

Authorization of New Capital Improvements Project – Fayetteville State University

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.

Fayetteville State University has requested authority to establish a capital improvements project and to enter into a guaranteed energy savings contract to improve energy efficiencies on the FSU campus. The energy conservation measures involve approximately 900,000 square feet of space and include air-flow reduction, building automation system upgrades, building commissioning, automatic occupancy sensors, chilled water and hot water system improvements, building and system insulation, water conservation devices, technology upgrades, process equipment scheduling, high-efficiency mechanical drives, and high-efficiency ice machines in 26 campus buildings.

Working with the State Energy Office and their list of pre-qualified energy service companies, FSU 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 \$15,000,000 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 \$800,000 per annum. After the debt is paid, any on-going savings produced by the improvements will continue to accrue to FSU and the State. The project is expected to reduce the current energy consumption of the 26 buildings by at least 15%.

To finance this project, competitive proposals will be obtained from qualified lenders. FSU expects a finance rate not to exceed 5% on an amount not to exceed \$15,000,000. The term of the loan will be 20 years with an 18-month 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 Fayetteville State University be approved. Further, it is recommended that the following Resolution be adopted.

A RESOLUTION AUTHORIZING AN INSTALLMENT FINANCING
CONTRACT RELATED TO A GUARANTEED ENERGY SAVINGS CONTRACT
ON THE CAMPUS OF FAYETTEVILLE STATE UNIVERSITY