

**CITY OF HOMER
HOMER, ALASKA**

City Manager/

Public Works Director

ORDINANCE 24-62(S)(A)

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA
AUTHORIZING THE CITY MANAGER TO **NEGOTIATE AND** EXECUTE
AN EQUIPMENT-LEASE PURCHASE AGREEMENT WITH
CATERPILLAR FINANCIAL SERVICES CORPORATION TO ALLOW
FOR THE LEASE PURCHASE OF A ROAD GRADER AND AMENDING
THE FY25 CAPITAL BUDGET FOR A CURRENT YEAR LEASE
PAYMENT FROM THE GENERAL FUND FLEET CAPITAL ASSET
REPAIR AND MAINTENANCE ALLOWANCE (CARMA) FUND; AND
RELATED MATTERS.

WHEREAS, The City of Homer, Alaska ("City"), Public Works Department, is responsible for road maintenance within the City; and

WHEREAS, To assist in road maintenance, the City purchased three road graders in years 2022 (E181), 2021 (E180), and 2002 (E168); and

WHEREAS, Costs of repair and maintenance of the road grader purchased in 2002 (E168) continue to escalate; Public Works has identified this road grader in need of replacement by 2026; and

WHEREAS, There is an opportunity to purchase a new CAT 160AWD road grader by means of an equipment lease purchase financing arrangement, with a term of seven (7) years during which each annual lease payment is subject to a current year appropriation by City Council; the City would own the subject road grader at the end of the lease term, subject to terms and conditions set forth in the equipment-lease purchase agreement; and

WHEREAS, The cost of the new CAT 160AWD road grader is Four Hundred Twenty-Eight Thousand Seventy-Six and no/100 Dollars (\$428,076.00); annual lease payments are estimated to be no more than Seventy-One Thousand Three Hundred Eighty and 22/100 Dollars (\$71,380.22).

NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. The Homer City Council hereby authorizes the City Manager to **negotiate and execute and deliver** an equipment lease purchase agreement with Caterpillar Financial Services Corporation for the lease purchase of a CAT 160AWD road grader subject to the following: (i) lease purchase term shall not exceed seven (7) years; (ii) annual lease payments

shall be subject to appropriation by the City Council; and (iii) annual lease payments shall not exceed Seventy-One Thousand Three Hundred Eighty and 22/100 Dollars (\$71,380.22).

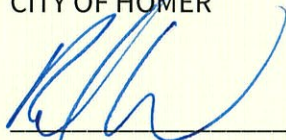
Section 2. The Homer City Council hereby amends the FY25 Capital Budget by appropriating Seventy-One Thousand Three Hundred Eighty and 22/100 Dollars (\$71,380.22) as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
152-0383	Public Works Fleet CARMA	\$71,380.22

Section 3. ~~This Ordinance is of a permanent and general character, and shall be included in the City Code.~~ **This is a budget amendment ordinance, is not permanent in nature and shall not be codified.**

ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA this 25th day of November, 2024.

CITY OF HOMER



RACHEL LORD, MAYOR

ATTEST:


RENEE KRAUSE, MMC, CITY CLERK

YES: 6

NO: 0

ABSTAIN: 0

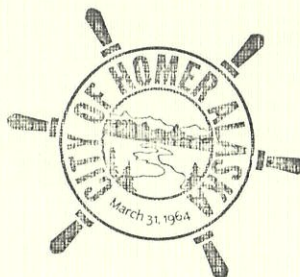
ABSENT: 0

First Reading: 11/12/24

Public Hearing: 11/25/24

Second Reading: 11/26/24

Effective Date: 11/26/24





MEMORANDUM

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

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 9th 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.

EXHIBIT 2
Concluding Payment Schedule to
Government Agreement

Quote Number.....4768355

Dated _____, 20__
between
Caterpillar Financial Services Corporation
and
CITY OF HOMER

Description of Unit: 160-15AWD Motor Grader:

Number of Payments Made	Beginning Balance	Payment Amount	Balloon	Interest	Interest Rate	Concluding Payment (*)
1	428,076.00	71,380.22	0.00	0.00	5.49	356,695.78
		-----	-----	-----		
total		71,380.22	0.00	0.00		
2	356,695.78	71,380.22	0.00	19,582.60	5.49	304,898.16
		-----	-----	-----		
total		71,380.22	0.00	19,582.60		
3	304,898.16	71,380.22	0.00	16,738.91	5.49	250,256.85
		-----	-----	-----		
total		71,380.22	0.00	16,738.91		
4	250,256.85	71,380.22	0.00	13,739.10	5.49	192,615.73
		-----	-----	-----		
total		71,380.22	0.00	13,739.10		
5	192,615.73	71,380.22	0.00	10,574.61	5.49	131,810.12
		-----	-----	-----		
total		71,380.22	0.00	10,574.61		
6	131,810.12	71,380.22	0.00	7,236.38	5.49	67,666.28
		-----	-----	-----		
total		71,380.22	0.00	7,236.38		
7	67,666.28	71,380.22	0.00	3,714.88	5.49	0.94
		-----	-----	-----		
total		71,380.22	1.00	3,714.88		
8	0.94	0.00	1.00	0.05	5.49	(0.01)
		-----	-----	-----		
total		0.00	1.00	0.05		
total		499,661.54	1.00	71,586.53		

(*)Does not include any rent payment or other amount then due.

Initialed: _____
(Lessee)

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City Manager/
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SERVICES CORPORATION TO ALLOW FOR THE LEASE PURCHASE
OF A ROAD GRADER AND AMENDING THE FY25 CAPITAL BUDGET
FOR A CURRENT YEAR LEASE PAYMENT FROM THE GENERAL
FUND FLEET CAPITAL ASSET REPAIR AND MAINTENANCE
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means of an equipment lease purchase financing arrangement, with a term of seven (7) years
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and deliver an equipment lease purchase agreement with Caterpillar Financial Services
Corporation for the lease purchase of a CAT 160AWD road grader subject to the following: (i)
lease purchase term shall not exceed seven (7) years; (ii) annual lease payments shall be

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ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA this ____ day of _____, 2024.

CITY OF HOMER

RACHEL LORD, MAYOR

ATTEST:

RENEE KRAUSE, MMC, CITY CLERK

YES:

NO:

ABSTAIN:

ABSENT:

First Reading:

Public Hearing:

Second Reading:

Effective Date:

CITY OF HOMER FINANCIAL SUPPLEMENT

PROJECT NAME	Purchase of Road Grader - Leasing	DATE	10/22/2024
DEPARTMENT	Public Works	SPONSOR	City Manager/PW Director
REQUESTED AMOUNT	\$ 71,380		

DESCRIPTION	<p>The Public Works Department is responsible to provide winter road maintenance that includes snow plowing. The City has three graders purchased in 2022 (E181), 2021 (E180), and 2002 (E168). The E168 grader is aged and has suffered continual transmission failures in recent years and is identified as needing replacement by 2026. There is an opportunity to purchase a new CAT 160AWD grader through a government contract that offers a lease option that would be beneficial to the City as it provides a low interest rate, will create a less immediate impact to the City's finances with a large expenditure, and the City will own the grader at the end of the term.</p> <p>The annual payment is \$71,380.22 per year for seven years.</p>
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FUNDING SOURCE(S)	OPERATING	GF CARMA	PW FLEET CARMA	PORT RESERVES	WATER CARMA
	0%	0%	100%	0%	0%
	HAWSP	HART-ROADS	HART-TRAILS	PORT FLEET RESERVES	SEWER CARMA
	0%	0%	0%	0%	0%

FUNDING SOURCE 1: Public Works Fleet CARMA		FUNDING SOURCE 2:		FUNDING SOURCE 3:	
Current Balance	\$ 279,783	Current Balance	_____	Current Balance	_____
Encumbered	\$ 127,269	Encumbered	_____	Encumbered	_____
Requested Amount	\$ 71,380	Requested Amount	_____	Requested Amount	_____
Other Items on Current Agenda	\$ 40,000	Other Items on Current Agenda	_____	Other Items on Current Agenda	_____
Remaining Balance	\$ 41,134	Remaining Balance	_____	Remaining Balance	_____
FUNDING SOURCE 4:		FUNDING SOURCE 5:		FUNDING SOURCE 6:	
Current Balance	_____	Current Balance	_____	Current Balance	_____
Encumbered	_____	Encumbered	_____	Encumbered	_____
Requested Amount	_____	Requested Amount	_____	Requested Amount	_____
Remaining Balance	_____	Remaining Balance	_____	Remaining Balance	_____

Projected Mileage for a Three Grader Snow Removal Operation

Mileage assesment accounts for total passes required to clear each road of snow as well as comuting to, from and between maintained roads

City Grader Route

Plow Miles	42.64
Commute Miles	7.96
Total Miles	50.6

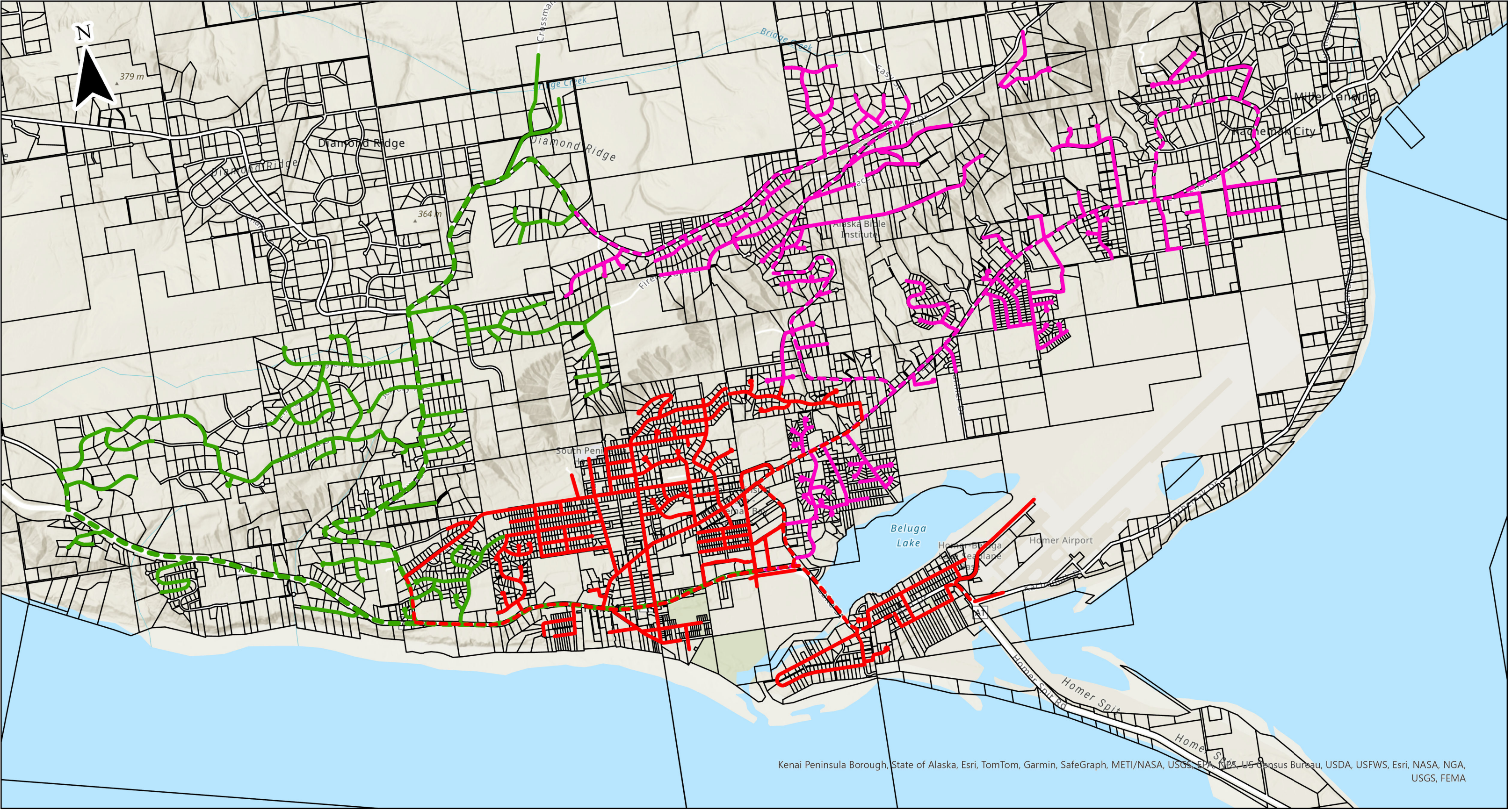
West Grader Route

Plow Miles	28.21
Commute Miles	14.28
Total Miles	42.49

East Grader Route

Plow Miles	37.47
Commute Miles	16.42
Total Miles	53.89

Grand Total Miles	146.98
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Proposed 3 Grader Route Snow Removal Operation

ROUTE		
City Grader	East Grader	West Grader
MileageType	MileageType	MileageType
--- Commute	--- Commute	--- Commute
--- Plow	--- Plow	--- Plow



Public Works Department
10/28/2024