

Board Meeting
July 25, 2013

ROLL CALL

APPROVE ENERGY CONSERVATION PROJECT, PROFESSIONAL AND
CONSTRUCTION SERVICES AWARD AND FINANCING, SCIENCE AND
ENGINEERING LABORATORIES COMPLEX, CHICAGO

Action: Approve Energy Conservation Project, Professional and Construction Services Award and Financing, Science and Engineering Laboratories Complex

Funding: Institutional Funds Operating Budget, Academic Facilities Maintenance Fund Assessment Fund, and Proceeds from Tax-Exempt and/or Taxable Installment Purchase or Lease Purchase Agreement

The Public University Energy Conservation Act (110 ILCS 62/1 et seq.) allows the University to undertake “energy conservation measures” (ECMs) by engaging energy service companies. The University may enter into an installment payment contract or lease-purchase agreement (also referred to as the “financing agreement”) with a qualified provider for the funding or financing of the purchase and installation of energy conservation measures. The guaranteed energy savings agreement shall include a written guarantee from the energy service company (ESCO) that either the energy or operational costs savings, or both, will meet or exceed within 20 years the costs of the energy conservation measures. The ESCO shall reimburse the public university for any shortfall of guaranteed energy savings projected in the contract.

The University has identified the Science and Engineering Laboratories Complex at Chicago (East Side Energy Performance Contract Phase I) as a candidate for this program. The Science and Engineering Laboratories Complex consists of four teaching and laboratory buildings along with a supporting office building. An energy audit was performed on these buildings to identify Energy Conservation Measures to be implemented through energy savings which will fund or repay design and construction costs in accordance with the Public University Energy Conservation Act.

The ECMs, in an amount estimated not to exceed \$65.0 million, will include, but are not limited to, the installation of items such as lighting retrofits, occupancy sensors, water conservation plumbing fixtures, and heat recovery systems. ECMs (also referred to herein as the “project”) may also include upgrading or replacing steam generators, dual duct boxes, motors, fume hoods, building automation systems, and air handling units.

In order for the project to proceed, it is necessary to employ an ESCO for the required professional and construction services. The selection of the ESCO for this project was in accordance with the requirements and provisions of the Public University Energy Conservation Act.¹

¹ A selection committee consisting of Mark Donovan (Vice Chancellor for Administrative Services); Andrew Barrett (Facilities Management); Jeffrey Barrie (Utilities); Waleed D’Keidek (Physical Plant), John Hiltcher (Office of Capital Programs), Fernando Howell (Facility and Space Planning), Robert Plankenhorn (Capital Financing, OBFS Treasury Operations), Chris Rogan (University Office of Capital Programs and Real Estate Services); interviewed and ranked as most qualified the following firms: AMERESCO, Chicago, IL; Chevron, Oak Brook, IL; and NORESO, Westborough, MA. The committee recommends AMERESCO, Chicago, IL, as best meeting the criteria for the project.

It is recommended that AMERESCO, Inc., (AMERESCO) of Chicago, Illinois, be employed for the professional and construction services required through the completion of the project. The ESCO's fees will be approximately \$63,692,117.

AMERESCO, with oversight from University staff, has conducted a competitive bidding process for the financing of the acquisition and construction of the ECMs. JPMorgan Chase Bank, N.A. submitted the lowest bid to provide the financing. The structure of the financing will be similar to other University borrowings. The University will enter into an energy savings agreement and a financing agreement with AMERESCO. The financing will be accomplished by AMERESCO assigning the financing agreement to its affiliate or assignee (the "Lender") in exchange for the proceeds of the loan. The proceeds of the loan will be held in escrow and will be paid out to AMERESCO pursuant to an escrow agreement or other financial agreement documents. Therefore, in order to proceed with the financing, it is requested that the Board take the following actions:

1. Approve Katten Muchin Rosenman, LLP as special counsel to the University.
2. Approve Public Financial Management, Inc., as financial advisor to the University.
3. Approve JPMorgan Chase Bank, N.A. as the Lender and assignee of the financial agreement documents.
4. Approve entering into the financial agreement documents for a loan not to exceed \$32.6 million for the acquisition of the ECMs and the cost of issuance. If interest from the loan is tax-exempt, the interest rate shall not exceed 4.000 percent. If the interest from the loan is taxable, the interest rate shall not exceed 5.500 percent. The final maturity of the loan will not exceed 20 years from its inception.

5. Delegate to the Vice President/Chief Financial Officer and Comptroller the authority to determine the principal amount, interest rate, and maturity and amortization within the limits expressed in this Board action and such other final terms and conditions, including prepayment terms and penalties, as shall be necessary or appropriate.
6. That the Vice President/Chief Financial Officer and Comptroller and other authorized officers of the Board be and they are hereby authorized and empowered to do and perform such other acts and things; and to make, execute, and deliver all such other instruments and documents on behalf of the Board as may be by them deemed necessary or appropriate in connection with the provisions of the financing agreement documents. All acts and things whether heretofore or hereafter done or performed by any of the officers of the Board which are in conformity with the intents and purposes of this Board action shall be and the same are hereby in all respects, ratified, confirmed, and approved.

Funds for this project will be available from the institutional funds operating budget of the Chicago campus, Academic Facilities Maintenance Fund Assessment Fund, and through an installment payment contract to be paid by both guaranteed energy savings and a recurring operating budget allocation set aside for this purpose. Any project planning and construction cost incurred prior to realization of energy savings will be from the institutional funds operating budget with anticipated reimbursement from guaranteed energy savings.

Accordingly, the Chancellor, University of Illinois at Chicago, and Vice President, University of Illinois with the concurrence of the appropriate administrative officers recommends that the project, professional and construction services award, and financing arrangements for Energy Performance Contracting on the Science and Engineering Laboratories Complex at Chicago be approved.

The Board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes, The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The President of the University concurs.