
Transportation Bus Lease vs. Purchase

Business Services Committee
July 11, 2018

History

North Boone has been purchasing 2-3 new buses for the last few years.

Current fleet:

29 buses (23 in daily rotation)

3 vans, 1 Yukon, 2 trucks

1 white bus

Transportation Miles

From August 2017 to July 2018

*Total of 255,373 miles

*Average of 8,800 miles per bus

*Highest miles on a bus was 15,605

Purchase

Pro:

- We own the bus
- No mileage restrictions
- Collateral on bus

Con:

- Large upfront capital cost
 - Higher maintenance costs as buses get older
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Lease

Pro:

- Newer buses
- Less money on maintenance
- Level payments and stability of cash flow

Con:

- Difficult to switch back to purchasing
 - Only claim principal cost on transportation claim
 - Mileage cap of roughly 17,000 a year
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Transportation Reimbursement

You can claim a bus for 5 years on the transportation claim.

Right now in our fleet of 29 buses about 11 buses can be claimed for reimbursement.

The state typically refunds at 80%

2018-2019: \$174,166

2017-2018: \$119,986

2016-2017: \$71,753

Examples

*If you buy a bus at \$70,000 over five years the district would get roughly 80% of the purchase price back or \$56,000 (about \$11,200 a year)

*If you lease a bus at \$12,000 a year you would get 80% of the principal payment only. Assuming the principal payment is \$10,000 there is a potential return of \$8,000 a year

Quotes

Company	Purchase		Lease (vary by interest rate)
American Bus Sales	2016 Bus	\$70,625	\$11,000-13,000
Midwest Transit Equipment	2018 Bus	\$77,914	\$11,000-13,000
Central States Bus	2018 Bus	~\$80,000	\$11,000-13,000

Considerations

- Time of year to purchase buses (better stock options in the fall for delivery the following summer)
 - Reimbursement potential may decrease with leasing but the reimbursement will be consistent
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