

# UC Davis Policy and Procedure Manual

## Chapter 350, Supplies and Equipment

### Section 30, Lease, Rental, and Lease-Purchase of Equipment

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Responsible Department: Materiel Management

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#### I. Purpose

This section provides the policy and procedures regarding the acquisition of equipment by lease, rental, or by lease-purchase. Additional policy and procedures at UC Davis Health System are described in UCDHS Hospital Policies and Procedures Manual [Section 2211](#).

#### II. Definitions

Supplemental information and definitions of terms can be found in UC Business and Finance Bulletin (BFB) BUS-43 (<http://www.ucop.edu/ucophome/policies/bfb/bus43.html>). The use of the terms "lease" and "rental" are interchangeable for the purposes of this policy.

- A. Inventorial equipment—equipment with an acquisition value of \$5,000 or more, that is non-expendable, tangible, free standing, and has a normal life expectancy of one year or more. This policy refers to inventorial equipment as "equipment".
- B. Lease-purchase--the terms are those of a straight lease, but with the added option for the lessee to purchase the property, either during the term of the lease or at its expiration. This definition applies to any lease in which all or a portion of the payments may be applied to the purchase of the property under lease.
- C. Lease - a written contract, executed by the University (lessee) and another party (lessor), containing the essential terms and conditions under which the use and possession of personal property are to be furnished to the University in exchange for the payment of rent during the term of the contract. At the end of the contract term, the property must be returned to the lessor at the place agreed to by the parties.

#### III. Policy

- A. The University's preferred method of equipment acquisition is by purchase; therefore, a cost analysis must be performed to compare the total cost of a lease versus the total cost of a lease-purchase or straight purchase, to ensure it represents the most reasonable means of acquisition.
- B. Lease or lease-purchase agreements may be appropriate when equipment design is subject to rapid technological change; when it is desirable that equipment reliability be tested prior to purchase; when a short-term rather than continuing need for certain items exists; or when financial resources cannot meet equipment needs.
- C. Prior written approval of the External Finance Department (Capital Markets Finance Office) shall be obtained on the interest rate for lease of equipment when transactions exceed \$50,000 (per [UC Office of the President Letter dated October 1, 2010](#) and [BFB BUS-43, Part 6](#)).
- D. The Executive Director, Capital Markets Finance Office is authorized to approve lease transactions that exceed \$5,000,000.
- E. Departments must promptly report the long term (6 months or more) lease of all equipment to Accounts Payable.

#### IV. Procedures

- A. Department head or designee
  - 1. Determines the need for lease or lease-purchase of equipment, giving consideration to the following:
    - a. Other equipment needs.
    - b. Availability of resources to meet all estimated annual debts, including other leases.
    - c. The length of time the equipment will be needed. Note: Lease agreements impose time commitments that the University must adhere to under contract.
  - 2. Prepares the Purchase Requisition (PR) document in the University's financial system, indicating reasons why lease or lease-purchase is requested, and routes the PR to the dean, vice chancellor, or vice provost for approval.
- B. Purchasing Department
  - 1. Reviews the method of financing and prepares a cost analysis to compare total cost of lease with that of lease-purchase and verifies whether it represents the most reasonable means of acquisition, based upon current marketing trends and product development.
  - 2. Secures competitive quotations for the equipment from vendors.
  - 3. Secures competitive quotations for the interest rate from lessors on the approved [Master Lessor List](#) or from other lessors provided they have accepted the terms of the University of California standard lease documents without modification. Other lease terms may also be used if first approved by the Office of General Counsel.
  - 4. Obtains approval from Capital Markets Finance for the desired interest rate and for lease transactions that exceed \$5,000,000.
  - 5. Executes the Purchase Order (PO) and lease agreement.
- C. Department head or designee
  - 1. Promptly reports to Accounts Payable the long term (6 months or more) lease of all equipment, on the [Long Term Rental/Lease/Loan Reporting Form](#).
- D. Accounts Payable
  - 1. Issues annual reports to the County Assessors' Office for the county in which the rented/leased item is located in order to receive the University's exemption/refund for personal property tax per [California Revenue and Taxation Code Section 202.2](#). This requirement does not apply to property leased by the University outside the jurisdiction of the State of California (see [Business and Finance Bulletin G-38](#)).

#### V. Further Information

- A. Additional information may be obtained from the Purchasing Department, (530) 752-0370 or <http://purchasing.ucdavis.edu/about/teamassign.cfm?show=all>

## VI. References and Related Policies

- A. UC Office of the President:
  - 1. Accounting Manual, Chapter L-217-11, Accounting and Reporting for Leases and Installment Purchase Contracts (<http://www.ucop.edu/ucophome/policies/acctman/l-217-11.pdf>).
  - 2. Business and Finance Bulletin
    - a. G-38, Tax Exemption and Refund Claims Filing for Property Leased by the University (<http://www.ucop.edu/ucophome/policies/bfb/g38.html>).
    - b. BUS-43, Materiel Management (<http://www.ucop.edu/ucophome/policies/bfb/bus43.html>)
      - 1) Part 6, Personal Property Special Acquisitions
      - 2) Exhibit C, Appendix F, Terms and Conditions of Equipment Lease.
      - 3) *BUS-43, Capital Markets Finance Approval of Interest Factor* document.
- B. UCD Policy and Procedure Manual (<http://manuals.ucdavis.edu/PPM/about.htm>):
  - 1. Section 350-10, Procurement Authority.
  - 2. Section 350-25, Procurement through the Purchasing Department.
- C. UCDHS Hospital Policies & Procedures Manual, Section 2211, Requesting Funds for Capital Equipment Purchases ([http://intranet.ucdmc.ucdavis.edu/policies/hospital\\_policies\\_and\\_procedures/index.shtml](http://intranet.ucdmc.ucdavis.edu/policies/hospital_policies_and_procedures/index.shtml)).