

7. Authorization of New Capital Improvements Project – UNCW..... Will Johnson

Situation: The University of North Carolina at Wilmington has requested authority to establish a capital improvements project and to enter into a guaranteed energy savings contract to improve energy efficiencies on the campus.

Background: 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.

Assessment: Working with the Utility Savings Initiative staff in the North Carolina Division of Environmental Assistance and Customer Service (DEACS), a division of the N.C. Department of Environment and Natural Resources and their list of pre-qualified energy service companies, UNCW selected Ameresco, Inc. as the energy services company to execute the performance contract. Ameresco, Inc., with oversight from Celtic Energy, has validated the estimated project costs and utility savings through an investment grade audit and is willing to enter into a contract to guarantee achievement of 100% of the projected savings, and if those agreed upon savings are not achieved, Ameresco, Inc. is contractually responsible for the shortfall. 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.

Action: This item requires a vote.

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

G.S. 143-64.17F authorizes state agencies and institutions 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. Guaranteed energy savings projects are important tools to achieve facility efficiencies and proper environmental stewardship. On October 9, 2009, UNC General Administration adopted Chapter 600.6.1 to The UNC Policy Manual. This Chapter addresses sustainable development and resource management, as a core value of institutional operations, planning, capital construction, and purchasing practices. The most far reaching policy was that the University shall develop a plan to become carbon neutral as soon as practicable and by 2050 at the latest, with an ultimate goal of climate neutrality. G.S.143-64.12 further requires that all state buildings reduce energy consumption per gross square foot by 20% by 2010, and 30% by 2015 – calculated on fiscal year 2002-2003 base consumption. Finally, the UNC Sustainability Policy, adopted by the Board of Governors in October 2009, authorizes the implementation of sustainable practices in buildings to meet or exceed statutory requirements to reduce energy and water use, while maintaining air quality and comfort, giving priority to the installation of high-efficiency equipment as part of an ongoing Sustainability Action Plan.

The Board of Trustees of the University of North Carolina Wilmington has requested authority to establish a capital improvements project (Project) and to enter into a guaranteed energy savings contract to improve energy efficiencies, replace inefficient equipment and infrastructure, and reduce water consumption on the UNCW campus. The Project involves UNCW's central campus and would include providing more efficient interior and exterior lighting, replacing the steam system in Trask Hall, upgrading the chilled water pumping systems in Dobo & Trask Halls, renovating the fume hoods and ventilation system in Dobo Hall, installing wells and utilizing reuse water for irrigation, and upgrading building controls for mechanical and electrical systems in several buildings.

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Department of Environment and Natural Resources and their list of pre-qualified energy service companies, UNCW selected Ameresco Inc. as the energy services company to execute the performance contract. Ameresco Inc., with oversight from Celtic Energy, has validated the estimated costs and utility savings through an investment grade audit and is willing to enter into a contract to guarantee achievement of 100% of the projected savings, and if those savings are not achieved, Ameresco Inc. is contractually responsible for the shortfall.

The estimated cost of the Project is expected to be below \$11,500,000 and would be financed with a tax exempt loan to be repaid from utility savings. After the debt is paid, the residual savings produced by the improvements, estimated to be an average of \$816,000 per year throughout the financing term, will continue to accrue to UNCW and the State. The Project is expected to reduce the current energy consumption on campus by approximately 5.6%. To finance the Project, UNCW will solicit competitive proposals from qualified lenders. UNCW expects a finance rate to be very competitive (not to exceed 3.75%). The term of the loan will not exceed 20 years after a 1.5-year construction period. Construction is anticipated to commence in April of 2015 upon approval of all State regulatory authorities.

It is recommended that the request of the Board of Trustees of the University of North Carolina at Wilmington be approved with a total financed amount not to exceed \$11,500,000 and a finance rate not to exceed 3.75% and that the Project, the guaranteed energy savings contract, and the method of financing 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.

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 THE UNIVERSITY OF NORTH CAROLINA AT WILMINGTON.