



Public Schools of North Carolina

State Board of Education
Phillip J. Kirk, Jr., Chairman

Department of Public Instruction
Michael E. Ward, State Superintendent

<http://www.dpi.state.nc.us>

April 21, 2003

MEMORANDUM

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

FROM: Philip Price, Associate Superintendent
Financial and Business Services

Derek Graham, Section Chief
Transportation Services

SUBJECT: 2002-2003 Replacement School Buses – Financing Arrangements

The session law 2002-126 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 lease/purchase and third party financing. The best price to the state resulted in a third party financing arrangement with Carlyle Capital Markets (CCMI), Inc. based on the state contract for school buses offered by IC Corp, a wholly owned subsidiary of International Truck and Engine.

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.

Attached to the transportation director's copy of this memo you will find a copy of the Master Facilitator Agreement between the State Board of Education and CCMI. 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 CCMI and your LEA is contingent on appropriation of funds to make payments during year two and year three of the financing agreement. Note that funds for the first of the three annual payments are already in place.
- DPI will make the annual payments directly to CCMI on behalf of your LEA and will notify the LEA when payment is made.

Also enclosed you will find a copy of the Master Finance Agreement to be established between your LEA and CCMI. This agreement, we 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. CCMI, as the lienholder, would then take possession of the school buses. We have every confidence that the General Assembly will not let this happen. All budget discussions to date for 2003-2005 include sufficient funding to cover the Year 2 and Year 3 installment payments.

Finally, you will find enclosed an order form for the buses authorized to be purchased by your LEA. The order form and a purchase order for the buses should be submitted to DPI Transportation Services in the RED ENVELOPE provided. As an alternative, the superintendent and finance officer can sign the order form and indicate that the purchase order will be sent later. This should also be sent in the RED ENVELOPE and should only be done if your LEA is committed to signing the Master Financing Agreement and participating in this program for replacement school buses. DPI Transportation Services will forward all orders to IC Corp.

School buses will be built and delivered in the order in which the order forms are received.

Questions should be directed to Steve Beachum or Derek Graham at DPI Transportation Services (919/807-3570).

OFBS# 03-10