



Folsom City Council Staff Report

MEETING DATE:	6/25/2024
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution No. 11223 – A Resolution Authorizing the City Manager to Authorize an Amendment to the Existing LEED Mechanical Agreement and Appropriation of Funds in the Form of a Five-year Loan with 4% Simple Interest from the Equipment Replacement Fund (Fund 602) to the General Fund (Fund 010) for an amount up to \$1,200,000 for the Replacement Folsom Community Center HVAC System
FROM:	Parks and Recreation Department

RECOMMENDATION / CITY COUNCIL ACTION

Staff recommends the City Council approve Resolution No. 11223 – A Resolution Authorizing the City Manager to Authorize an Amendment to the Existing LEED Mechanical Agreement and Appropriation of Funds in the Form of a Five-year Loan with 4% Simple Interest from the Equipment Replacement Fund (Fund 602) to the General Fund (Fund 010) for an amount up to \$1,200,000 for the Replacement Folsom Community Center HVAC System.

BACKGROUND / ISSUE

For several years funding has been requested for replacement and renovations of infrastructure including HVAC systems at over 20 facilities, most of which are past their useful life. The existing HVAC system at the Folsom Community Center is failing and has greatly exceeded its useful life, making repairs no longer feasible. Given the Community Center's heavy utilization for rentals, special events, and youth programs, addressing these HVAC concerns is imperative.

The existing HVAC system consists of six Roof-Top-Units (RTUs), of which two have been out of use for a decade. Recently another RTU has stopped operating, and repair costs are not worth the expense. Another RTU has a failed compressor and is operating at less than 50% efficiency. Staff assessed the condition of the remaining functional units, and recommends the immediate removal and replacement of all six RTUs. This is based on the overall condition and age of the units (over 30 years), and recent experience with the HVAC system at City Hall. The

Community Center is a revenue-generating asset, and a central gathering space for the community, and requires a safe and reliable HVAC system to remain operational.

The Folsom Community Center opened in 1992, and all major components are original to the building and have had an operational life of 32 years. The American Society of Heating, Refrigeration, and Air-Conditioning Engineers (ASHRAE) gives an equipment life expectancy (useful life) of 15 years for RTUs.

POLICY / RULE

Section 2.36.080 of the Folsom Municipal Code states, in part, that contracts for supplies, equipment, services, and construction with an estimated value of \$73,209 or greater shall be awarded by the City Council.

In accordance with Chapter 2.36.150 of the Folsom Municipal Code, Notwithstanding any other provisions of this chapter, the city manager shall make, or authorize others to make, emergency procurement of supplies, equipment, services, or construction items when there exists a threat to public health, welfare, or safety; provided, that such emergency procurement shall be made with sufficient competition as is practicable under the circumstances. The requesting department shall complete a waiver of bid format and submit it to the purchasing agent for filing with the city clerk. (Ord. 723 § 3 (part), 1991)

ANALYSIS

Based on our recent experience with the City Hall HVAC Replacement Project, staff estimates that the cost to replace the Community Center RTUs will be \$1,200,000, unlike the City Hall project which costs approximately \$2,100,000. The Community Center project does not require boilers or high-end control systems, reducing costs and simplifying the scope of work.

The Community Center is a high-use facility that is available for rent for various business, community, family, and special events that celebrate significant milestones. These include weddings, baptisms, quinceaneras, celebrations of life, youth classes, family reunions, community organization fundraising events, and local and regional events. Most events are scheduled and paid for 12 months in advance. Without a reliable HVAC system, 181 reservations between now and November 1, will be impacted, affecting thousands of families and community users. In looking at revenue collected between now and the next six to seven months this could be a loss of revenue of approximately \$120,000. This could harm the Community Center's reputation and impact future reservations and trust with the community.

In May 2024, the City Council approved Resolution No. 11195, allowing the City to accept American Rescue Plan Act (ARPA) funds from Sacramento County for the HVAC Replacement and Upgrade Project at the Folsom Community Center. Given the extensive deferred maintenance and needs of the city, staff recommended to the City Council to fund one of many HVAC replacement projects through this mechanism. The award of the ARPA funds from Sacramento County is not a guarantee, but we are following Federal procurement guidelines in the instance that the funds are awarded and can be used to reimburse the City for this HVAC

Replacement and Upgrade Project. Federal procurement guidelines in title 2, Code of Federal Regulations, sections 200.317 through 200.327, do allow for non-competitive, emergency purchases.

The failure of the HVAC falls under the Authority of the city manager to execute a contract agreement and amendment with an existing vendor for the replacement of the HVAC as an emergency procurement. This emergency would decrease the project time by up to three months and reduce the impact to the community and loss of revenue. Currently, the City of Folsom is under contract for the replacement of the HVAC and Boiler system at City Hall. Falling under the emergency procurement would allow the City to engage in a contract immediately with our LEED Mechanical for the purchase and replacement of the HVAC units for the amount of up to \$1.2M.

FINANCIAL IMPACT

Using figures from the recent replacement of the HVAC system at City Hall, staff estimates that the cost for replacement and installation of the HVAC system at the Community Center not to exceed \$1,200,000. An appropriation of \$1,200,000 is required to complete the project. Staff recommends this be in the form of a five-year loan not to exceed \$1,200,000 with 4% simple interest from the Equipment Replacement Fund (Fund 602) to the General Fund (Fund 010). The Equipment Replacement Fund has sufficient reserve funds available to provide for the loan.

Annual loan repayments from the General Fund (Fund 010) to the Equipment Replacement Fund (Fund 602) will not exceed \$269,553 annually for five years beginning in FY 2025-26.

ENVIRONMENTAL REVIEW

This project is exempt from environmental review under the California Environmental Quality Act (CEQA) per Article 19, 15300.1 – Relation to Ministerial Projects.

ATTACHMENTS

1. Resolution No. 11223 – A Resolution Authorizing the City Manager to Authorize an Amendment to the Existing LEED Mechanical Agreement and Appropriation of Funds in the Form of a Five-year Loan with 4% Simple Interest from the Equipment Replacement Fund (Fund 602) to the General Fund (Fund 010) for an amount up to \$1,200,000 for the Replacement Folsom Community Center HVAC

Submitted,

Kelly Gonzalez, Parks & Recreation Director

RESOLUTION NO. 11223

A RESOLUTION AUTHORIZING THE CITY MANAGER TO AUTHORIZE AN AMENDMENT TO THE EXISTING LEED MECHANICAL AGREEMENT AND APPROPRIATION OF FUNDS IN THE FORM OF A FIVE-YEAR LOAN WITH 4% SIMPLE INTEREST FROM THE EQUIPMENT REPLACEMENT FUND (FUND 602) TO THE GENERAL FUND (FUND 010) FOR AN AMOUNT UP TO \$1,200,000 FOR THE REPLACEMENT FOLSOM COMMUNITY CENTER HVAC SYSTEM

WHEREAS, the HVAC system is critical infrastructure for the operation of the Folsom Community Center; and

WHEREAS, the Parks & Recreation Department staff has validated the need to replace the existing Community Center HVAC system due to component failures and the system is beyond its useful life; and

WHEREAS, LEED Mechanical is currently under contract for the replacement of the City Hall boilers and HVAC system; and

WHEREAS, the existing agreement with LEED Mechanical allows for an amendment to add the Community Center HVAC system replacement; and

WHEREAS, there will be a significant impact to the community and loss of revenue if the HVAC is not upgraded; and

WHEREAS, staff is requesting that funding for the project be in the form of a five-year interfund loan with 4% simple interest from the Equipment Replacement Fund (Fund 602) to the General Fund (Fund 010); and

WHEREAS, the agreement will be in a form acceptable to the City Attorney:

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom authorizes the City Manager to execute an amendment to the existing LEED Mechanical Agreement for the replacement Folsom Community Center HVAC System.

NOW, THEREFORE BE IT FURTHER RESOLVED that the Finance Director is authorized to make an appropriation in the form of a five-year loan with 4% simple interest from the Equipment Replacement Fund (Fund 602) to the General Fund (Fund 010) in an amount not to exceed \$1,200,000.

NOW, THEREFORE BE IT FURTHER RESOLVED that the Finance Director is authorized to make an appropriation not to exceed \$1,200,000 in the General Fund (Fund 010) for the additional project costs.

PASSED AND ADOPTED this 25th day of June, 2024, by the following roll-call vote:

AYES: Councilmember(s):
NOES: Councilmember(s):
ABSENT: Councilmember(s):
ABSTAIN: Councilmember(s):

Michael D. Kozlowski, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

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CITY OF
FOLSOM
DISTINCTIVE BY NATURE