

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 University of North Carolina Board of Governors Sustainability Policy, authorizes the implementation of sustainable practices in buildings to meet or exceed statutory requirements as part of an ongoing sustainability action plan.

In order to progress toward energy-saving and sustainability targets, a UNC system-wide guaranteed energy savings project has been organized by the University of North Carolina General Administration (UNC General Administration). Following a preliminary survey of campuses last spring, sufficient volume and interest was identified for a single, system-wide project to improve lighting quality and consistency, reduce energy consumption, and through the resulting savings, provide "seed" money for additional energy-saving efforts. All campuses and affiliates were invited to participate. The resulting project group includes all campuses except ECSU, NCSU, UNC-CH, and UNC-W, each of which had existing guaranteed energy performance contracts in some stage of progress that did not lend itself to additional, simultaneous performance contracting activities.

UNC General Administration requests authority, on behalf of the participating campuses, to establish a capital improvements project and enter into a guaranteed energy savings contract to improve energy efficiency in lighting and lighting controls across the UNC system. Specific

details such as the quantity and location of fixtures, occupancy sensors, and replacement exit lights will be identified and documented during an Investment Grade Audit, but are expected to involve the installation of over 100,000 lighting fixtures system-wide. The project is expected to address lighting needs in various university facilities including residence halls, parking, and other outdoor lighting using LED technology as much as practicable, taking advantage of a 10-year warranty described in the RFP.

To finance this project, UNC General Administration will solicit competitive proposals from qualified lenders on behalf of the participating campuses and execute a single financial instrument. UNC General Administration expects a finance rate not to exceed 3.5% on a total principal amount not to exceed \$25,000,000. 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 the campuses and the State. The term of the loan will not exceed seven years after an anticipated one-year construction period. Construction is projected to commence by March 2014. The selected energy services company will validate the project costs and energy savings and will enter into an Energy Services Agreement guaranteeing 100% of projected savings will be achieved, and will be financially liable for any shortfall. Preliminary savings estimates using the maximum finance rate above and based on the RFP response, exceed \$1.3M in net savings over the life of the agreement. The final amount will be determined at completion of the Investment Grade Audit.

A Request for Proposal was issued to prequalified energy services companies in compliance with State Energy Office policies and procedures and six responses were received. The two firms interviewed and recommended for approval, in priority order, are: (1) Johnson

Controls, Inc. (corporate headquarters in Milwaukee, WI, offices in Raleigh and Greensboro), and (2) Eaton Corporation, (corporate headquarters in Moon Township, PA, office in Raleigh).

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 of financing and that he be delegated authority to contract for debt financing.

It is recommended that the following Resolution be approved delegating the President authority 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 ON BEHALF OF
PARTICIPATING CAMPUSES