



# MEMORANDUM

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**Ordinance 24-62, An Ordinance of the City Council of Homer, Alaska, Amending the FY25 Capital Budget by Authorizing the Purchase of a Road Grader in the amount of \$428,076 from General Fund Fleet Capital Asset Repair and Maintenance Allowance (CARMA) Fund, and Authorizing the City Manager to Apply for Financing to Lease over 7 years. City Manager/Public Works Director.**

**Item Type:** Backup Memorandum  
**Prepared For:** Mayor Lord and Homer City Council  
**Date:** November 7, 2024  
**From:** Daniel Kort, Public Works Director  
**Through:** Melissa Jacobsen, City Manager

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## Background:

The City currently owns and uses five graders. This chart is information from the FY24/25 capital budget document-

EQ OPS	E169	1980 CAT 12G GRADER - Herdon Grader	1980	20	3	
EQ OPS	E164	1994 720A CHAMPION GRADER	1994	20	5	Replaced Transmission 2022, Became back-up 2023
EQ OPS	E168	2002 163H AWD CAT GRADER	2002	20	4	Needs Replacement by 2026
EQ OPS	E180	2021 CAT 160 AWD GRADER	2021	20	2	
	E181	2022 CAT 160 AWD GRADER	2022	20	1	Replacement for E164

E169 is a small 1980's grader. It functions as a spring breakup grader that is used as the ground softens and frost boils start to surface in the roads. Its light weight helps retain the integrity of the roads when spring plowing is needed or early season grading is required and the road is unable to support the weight of the larger graders.

E164 is a 1994 model grader that has served the City well and is currently functioning as a backup grader. It has had and continues to have significant transmission issues and requires continual maintenance to serve as a backup grader.

E180 and 181 are newer graders that are running well and should do well in their 20-year lifespan.

E168 is a 2002 model that has passed its 20-year mark and is showing its age in transmission leakage to the point the operators carry a jug of transmission fluid with them in order to plow an entire snow event and have to scrape the ice off the interior of the windows of the cab while on their routes.

The purpose of this ordinance is to appropriate funds to lease a new 2024 model 160-15AWD grader under a government contract. The lease term is seven years at a 5.49% interest rate and the City would own the grader interest rate at the end of the term. According to the NC Machinery representative the lease will be through Caterpillar and the CAT Finance Government Lease has a non-appropriations clause which allows the City to return the machine to NC Machinery if for some reason the funds aren't appropriated in order to continue the lease during the length of the contract.

The Homer Accelerated Roads and Trails (HART) Fund has a provision for equipment purchases and Council has approved this in the past to purchase a grader. However, a fair amount of HART Roads funding has been appropriated in recent years to fund various projects, and there are other projects on the immediate horizon that will require HART Roads funding to complete. As of October 9<sup>th</sup> the remaining available balance in the fund is approximately \$2.1 million (per financial supplement attached to Ordinance 24-49).

Public Works Fleet CARMA has a balance to accomplish the first annual payment. Going forward a budgeted transfer will be necessary to fund future payments.

From a road maintenance and rolling stock perspective, graders E168, 180, and 181 (E164 is the backup) are used for winter maintenance and snow plowing city roads around and within our subdivisions. There are three winter plowing routes and typical snow event requires 14-16 hours of operator time to complete. With the addition of new subdivisions within the City over the past few years, the requirement for plowing is growing and Public Works will likely be establishing a fourth route soon. Reliable equipment is necessary for the operators to complete their routes safely, timely and efficiently.

With the lease purchase of the 2024 grader, E168 will move to the backup grader position and E164 will be sold through surplus at the next available opportunity.

**Recommendation:** Adopt an ordinance authorizing the purchase of a 2024 model 160-15AWD grader.