

Policies and Procedures

POLICIES

- The Lease \$Mart program may be utilized by State of California agencies and any city, county, school district, or other local governmental body or corporation empowered to expend public funds. Each local agency should make its own determination whether the Lease \$Mart program is consistent with their procurement policies and regulations (see Local Government Use).
- Use of Lease \$Mart is optional. Agencies are strongly encouraged to optimize the benefits of this program by comparing commercial rates or other costs of financing in the open market, as well as the time-savings realized in utilizing Lease \$Mart (most deals through the Lease \$Mart take place in a few days or less compared to the typical timeframe of months, which does not take advantage of the most current rates). Plus, Lease \$Mart Lessors have already agreed to set terms and conditions, alleviating negotiating time and struggles on the agency's end. All of the above equates to a tremendous savings, in both time and money, to the State.
- Due to the cost of borrowing, it is highly recommended that the total amount for a lease not fall below \$50,000 (excluding interest/financing costs). Funds are available for purchase costs including training, installation, freight, use tax, as well as any subsequent financing costs.
- The lease period cannot exceed the useful life of the assets.
- Assets must be essential to the agency's mission and maintained in good working order.
- The agency must keep the assets as personal property, not part of freehold or improvement to buildings, and must notify the Lessor and/or Supplier prior to any asset relocation. The agency agrees that there will be no "Termination for Convenience" provision related to leasing in the contract and is responsible for risk of loss of assets only after acceptance unless otherwise agreed in the contract. To lock in the rate and ensure the rendering of a legal opinion (if applicable), all required documents required to close the deal must be completed in an expedient manner and copies of all documents forwarded to both the Lessor and Lease \$Mart Manager.
- The agency will use its best efforts to obtain funding for the leased assets. In the event of non-appropriation, and at the request of the Lessor, the agency will provide written notice attesting to the non-appropriation and allow the Lessor or its designee to remove the leased assets. The agency will not replace any non-appropriated assets for at least one fiscal year.

PROCEDURES

While Lease \$Mart offers a quick and cost-effective tool for State of California financed leases, this program is not mandatory. Agency buyers may have other less costly alternatives available should the purchase characteristics be sufficiently pristine to warrant an investment grade rating, or desire to accept other State pre-approved leasing plan. If you feel your specific purchase qualifies as such or are unsure about it, please contact the Lease \$Mart Manager for advice before proceeding. Also, some suppliers may offer a package deal for assets and leasing which may be a better value than splitting the lease from the Supplier selection; this package will be considered on a comparable basis with the Lease \$Mart program.

Procurement Division recommends that any interested buyer should obtain at least three (3) quotes from qualified Lessors. Lease factors posted are not firm until quoted in writing electronically (fax or E-mail) or via mail and will vary depending on the characteristics of the purchase. Should quoted lease factors vary significantly from those posted, contact the Lease \$Mart Manager.

The recommended procedures for selecting a Lessor are:

- **STEP 1:** Browse Lessors and lease rate factors in Lease \$Mart. Via the Internet, log on to "/" which will bring up PD's Web site. Select "Lease \$Mart" then browse the directory found in the "Welcome" page. To view the list of pre-qualified Lessors, select "Participating Lessors." To locate the lease factor page, select "Lease Factors." Identify at least three (3) Lessors to contact, preferably those with the lowest posted factors.
- **STEP 2:** Forward a completed Request for Lease Quote (RFLQ) form to at least three (3) Lessors for confirmation of lease factor commitments. Again, via the Internet, log on to "/" which will bring up PD's Web site. Select "Lease \$Mart" then browse the directory until you locate "Request for Lease Quote" (RFLQ)" form. Open the RFLQ and save to your word processing program. From within your word processing program, complete the RFLQ, providing pertinent information about your purchase for the Lessor (representations made to the Lessor by way of this form must be accurate as financial consequences may result otherwise, i.e., any delays beyond the probable acceptance date may warrant lease factor and payment adjustments). Fax or E-mail the completed RFLQ to the selected Lessors, including a deadline to return their quote.
- **STEP 3:** Select Lessor, plan and payment term. Upon receiving Lessor's quotes, which will consist of the completed RFLQ, Lease Payment Schedule and any notes and provisions, the agency must decide whom to select based on all pertinent information including risks, obligations, responsibilities, and capabilities of the Lessor to meet all requirements. The Lease \$Mart Manager is available to discuss the returned quotes and, at the request of the agency, make recommendations based on the specific deal, but will not make the final Lessor selection on behalf of the agency.

- **STEP 4:** Issue a purchase order to the Supplier, noting the selected Lessor. The purchase order is issued to the Supplier, with the Lessor listed in the document. In order for the State Controller's Office to issue payment to the Lessor, the following paragraph must be included in the body of the purchase order:
 - "The Terms and Conditions found in the State's financial marketplace, Lease \$Mart, Version _____ dated _____, and the Lessor's attached Request for Lease Quote (RFLQ) and its provisions, dated _____, are hereby incorporated into and made a part of this purchase order hereto. The State designates _____ as its Lessor for this contract. The Lessor will pay the Supplier for assets/services on behalf of the State. The Lessor is entitled to all payments owed pursuant to the Lease Payment Schedule in consideration for the Lessor's payments of the cost of the assets to the supplier.
 - A line item for the total lending charge (non-taxable) must be included and totaled into the purchase order. The total of the purchase order must match the bottom line of the Lease Payment schedule. Sales tax is not included on the purchase order - this cost is reflected in the Lease Payment Schedule as a "use" tax. Copies of the purchase order and any amendments must be sent to the Supplier, Lessor, Lease \$Mart Manager, State Controller's Office, the user of the asset, as well as the agency's accounting and budget offices. Important note -- the agency must conduct the procurement per their delegation, policies and procedures, as well as inform both their accounting and budget officers prior; it is not the Lease \$Mart Manager's responsibility to police the actual procurement, only to assist with the State's funding mechanism.
- **STEP 5:** Execute all closing documents by date needed. Closing documents consist of the Participation Agreement (Lessor prepares, State executes), UCC form (if requested by the Lessor -- Lessor prepares, State executes), Opinion of Counsel (if requested by the Lessor -- the agency forwards the request to the Lease \$Mart Manager, who, in turn, prepares and has executed by DGS counsel). NOTE: The execution of the Opinion of Counsel signals the funding of a deal - it is imperative that the agency forwards all copies of the completed purchase order, any amendments and closing documents they have, or receive, from the Lessor, to the Lease \$Mart Manager immediately - the Opinion cannot be obtained unless this important information is provided.