

HVAC Project Summary

The bids for the HVAC project were received on Thursday, March 30, 2017. There were four companies that bid on the project, as listed in the “**Bid Results**” documentation, with the low bid coming from Owatonna Heating & Cooling.

The project was split into 4 groups for bid purposes, for both Aaon and Carrier units, for a total of 8 groups (one Base Bid and 7 Alternates)

<u>Number of units (location)</u>	<u>Aaon</u>	<u>Carrier</u>
20 units (18 over classrooms, 2 over gym)	Base Bid	Alt #1
5 units (remainder of classrooms)	Alt #2	Alt #3
4 units (gym and auditorium)	Alt #4	Alt #5
7 units (music and locker room area)	Alt #6	Alt #7

Questions for the board on the HVAC bids:

1) Which of the four companies to award the bid?

2) Which type of units to have installed (Aaon or Carrier)?

The initial structural analysis was completed for the weights of the Aaon units. Since the Carrier units are heavier, they would require additional structural work on 8 of the units, which is estimated to cancel out much of the potential cost savings of choosing Carrier. The Aaon units also provide better control in AC mode, have a longer warranty on the heat exchangers, better filters, and a higher quality construction for housing and fans.

3) What portion (or all) of the project to complete this summer?

- A) Base Bid / Alt #1 only (20 units)
- B) Base Bid and Alt #2 / Alt #1, 3 (25 units)
- C) Base Bid and Alt #2, 4 / Alt #1, 3, 5 (29 units)
- D) Base Bid and Alt #2, 4, 6 / Alt #1, 3, 5, 7 (all 36 units)

4) If Option C or D is chosen, how to pay for cost above our bond sale revenue?

The “**Project Costs**” spreadsheet shows the total costs for these options. Total costs include all parts, labor, fees and contingency. The contingency is a 8% “set-aside” for unexpected costs that may arise.

Our account from the bond sales has \$1,599,330 remaining, after about \$61,000 has been paid to date for A/E fees and Structural Planning. This \$61,000 is included in the Approximate Project Cost. The bonded amount provides enough funds to cover all of Option A above and approximately all of Option B; Options C or D would require additional funds.

Options for additional funds:

Capital Facilities Bond or Fund Balance

To complete the entire project this summer would require approximately \$583,000 in additional funds (\$2,243,000 - \$61,000 - \$1,599,000). To replace all of the units except for the 7 above the locker room area would require approximately \$345,000 in additional funds (\$2,005,000 - \$61,000 - \$1,599,000).

A **Capital Facilities Bond** is similar to our previous LTFM bond sales. We would sell bonds, use the funds to complete the project, and pay for the bond over time with Capital Revenue. Ehlers estimates that a \$600,000 bond sale, paid off over 15 years, would cost about \$787,500 after interest and fees are added.

Using our **Fund Balance** would decrease our available funds for future projects, but wouldn't result in any additional fees or interest payments. The "**HVAC Project Calculation**" document shows the impact of different options on our Fund Balance.

Our policy is to maintain a Fund Balance of at least 25% of General Fund Expenditures. Our current budgeted expenditures for 2017 are \$8,396,513 (25% of this would be about \$2,100,000). Completing the entire project, and using our Fund Balance, would leave us with about \$2,400,000 in our Fund Balance (28.6% or about \$300,000 above our target of 25%). It's important to note that this is based on budgeted 2017 Expenditures and Fund Balance. Expenditures will likely increase in 2018 and beyond.

Advantages and Disadvantages of various options:

- * Aeon units would provide consistency with current units, and eliminate the need for additional structural work. They are also a higher quality than the Carrier units.
- * Delaying a portion of the project would allow us to stay within budget.
- * The units over the locker rooms have been the most trouble-free to date; delaying that group could potentially allow us to replace them and the roof at the same time. This would also put us on a timeline where we aren't replacing all units at the same time.
- * The total cost will increase if a portion is delayed (inflation, less bulk, labor costs).
- * Completing the entire project in 2017 would limit the interruption on summer work, and create consistency, with one contractor putting in all of the units. This would ensure that all units and controls are working together effectively.
- * Paying additional costs from a bond sale would spread the cost out over time, increase our flexibility with a larger Fund Balance, while also increasing the total cost (interest and fees) and leaving less for future projects.
- * Paying additional costs from the Fund Balance avoids fees and interest, and would still leave us above our policy of 25% of expenditures.