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City Council

Approval of LED Streetlighting Project, Appropriation Ordinance and Associated Interagency Agreements

Agenda Date: 5/14/2013

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Agenda Item:

Approval of LED Streetlighting Project, Appropriation Ordinance and Associated Interagency Agreements

Issue:

The City received a Washington State Department of Commerce Energy Efficiency Grant for \$500,000 to support the upgrade of all City-owned streetlights with LED technology. Staff is requesting Council approval of the LED Streetlighting project, Appropriation Ordinance, and associated Interagency Agreements with the Department of Enterprise Services and Department of Commerce.

Committee Recommendation:

On March 14, 2013, the Finance Committee recommended moving forward with the LED Streetlighting project, including acceptance of the Department of Commerce grant and the project financing strategy.

City Manager's Recommendation:

Move to approve the LED Streetlighting project including the following:

- Authorize the Mayor to sign Interagency Agreement Amendment 2 with the Department of Enterprise Services;
- Authorize the Mayor to sign Interagency Agreement with the Department of Commerce;
- Authorize the City Manager to sign project funding and related contract documents; and
- Approve Appropriation Ordinance for LED Streetlighting on first reading and forward to second reading.

Staff Contact:

Mark Russell, Public Works Transportation, 360.753.8762

Presenter(s):

Mark Russell, Public Works Transportation

Background and Analysis:

There are approximately 4,500 streetlights throughout the City; approximately 3,200 are City-owned and approximately 1,300 are owned by Puget Sound Energy. Currently, a large number of City-owned streetlights are at or near the end of their useful life. The failure rate continues to rise significantly and our maintenance staff is unable to keep up with the necessary repairs.

Realizing the need to begin making a substantial investment in our streetlighting infrastructure, City staff applied for and received a Department of Commerce Energy Efficiency Grant for \$500,000 to upgrade approximately 3,200 City-owned streetlights with LED technology. LED streetlights use an average of 50-60 percent less energy, last more than 20 years, and have reduced maintenance. Conversion of all City-owned streetlights to LED technology would result in an estimated annual energy savings of approximately \$174,000. The reduced energy use will also result in a reduction in carbon dioxide emissions by roughly 1.85 million pounds per year.

This project is proposed to be completed through a Department of Enterprise Services Energy Savings Performance Contract. Similar to recently completed utility and mechanical improvements at many of the City's facilities, this contracting method will use guaranteed energy savings and reduced maintenance expenses to pay for the streetlighting upgrades. Under the proposed Interagency Agreement Amendment 2, the Department of Enterprise Services (DES) implements the project, including project management and contract oversight, for a fee of \$64,000 (see Attachment 1).

The Interagency Agreement with the Department of Commerce awards the \$500,000 energy efficiency grant to the City and includes the grant requirements, scope of work, and budget for the project (see Attachment 2).

Attachment 3 includes funding approval documents authorizing DES to proceed with the streetlighting contract. In addition to the streetlighting upgrades, mechanical system (HVAC) improvements at the Olympia Center and Olympia Timberland Library will also be accomplished with this contract. These already funded HVAC improvements were included in the overall energy savings contract to provide additional City matching funds for the Department of Commerce grant. Total project costs for both the streetlighting and HVAC improvements include approximately \$850,000 for design and \$2,941,000 for construction.

An ordinance appropriating funds for the streetlighting project in the amount of \$2,575,382 is included in Attachment 4. This includes a \$375,331 utility incentive reimbursement from Puget Sound Energy, the \$500,000 energy savings grant, and \$1,700,051 in bond financing. See Financial Impact below for a more detailed budget.

Overall, the benefits of the LED Streetlighting project include the following:

- 50-60 percent less energy use;
- Reduced maintenance costs;
- Reduced carbon dioxide emissions; and
- Improved lighting quality to enhance visibility and safety.

In order to complete the LED streetlighting project, the City would need to issue debt totaling approximately \$1,700,000. Under separate action, staff is recommending a 10-year general obligation bond issuance. Savings in the existing Transportation budget realized from reduced power expenses and maintenance will cover the debt financing costs. No additional funds are needed. Issuance of the debt, however, will lower the City's Councilmanic debt capacity.

Neighborhood/Community Interests (if known):

Streetlighting upgrades will be accomplished throughout the City. City-owned streetlights are primarily located in Downtown, along major roadways, and in newer neighborhoods. Citizens will see improved lighting quality that provides better visibility and safety for pedestrians, bicycles, and vehicles. The number of citizen concerns about streetlight outages will also be reduced significantly.

Recognizing the environmental, economic and social benefits, the Olympia Planning Commission has previously advocated for the City to implement an LED streetlight conversion project.

Options:

1. Approve the LED Streetlighting project including the following:
 - Authorize the Mayor to sign Interagency Agreement Amendment 2 with the Department of Enterprise Services;
 - Authorize the Mayor to sign Interagency Agreement with the Department of Commerce;
 - Authorize the City Manager to sign project funding and related contract documents; and
 - Approve Appropriation Ordinance for LED Streetlighting on first reading and forward to second reading.
2. Do not accept the Department of Commerce grant and pursue a smaller scale LED project with existing streetlighting Capital Funds of \$250,000. This will only replace approximately 250 streetlights.
3. Continue to repair failing streetlights with a limited operations budget. Level of service will be impacted over time.

Financial Impact:

Budget:

Design/Implementation	\$ 782,382
Construction	\$2,579,570
Contingency	\$ 126,450
Sales Tax (8.8%)	\$ 306,980
Project Management	<u>\$ 64,000</u>
Total	\$3,859,382

Funding Sources:

Building Repair Fund (HVAC)	\$ 1,034,000
Streetlighting Capital Fund	\$ 250,000
Commerce Grant	\$ 500,000
PSE Utility Incentive	\$ 375,331
Debt Financing	<u>\$1,700,051</u>
Total	\$3,859,382