



**Board Meeting Date:** 1/6/2025

**Title:** Electric School Bus Acquisition

**Type:** Action

**Presenter(s):** Mert Woodard - Director, Finance & Operations

**Description:** In May of 2024 the United States Environmental Protection Agency (“EPA”) announced an award of nearly \$22,000,000 to 15 Minnesota School Districts as part of the EPA’s 2024 Clean School Bus Rebate Program. The program, funded by the federal Bipartisan Infrastructure Law, aims to accelerate the transition to zero emissions vehicles and to replace existing school buses. The District was among the 15 school districts selected and has been awarded funding for two electric buses. The award is for a total of \$400,000, with a maximum of \$200,000 per bus, which means that absent other financing the cost to purchase two electric buses is approximately \$400,000.

The District has the option to purchase the buses and charging infrastructure upfront and in full, or, it can enter into a fleet electrification as a service agreement (“service agreement”) with a firm specializing in “turn-key” electric bus operations. Under such an arrangement the District would make payments across the useful life of the buses that cover the cost of the bus, charging infrastructure, electricity, on-going maintenance, extended battery warranties, and other items. The District solicited requests for proposals (“RFP”) for service agreements that would provide two buses at no up-front cost, charging stations at no up-front cost, extended warranties for the bus batteries, on-going maintenance and training costs, and electricity costs for operating the buses.

The lone respondent to the RFP was Highland Fleets at a cost of \$36,150 per year for ten years, with a 3.0% annual escalator. At the December Finance & Facilities Committee meeting, the Committee compared the ten-year discounted cash outflows of the potential service agreement against the District’s status quo Transportation operation, i.e., the purchase of two brand new diesel buses. The total discounted cash outflows of the service agreement over ten years were calculated at \$781,942. The total discounted cash outflows of purchasing two brand new diesel buses and operating them for ten years were calculated at \$681,698. The Finance & Facilities Committee reached a consensus of **not** recommending that full School Board approve the purchase of electric buses unless the District could secure additional grant funds to reduce the difference between purchasing electric buses and diesel buses.

Subsequent to the December Finance & Facilities Committee meeting, the District administration applied for the Minnesota Department of Commerce Electric School Bus grant, a grant that is eligible to be combined with other awards for the acquisition of electric school buses. If the District were to be awarded the Minnesota grant, the \$400,000 cost to purchase the electric buses would be eliminated, and Highland Fleets would reduce the yearly service

agreement cost to \$18,100 per year. This would reduce the service agreement's ten-year discounted cash outflows from \$681,698 to \$114,951, lower than the cost to purchase and operate two new diesel buses.

Currently, the District has incurred no financial obligation or investment towards the purchase and operation of electric school buses.

**Recommendation:** Contingent upon receiving then Minnesota Department of Commerce Electric School Bus grant, authorize the Director of Finance & Operations to execute all agreements necessary to enter the District into a fleet electrification as a service agreement with Highland Fleets.

**Desired Outcomes from the Board:** Compliance with District Policy 707.

**Attachments:**

1. Request for Proposal Sourcing Summary – Fleet Electrification as a Service
2. Transportation Equipment Services Agreement - ISD No. 273 & Highland Fleets