

Title:		Contents:	P-3100
RENT/LEASE vs. LEASE PURCHASE OF EQUIPMENT		Submitted By:	Purchasing Division
		Approved By:	Purchasing Agent
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Policy

Equipment shall not be leased without the specific approval of the CAO and the Purchasing Agent. All rentals for equipment normally purchased shall be approved by the CAO.

Purchasing Agent Authority

The leasing and renting of personal property is within the authority of the Purchasing Agent. Real property (buildings, land, etc.) is excluded from such authority.

Rental

A rental is an agreement whereby the renter (County) pays a stated payment to the owner/landlord for the temporary possession or use of personal property. Rentals should only be used for short term requirements (6 months and less) since the cost to purchase the equipment new is often less than the cost to rent for one year.

Lease

A lease is a written contract by which one party (lessor) gives to another (lessee) the use and possession of personal property for a specified time and for fixed payments. In a pure or straight lease, there is no accumulation of equity and no provision for the buyout of the leased personal property.

Lease Purchase

A lease purchase is a lease contract with terms providing for transfer of title during or at the end of the lease term.

Transfer of Title

The lease purchase agreement must contain provisions stating the terms and conditions under which transfer of title (buyout) can be exercised by the County.

1. Buyout at the end of lease term for payment of \$1.00 is the most commonly used method and is used when the personal property has a useful life beyond the original lease term. This is the preferred buyout option.
2. Buyout at a fair market value is another option but is generally considered less desirable because of the difficulty in determining a price that is fair.
3. Buyout during the lease term can be based on the amortization schedule of the lease agreement or the fair market value. Generally, County departments very seldom, if ever, exercise this option.

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CAO Approval

CAO approval is required for all leases in order to protect the County bond rating and to ensure the County's debt ceiling is not exceeded.

Rental vs. Purchase

The Purchasing Agent will evaluate the cost effectiveness of rental vs. purchase. If purchase is more economical, the CAO and user department should be notified, and all discussions should be documented for the file.

Lease Bidding Procedures

There are three basic methods for bidding leases.

1. Bid the equipment as normal and process the purchase order/lease through LAC/CAL (Los Angeles County Capital Asset Leasing Corp.) This is the simplest and most efficient method.
2. The vendor supplying the equipment also handles the lease portion of the transaction. The low bidder is the lowest total cost over the term of the lease – all other factors being equal.
3. One vendor supplies the equipment and another company (third party) finances the lease. Based on a bid, the equipment supplier with the lowest acceptable offer is selected. Once the equipment is selected, the bid solicitation for financing the lease is conducted and awarded accordingly. The purchase order/lease agreement is issued to the third party lessor who will buy the equipment from the supplier, and lease it back to the County at the agreed upon terms and conditions.

Rental Requirements

1. Rents shall terminate at any time equipment becomes inoperable or unavailable, unless caused by County negligence.
2. Any mechanical repairs, other than routine adjustment, shall be made by the vendor. Vendor is to furnish all repair parts and repair costs.
3. Rental shall not be paid for any period where equipment is out of service due to mechanical failure.
4. The County of Los Angeles, its agents or employees will not be responsible for loss by fire, flood, act of God or unlawful act of a third party. If unusual damage occurs, by reason of the equipment being ordered into an extra hazardous position by a responsible County representative, the County agrees to restore the equipment to the condition existing before such damage occurred.

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5. Rental machines are to be removed from County premises on expiration date indicated. If necessary, extension of rental will be on the basis of a "purchase order extension" document from the Purchasing Agent only. The County will not be responsible for rental costs beyond expiration date unless period is extended in accordance with above conditions. Vendor to give department a minimum of 24 hours notice prior to picking up machine.