



Policy Number:	CS-1205-2005
Policy Title:	Leasing of Equipment
Policy Owner:	Chief, Business Development & Ancillary Services
Effective Date:	February 2005
Last Revised:	January 2016

1. Purpose

The purpose of this policy is to outline the different types of lease agreements, Capital and Operating, and the approval process that must take place before entering into any lease agreement.

2. Application and Scope

This policy applies to all Mohawk College employees and all procurement activities at the college.

3. Definitions

“Bargain purchase” a provision allowing the lessee (College), at its option, to purchase the leased property for a price, which is sufficiently lower than the expected fair market value of the property, at the date the option becomes exercisable.

“Capital lease” is a lease that, from the point of view of the lessee (College), transfers substantially the entire benefits and risks incident to ownership of property to the lessee. A lease that meets one of the following four criteria is classified as a capital lease:

- (i) There is reasonable assurance that the lessee will obtain ownership of the leased asset at the end of the lease period.
- (ii) The lease gives the lessee the option of purchasing the leased asset at bargain (less than fair market value) purchase price.
- (iii) The period of the lease is 75% or more of the estimated service life of the leased asset.
- (iv) The present value of the minimum lease payment is 90% or more of the fair value of the leased asset.

“Operating lease” is a lease in which the lessor does not transfer substantially all the benefits and risks incident to ownership of property. The lessee (College) does not own the item being leased at the end of the lease term – the item is returned to the lessor.

“Section 28 approval” is an approval by the Minister of Finance or his or her delegate pursuant to section 28 of the *Financial Administration Act*.

4. Principles

- A. Accountability-** Mohawk is accountable for public funds used to purchase goods and services, for the results of such procurement decisions and the appropriateness of the processes that were applied in relation thereto.
- B. Transparency-** Mohawk is transparent to all of its stakeholders and especially to members of the Hamilton community who it serves. Wherever possible, stakeholders must have equal access to information on procurement opportunities, processes and results.
- C. Value for Money-** Mohawk dollars are used prudently and responsibly with the aim of achieving maximum value for the use of public funds. A value-for-money approach seeks to deliver goods and services at the optimum total life-cycle cost.
- D. Quality Service Delivery-** in fashioning the appropriate method to purchase a good and/or a service, particularly one that relates to a front-line service, Mohawk must receive the right product at the right time and in the right place.
- E. Process Standardization-** Mohawk is committed to standardizing the procurement processes in order to remove inefficiencies and create a level playing field.
- F. AODA Compliance-** In accordance with section 5 of the AODA Integrated Accessibility Standards Regulations, Mohawk College is committed to incorporating accessibility criteria or features when procuring or acquiring goods, services or facilities, except where it is not practicable to do so. Mohawk College recognizes that it might not always be possible to ensure that goods, services or facilities procured or acquired are accessible. In this regard, Mohawk College will provide an explanation, upon request, in accordance with this regulation.

5. Accountability and Compliance

5.1 Accountability Framework

This policy has been approved by the Senior Leadership Team.

5.2 Compliance

The Chief, Business Development and Ancillary Services is responsible for monitoring the effectiveness of this policy and ensuring compliance. All capital leases are subject to Section 28 approval of the *Financial Administration Act*.

6. Rules

- 6.1 The terms and conditions related to any leasing of equipment on behalf of Mohawk College must be reviewed by Purchasing Services to ensure that the terms offered within the lease agreement are in the best interests of the College. The terms and conditions are subject to review and negotiation by the Manager of Purchasing Services.
- 6.2 Financial Services will assess the type of lease (capital versus operating) based on the terms and conditions of the lease agreement. Purchase of capital assets under a capital lease must be pre-approved by Financial Services.
- 6.3 The Ministry of Training and Colleges and Universities (MTCU) requires a Section 28 approval to be requested for all capital leases. The Section 28 process must be followed whenever the College proposes to enter into a capital lease.
- A copy of the proposed capital lease must be provided to MTCU. A Master Capital Lease Agreement is to be used by Colleges when negotiating capital leases (obtained from MTCU). However, since it is usually more cost-effective to borrow from the Ontario Financing Authority to purchase equipment rather than leasing, any request to approve a capital lease would need to demonstrate what financial benefits the College is receiving in return for paying more.
- The Section 28 approval process can take up to one year.
- 6.4 Lease Agreements/Contracts require the signature of an authorized College Signing Officer. See CS-1206-1985 Establishing Signing Authority Policy for authorized College officials.
- 6.5 Purchasing Services is responsible for obtaining an authorized signature.

7. Policy Revision Date

7.1 Revision Date

January 2019

7.2 Responsibility

The Chief, Business Development and Ancillary Services is responsible for reviewing this policy every three years or earlier where required.

8. Specific Links

CS-1206-1985 Establishing Signing Authority Policy

CS-1005-2014 Financial Reporting and Safekeeping of Capital Assets

Mohawk College Procurement Directive

Financial Administration Act

Ministers Binding Policy Directive – Banking, Investments and Borrowing