



MEMORANDUM

CC-26-041

Ordinance 26-13, an Ordinance of the City Council of Homer, Alaska Authorizing the City Manager to Negotiate and Execute a Equipment Purchase Agreement with Mack Services to Allow for the Purchase of a 2026 Dump Truck and Amending the FY26 Capital Budget for a Current Year Payment of \$75,085.84 from the General Fund Fleet Capital Asset Repair and Maintenance Allowance (CARMA) Fund and Related Matters.

Item Type: Backup Memorandum
Prepared For: Mayor Lord and Homer City Council
Date: January 30, 2026
From: Daniel Kort, Public Works Director
Through: Melissa Jacobsen, City Manager

SUMMARY:

This Ordinance is requesting an amendment to the Capital Budget towards the purchase of a 2026 Mack Dump Truck to replace E-157.

BACKGROUND:

The existing Dump Truck E-157 is a 2000 Freightliner that was scheduled for replacement in 2020. This truck has had differential and transmission issues. The transmission issues have been plaguing this truck since its original purchase. This was a first-generation automatic transmission that has never performed well. There have been numerous attempts to fix the issue, both by the manufacturer and our maintenance staff with no success prompting staff to “Red-Tag” the truck, removing it from service for both the maintenance and safety concerns.

The City of Homer (City) used manufacturer financing of its last purchased dump truck in 2015. The Public Works Department reached out to get quotes for a replacement dump truck as well as the options for manufacturer financing. The best option was offered by Construction Machinery Inc. (CMI) for a new Mack truck, which also provides consistency because the truck purchased in 2015 is also a Mack truck and has filled the City’s needs well.

The purchase price for the truck was quoted at \$277,380. There were 6 options offered for financing from the manufacturer, three options included annual payments at the closing date (annually on the closing date), and three options that included annual payments 1-year from the closing date. Staff did not consider the 3 options where the payment is made 1-year from the closing date because interest would be accumulating all year and the equivalent payments were much greater.

The remaining options were:

- 3-years at \$97,564.45/year
- 4-years at \$75,085.84/year
- 5-years at \$61,668.33/year

Since the Public Works Department already supplements the two owned dump trucks with hiring out an occasional 3rd dump truck, we also evaluated hiring out the services used for this truck rather than purchasing a new truck. The two dump trucks we currently own are considered primary pieces of equipment. Based upon the usage, hiring out for a dump truck was calculated to be greater than the proposed payments to own the new truck. Similarly, renting a dump truck was considered, and the nearest rental would be Anchorage. The cost to rent would exceed payments for the purchase of a new truck.

RECOMMENDATION:

The Public Works Department is recommending the purchase of the replacement dump truck with the manufacturer financing using the 4-year payment term.

ATTACHMENTS:

Formal Proposal for Financing.

November 05, 2025

FORMAL PROPOSAL

Obligor: City of Homer, AK

This is a finance/ownership contract. No residual value.

Equipment: One (1) 2026 Mack Granite 64FR with 16 Foot Henderson Dump Body

Option 1 -Fixed

Acquisition Cost	\$	277,380.00	Term	Three (3) years	First Payment Due	At Closing
Document Fee	\$	395.00	Payment Mode	Annual in Advance	Payment Amount	\$97,564.45
Trade-In	\$	0.00	Interest Rate	5.4700%		
Principal Balance	\$	277,775.00	Rate Factor	.351236		

Option 2 -Fixed

Acquisition Cost	\$	277,380.00	Term	Four (4) years	First Payment Due	At Closing
Document Fee	\$	395.00	Payment Mode	Annual in Advance	Payment Amount	\$75,085.84
Trade-In	\$	0.00	Interest Rate	5.4700%		
Principal Balance	\$	277,775.00	Rate Factor	.270312		

Option 3 -Fixed

Acquisition Cost	\$	277,380.00	Term	Five (5) years	First Payment Due	At Closing
Document Fee	\$	395.00	Payment Mode	Annual in Advance	Payment Amount	\$61,668.33
Trade-In	\$	0.00	Interest Rate	5.5100%		
Principal Balance	\$	277,775.00	Rate Factor	.222008		

Option 4 -Fixed

Acquisition Cost	\$	277,380.00	Term	Three (3) years	First Payment Due	One Year from Close
Document Fee	\$	395.00	Payment Mode	Annual in Arrears	Payment Amount	\$102,996.77
Trade-In	\$	0.00	Interest Rate	5.5200%		
Principal Balance	\$	277,775.00	Rate Factor	.370792		

Option 5 -Fixed

Acquisition Cost	\$	277,380.00	Term	Four (4) years	First Payment Due	One Year from Close
Document Fee	\$	395.00	Payment Mode	Annual in Arrears	Payment Amount	\$79,357.36
Trade-In	\$	0.00	Interest Rate	5.5600%		
Principal Balance	\$	277,775.00	Rate Factor	.285689		

Baystone Government Finance



Aaron Lindsten, Vice President - alindsten@ksstate.bank

City of Homer, AK

Signature - Title

Date

Date

FORMAL PROPOSAL - Continued

Option 6 - Fixed

Acquisition Cost	\$	277,380.00	Term	Five (5) years	First Payment Due	One Year from Close
Document Fee	\$	395.00	Payment Mode	Annual in Arrears	Payment Amount	\$65,208.98
Trade-In	\$	0.00	Interest Rate	5.5900%		
Principal Balance	\$	277,775.00	Rate Factor	.234755		

- This is a proposal only and is not a commitment to finance. This proposal is subject to credit review and approval and proper execution of mutually acceptable documentation.
- Failure to consummate this transaction once credit approval is granted and the documents are drafted and delivered to Obligor may result in a documentation fee being assessed to the Obligor.
- **OBLIGOR'S TOTAL AMOUNT OF TAX-EXEMPT DEBT TO BE ISSUED IN THIS CALENDAR YEAR WILL NOT EXCEED THE \$10,000,000 LIMIT, OR THE INTEREST RATE IS SUBJECT TO CHANGE.**
- This transaction must be credit approved, all documents properly executed and returned to Baystone Government Finance and the transaction funded on ALL proposals on or before 11/19/2025. If funding does not occur within that time-frame, or there is a change of circumstance which adversely affects the expectations, rights, or security of Obligee or its assignees, then Obligee or its assignees reserve the right to adjust and determine a new interest rate factor and payment amount, or withdraw this proposal in its entirety. Should there be a significant change in market rates at any time prior to funding of the transaction, Baystone Government Finance reserves the right to adjust the Interest Rate quoted above.
- This transaction must be designated as tax-exempt under Section 103 of the Internal Revenue Code of 1986 as amended.

Baystone Government Finance



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City of Homer, AK

Signature - Title

Date

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