

**Poquoson City School Board**  
**Reading File Item Brief**

**Reading File Item:**

**Meeting Date:** February 24, 2025

**Subject:** Motion to approve the reallocation of capital improvement funds (\$1.5M) to fund the Poquoson High School HVAC project (Summer '25) and approve for superintendent to be allowed to enter into contract with Warwick Mechanical Group for Poquoson High School HVAC project (Summer '25).

**Background**

The HVAC system at Poquoson High School has been listed on the Capital Improvement Plan for several years due to ongoing functional decline and rising repair costs. Initially estimated at \$2.8 million, the project was reevaluated in June 2024, increasing the cost to \$3.5 million. To cover the additional \$700,000, carry-over funds were approved at that time.

Warwick Mechanical Group provided the updated estimate based on their previous installation of a VRF HVAC system for our Primary School in Summer 2023, factoring in inflation and actual project costs. PCPS selected Warwick Mechanical Group to submit the official proposal for the Poquoson High School HVAC project because they are part of a cooperative contract. This agreement allows the district to secure competitive pricing without the time-consuming bid process. Warwick Mechanical Group is also a reputable company with a proven track record, having successfully completed the Primary School HVAC replacement.

Warwick Mechanical Group began developing the Poquoson High School proposal in early December and submitted the final version in February, with a turnkey price of \$4,287,777. This proposal also has optional add-ons for maintenance and a project bond at additional costs. The price increase is primarily due to inflation and the engineers' assessment of actual system requirements.

The selected system is a VRF model designed for energy efficiency. However, the proposed components currently rely on R410 refrigerant, which will no longer be permitted for new projects after this month according to Warwick Mechanical Group. Future installations will require R454 refrigerant, leading to higher costs and a redesigned system. Given the uncertainties surrounding the new refrigerant and its components, Warwick Mechanical Group strongly recommends proceeding with the project now to take advantage of the known reliability of the R410 system while keeping costs manageable and to meet the project's completion deadline for Summer 2025.

Efforts have been made to reduce costs without compromising quality and performance (\$500,000 cut by leaving components such as boiler, chiller, and pipes that can be secured and

capped with no impact). However, since the project cost exceeds the \$3.5 million allocated in the Capital Improvement Plan, PCPS is seeking approval to reallocate funds and for the superintendent to enter a contract with Warwick Mechanical Group to initiate the project.

### **Discussion**

The Poquoson High School project requires an additional \$787,777 to meet the proposed budget. To address this, PCPS is requesting the reallocation of \$1.5 million from the current year's Capital Improvement Project (CIP) funds. Approval of this request will ensure the project remains on schedule and can accommodate any unforeseen needs that may arise.

Once fully funded, any remaining funds will be returned to the CIP budget, allowing PCPS to reassess and prioritize other CIP projects for future funding. Also, we will propose the use of a portion of FY 2025 vacancy savings (carry-over funds) to be used to supplement short falls in capital funds for FY 2025 projects. This process aligns with our annual CIP request cycle, with submissions to the Poquoson School Board in May for approval before being presented to the City.

If the reallocation is not approved, we will need to reevaluate the project timeline, potentially postponing it to the summer of 2026 (pending approval). This delay would likely result in increased costs and could impact other planned CIP projects.

**Recommendation:** To approve the reallocation of capital funds (\$1.5M) to fund the Poquoson High School HVAC system project and to allow PCPS superintendent Arty Tillett to enter a contract with Warwick Mechanical Group to complete the Poquoson High School HVAC project in Summer 2025.