

LEASE-PURCHASE OF EQUIPMENT OR LEASE WITH OPTION TO PURCHASE

Purpose and Scope

To outline administrative procedures governing acquisition of equipment through lease-purchase or lease with option to purchase agreements.

All lease agreements must comply with bid laws. District bid and contract provisions will take precedence over provisions of vendor contract forms.

Definitions

1. **Equipment:** Physical property other than land, buildings or improvements to either of these, that cost \$500 or more and has all three characteristics listed below:
 - a. Nonconsumable, with a normal service life in excess of two years
 - b. Retains original shape and appearance with use
 - c. Not easily broken, damaged, or lost in normal use and more economical to repair than replace
2. **Capital outlay:** The acquisition of fixed assets, or addition to fixed assets, including the improvements of grounds, construction or remodeling of buildings, addition to buildings, or initial capital equipment that costs \$5,000 or more.
3. **Simple lease** (no purchase intended): A contract by which a school or department acquires the use of a piece of equipment for a specified period in return for periodic payments. A clause allowing the district to terminate for nonfunding at the end of each fiscal year must be included.
4. **Lease-purchase agreement:** A contract by which a school or department acquires a piece of equipment, usually for a specified monthly payment and length of time, after which the title passes to the district. The decision to purchase is made at the time the contract is signed.
5. **Lease with option to purchase agreement:** A contract by which a school or department acquires use of a piece of equipment, usually for a specified monthly payment, with an option to purchase at some future date. A clause allowing the district to terminate for nonfunding at the end of each fiscal year must be included.
6. **Lessor:** The person, company, or agency providing the property.
7. **Lessee:** The recipient of the property being leased—in all cases, San Diego Unified School District, not the particular school using the equipment.

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(continued)

Capital Outlay

Acquisition of equipment by the district other than through a simple lease must be handled as a capital outlay.

Inventory

District inventory, financial records, and reports to the state must not be distorted by the manner of acquisition. Equipment subject to inventory control must be entered in inventory records at the time the decision to purchase is made under a lease with option to purchase, and at the time the equipment is delivered under lease-purchase. No equipment should be received or installed until all steps in this administrative regulation have been complied with in full.

Contracts or Agreements

1. Processing approvals. The Board of Education must approve all leases and a purchase order must be processed prior to signing an agreement. Each vendor must be notified that a lease agreement may not take effect until after a Board approval.
2. Termination of contract. Every lease or lease purchase agreement must provide the school district with the right to cancel without penalty at the end of the fiscal year. A contract cannot bind the district beyond the current fiscal year.
3. Contract form. The district's contract document is to be used in all cases unless extenuating circumstances dictate use of a vendor's form. If a vendor's form is used, district bid and contract provisions must take precedence.

Legal Reference:

PUBLIC CONTRACT CODE
20111 Subletting and subcontracting fair practices

Management Resources:

CALIFORNIA DEPARTMENT OF EDUCATION PUBLICATIONS
California School Accounting Manual, 2016

Regulation
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SAN DIEGO UNIFIED SCHOOL DISTRICT
San Diego, California