

Board Meeting  
November 18, 2010

ROLL CALL

APPROVE ENERGY CONSERVATION PROJECT, PROFESSIONAL AND  
CONSTRUCTION SERVICES AWARD AND FINANCING,  
VETERINARY MEDICINE COMPLEX, URBANA

**Action:** Approve Energy Conservation Project, Professional and Construction Services Award and Financing, Veterinary Medicine Complex

**Funding:** State Grant Funds, 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 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 Veterinary Medicine Complex at Urbana as a candidate for this program. The Veterinary Medicine Complex is comprised of four teaching and laboratory buildings along with its own chiller plant. An energy audit was performed on these buildings to identify ECMs 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 \$22.1 million proposed project's Energy Conservation Measures will include, but are not limited to, the installation of items such as lighting retrofits, occupancy sensors, water conservation plumbing fixtures, and heat recovery; and upgrading or replacing steam traps, cooling coils/valves, 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.<sup>1</sup>

It is recommended that Energy Systems Group (ESG) of Newburgh, Indiana, be employed for the professional and construction services required through the completion of the project. The ESCO's fees will be approximately \$21.9 million.

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<sup>1</sup> A selection committee consisting of Chris Rogan, Sean Reeder (University Office of Capital Programs); Kent Reifsteck, Terry Ruprecht (Facilities and Services); and Joe Kunkel (Veterinary Medicine Administration) interviewed and ranked as most qualified the following firms: ESG, Newburgh, IN; Honeywell, Indianapolis, IN; Schneider Electric, Chicago, IL; and Siemens, Mt. Prospect, IL. The committee recommends ESG, Newburgh, IN, as best meeting the criteria for the project.

ESG, with oversight from University staff, has conducted a competitive bidding process for the financing of the acquisition and construction of the ECMs. PNCEF, LLC d/b/a PNC Equipment Finance (PNC) submitted the lowest bid to provide the financing. The structure of the financing will be similar to other University borrowings. The financing will be accomplished by ESG assigning the financing agreement to PNC in exchange for the proceeds of the loan. The proceeds of the loan will be held in escrow and will be paid out to ESG pursuant to 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 as special counsel to the University.
2. Approve Public Financial Management as financial advisor to the University.
3. Approve PNCEF, LLC d/b/a PNC Equipment Finance as the lender and assignee of the financial agreement documents.
4. Approve entering into the financial agreement documents for a loan not to exceed \$20.0 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 6 percent. If the interest from the loan is taxable, the interest rate shall not exceed 8 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, final terms, and conditions of the loan within the limits expressed in this Board action.
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, and 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 a grant from the Illinois Department of Commerce and Economic Opportunity, a grant from Illinois Clean Energy Foundation, the institutional funds operating budget of the Urbana campus, Academic Facilities Maintenance Fund Assessment Fund, and through an installment payment contract and resulting account that will be reimbursed through guaranteed energy savings. 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 at Urbana 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 Veterinary Medicine Complex at Urbana 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.