500,000	9,282,747	(217,253)	97.71%
FY 2025	6,100,000	6,138,916	38,916	100.64%	FY 2025	3,000,000	2,814,596	(185,404)	93.82%	FY 2025	9,500,000	9,434,151	(65,849)	99.31%
FY 2026	6,150,000	6,294,030	144,030	102.34%	FY 2026	2,800,000	2,774,174	(25,826)	99.08%	FY 2026	9,500,000	5,169,643	(4,330,357)	54.42%

Raw Seafood Tax					State Fisheries Business Tax					State Fisheries Resource Landing Tax				
	Budget	Actual	Over (under) budget	Percentage of budget		Budget	Actual	Over (under) budget	Percentage of budget		Budget	Actual	Over (under) budget	Percentage of budget
FY 2016	5,074,200	5,123,372	49,172	100.97%	FY 2016	3,806,700	4,099,315	292,615	107.69%	FY 2016	5,800,000	3,034,438	(2,765,562)	52.32%
FY 2017	5,300,000	4,657,385	(642,615)	87.88%	FY 2017	3,900,000	4,276,287	376,287	109.65%	FY 2017	5,300,000	8,272,661	2,972,661	156.09%
FY 2018	5,300,000	4,475,150	(824,850)	84.44%	FY 2018	3,900,000	4,014,323	114,323	102.93%	FY 2018	5,300,000	4,532,106	(767,894)	85.51%
FY 2019	4,200,000	4,761,506	561,506	113.37%	FY 2019	3,300,000	3,528,499	228,499	106.92%	FY 2019	5,000,000	5,220,958	220,958	104.42%
FY 2020	4,200,000	5,328,128	1,128,128	126.86%	FY 2020	3,300,000	3,869,625	569,625	117.26%	FY 2020	5,000,000	4,635,929	(364,071)	92.72%
FY 2021	4,211,165	5,276,466	1,065,301	125.30%	FY 2021	3,480,663	3,747,582	266,919	107.67%	FY 2021	5,000,000	4,386,842	(613,158)	87.74%
FY 2022	4,200,000	6,360,295	2,160,295	151.44%	FY 2022	3,300,000	3,973,545	673,545	120.41%	FY 2022	3,900,000	4,971,744	1,071,744	127.48%
FY 2023	3,400,000	4,180,814	780,814	122.97%	FY 2023	3,770,000	4,258,312	488,312	112.95%	FY 2023	4,500,000	4,760,389	260,389	105.79%
FY 2024	6,000,000	4,611,410	(1,388,590)	76.86%	FY 2024	4,500,000	3,996,216	(503,784)	88.80%	FY 2024	6,000,000	7,047,346	1,047,346	117.46%
FY 2025	4,000,000	5,428,530	1,428,530	135.71%	FY 2025	4,000,000	3,929,263	(70,737)	98.23%	FY 2025	5,900,000	4,598,955	(1,301,045)	77.95%
FY 2026	6,000,000	3,820,318	(2,179,682)	63.67%	FY 2026	4,500,000	4,185,724	(314,276)	93.02%	FY 2026	5,000,000	4,301,068	(698,932)	86.02%

FY 2027 Budget by Revenue Category

	FY 2027 Budget	Pct. of Total
Real Property Tax	\$ 6,250,000	
Personal Property Tax	2,700,000	
Total Property Tax	8,950,000	23.58%
Sales Tax	9,500,000	25.03%
Raw Seafood Tax	6,500,000	17.13%
State Fisheries Business Tax	4,875,000	12.85%
State Fisheries Resource Landing Tax	5,000,000	13.18%
Investment Income	1,000,000	2.64%
Everything Else	2,125,050	5.60%
Total Revenue - FY 2027 Budget	\$ 37,950,050	100.00%

