

ITEM #: 27
DATE: 09-24-24
DEPT: FLEET

COUNCIL ACTION FORM

SUBJECT: **AUDITORIUM HVAC REPLACEMENT PROJECT**

BACKGROUND:

The City Auditorium is currently served by a HVAC system that contains a fan and heating coils dating to the building's original construction in 1938. A condenser and cooling coils were added in 1990. Over the last several years there have been ongoing maintenance issues with the system. Due to the age of the equipment and the ongoing maintenance issues, it was determined that the best course of action is to replace the system and modernize it for ease of use and maintenance. **Staff believes it is preferable to take a proactive approach to replacement when work can be scheduled at a time that will least likely impact users, rather than be forced to do the work when the Auditorium is being used.**

The project was bid and rejected twice in 2021 due to proposals being significantly over budget. The project design consisted of removing the existing systems and installing a traditional rooftop unit to provide heating and cooling to the Auditorium. The project was then modified to eliminate the use of natural gas and incorporate a heat pump to replace the air-cooled condenser, which would result in lower electrical use throughout City Hall during the winter months. On August 13, 2024, City Council approved preliminary plans and specifications for the Ames City Auditorium HVAC Replacement project.

Bid documents were sent to six contractors. The bid was also advertised on the Current Bid Opportunities section of the Purchasing webpage and a Legal Notice was published on the websites of a contractor plan room service with statewide circulation. On September 4, 2024, two bids were received as shown on the table below.

BIDDER	BID AMOUNT
MECHANICAL COMFORT, INC. Ames, IA	\$1,430,000
HPC, LLC Ames, IA	\$1,465,000

The engineer's estimate for this project is \$1,097,912. Design expenses for the project total \$30,221.

The total funding available at the time of bid was \$1,128,140, with sources of funding as follows:

\$ 650,000 from one-time General Fund savings;
\$ 200,000 from American Rescue Plan funds;
\$150,100 from City Hall Improvements Capital Improvement Project;
\$128,040 from Electric Services through the Department of Energy's (DOE) Energy, Efficiency and Conservation Block grant (EECBG).

Therefore, there is a shortfall of \$332,081 to fund the project, if the low bid is awarded.

This is the third time that this project has been bid, and each time costs have increased. The two bids being close indicate that the bid amount is likely an accurate representation of the cost of the project. Staff has continued to work on the possibilities of reducing costs with the engineer, and a potential cost reduction of approximately \$15,900 has been identified. However, no other major savings are anticipated to be possible. It should be noted that there is no guarantee a redesign and rebid of the project will result in lower costs, and the current system has reached a critical point for its continued operation.

Since no funds have been allocated in the current budget to cover the shortfall, it is being recommended that the additional \$332,081 needed to support this project be financed from the newly established Council Priorities Capital Fund. This fund currently has balance of \$4,667,220 (\$3,667,220 for future capital improvement projects and \$1,000,000 to implement the Climate Action Plan action steps.)

ALTERNATIVES:

1. Approve final plans and specifications and award a contract to Mechanical Comfort, Inc. of Ames, Iowa in the amount of \$1,430,000, and approve the use of \$332,081 from the Council Priorities Capital Fund.
2. Reject the bids and direct staff to rebid.

CITY MANAGER'S RECOMMENDED ACTION:

This is the third time that bids received for this project exceeded the available funding. Furthermore, each bid resulted in a higher project cost. At the same time, the existing equipment is becoming increasingly unreliable and could jeopardize the ability to rent the City Auditorium during times of extreme hot and cold temperatures. It is highly likely that rebidding the project for fourth time will result in an even higher cost to the City.

In order to cover the budget shortfall, Staff is recommending that funding from the Council Priorities Capital Fund. While the original intent for the use of the \$3,667,220 was to help reduce the amount for future bond issues (Animal Control Shelter, Fire Stations, Recreation Center, Ontario Park development), utilizing these available funds will allow us to proceed with replacement of this critical equipment for the City Auditorium. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.