



MEMO

TO: Board of Trustees

FROM: David De Angelis, Village Manager

Monice Hughes, Finance Director

DATE: November 20, 2018

RE: HVAC Bid

As you are aware Village staff has for the past 18 months been studying how best to address our ongoing HVAC issues in the original sections of Village Hall and the Police department which were not updated during the 1996 remodel of the facility. This means, with the exception of the boilers which are 13 years old and chiller which is 16 years old, we have existing 1960 equipment and infrastructure in the building. This year to date we have expended \$16,900 doing minimal repairs to keep the system operational so we can occupy the building with about \$20,000 to \$25,000 of repairs pending just for the heating system should we not move forward with this project.

During this time we have been getting design and implementation reviews from various contractors including preliminary studies and proposals from three of them. Those companies were Siemens, Leopardo, and Mared Mechanical/Tower Energy. All three firms did a comprehensive review of our facilities and billings to review for not only replacement of our HVAC facilities but also the possibility of doing a performance based process. After significant review and research of the proposals and the performance based process we came to the determination performance based with the financial guarantees did not hold any advantage to a conventional bidding process for the work due to our borrowing capability including cost of money and terms.

After doing these reviews staff put together specifications for bidding based on the proposals received with the plan to completely update the existing system (except fire and library) with two new boilers, VRF system for cooling and heating throughout the building, new integrated control system for all sections including the library and fire departments. This would include abandoning the existing system. The total time allotted for this work would be approximately six months due to doing all of this work while we occupy the building.

There was only one bidder for the project after have sent the proposals to all previously interested parties as well as publication. The sole bidder was Mared Mechanical. Total bid price for all of the work described in the attached materials is \$963,000.

The Village will also need to secure funding for the project through a capital borrowing. Staff has explored multiple means of funding for this project. State statute specifically excludes municipal building repairs from 20 year general obligation bonds. Initial financing is limited to a maximum 10 year period. The Village would have the ability to re-finance this project in conjunction with the Watertown Plank Road pathway project in the future with 20 year bonds. Staff reviewed issuing promissory notes, use of the state trust fund loan program and borrowing from our local bank, Town Bank. At this time, based on the current interest rates, no prepayment penalty and cost of processing, it appears Town Bank would be our best option for a short term loan of 2 years, or less. Borrowing over a 2 year period would mean the Village will need to refinance in 2 years at current market rates. Currently Town Bank and the state trust fund loan program are comparable over a 10 year period. If authorized to move ahead, we anticipate being able to secure funding for approval of this borrowing at our regular December Board of Trustees meeting.

The Village is also moving ahead with the splash pad project and anticipates a Village contribution of \$300,000 for the project. This would also need to be supported by a capital borrowing and could be included with the HVAC project. This would allow the Village to move forward as soon as possible with both projects. The board has previously indicated they would like to have the splash pad built by next season. The Village will also be proceeding with the Watertown Plank Road pathway in early 2019 and it is anticipated that there will be a need to borrow at least \$400,000. The Village could choose to include one or both of these projects in the borrowing or approve the HVAC contract, supported with currently available fund balance, and then address borrowing in early 2019 when the other project costs and timing are more defined.

After review of the bid and our borrowing options it is staff's recommendation we accept the HVAC bid with the actual award pending a borrowing decision in December. Staff will present borrowing options and a recommendation at the December meeting.

If you have any questions please feel free to contact us.