

Agenda Item No. 3.6

AGENDA ITEM BRIEFING

Submitted by: Billy Hamilton, Deputy Chancellor and Chief Financial Officer
The Texas A&M University System

Subject: Approval to Amend the FY 2023-FY 2027 Texas A&M University System Capital Plan to Add the Texas A&M Health ESCO 2023 Project for Texas A&M University Health Science Center with an FY 2023 Start Date (Project No. 23-3412)

Proposed Board Action:

- (1) Amend the approved FY 2023-FY 2027 Texas A&M University System Capital Plan to add the Texas A&M Health ESCO 2023 Project for Texas A&M University Health Science Center (Texas A&M Health) with an FY 2023 start date and a total planning amount of \$14,745,526.
- (2) Approve the project scope and budget.
- (3) Appropriate \$14,745,526 for pre-construction services, construction services, and related project costs.
- (4) Approve construction of the Texas A&M Health ESCO 2023 Project at Texas A&M Health.

Funding/Planning Amount:

<u>Funding Source</u>	<u>Planning Amount</u>	<u>Average Estimated Annual Debt Service</u>	<u>Debt Service Source</u>
Permanent University Fund Debt Proceeds	<u>\$14,745,526</u>	\$1,195,263	Available University Fund
Total Project Cost	<u>\$14,745,526</u>		

*Texas A&M Health is using \$14,745,526 of its PUF Equipment Allocations to provide funding for this project. These funds have been reverted to the system so they can be appropriated to this major project.

Project Justification:

This project will upgrade 10 facilities to improve operating efficiencies and environment through upgrading lighting systems, water fixtures, network thermostats, laboratory controls, transformers, and air handling units at the end of their useful lives. This will also reduce utility consumption and greenhouse gas emissions. The multi-campus facilities vary by age, size, and use and total 1,082,754 square feet. The Investment Grade Audit (IGA) showed utility consumption reduction opportunities of approximately 13.8% for electricity consumption, 12.7% for district chilled water demand assessments, 7.7% for district steam demand, and 2.3% of water and wastewater which would yield more than \$672,000 in average annual utility cost savings.

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Through The Texas A&M University System (A&M System) negotiated energy savings program contracts, Texas A&M Health invited the four A&M System-approved Energy Service Companies (ESCOs) to conduct presentations and then invited ESCO(s) to participate in a Preliminary Utility Audit (PUA) at its campus. Texas A&M Health selected Ameresco as the ESCO contractor to proceed with for negotiation of a campus-wide IGA, also referred to as a Utility Audit Report (UAR) or Energy Audit Report. Time had elapsed between when the PUAs were done and when Texas A&M Health made their final selection, so they utilized The Interlocal Purchasing System (TIPS) which had issued an RFQ resulting in a list of providers under a Master Services agreement for performing IGAs/ UARs, Project Proposals, and Energy Savings Performance Contracts. Texas A&M University is a TIPS member and has utilized this procurement methodology under TIPS RFQ 170103. Through the IGA, the ESCO contractor (i) collected data related to Texas A&M Health's use and operation of the premises, which included observations of the premises, determination of the base year energy consumption, financial analyses of the cost and benefit of energy and water conservation measures; and (ii) prepared a detailed Energy Audit Report, which analyzed current energy consumption at the premises, made recommendations for energy efficient equipment upgrades, energy conservation measures, and a detailed analysis of implementation costs, anticipated energy and water savings resulting from such improvements and assumptions upon which the projected savings are based. The Energy Audit Report provided Texas A&M Health with the information necessary for the evaluation of the costs and benefits of proceeding with the utility consumption reduction project.

Cost avoidance from energy consumption reduction guaranteed by an ESCO will generate financial benefit over a projected 20-year project lifecycle. Energy savings projects of this type are also required to submit required documentation in order to receive approval by the Texas Higher Education Coordinating Board (THECB), who originally established review and approval process guidelines in consultation with the State Energy Conservation Office (SECO). The application for this project will be evaluated on technical and financial requirements and selected for funding based upon meeting strict engineering and financial merits. If the projected energy consumption avoidance is not achieved, the ESCO will be responsible for any guaranteed utility savings shortfall. For this project, a \$14.7 million cash price is projected.

Scope:

The IGA identified a list of facilities to be audited and upgraded with lighting improvements, HVAC equipment upgrades, Building Automation System upgrades, laboratory control upgrades, and water fixture upgrades as recommended. During the IGA, the facilities were further defined with the final facility list as shown below.

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Bldg. No.	Building Name	Campus Location	Project Designation	Year	Floors	Gross Square Feet
1000	Health Professions Education Building	Bryan	Health Professions	2010	4	132,483
1001	Medical Research Education Building [I]	Bryan	Medical Research I	2010	4	131,009
1004	Medical Research Education Building Annex	Bryan	Medical Research Annex	2015	2	57,278
1504	Reynolds Medical Sciences Building	College Station	Medical Sciences	1983	4	169,859
1518	School of Public Health A	College Station	Public Health A	2006	3	69,079
1519	School of Public Health B	College Station	Public Health B	2006	2	24,761
1520	School of Public Health C	College Station	Public Health C	2006	1	13,264
3500	Alkek Institute of Bioscience and Technology Building	Houston	Alkek Building	1991	11	228,420
3600	College of Dentistry Building	Dallas	Dentistry Building	1948	8	255,000
3601	College of Dentistry Imaging Center	Dallas	Imaging Center	1994	1	1,600
						1,082,754

The recommended energy and water conservation measures (ECMs) that will reduce energy and operational costs at the 10 facilities were evaluated. These facilities are of different age and type and comprise a cross section of facilities. The audited campus facilities represent 1,082,754 square feet. Texas A&M Health will improve the quality of the teaching, learning, and research environment and be able to promote a more sustainable image with greenhouse gas reductions.

Measurable success will be based on post-construction verification of:

- Reduction in electricity consumption by 2,960,480 kilowatt-hours (kWh) each year
- Reduction in district chilled water consumption by 18,541,804 ton-hours each year
- Reduction in district chilled water demand assessments by 23,615 ton-hours/day each year
- Reduction in district steam demand assessments by 59,657 pounds/day each year
- Reduction in water consumption 711,000 gallons each year

The project will use a Design Build (DB) delivery method in which the first step included an Investment Grade Audit (IGA)/Utility Audit Report (UAR); a Measurement and Verification Plan (M&V); a Sample Periodic Savings Report; and Project Proposal. The project was then reviewed by an independent third-party professional engineer licensed in the state of Texas pursuant to the Texas Engineering Practice Act, Texas Occupations Code, Chapter 1001. If the project criteria identified within the Preliminary Energy Audit are met, the project may move to the next step, an Energy Savings Performance Contract (ESPC).

All construction in this project shall meet all applicable codes and standards identified within the FP&C Facility Design Guidelines, including NFPA Life Safety Codes and Texas Accessibility Standards.

Any related agreements prepared for this project will be reviewed and approved by the Office of General Counsel prior to execution.

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Construction on this project is scheduled to start in August 2023 with substantial completion scheduled for November 2024. The total project budget is \$14,745,526.

Other Major Fiscal Impacts:

None.

Strategic Plan Imperative(s) this Item Advances:

The Project supports Strategic Plan Imperative 6, “The A&M System, in adhering to the high standard of excellence and growth required in this strategic plan, will display prudent financial stewardship and sustainability. Our member institutions will be diligent about their plans for growth, and the A&M System will ensure financially sound decision-making at the aggregate level. We have robust financial management capabilities in place and will continue to manage the A&M System’s financial health in a holistic manner.” Texas A&M Health is leveraging available electricity, steam, and water savings to fund utility consumption reduction measures that are both economically and environmentally sustainable. This will be accomplished by providing lighting, infrastructure, and water upgrades throughout buildings across the Texas A&M Health campuses in a largely budget neutral manner for most measures, with the replacement of air handling units being an end of useful life capital item. These measures will improve the quality of facilities for students, faculty, and staff; as well as provide a meaningful reduction in the deferred maintenance backlog while supplementing the campus’ capacity for growth by addressing these infrastructure needs.

THE TEXAS A&M UNIVERSITY SYSTEM
FACILITIES PLANNING AND CONSTRUCTION
Office of the Deputy Chancellor and Chief Financial Officer
January 2, 2023

Members, Board of Regents
The Texas A&M University System

Subject: Approval to Amend the FY 2023-FY 2027 Texas A&M University System Capital Plan to Add the Texas A&M Health ESCO 2023 Project for Texas A&M University Health Science Center with an FY 2023 Start Date (Project No.23-3412)

I recommend adoption of the following minute order:

“The request to amend the FY 2023-FY 2027 Texas A&M University System Capital Plan to add the Texas A&M Health ESCO 2023 Project for Texas A&M University Health Science Center (Texas A&M Health) with an FY 2023 start date and a total planning amount of \$14,745,526 is approved.

The project scope along with a project budget up to \$14,745,526 for the Texas A&M Health ESCO 2023 Project is approved.

The amount up to \$14,745,526 is appropriated from Account No. 01-084243 Permanent University Fund Debt Proceeds (AUF) for pre-construction services, construction services and related project costs.

The Texas A&M Health ESCO 2023 Project, Texas A&M University Health Science Center, Bryan, College Station, Dallas, and Houston, Texas is approved for construction.

The Board of Regents of The Texas A&M University System (Board) reasonably expects to incur debt in one or more obligations for this project, and all or a portion of the proceeds received from the sale of such obligations

is reasonably expected to be used to reimburse the account(s) for amounts previously appropriated and/or expended from such account(s).”

Respectfully submitted,

[ORIGINAL SIGNED BY]

Billy Hamilton
Deputy Chancellor and
Chief Financial Officer

Approval Recommended:

[ORIGINAL SIGNED BY]

John Sharp
Chancellor

[ORIGINAL SIGNED BY]

Phillip Ray
Vice Chancellor for Business Affairs

[ORIGINAL SIGNED BY]

M. Katherine Banks, Ph.D., President
Texas A&M University

[ORIGINAL SIGNED BY]

Jon Mogford, Ph.D., Chief Operating Officer
Texas A&M University Health Science Center

Approved for Legal Sufficiency:

[ORIGINAL SIGNED BY]

Ray Bonilla
General Counsel

TEXAS A&M HEALTH ESCO 2023	PROJECT BUDGET
TEXAS A&M UNIVERSITY	
PROJECT NO. 23-3412	

1. Amount Available for Construction Contract	\$13,676,055
2. Project Owner Contingency	\$683,802
3. 3 rd Party Engineering Verification	\$5,000
4. FP&C Management Fee	<u>\$380,669</u>
5. TOTAL ESTIMATED COST OF PROJECT	<u>\$14,745,526</u>

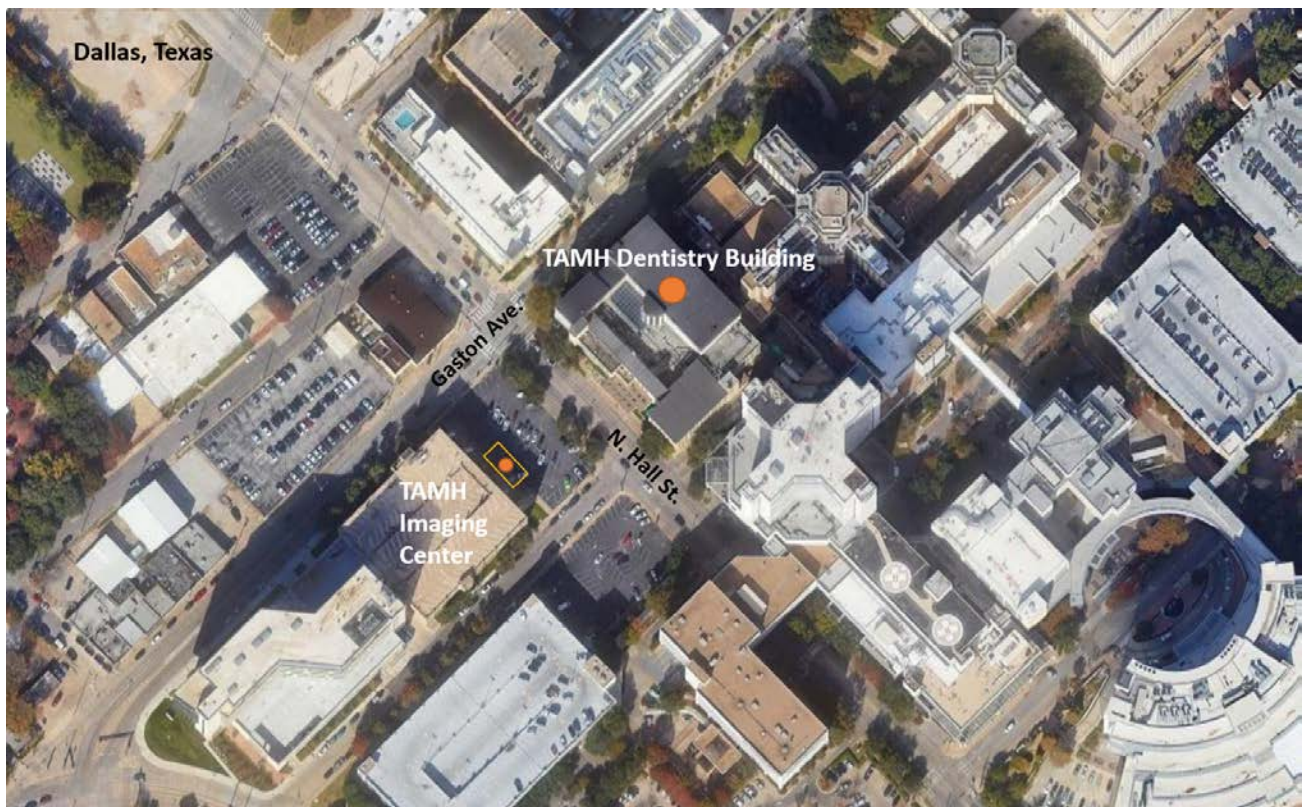
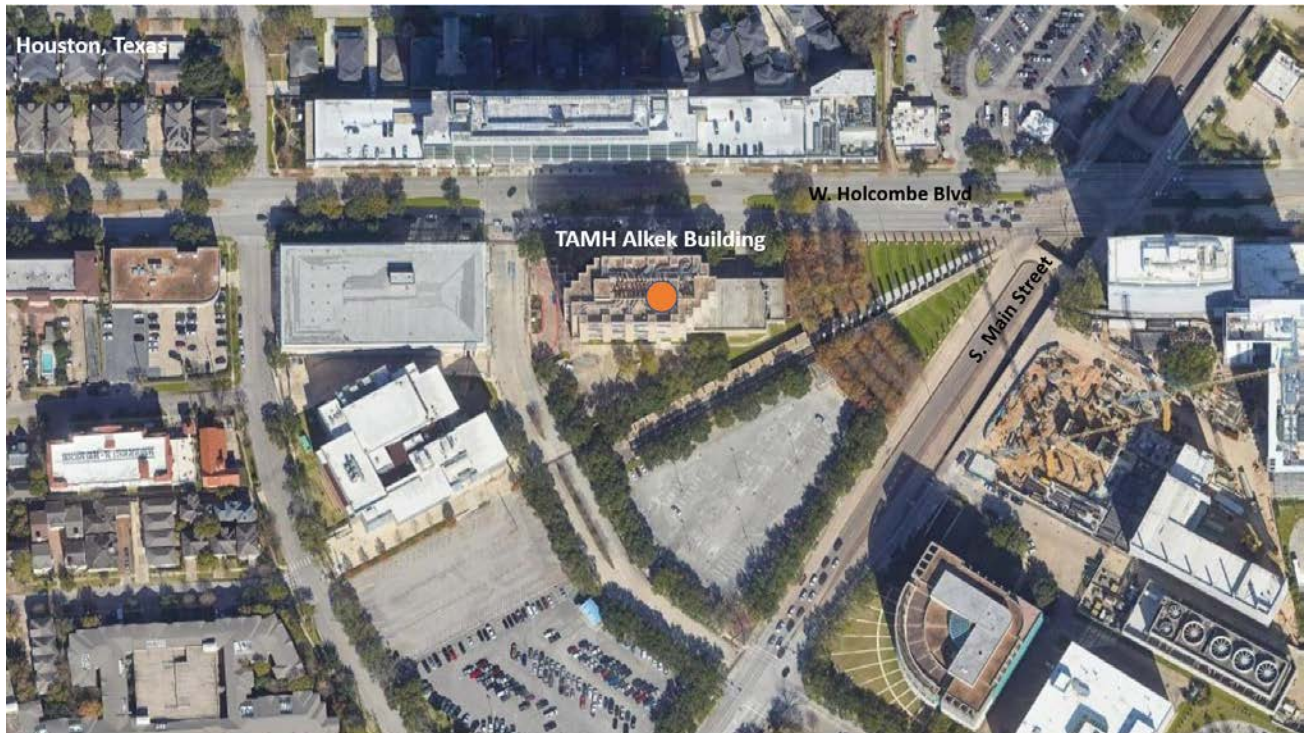
1. Authorization to Proceed with Investment Grade Audit February 4, 2022
2. Receive GMP October 27, 2022
3. Submit IGA Package for Review November 18, 2022
4. Investment Grade Audit Complete November 18, 2022
5. Complete Program of Requirements..... November 18, 2022
6. Submit IGA Report for 3rd Party Verification November 21, 2022
7. Submit Agenda Item to Chancellor’s Office for February 2023 BOR December 12, 2022
8. Comments Submitted to ESCO January 4, 2023
9. Third Party Verification Complete January 6, 2023
10. BOR Approval for Construction..... February 9, 2023
11. Submit THECB Application March 2023
12. Approval by THECB Committee April 2023
13. Begin Construction August 2023
14. Substantial Completion November 2024
15. Owner Occupancy December 2024



Texas A&M Health ESCO 2023

Texas A&M University Health Science Center

Project No. 23-3412



Texas A&M Health ESCO 2023

Texas A&M University Health Science Center

Project No. 23-3412

**TEXAS A&M UNIVERSITY HEALTH SCIENCE CENTER
PERMANENT UNIVERSITY FUND
23-3412 ESCO 2023
Available University Fund**

Dates	Outstanding Principal	Principal Amount	Interest Amount	Annual Total
BONDS	14,895,000.00			
YEAR 1	14,445,000.00	450,000.00	744,750.00	1,194,750.00
YEAR 2	13,970,000.00	475,000.00	722,250.00	1,197,250.00
YEAR 3	13,475,000.00	495,000.00	698,500.00	1,193,500.00
YEAR 4	12,955,000.00	520,000.00	673,750.00	1,193,750.00
YEAR 5	12,410,000.00	545,000.00	647,750.00	1,192,750.00
YEAR 6	11,835,000.00	575,000.00	620,500.00	1,195,500.00
YEAR 7	11,230,000.00	605,000.00	591,750.00	1,196,750.00
YEAR 8	10,595,000.00	635,000.00	561,500.00	1,196,500.00
YEAR 9	9,930,000.00	665,000.00	529,750.00	1,194,750.00
YEAR 10	9,230,000.00	700,000.00	496,500.00	1,196,500.00
YEAR 11	8,495,000.00	735,000.00	461,500.00	1,196,500.00
YEAR 12	7,725,000.00	770,000.00	424,750.00	1,194,750.00
YEAR 13	6,915,000.00	810,000.00	386,250.00	1,196,250.00
YEAR 14	6,065,000.00	850,000.00	345,750.00	1,195,750.00
YEAR 15	5,175,000.00	890,000.00	303,250.00	1,193,250.00
YEAR 16	4,240,000.00	935,000.00	258,750.00	1,193,750.00
YEAR 17	3,255,000.00	985,000.00	212,000.00	1,197,000.00
YEAR 18	2,225,000.00	1,030,000.00	162,750.00	1,192,750.00
YEAR 19	1,140,000.00	1,085,000.00	111,250.00	1,196,250.00
YEAR 20	-	1,140,000.00	57,000.00	1,197,000.00
		<u>\$ 14,895,000.00</u>	<u>\$ 9,010,250.00</u>	<u>\$ 23,905,250.00</u>

Estimated Issuance Costs and Rounding of \$149,400.00 are included in this schedule.
Long-term rates are assumed to be 5.0%. Rates are subject to market change.
Prepared by the Office of the Treasurer - Treasury Services 12/08/2022

Rates are subject to market change. Amounts are preliminary estimates that will be revised at the time bonds are issued.