

The Dilemma of School Bus Finance

The Bus Renew Program

Transportation Options

Currently, school districts have only a couple of options to provide legislatively mandated transportation services to their communities. The typical solution is to develop a transportation department along with a fleet of equipment and all that entails. Another is to outsource the whole effort. There isn't much else available as an option in today's marketplace. True, School Districts can lease equipment as opposed to purchasing the equipment outright, but there is still the high cost of new equipment to deal with.

School Districts should be in the business of educating our communities most precious assets, our children, not spending too much money on transportation to get them to and from the classroom and their educational opportunities. Bus Renew has a viable alternative. Our solution relieves the School District of the need to raise precious capital for a highly depreciating asset, school buses.



Raising Funds to Buy Buses

By law, School Districts may raise funds one of a couple of ways. The first is through property taxes. And the other is through special assessments on either transactions or property. This varies by state, but in just about every jurisdiction property values drive the ability for a district to raise capital and create a stream of ready cash to pay for the expenses of providing a public education to our children. In rural communities, where growth is slow or even negative, monies raised from bond elections is limited. Spending this precious money on highly depreciating assets is not in the best interest of the School District and consequently, not for the children who this money is held in trust for. But is there an alternative?

Bus Renew takes used buses which are built for a long service life, refurbish them to provide safety, reliability and comfort, at a more economical price point than purchasing new buses. Often new equipment is purchased for one of several reasons. One pressing reason for some districts where air quality standards continue to rise is their older equipment can no longer meet the rising air quality standards. It is just not economically feasible for them to spend the needed money to modify the equipment, or it isn't possible under current licensing laws to modify the equipment. They don't have any other option than to sell their equipment on the open market where the prices offered at auction are very low. Often scrap value is all that can be expected.

But there could be a home for these buses. Areas where air quality standards have not yet reached the same higher standards, specifically our rural districts. Rural districts have lower property values, making it even harder for them to raise property taxes to pay for new buses at over \$140,000 or more per unit for just a plain vanilla bus. Bus Renew takes the equipment from the urban districts where air quality standards are forcing them to liquidate perfectly serviceable equipment and refurbish the so e can provide a product to the districts at an economical, affordable price.

Reliability, Safety and Comfort



Bus Renew provides a reliable, safe and comfortable unit to School Districts at a price point which makes financial sense while preserving their precious property tax value capital accounts for classrooms and facilities. Our plan is based on a typical renewable master agreement, very similar to a typical capital equipment lease where you receive the use of a vehicle for a period of time for a stipulated sum.

Because the new Bus Renew unit will cost far less to maintain than the existing equipment the School District can use their normal operating budget, not from their expensive capital accounts by making a mid-year budget adjustment from their M&O account into their Capital Equipment account. In the end, School Districts receive a valuable service for a lower overall cost and higher reliability and safety than their current operational levels. Also, they don't have to worry about a replacement unit when warranty repairs are being made to a bus, we provide a replacement unit if the bus is not ready for use. No one offers that kind of service on any bus.

How Can You Afford a Bus Renew Bus?

Arizona has over 5 million in population with about 950,000 children in public schools. 4.9% of total budget is for transportation ($\$373/\text{student} * 950\text{k} = \$354,350,000$ annual cost). This includes equipment, fuel, and maintenance but not replacement costs for the state. 65% of that budget is salary and benefits leaving only $\$124,023,000$ for direct costs of equipment maintenance and operations. Fuel is another $\$46,066,000$ leaving only $\$77,957,000$ for equipment repair and maintenance costs, that's roughly $\$82 / \text{student} / \text{yr}$. Arizona spends more on transportation / student than the national average so there is a pent up demand to find a way to move monies from non-instructional budgets over to classroom budgets. While these are the averages for all schools, many rural districts spend far more per year, even up to as much as $\$350$ per student.¹

¹ From Arizona Auditors School Spending Report FY 2014

The following examples show how there is a wide margin of spending patterns in similar school districts. Two medium-large-sized, urban, elementary school districts drove similar number of miles per rider; one district spent \$2.68 per mile and the other spent \$6.85 per mile. All schools drove a total of 93,400,000 miles for 2014 at \$3.62/mile * 25%=\$0.905/mi for equipment maintenance, but not including replacement costs on average across the state. Replacement costs are typically taken care of in the Equipment line item and are included with other non-classroom indirect non-operational items, making it impossible to determine the equipment replacement costs for transportation.

"Transportation spending was also increasing prior to fiscal year 2009. In fact, since fiscal year 2004, transportation spending has increased at a faster rate than any other category of spending, other than instruction support. Some of this increase was likely caused by special education miles increasing at a faster rate than regular education miles. Between fiscal years 2004 and 2014, regular education miles increased 7 percent. In contrast, during this same time period, special education miles increased 23 percent."¹ This means any rural district that drove a bus for a minimum of 14,000 miles per year could afford to spend most of the maintenance allowance to pay for the new unit, meaning just over \$12,600 each year. Unfortunately, most rural districts are spending more than the state average since they are nearly always running older equipment that needs more maintenance.

The Bus Renew Difference

In addition to the basic refurbishment, and warranty replacement unit, we provide optional diagnostic telemetry for each bus which helps us keep track of where the unit is, how long it is run, engine performance data and driver behavior. We know if drivers speed, brake too hard, idle for excessive time periods or leave their designated routes. We can assist in improving driver performance and safety, which adds additional value to our offer that isn't currently provided by any used bus supplier today. If we see a problem that would mean a breakdown, we can get the unit repaired before there is a roadside emergency. We have the option to require driver pre-departure and post-route checklists to assist in equipment safety, equipment protection and proper maintenance which also raises the service levels for Bus Renew units. .

Bus Renew is a new and exciting program that raises the bar for safety, reliability, and comfort at a price any district can afford without going to the public for an expensive and risky bond election to pay for new highly depreciating bus equipment. If you need new buses for your district, contact Bus Renew for more information at 520-661-3668 or www.BusRenew.com.