

Authorization for Guaranteed Energy Savings Performance Contract – NCSSM

ISSUE OVERVIEW

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. This is consistent with G.S. 143-64.12, which requires that all state buildings reduce energy consumption per gross square foot by 20 percent by 2010 and 30 percent by 2015, as calculated on fiscal year 2002-2003 base consumption. Guaranteed energy savings projects are important tools to achieve facility efficiencies and maintain proper environmental stewardship. On October 9, 2009, the Board of Governors adopted Chapter 600.6.1 of The UNC Policy Manual, which identifies sustainable development and resource management as a core value of institutional operations, planning, capital construction, and purchasing practices. The UNC Policy Manual authorizes the implementation of sustainable practices in order to meet or exceed statutory requirements to reduce energy and water use, while still maintaining air quality and comfort, giving priority to the installation of high-efficiency equipment as part of an ongoing Sustainability Action Plan.

The NCSSM Board of Trustees has requested authority to establish a capital improvements project and to enter into a guaranteed energy savings contract to improve energy efficiencies, replace inefficient equipment and infrastructure, and reduce water consumption on campus. The project involves a total of 472,799 square feet in 14 buildings on the campus, including residence halls, academic spaces, and administrative offices.

Working with the Utility Savings Initiative staff in the Energy Group in the NC Department of Environmental Quality and the state list of pre-qualified energy service companies, NCSSM selected Trane U.S. Inc. as the energy services company to execute the performance contract, following a competitive RFP process which resulted in four proposals from which Trane was selected. Trane U.S. Inc. has validated the estimated project cost and utility savings through an investment grade audit, with oversight from Sud Associates, NCSSM's third-party engineer, and is willing to enter into a contract to guarantee achievement of 100 percent of the projected savings, and if those agreed upon savings are not achieved, Trane U.S. Inc., is contractually responsible for the shortfall.

The estimated cost of the project is expected not to exceed \$2,550,000 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 \$263,623 minimum per year throughout the financing term – will continue to accrue to NCSSM and the State. The project is expected to reduce the current energy consumption on campus by at least 22 percent. To finance the project, NCSSM will solicit competitive proposals from qualified lenders and expects a competitive finance rate (not to exceed 4 percent). The term of the loan will not exceed 15 years after a 1-year construction period. Construction is anticipated to commence in fall 2018, upon approval of all State regulatory authorities.

It is recommended that the request of the NCSSM Board of Trustees be approved with a total financed amount not to exceed \$2,550,000, and a finance rate not to exceed four percent, with the understanding that the guaranteed energy savings contract, and the method of financing would 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. This contract would be subject to the approval of the Council of State.

Further, it is recommended that the following Resolution be adopted (see next page):

**DELEGATING AUTHORITY TO THE PRESIDENT FOR AN
INSTALLMENT FINANCING CONTRACT
RELATED TO A GUARANTEED ENERGY SAVINGS CONTRACT
FOR THE NORTH CAROLINA SCHOOL OF SCIENCE AND MATHEMATICS**

WHEREAS, by Chapter 116 of the General Statutes of North Carolina, the Board of Governors (the “Board”) of the University of North Carolina (the “University”) is vested with general control and supervision of all constituent institutions of the University; and

WHEREAS, the North Carolina School of Science and Mathematics has requested authority to establish a capital improvements project and to enter into a guaranteed energy savings contract to improve energy efficiencies, replace inefficient equipment and infrastructure and reduce energy consumption on campus (the “Project”); and

WHEREAS, the Board finds that the energy savings resulting from the implementation of the Project, according to the energy savings analysis received under N.C.G.S. 143-64.17M(a), equals or exceeds the total cost of implementing the Project; and

WHEREAS, the North Carolina School of Science and Mathematics will solicit competitive proposals from qualified lenders to enter into an installment financing contract with the University (the “Contract”); and

WHEREAS, the North Carolina School of Science and Mathematics expects that the interest rate under the Contract will not exceed 4% on a principal amount not to exceed \$2,550,000.00;

NOW, THEREFORE, THE BOARD DOES HEREBY RESOLVE, DETERMINE, AUTHORIZE AND ORDER AS FOLLOWS:

Section 1. Authorization of Contract. That the form and content of the Contract is in all respects authorized, approved and confirmed, and the President and Chief Operating Officer of the University are authorized, empowered and directed to execute, approve and deliver the Contract, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as are necessary, desirable or appropriate, the execution thereof to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions, and that from and after the execution and delivery of the Contract, the President and Chief Operating Officer of the University are authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Contract as executed.

Section 2. General Authority. From and after the execution and delivery of the Contract, the President and Chief Operating Officer, and the Secretary of the University are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Contract as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to complete the transaction contemplated by the Contract.

Section 3. Conflicting Provisions. All resolutions or parts thereof of the Board that are in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby superseded and repealed.

APPENDIX C

Section 4. *Effective Date.* This Resolution is effective on its adoption.

PASSED, ADOPTED, AND APPROVED this 24th day of May, 2018.