



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 72.07, **Lease Purchase of Equipment and Other Commodities**

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to establish the procedures to be followed when lease purchasing equipment and other commodities.

REVIEW: This HSC OP will be reviewed on January 15 of each odd-numbered year (ONY) by the Managing Director of Procurement Services, with recommendations for revisions forwarded through administrative channels to the Executive Vice President of Finance and Operations.

POLICY/PROCEDURE:

1. **Policy.** This policy will apply when lease purchasing all types of equipment and commodities regardless of the source of funds.
2. **Procedure.**
 - a. All requests for lease purchase must be submitted to Purchasing on a [TechBuy](#) Requisition using the Non-Catalog Form, which can be accessed on the [TechBuy Home Page](#).
 - b. A "proposed lease purchase arrangement" for purposes of this operating procedure shall mean a proposed arrangement whereby the requisitioning department intends to obtain title to equipment whether by installment purchase or by lease with option to purchase and where the pay-off period extends beyond an existing appropriation period such as the current fiscal year.
 - c. Written justification for the lease purchase must be attached to the Purchase Order and shall include:
 - (1) A statement, with supporting dollar values, explaining why the proposed lease purchase is cost effective when compared to an outright purchase. The supporting dollar value documentation must include details pertaining to any actual or imputed interest, carrying charges or other additional costs which will be added to the purchase price over the life of the proposed contract.
 - (2) A statement of the department's estimated useful life of the asset and estimated fair market value at the end of the lease.
 - (3) A statement that the requisitioning department guarantees and obligates to make payments beyond the current fiscal year without relying on an increased level of general revenue appropriations.
 - d. Purchasing will follow all procedures with regard to bidding in order to determine the lowest possible purchase price of the equipment without regard to financing. In some instances, outright purchase and finance options will be included in the bid terms and conditions for evaluation of financing options.

- e. Any lease purchase obligation, regardless of the source of funds, which has a stated term of longer than five years or has an initial principal amount of greater than \$250,000 will require prior approval by the Texas Bond Review Board (TBRB). All applications to TBRB must follow rules that may be accessed at <http://www.brb.state.tx.us>. Copies of TBRB rules may also be obtained from the Directors of Procurement Services or Accounting Services.
- f. Payments should be negotiated on a quarterly, semi-annual or annual basis, if possible.
- g. Lease agreement should contain a clause, statement or addendum acknowledging: "Texas Tech University Health Sciences Center (TTUHSC) is an agency of the State of Texas and as such, property owned by TTUHSC is exempt from taxation. As a result, TTUHSC is exempt from paying property taxes in relation to the property subject to this Lease Purchase."