

**COLORADO STATE UNIVERSITY**  
**Financial Procedure Instructions**  
**FPI 4-9**

1. **Procedure Title:** CSURF Equipment Leasing Program
2. **Procedure Purpose and Effect:** To establish the procedures for the acquisition of equipment by Colorado State University (CSU) through the Colorado State University Research Foundation (CSURF), as approved by the State Board of Agriculture (now the Board of Governors of the Colorado State University System) at its May 1995 meeting and last modified in 2011. The CSURF lease/purchase program is designed to meet the needs of all Institutions of the Colorado State University System to acquire scientific, administrative support, and research equipment to further their research and educational efforts.
3. **Application of Procedure:** This procedure applies to all equipment acquired through a CSURF lease/purchase arrangement. This program replaces any previous lease/purchase programs between CSURF and Colorado State University. The Vice President for Research is responsible for the overall management of CSU's participation in the CSURF lease/purchase program, for obtaining any necessary Board of Governors approvals, and for assuring that CSU conforms to these policies and procedures.
4. **Exemptions:** NA
5. **Definitions:**
  - A. **Acquiring Department** – the academic or administrative department or division of Colorado State University that acquires equipment through the CSURF Lease/Purchase Program.
  - B. **CSU** - Colorado State University.
  - C. **CSURF** - Colorado State University Research Foundation.
  - D. **CSURF Equipment Leasing Program** – the arrangement between CSU and CSURF to facilitate the acquisition of scientific, administrative support, and research equipment for the benefit of CSU pursuant to lease purchase arrangements. The CSURF Equipment Leasing Program (“Program”) consists of two options: the “Municipal Lease” and the “CSURF Line of Credit Lease” as more fully described below.
6. **Procedure Statement:**
  - A. **Lease/Purchase Options Available:** departments may acquire equipment through the two lease/purchase options defined below. The applicable arrangement depends on the dollar amount of the equipment to be purchased. Normally, purchases may not be artificially subdivided to qualify for a Line of Credit Lease. The two options are:
    1. **Municipal Lease** - the Municipal Lease is used to acquire equipment valued at more than \$50,000. CSURF administers the transaction, but is not a party to it. This year-to-year, cancelable lease agreement is between the Acquiring Department/CSU as the lessee and a bank, leasing company, or underwriter as lessor. The lessor is chosen by CSURF in

cooperation with the CSU Procurement Services Department through a competitive solicitation process. The lease Agreement is signed between CSU and the lessor, and upon full payment of the lease, title to the equipment passes to CSU.

The interest rate on a Municipal Lease is set by the lessor, is reflective of market conditions (usually around 80% of the prime lending rate) and is fixed for the life of the lease. Under a Municipal Lease, the Acquiring Department makes clearly defined payments of principal and interest. A Municipal Lease transaction may permit the lessor to treat the interest portion of the lease payments as tax exempt income.

The Municipal Lease term is on a fiscal year-to-year basis with renewal options to assure CSU's liability is limited to the present fiscal year if the lease should be canceled by CSU. Cancellation is permitted only in special circumstances involving lack of appropriated funds as specifically set forth in the Municipal Lease document. No Acquiring Department has the authority to unilaterally cancel a Municipal Lease. The Vice President for Research must be consulted regarding any proposed cancellation.

CSURF's up-front administrative fee for a Municipal Lease is based on the amount financed and is payable upon signing of the lease. The fee rates shall be:

Principal Amount Financed	Fee Charged
\$ 50,001 to \$75,000	3.0%
\$ 75,001 to \$100,000	2.5%
\$100,001 to \$150,000	2.0%
\$150,001 and Over	1.5%

- a) An Acquiring Department completes the applicable Request Form. Acquisitions require a fully completed Request Form signed by the department head, dean/director and vice president. The Acquiring Department submits the Request Form to CSURF for additional signature approvals and processing. The Request Form is then submitted by CSURF to the Office of the Vice President for Research and the Vice President for University Operations for approval.
- b) CSURF will consult with the CSU Purchasing department for selection of vendors for both the equipment and the financing arrangements.
- c) While the equipment is on order, CSURF will coordinate preparation of the lease documents with all necessary parties. The lease will be signed as soon as practical. Some leases are funded into Escrow when the acquisition period is lengthy (more than 3 months).
- d) Once the lease agreement is signed, CSU will become the lessee and cooperating financial institution will be the lessor. The lessor will reimburse the equipment vendor for the cost of the items acquired. Title to the equipment will remain with the lessor until full payment of the lease.
- e) CSU records the item as a leased capital asset in the Investment in Plant Fund. An offsetting Capital Lease Payable will also be recorded.
- f) Payments are the responsibility of the Acquiring Department. A payment will be initiated by CSURF's issuance of a request for a fund transfer into a revolving fund. The check will be generated to the cooperating financial institution from the revolving fund via a Disbursement Voucher. The check will be sent to CSURF for transmittal to the cooperating financial institution.

- 2. CSURF Line of Credit Lease** - the CSURF Line of Credit (LOC) Lease is used to acquire equipment valued up to \$50,000. The lease is funded through CSURF's \$1,000,000 line of credit at a local bank. This \$1,000,000 is available for leases to all institutions of the Colorado State University System. The allocation of available funds among the system schools, if necessary, will be agreed upon by CSURF and representatives of the System Institutions.
- a) A year-to year, cancelable lease agreement is executed between CSU and CSURF. CSURF assigns its interest in the item to the bank as collateral. Upon receipt of all lease payments, the lease agreement is terminated and CSURF passes title to CSU.
  - b) CSU pays the prevailing interest rate, negotiated annually, on the outstanding balance. CSURF assesses an administrative fee equal to 4 percent of the total amount borrowed, but not less than a minimum fee of \$800. The fee is payable to CSURF upon signing of the lease.
  - c) An Acquiring Department completes the applicable Request Form available from CSURF. Acquisitions require a fully completed request form signed by the department head, dean/director, and vice president. The Acquiring Department submits the form to CSURF for additional approval signatures and processing. The Request Form is then submitted by CSURF to the Office of the Vice President for Research and the Vice President for University Operations for approval.
  - d) CSURF will consult with the CSU Purchasing Department for selection of a vendor for the equipment.
  - e) While the equipment is on order, CSURF will coordinate preparation of the lease documents with all necessary parties. The lease will be signed as soon as practical.
  - f) Once the lease agreement is signed, CSU will become the lessee and CSURF will be the lessor. The lessor will reimburse the equipment vendor for the cost of the items acquired. Title to the equipment will remain with the lessor and assigned to the bank, until the lease has been paid in full.
  - g) CSU records the item as a leased capital asset in the Investment in Plant Fund. An offsetting Capital Lease Payable will also be recorded.
  - h) Payments will be the responsibility of the Acquiring Department. Payment will be initiated quarterly by CSURF's issuance of a request for a fund transfer into a revolving fund. A check will be generated to CSURF from the revolving fund via a Disbursement Voucher.

**B. Internal Approval Required:**

1. Equipment that is to be acquired using the Municipal Lease option must be approved by the appropriate department head, dean/director, vice president, Vice President for Research and the Vice President for University Operations.

The Vice President for Research, as the designated and authorized representative of CSU pursuant to a Resolution of the Board of Governors, shall, in connection with the approval of any proposed acquisition of equipment under a Municipal Lease arrangement, declare CSU's official intent to reimburse itself for all expenditures made by CSU in connection with the acquisition of such equipment from the proceeds of a tax-exempt lease/purchase transaction which may be completed after such expenditures are made. This declaration shall be made no later than 60 days after payment of the earliest expenditure.

Acquisitions under the Municipal Leasing arrangement will be subject to CSU's ability to accommodate the additional debt that will result from the acquisition. CSU's overall debt capacity for the program is based on an annual debt service not to exceed \$2.5 million. The maximum annual debt service can be adjusted by approval of the Cabinet Budget Committee.

2. Equipment that is to be acquired using the CSURF Line of Credit Lease must be approved by the appropriate department head, dean/director, and vice president.

**C. Acquisition of and Title to Equipment**

Items acquired under the program, including Municipal Leases and CSURF Line of Credit Leases, will be purchased by CSURF in cooperation with the CSU Purchasing Department. Under the Municipal Lease program, acquisition is undertaken by CSURF as the agent of the lessor. All purchasing documents issued in connection with the acquisition or financing of such equipment shall reflect that the equipment to be acquired shall at all times be owned by and titled in the name of the lessor subject to CSU's beneficial interest under a lease/purchase agreement.

- D. Reporting Requirements:** All outstanding lease/purchase agreements must be reported annually by the Colorado State System institutions to CSU's external auditor. CSURF will collate such information and provide it to Business and Financial Services for its use in providing the annual report. The Board of Governors requires a quarterly activity report. This report is compiled and distributed by CSURF.

**7. Reference and Cross-References:**

Colorado State University Research Foundation websites:

<http://csurf.org/corporate-services/lease-purchaseprograms/>

<http://csurf.org/corporate-services/lease-application-loc-csu/>

<http://csurf.org/corporate-services/municipal-lease-app-csu/>

**8. Forms and Tools:**

CSURF Credit Line Lease: <http://csurf.org/corporate-services/lease-application-loc-csu/>

CSUS Municipal Lease: <http://csurf.org/corporate-services/municipal-lease-app-csu/>