

Financial Policy & Procedure Instructions Manual
FPI I-2 CSURF Lease Program

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- I. **GENERAL**
 - A. **Purpose**

To establish the policies and procedures for the acquisition of equipment by Colorado State University through the Colorado State University Research Foundation (CSURF), as approved by the State Board of Agriculture at its May 1995 meeting. The CSURF lease/purchase program is designed to meet the needs of Colorado State University System faculty and staff to acquire scientific, administrative support, and research equipment to further their research and educational efforts.
 - B. **Applicability**

These instructions apply to all equipment acquired through a CSURF lease/purchase arrangement. This program replaces any previous lease/purchase programs between CSURF and Colorado State University (formerly described in FPI 25, Section II).
 - C. **Management**

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 State Board of Agriculture approvals, and for assuring that CSU conforms to these policies and procedures.
- II. **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 Lease/Purchase Program**

The arrangements 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 Lease/Purchase

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Program ("Program") consists of two specific arrangements: the "Municipal Lease" and the "CSURF Line of Credit Lease" as more fully described below.

III. POLICY

A. Lease/Purchase Arrangements Available

Departments may acquire equipment through the two lease/purchase arrangements 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 arrangements are:

1. Municipal Lease

The Municipal Lease arrangement 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 Purchasing Department. The lease agreement is signed between CSU and the lessor, and upon full payment of the lease, title passes to CSU.

The interest rate of a Municipal Lease is set by the lessor and is reflective of market conditions (usually around the prime lending rate). The interest rate is fixed for the life of the lease. In the Municipal Lease arrangement, 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. However, 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 of Lease	Amt. 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%

2. CSURF Line of Credit Lease

The CSURF Line of Credit Lease is used to acquire equipment valued at \$50,000 or less. This particular 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

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allocation of available funds among the System schools, if necessary, will be agreed upon by CSURF and representatives of the System Institutions.

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.

CSU pays the prevailing interest rate, negotiated annually, on the outstanding balance. In addition, 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.

B. Internal Approvals Required

1. Equipment that is to be acquired using a Municipal Leasing arrangement must be approved by the appropriate department head, dean/director, vice president, and the Executive Budget Committee.

The Vice President for Research, as the designated and authorized representative of CSU pursuant to a Resolution of the State Board of Agriculture, 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 million.

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

C. External Approvals Required

1. Municipal Lease

a. CCHE Approval

Purchases of instructional or scientific equipment costing more than \$500,000 require approval by the Colorado Commission for Higher Education (CCHE), regardless of the source of funds. Equipment costing less than \$500,000 may be eligible for an exemption from CCHE program planning requirements, while equipment costing more than \$500,000 may require a program plan for CCHE approval.

b. Legislative Approval

No legislative approval is required for purchases of instructional or scientific equipment costing less than \$250,000, except for purchases by the experiment station, extension service, or state forest service. The 1995-96 Colorado general appropriation act (SB 95-214, or the "long bill") requires that lease purchases

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made by the experiment station, extension service, or state forest service must be specifically appropriated by the legislature. Therefore, to the extent required by the long bill each year, acquisition of instruction or scientific equipment costing more than \$250,000 must be specifically appropriated by the legislature. An exception is made for such purchases that are funded solely from auxiliary enterprise funds or student fees and do not involve "significant ongoing expenditures" of appropriated funds (defined by CCHE as more than \$50,000 per year).

2. **Line of Credit Lease**

Equipment acquired under a CSURF Line of Credit Lease does not require any external approvals.

D. **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.

IV. **PROCEDURES**

A. **Municipal Lease Arrangement**

1. An Acquiring Department completes the applicable Request Form (Attachment 1) available from CSURF. Acquisitions require a fully completed Request Form signed by the department head, dean/director, and vice president. The Request Form is then submitted to the Office of Budgets and Institutional Analysis for Executive Budget Committee approval.
2. The Office of Budgets and Institutional Analysis routes approved Request Forms to CSURF for additional approval and processing. For acquisitions that require CCHE or legislative approval/exemption, CSURF will obtain the necessary information from the Acquiring Department using the CSUS/Municipal Leasing Program form (Attachment 2).
3. CSURF will consult with the CSU Purchasing Department for selection of vendors for both the equipment and the financing arrangements. Specific language for insertion into all purchasing documents is shown in Attachment 4.
4. 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.
5. Once the lease agreement is signed, CSU will become the lessee and the 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.
6. CSU records the item as a leased capital asset in the Investment in Plant Fund (77/78 Fund). An offsetting Capital Lease Payable will also be recorded.
7. Payments will be the responsibility of the Acquiring Department. Payment will be initiated by CSURF's issuance of a request for a fund transfer via journal entry into a revolving fund (21 fund). The check will be generated to the cooperating financial institution from the revolving fund via a DPO. The check will be sent to CSURF for transmittal to the cooperating financial institution.

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- B. **CSURF Line of Credit Lease Arrangement**
1. An Acquiring Department completes the applicable Request Form (Attachment 3) available from CSURF. Acquisitions require a fully completed request form signed by the department head, dean/director, and vice president.
 2. The Acquiring Department submits the form to CSURF for additional approval signatures and processing.
 3. CSURF will consult with the CSU Purchasing Department for selection of a vendor for the equipment. Specific language for insertion into all purchasing documents is shown in Attachment 4.
 4. 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.
 5. 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 until full payment of the lease.
 6. CSU records the item as a leased capital asset in the Investment in Plant Fund (77/78 Fund). An offsetting Capital Lease Payable will also be recorded.
 7. 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 via journal entry into a revolving fund (21 fund). The check will be generated to CSURF from the revolving fund via a DPO.
- C. **Reporting Requirements**
- All outstanding lease/purchase agreements must be reported annually by the Colorado State System institutions to the State Auditor. CSURF will collate such information and provide it to Business and Financial Services for its use in providing the annual report.

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Attachment 1

CSUS/MUNICIPAL LEASING PROGRAM
LEASE/PURCHASE REQUEST FORM

Page 1
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Please type or Print

CSUS/MUNICIPAL LEASING PROGRAM
LEASE/PURCHASE REQUEST FORM
COLORADO STATE UNIVERSITY

I. Department: _____

Contact Person and Phone: _____

II. Equipment Description (general): _____

<u>Specific Description</u>	<u>Unit Cost</u>	<u>Quantity</u>	<u>Total</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Since leases normally result in higher overall cost, please explain why this equipment cannot be purchased directly?:

Proposed Use of Equipment: _____

Proposed Address of Equipment: _____

Expected Delivery Date(s): _____

*Useful Life of Equipment: _____
(determined by Vice President for Research and Information Technology, Colorado State University)

(Must exceed term of Lease)

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Equipment Leasing Program
Lease/Purchase Request Form

III.	Equipment Cost _____	Down Payment _____	Net Funds _____
_____ (Estimated Figures)			

Estimated Annual Payment Amount: _____

Source of Repayment: _____

_____ (Account Number(s) and amount (per account) to be used for funding this lease)

If identified funding becomes unavailable, what alternative funding will be used?

Describe the financial impact the lease payments will have on your operations, if any:

Requested Repayment

Frequency: Semi-Annual _____

Length of Lease: _____ (1-5 years, 5 years maximum, based upon equipment)

IV. Approval Signatures

Date

Request Originator: _____

Department Head: _____

The addition of this lease payment to the total financial obligations of the college can be accommodated within the projected resources of the college.

Dean: _____

Vice President: _____

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Equipment Leasing Program
Lease/Purchase Request Form

CSURF Use Only:

IF APPLICABLE

Contract and Grant Approval: _____

Contract Administrator

Computer Purchase Approval: _____

Director of CSU Computer Center

Lease Officer: _____

Vice President for

Administrative Services: _____

Equipment acquisition, leasing and financing through CSURF on terms negotiated by me and reflected above, approved by the undersigned. The undersigned, as the designated and authorized representative of the University pursuant to a Resolution of the State Board of Agriculture, hereby declares the University's official intent to reimburse itself for all expenditures made by the University 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.

Vice President for Research and Information Technology, Colorado State University

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Page 4
Equipment Leasing Program
Lease/Purchase Request Form

Administrative Fee Policy

Should the lease application be cancelled prior to funding, CSURF reserves the right to collect a minimum fee of \$75.00.

Equipment acquired through this lease/purchase agreement is to be for the sole benefit of Colorado State University and is to be maintained by CSU.

The financial terms for lease/purchase agreements are determined by the type of equipment.

Direct all questions and return this form to:

Julie H. Birdsall
Chief Financial Officer &
Corporate

Secretary/Treasurer

CSURF
Room 410, USC Building
Phone: 482-2916

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Attachment 2

CSUS/MUNICIPAL LEASING PROGRAM

LEASE NO. _____

The information listed below is required so that CCHE approval/exemption can be obtained for the equipment being purchased under the CSUS/Municipal Lease Application submitted to CSURF.

INSTITUTION: _____

DATE: _____

APPLICANT: _____

PHONE: _____

CONTACT: _____

DESCRIPTION OF EQUIPMENT: _____

PROGRAMMATIC PURPOSE/JUSTIFICATION: _____

ANNUAL OPERATING COSTS ASSOCIATED WITH THIS EQUIPMENT: \$ _____

TOTAL ESTIMATED COST OF EQUIPMENT: \$ _____

TOTAL ESTIMATED COST OF REPAYMENT: ANNUAL \$ _____ TOTAL \$ _____

SOURCE OF FUNDS FOR REPAYMENT:

NEW EQUIPMENT: YES ___ NO ___

REPLACE EXISTING EQUIPMENT: YES ___ NO ___

EQUIPMENT LOCATION: _____

RENOVATION REQUIRED TO FACILITIES EQUIPMENT? YES ___ NO ___

IF YES, DESCRIBE: _____

Return completed form by: _____

to: Julie H. Birdsall
CSURF
P.O. Box 483
Fort Collins, CO 80522

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Attachment 3

Page 1
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Please type or Print

CSUS/CSURF EQUIPMENT LINE OF CREDIT LEASING PROGRAM
LEASE/PURCHASE REQUEST FORM
COLORADO STATE UNIVERSITY

I. Department: _____

Contact Person and Phone: _____

II. Equipment Description (general): _____

<u>Specific Description</u>	<u>Unit Cost</u>	<u>Quantity</u>	<u>Total</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Since leases normally result in higher overall cost, please explain why this equipment cannot be purchased directly?:

Proposed Use of Equipment: _____

Proposed Address of Equipment: _____

Expected Delivery Date(s): _____

*Useful Life of Equipment: _____
(determined by Vice President for Research & Information Technology, Colorado State University)

(Must exceed term of Lease)

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III.	Equipment Cost _____	Down Payment _____	Net Funds _____
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(Estimated Figures)

Estimated Annual Payment Amount: _____

Source of Repayment: _____

(Account Number(s) and amount (per account) to be used for funding this lease)

If identified funding becomes unavailable, what alternative funding will be used?:

Describe the financial impact the lease payments will have on your operations, if any:

Requested Repayment

Frequency: Quarterly _____

Length of Lease: _____ (1-5 years, 5 years maximum, based upon
equipment)

IV. Approval Signatures

Date

Request Originator: _____

Department Head: _____

The addition of this lease payment to the total financial obligations of the college can be
accommodated within the projected resources of the college.

Dean: _____

Vice President: _____

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CSURF Use Only:

Lease Officer: _____

Vice President for

Administrative Services: _____

Equipment acquisition, leasing and financing through CSURF line of credit, on terms negotiated by me and reflected above, approved by:

Vice President for Research and Information Technology at Colorado State University

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Lease/Purchase Request Form

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Equipment acquired through this lease/purchase agreement is to be for the sole benefit of Colorado State University and is to be maintained by CSU.

The financial terms for lease/purchase agreements are determined by the type of equipment.

Direct all questions and return this form to:

Julie H. Birdsall
Chief Financial Officer &
Corporate Secretary/Treasurer
CSURF
Room 410, USC Building
Phone: 482-2916

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Attachment 4

Language Required for Purchasing Documents

Draft language for insertion into IFB or RFP for acquisition of equipment to be financed under a CSURF leasing program (CSURF line of credit or municipal lease).

This [IFB or RFP] is issued by the Purchasing Department of Colorado State University for the acquisition of capital equipment for the use and benefit of Colorado State University that is to be financed through a lease-purchase transaction with a third-party lessor. Any bid or proposal provided in response to this [IFB or RFP] may be accepted by the issuance of a purchase order by the Colorado State University Research Foundation on behalf of itself or another third-party lessor who shall acquire and at all times own legal title to the equipment purchased hereunder, subject to the beneficial interest of Colorado State University under a lease-purchase agreement.

Draft language for insertion into PURCHASE ORDER for acquisition of equipment to be financed under a CSURF leasing program (CSURF line of credit or municipal lease).

This purchase order is issued by the Colorado State University Research Foundation (CSURF) for the acquisition of capital equipment for the use and benefit of Colorado State University that is to be financed through a lease-purchase transaction with [CSURF or a third party] as the lessor under a lease-purchase transaction. Legal title to the equipment acquired hereunder shall, upon shipment, vest in the lessor, subject to the beneficial interest of Colorado State University under a lease-purchase agreement.