Financing: Closing School Budget Gaps

Budget shortfalls can delay vital school projects, such as replacing failing phone systems or implementing interactive video to offer AP classes in more schools. Now schools can take advantage of the Public Sector Financing Program from Cisco® Capital℠ to deploy new technology today, using their existing and future budgets.

Structured Payment Schedule Lands New Voice System

For example, California's Oak Grove School District had already seen its budget decreased three times, and could no longer wait to upgrade or replace an aging phone system. Replacing the old system with a Cisco Unified Communications System would create ongoing cost savings by eliminating the expense of telephone extension moves, adds, and changes.

At the time, obtaining credit was exceptionally difficult for state-funded organizations in California. Cisco Capital stepped in with a seven-year tax-exempt lease purchase (TELP) agreement for 1000 Cisco Unified IP phones, the underlying call management system, and a Cisco SMARTnet® support contract. "We structured a payment schedule to fit within the district's budget requirements," says Julia Pierce, lease account manager with Cisco Capital. "As a result, the district was able to meet an urgent business need without having to wait until credit conditions improved."

Lease Bridges Gap from Delayed Bond Issue

Cisco Capital can also provide a temporary funding bridge, as it did for another West Coast school district. Voters had already approved a bond issuance to finance Cisco TelePresence™ systems so that the district could continue providing classes such as AP calculus and advanced foreign language instruction. With Cisco TelePresence technology, a certified teacher in one school can interact with students in other schools using high-definition video. But when the district prepared to sell the next round of bonds, the underwriter delivered the unfortunate news that the bond rating would be less than expected if the district didn't submit a new financial statement. "The financial statement wouldn't be ready for a few months, and by then the vendors' offers would no longer be valid," Pierce explains.

Cisco Capital bridged the gap by offering a lease with the same rate the district expected from the bond measure, waiving the prepayment penalty. A six-year term kept payments small, and a non-appropriations clause avoided the need for voter approval. When the financial statement was ready six months later, the district sold the voter-approved bonds and paid off the lease.

Expertise with Government Requirements

Cisco Capital programs include a tax-exempt lease purchase (TELP) option as well as technology migration options to upgrade or replace leased or financed Cisco equipment either 6 or 12 months prior to the end of the finance term. Fair market value (FMV) leases are particularly attractive to public sector customers, according to Pierce. "Schools end up paying only about 90 percent of the hardware costs, an offer Cisco can make because it will refurbish and resell the equipment once it is returned at the end of the lease." The fair market lea se option also enables schools to regularly refresh their technology while maintaining the same, regular payments they are already accustomed to. A standard non-appropriations clause allows districts to terminate their agreement if they do not receive future funding.

To find out more about Cisco Capital financing options or to request a customized proposal, visit www.ciscocapital.com.

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