

**GLENBROOK HIGH SCHOOLS
DISTRICT BUSINESS OFFICE**

To: Dr. Mike Riggle
From: Kimberly L. Ptak
Re: Purchase and Lease of Activity Buses
Date: June 13, 2016

Recommendation

It is recommended that the Board of Education

1. Purchase the 9 activity buses currently being leased by the district from Southern Bus and Mobility at a total cost of \$260,340 or \$28,927 per bus, with the option to sell the buses back after 5 years at a guaranteed price of \$5,500 per bus or a total price of \$49,500.
2. Finance the purchase of the buses with a 5-year \$1 buy-out lease from American Capital at an annual cost of \$54,097 or a total cost over 5-years of \$270,485.

Background

Since 2007, the district has been leasing activity buses in lieu of renting large 72 passenger school buses for athletic events and field trips. The district currently has a fleet of 9 buses, 4 at GBS, 3 at GBN and 2 at Off Campus. The buses are shared between campuses and are used almost on a daily basis to fill the needs of transporting students for field trips and evening/weekend athletic events.

The district has typically entered into 3-year Fair Market Value (FMV) leases. Under this model, every three years the buses are returned and new buses are leased for another 3 year period. The FMV lease on the current fleet of buses ends August 2016. Rather than returning the buses and receiving new buses under a new FMV lease, it is recommended that we continue using the current buses another 5 years. The milage on the buses average 6,500 miles/year and the buses will have two years left on the engine and transmission warranty.

The buses are required to have an Illinois State Safety Inspection twice a year. Districts in the area use their activity buses an average of 10 years.

Financial Comparison

<u>Option</u>	<u>Life Cycle</u>	<u>Description</u>	<u>5 year cost</u>	<u>Annual Cost</u>
Option 1 Recommended	8 years	Purchase current 3 year old buses Finance the purchase through a 5-year \$1 buy lease Maintenance: New tires and brakes Sell back after 5 years at guaranteed price	\$270,485 \$14,400 <u>(\$49,500)</u> \$235,385	\$47,077
Option 2	8 years	Keep current 3 year old buses and enter into a new 5 year FMV lease w/bus company 5 year FMV lease Maintenance: New tires and brakes	\$261,000 <u>\$14,400</u> \$275,400	\$55,080
Option 3	5 years	Get new buses with a 5 year FMV lease 5 year FMV lease	\$310,500	\$62,100
Option 4 Current Model	3 years	Get new buses with a 3 year FMV lease 3 year FMV lease Recommended Model Savings Over Current Model:	\$332,500 (pro-rated for 5 years) \$97,115	\$66,500