



TO: Mayor and Council

FROM: Howard S. Lazarus, City Administrator

CC: Tom Crawford, CFO
John Fournier, Assistant City Administrator
Craig Hupy, Public Services Area Administrator
Nick Hutchinson, City Engineer
Matt Kulhanek, Fleet & Facilities Manager

SUBJECT: May 20 Council Agenda Responses

DATE: May 16, 2019

CA-4 - Resolution to Approve a Construction Contract with Miller-Boldt Inc. for Replacement of the Primary Chiller at Guy C. Larcom City Hall and to Appropriate Funding from the General Capital Fund (\$190,000.00) and the General Fund Fund Balance (\$25,700.00) (ITB #4576 - \$349,000.00) (8 Votes Required)

Question: Regarding CA-4, how does the cost of purchasing/installing this 70 ton unit compare with the cost for the 70 ton unit purchase/installed in 2014, and if significantly more/less, what explains the difference? (Councilmember Lumm)

Response: The project to install the 70 ton unit in 2014 was significantly less expensive at a little over \$200,000 in project costs. The difference in the cost can be primarily attributed to three factors: 1) Price increases over the last five years which have been exacerbated in southeast Michigan as contractors have more work available to them and pricing isn't as aggressive as it was in 2014; 2) The demolition component of this job requires the removal of multiple large HVAC components from inside the building or the roof area, there was no demolition in the 2014 project as it was new, roof mounted piece of equipment and not replacing another unit; and 3) Engineering costs on the project were significantly higher than 2014 because of the complexity of the work (including demolition) and the need to complete additional studies to address sustainability policies.

Question: Also on CA-4, the cover memo mentions that “the ability to be powered by renewable energy generation” was a consideration in the purchase decision. What is the difference between regular power and power generated by renewable sources that makes this a consideration? Also, does that capability drive a higher purchase cost and if so, how much is the premium? (Councilmember Lumm)

Response: As part of the technology review completed by the engineer and evaluated by Facilities and Sustainability staff, a number of chiller units were evaluated that were powered by either electric or by natural gas. With the emphasis of solar generation at City facilities, having an electric powered chiller unit gives us the ability to power it using City generated solar where a natural gas powered unit cannot be. Since electric powered chillers make up the majority of the market, there was no increased premium in the purchase price.

DS-1 - Resolution No. 4 - Confirming the Northside STEAM Safe Routes to School Sidewalk Gap Special Assessment Roll

DS-2 - Resolution to Approve a Contract with the Michigan Department of Transportation for the Northside STEAM Safe Routes to School Sidewalk Gap Project (\$415,874.00)

Question: Q1. Has there been any further discussions with neighbors since the April 15th meeting? If so, please provide a summary? (Councilmember Lumm)

Response: Staff has had no direct discussions with neighbors since April 15th.

Question: Q2 Can you please remind me what the basis is for determining the interest rate applied to the installments (3.5% in this case)? (Councilmember Lumm)

Response: City code states the interest rate shall not exceed 1% per annum above the interest rate for the most recent limited general obligation bond issued. In this case, the most recent LTGO bond issued was the 2019 Capital Improvement Bonds, Series A. This issue has a True Interest Cost of 2.59823%, and thus the rate should be set at 3.59823%. The resolution has been updated to reflect this amount.

Question: Q3. On April 15th, in a response to a question, it was indicated that if the assessment roll and agreement with MDOT were not approved by council May 20th or June 3rd then the project would need to be delayed until next construction season. Is that still the case or has the situation changed? (Councilmember Lumm)

Response: In order to assure construction occurring in 2019, DS-1 & DS-2 would need to be approved at the May 20th meeting. The construction schedule is based upon building most of the project while Ann Arbor Public Schools are not in session. If approval of these items is delayed past May 20th, construction would likely not be able to start until late July, and may not be able to be completed in the most critical areas near the school prior to Labor Day.