


|  |  |
|--|--|
|  <p style="text-align: center;"><b>Council<br/>Communication</b><br/>Office of the City Manager</p> | <b>Date:</b> September 13, 2010  |
|  | <b>Agenda Item No.</b> 62<br><b>Roll Call No.</b> <u>10-1512</u><br><b>Communication No.</b> <u>10-560</u><br><b>Submitted by:</b> Donald L. Smithey,<br>Aviation Director |

**AGENDA HEADING:**

Approve grant agreement between the City of Des Moines and the Iowa Office of Energy Independence (OEI) in the amount of \$783,333 for capital improvements to the Des Moines International Airport Terminal HVAC systems.

**SYNOPSIS:**

The Airport has received notice that the OEI has selected the Airport to receive a grant in the amount of \$783,333. Acceptance of the grant requires a “two-to-one” match by the recipient; the Airport’s required contribution would be \$1,566,667, for a total estimated project cost of \$2,350,000. Elements of the proposed project include:

- 1) Converting the central steam heating system to hot water heat
- 2) Replacing two concourse boilers with high efficiency condensing boilers
- 3) Adding a variable frequency drive system to the newest of three chillers and converting the central plant to a variable primary flow configuration for chilled water
- 4) Retrofitting 19 air-handling units in the terminal and concourses to variable air volume with fan powered reheat boxes using CO2 demand control ventilation

**FISCAL IMPACT:**

Amount: The Airport has been awarded a grant for \$783,333 through the Iowa OEI. Accepting the grant requires the Airport to fund \$1,566,667 of the recommended capital improvements listed above. Due to the recent timing and changing nature of the 2009 Federal Stimulus Act, this project was not contemplated in the current CIP budget (which was prepared in the fall of 2009). The Airport Board has approved consideration of the sale, advance refunding and forward refunding of existing 1998 Airport Revenue Bonds. To fund the Airport’s \$1,566,667 contribution, staff recommends additional principal borrowings of this amount be included in the upcoming bond refunding. Interest rates are at historic lows and, because most refunding costs are fixed, any financing costs associated with the additional principal needed here are minimal.

Funding Source: Airport Revenue Bonds. This will be a new project in the Capital Improvement Program budget.

**ADDITIONAL INFORMATION:**

The Iowa OEI has awarded this grant based on energy savings achieved, which is calculated to be \$124,356 per year. Additionally, capital avoidance in a planned manner is preferable to emergency upgrades to equipment. Components of the Airport's HVAC system are thirty years old. Over the past four years the Airport has spent, on average, \$83,809 in repairs and updates to the HVAC system. A conservative estimate of capital upgrades necessary for the current system over the next ten years has been provided by energy engineers. They estimate potentially spending \$1,100,000 to the existing system over a ten-year period. Adding capital avoidance to the energy savings and the payback period for the Airport's investment is 6.7 years.

The Council has reserved the authority to approve grant funds on behalf of the Airport and City. The Airport Board recommends that Council approve the grant and authorize the Mayor to execute the grant.

**PREVIOUS COUNCIL ACTION(S): NONE****BOARD/COMMISSION ACTION(S):**

Date: September 7, 2010

Resolution Number: Airport Board A10-167

Action: The Airport Board recommends approval of a State Energy Program Grant in the amount of \$783,333 to the Des Moines City Council.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

No further action will be required by Council. A professional services contract for design and a bid approval for the purchase of equipment will be future Airport Board action items.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the second floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).