

CITY OF UNALASKA
UNALASKA, ALASKA

ORDINANCE NO. 2018-06

An Ordinance of the Unalaska City Council creating Budget Amendment no. 5 to the Fiscal Year 2018 Budget, increasing the Electric Fund Operating Expenses to pay for increased fuel costs.

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 FY18 Budget is amended as follows:

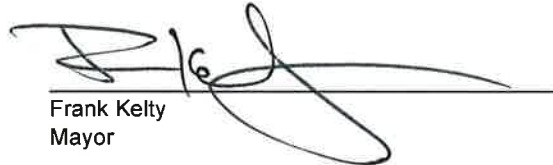
A. That the following sums of money are hereby accepted and the following sums of money are hereby authorized for expenditure.

B. The following are the changes by account line item:

Amendment No. 5 to Ordinance 2017-07

	<u>Current</u>	<u>Requested</u>	<u>Revised</u>
I. OPERATING BUDGETS			
A. Proprietary Fund			
Source:			
Electric Fund - Unrestricted Net Position	\$ 7,689,228	\$ 1,500,000	\$ 6,189,228
Use:			
Electric Fund - Operating Expenses	18,093,347	1,500,000	19,593,347

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on May 22, 2018.


Frank Kelty
Mayor

ATTEST:


Marjie Veeder
City Clerk



**Fiscal Year FY18 Budget Amendment 5
and Schedule of Proposed Accounts**

	<u>Org</u>	<u>Object</u>	<u>Current</u>	<u>Requested</u>	<u>Revised</u>
1) Electric Fund - Operating Budget					
Sources:					
Enterprise Fund Budgeted Use of Unrestricted Net Position	50015049	49910	608,912.00	1,500,000.00	2,108,912.00
Uses:					
Generator Fuel - Diesel	50024152	56500	7,226,265.00	1,500,000.00	8,726,265.00

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Dan Winters, Public Utilities Director
Through: Thomas Thomas, City Manager
Date: May 8, 2018
Re: Ordinance 2018-06, an Ordinance of the Unalaska City Council creating Budget Amendment no. 5 to the Fiscal Year 2018 Budget, increasing the Electric Fund Operating Expenses to pay for increased fuel costs

SUMMARY: Staff requests \$1.5M, to be transferred from the Proprietary Fund Balance of the Electric Proprietary Fund into the "Generator Fuel" line item of the Operating Budget of the Power Production Division of the Department of Public Utilities. The line item is close to depletion due to rising fuel costs and increased consumption over the budgeted expectation for FY18.

PREVIOUS COUNCIL ACTION: Council approved the FY18 Operating Budget via Ordinance 2017-07 approved and adopted on May 24, 2017.

BACKGROUND: Each budgeting cycle, staff estimates both power sales revenue and fuel expenses. For the past few years, fuel costs have been relatively stable and revenue has steadily increased with new customers coming online. Recently, however, fuel price increases have begun to escalate and, coupled with an increased demand for power, events have rapidly depleted the funding for purchasing fuel with which to generate power.

DISCUSSION: The Cost of Power Adjustment customers see on their utility bill helps the Utility to recoup some of the generator fuel expense. This revenue is not passed on to the Utility for the Powerhouse to spend on more fuel but rather is placed into the Proprietary Fund Balance. This Budget Amendment Request will move some of the funds back into the Operating Budget of the Power Production Division in order to purchase more fuel to, quite literally, keep the lights on.

ALTERNATIVES: Staff sees no other acceptable alternative to this Budget Amendment request. We are, in effect, cycling power sales revenue through the operations budget for the second time this Fiscal Year.

FINANCIAL IMPLICATIONS: This Budget Amendment will move \$1.5M from the Retained Earnings of the Electric Proprietary Fund into the Operating Budget of the Power Production Division.

LEGAL: N/A.

STAFF RECOMMENDATION: Staff recommends funding this Request with the Fund Balance of the Electric Proprietary Fund.

PROPOSED MOTION: I make a motion to send Ordinance #2018-06 to 2nd reading and public hearing on May 22, 2018.

CITY MANAGER COMMENTS:

ATTACHMENTS: