

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

1. **Procedure Title:** CSURF Equipment Leasing Program
2. **Procedure Purpose and Effect:** Procedures for any department or organization within the University regarding acquisition of equipment using the Colorado State University Research Foundation (CSURF) lease/purchase program. The CSURF lease/purchase program was developed to meet the needs of all institutions of the Colorado State University System to acquire certain scientific, administrative support, research equipment, and pay for it over a period of years.
3. **Application of Procedure:** This procedure applies to equipment acquired through a CSURF lease/purchase arrangement. The equipment-leasing program is administered by CSURF in cooperation with the Vice President for Finance and Administration, who is responsible for the overall management of CSU-Pueblo's participation in the CSURF lease/purchase program, for obtaining any necessary Board of Governors' approvals, and for assuring that CSU-Pueblo conforms to these policies and procedures.
4. **Exemptions:** Any exemptions to this procedure require approval by the Purchasing Department, CSURF, and Business Financial Services.
5. **Definitions:**
 - A. **Acquiring Department:** The academic or administrative department or division of Colorado State University-Pueblo that acquires equipment.
 - B. **Capital Lease:** The act of acquiring assets by making periodic payments, which generally consist of principal and interest. A capital lease transfers substantially all of the benefits and risk inherent in ownership of the equipment to the lessee. At the end of the payment period, the lessee will obtain title to the asset, yet was able to use the asset and spread the payments out over time easing the financial burden of making a large acquisition.
 - C. **Colorado State University Research Foundation (CSURF):** Technology Transfer Office responsible to protect and manage the intellectual property resulting from research at Colorado State University-Pueblo including negotiating contracts with commercial partners.
 - D. **Colorado State University Research Foundation (CSURF) Equipment Leasing Program:** The arrangement between CSU-Pueblo and CSURF to facilitate the acquisition of scientific, administrative support, and research equipment for the benefit of CSU-Pueblo 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."
 - E. **Colorado State University Research Foundation (CSURF) Line of Credit Lease (LOC):** Used to acquire equipment valued up to \$50,000.
 - F. **Colorado State University Research Foundation (CSURF) Municipal Lease:** Used to acquire equipment valued \$50,000 or higher.

G. Lease: Grant or rights by a lessor to a lessee to possess and use real or personal property for a stated time-period in exchange for rent or other consideration.

H. Lease Agreement: A contractual agreement conveying the right to use property, plant, or equipment usually for a stated time-period. A lease agreement involves at least two parties, a lessor and a lessee. The lessor agrees to allow the lessee to use the item for a specified time-period in return for periodic payments. There are two types of lease agreements available: an operating lease and a capital lease.

I. Operating Lease: Includes a lessor (vendor) who collects rent, and a lessee (the University) who uses the leased equipment or property and pays periodic rent for such use. The lessee merely uses the equipment and/or property and there is no transfer of ownership or any risk of benefit of ownership. An Operating Lease is for a period longer than 12 months.

6. Procedure Statement: All leases must adhere to the requirements outlined by the Purchasing Department. The department will need to contact CSURF for instructions on using lease agreements to acquire equipment and property. CSURF will collate the lease contract information and provide it to the Business Financial Services (BFS) lease accountant for classification as either an operating lease or a capital lease. BFS will determine the appropriate financial reporting of the lease.

A. Lease/Purchase Program: Departments may acquire equipment through two CSURF capital lease options: the CSURF Line of Credit Lease (LOC) and the CSURF Municipal Lease. The type of lease used depends on the dollar amount of the requested lease/purchase. The CSURF Line of Credit Lease is designed for equipment purchases of \$50,000 or less which can be financed for a term of up to 5 years. The Municipal Lease is for equipment purchases of more than \$50,000 and can be financed for a longer term of up to 10 years. Purchases may not be artificially subdivided to qualify for a Line of Credit Lease.

1. CSURF Line of Credit Lease (\$50,000 or less): The CSURF Line of Credit (LOC) 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 year-to-year, cancelable lease agreement is executed between the acquiring department (CSU-Pueblo) and CSURF. CSU-Pueblo will become the lessee and CSURF will become 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 as collateral, until the lease has been paid in full.

The interest rate on a CSURF Line of Credit is negotiated annually and CSU-Pueblo pays the prevailing interest rate on the outstanding balance.

CSURF assesses an administrative fee for a CSURF Line of Credit Lease. The fee is equal to 4 percent of the total amount borrowed, but not less than a minimum fee of \$800, and is payable to CSURF upon signing of the lease.

a. 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.

b. Upon obtaining signatures, the acquiring department submits the request form to CSURF for additional approval signatures and processing.

- c. CSURF will submit the request form to the Office of the Vice President for Finance and Administration for approval.
- d. CSURF will coordinate preparation of the lease documents with all necessary parties, including sending a copy of the lease to the Lease Accountant in Business and Financial Services.
- e. CSURF will consult with the CSU-Pueblo Purchasing department for selection of a vendor for the equipment.
- f. The lease accountant records the item as a leased capital asset in the Investment-in-Plant Fund and will create the asset. An offsetting Capital Lease Payable will also be recorded.
- g. 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.
- h. Upon receipt of all lease payments, the lease agreement is terminated and CSURF passes title to CSU-Pueblo.

2. Municipal Lease (Over \$50,000): CSURF administers the transaction but is not a party to it. The Municipal Lease term is on a fiscal year-to-year basis with renewal options to assure CSU-Pueblo's liability is limited to the present fiscal year if the lease should be canceled by CSU-Pueblo.

This year-to-year cancelable lease agreement is executed between the acquiring department (CSU-Pueblo) and a bank, leasing company, or underwriter. CSU-Pueblo will become the lessee and the cooperating financial institution will become 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 the lease has been paid in full.

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 authority to cancel a Municipal Lease unilaterally. The Vice President for University Operations and the Vice President of Research must be consulted regarding any proposed cancellation.

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.

CSURF's up-front administrative fee for a Municipal Lease is based on the amount financed and is payable to CSURF 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 obtains the applicable request form available from CSURF. Acquisitions require a fully completed request form signed by the department head, dean/director, and Vice President.
- b. Upon obtaining signatures, the department submits the request form to CSURF for additional approval signatures and processing.
- c. CSURF will submit the request form to the Director of Business Financial Services for review.
- d. After review, the form is forwarded to the Office of the Vice President for Finance and Administration for approval. Some leases are funded into Escrow when the acquisition period is lengthy (more than 3 months).

- e. CSURF will coordinate preparation of the lease documents with all necessary parties, including sending a copy of the lease to the Business and Financial Services' lease accountant.
- f. CSURF will consult with the CSU-Pueblo Purchasing department for selection of vendors for both the equipment and the financing arrangements. The lessor is chosen by CSURF in cooperation with the CSU-Pueblo Purchasing department through a competitive solicitation process.
- g. The lease accountant records the item as a leased capital asset in the Investment in Plant Fund and will create the asset. An offsetting Capital Lease Payable will also be recorded.
- h. Payments are the responsibility of the Acquiring Department. Payment will be initiated by CSURF's issuance of a request for a fund transfer into a revolving fund. A 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.
- i. Upon receipt of all lease payments, the lease agreement is terminated and the lessor passes title to CSU-Pueblo.

B. Internal Approval Required: The Vice President for Finance and Administration, as the designated and authorized representative of CSU-Pueblo 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-Pueblo's official intent to reimburse itself for all expenditures made by CSU-Pueblo 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-Pueblo's ability to accommodate the additional debt that will result from the acquisition.

1. The appropriate department head, dean/director, and Vice President must approve equipment that is to be acquired using the CSURF Line of Credit Lease.
2. The appropriate department head, dean/director, Vice President, Vice President for research and the Vice President for University operations, must approve equipment that is to be acquired using the Municipal Lease option.

C. Acquisition of and Title to Equipment: Items acquired under the program, including CSURF Line of Credit Leases and Municipal Leases, will be purchased by CSURF in cooperation with the CSU-Pueblo 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-Pueblo's beneficial interest under a lease/purchase agreement.

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

Colorado State University Research Foundation website: <http://csurf.org/>

8. **Forms and Tools:**

CSURF Credit Line Lease Request Form:

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

CSUS Municipal Lease Request Form:

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