

Capital Equipment Leasing Policy

Effective Date: July, 2012

Policy Statement

The following policy provides guidelines and instructions for the leasing of capital equipment at the University. All equipment leases must comply with University Procurement Policy.

Reason for Policy

The policy provides guidance for the use of capital leasing as a method of goods acquisition, emphasizing both that appropriate controls must be in place to mitigate risk relative to financial loss and that good business practices are followed.

Primary Guidance to Which this Policy Responds

This policy responds to the University Purchasing policy and best practices relative to the acquisition of goods.

Responsible University Office & Officer

Responsible University Office: Procurement Services - Purchasing
Responsible University Officer: Vice President for Procurement Services

Who is Governed By This Policy

This policy applies to everyone working at the University, or working on behalf of the University, who plays a role in committing resources and procuring products on behalf of the University.

Who Should Know This Policy

All University faculty and employees who make procurement decisions—including administrators in schools and departments who have primary responsibility for purchasing, and officers of instructions and research who make purchasing decisions—have a particular obligation to be familiar with the requirements outlined in this policy.

Exclusion and Special Situation

Motor Vehicle Leases

There is no minimum dollar threshold for motor vehicle leases. The minimum lease term will be two (2) years and the maximum will be five (5) years. All leased motor vehicles must be

registered with Risk Management. Please go to [Risk Management's](#) instructions for motor vehicle acquisition, operations & disposal. The rest of the Leasing Policy outlined herein applies to vehicle leases.

Copier / Printers / Scanners (Multi-function Device)

Where necessary, the University strongly recommends that departments/schools acquire a multi-function device (MFD) (i.e. copier that prints, scans and if necessary faxes). By acquiring a MFD, the department/school minimizes its maintenance expenditures by eliminating the need to have multiple maintenance contracts for each piece of equipment. All MFD leases are managed by Print Services through the University's approved Lessor for office equipment. It is necessary to lease through Print Services **in order to adhere to CUIT data security requirements, ensure proper removal/disposal of equipment at end of term or use, and to continue to reduce costs associated with reductions in purchase orders, change orders and invoices that bring significant savings to Columbia in process time, approvals and document management.** Departments/schools are billed by Print Services on a monthly basis through IDI, eliminating the need for requisitions when acquiring leased or purchased MFD's. There are minimum order values and maximum term requirements for leasing a Copier/Printer/Scanner or MFD machine. For requirements and instructions, please follow this link: <http://printservices.columbia.edu/copier-program>

Postage Meters

There is no minimum dollar threshold for Postage Machine leases. Due to postal regulations, postal meters may only be leased from regulated vendors. For a list of approved vendors see the [purchasing web site](#). Postage meter leases include maintenance and software upgrades. All postage meter leases are based on NY State OGS contract pricing. Each department/school must manage and pay for its own postage meter lease. For approved vendors and instructions on how to initiate a postage meter lease please see the [purchasing web site](#).

Policy Text

What is Capital Leasing?

Leases are legally binding, non-cancelable contracts that financially obligate the University. The Lessor (e.g. bank) owns the equipment throughout the contracted lease period and maintains a security interest or lien on the equipment. Departments have a fiduciary responsibility to safeguard the leased equipment in their care and, in the event the equipment is stolen and/or damaged, the University is responsible for the prompt replacement of the equipment. A Lease may not be canceled for any reason prior to the end of the term without incurring severe financial repercussion.

Leasing goods is subject to the same policies and procedures that would apply to the acquisition of any piece of capital equipment, such as computers, scientific equipment, or business related equipment.

Leasing is a **financing mechanism**, not a funding source. The acquiring department must identify the funding source prior to entering into a lease. **In order to be considered for leasing, the item must have a value of at least \$50,000.** The primary reason to lease rather than buy an item is because the needed item is so expensive that its direct purchase is not possible or not permitted by the funding source (in the case of sponsored project leasing) or other financing mechanisms are unavailable or more expensive than leasing.

The lease or buy decision and the identification of the type of lease that would be most appropriate must take into consideration the following criteria:

- Technical and operational useful life of the item(s).
- Likelihood of continued use beyond the lease term.
- Budgeting issues.
- Financing terms (term, cost of borrowing).
- Type of lease (Operating vs. Capital) and its Financial Statement impact

Types of Leases:

I. Operating or Fair Market Value Leases:

An Operating/Fair Market Value Lease is essentially a long term rental of equipment and/or payment for the use of equipment over a specified term. At the end of the lease term, the equipment must be either returned to the lessor or purchased for the current fair market value (FMV).

II. Finance or Capital Leases:

In a Finance/Capital Lease, the payments are structured like a regular loan (with interest) under which the school or department owns the leased item at the end of the lease term for a nominal cost (generally a value of \$1.00).

What Capital/Goods are covered by the Leasing Policy?

The types of capital equipment that are covered by this policy are typically (but are not limited to) the following:

- IT hardware
- Medical equipment
- Laboratory equipment
- Vehicles

General Guidelines

Schools and departments can request leasing of capital equipment and installed software only. Software may only be leased under a Finance/Capital Lease. Extended warranties and service contracts are not included in leases. Leases require a Central PO and must have available funds budgeted and guaranteed for the full term of the lease. Leases require receipt and acceptance. All equipment leased on the same schedule must be located in the same address and must be delivered and installed at the same time. This is necessary to avoid lengthy delays in finalizing the lease, increased financing charges such as interim rents, and delays in payments to the equipment vendors.

Lease terms are based on equipment cost and useful operational life. A lease term may not exceed the useful operational life of the equipment.

Lease Documentation and Signing Authority

Leases require extensive documentation and review in addition to approved requisitions and PO's in order to implement. The following documents are typical of leasing documentation: Lease Proposal (Lease Financing Quote or Offer), Master Lease Agreement (MLA), Lease Schedule, Delivery & Acceptance Form and Third Party Assignment.

Leasing Process

Procurement Services is responsible for managing the capital leasing process at the University.

With the exception of copiers, printers, scanners and postage meter leases, all other leases are processed, executed, managed and paid centrally through Procurement Services. Payments are administered centrally to ensure timely payments, avoidance of late fee finance charges and the mitigation of the risk of default by the University. Payments are scheduled once a Purchase Order has been established, lease documents have been properly executed, equipment has been inspected, received and satisfactorily installed, (when applicable). Payments are subject to the execution of a Payment Authorization Schedule providing authorization to Procurement Services by the department to schedule payments to the lessor. This document must be signed by the respective authorized officers at the school or department with the appropriate security profile (DAF) covering the total cumulative value of the lease payments.

Lease documents received by departments must be forwarded to Purchasing for review and execution. The University only enters into lease agreements with lessors approved by Purchasing. Approved lessors are those with whom a Master Lease Agreement (MLA) has been negotiated and executed by the Vice President of Procurement Services.

For detailed instructions on how to initiate and process a lease requisition and commence a lease, please follow see the [Purchasing web site](#).

Responsibilities

Department/School

It is the responsibility of the appropriate staff in a department or school to:

- Consult with Purchasing Services to obtain information necessary to evaluate and compare leasing and buying options
- Conduct bids for the purchase price of goods
- Justify equipment acquisition method if the decision is not the most economical one for the University
- Request and receive all necessary approvals (prior, internal and budgetary)
- Adhere to the University's purchasing policy
- Ensure that an authorized Lease Agreement and Central Purchase Order is obtained prior to delivery of the equipment
- Notify Purchasing once the equipment has been delivered, installed and is working properly. It is the department's responsibility to work with the vendor to ensure that the equipment is delivered and installed in good order.

Note: If the source of funding for equipment is to be from sponsored project funds and the proposal budget indicates that the equipment is to be leased rather than purchased, the department and the Principal Investigator must document the leasing requirement and guarantee availability of funding for the term of the lease.

Purchasing Department – It is the responsibility of the central Purchasing Department in Procurement Services to:

- Work with the department/school to clarify equipment cost, terms, conditions and any other requirements;
- Upon request from a school or department, provide financial guidance as to whether the goods should be leased or purchased;
- Work with departments to resolve any requests for leases that deviate from the guidelines contained in this policy statement;
- Solicit lease bids from approved financing institutions to obtain the most favorable rates and terms based on the requirements of the underlying acquisition;
- Provide the best lease financing option to department/school

Contacts

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Cross Reference to Related Policies:

[Procurement Mechanism Policy](#)

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