

Memo

To: Dr. Johannah Vanatta, Charters Valley Board Members

From: Frosina Cordisco/Scott Kelly

Date: June 21, 2018

RE: LEASE PROPOSAL FOR CHROMEBOOKS AND LAPTOPS

In an effort to maintain a consistent 1:1 computing device program, we recommend a change from one time purchases to a leasing model. Leasing instructional technology devices will help eliminate large sporadic expenditures and provide for better budgeting and more manageable annual payments

HP Chromebooks are currently the instructional technology device recommended for the District’s 1:1 computing program. With the Board’s approval, 300 new HP Chromebooks will be leased and distributed to the incoming ninth grade students. The result will be a 1:1 program which utilizes Chromebooks in grades sixth through tenth and Windows devices eleventh and twelfth. The cost of the HP Chromebooks is estimated at no more than \$225 for a total acquisition cost of \$67,500.

In addition, the Windows laptops currently used by District teaching staff are seven years old. With the constantly increasing digital instructional content available, teachers’ computing needs have begun to surpass the capabilities of their current district provided device. The replacement unit cost is estimated at no more than \$625 or \$187,500 for 300 laptops. The decommissioned teacher laptops will be marketed to the secondary market with the goal of recovering any remaining value.

The HP student Chromebooks and teacher laptops and related pricing is per the PePPM State Contract and the Costars State Contract.

Proposals were received from PNC Leasing, HP Financial Services and Regents Capital Corporation. The comparison is as follows:

	Student Chromebooks			Staff Laptops		
	PNC Leasing	HP Financial	Regents Capital	PNC Leasing	HP Financial	Regents Capital
Lease Term	3 years	3 years	3 years	5 years	5 years	5 years
Total Amount Financed	\$67,500	\$67,500	\$67,500	\$187,500	\$187,500	\$187,500
Implicit Interest Rate	3.96%	2.41%	4.79%	3.96%	3.15%	4.79%
Monthly/Annual Lease Payment	\$1,990	\$23,593	\$2,017	\$3,451	\$41,117	\$3,520
Total Lease Payments	\$71,646	\$70,779	\$72,600	\$207,034	\$205,585	\$211,220

A three-year lease for the student Chromebooks and a five-year lease for the teacher laptops were selected after consideration of the total useful life of each asset. Adhering to a cyclical replacement process will improve educational consistency in the delivery of instructional technology for students. At the end of the lease term, Charters may elect to purchase the leased technology for \$1.

Other key highlights supporting a leasing program as opposed to a direct purchase at this time are:

- A lease preserves cash for the lessee to allocate to other needed budget areas, projects or investments;
- A lease provides for a “smoother” budget impact from year to year as compared to a purchase;
- At lease expiration, the lessee may elect to keep the equipment at a nominal (\$1) cost or the lessee may return the equipment and replace the needed equipment under a similar lease for a budget neutral effect;
- The net cost of the lease is minimal when the investment rate of about 2% that the District would earn on its higher cash reserves is considered;
- A replacement plan for such technology would be streamlined as each lease matures, new technology is implemented through a lease; and
- A master lease arrangement can be established with schedules for each lease, thus eliminating the need to re-negotiate a master lease with a new lease schedule from time to time.

Additional due diligence resulted in obtaining more attractive laptop pricing from an HP-authorized partner, SHI. The updated pricing for 300 HP laptops is \$175,000 or \$583.33/unit. With the lower purchase cost, the HP Lease proposal drops to no more than \$38,500 annually.

Based on all of the information above, it is recommended that the Board approve a lease arrangement with HP Financial Services for the student Chromebooks for a term of 3 years at an annual lease cost of no more than \$24,000 and for the teacher laptops for a term of 5 years at an annual lease cost of no more than \$38,500, contingent upon acceptable documentation to the Superintendent and Solicitor.

Please do not hesitate to contact us with any questions or comments.