

CITY OF UNALASKA
UNALASKA, ALASKA

ORDINANCE NO. 2022-06

CREATING BUDGET AMENDMENT #4 TO THE FISCAL YEAR 2022 BUDGET, RECOGNIZING ARPA GRANT REVENUE OF \$897,566.36, INCREASING THE ARPA EXPENDITURES BUDGET BY \$97,566.36 AND THE WATER CAPITAL PROJECT BUDGET BY \$800,000; INCREASING THE GENERAL FUND OPERATING BUDGET BY \$50,539; INCREASING THE ELECTRIC OPERATING BUDGET BY \$1,100,000; AND DECREASING THE BUDGET FOR THE MAKUSHIN GEOTHERMAL PROJECT BY \$1,850,000;

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 FY22 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. 4 to Ordinance #2021-07

	Current	Requested	Revised
I. OPERATING BUDGETS			
A. General Fund			
Sources:			
Appropriated Fund Balance	\$ 5,845,265	\$ 50,539	\$ 5,895,804
Uses:			
City Clerk Computer Equipment	\$ -	\$ 5,539	\$ 5,539
Facilities Maintenance R&M	\$ 123,850	\$ 45,000	\$ 168,850
B. Proprietary Funds			
Electric Fund			
Sources:			
Budgeted Use of Unrestricted Net Position	\$ 7,577,717	\$ 1,100,000	\$ 8,677,717
Uses:			
Generator Fuel	\$ 9,000,000	\$ 1,100,000	\$ 10,100,000
C. Special Revenue Funds			
ARPA Fund			
Sources:			
Federal Operating Grant	\$ 1,069,850.42	\$ 97,566.36	\$ 1,167,416.78
Uses:			
Other Professional Services	\$ 95,534.28	\$ 97,566.36	\$ 193,100.64
II. CAPITAL BUDGETS			
A. Public Utilities - Project Budgets			
Electric Projects - Makushin Geothermal			
Sources:			
Contributions & Donations - Private Sources	\$ 2,000,000	\$ (1,850,000)	\$ 150,000
Uses:			
Makushin Geothermal Project	\$ 3,325,000	\$ (1,850,000)	\$ 1,475,000
Water Projects - NPF Water Line			
Sources:			
Federal Capital Grant	\$ -	\$ 800,000	\$ 800,000
Uses:			
NPF Water Line Project	\$ -	\$ 800,000	\$ 800,000

PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE UNALASKA CITY COUNCIL THIS 10 DAY OF MAY 2022.

Vincent M. Tutiakoff
Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:

Marjie Veeder
Marjie Veeder, CMC
City Clerk



City of Unalaska
Summary of Budget Amendment and Schedule of Proposed Accounts
FY22 Budget Amendment 4

- 1) General Fund - Operating Budget
 Add \$50,539 to Appropriated Fund Balance
 Add \$5,539 to Clerk's computer equipment for vote tabulator
 Add \$45,000 Facilities Maintenance for fire alarm system at the Burma Road Chapel
- 2) Electric Fund - Operating Budget
 Add \$1,100,000 to Budgeted Use of Unrestricted Net Position
 Add \$1,100,000 to Generator Fuel - Diesel
- 3) ARPA Special Revenue Fund Budget
 Add \$97,566.36 to Federal Operating Grant Revenue
 Add \$97,566.36 to Other Professional Services for cleaning services at isolation facility
- 4) Electric Fund Capital Projects Budgets - Makushin Geothermal
 Reduce Contributions from Private Sources and budgeted project costs each by \$1,850,000 to reflect amendment to OCCP agreement
- 5) Water Fund Capital Projects Budgets - NPF Water Line
 Add \$800,000 to Federal Capital Grants and to budgeted project costs to assign ARPA grant funds to NPF Water Line Project

	Org	Object	Project	Current	Requested	Revised
1) <u>General Fund - Operating Budget</u>						
Sources:						
Appropriated Fund Balance	01010049	49900		\$ 5,845,264.92	\$ 50,539.00	\$ 5,895,803.92
Uses:						
<i>City Clerk</i>						
Computer Hardware/Software	01020552	56150		\$ -	\$ 5,539.00	\$ 5,539.00
<i>DPW - Facilities Maintenance</i>						
Repair/Maintenance Services	01022952	54300		\$ 123,850.00	\$ 45,000.00	\$ 168,850.00
2) <u>Electric Fund - Operating Budget</u>						
Sources:						
Budgeted Use of Unrestricted Net Position	50015049	49910		\$ 7,577,717.00	\$ 1,100,000.00	\$ 8,677,717.00
Uses:						
Generator Fuel - Diesel	50024152	56500		\$ 9,000,000.00	\$ 1,100,000.00	\$ 10,100,000.00
3) <u>ARPA Special Revenue Fund</u>						
Sources:						
Misc Federal Operating Grant	130A2041	42149		\$ 1,069,850.42	\$ 97,566.36	\$ 1,167,416.78
Uses:						
Other Professional Services	130A2052	53300		\$ 95,534.28	\$ 97,566.36	\$ 193,100.64
4) <u>Electric Fund - Capital Project Budgets</u>						
Sources:						
<i>Makushin Geothermal</i>						
Contributions & Donations - Private Srcs	50115047	47400	EL22B	\$ 2,000,000.00	\$ (1,850,000.00)	\$ 150,000.00
Uses:						
<i>Makushin Geothermal</i>						
Other Professional Services	50125053	53300	EL22B	\$ 615,000.00	\$ (400,000.00)	\$ 215,000.00
General Supplies	50125053	56100	EL22B	\$ 1,710,000.00	\$ (1,450,000.00)	\$ 260,000.00

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Jim Sharpe, Interim Finance Director
Through: JR Pearson, Acting City Manager
Date: April 26, 2022
Re: Creating budget amendment #4 to the fiscal year 2022 budget; recognizing ARPA grant revenue of \$897,566.36, increasing the ARPA expenditures budget by \$97,566.36 and the Water Capital Projects Budget by \$800,000; increasing the general fund operating budget by \$50,539, increasing the electric operating budget by \$1,100,000; and decreasing the budget for the Makushin Geothermal Project by \$1,850,000.

SUMMARY: This budget amendment will recognize \$897,566.36 in ARPA grant revenue, increase ARPA expenditures by \$97,556.36 and the Water Capital Projects Budget by \$800,000, appropriate \$50,539 from the General Fund for the purchase of a Vote Tabulator and install a new Fire Alarm System at the Burma Road Chapel, appropriate \$1,100,000 from the Electric Utility Fund's Net Position, and decrease the Makushin Geothermal Project by \$1,850,000.

PREVIOUS COUNCIL ACTION:

On May 25, 2021, City Council adopted the Fiscal Year 2022 Operating and Capital budget through Ordinance 2021-07; this is the third amendment.

On August 10, 2021, City Council approved Ordinance 2021-15 creating Budget Amendment #1 recognizing \$1,069,850 of ARPA revenue and expenditures in the Coronavirus Relief Fund

On November 9, 2021, City Council approved Ordinance 2021-16 creating Budget Amendment #2 recognizing \$2,000,000 of private contributions from OCCP and appropriating \$2,000,000 in the Makushin Geothermal Project.

BACKGROUND:

ARPA Funding

On March 11, 2021, Congress passed the federal act known as the American Rescue Plan Act of 2021 (Rescue Act). The Act is a \$1.9 trillion coronavirus rescue package designed to facilitate the United States' recovery from the devastating economic and health effects of the COVID-19 pandemic. A portion of the package (\$350,000,000,000) is to be distributed to cities, states tribal governments and U.S. Territories.

Communities receiving these payments will be required to certify compliance with federal guidance regarding expenditures of Rescue Act funds. Communities will be required to reimburse the State for any misspent funds.

The City received notification of additional ARPA funding (\$894,688.44) labeled as Coronavirus Local Fiscal Recovery Fund (CLFRF), and the first tranche of funding, in November 2021. The second tranche will be received at approximately the same time in 2022. The delay in receiving the second tranche does not prohibit the City from committing the entire amount through a spending plan, but will not be reimbursed until the second tranche has been received. In February 2022, the City was notified that it would receive \$2,877,92 in redistributed CLFRF funds; the first tranche in the amount of \$1,436.96 was received March 2, 2022. The second tranche will be received at approximately the same time in 2023.

Vote Tabulator

The State of Alaska Division of Elections (DOE) notified the City that the DOE will no longer loan an electronic vote tabulator to the City for use in local elections. The loan of a vote tabulator from DOE has been a long-standing practice. Unfortunately, notification from the DOE came midway through the fiscal year, so funding is not available in the City Clerk's FY22 budget, necessitating this budget amendment request. The City Clerk recommends purchasing the tabulator before the end of the current fiscal year as the product is presently available from the supplier and to avoid shipping and timing issues. Purchasing before the end of the current fiscal year will also allow adequate time for shipping, testing and training.

Burma Road Chapel Fire Alarm System

The Burma Road Chapel has undergone many transformations during its life as a City of Unalaska Facility. Currently, it is the temporary home of the Unalaska Public Library while that facility is undergoing a renovation project. Because the facility will host more patrons, and because the existing fire alarm system was obsolete and malfunctioning, Staff requested and received approval to sole source an upgrade to the system to C&T Fire Protection for \$45,532.06, paid out of the Operating Budget of the Facilities Maintenance Division of DPW. This Budget Amendment request seeks to recoup that expenditure.

Electric Fund - Fuel

Each budgeting cycle, staff estimates both power sales revenue and fuel expenses. Diesel fuel pricing was quite volatile due to world-wide fluctuating demand brought on by the pandemic. On February 2, 2021, the price of diesel was \$1.83 per gallon, up substantially from \$1.12 in May of 2020. Based on oil pricing projections from the Energy Information Administration (EIA), staff estimated an average diesel price of \$2.25 per gallon for FY22, and power sales of 40 million kWh.

Makushin Geothermal Project

The Power Purchase Agreement states the following: "Purchaser shall commission an engineering study to determine reliability upgrades required for the City Distribution

System to accept Energy from the Facility. The first two million dollars (\$2,000,000) in cost, for the engineering study and resulting reliability upgrades to the City Distribution System identified in the Interconnection/Integration Plan will be borne solely by the seller. The next ten million dollars (\$10,000,000) in cost for reliability upgrades identified in the Interconnection/Integration Plan, will be shared equally by Purchaser and Seller

DISCUSSION:

ARPA Funding

This amendment to the FY22 budget will create a budget for the Coronavirus Relief special revenue fund in the amount of \$97,556.36 to be used for remaining COVID-19 related expenditures and to wrap up certain projects that were initially funded by CARES.

The remaining amount of this ARPA funding (\$800,000) will be used to partially fund a Waterline project as part of the larger Captains Bay Road Project. City Council has designated the Captains Bay Road Paving and Utility Improvements project as the number one funding priority, and staff have sought multiple ways to accomplish this large, multifaceted endeavor. Staff are also seeking additional grant funding, but are prepared to fund the balance of the project from Water Proprietary Unrestricted Retained Earnings if necessary.

Vote Tabulator

The Clerk’s Department administers elections, and we have utilized an electronic vote tabulator borrowed from the DOE for many years. The use of a vote tabulator provides increased speed and accuracy in counting ballots and determining the outcome of races and ballot initiatives. Use of an electronic vote tabulator also increases confidence in election results by removing much of the human error element. There were 481 ballots cast on Election Day 2021, for 3 council seats, 3 school board seats and 3 ballot initiatives. It would have taken many hours to count and reconcile the ballots for 6 races and 3 ballot initiatives without the use of an electronic tabulator. Hand counting ballots after a 12-hour day of voting is not ideal. The budget amendment request will pay for a vote tabulator, necessary accessories, memory cards, software license, warranty and shipping:

Tabulator & Accessories	\$4,676
Annual License and Warranty	\$363
<u>Shipping (estimate)</u>	<u>\$500</u>
Total Request	\$5,539

Burma Road Chapel Fire Alarm System

Since January 2022, the Fire Alarm System at the Burma Road Chapel has malfunctioned and called out the Fire Department unnecessarily at an average of just over once a week. This critical waste of resources prompted DPW to engage C&T Fire Protection to replace the Fire Alarm System ASAP, and the work was performed in February. The effect on the

Facilities Maintenance Budget was large and unexpected, and Staff is requesting those funds expended be replaced so the level of service is not diminished or work deferred to FY23. Facilities maintained by this Division include City Hall, PCR, Public Safety, and the DPW/DPU Facility, so the impact to the budget is significant and far reaching.

Electric Fund - Fuel

Three-quarters through the fiscal year, staff now estimates the Powerhouse will require approximately 750,000 gallons of diesel at an average cost of \$4.15 to finish the fiscal year. The Cost of Power Adjustment (COPA) charge on customer utility bills recoups most of the generator fuel expense, depositing these funds into the Proprietary Fund Balance. This Budget Amendment Request will move some of these funds back into the Operating Budget of the Power Production Division for cover these increased fuel expenses.

Makushin Geothermal Project

The original Memorandum of Agreement specified OCCP’s obligation to make payments to the City for the first two million dollars as follows:

On or before September 1, 2021	\$150,000 (paid)
On or before April 1, 2022	\$350,000
On or before May 1, 2022	\$500,000
On or before June 1, 2022	\$500,000
On or before June 30, 2022	\$500,000

The balance of OCCP’s \$7M obligation was to be paid on or before the first day of each succeeding month based on actual City expenditures.

Amendment No. 1 of the MOA amends the payment schedule as follows:

On or before September 1, 2021	\$150,000
On or before December 20, 2023	\$350,000
On or before April 1, 2024	\$750,000
On or before June 30, 2024	\$750,000

The balance of OCCP’s \$7M obligation is to be paid on or before the first day of each succeeding month based on actual City expenditures.

This amended payment schedule necessitates removal of OCCP Contributions and Donations in the FY22 and FY23 Capital Budget as seen below:

<i>Makushin Geothermal</i>					
			<u>Current</u>	<u>Requested</u>	<u>Revised</u>
Contributions & Donations - Private Srcs	50115047-47400-EL22B		2,000,000.00	(1,850,000.00)	150,000.00
Other Professional Svcs	50125053-53300-EL22B		615,000.00	(400,000.00)	215,000.00
Construction Services	50125053-54500-EL22B		1,000,000.00	0.00	1,000,000.00
General Supplies	50125053-56100-EL22B		1,710,000.00	(1,450,000.00)	260,000.00

ALTERNATIVES:

The powerhouse Operating Budget must be able to purchase fuel; staff sees no other acceptable alternative to this Budget Amendment request. The increased fuel expenses will be recovered through COPA, offsetting the additional cost.

The non-project related ARPA funding portion of the budget amendment is designed to cover costs that have largely already been incurred or will be incurred in the next 30 to 60 days. Lack of approval would cause these items to be paid for out of the General Fund budget.

The City's agreement with OCCP/Chena is the driving factor with respect to the reduction in the Makushin Geothermal Project. This request follows the terms of the revised agreement.

City Council can choose to approve, alter or not approve the remaining segments of the budget amendment.

FINANCIAL IMPLICATIONS:

ARPA Funding

Recognizes grant revenue and appropriates \$897,566.36 for use in the Coronavirus Relief Fund and the Westward to North Pacific Fuel Water Line Capital Project (WA22D).

Funding for this Budget Amendment Request will come from the General Fund and be placed into the Repair & Maintenance line item of the Facilities Maintenance Operating Budget.

Vote Tabulator

This Budget Amendment will appropriate \$5,539 of General Fund fund balance for the purchase of the vote tabulator.

Burma Road Chapel Fire Alarm System

Funding for this Budget Amendment Request will come from the General Fund and be placed into the Repair & Maintenance line item of the Facilities Maintenance Operating Budget.

Electric Fund

This Budget Amendment will appropriate \$1,100,000 of Electric Proprietary Fund Net Position into the Operating Budget of the Power Production Division.

Makushin Geothermal Project

City Staff will work to slow down planned distribution upgrades to stay within budgeted City-only contributions until OCCP is able to assist with the project funding in late 2023.

LEGAL: None

STAFF RECOMMENDATION: Staff recommends approval

PROPOSED MOTION: I move to adopt Ordinance 2022-06 and schedule it for second reading and public hearing on May 10, 2022.

CITY MANAGER COMMENTS: I support staff's recommendation.

ATTACHMENTS: Summary of Budget Amendment and Schedule of Proposed Accounts