

ORANGE COUNTY  
BOARD OF EDUCATION

AGENDA ITEM ABSTRACT

Meeting Date: May 29, 2012

AGENDA ITEM No. 12-05-(2)-13

ACTION ITEM: (Y/N) Y

SUBJECT: One-to-One Initiative – Phase 2 Approval and Financing Approval

INFO. CONTACT: Angie Veitch / Patrick Rhodes PHONE: 919-732-8126

**ATTACHMENTS:**

1. Phase 2 -- Students in Grades 6-12 Laptop Purchase.
2. Email dated May 24, 2012 Re: County Commissioner Resolution for 1:1 laptop program.
3. Draft Resolution – Orange County Board of Commissioners.

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**PURPOSE:** The purpose of this agenda item is to provide the board an opportunity to approve Phase 2 and funding of the Orange County Schools digital conversion project.

**BACKGROUND:** On May 14, 2011, the Board of Education conducted a work session on the digital classroom. After staff presentations and discussion, the board approved Phase I of the project which included the purchase of 650 laptops for the district's teachers. Phase 2 of the initiative involves the purchase of laptop computers for students in grades 6-12. Financing proposals from BB & T, Key Bank, Lenovo, and J.P. Morgan-Chase were obtained. The lowest rate available is from J.P. Morgan-Chase. A comparison chart of the quotes received is attached.

Staff recommends the district finance Phase 2 through a 4-year lease/purchase arrangement with J.P. Morgan-Chase Bank. The district would dedicate proceeds from the one-quarter cent sales tax and redirect curriculum, textbook and technology operating monies to pay the annual lease cost. It is important to note that due to NC law, proceeds from the NC Education Lottery cannot be used for technology related projects.

Should the project be approved, North Carolina law requires the Board of County Commissioners approve school system lease agreements longer than three years. Legal counsel has prepared a draft Resolution for the Board of County Commissioners' approval.

**FINANCIAL IMPACT:** The cost of 4,100 student laptops (Lenovo X130e) will be \$2,607,600. Funding for the lease/purchase will be provided by revenues from the one-quarter cent sales tax.

**RECOMMENDATION:** The Superintendent recommends the Board of Education approve Phase 2 (the lease/purchase of student laptops) and select J.P. Morgan-Chase Bank as the lender with legal and contractual terms subject to negotiation and approval by the Board Attorney and Superintendent.

## PHASE 2 --- STUDENTS IN GRADES 6-12 LAPTOP PURCHASE

**Laptop Purchase** - Phase 2 of the 1:1 Digital Classroom Plan is the purchase of laptops for students in grades 6 through 12. Based on current student membership projections, the District plans to purchase 4,100 laptops for these students (allowing for extra machines to use for backup in unforeseen situations). The laptop cost for this phase is \$2,607,600 for the Lenovo X130e laptops (\$636 each x 4100 students).

The breakdown of the computer cost is:

Lenovo X130e laptop	\$517.00
Etching	8.00
4 yr. next day/on site warranty	<u>111.00</u>
<b>Total cost per laptop</b>	<b>\$636.00</b>

Staff recommends the District finance Phase 2 through a 4-year lease/purchase arrangement with JP Morgan-Chase Bank. The District would dedicate proceeds from the quarter cent sales tax and redirect curriculum, textbook and technology operating and capital monies to pay the annual lease cost. It is important to note that due to NC law, proceeds from the NC Education Lottery cannot be used for technology related projects.

### FINANCING OPTIONS:

(4 year financing)

	Amount	Rate	Payments	Pmts / Year	Term	First Payment Due
<b>BB&amp;T</b>	\$2,600,000	2.12%	\$671,532	1	4 years	July 2012
<b>J.P. MORGAN-CHASE BANK</b>	\$2,600,000	1.29%	\$671,097	1	4 Years	July 2013
<b>Key Bank</b>	\$2,600,000	2.47%	\$674,006	1	4 Years	July 2012
<b>Lenovo Financing</b>	\$2,600,000	2.61%	\$679,640	1	4 Years	July 2012



PATRICIA COLEMAN <patricia.coleman@orange.k12.nc.us>

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**Fwd: county commissioner resolution for 1:1 laptop program**

1 message

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Patrick Rhodes <patrick.rhodes@orange.k12.nc.us>  
To: PATRICIA COLEMAN <patricia.coleman@orange.k12.nc.us>

Thu, May 24, 2012 at 12:44 PM

----- Forwarded message -----

From: **Patrick Rhodes** <patrick.rhodes@orange.k12.nc.us>  
Date: Mon, May 21, 2012 at 8:42 AM  
Subject: Fwd: county commissioner resolution for 1:1 laptop program  
To: Clarence Grier <cgrier@co.orange.nc.us>  
Cc: Frank Clifton <fclifton@co.orange.nc.us>

Clarence

After our BOE approves the terms next Tuesday May 29, we would like to get this to the BOCC for approval.  
Thanks for your help  
PR

----- Forwarded message -----

From: **Neal Ramee** <NRamee@tharringtonsmith.com>  
Date: Sat, May 19, 2012 at 2:53 PM  
Subject: county commissioner resolution for 1:1 laptop program  
To: Patrick Rhodes <patrick.rhodes@orange.k12.nc.us>  
Cc: Angie Veitch <angie.veitch@orange.k12.nc.us>, Jonathan Blumberg <JBlumberg@tharringtonsmith.com>

**Confidential Attorney-Client Communication**

Dr. Rhodes:

Attached please find a draft resolution for the Orange County Board of County Commissioners approving the installment purchase contract for phase II of the 1:1 laptop program. As we have previously explained, the statutes require county commissioner approval due to the term and total value of the installment purchase agreement. LGC approval is not required. Since you are currently awaiting an updated proposal from Chase Equipment Finance, I have left a blank in the resolution for the total dollar amount. Before submitting this to the Commissioners, we will simply need to insert the total amount of the obligation (inclusive of principal and interest) in the blank and attach the revised payment schedule.

As you will see, we have drafted this resolution to be as reassuring to the Commissioners as possible. The resolution does not promise any additional funding above and beyond normal appropriations; it merely promises that the normal capital outlay appropriations made by the Commissioners over the next four years will be sufficient to cover the contract obligations. That is all the statute requires.

I recommend that this be brought to the County Commissioners as soon as possible after the Board of Education approves the terms. I imagine that you will be able to make these arrangements with the County Manager, but if you prefer, I would be happy to speak with the County Attorney about getting on the Commissioners' agenda. I would also be happy to answer any questions the County Attorney may have about the resolution.

We look forward to working through the remaining issues related to this program soon, including the drafting of appropriate policy revisions, care and use agreements, and related documents, as well as reviewing the specific terms of the installment purchase agreement. This is an exciting program that will surely be of great benefit to your students and faculty.

Please feel free to contact either Jonathan or me any time if you have questions. In case I cannot be reached at the office, my cell phone number is 919-604-1016.

Best regards,

Neal A. Ramee

Tharrington Smith, LLP  
209 Fayetteville Street  
P.O. Box 1151  
Raleigh, North Carolina 27602  
Main Telephone: (919) 821-4711  
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**G. Patrick Rhodes**  
Superintendent  
Orange County Schools  
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Hillsborough, NC 27278  
Phone: 919-732-8126  
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**RESOLUTION**

**ORANGE COUNTY BOARD OF COMMISSIONERS  
ORANGE COUNTY, NORTH CAROLINA**

**WHEREAS**, the Orange County Board of Education ("Board of Education") wishes to enter into an installment purchase contract under N.C. Gen. Stat. § 115C-528 with Chase Equipment Finance for the purchase of certain laptop computers and related equipment to be used for instructional purposes; and

**WHEREAS**, the installment purchase contract will require the Board of Education to pay Chase Equipment Finance a total of up to \$\_\_\_\_\_, inclusive of principal and interest, over the course of the next four fiscal years, in four annual payments, made in arrears, in accordance with the attached Payment Schedule.

**WHEREAS**, the installment purchase contract is a continuing contract for capital outlay subject to the provisions of N.C. Gen. Stat. § 115C-441(c1) and 115C-528; and

**WHEREAS**, although the Board of Education and Orange County Board of Commissioners ("Board of Commissioners") anticipate that the entire cost of the contract with Chase Equipment Finance will be covered by the normal capital outlay appropriations provided by the Board of Commissioners each year, the contract is nevertheless being approved by resolution of the Board of Commissioners in order to comply with the requirements of N.C Gen. Stat. § 115C-441(c1).

**NOW, THEREFORE, BE IT HEREBY RESOLVED**, as required by N.C. Gen. Stat. § 115C-441(c1), that the Orange County Board of Commissioners agrees to appropriate sufficient funds to the Orange County Board of Education in ensuing fiscal years to meet the Chase Equipment Finance contract obligations, so long as the amount the Orange County Board of Education shall be obligated to pay under that contract shall not exceed the amounts recited above and in the attached Payment Schedule. Said funds shall be a part of, and not in addition to, regular appropriations made to the Orange County Board of Education.

Resolved, this \_\_\_\_\_ day of \_\_\_\_\_ 2012 by the Orange County Board of Commissioners.

\_\_\_\_\_  
Chair

Attachment: Payment Schedule