Did you know you can buy and lease vehicles from the State?

School District’s options for purchasing/leasing vehicles:

1. State Vehicle Purchasing Contracts (CPV Members)
2. Local Bids/Quotes
3. State Fleet & Surplus Services-Leases

CPV = Cooperative Purchasing Venture
www.mmd-admin.state.mn.us/coop

Minn. Stat. § 16C.03, subd.10

“...include counties, cities, town, townships, and school districts, as well as...”

If I don’t purchase or lease from the state, what are the rules?

Purchasing Statutes

471.345 Uniform Municipal Contracts

Contracts $25,000 or less

• (1) Quotes in the open market
  (2) At the discretion of the governing body
  (School Board's rules)

Contracts $25,000 to $99,999

• (1) Sealed Bids, (2) Direct Negotiation, or (3) two or more Quotes

Contracts $100,000 or more

• (1) Solicited sealed bids by public notice

*Best Value Alternative is only for contracts for construction, alteration, repair, or maintenance work
Purchasing Statutes

Purchasing Vehicles on your own....

Pros

• Keeps your business local and in your community
• Potential for retail customer incentives (not available to Fleets)

Cons

• Gov’t fleet concessions are typically more cost effective then retail purchases
• Bid process can be a major pain in the .....$______?

State Contract Vehicle Purchase

Login Required to www.mmd.admin.state.mn.us/process/contract/

Search and Find your State CPV Contract Release #’s:

A-175(5) - Autos: Current Model Year Vehicles
T-642(5) - Trucks: Pickup & Light Duty Trucks
T-636(5) - Trucks: Cab & Chassis Vehicles (no truck bed included)
T-647(5) - Trucks: Single and Tandem Axle Cab and Chassis (Big Trucks!)
B-346(5) - Buses: School Buses (Big Buses Only)
Vehicle Purchase

On the Contract Release Document

Period Dates — Start & End, “or End of Model Year”

AMS/Buyer - MN Dept. of Admin’s Contact responsible for contract

Vendors — Dealership and Contact Person for various vehicle types

Terms & Conditions & Revisions - The fine print...

Price Schedules & Build Dates — Link to specs, notes on pricing
  e.g. Chrysler products will be 3% less than price listed on documents

Vehicle Purchase

What vehicles can you get?

Trucks — Pick ups of all sizes and types; Chev, Ford, GMC, Ram

Passenger Vans/Cars/SUVs — Gasoline, Hybrids, Electric

HD Trucks — Box trucks, Flat-beds, Plows, Dump trucks, Refers

School Buses — Type C & D Big Buses only; IC, Thomas, Bluebird
  (No Type A or “Multi-Function School Activity Buses”)
  http://education.state.mn.us/MDE/dse/schfin/Trans/bus/

Trailers, Mowers, Tractors, 4-wheelers — Many, many choices!

Vehicle Purchase

Are there any limitations?

Minn. Stat. § 16C.137 calls for state departments, whenever legally, technically, and economically feasible, subject to the specific needs of the department and responsible management of agency finances: use “cleaner fuels” as that term is defined, or use fuel-efficient vehicles having fuel efficiency ratings that exceed 30 miles per gallon for city usage or 35 miles per gallon for highway usage, including but not limited to hybrid electric cars. Ethanol (E85) and biodiesel fuel (B20) are defined as cleaner fuels in Minnesota.

Vehicles that meet the definition of Minn. Stat. § 16C.137 are listed as Approved Vehicles for State agencies and CPV members. State agencies may purchase any vehicle in the Category I "State Approved" and designated with an "S" without obtaining written approval from the Dept. of Administration, Materials Management Division.

Only State agencies that have requested and received written authorization from the Dept. of Administration, Materials Management Division, may purchase Contracted vehicles from Category II which are non-compliant with Minn. Stat. § 16C.137.
Vehicle Purchase

Definitions:

Category I Vehicles are defined as those vehicles that meet or exceed the requirements called for in Minn. Stat. § 16C.137 for the purchase and use of fuel-efficient vehicles and cleaner fuel vehicles. Ethanol (E85) and biodiesel fuel (B20) are defined as a cleaner fuel in Minnesota. The State of Minnesota has invested in the fuel vehicles that can be operated on E85 fuel. In order to comply with the State Statute, it is the intent of the vehicle acquisition contracts to make fuel efficient and cleaner fuel vehicles available for State agencies to purchase. State agencies and CPV members may purchase any vehicle contracted in the Category I group. Statute may be viewed at: https://www.revisor.mn.gov/statutes/?id=16C.137.

IMPORTANT: Contracted Vendors shall not sell vehicles to State agencies that are noncompliant with Minn. Stat. § 16C.137 without written permission of the Materials Management Division or its designee.

Category II Vehicles are defined as those vehicles that may not meet the requirements of Minn. Stat. § 16C.137 but may be required in order to perform the work of the agency/purchaser. CPV members may purchase Category II vehicles at any time during the Contract term. State agencies may only purchase Category II vehicles with written authorization by the Materials Management Division or its designee. The Contract Vendor may not accept an order from a State agency for Category II vehicles unless a written authorization from the Materials Management Division or its designee is included with the State agency purchase order. Any Contract Vendor that accepts an order from a State agency for a Category II vehicle without written authorization from the Materials Management Division may have its Contract cancelled and the State reserves the right to suspend or debar the Contract Vendor.

If you lease from Fleet Services, they MUST conform to these limitations.

Developing Specs for your vehicle:

Know thy customer – What are their needs?

Think Safety – Which features should I add to my vehicle to help keep students/employees/citizens safe?

Ask Around – Ask industry co-workers, transportation/facilities staff

Dealerships – Contacts listed on the contract are willing to help, especially if it will be their sale
Vehicle Purchase

Example –
2017 Chevrolet Express 3500
(10 passenger van)

<table>
<thead>
<tr>
<th>Option</th>
<th>Code</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.0L V8</td>
<td>L96</td>
<td>$875.60</td>
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<tr>
<td>Silver Ice Metallic</td>
<td>GAN</td>
<td>$0.00</td>
</tr>
<tr>
<td>Cloth Seats</td>
<td>AS5</td>
<td>$198.00</td>
</tr>
<tr>
<td>10 passenger seating</td>
<td>8V5</td>
<td>$205.92</td>
</tr>
<tr>
<td>Locking Rear Diff</td>
<td>G80</td>
<td>$286.00</td>
</tr>
<tr>
<td>Chrome Appearance</td>
<td>ZR7</td>
<td>$312.40</td>
</tr>
<tr>
<td>Power Heated Mirrors</td>
<td>DE5</td>
<td>$101.20</td>
</tr>
<tr>
<td>Power Driver’s Seat</td>
<td>AG1</td>
<td>$242.00</td>
</tr>
<tr>
<td>Outside Temp Display</td>
<td>UFA</td>
<td>$8.80</td>
</tr>
<tr>
<td>Remote Keyless Entry</td>
<td>ATG</td>
<td>$149.60</td>
</tr>
<tr>
<td>Rear Vision Camera</td>
<td>UVC</td>
<td>$176.00</td>
</tr>
<tr>
<td>Rear Park Assist</td>
<td>UD7</td>
<td>$259.60</td>
</tr>
<tr>
<td>Onstar Fleet Delete</td>
<td>UE0</td>
<td>$74.80</td>
</tr>
<tr>
<td>Deep Tinted Rear Glass</td>
<td></td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Options Total: $2,328.48

Base Total: $26,345.51

Grand Total: $28,673.99

Complete your purchase:

• Work through spec with dealership
• Get official quote
  - Only one needed if off contract
  - Follow purchasing rules if not going off contract
• You will pay 6.5% Sales Tax
  - Vehicle purchases are NOT exempt from sales tax for districts
  - Metro Districts will also pay the Metro Excise Tax of $20
• Submit PO to dealership

School District Specific Items to Note:

• Vehicles must be purchased with Capitol funds
• Special Services can use Federal funds or MA funds
  • Vehicle must be used for only transportation of SPED students
• SPED School Bus Depreciation Aid
  • Bus must be used “primarily” (51%) for SPED transportation and expenditures charged to FIN 723-Disabled
  • School Buses are depreciated at 12.5% over 8 years
  • Type III (Vans) are depreciated at 20% over 5 years
  • Vehicles MUST be listed on your annual SPED School Bus Inventory List from MDE
Vehicle Purchase

School District Specific Items to Note:

- **Type III School Bus (Van/Car/SUV)**
  - Vehicle must be labeled as "MPV" on manufacturers sticker inside door
  - 10 Passengers or less (incl. driver) (usually a custom order)
  - Maximum age is 12 years old
  - Logo/ISD marking on vehicle
  - DOT Inspection Sticker

What about leasing?

Vehicle Leasing

School District Specific Items to Note:

- **Capitol/Municipal Lease** = You own it at the end
- **Operating Lease** = You use it and give it back
- **School Bus Leasing** – Not available from State of MN
  - [http://education.state.mn.us/MDE/doe/schfin/Trans/rep/002389](http://education.state.mn.us/MDE/doe/schfin/Trans/rep/002389)
  - Lease expense can only be directly included in Transportation expenditures if...
    - It’s an Operating Lease
    - The School District is NOT listed on the Title as owner, must be the dealership or bank
    - The costs are properly allocated to finance dimensions based on bus use
Did you know you can lease vehicles from the State of MN?

State of MN - Fleet and Surplus Services
Located at: 5420 Old Hwy 8, Arden Hills, MN 55112
https://mn.gov/admin/about/contact-us/fss.jsp

Hours — Offices: 8AM-4:30PM, Call Center: 7:30AM-4:30PM

Contact — Fleet: 651-201-2524/800-366-2899
Email: fleet.services@state.mn.us
Surplus: 651-639-4022
Email: surplus.services@state.mn.us

Fun Facts — Fleet Services manages 2,000+ leased vehicles
The state of MN fleet includes 7,500 vehicles with annual expenses of an estimated $89 million.

Fleet Services Lease Program
Any contract available ROAD vehicle is offered as part of the state lease program through Fleet Services
https://mn.gov/admin/government/vehicles/

Leasable Vehicles — Trucks, Vans, Cars, SUVs, HD Trucks
Not Leasable — Trailers, School Buses, Mowers, Tractors

School Districts — Follow same rules and regulations as State Agencies with the exception of Fuel and Insurance. Fuel will be at the expense of the district, and vehicle must have full insurance coverage (minus glass coverage)
### Lease vs. Buy

#### Financial Benefits
- Pay for what you use, spend your capital elsewhere

#### Incentives & Discounts
- Cooperative buying power, negotiated services, manufacturers incentives

#### District Image & Safety
- Old vehicles can look horrible, passenger safety and technology is rapidly improving, leasing keeps your fleet current

#### Maintenance & Administration
- Valuable time and money is spent on coordinating your fleet, lease and leave that up to your fleet partner

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<table>
<thead>
<tr>
<th>LEASING</th>
<th>BUYING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial life equals useful life.</td>
<td>Your vehicle's book value is often not in line with market value at time of disposal.</td>
</tr>
<tr>
<td>A leasing program provides the discipline to enforce standards and reduce vehicle acquisition costs and administrative costs.</td>
<td>Vehicle diversity and lack of standards increase both vehicle acquisition costs and administrative costs.</td>
</tr>
<tr>
<td>Replacing leased vehicles is cost effective and simple.</td>
<td>Upgrading owned vehicles is capital intensive and cumbersome.</td>
</tr>
<tr>
<td>A fleet leasing program eliminates excess.</td>
<td>Purchasing intensifies vehicle fleet build-up</td>
</tr>
<tr>
<td>Lessor assumes disposal responsibility, maximizing returns with automotive expertise.</td>
<td>Disposal of vehicles is time consuming, expensive, and lacks the application of automotive expertise.</td>
</tr>
</tbody>
</table>

Source: [www.ewaldfleetsolutions.com](http://www.ewaldfleetsolutions.com)

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**LEASING Continued**

- Low monthly lease fee
- Leasing allows cash flow flexibility.
- Vehicles are cycled under a carefully planned program, reducing maintenance expenses, improving image and driver morale.
- Off-balance sheet financing and creative financial structures.
- Flexible

**BUYING Continued**

- Capital intensive
- High budgeting and forecasting costs.
- Vehicles often retained beyond optimum life, resulting in higher maintenance costs and poor image, reducing driver morale.
- Financing affects the bottom line.
- Inflexible

Source: [www.ewaldfleetsolutions.com](http://www.ewaldfleetsolutions.com)

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Step 1:

Pick your vehicle — Know the specifications you would like and any add-on equipment you would like to include.

Need Help? — Contact Fleet Services

Ellie Pflager — Fleet Administrator
651-201-2517
ellie.pflager@state.mn.us

Chuck Hommes — Fleet Analyst
651-201-2515
chuck.hommes@state.mn.us

You can order this....

....Or get it already like this
Fleet Services Lease Program

Step 1 Continued:

Up fitting — Add on equipment can be added into the lease, or can be done by the lessee at their own cost (If done by lessee, it must be removed at lessee expense prior to disposal)

— State Contracts will also be used for add-on equipment
  Search them out...

Need Help? — Contact Fleet Services, Visit website for info and example vehicle selector lists (prices n/a for school districts):
  https://mn.gov/admin/government/vehicles/vehicle-leasing/

Fleet Services Lease Program

Step 2:

Lease Length Term Options — Choose your term length, 1-5 years. Fleet Services may be able to offer a 1 year extension but typically 5 years is the maximum length

Mileage — Choose your mileage terms. Very flexible with little effect on cost. Fleet Services can readjust your lease terms and rates if your mileages are changing

Start with a good educated guess!

Fleet Services Lease Program

Step 3: Example - 2017 Dodge Grand Caravan SE

Quoted rates are good for 3 months

*Not actual rates for a school district
Fleet Services Lease Program

What’s included in the lease?

• **Everything!** (Except Fuel and Insurance)
• **Licensing/Plates/Tabs/Title/Taxes**
  - Add-on equipment if you choose (Plows, salt spreaders, etc.)
  - School Districts – use Tax Exempt Plates
• **All Maintenance!** – Never buy even a light bulb or a windshield wiper
  - Service must be completed at an ARI approved vendor….thousands of them in MN
  - Can our shop/mechanics do the maintenance? YES, just sign up to be an ARI vendor

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Fleet Services Lease Program

**Step 4:**

**Complete Vehicle Requisition Form** – Fleet Services will move ahead with ordering the vehicle from this point, so make sure you are committed and have fulfilled all district requirements for contracts and POs

– Lease will not begin until the day you pick up the vehicle or when you swap your old vehicle for your new one

https://mn.gov/admin/assets/FY17%20New%20Requistion%20for%20Leased%20Vehicle_tcm36-209411.docx

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Fleet Services Lease Program

**Step 5 - Vehicle Possession:**

2 Inspections by Fleet Services – Making sure your vehicle and accessories come exactly as specified

Sign Official Lease Agreement – Lock in initial term and mileage

• Quarterly cost adjustments (increases) are possible of up to 3.5% per year
  (Very Rare) Last increases were Nov 2015, Jan 2017…due to insurance increase

• Vehicle must be returned exactly as ordered (no missing parts)

• Opt Out/Early Termination clause = $500 fee, responsible for terms, but FS might be able to repurpose vehicle elsewhere (State is not allowed to pay off loans early)
Fleet Services Lease Program

Other items to note:

• **Leases can be simple operating costs**
  - e.g. Transportation Dept. can directly code lease expense to proper FIN code

• **Lease rate will be determined as a “Per Day” rate**
  - 365 days per year, billed monthly (annually not available at this time)
  - Lease payments are NOT tax exempt, so there will be sales tax applied to your monthly invoice

• **All vehicles ordered brand new**
  - Typical wait time is 3-4 months from factory
  - Pick up vehicle in Arden Hills, MN or at dealership who holds the contract

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Fleet Services Lease Program

• **Fleet Services become your “Fleet Manager”**
  - Rely on them to be your automotive experts
  - Implement the State’s Green Fleet initiatives
  - Non-Profit State Agency – Required to operate within +1/-1% of cost

• **If Fleet Services is operating at +1%**
  - Rebates will be issued to lessees in the form of credits on monthly invoices
  - e.g. Jan, Feb, and March 2017, credits were issued
  - Purchase + Insurance + Maintenance + Interest + Depreciations – Disposals = Budget

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Fleet Services Lease Program

• **What about disposal or lease ending?**
  - Fleet Services will automatically order you a new vehicle if you are planning to continue
  - If the district decides they want to keep the vehicle, the vehicle is surplused from Fleet Services over to Surplus Services at the end of the term, and you will have first dibs on purchasing if you so wish
  - (No laws are broken and no finance faux pas occurred with an operating lease vs. capital lease)
Fleet Services Lease Program

• Using Surplus Services for disposals
  • SS can be used to also dispose of your currently owned vehicles
  • Live auction or Online auction options
  • 10% fee

• Auctions average 35% of original vehicle cost!
  • FS and SS pride themselves on obtaining a very high vehicle return
  • This amount is calculated right into your lease... Guaranteed Return!

• Other option is to Trade – reduces sales tax on purchase

Lifecycles

How long should we use a vehicle?

• Source: MN DNR Suggested Road Vehicle Lifecycles

<table>
<thead>
<tr>
<th>Annual Mileage</th>
<th>Months</th>
<th>Total Use</th>
<th>Annual Mileage</th>
<th>Months</th>
<th>Total Use</th>
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<td>58</td>
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<td>8,000</td>
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<td>112,000</td>
<td>32,000</td>
<td>43</td>
<td>113,000</td>
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Leasing/Fleet Best Practices

• Fleet Standardization
  • Order vehicles in a similar fashion so mileage can be balanced
  • e.g. Instead of ordering one crew cab truck for a maintenance crew who drives 19,000 miles per year and a single cab truck for a plow truck that only does 8,000 miles per year, order them both as crew cab trucks so mileages can be balanced and you don’t end up paying for mileage you don’t use on one and paying overage fees for the one that goes over
  • Could you get away with an extended cab truck instead for both?
  • You will have safer employees when they are trained and comfortable in similar units with similar features
  • Shop/mechanics can more efficiently stock parts and supplies
You make the call…

To Buy or Not to Buy….that is the question....

• Each method has benefits and risks
• State of MN Contracts provide options that can best fit your district and preferred method
• Fleet & Surplus Services can be a valuable partner in both your acquisitions and disposals

<table>
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<tr>
<th>State Purchase</th>
<th>State Lease</th>
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<td></td>
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<tr>
<td>Purchase</td>
<td>$30,500.00</td>
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<tr>
<td>Sales Tax (6.5%)</td>
<td>$1,082.50</td>
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<tr>
<td>Maintenance (10%/20%)</td>
<td>$3,050.00</td>
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<tr>
<td>Cost of Ownership</td>
<td>$35,532.50</td>
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<tr>
<td>Resell (unknown)</td>
<td>$16,000.00</td>
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<tr>
<td>Expenditure</td>
<td>$29,532.50</td>
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<tr>
<td>Per Year (5 yrs)</td>
<td>$5,906.50</td>
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Questions?
Thank you!

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651-744-8108

Ellie Pflager
Ellie.pflager@state.mn.us
651-201-2517