LEASING POLICY

1. Leases of equipment or personal property by an institution must be approved and executed by an
officer delegated that authority pursuant to institution policy. Master leases and tax exempt
financing agreements are governed by SBHE Policy 804.1 and must be approved by the Board
pursuant to that policy. Real property leases are governed by SBHE Policy 909. Leases made
without the required approval are not binding on the institution or Board.

NDSU Guidelines

1.1 Leases of equipment or personal property that exceed $1000.00 and/or for a term of more
than one year shall be coordinated through the Purchasing Department. The original and
two copies of the proposed lease contract shall be submitted to the Purchasing Department.

1.2 Leases of real property by all NDSU entities shall be coordinated through the Purchasing
Department. The original and two copies of the proposed lease contract shall be submitted
to the Purchasing Department. A lease of real property from another party must be limited
to the current biennium or include a clause permitting termination if funds to continue the
lease are not available.

2. Leases of equipment or personal property shall comply with applicable policies and procedures
governing purchasing, including competitive bidding requirements.

3. Prior to acquisition of an asset as the result of a lease agreement or other debt financing
arrangement, the responsible institution official shall, unless the decision is dictated by funding
limitations, prepare a written analysis documenting the decision to acquire the use of the asset,
which shall be filed with the lease agreement or other document setting forth the terms of the
agreement. If the decision is dictated by funding limitations, the official shall document those
limitations. Each institution shall also keep on file a list of every individual leased asset, excluding
real estate, with a value of at least fifty thousand dollars and every group of leased assets
comprising a single system with a combined value of at least fifty thousand dollars acquired
through a capital or operating lease arrangement.

4. Master leases and lease purchase agreements must also include:

a) The purchase price at the termination of the lease.

b) When and under what terms title to the property transfers to the state.

c) In the master leases and other leases under which interest rates are variable, the maximum
rate.
d) In master leases, the maximum amount financed or total amount of all transactions.

**NDSU Guidelines**

4.1 *The Purchasing Department shall coordinate with the requesting department to meet the requirements of this section.*

**NDUS Procedures Manual - Procedure: 804 Leases**

1. All leases shall be on file in the office of the chief financial officer.

2. As required under SBHE Policy 804, prior to acquisition of an asset as the result of a lease agreement or other debt financing arrangement, the responsible institution official shall, unless the decision is dictated by funding limitations, prepare a written analysis documenting the decision to acquire the use of the asset, which shall be filed with the lease agreement or other document setting forth the terms of the agreement. If the decision is dictated by funding limitations, the official shall document those limitations. Each institution shall also keep on file a list of every individual leased asset, excluding real estate, with a value of at least fifty thousand dollars and every group of leased assets comprising a single system with a combined value of at least fifty thousand dollars acquired through a capital or operating lease arrangement. All lease agreements concerning equipment or personal property must include the following:

   a) An adequate description of the parties which identifies the lessor or seller and names the institution as the lessee or buyer.

   b) A complete description of the property subject to the lease, including appropriate procedures for acceptance by the institution after delivery and inspection.

   c) A statement of the estimated purchase price (fair value) of the leased property on the date of the lease, the total amount of payments to be paid by the institution for the leased property, the date that the payment or payments are due, the periodic payment amounts, the interest rate used by the lessor, estimated economic life of the property and the office and address to which the payment(s) shall be mailed.

   d) A statement of the term of the lease, with definite beginning and ending dates and the options each party has, if any, for termination of the agreement prior to the end of the term. Whenever the term is proposed to continue into a future biennium, the agreement must provide the institution with the right to terminate the agreement in the event of legislative non-appropriation of essential funds.

   e) Execution by an authorized institution officer as well as by a clearly authorized officer or representative of the lessor.

**NDSU Guidelines**

2.1 *The Purchasing Department shall coordinate with the requesting department to meet the requirements of this section.*

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**HISTORY:**
Amended January 1997
Amended January 1998