

Authorization of New Capital Improvements Project – The University of North Carolina at Chapel Hill

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 at Chapel Hill has requested authority to establish a capital improvements project and to enter into a guaranteed energy savings contract to improve energy efficiencies on the UNC-CH campus. The energy conservation measures involve approximately 1.15 million square feet of space and include air-flow reduction, building automation system upgrades, building commissioning, automatic occupancy sensors, steam system improvements, building and system insulation, water conservation devices, process equipment scheduling, high efficiency mechanical drives, and high efficiency ice machines in seven campus buildings.

Working with the State Energy Office and their list of pre-qualified energy service companies, UNC-CH selected Trane U.S. Inc. (David S. Regnery, President) as its energy services company. Trane U.S. Inc. has validated the estimated project cost and utilities savings and is willing to enter into a contract in which they guarantee that 100% of the projected savings will be achieved or Trane U.S. Inc. will be liable for any shortfall. The cost of the project will

not exceed \$15,650,000 and will be financed with a tax-exempt or taxable loan or capital lease to be repaid within 20 years from utility savings guaranteed to total at least \$1,300,000 per annum. After the debt is paid, any on-going savings produced by the improvements will continue to accrue to UNC-CH and the State. The project is expected to reduce the current energy consumption of the seven buildings by at least 18.6%.

To finance this project, competitive proposals will be obtained from qualified lenders. UNC-CH expects a finance rate not to exceed 5% on an amount not to exceed \$15,650,000. The term of the loan will be for a maximum of 20 years with an 18-month maximum construction period.

The project, the guaranteed energy savings contract, and the method of financing will be accomplished within the guidelines, procedures, and policies of the Department of Administration, the Office of State Budget and Management, and the Department of State Treasurer, and will be subject to the approval of the Council of State.

It is recommended that the request of the University of North Carolina at Chapel Hill be approved.