I. **Purpose**: To establish and define the process and responsibilities of HHSC relating to operating leases.

II. **Policy**: Operating lease transactions shall be handled by authorized staff in accordance with the procedures listed below to assure the proper execution and recording of such transactions. Any regional System Board of Directors is authorized to establish operating lease policies for the region that are in compliance with this policy.

III. **Definition**: A lease for which the lessee acquires the property for only a small portion of its useful life. An operating lease is commonly used to acquire equipment on a short-term basis. Any lease that is not a capital lease is an operating lease.

IV. **Separation and Transparency**: Neither the Hawaii Health Systems Corporation Board of Directors and senior leadership nor any region shall enter into any Operating lease master lease that pledges or obligates the assets or revenues of another Region.

V. **Process**: Regions shall implement procedures to assure compliance with minimum requirements specified below:

   A. **Due Diligence**: Management at Region and facility level shall document compliance with process for review of standardization opportunities and completion of lease versus buy analysis. Documentation shall be retained on file until the end of the operating lease.

      1. Standardization and Economy. Other facilities of the region and other HHSC Regions the shall be queried to find out if other
facility/ies or region/s have acquired same or similar items through operating lease or other acquisition means and to determine if combined lease or acquisition with other/s may be beneficial.

2. Lease/Buy Analysis. Management at Region and facility level shall compute the relative values of operating leasing versus other alternatives (such as municipal leasing or purchase) to assure operating lease is the better or best alternative for the region.

**B. Operating Budgets.** Management at Region and facility level shall assure that operating lease payments are included in the operating budget prior to entering into each operating lease and shall assure that lease payments shall be included in operating budgets for second and subsequent budget years, through the end of the operating lease. Documentation of such assurances shall be retained on file until the end of the operating lease.

**C. Legal Review.** Management at Region and facility level shall obtain legal review on each operating lease prior to entering in the lease to assure compliance with law and to assure the assets or revenues of another Region are not pledged. Documentation of legal review shall be retained on file until the end of the operating lease.

**VI. Regional Policies.** Regional System Boards of Directors are authorized to issue regional policies consistent with this policy.

**VII. APPLICABILITY:** All HHSC regions and facilities and all HHSC Corporate staff.

**VI. REFERENCE:** HRS 323F