Legislation Text

File #: 24-1626, **Version:** 1

Resolution to Approve a Construction Contract with Michigan Energy Services, Inc. for Geothermal Design and Installation at Bryant Community Center ($176,226.00)
This resolution seeks City Council approval of a construction contract with Michigan Energy Services, Inc. for the final design and construction of a geothermal installation at the Bryant Community Center. Funding for this project is provided through a successfully secured U.S. Department of Energy, Energy Efficiency and Conservation Block Grant that the Office of Sustainability and Innovations ("OSI") secured for $182,360.00 to make the Bryant Community Center carbon neutral (or as close as possible) and for it to serve as a living, learning laboratory of climate action. City Council accepted and appropriated these funds in December 2023 via resolution R-23-435.

Upon receipt of this U.S. Department of Energy ("DOE") award, City staff completed an energy assessment of the Bryant Community Center to identify the highest priority areas for investment. Based on these findings, staff solicited proposals from multiple contractors to complete the identified work streams (e.g., electrical upgrades, lighting replacements, insulation installation, solar expansion, and geothermal installation). Because the geothermal installation is going to be the largest expenditure of the U.S. DOE Energy Efficiency and Conservation Block Grant funds, staff focused first on getting bids for this work.

To identify potential bidders, staff reviewed the Michigan Saves approved contractor list for geothermal installers that operate within the Ann Arbor area. A scope of work for the geothermal project was then sent to each such installer and a bid requested. Multiple installers indicated an inability to bid (too much work, not sure they could comply with the federal contracting requirements, inability to meet timeline, etc.). Two firms submitted formal bids - Michigan Energy Services, Inc., and Haley Mechanical. These bids, however, came back higher than expected, and, under the advisement of the legal department, the Office of Sustainability and Innovations prepared a formal Invitation to Bid ("ITB"). This ITB (ITB 4746) was released in early June of 2024 and closed on July 11, 2024.

No bids were received in response to this ITB. After a meeting with project partners, a decision was made to go back to the two firms that initially demonstrated interest in the project. Only Michigan Energy Services, Inc. remained interested in doing the work. As such, a decision was made to best source this work with Michigan Energy Services, Inc. for the scope of services outlined in the attached document. A best source justification form is provided along with this resolution outlining the above process.

Staff firmly believe that Michigan Energy Services, Inc. is not only capable and qualified to perform the geothermal installation at the Bryant Community Center, but it has also been engaged in the larger community-wide work to make the Bryant neighborhood carbon neutral. As such, staff have strong confidence in the commitment and ability of Michigan Energy Services, Inc. to deliver on the scope of services needed to successfully install a geothermal system at the Bryant Community Center.

Note that Michigan Energy Services, Inc. will not be responsible for drilling the geothermal bore holes. This work will be done by Midwest Geothermal, LLC and covered, financially, through another successful OSI grant from the DOE for our Community Geothermal planning grant in Bryant. Through that work, the City applied for and received funding (up to $97,000.00) for Midwest Geothermal, LLC to drill test bores at the Bryant Community Center to test thermal connectivity at the site. Instead of those remaining test boreholes, we are repurposing them to be functional boreholes to which a geothermal system for the Bryant Community Center can connect. In this way, we are significantly leveraging multiple grant dollars to have the largest impact possible at the Bryant Community Center.

Since Midwest Geothermal, LLC is already under contract with the City for work related to this project, this resolution only focuses on the inside geothermal installation work that will be conducted by Michigan Energy Services, Inc.

As part of its bid, Michigan Energy Services, Inc. agreed to pay prevailing wages for all elements of the project and to comply with all City of Ann Arbor ordinances and provisions (e.g., living wage, nondiscrimination, etc.).

If this contract is approved by City Council, staff in the Office of Sustainability and Innovations will begin working immediately with Michigan Energy Services, Inc. to obtain all the required permits to expeditiously move into construction. In addition, public engagement events around the design and drilling will be organized to more deeply engage and educate the public about geothermal installations, practices, and technologies. The goal is to have a functional geothermal system by the end of summer 2025.

Budget/Fiscal Impact: All of this work will be funded through the City's successful U.S. Department of Energy, Energy Efficiency and Conservation Block Grant. OSI will cover any amount needed in excess of the balance of the grant to cover the 10% contingency noted below.
Prepared by: Missy Stults, Sustainability and Innovations Director
Reviewed by: Valerie Jackson, Assistant City Attorney - Sustainability
Reviewed by: Kimberly Buselmeier, Interim Chief Financial Officer
Approved by: Milton Dohoney Jr., City Administrator
Whereas, The U.S. Department of Energy ("DOE") has awarded the City of Ann Arbor a $182,360.00 grant through their Energy Efficiency and Conservation Block Grant Program for making the Bryant Community Center both carbon neutral and a living, learning laboratory of climate action;

Whereas, Geothermal was an explicitly identified and approved usage in this grant application and award;

Whereas, The City undertook a competitive process to identify bidders for the project, both through soliciting multiple bids and through a formal Invitation to Bid process;

Whereas, Direct engagement with qualified contractors led to two bids but a formal Invitation to Bid led to zero bidders;

Whereas, Only one contractor remained interested in the project work after the Invitation to Bid: Michigan Energy Services, Inc.; and

Whereas, Michigan Energy Services, Inc., has been involved in the larger work to make the Bryant neighborhood carbon neutral and has the skills, expertise, and experience necessary to design and install a geothermal system at the Bryant Community Center;

RESOLVED, That City Council approve a construction contract with Michigan Energy Services, Inc. for $176,226.00 for the design and construction of a geothermal system at the Bryant Community Center;

RESOLVED, That City Council approve a contingency in the amount of $17,622.00 to fund additional and necessary work as approved by the City Administrator in order to satisfactorily complete the project;

RESOLVED, That City Council authorize payment of this work from the City's Energy Efficiency and Conservation Block Grant award from the U.S. Department of Energy;

RESOLVED, That all amounts herein are without regard to fiscal year;

RESOLVED, That the Mayor and City Clerk are authorized and directed to execute the grant agreement following approval as to form by the City Attorney and as to substance by the City Administrator; and

RESOLVED, That the City Administrator is authorized to take all appropriate actions to implement this resolution.