



# ADMINISTRATIVE PROCEDURE

SAN DIEGO UNIFIED SCHOOL DISTRICT

NO: 2425

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CATEGORY: **Fiscal Management, Purchasing**

EFFECTIVE: **11-01-72**

SUBJECT: **Lease-Purchase of Equipment (or Lease With Option to Purchase)**

REVISED: **7-14-2000**

## A. PURPOSE AND SCOPE

1. To outline administrative procedures governing acquisition of equipment through lease-purchase or lease with option to purchase agreements.
2. **Related Procedures:**

District contracts .....	1570
Purchasing, supply, and distribution system .....	2400

## B. LEGAL AND POLICY BASIS

1. **Reference:** Board policy: D-1000, D-2000, D-6000, G-4000; Public Contract Code Section 20111; California School Accounting Manual.
2. All lease agreements must comply with bid laws. District bid and contract provisions will take precedence over provisions of vendor contract forms. All bidding is handled by the district's Procurement Unit, Procurement and Distribution Department, Business Services Division, Administrative/Operational Support.

## C. GENERAL

1. **Originating Office.** Suggestions or questions concerning this procedure should be directed to the Procurement and Distribution Department, Business Services Division, Administrative/Operational Support.
2. **Definitions**
  - a. **Equipment:** Physical property other than land, buildings, or improvements to either of these, that costs more than \$500 and has *all* three characteristics listed below:
    - (1) Nonconsumable, with a normal service life in excess of two years.
    - (2) Retains original shape and appearance with use.
    - (3) Not easily broken, damaged, or lost in normal use and more economical to repair than to replace.

- b. **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 and additional capital equipment.
  - c. **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. A simple lease is an equipment rental and is processed for approval through the use of an EFRA nonstock requisition.
  - d. **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.
  - e. **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.
  - f. **Lessor:** The person, company, or agency providing the property.
  - g. **Lessee:** The recipient of the property being leased—in all cases, San Diego Unified School District, not the particular school using the equipment.
3. Acquisition of equipment by the district other than through a simple lease must be handled as a capital outlay
  4. *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 equipment is delivered under lease-purchase. *No equipment should be received or installed until all steps in this administrative procedure have been complied with in full.*

5. **Contracts or Agreements**

- a. **Processing and 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* board approval.
- b. **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 each fiscal year. A contract cannot bind the Board of Education beyond the current fiscal year.
- c. **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; all bidding is to be handled by the Procurement Unit, Procurement and Distribution Department.

**D. IMPLEMENTATION**

1. **Principal or department head** contacts Procurement and Distribution Department for detailed information.

**E. FORMS AND AUXILIARY REFERENCES**

1. Lease agreement
2. EFRA Nonstock Requisition
3. District bid and/or contract forms

**F. REPORTS AND RECORDS**

**G. APPROVED BY**



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For the Superintendent of Public Education