

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
The University of Florida
\$29.6M Holland District ESCO**

Project Summary

Project Description:

The University of Florida (University) seeks to reduce energy consumption and related operational costs via a guaranteed energy performance contract for the northeast area of campus known as the Holland District. The Holland District's chilled water plant was built in 1968, and many of the current steam piping and condensation lines are more than 50 years old. The proposed Project will cost approximately \$29.6M and includes construction of a new condensing boiler plant, renovation of an existing chilled water plant, installation of hot water distribution pipe, replacement or upgrade of other mechanical infrastructure items, and installation of other equipment and technology that will, together, reduce overall energy demand as well as operational, maintenance, and infrastructure renewal costs (together, known as Project or Holland District ESCO).

The University selected Siemens Industry, Inc. (Siemens) as the energy performance-based contractor and TD Equipment Finance (TD Finance) as the third-party financing entity. Siemens performed the preliminary assessments and will be responsible for the Project's energy audit, design, engineering, and installation. TD Finance will provide \$19.6M in tax-exempt financing, which, coupled with University resources of \$10M, will fund total Project costs.

The Project is expected to yield approximately \$5.2M in aggregate savings over the 20-year term of the agreement. Savings will be guaranteed by Siemens, and all facets of the Project have been and will be produced in a manner consistent with sections 1013.23 and 489.145, Florida Statutes.

University Board of Trustees approved of the Project on August 16, 2022.

Campus Master Plan:

The Project is not specifically cited in the University's 2020-2030 Campus Master Plan (CMP); however, it is consistent with the Capital Improvements Element therein (i.e., it provides necessary infrastructure to support adopted capital facility priorities) and it is consistent with Future Land Use designations. The University has indicated the Project will be added to the CMP during its 2022-23 amendment cycle.

Site Location:

The Project area is in the northeastern area of campus, specifically the Holland District, which is comprised of approximately 500,000 sq ft of facilities, including educational (including the Holland Law building), University Athletic Association and housing buildings.

Demand Analysis: Siemens completed a Detailed Feasibility Assessment (DFA) on March 30, 2021, providing a preliminary assessment of potential energy conservation measures and relate savings.

Siemens is currently conducting the requisite Investment Grade Energy Audit (IGA), which will finalize and confirm Project scope and establish life cycle costs and guaranteed savings. The IGA will be completed prior to execution of the Contract and will be reviewed, confirmed, and sealed by a registered professional engineer as required by section 1013.23(3)(d), Florida Statute.

The overall objective of the DFA and IGA is to determine the viability of renewing campus infrastructure and reducing deferred maintenance in the Holland District.

Projected Construction: The University plans to initiate construction in April 2023 and be completed by September 2024.

Project Cost: A guaranteed max price (GMP) contract has been established at \$29,577,352, including a contingency of \$2,442,167 (8% of the total budget). Total Project cost will be funded through a combination of University funds and tax-exempt financing proceeds, as reflected in the chart below.

Project Funding Sources		
TD Equipment Finance:	tax-exempt financing	\$19,577,352
University funds:	Facilities Services Auxiliary	\$5,550,000
	E&G Carryforward Funds	\$4,450,000
Total Project Cost:		\$29,557,352

Project Financing: As reflected in the chart above, two-thirds of total Project cost will be funded via proceeds from third-party tax-exempt financing. Pursuant to an invitation to bid and selective process initiated in January 2023, the University chose TD Equipment Finance based on overall terms, including favorable prepayment options, attractive rate (3.31%), and a level payment structure, i.e., quarterly payments of \$351,402 (approximately \$1.4M annually) following a period of interest-only payments during construction.

Pledged Revenues: N/A

Security/Lien Structure: According to the University, the third-party financing will be secured by Project equipment only. Furthermore, consistent with Florida Statutes, the financing agreement will stipulate that it does not constitute a debt, liability, obligation, or a pledge of faith or credit of the state or university.

Debt Service Coverage: Debt service coverage is not applicable. However, pursuant to Florida Statutes, the amount spent on energy conservation measures recommended in the DFA and IGEA must not exceed the amount to be saved over the contract term following installation. According to projections provided by the University, the Project will result in guaranteed savings of approximately \$260K annually (average) or \$5.2M in total over the 20-year term of the contract. [see attached **20-Year Projection: Energy Cost Savings vs. Cost of Energy Conservation Measures**]

The final IGA containing guaranteed savings and scope will be submitted to the University before contract execution and will be signed and sealed by a registered Florida professional engineer, per Florida Statute. The findings of the IGA are expected to support the University-provided projections, and the savings will be guaranteed by Siemens.

Type of Sale: N/A

Selection of Professionals: Contracts with outside professionals have been and will be selected pursuant to requirements of sections 1013.23 and 489.145, Florida Statutes.

Recommendation: Staff of the Board of Governors has reviewed the information provided by the University with respect to its request for Board approval of the Project pursuant to the State University System Debt Management Guidelines. Based upon this review, it appears that the Project and proposed financing will be produced in a manner consistent with Florida Statutes. Accordingly, staff of the Board of Governors recommends authorization of the proposed Project (\$29.6M Holland District ESCO).