

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION 2025-33

A RESOLUTION OF THE UNALASKA CITY COUNCIL AUTHORIZING THE CITY MANAGER TO IMPLEMENT A NEW ELECTRIC, WATER, WASTEWATER, AND SOLID WASTE FEE SCHEDULE FOR FY26-FY31

WHEREAS, the City of Unalaska has determined, through a comprehensive Rate Study for each Utility, that specific increases to maintain a 90-day cash on-hand are necessary to continue operations at the current level of service; and

WHEREAS, electric rate increases are not recommended for FY25; however, to ensure the long-term financial stability of the utility service and to align with project operational costs, base rate increases of 3.3% are necessary in FY27, FY29, and 3.2% in FY31 for Residential customers; and

WHEREAS, base rate increases of 3% are necessary in FY27, FY29, and FY31 for Small General and Large General customers and a demand charge increase of 3.4% is necessary in FY27, FY29, and 3% in FY31; and

WHEREAS, rate increases of 6% are necessary in FY27, FY29, and FY31 for all Industrial customer charges;

WHEREAS, one-dollar increase for all Unmetered Family/Duplex water customers is necessary in FY26, FY28, and FY30; and

WHEREAS, a 10% increase is necessary to all water Monthly Meter Fixed Charges in FY26, FY28, FY30; and

WHEREAS, a fifty-cent (\$.50) increase for all Metered water customers is necessary in FY26, FY28, and thirty-cent increase for all Metered water customers is necessary in FY30; and

WHEREAS, a 7% increase is necessary to all Fixed Monthly and Unmetered charges for all wastewater classes in FY26, FY28, and FY30; and

WHEREAS, an eighty cent (\$.80) per one-thousand gallon increase is necessary for Residential customers, and a one-dollar (\$1) per one-thousand gallon increase is necessary for Commercial and Industrial customers; and

WHEREAS, a 4% increase is necessary for the Solid Waste Landfill Maintenance fee in FY26, FY28, and FY30; and

WHEREAS, a 9% increase is necessary for the Solid Waste tipping fee including all material classifications and labor charges in FY26, FY28, and FY30.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council authorize the City Manager to implement this new Electric, Water, Wastewater, and Solid Waste Fee Schedule for FY26-FY31.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on May 27, 2025.



Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:



Estkarlen P. Magdaong, CMC
City Clerk



MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Erik Hernandez, Acting Utilities Director
Through: Marjie Veeder, Acting City Manager
Date: May 27, 2025
Re: Resolution 2025-33: Authorizing the City Manager to implement a new Electric, Water, Wastewater, and Solid Waste Fee Schedule for FY26-FY31

SUMMARY: Through Resolution 2025-33, Staff proposes rate increases and adjustments for the four utility proprietary funds: Electric, Water, Wastewater and Solid Waste. Rate increases for Water, Wastewater, and Solid Waste would happen in FY26, 28, 30 and increases in the Electric utility would happen in FY27, 29, 31. We propose to stage the increases for each utility in two year increments and to offset the electric utility from the others to even out the impacts.

If approved, the rate adjustments will be incorporated into the upcoming Schedule of Fees and Services, which Ordinance is scheduled for first reading on June 10, 2025.

PREVIOUS COUNCIL ACTION: On May 13, 2025, Scott Burnham and Sean Hendersen of NewGen Strategies and Solutions presented the finding of the Utility Rate Study to Council. Their presentation covered the study's methodology, revenue requirements, and cost of service analysis.

One topic of discussion was the proposed 19.2% increase to the Water Volumetric Rate. As explained during the presentation, all water customers are charged under a uniform rate structure, which helps distribute the cost burden equitably. Because industrial customers place a greater demand on the City's water system, the cost-of-service analysis reflects their proportionate impact.

BACKGROUND: The Department of Public Utilities conducts rate studies every 3-4 years to ensure long-term financial sustainability. These studies provide data-driven recommendations that help determine whether existing rates are sufficient to cover operating costs and capital expenditures now and into the future.

In 2016, the City contracted Mike Hubbard of the Financial Engineering Company to conduct a rate study for its Utility Proprietary Funds. Although the study evaluated the overall financial condition and rate structure of the utilities, environmental and capital improvements significantly influenced the recommended rate adjustments. The study proposed a 15% increase for the Wastewater Fund over four years and a 13.5% increase for the Solid Waste Fund over three years. These adjustments went into effect July 1, 2017.

During the discussion with council, it became evident that an additional funding source was necessary to reduce the rate impact on customers. As a result, council approved using a portion of the 1% Sales Tax Special Revenue Fund – up to \$1,300,000 – to subsidize the Water, Wastewater, and Solid Waste Utilities. While this helped minimize the rate impact, the next rate study conducted by Aldrich CPAs + Advisors LLP in 2021, found that further rate increases were still necessary across all Utilities.

In January 2025, Staff contracted with NewGen Strategies and Solutions to conduct the FY26-31 Utility Rate Study. The final report of the findings, after Council comments, is attached.

DISCUSSION: NewGen Strategies and Solutions presented the findings of the Rate Study on May 13, 2025. During this work session, Staff and NewGen Strategies and Solutions presented Council with necessary operating and capital expenditures for all Utility Funds and the revenue requirements to cover these costs. It has been understood by Staff that Council's consensus is to control rates by minimizing operating costs and maintaining existing infrastructure. NewGen's recommendations are based on the increases needed to maintain financial sustainability in each fund to cover operating costs and future improvements.

Water:

- Increase Unmetered Single Family/Duplex Monthly Fee by \$1.00 in FYs 2026, 2028, and 2030.
- Increase Monthly Meter Fixed Charges for all meter sizes by 10% in FYs 2026, 2028, and 2030.
- Increase Volumetric Rate by \$0.50 in FYs 2026 and 2028, and by \$0.30 in FY 2030.

Base Rate Structure							
Meter Size	Current	FY 2026	% Increase	FY 2028	% Increase	FY 2030	% Increase
Unmetered Single Family/Duplex	\$36.87	\$37.87	2.7%	\$38.87	2.6%	\$39.87	2.6%
5/8"	\$3.66	\$4.03	10.0%	\$4.43	10.0%	\$4.87	10.0%
3/4"	\$3.88	\$4.27	10.0%	\$4.70	10.0%	\$5.17	10.0%
1"	\$4.30	\$4.73	10.0%	\$5.20	10.0%	\$5.72	10.0%
1.5"	\$5.40	\$5.94	10.0%	\$6.53	10.0%	\$7.18	10.0%
2"	\$6.70	\$7.37	10.0%	\$8.11	10.0%	\$8.92	10.0%
3"	\$9.74	\$10.71	10.0%	\$11.78	10.0%	\$12.96	10.0%
4"	\$13.66	\$15.03	10.0%	\$16.53	10.0%	\$18.18	10.0%
6"	\$24.95	\$27.45	10.0%	\$30.20	10.0%	\$33.22	10.0%
8"	\$37.99	\$41.79	10.0%	\$45.97	10.0%	\$50.57	10.0%
10"	\$65.42	\$71.96	10.0%	\$79.16	10.0%	\$87.08	10.0%
12"	\$103.74	\$114.11	10.0%	\$125.52	10.0%	\$138.07	10.0%

Volumetric Rate Structure							
Rate	Current	FY 2026	% Increase	FY 2028	% Increase	FY 2030	% Increase
Volumetric Rate (per 1,000 gal)	\$2.60	\$3.10	19.2%	\$3.60	16.1%	\$3.90	8.3%

Wastewater:

Staff recommends introducing a new rate category for Metered Wastewater - ***"Metered Residential"*** - beginning in FY26. This rate would be \$0.20 less per 1,000 gallons than the standard commercial rate. The recommendation reflects the difference in operational impact and costs that commercial businesses place of the wastewater collection and treatment system compared to residential users.

The ***“Metered Residential”*** rate would apply to general single family, duplex, or individual housing units.

Properties such as offices, retail stores, clinic, salons, food and beverage establishments, hotels, schools, car washes, fitness centers, auto repair shops, any residential property that is also utilized for commercial purposes and does not meet the ***“Metered Residential”*** category will be metered and charged in accordance with ***“Metered Commercial”***

- Increase fixed monthly fees for unmetered and metered rates by 7% in FYs 2026, 2028, and 2030.
- Increase residential volumetric rate by \$0.80 per 1,000 gallons annually for FYs 2026–2031.
- Increase commercial and industrial volumetric rates by \$1.00 per 1,000 gallons annually for FYs 2026–2031.

Base Rate Structure & Service Charges							
Customer Class	Current	FY 2026	% Increase	FY 2028	% Increase	FY 2030	% Increase
Unmetered Single Family/Duplex	\$144.38	\$154.49	7.0%	\$165.30	7.0%	\$176.87	7.0%
Metered Residential	\$26.42	\$28.27	7.0%	\$30.25	7.0%	\$32.37	7.0%
Metered Commercial	\$26.42	\$28.27	7.0%	\$30.25	7.0%	\$32.37	7.0%
Metered Industrial	\$104.35	\$111.65	7.0%	\$119.47	7.0%	\$127.83	7.0%

Volumetric Rate Structure							
Volumetric Rate (per 1,000 gal)	Current	Year 1 FY 2026	Year 2 FY 2027	Year 3 FY 2028	Year 4 FY 2029	Year 5 FY 2030	Year 6 FY 2031
Metered Residential	\$22.52	\$23.32	\$24.12	\$24.92	\$25.72	\$26.52	\$27.32
Metered Commercial	\$22.52	\$23.52	\$24.52	\$25.52	\$26.52	\$27.52	\$28.52
Metered Industrial	\$5.65	\$6.65	\$7.65	\$8.65	\$9.65	\$10.65	\$11.65

Volumetric Rate (per 1,000 gal)	% Increase	% Increase	% Increase	% Increase	% Increase	% Increase
Metered Residential	3.6%	3.4%	3.3%	3.2%	3.1%	3.0%
Metered Commercial	4.4%	4.3%	4.1%	3.9%	3.8%	3.6%
Metered Industrial	17.7%	15.0%	13.1%	11.6%	10.4%	9.4%

Solid Waste:

- Increase landfill maintenance fee by 4% in FYs 2026, 2028, and 2030.
- Increase all tipping fees at landfill by 9% in FYs 2026, 2028, and 2030.

Base Rate Structure							
Fees	Current	FY 2026	% Increase	FY 2028	% Increase	FY 2030	% Increase
Landfill Maintenance Fee	37.20	\$38.69	4.0%	\$40.24	4.0%	\$41.85	4.0%
General Refuse Tipping Fee	\$334.03	\$364.09	9.0%	\$396.86	9.0%	\$432.58	9.0%
Mixed Load Fee	\$750.00	\$817.50	9.0%	\$891.08	9.0%	\$971.28	9.0%
1. Recommending 9% rate increases to all other landfill tipping fees, including equipment and labor charges, in the same years as the proposed rates above.							

Electric:

As discussed in the May 13 work session, increases are not recommended for FY26. Needed increases will be reciprocal to the Water, Wastewater, and Solid Waste increases to minimize the burden on all customers. As part of the Rate Study, NewGen Strategies and Solutions evaluated special electric rates as potential additional revenue sources. These include the Opportunity Rate, Reliability Rate, and Voltage Transmission Discount, all of which are further defined in NewGen Strategies and Solutions' attached report. There are ample reserves to accommodate this schedule.

Proposed Base Rate Changes by Class							
Rate Class/Base Rate	Current	FY 2027	% Increase	FY 2029	% Increase	FY 2031	% Increase
Residential							
Customer (\$/mo.)	\$8.49	\$8.49	0.0%	\$8.49	0.0%	\$8.49	0.0%
Energy (\$/kWh)	\$0.2483	\$0.2564	3.3%	\$0.2648	3.3%	\$0.2734	3.2%
Small General Service ²							
Customer (\$/mo.)	\$10.61	\$10.93	3.0%	\$11.26	3.0%	\$11.60	3.0%
Energy (\$/kWh)	\$0.2180	\$0.2246	3.0%	\$0.2314	3.0%	\$0.2384	3.0%
Large General Service							
Customer (\$/mo.)	\$53.07	\$54.66	3.0%	\$56.30	3.0%	\$57.99	3.0%
Energy (\$/kWh)	\$0.1846	\$0.1901	3.0%	\$0.1958	3.0%	\$0.2017	3.0%
Demand (\$/kW)	\$7.11	\$7.35	3.4%	\$7.60	3.4%	\$7.83	3.0%
Industrial							
Customer (\$/mo.)	\$106.13	\$112.50	6.0%	\$119.25	6.0%	\$126.41	6.0%
Energy (\$/kWh)	\$0.1527	\$0.1619	6.0%	\$0.1716	6.0%	\$0.1819	6.0%
Demand (\$/kW)	\$8.49	\$9.00	6.0%	\$9.54	6.0%	\$10.11	6.0%
1. Excludes Special Rates.							
2. Includes Streetlight Rates.							

ALTERNATIVES: Staff and NewGen have considered alternatives regarding the needed rate increases and believe the options presented to Council are the most equitable and logical options available. However, staff are still willing to research other viable options. Council could decide to:

- Approve the Resolution as written.
- Amend the Resolution with alternative increases and funding strategies.

FINANCIAL IMPLICATIONS: The tables below depict the revenue under/over collections based on current and proposed rates.

Water:

Under proposed water rates, the cumulative under-recovery would be \$328,994 in FY31. Under the current rate schedule, this would be \$5,457,380.

(\$000)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Total Revenues	\$2,972.0	\$2,972.0	\$3,430.0	\$3,430.0	\$3,706.8	\$3,706.8
Net Revenue Requirement	\$3,263.0	\$3,238.0	\$3,342.8	\$3,451.9	\$3,565.7	\$3,684.3
Total Over/(Under) Recovery ¹	(\$291.0)	(\$266.0)	\$86.7	(\$22.4)	\$141.1	\$22.6
Cumulative Total Over/(Under) Recovery ^{1, 2}	(\$291.0)	(\$557.0)	(\$470.2)	(\$492.7)	(\$351.6)	(\$329.0)

1. Numbers may not add due to rounding.

2. Water cash reserves are sufficient to support the cumulative under-recovery.

Wastewater:

Under proposed wastewater rates, the cumulative under-recovery would be \$229,843 in FY31. Under the current rate schedule, this would be \$3,851,503.

(\$000)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Total Revenues	\$3,168.8	\$3,313.5	\$3,507.8	\$3,652.5	\$3,850.3	\$3,995.0
Net Revenue Requirement	\$3,306.8	\$3,424.3	\$3,547.2	\$3,676.1	\$3,811.0	\$3,952.4
Total Over/(Under) Recovery ¹	(\$137.9)	(\$110.8)	(\$39.4)	(\$23.6)	\$39.3	\$42.6
Cumulative Total Over/(Under) Recovery ^{1,2}	(\$137.9)	(\$248.7)	(\$288.2)	(\$311.7)	(\$272.4)	(\$229.8)

1. Numbers may not add due to rounding.

2. Wastewater cash reserves are sufficient to support the cumulative under-recovery.

Solid Waste:

Under proposed Solid Waste rates, the utility will have a cumulative over-recovery of \$147,994 in FY31. Under current rates the under-recovery would be \$3,544,585.

(\$000)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Total Revenues	\$3,786.5	\$3,786.5	\$4,102.2	\$4,102.2	\$4,445.4	\$4,445.4
Net Revenue Requirement	\$3,755.0	\$3,880.3	\$4,011.0	\$4,147.3	\$4,289.3	\$4,437.4
Total Over/(Under) Recovery ¹	\$31.5	(\$93.9)	\$91.2	(\$45.0)	\$156.1	\$8.0
Cumulative Total Over/(Under) Recovery ^{1,2}	\$31.5	(\$62.3)	\$28.9	(\$16.1)	\$140.0	\$148.0

1. Numbers may not add due to rounding.

2. Solid Waste cash reserves are sufficient to support under recovery of revenues in odd years.

Electric:

Revenue sources include General and Electric Proprietary Funds, and revenue from base rates, providing a balanced budget to maintain a 90 day cash balance target. Without implementing the proposed rates, under-recovery for the Electric Utility would be \$7,220,454 in FY31.

(\$000)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Total Revenues from Base Rates ¹	\$9,169.23	\$9,621.20	\$9,621.20	\$10,096.16	\$10,096.16	\$10,596.75
Net Revenue Requirement ²	\$9,169.23	\$9,621.20	\$9,621.20	\$10,096.16	\$10,096.16	\$10,596.75
Total Over/(Under) Recovery	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

1. Base Rate Revenues only; excludes COPA (Fuel Cost Recovery).

2. Includes contributions to capital funding from General Fund and Electric Fund.

If Council does not approve the rate increases presented in this memo, operational and capital expenses would need supplementary funding in order to maintain services to the public. Further supplementing funds from each utility may require services to be reduced, and the City's ability to obtain low-interest loans will be limited.

LEGAL: None.

STAFF RECOMMENDATION: Staff recommends approval of Resolution 2025-33. If approved, Staff will incorporate the rate adjustments into the upcoming Schedule of Fees and Services, which Ordinance is scheduled for first reading on June 10, 2025.

PROPOSED MOTION: I move to adopt Resolution 2025-33.

CITY MANAGER COMMENTS: I support staff's recommendation.

ATTACHMENTS: NewGen Strategies and Solutions Final Utility Rate Study Report