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CASE STUDY

Creative School Bus Leasing Solutions for Blue Bird Dealers and their Customers Municipal Hybrid Lease Product

How Municipal Hybrid Leases, Designed & Offered by Blue Bird Financial Services (BBFS), Can Benefit School Districts Across the U.S.

Municipal financing structures are extremely cost-effective when structured as lease purchases or installment purchases, since these structures generally qualify for very attractive tax-exempt interest rates. The characteristics of such a financing typically require that 100% of the asset cost is amortized through the financing and the asset is retained by the municipality at the end of term. Generally, municipal financing structures that do not amortize 100% of the asset cost and that contemplate a transfer of

the asset by the municipality to the financial institution at the end of term (but prior to the end of the asset's useful life) do not qualify for low tax-exempt interest rates, and thus must be financed at higher taxable rates. Blue Bird Financial Services (BBFS), a member of the Traxis Financial Group (TFG), has created a solution to this problem. In conjunction with one of the nation's premier tax-exempt municipal finance law firms, BBFS has developed a new Municipal Hybrid lease product which qualifies for

attractive tax-exempt interest rates. This structure lowers the cost of funds to the municipality. As demonstrated in the scenarios below, school districts are able to achieve much lower lease payments than they would otherwise pay in normal, taxable leases. These savings can instead be applied to the other funding needs of the school district. Municipalities across the nation may benefit from the innovative Municipal Hybrid lease structure that BBFS has constructed.

EXAMPLE A	
Dealer:	ABC Bus Sales
Customer:	XYZ School District
Transaction Type:	Municipal Hybrid Lease
Term of Lease:	5 years
Payment Frequency:	Annually/Arrears
No./Type of Buses:	12 All American Buses
Total Cost of Buses:	\$1,129,332/\$94,111 each
Total Residual Amount:	\$451,733 (40%)
Tax-Exempt Leasing Rate:	4.45%
Taxable Leasing Rate:	7.50%
Hybrid Lease Payment:	\$185,317
Standard Lease Payment:	\$201,359
Total Savings to XYZ:	\$80,206 (5yrs x \$16,041/yr)*

EXAMPLE B	
Dealer:	ABC Bus Sales
Customer:	XYZ School District
Transaction Type:	Municipal Hybrid Lease
Term of Lease:	7 years
Payment Frequency:	Annually/Arrears
No./Type of Buses:	12 All American Buses
Total Cost of Buses:	\$1,129,332/\$94,111 each
Total Residual Amount:	\$225,866 (20%)
Tax-Exempt Leasing Rate:	4.45%
Taxable Leasing Rate:	7.50%
Hybrid Lease Payment:	\$168,238
Standard Lease Payment:	\$187,515
Total Savings to XYZ:	\$134,939 (7yrs x \$19,277/yr)*

*Please note that, as the term of the lease increases and/or the residual value decreases, the positive impact of the hybrid lease structure becomes even more dramatic.

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