



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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MEMORANDUM

To: The Honorable Marvin L. Abney
Chairman, House Finance Committee

The Honorable William J. Conley, Jr.
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: May 18, 2018

Subject: New Article in the FY 2019 Appropriations Act (18-H-7200)
Relating to the Convention Center Authority

The Governor requests that an additional article, entitled "Relating to the Convention Center Authority", be submitted alongside the other articles submitted on January 18, 2018. This article would authorize the Convention Center Authority (the "Authority") to borrow from the Rhode Island Infrastructure Bank's Efficient Buildings Fund ("EBF") to support energy efficiency improvements at the Rhode Island Convention Center and the Dunkin Donuts Center.

Based on an analysis performed by an independent consultant provided by the Rhode Island Infrastructure Bank, the Authority will be able to generate approximately \$500,000 in annual energy and maintenance savings that will offset the annual debt service on the EBF loan and result in continued savings after the loan is repaid.

The project has an estimated cost of \$4.9 million, with expected rebate incentives of \$0.7 million from National Grid's incentive program for a net cost of \$4.2 million. Combined with cost of issuance expenses and the EBF origination fee of one percent (1.0%), the total amount to be borrowed would be \$4.3 million. Estimated annual debt service for an eleven (11) year loan would be just under \$500,000, which is less than the anticipated annual energy and maintenance savings.

If there are any questions concerning this new article, please feel free to reach out to me. Authority and RI Infrastructure Bank staff are also available to testify on this article when needed.

TAM:sma 19-Amend-20

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Michael DiBiase, Director of Administration
Jonathan Womer, Director, Office of Management and Budget

TDD#: 277-1227

ARTICLE xx

RELATING TO THE CONVENTION CENTER AUTHORITY

SECTION 1. This article shall serve as the joint resolution required pursuant to Rhode Island General Law 35-18-1, *et seq.*

SECTION 2. *Energy Performance Contract – Convention Center Authority*

WHEREAS, the Rhode Island Convention Center Authority, hereby referred to as “the Authority,” is proposing projects that involve the implementation of professionally guided capital investments in energy efficiency improvements to the Rhode Island Convention Center and the Dunkin Donuts Center that will pay for themselves through cost avoidance, while reducing long-term energy consumption and maintenance associated with operations at these facilities; and

WHEREAS, energy performance contracting has been significantly enhanced and refined, and many examples exist of programs successfully employed around the country that are prudent from both a fiscal management and an environmental stewardship perspective; and

WHEREAS, the evaluations of an independent consultant provided by the Rhode Island Infrastructure Bank further affirm the significant opportunity to implement energy conservation improvements on the Authority’s buildings that would be expected to pay for themselves through operating budget savings within an eleven-year period; and

WHEREAS, financing via the Efficient Buildings Fund of the Rhode Island Infrastructure Bank with associated debt service supported for the financing term by energy cost avoidance (i.e., by redirecting dollars that would have paid for utility consumption, but with the improvements can be redeployed to repay the financing) is the most cost-effective means of supporting the investment in energy efficiency improvements under this program; and

WHEREAS, the Authority is seeking to undertake energy infrastructure improvements to replace obsolete equipment with new equipment and infrastructure components employing high energy efficient

technologies, to employ insulation and weatherization measures, and to deploy measures that sustain the highest performance levels for these improvements; and

WHEREAS, the estimated cost of such improvements for the Authority is an amount not to exceed four million three hundred thousand dollars (\$4,300,000). Total payments on the Authority's obligation over eleven (11) years on the four million three hundred thousand dollars (\$4,300,000) issuance are projected to be five million one hundred thousand dollars (\$5,100,000), assuming an average interest rate of four percent (4.0%), with a twenty percent (20%) subsidy on the interest rate by the Rhode Island Infrastructure Bank. The debt service payments would be derived by the Authority from energy and maintenance savings; now, therefore, be it

RESOLVED, that the Authority is authorized to proceed with the aforementioned projects in the amounts specified above; and be it further

RESOLVED, that the financing will be structured so that, at a minimum, the annual principal, interest and service and maintenance costs resulting from these projects would be fully offset by the anticipated annual energy savings derived from energy efficiency improvements; and be it further

RESOLVED, that this joint resolution shall take effect immediately upon its passage.

SECTION 3. This article shall take effect upon passage.