



# PUBLIC SCHOOLS OF NORTH CAROLINA

STATE BOARD OF EDUCATION Howard N. Lee, *Chairman*

DEPARTMENT OF PUBLIC INSTRUCTION June St. Clair Atkinson, Ed.D., *State Superintendent*

WWW.NCPUBLICSCHOOLS.ORG

March 12, 2008

## MEMORANDUM

TO: Superintendents, Finance Officers, and Transportation Directors  
Counties Receiving Two or More Replacement School Buses

FROM: Ben Matthews, Director   
School Support Services

Derek Graham, Section Chief   
Transportation Services

SUBJECT: 2007-2008 Replacement School Buses – Financing Arrangements

Session law 2007-323 authorized the State Board of Education to arrange for the purchase of replacement school buses through financing. Bids were received for school buses on a cash basis and for financing through third party financing. The best price to the state resulted in a third party financing arrangement offered by SunTrust Equipment Finance & Leasing Corporation, (a third-party finance company) based on the state contract for school buses awarded to Thomas Built Buses.

DPI Transportation Services contacted transportation directors, notifying them of the particular school buses eligible to be replaced this year. DPI, in turn, received requests from the transportation director regarding the specific configuration (capacity, lift-equipped, etc.) to be ordered.

On the internet at [www.ncbussafety.org/finance](http://www.ncbussafety.org/finance) you will find a copy of the Master Facilitator Agreement between the State Board of Education and SunTrust Equipment Finance & Leasing Corporation. This agreement includes the following stipulations:

- The state is responsible for the maintenance and self-insurance of replacement buses acquired under this program.
- The finance agreement to be established between SunTrust Equipment Finance & Leasing Corporation and your LEA is contingent on appropriation of funds to make payments during year two and year three of the financing agreement. These funds are being requested in the state's continuation budget for 2008-2010
- .
- DPI will make the annual payments directly to SunTrust Equipment Finance & Leasing Corporation, on behalf of your LEA and will notify the LEA when payment is made.

Also on that web site you will find a copy of the Master Bus Replacement Finance Agreement to be established between your LEA and SunTrust Equipment Finance & Leasing Corporation, (STLC). This agreement, we

### **DIVISION OF SCHOOL SUPPORT**

Benjamin J. Matthews, Ph.D., Director | [bmatthew@dpi.state.nc.us](mailto:bmatthew@dpi.state.nc.us)

6319 Mail Service Center, Raleigh, North Carolina 27699-6319 | (919) 807-3500 | Fax (919) 807-3502

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

believe, minimizes the risk to the LEA associated with this financing. It has been reviewed by attorneys at the Attorney General's office, the NC School Boards Association and LEA counsel.

In the event of non-appropriation of funds for this purpose by the North Carolina General Assembly, the LEA is relieved of the obligation for additional payments. SunTrust Equipment Finance & Leasing Corporation, as the lienholder, would then take possession of the school buses. We have every confidence that the General Assembly will not let this happen.

*School buses will be built and delivered, to the extent practical, in the order in which purchase orders are received.*

### **LEA Instructions for Financed Purchase of Replacement School Buses**

Since only an LEA can enter into a financed purchase agreement and is the responsible party for payment, the LEA must make the installment payments or request that DPI make payment on its behalf. DPI Transportation Services will coordinate the issuing of installment payments directly from DPI using funds allocated to your LEA.

Following are the steps necessary to issue the purchase order for the replacement school buses and to account for the receipt and payment of the buses in subsequent years.

DPI Transportation Services section has sent each LEA a report of buses they are authorized to purchase (Exhibit B). This report includes type of bus, unit cost, payment 1, 2, & 3 amounts, total per bus, and aggregate total.

1. Based on the above report, the LEA will submit a request for DPI to make payment on their behalf at the time that each installment payment is due. DPI will notify the LEA of approval of their request. A sample request is attached to this memo.
2. This approval notice (guarantee of payment) from DPI will be the LEA's authorization to issue a Capital Outlay purchase order (PO) for the buses: coded to 4-6550-120-551.
3. The LEA will sign a Master Replacement Bus Financing Agreement with the finance company, SunTrust Equipment Finance & Leasing Corporation. This Agreement states that the LEA will submit its installment payments through DPI.

Some buses ordered through this process should be delivered during the 2007-2008 fiscal year; However, buses delivered after July 1, 2008, funds for this purpose will carry over and will be available in the next fiscal year.

### **Fiscal Year 2007-2008**

1. Prior to the delivery of any bus with optional equipment (locally paid wheelchair lift or flat floor configuration) DPI will request payment from the LEA for the equipment.
2. Upon delivery of any replacement buses to the LEA, DPI will pay Installment # 1 on its behalf, as stated above.
3. DPI will notify the LEA when payment on its behalf has been made. This notice will include the total amount of the bus purchase, including interest expense and the cost of optional equipment paid by the LEA (wheelchair lift or flat floor configuration).

### **Each year, beginning 2007-2008:**

1. The LEA gets an allotment of 1/3 of the DPI approved financed purchase price. This will show in PRC 120 on the Allotment Revision report (like textbooks) – no allotment amount is posted in MSA. This entry will appear on the Allotment Revision Report after DPI has made each payment for school bus financing.

2. The LEA records a budget in the Capital Outlay Fund for the amount of the Allotment, revenue & expenditure: 4-3400-120-000 and 4-6550-120-551.
3. Each year, DPI will notify the LEA when that year's installment payment has been made.
4. When the notice of payment is received, the LEA will record a revenue and expenditure transaction via journal entry:  
Credit 4-3400-120-000 and Debit 4-6550-120-551.
5. The LEA also records a manual entry to disencumber 1/3 of the PO after each payment is made.
6. When the notice of the third and final payment is received, mark the purchase order "CLOSED." This will clear out any remaining encumbered balance.
7. Note: For buses delivered after July 1, 2008, there will be two payments made during FY 2008-2009 – Payment #1 upon acceptance and payment #2 in November, 2008.

### **ACTION ITEMS**

- A. FAX TO DPI TRANSPORTATION SERVICES: Complete the Request for Payment form and fax to Steve Beachum at DPI (919/807-3578). He will "OK" the form and return via fax within 24 hours.
- B. MAIL TO DPI TRANSPORTATION SERVICES: Issue Purchase Orders to Thomas Built Bus for your replacement buses as indicated on Exhibit B. The Purchase Order should reflect the total **PURCHASE PRICE** of the buses (not the financed price) shown on Exhibit B.
- C. MAIL TO SUNTRUST EQUIPMENT FINANCE & LEASING CORPORATION: Download the Master Replacement Bus Financing Agreement. Sign two copies where indicated and attach the Exhibit B for your LEA. Submit two copies to SunTrust Equipment Finance & Leasing Corporation, Hampton Plaza, 300 E. Joppa Rd., Suite 700, Towson, MD, 21286, Attn: Debbie Turner. See specific instructions at [www.ncbussafety.org/finance](http://www.ncbussafety.org/finance).

All documents are available at [www.ncbussafety.org/finance](http://www.ncbussafety.org/finance). Questions should be directed to Steve Beachum at DPI Transportation Services (919) 807-3576.

