

PART 6

PERSONAL PROPERTY SPECIAL ACQUISITIONS

Part 6 describes factors to be considered and requirements to be met in acquisitions or leases of personal property by the University by straight lease, lease with purchase option, conditional sales contract, and external financial loan.

I. GOVERNING REQUIREMENTS

- A. Availability of Funds - Personal property shall be acquired only when there is an established fund source or Regental approval has been secured. When funds are available for only a limited time, such as State funds appropriated on an annual basis, contracts for acquisitions shall provide for cancellation and return of property should funds not continue to be available. In no case shall the general credit of The Regents be pledged as security.
- B. Financial Feasibility - A determination shall be made in each case that it is financially feasible to acquire the personal property required by any method defined herein, giving consideration to:
 - 1. Proposed resources, or anticipated to become available, necessary to meet all estimated annual debt service, including other outstanding leases or loans.
 - 2. Existing debts, if any, presently being repaid from the above resources, and any past failures to meet net revenue a available assessments or other debt repayment schedules on time. Such determination shall include evidence that the method of financing selected represents the most reasonable means, among those available, of acquiring the particular personal property.
- C. Contract Period - Acquisition of personal property by any method defined herein should provide for a contract period that is equal to, or less than, the Useful Life indicated in the University Useful Life Schedule available from campus Equipment Management units or the office of the Director--Materiel Management.
- D. Treasurer's Office
 - 1. Negotiation of any lease line or general financing arrangements with banks or their subsidiaries or affiliates shall be the responsibility of the Treasurer.

2. The Treasurer shall approve, prior to award, the rate or interest factor in conditional sales contracts, straight leases, or leases with purchase options in order to ensure that external financings are properly monitored and controlled and that external financing is obtained at reasonable interest cost.
- E. Policy Compliance - Contracts for acquiring personal property by any method defined herein shall be entered into only when, pursuant to University policy, requirements for competition have been met, any negotiations have been conducted according to established guidelines, rates or prices to be paid are determined by the Materiel Manager or designee to be reasonable in the particular circumstances, and approval as to form has been secured as necessary.
- F. Universitywide Acquisitions - When an office of Universitywide Administration initiates an acquisition of the type defined herein, the procedures established by the campus at which the particular program is headquartered shall be followed. If the procedures established by the campus indicate that such acquisition must be approved by the Chancellor, then the President, for his staff, or members of the President's Cabinet, for their respective staffs, must approve the acquisition.

II. APPROVALS

A. Regents

1. Loan proposals for financing acquisitions by external debt require Regental approval for negotiation by the Treasurer prior to execution. Each loan request shall be supported by a Financial Feasibility Proposal prepared in accordance with current policies, see Business and Finance Bulletin BUS 55, Determination of Financial Feasibility of Projects Requiring Loan Financing.
2. Approval by The Regents is required for the negotiation by the Treasurer of a lease line of credit.

B. Office of the Treasurer

1. Prior written approval of the Treasurer shall be obtained on the interest rate or factor in any acquisition or lease of personal property whether from a bank, other financial institution, leasing company, or supplier when such transactions exceed \$50,000. Requests should be in writing using the format provided in Exhibit D and include the following information:

Campus/Laboratory (with appropriate contact person);
Type of equipment;

Original cost of equipment;
Interest rate or factor;
Term of financing;
Financing source and date of its proposal;
Alternate financing source(s)/rate;
Acquisition will/will not be classified as a capital lease as
determined by the Campus Accounting Officer.

The Office of the Treasurer shall forward to the Corporate Accounting Office a copy for its approval of any acquisition of personal property by means of a straight lease, lease with purchase option, or conditional sales contract which exceeds \$1,000,000.

III. DECLARATION

Whenever the University intends to make an expenditure of capital funds and repay the expenditure at a later date by entering into a lease-purchase agreement, it must execute and file a "Declaration of Official Intent of the Regents of the University of California to Reimburse Certain Expenditures from proceeds of Taxable or Tax-Exempt Indebtedness."

If a campus anticipates that an expenditure of capital funds will later be converted to a lease-purchase arrangement, the procedures outlined in the Delegation of Authority-Declaration of Intent to Reimburse Capital Expenditures from Proceeds of Indebtedness (DA 2055), as shown in Exhibit D, must be followed.

IV. REPORTS

Campuses and Laboratories are to report all equipment acquisition arrangements that are bank financed, leased, or covered by Conditional Sales Contracts for inclusion in the University's Financial Position Report in accordance with instructions provided by the University Controller.