

COUNCIL ACTION FORM

SUBJECT: CITY HALL HEAT PUMP REPLACEMENT PROJECT

BACKGROUND:

The current year's budget and Capital Improvements Plan (CIP) contains funding to begin replacement of the heat pump units in city hall and the community center. The 174 current heat pumps were installed in 1989 during the initial renovation of the building. The life expectancy of these units was 12 to 15 years; with the existing ones now being 21 years old. In the last two years, two units have failed and have been replaced with complete new units. Compressors in several other units have failed over numerous years and have been replaced. Every year several units need to be recharged with coolant; and repair and replacement parts for the existing units are now becoming more difficult to obtain.

The CIP for FY 2010/11 & 2011/12 includes replacing all of the heat pumps at a total estimated cost of \$880,000. Funding for this project includes \$500,000 in FY 10/11 from the Energy Efficiency and Conservation Block Grant (EECBG) federal stimulus program and \$80,000 from General Obligation bonds; and \$300,000 in FY 2011/12 from General Obligation bonds.

This project is being sent out for bids at this time in order to take advantage of a favorable bid climate. However, the final \$300,000 from G.O. bond revenues need to be approved as part of the upcoming 2011/12 budget which will be certified prior to March 15. In addition, the issuance of these bonds for this project is subject to a reverse referendum and 30 days must be allowed after the hearing for the bond issuance. Therefore, approval for issuance of the bonds cannot be assured until March 24.

In order to complete the needed steps, on February 9, 2011 Council will be asked to set February 22 as the date of public hearing for the bond issue and associated pre-levy resolution.

By way of recap, the proposed process will adhere to the following key dates:

- Budget for the final project funding is approved by Council (March 2)
- 30 day period for reverse referendum petition has passed (March 24)
- Award must be made within 60 days from receipt of bids, which allows until April 16th to complete all the necessary steps.

ShiveHattery, Inc., project design engineers, has designed the new heat pumps to be a minimum of 14 SEER rating to retain current energy efficiency. They also evaluated the

cost to purchase and install higher SEER rated units, but found the estimated cost to be significantly greater, but would produce very little gain in energy efficiency.

The proposed new heat pumps are designed to operate on a geo-thermal loop water system, should that option become more economically feasible in the future; but can also operate on the chilled water system currently in place. The geo-thermal loop water system could be installed in the future, with no heat pump exchanges required.

ALTERNATIVES:

1. Approve plans and specifications and issue a Notice to Bidders setting February 15, 2011 as the bid due date and April 12, 2011 as the date of public hearing. Bids will be reported on February 22, 2011.
2. Do not approve the plans and specifications at this time.

MANAGER'S RECOMMENDED ACTION:

The design work for replacement of these heat pumps with 14 SEER rated, geo-thermal ready units has been completed by the consulting engineer. Over \$500,000 in EECBG funding is already available to begin the project, and the final balance of General Obligation bonds should be available by the time the contract is awarded.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving plans and specifications and issuing a Notice to Bidders setting February 15, 2011 as the bid due date and April 12, 2011 as the date of public hearing. Bids will be reported on February 22, 2011.