JOINT CIRCULAR

STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY

NO: 24-15-OPF/OMB	ORIGINATING AGENCY: OFFICE OF PUBLIC FINANCE (OPF) OFFICE OF MANAGEMENT AND BUDGET (OMB)	1 OF 4
EFFECTIVE DATE: IMMEDIATE	EXPIRATION DATE: INDEFINITE	SUPERSEDES: 17-12-OPF/OMB
SUBJECT: MASTER LEASE/LINE OF CREDIT (LOC) PROGRAM		
ATTENTION: DIRECTORS OF ADMINISTRATION FINANCIAL OFFICERS, CHIEF INFORMATION OFFICERS, AGENCY IT MANAGERS, AND AGENCY PROCUREMENT MANAGERS		
FOR INFORMATION CONTACT: NJPUBLIC.FINANCE@TREAS.NJ.GOV		

I. PURPOSE

The Department of the Treasury's Master Lease / Line of Credit (LOC) Program is designed to assist agencies in acquiring major items of equipment in the most cost effective manner. The lease purchase of equipment allows for a more flexible budget with the cost of equipment spread over several years. The LOC provides for items of equipment to be financed over a three to five-year term. The LOC also provides the State with the ability to refinance existing higher interest rate leases where economic advantages exist.

II. POLICY

It has been determined that acquisitions under this program are cost effective when the purchase price of the items of equipment exceeds $25,000. Any set of like items that do not exceed $25,000 will not be considered.

Examples of assets normally financed through the LOC Program are:

- Police Vehicles
- Administrative Vehicles
- Medium/Heavy Trucks
- Public Works Vehicles
- Office Furniture
- Telecommunications Equipment
- Mainframes, Mini-computers, and Networks
- Personal Computers and Printers
- Operating Software
- Office Copiers
- Lab Equipment

Agency requests to participate in this program are reviewed by several different entities within the Department of the Treasury. These include but are not limited to the Division of Purchase and Property (DPP), Office of Information Technology (OIT), the Office of Public Finance (OPF), the Office of Management and Budget (OMB), the Division of Administration (DOA), and the Division of Property Management and Construction (DPMC). Approval to proceed depends upon several key factors:

1. Ability of the agency to pay annual Master Lease/LOC principal and interest costs.
2. Technical Review.
3. Financial Management Review.
4. Programmatic Needs Analysis.
5. Availability of LOC balances.

III. ANNUAL BUDGET REQUEST

Agencies must formally request approval for any new LOC funding through the annual budget process. If the request is part of the budget year, agencies must submit the LOC proposal through their Budget Planning Document Submission (i.e., Budget Initiative Form – BIF) along with any relevant information requested by OMB as part of that submission. If the agency is requesting to use State funds to support the budget year LOC proposal, funding for LOC payments must be requested within the Additions, Improvements and Equipment object on the Minor Object Account Detail - 3110 (as described in the Technical Budget Instructions). For LOC requests in the current year, please see Section IV of this Circular Letter.

IV. ONGOING PROJECT REVIEW PROCESS

As needs arise in the current year, agencies may request major items of equipment to be included under the LOC by providing in writing to the OPF and OMB the programmatic justification, the allocation by organization, the total estimated cost of the equipment or systems broken into detail, which should include a copy of a contract vendor's price quotation and any necessary additional backup documentation, the estimated annual payment, and the source of funding (NJCFS account number). For ease of processing, the vast majority of LOC projects are purchased off of existing State contracts. Accommodations can be made however, for items procured by bid or waiver. If the project is to be bid, a complete copy of the specification would be required and if the agency is seeking a waiver of advertising, a copy of the waiver should be included in the transmittal. The estimated annual payment shall be based on the prevailing interest rate at the time of the request and shall be provided by the OPF. Any technical approvals which may be required (i.e., OIT - computers/telecommunications, DOA - vehicles, DPMC - furniture) must be received and incorporated into the Agencies' request to the OPF and OMB.

V. ACQUISITION OF EQUIPMENT

The OPF will issue all orders or Letters of Award for equipment either using annual term contracts, bids, or waivers. Departments will receive copies when contract awards are issued.

VI. DELIVERY EQUIPMENT

Upon delivery of equipment to the designated agency, the authorized receiving authority for that agency must follow the OPF procedure listed in Sections IX-XI of this Circular Letter.

VII. PAYMENT TO THE VENDOR

The OPF shall also prepare a "Payment Certificate" or Equipment Schedule and forward this document to the designated Lessor, who shall make the necessary payment to the contract vendor.

VIII. ANNUAL LEASE PAYMENTS

The Department of the Treasury has established a Central Interdepartmental Account for the processing of all lease and interest payments. Each agency will be billed by DOA at the beginning of the fiscal year for their payments and during the year if any additional LOC vendor payments are requested.

Interest begins accruing to the agency under the LOC at the time payment is made to the vendor for product received. Any vendor payments made prior to March 1 will be booked for the June 15 debt service payment, while any vendor payment made prior to September 1 will be booked for the December 15 debt service payment.

IX. PROCUREMENTS

1. All LOC procurement requests must be submitted in writing to the LOC Administrator, OPF for verification of availability of LOC funds. The purchase of items of equipment through the LOC requires that all standard purchasing rules and regulations be followed. Items requiring advertised bidding or waivers of advertising must be submitted with all specifications and documentation accompanied with the written request.

   Items purchased through term contracts should include a list of item(s) and pricing submitted by vendors, as well as all necessary backup documentation. All vendor prices will be verified by DPP.

   Items purchased through a waiver of advertising should include a copy of the waiver with all of the attached terms and conditions and the vendor's price quote.

2. Examples of items that cannot be bought or paid through the LOC are as follows:

   a. Maintenance charges for equipment and computer hardware
   b. Programming charges
   c. System conversion charges
   d. Design and Development charges for software, hardware, local area networks, etc.
   e. Service charges
   f. Professional services fees
   g. Training
   h. Consultant fees
   i. Assets with an economic life of less than three years

   The above items may be procured and paid through standard State purchasing and payment procedures.

3. All LOC furniture procurement requests must comply with 23-11-DPMC, i.e., Governor's Office approvals, fire code and space regulations.

4. LOC procurement requests for information technology or telecommunications hardware, software and related equipment must be accompanied by OIT approvals and comply with 24-04-OMB/DPP/OIT. Such requests are to be submitted to OIT in the form of a Letter of Transmittal from the requesting agency with a justification, which includes a detailed Statement of Work as well as required pricing and funding information to assure a timely review by OIT. Once this approval is received from OIT, it should be incorporated into your funding request proposal to the LOC Administrator.

5. All LOC motor vehicle requests must be with State-contracted vendors and receive approval from the Division of Administration, Bureau of Transportation Services, per 24-03-ADM.

6. All LOC Records Management System requests must comply with 10-02-OMB.

7. Purchase price of equipment cannot exceed the dollar amount authorized for agencies in the LOC based upon the OMB approval/disapproval letter.

8. Copies of all documents processed through the LOC will be forwarded to the respective agencies.

X. PAYMENTS

Delivery, Acceptance and Payment of Equipment through the LOC.

1. All equipment delivered should be inspected for compliance with contract specifications and requirements.

2. Goods should be accompanied with vendor's invoice (not State Payment Voucher) itemizing goods and unit prices. Invoice must be sent to agency receiving equipment.

3. A copy of the invoice must be sent to LOC Administrator, OPF, accompanied with letter requesting payment processing and also stating that each item of equipment meets contract requirements and is functioning properly.

4. Agencies should not have vendors contact the OPF directly on payments.

Receipt of letter and vendor invoice at the OPF will generate the Payment Certificate (Equipment Schedule).

XI. IMPORTANT

1. Be sure equipment meets requirements and is functioning properly prior to requesting payment processing.

2. If discount terms are applicable, please provide advance notice to the OPF to expedite payment. Discount terms are applicable as follows:

   Discount period commences on the next business day after the agency receives a correct invoice from the vendor for products accepted by the agency which meet the terms, conditions and specifications of the contract. If invoice is received prior to delivery, the discount period begins on the day of acceptance of the goods.

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