



PUBLIC SCHOOLS OF NORTH CAROLINA

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

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February 2, 2016

MEMORANDUM

TO: Superintendents, Finance Officers, and Transportation Directors
Counties Receiving Financed Replacement School Buses

FROM: Ben Matthews, Director
School Support Division

Derek Graham, Section Chief
Transportation Services

SUBJECT: 2015-2016 Replacement School Buses – Financing Arrangements

The North Carolina General Assembly has 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 Banc of America Public Capital Corp (BAPCC), a third-party finance company, based on the state contract for school buses awarded to White's International Trucks/IC Bus, Carolina Thomas and Gregory Poole Equipment Company (Blue Bird).

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 directors regarding the specific configuration to be ordered.

On the internet at www.ncbussafety.org/finance you will find a copy of the Master Facilitator Agreement between the State Board of Education and Banc of America Public Capital Corp ("BAPCC"). 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 Banc of America Public Capital Corp and your LEA is contingent on appropriation of funds to make payments during years two, three and four of the financing agreement. These funds are being requested in the state's continuation budget for 2016-17, 2017-2018 and 2018-19.
- DPI will make the annual payments directly to Banc of America Public Capital Corp on behalf of your LEA and will notify the LEA when payment is made.

SAFE AND HEALTHY SCHOOLS SUPPORT DIVISION

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AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

Also on that web site you will find a copy of the Master Bus Replacement Finance Agreement (MRBFA) to be established between your LEA and Banc of America Public Capital Corp. This agreement, we believe, minimizes the risk to the LEA associated with this financing. Prior year agreements were 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. Banc of America Public Capital Corp, as the lienholder, would then take possession of the school buses. We have every confidence that the General Assembly will not let this happen.

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 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 and purchase orders have been issued; these are now reflected in a document to be incorporated into the MRBFA - Exhibit B. This report includes the type of bus, unit cost, payment 1, 2, 3 & 4 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. The LEA's purchase order (PO) for the buses should be coded to 4-6550-120-551.
3. The LEA will sign a Master Replacement Bus Financing Agreement with the finance company, Banc of America Public Capital Corp. This Agreement states that the LEA will submit its installment payments through DPI.

Buses ordered through this process will be delivered during the 2015-2016 fiscal year. For buses delivered after July 1, 2016, funds for this purpose will carry over and will be available in the next fiscal year.

Upon delivery of any replacement buses to the LEA, DPI will pay an installment on the LEA's behalf. 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. Once an LEA receives all of its authorized financed replacement school buses, annual installments of ¼ of the financed cost of the buses, will be made to BAPCC on behalf of the LEA as outlined in the attached Request for Payment.

LEA Instructions to Record Receipt of Allotments

1. The LEA gets an allotment of 1/4 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 1/4 of the PO after each payment is made.
6. When the notice of the fourth and final payment is received, mark the purchase order "CLOSED." This will clear out any remaining encumbered balance.

ACTION ITEMS

- 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.

- MAIL TO Banc of America Public Capital Corp: Download the Master Replacement Bus Financing Agreement. Sign two copies where indicated and attach the Exhibit B for your LEA. Submit two copies to Banc of America Public Capital Corp, 555 California St, 4th Floor, San Francisco, CA, 94104 ATTN: Bridgett Arnold, phone # (415)765-1867. See specific instructions at www.ncbussafety.org/finance.

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

REQUEST FOR PAYMENT
LEA Financed Purchase of Replacement School Buses
Authorized by NC Department of Public Instruction

We the _____ Board of Education (LEA), hereby request that the North Carolina Department of Public Instruction (DPI) make the installment payments detailed below on our behalf. Payment #1 made by DPI on behalf of LEA to **Banc of America Public Capital Corp (BAPCC)** within 10 days of acceptance of bus. Payment made by BAPCC to school bus vendor within 30 days of acceptance of bus. Payment # 2 made by DPI to BAPCC on behalf of LEA by 11/15/16 or within ten days of the acceptance of the school bus, whichever is later; Payment # 3 made by DPI on behalf of LEA by 11/15/17 to BAPCC; Payment # 4 made by DPI on behalf of LEA by 11/15/18 to BAPCC.

Description of DPI Authorized Buses	Purchase Price Unit Cost	Payment # 1 Per Bus	Payment # 2 Per Bus	Payment # 3 Per Bus	Payment # 4 Per Bus	Total Unit Cost-Financed	Quantity	Total Purchase Price Payable by BAPCC to White's Int'l Trucks, Gregory Poole Equip. Co. & or Thomas Built Buses (See Note 1, 2, & 3)	Total Financed Cost Payable by DPI for LEA to BAPCC (See Note 1 & 2)
(See Note 1)	(See Note 1)	(See Note 1)	(See Note 1)	(See Note 1)	(See Note 1)	(See Note 1)	(See Note 1)		
TOTALS:									

Notes:

- 1) Information available on EXHIBIT "B", LIST OF REPLACEMENT SCHOOL BUSES AUTHORIZED BY NC DEPARTMENT OF PUBLIC INSTRUCTION.
- 2) Payments per bus dependent on date of delivery.
- 3) Total purchase price payable by BAPCC to school bus vendor equals the Purchase Order (PO) amount.

 Superintendent

 Finance Officer