



# TOWN OF CHAPEL HILL

Town Hall  
405 Martin Luther King Jr.  
Boulevard  
Chapel Hill, NC 27514

## Legislation Details (With Text)

**File #:** [23-0065]      **Version:** 1      **Name:**

**Type:** Consent      **Status:** Passed

**File created:** 1/5/2023      **In control:** Town Council

**On agenda:** 1/25/2023      **Final action:** 1/25/2023

**Title:** Authorize the Town Manager to Enter into a Bus Financing Agreement with the Transit Partners and Issue a RFP for Debt Financing the Purchase Of New Buses.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 2017 Agreement for Acquisition of New Buses Between the Town of Chapel Hill and Town of Carrboro and University of North Carolina at Chapel Hill., 2. Council Questions with Staff Response, 3. A RESOLUTION AUTHORIZING THE MANAGER TO ENTER INTO AN AGREEMENT FOR FINANCING OF NEW BUSES FOR PUBLIC TRANSPORT SERVICES BETWEEN THE TOWN OF CHAPEL HILL, TOWN OF CARRBORO AND THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL AND ISSUE A RFP FOR DEBT FINANCI

Date	Ver.	Action By	Action	Result
1/25/2023	1	Town Council	adopted	Pass

### Authorize the Town Manager to Enter into a Bus Financing Agreement with the Transit Partners and Issue a RFP for Debt Financing the Purchase Of New Buses.

**Staff:**

Amy Oland, Director  
Brian Litchfield, Director

**Department:**

Business Management  
Transit

**Overview:** The adopted Chapel Hill Transit Capital Plan identifies the need to purchase at least seven (7) replacement buses each fiscal year to maintain a reliable and efficient transit fleet. While a significant amount of grant funding has been used for these purchases over the past five (5) years, 49 buses, including 11 electric buses, the department has not been able to keep pace with just grant funding and now needs to replace 12 buses (number grows to 19 in FY 2024), including 60’ articulated buses. The Transit Funding Partners are committed to maintaining the Transit Capital Plan and have committed funding to debt-finance replacement buses within the adopted Transit budget. The Funding Partners also recognize that the Town of Chapel Hill has the fiduciary responsibility for the operation of the public transit system, including, but not limited to, issuing any debt necessary to finance the purchase of the new buses as well as repayment of that debt.

☆ **Recommendation(s):**

That the Council adopt a resolution authorizing the Town Manager to enter into an agreement for the financing of the new buses among the Town of Chapel Hill, Town of Carrboro and The University of North Carolina at Chapel Hill and to issue a Request for Proposals (RFP) to debt-finance the purchase of new buses for public transportation services and

**Decision Points:**

- The Chapel Hill Transit Funding Partners have achieved consensus on debt-financing of 7-10 replacement buses. This financing will allow for the replacement of up to five (5) 60' clean diesel buses and three (3) 40' electric buses. The final purchase numbers and costs will depend on the costs of buses, rates and costs related to borrowing.
- If approved by Council, the Town will finalize an agreement between the Funding Partners that reflects the sharing of risk of the new debt amongst the Partners. This is the same process that the Town used to debt-finance new buses in 2017. The payments for the 2017 agreement will be completed on May 1, 2027.
- The estimated annual payment of \$900,000 for debt-financed buses is included in the current fiscal year budget for Chapel Hill Transit and the Funding Partners have agreed to maintain the funding for the new buses over the term of the debt-financing.
- If approved by Council, the Town will issue a RFP for debt-financing the purchase of new buses. Staff will return to Council once a review of received proposals has been completed to request approval to execute the debt agreement and authorize Town Officers to take the steps necessary to complete the financing. We anticipate returning to Council in early Spring. This is the same process the Town has previously used to finance vehicles.
- Any future bus financing beyond this Agreement would require approval of a new Agreement, or a revision to the terms of the Agreement currently before Council.

#### **Key Issues:**

- Town of Chapel Hill, the Town of Carrboro and The University of North Carolina at Chapel Hill have worked together to provide public transportation services since the 1970s and desire to continue to work together to provide these services through Chapel Hill Transit.
- The Town of Chapel Hill, in order to fulfill the expectations of its funding partners, the University of North Carolina and the Town of Carrboro, must acquire and maintain a modern fleet of buses so to provide the best and most reliable transit services to its customers.
- The Chapel Hill Transit bus fleet continues to age and requires replacements consistent with the adopted Transit Capital Plan. Since 2016, Chapel Hill Transit has been able to replace 49 buses, 16 using debt-financing and fund balance and 33 using grant funds, Orange County Transit Plan funds and fund balance. Staff will continue to pursue grant funding for the replacement of buses and other capital needs; however, Funding Partner contributions and debt-financing is necessary for buses not covered by grant funding.
- The Funding Partners and Staff considered several options related to debt-financing and bus types and believe the proposed mix best meets our needs, consistent with available funding and existing infrastructure at the Transit Facility.
- Since the Town has the fiduciary responsibility for operation of the public transit system, including, but not limited to, issuing any debt necessary to finance the purchase of the new buses as well as repayment of that debt, an agreement between the Town, Town of Carrboro and University of North Carolina at Chapel Hill is needed to provide assurance of long-term financial support prior to the issuance of any debt. If the debt-financing is approved by Council, the Funding Partner will enter into an agreement, similar to the 2016 agreement, for the debt-financing.
- Delivery of new buses is estimated at 18-24 months from the date of order.

**Fiscal Impact/Resources:** The estimated annual cost of the debt-financed buses will be around \$900,000.



#### **Attachments:**

- Resolution
- 2017 Agreement for Acquisition of New Buses Between the Town of Chapel Hill and Town of Carrboro and University of North Carolina at Chapel Hill.

**A RESOLUTION AUTHORIZING THE MANAGER TO ENTER INTO AN AGREEMENT FOR FINANCING OF NEW BUSES FOR PUBLIC TRANSPORT SERVICES BETWEEN THE TOWN OF CHAPEL HILL, TOWN OF CARRBORO AND THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL AND ISSUE A RFP FOR DEBT FINANCING THE PURCHASE OF NEW BUSES. (2023-01-25/R-3)**

WHEREAS, the Town of Chapel Hill is responsible for providing quality public transportation services for the Town, the Town of Carrboro, and The University of North Carolina at Chapel Hill; and

WHEREAS, the Town of Chapel Hill has operated the public transit system, Chapel Hill Transit, serving the Town of Carrboro, the Town of Chapel Hill and The University of North Carolina at Chapel Hill since 1974 and has shared the costs with the Town of Carrboro and The University of North Carolina at Chapel Hill; and

WHEREAS, the Town of Chapel Hill, the Town of Carrboro and The University of North Carolina at Chapel Hill have adopted a Transit Capital Plan with the goal of maintaining a reliable and efficient transit fleet and acknowledge that local funding is needed to complement federal and state funding sources to update and grow the existing fleet of buses, including the use of debt-financing; and

WHEREAS, the Town of Chapel Hill, the Town of Carrboro and The University of North Carolina at Chapel Hill have previously entered into an agreement in 2017 to successfully debt-finance 14 buses; and

WHEREAS, the Town of Chapel Hill has asked The University of North Carolina at Chapel Hill and the Town of Carrboro to provide some assurances of long-term financial support prior to making additional future capital expenditures needed to update the existing fleet of buses operated by Chapel Hill Transit; and

WHEREAS, the Town of Chapel Hill, the Town of Carrboro and The University of North Carolina at Chapel Hill will participate in a funding agreement for the acquisition of new buses and acknowledge that The Town of Chapel Hill has the fiduciary responsibility for operation of the public transit system, including, but not limited to, issuing any debt necessary to finance the purchase of the new buses as well as repayment of that debt; and

WHEREAS, the Town of Chapel Hill, the Town of Carrboro and The University of North Carolina at Chapel Hill desire to establish an agreement to provide such assurances concerning the acquisition of new buses for public transportation services.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Town Manager is authorized to enter into an agreement for financing of new buses for public transportation services between the Town of Chapel Hill and the Town of Carrboro and The University of North Carolina at Chapel Hill and issue a RFP for debt financing the purchase of new buses.

This the 25th day of January, 2023.

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**The Agenda will reflect the text below and/or the motion text will be used during the meeting.**

By adopting the resolution, the Council authorizes the Town Manager to enter into an additional agreement for financing of new buses for public transportation services between the Town of Chapel Hill and the Town of Carrboro and The University of North Carolina at Chapel Hill and issue a RFP for debt financing the purchase of new buses.