



**DATE:** June 20, 2017

**CATEGORY:** New Business

**DEPT.:** Public Works

**TITLE:** **Adopt a Resolution Awarding a Construction Contract to Syserco Energy Solutions for HVAC Replacement at Fire Station No. 4**

### **RECOMMENDATION**

Adopt a Resolution Awarding a Contract to Syserco Energy Solutions for the HVAC Replacement at Fire Station No. 4 for a Cost Not to Exceed \$273,310, Including an \$8,000 Construction Contingency, to be read in title only, further reading waived (Attachment 1 to the Council report).

### **BACKGROUND**

Fire Station No. 4 was constructed in 1967, and most of the heating, ventilation, and air conditioning (HVAC) system is original to the building. The system began failing in 2012 and was partially rebuilt in 2013. Four failures have occurred since 2013 at a total cost of approximately \$20,000. Aside from cost, each failure results in significant inconvenience for building users and disruption to building operations. As the system ages, parts will become less available and repairs will become more difficult.

The existing system is also energy inefficient compared with current technologies. Significant advancements in energy efficiency have been made with motors and controls that allow systems to be operated at variable speeds and controlled remotely.

### **ANALYSIS**

To evaluate improvements to the building, the City contracted with Syserco Energy Solutions to perform an audit and make recommendations. The audit recommended replacing the boiler (which provides both heat for the building and domestic hot water), pumps, air handling system, and the rooftop cooling unit. The new air handling system will operate at variable speeds (rather than the existing single, constant speed) to more efficiently respond to actual demand for heat and cooling. The existing fan runs 24 hours per day at a constant speed regardless of heating and cooling demand. The new

system will also include a central control system that will allow more flexibility to operate the system and also allow remote monitoring and control.

Syserco's quoted not-to-exceed price for the improvements is \$265,310, including design and all other contractor costs. The actual price may be lower based on updated quotes from subcontractors, but will not exceed the contract price. Staff recommends including an \$8,000 contingency for unforeseen items that may arise during construction.

To simplify and expedite the installation of a new HVAC system, staff recommends using a streamlined process (Best Value Contracting) allowed by Government Code Section 4217.10 - 4217.18 (collectively, Section 4217). Best Value Contracting was created by the State to encourage energy efficiency within existing public facilities by allowing public agencies the ability to use the ensuing energy savings as an alternative funding source to finance infrastructure upgrades that were deemed a net benefit and cost effective. Section 4217 allows a public agency to select a qualified energy services contractor to design and deliver energy efficiency projects so long as the City makes the following findings:

- (1) the energy services contract with Syserco is in the best interests of the City;  
and
- (2) the anticipated cost to the City for the conservation services provided by Syserco under the contract will be less than the anticipated marginal cost to the City of thermal, electrical, or other energy that would have been consumed by the City in the absence of those purchases.

To substantiate the findings required by Section 4217 and evaluate the anticipated energy savings, Syserco and the City reviewed historical energy use data at Fire Station No. 4, benchmarked the results against similar facilities, and estimated energy consumption after the improvements are made. The estimated energy savings is approximately 12 percent (or \$9,200) in 2018, and the dollar amount saved increases over time with increases in energy rates. The net present value of the energy savings over the anticipated 25-year life of the improvements is estimated at approximately \$362,000, which compares favorably with the estimated (approximately \$273,000) cost of the improvements. With the value of the energy savings exceeding the cost of the improvements, the recommended contract meets the test required in Section 4217 for Best Value Contracting.

In the absence of multiple bids, staff also compared the cost from Syserco to quotes received in 2015 and 2017 from another vendor for major portions of the work. The

Syserco costs for these portions of the work both compare favorably (are less than) the other vendor.

Another significant benefit to the recommended approach is the streamlined process for design and construction. The recommended Syserco contract is inclusive of both design and construction, saving the City the effort of managing a separate design consultant and preparing documents for competitive bidding. With the recommended Best Value Contracting approach, the project will be completed more quickly and with less staff time than with the traditional design-bid-build approach.

### **FISCAL IMPACT**

Facilities Major Planned and Emergency Repairs, Project 17-30, is funded with \$818,000 from the CIP Reserve Fund. Project 17-30 includes funding for a number of major facilities upgrades, including \$274,000 for the replacement of the HVAC system at Fire Station No. 4. There is sufficient funding for the recommended \$273,310 contract.

### **ALTERNATIVES**

Direct staff to use a traditional design-bid-build process for the improvements.

**PUBLIC NOTICING** – Agenda posting.

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Attachment: 1. Resolution