

Instructions for DPB Form L-1

Summary of Proposed Capital Outlay Leases

This form summarizes data about projects being requested in the 2002-2004 biennium that involve leasing arrangements that qualify as “capital outlay leases.” The information on this form will be used to assess the merits of your request, to decide if the project is subject to other types of financing guidelines (e.g., a financial feasibility analysis), and to determine the extent to which the proposed lease will impact on the Commonwealth’s debt capacity calculations.

For purposes of the state’s budgeting process, certain lease agreements are defined as “capital outlay leases” which must be requested and budgeted as capital outlay projects. A “capital outlay lease” includes:

- ✓ Any lease agreement involving the acquisition or improvement of real property, as that term is defined in the Commonwealth Accounting Policy and Procedures (CAPP) Manual (See Appendix B);
- ✓ The purchase of equipment by means of a capital lease agreement if the equipment would meet the capital project definitions if it was purchased outright; or,
- ✓ Any acquisition or improvement of real property financed by a lease agreement in which the project cost is equal to or exceeds \$5.0 million.

For purposes of the latter, “project cost” is equal to (1) the annual amount of the lease payments multiplied by the number of years of the lease, including the automatic renewal periods, up to a maximum of 20 years or (2) the expected total of all annual lease payments over the term of the lease if the lease amount varies from year to year.

Prepare a separate DPB Form L-1 for each capital outlay lease that is being requested.

A DPB Form H-1 must also be completed for every proposed lease project listed on the DPB Form L-1.

- Item 1. **Agency Name.** Enter your agency’s name.
- Item 2. **Agency Code.** Enter your agency’s three-digit agency code.
- Item 3. **Name of Person to Contact about this Form.** Enter the name of the person who should be initially contacted about information supplied on this form.
- Item 4. **Contact Person’s Telephone Number and E-mail Address.** Enter the telephone number and e-mail address of the contact person.
- Item 5. **Project Title.** Enter the same project title as shown for the project in Item 3 of the DPB Form H-1. If a project code has been assigned to the project, enter the code after the project title.
- Item 6. **Name of Lessor.** Provide the name of the person, company, or entity which will make the property available to your agency through the proposed lease arrangement. Normally, this would be the current owner of the property.

- Item 7. **Project Location.** Provide a brief description of the location of the property (street address, and city or county).
- Item 8. **Project Description.** Provide a brief description of the project including: type of property acquired (land, building, equipment, etc.), the age of the property (if new, enter “new”), and other information you deem appropriate to clearly describe the project.
- Item 9. **Space Requirements.** Provide a brief description of the amount of leased space (acreage for land or square footage for buildings). Identify any special needs such as reinforced floors for computer equipment or easy access to the public.
- Item 10. **Need for Leased Space.** Describe the purpose of and the need for the leased space.
- Item 11. **Options Considered.** Briefly describe any alternatives that were considered before determining that a lease was the best option. Include any co-location opportunities that were or are now being pursued. Identify the cost of each option.
- Item 12. **Time Period.** Enter the proposed effective date and duration of the lease. This is the date when you anticipate the proposed lease to be executed (signed) and the duration of time (e.g., 20 years) for which your agency will be obligated to make lease payments. Next indicate whether the initial lease is subject to periodic renewal and whether the renewal is at the option of the lessor, the lessee, or both. Finally, specify the length of time the lease may be extended by any renewal action.
- Item 13. **Annual Lease Payments.** List the fund or fund detail code for each source of funds that will make a lease payment for the requested project. For each fund or fund detail, enter the annual dollar amount to be paid for lease payments. After all fund sources have been listed for a given project, enter the words “Project Total” in the “Fund Source” column and sum the individual dollar amounts listed for each fund source in the “\$ Amount” column.

If the lease payment is a lump-sum amount for a specific duration of time, divide the total lump-sum payment by the total number of years covered by the lease to calculate an equivalent annual lease payment.

If the lease payments vary in amount year by year, provide a separate schedule showing the annual payments by fund source for the duration of the lease and enter “see attached” in this column.

- Item 14. **Property Acquisition.** State whether there is any option for your agency to acquire title to the leased property at any point during the duration of the proposed lease.

If there is an option, please provide the following information:

- At what point is the option available (e.g., “The property may be acquired at the option of the lessee for \$1 when the lease expires in 15 years.”)?
- Will the property automatically convey to the Commonwealth’s (or your agency’s) ownership at some point during the term of the lease or may it be purchased at a given price within a specified time frame?
- Describe any option your agency obtains to acquire title to the leased property as clearly as possible