

CSU EQUIPMENT FINANCING PROGRAM

PROCESSING INSTRUCTIONS

STEPS

1. Campus identifies equipment to be financed.
2. Campus notifies Office of Financing and Risk Management (FRM) of proposed financing and provides a comprehensive description and cost summary of the equipment to be financed, including a copy of the purchase order(s) if available.
3. FRM will review requirements of proposed financing for the following issues:
 - Compliance with Internal Revenue Code requirements for tax-exemption
 - The need for an external exemption
 - The need for a reimbursement resolution
 - The need for an internal or external escrow account
 - If appropriate, ask the office of Capital Planning, Design and Construction to review any project and capital planning issues, and obtain consent to use operating funds to finance the project through a lease-purchase
 - Consideration of any other issues or special time requirements in the event the campus wishes to have the vendor or a non-approved lender finance the transaction
4. The campus requests a financing quote from the pre-approved lenders.

The quote requests to the lenders should be made on the Request for Quotation Form.

It is recommended that a campus obtain at least 3 quotes from the list of pre-approved lenders.

A campus may need to provide certain pertinent information about the purchase to the lender. This information would include: when the campus wants the first payment to occur; whether there is an acceptance testing period; the likely acceptance date; the amount to be financed; the desired term; the supplier; the date payment is due; the contract number; a description of the equipment being financed; why it is considered essential; and the amounts of funds available in what fiscal years. A campus may use a non-approved lender if the lender accepts all of the CSU standard terms and conditions. However, it is strongly recommended that a campus consider the CSU pre-approved lenders first. Any changes to the standard terms and conditions will require extensive review and may lengthen the time to complete the transaction.

Attachment A

5. Once the campus receives the rate quotes from the solicited lenders, the campus business office evaluates the business terms, including confirming the accuracy of the proposed amortization schedule(s).

- The campus should determine whether it makes more economic sense, based on current borrowing rates and rate of earnings on campus trust funds, to do an internal financing.
- The campus should consult with FRM if existing rates make an internal borrowing attractive, but sufficient funds may not be available at the campus. At that point, FRM will consult with the Chancellor's Office cash management office to assess their ability in facilitating the internal financing.
- It is recommended that the financed amount of the procurement be a minimum of \$100,000. A decision to finance a smaller amount should be weighted carefully since it may not be cost-effective to proceed with the financing.

6. Absent of an internal borrowing possibility, the campus informs the successful lender that their quote has been accepted.

7. The lender completes and forwards a complete set of required documents to campus.

- The documents should include the Master Agreement Order Form, Payment Schedule, UCC-1, IRS 8038G, and Assignment Acknowledgment (the UCC-1 and the assignment acknowledgement may not be required).
- The lender must use the CSU standard assignment acknowledgement language.

8. The campus completes additional required documentation and forwards copy of entire package to FRM along with a "CSU Equipment Financing Program – Summary Form (See attachment B).

- Additional documentation would include the equipment listing, opinion of counsel, acceptance certificate, self-insurance certification, and essential use letter. The lender may not require some of these forms. (These forms will be made available at the FRM web page.)
- The transaction may be delayed if the campus has not previously communicated with FRM and additional requirements are identified at this point in the process.

9. FRM reviews and approves financing package.

- FRM coordinates with campus any changes needed on the documents.
- FRM coordinates any external legal services required for transaction.

10. After review and approval by FRM, the lender executes Master Order Form and other attachments requiring execution and then forward to campus for execution.

- Depending on requirements of transaction, other legal documents need to be executed by both parties.

Attachment A

11. Campus provides FRM with Master Order Form signed by lender and the campus.

12. FRM executes IRS 8038G form and files original with Internal Revenue Service, with copies to the lender and the campus. FRM mails original Opinion of Counsel to the lender with a copy to the campus.

- CSU attorneys residing at particular campuses have responsibility for signing Opinion of Counsel. In those cases, a copy of the signed Opinion of Counsel should be mailed to FRM by the campus.
- Campus should allow approximately 5-8 working days to receive copies of the opinion of counsel and 8038G forms.

OTHER INFORMATION

- The above process requirements also apply to a financed procurement based on a

California Multiple Award Schedule (CMAS), a master agreement, a single or sole source award or a competitive bid. It also applies to a procurement with a nominal purchase price at the end of the lease after all lease payments have been made.

- The above process requirements do not apply to operating leases and rental agreements. Please refer to Executive Order 667 for authority delegated to campuses to acquire personal property and services. Also, please refer to Executive Order 669 for real property lease authority delegated to campuses and summary of exceptions that require review and approval by the Office of the Chancellor.
- The Department of General Services (DGS) operates a similar equipment financing program known as GS \$Mart. They post market information, including DGS pre-approved lenders and finance rates. While campuses are not required to use DGS for these financing transactions, they may still benefit from posted finance rates given that DGS and the CSU share some of the same pre-approved lenders. Another key difference is that an administrative fee is charged to state agencies wishing to use the GS \$Mart services.
- Many of the above-mentioned forms, along with these instructions will be made available at the FRM Web page in the near future.

CSU CONTACT:

Office of Financing and Treasury
Syrus En
Financial Manager
Telephone: (562) 951-4593
Fax: (562) 951-4971
sen@calstate.edu