

10. CONSIDERATION OF PROPOSALS TO FINANCE THE PURCHASE OF SCHOOL BUSES

As discussed in my email of June 11, we're soliciting proposals to finance the purchase of school buses.

Proposals are not due until June 20. We'll compile a list of the responses and present them for your consideration Monday evening.

DIRECTION REQUIRED

Mike Johnson

From: Mike Johnson
Sent: Tuesday, June 11, 2013 11:15 AM
To: Dallas Jones; Ronnie West; Alan Edwards; Carl Faison; Bruce Phillips; Barry Porter; Glenn Updike
Cc: aparrish@mail.southampton.k12.va.us; 'Rogers, Courtney'; Lynette Lowe
Subject: School Bus Procurement

Gentlemen,

As I shared via email last week, I met in closed session last night with the School Board to discuss the process for financing the new school buses. The purpose was to make sure we all have the same understanding moving forward. This is how the process is shaping up:

1. With assistance from our financial advisors (Davenport & Company), we're currently soliciting financing proposals from local and regional banks;
2. We intend to provide you a summary of the proposals at your June 24 meeting;
3. At your June 24 meeting, we'll be seeking your authority to accept the best proposal and move forward with development of the financing documents;
4. Once the terms of the best proposal (rate and term) are known, the present value of \$70,000 will dictate the number of buses to be purchased (with a minimum of 5) and the School Board may proceed in placing its order for the buses in time for delivery in early September, if not before;
5. At your July 22 meeting, you'll be asked to authorize the financing and approve the final documents.

I've run several quick scenarios below with rates ranging from 2% to 3.5% and terms of 7, 10 and 12 years just to give you some idea of what to expect. I used a purchase price of approximately \$84,000. These scenarios do not include the cost of issuance which will increase the payments illustrated below:

2%		
Term	# Buses	Annual Payment
7 years	5	64,909.00
10 years	7	65,474.00
12 years	8	63,558.00

2.25%		
Term	# Buses	Annual Payment
7 years	5	65,534.00
10 years	7	66,333.00
12 years	8	64,538.00

2.50%		
Term	# Buses	Annual Payment
7 years	5	66,162.00
10 years	7	67,199.00
12 years	8	65,525.00

2.75%		
Term	# Buses	Annual Payment
7 years	5	66,793.00
10 years	7	68,070.00
12 years	8	66,521.00

3.00%		
Term	# Buses	Annual Payment
7 years	5	67,427.00
10 years	7	68,946.00
12 years	8	67,525.00

3.25%		
Term	# Buses	Annual Payment
7 years	5	68,064.00
10 years	7	69,829.00
12 years	8	68,537.00

3.50%		
Term	# Buses	Annual Payment

7 years	5	68,703.00
10 years	7	70,718.00
12 years	8	69,556.00

Please let me know if you have questions or concerns.

Best regards,
Mike

Michael W. Johnson
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