



# COUNCIL REPORT

**DATE:** June 28, 2022

**CATEGORY:** Consent

**DEPT.:** Public Works

**TITLE:** **HVAC Replacement at Fire Station No. 1 and City Hall/CPA, Projects 20-18 and 20-54—Accept Construction and Associated Administrative Actions**

## **RECOMMENDATION**

1. Transfer and appropriate \$40,000 from Planned and Emergency Facilities Projects—Fire Station No. 1 HVAC Replacement, Project 20-18, to Civic Center Infrastructure, Phase 1—City Hall/CPA HVAC Replacement, Project 20-54. (Five votes required)
2. Authorize the City Manager or designee to amend the construction contract with Syserco Energy Solutions, Inc., to decrease the construction contingency budget for Fire Station No. 1, Project 20-18, by \$40,000 and increase the construction contingency budget for City Hall/CPA, Project 20-54, by \$40,000.
3. Accept Fire Station No. 1 HVAC Replacement, Project 20-18, and City Hall/CPA HVAC Replacement, Project 20-54, and authorize final contract payment.

## **BACKGROUND AND ANALYSIS**

“Acceptance” of a construction contract is a legal event recognized by State law when the City verifies the contractor has satisfactorily completed a public project. Once accepted, the work on the public project is complete and other actions occur, such as final payment to the contractor and the release of bonds obtained by the contractor that ensure completion of the project. Following acceptance, the City becomes responsible for the maintenance of the public project.

### **HVAC Replacement at Fire Station No. 1 and City Hall/CPA, Projects 20-18 and 20-54**

On [November 10, 2020](#), the City Council adopted a resolution awarding a construction contract to Syserco Energy Solutions, Inc. (Syserco), for the heating, ventilation, and air conditioning (HVAC) replacements at Fire Station No. 1 and the City Hall/Center for the Performing Arts (CPA).

The contract value for both projects was \$3,808,028 with a construction contingency of \$340,000. The budget allocation for each project is shown below.

	<b>Construction</b>	<b>Contingency</b>	<b>Total</b>
Fire Station No. 1, Project 20-18	\$ 913,486	\$ 90,000	\$1,003,486
City Hall/CPA, Project 20-54	<u>2,554,542</u>	<u>250,000</u>	<u>2,804,542</u>
<b>GRAND TOTAL</b>	<b><u>\$3,468,028</u></b>	<b><u>\$340,000</u></b>	<b><u>\$3,808,028</u></b>

**Fire Station No. 1 HVAC Replacement, Project 20-18**

Fire Station No. 1 HVAC Replacement (Project 20-18) is the City’s first stand-alone project that replaced a natural gas HVAC system with a fully electric system consistent with the City’s Sustainability Action Plan to decarbonize and improve the efficiency of City facilities. The project is estimated to reduce Greenhouse Gas (GHG) generation by 25.5 metric tons annually. The project included replacing a 20-ton air-cooled chiller with an air-to-water heat pump system. Additional elements of the project included replacing light fixtures, isolation valves, chemical pot feeders, and digital control devices.

All HVAC work at Fire Station No. 1 was completed in accordance with the contract, and the heating and cooling systems are commissioned and fully operational. The final construction cost is \$951,164 and includes two change orders for \$37,678 for items that required unforeseen repair or replacement during construction. The remaining construction contingency for Project 20-18 is \$52,322.

**City Hall/CPA HVAC Replacement, Project 20-54**

City Hall/CPA HVAC Replacement (Project 20-54) is an in-kind replacement of the existing system. In designing Project 20-54, staff had analyzed the feasibility of an all-electric system. Staff determined that, due to space constraints, an all-electric system would result in significant impacts regarding project cost, risk of HVAC system failure during the extended time to complete the project, and disruption to Pioneer and Eagle Parks. Consequently, at the November 10, 2020 Council meeting, staff recommended replacement with a gas HVAC system and an investment in offsets for 200% of the greenhouse gas emissions associated with the proposed new HVAC system.

Although the system still requires natural gas, the newer equipment will be more energy efficient and produce less GHG emissions than the 30-year-old equipment it replaced. The project is estimated to reduce GHG generation by 36.3 metric tons annually. Elements of the project included replacing motors, water pumps, boilers for the domestic hot water and the HVAC

system, tanks and pumps, cooling tower, valves, and transformers. Digital control devices were also installed.

All work was completed in accordance with the contract, and the new HVAC equipment is commissioned and fully operational. The total project expenditure is \$2,844,542, which is \$40,000 over the construction and contingency budget of \$2,804,542 for Project 20-54. The final construction cost includes four change orders for items that required unforeseen repair or replacement during construction. An additional \$40,000 is needed to pay for the final change order, and staff recommends transferring \$40,000 from the remaining Project 20-18 contingency to the Project 20-54 contingency.

### **FISCAL IMPACT**

The construction contract with Syserco for the HVAC replacements at City Hall/CPA and Fire Station No. 1 had a total not-to-exceed cost of \$3,808,028. The Syserco construction contract was completed for \$3,795,706, for a total savings of \$12,322. The contract was funded with \$1,003,486 from Planned and Emergency Facilities Projects—Fire Station No. 1 HVAC Replacement, Project 20-18, and \$2,804,542 from Civic Center Infrastructure, Phase 1—City Hall/CPA HVAC Replacement, Project 20-54. The funding sources for both Projects 20-54 and 20-18 are the Capital Improvement Reserve Fund and the Construction/Conveyance Tax Fund.

The City Hall/CPA project element exceeded its budget by \$40,000, while the Fire Station No. 1 project element came in \$52,322 under budget. In order to provide for proper accounting in the use of Capital Improvement Program (CIP) project funds and for the construction contract, staff requests Council approval to transfer \$40,000 from Project 20-18 to Project 20-54, and authorization for the City Manager or designee to amend the construction contingencies for each project element in the construction contract.

### **ALTERNATIVES**

Determine that the improvements have not been completed in conformance with City standards and decline to accept the improvements until they are completed to the satisfaction of the City Council.

**PUBLIC NOTICING**—Agenda posting.

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