

Authorization of New Capital Improvements Project – The University of North Carolina General Administration

G.S. 143-64.12 requires that all state buildings reduce energy use per gross square foot 20% by 2010 and 30% by 2015 based on fiscal year 2002-2003 energy consumption. G.S. 143-64.17F authorizes state agencies to utilize guaranteed energy savings contracts as a method to reduce the state's increasing utility costs, improve efficiencies of operations, and reduce environmental impacts. The President's interest in a systematic approach to implementing facility efficiencies and encouraging environmental stewardship in conjunction with the Board of Governors UNC Sustainability Policy, authorizes the implementation of sustainable practices in buildings to meet or exceed statutory requirements as part of an ongoing sustainability action plan.

The University of North Carolina General Administration requests authority to establish a capital improvements project and enter into a guaranteed energy savings contract to improve energy efficiency and reduce water consumption in the General Administration complex. The specific energy conservation measures will be identified and documented during an Investment Grade Audit, but are anticipated to include replacement of inefficient heating, ventilating, and air conditioning equipment, installation of improved controls for these systems, lighting improvements, and water conservation measures, based on preliminary information from energy service company responses to a Request for Proposal. To finance this project, UNCGA will solicit competitive proposals from qualified lenders. UNCGA expects a finance rate not to exceed 3.5% on an amount not to exceed \$1,000,000. The savings generated by the guaranteed energy savings contract will pay for the debt. After the debt is paid, the savings produced by the improvements will continue to accrue to UNCGA and the State. The term of the loan will not exceed 20 years after a four- to six-month construction period anticipated to commence by

March 2013. The savings guaranteed by the selected energy services company is anticipated to exceed \$50,000 annually. The selected energy services company will validate the project costs and utility savings and will enter into an Energy Services Agreement guaranteeing 100% of projected savings will be achieved, along with liability for any shortfall.

A Request for Proposal was issued to prequalified energy services companies in compliance with State Energy Office policies and procedures and three responses were received. The three firms interviewed and recommended for approval, in priority order, are: (1) Pepco of Raleigh, N.C., (2) Brady Trane of Morrisville, N.C., and (3) Honeywell of Morrisville, N.C.

It is recommended that this project and its method of financing be authorized, and the selected energy service company be approved. It is further recommended that the Board delegate authority to the President to forward a contract to the Department of Administration, the Office of State Budget and Management, the State Treasurer, and the Council of State for final approval as he deems appropriate, following the results of an Investment Grade Audit and solicitation for financing.

**A RESOLUTION DELEGATING AUTHORITY TO THE PRESIDENT FOR
AN INSTALLMENT FINANCING CONTRACT RELATED TO A
GUARANTEED ENERGY SAVINGS CONTRACT FOR UNC GENERAL
ADMINISTRATION**