

## CONTRACTING AND PURCHASING SERVICES POLICY MANUAL

 <b>NORTHERN ARIZONA UNIVERSITY</b>	<b>POLICY PUR 301-03</b>
	Section: Orders and Requisitions
	Page 1 of 2
	Responsible office: Purchasing
	Origination date: 07/01/1996
<b>Subject: Lease vs Buy</b>	Effective date: 07/01/1996
Source: University policy	Revision date:

### PURPOSE

To determine if a lease or purchase is the best option for the University.

### POLICY

#### **PUR 301-03-01: General Policy**

Capital equipment is generally acquired by outright purchase. Occasionally, circumstances may require the leasing of equipment to satisfy specific needs. Either a lease or a lease/purchase may be used to obtain capital equipment.

#### **PUR 301-03-02: Capital Lease Approval and limits**

Refer to Comptroller Policy [405-01](#) for approval requirements and limitations for Capital Lease transactions.

#### **PUR 301-03-03: Lease vs Buy Analysis**

Before entering into any lease agreement, the economic soundness of buying versus leasing will be analyzed. The requesting department shall consider the following points in deciding to lease or buy and submit a justification to Contracting and Purchasing Services with the requisition:

1. Funds may be insufficient for outright purchase.
2. The useful life of a piece of the equipment, which may be determined by:
  - a. Application life-How long will the equipment be used? If the period of use is relatively short, leasing may be preferred over purchase.
  - b. Technological life-When will the equipment become obsolete? Rapidly evolving technology tends to hasten obsolescence. Leasing may be advisable when obsolescence is a factor.
  - c. Physical life-When will the equipment be worn out? Leasing may be advantageous if the total cost of a lease for the period of the physical life, application life or the technological life is less than the purchase price.
3. The total cost of the lease must be compared with the total cost of purchase, taking into consideration such factors as equipment costs, maintenance costs, interest, taxes, and insurance.

#### **PUR 301-03-04: Leases on Grant Accounts**

If federal funds are involved in the acquisition of the equipment, the requesting department must first determine that the source of funding allows for leasing. The department shall send a written statement to Contracting and Purchasing Services with the requisition indicating the Grant will allow for Lease or Lease/Purchase transactions.

#### **PUR 301-03-05: Contractual Provisions**

Contracting and Purchasing Services will coordinate contract review with the University Comptroller to guarantee, fiscal funding-out clauses, tax assessments, and other appropriate clauses are included in the lease contract.

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	Page 2 of 2
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### CROSS REFERENCE

[PUR 205-00](#) Prohibited Purchases

PUR 301-09 Requisition Documents

[PUR 302-01](#) Departmental Purchase Orders

PUR 302-02 Purchasing Card Transactions

PUR 303-00 Competitive Bidding (Complete Section)