



# CITY OF LONG BEACH

# R-30

DEPARTMENT OF PUBLIC WORKS

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December 1, 2015

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager to execute all documents necessary to enter into on-bill financing agreements with Southern California Edison, to fund the conversion of the City's streetlights to light emitting diodes (LED) fixtures; and

Increase appropriations in the Capital Projects Fund (CP) in the Public Works Department (PW) by \$6,040,000. (Citywide)

## DISCUSSION

City Council approval is requested to enter into agreements with Southern California Edison (SCE) for on-bill financing (OBF), to fund the installation of light emitting diodes (LED) fixtures for the City's streetlights. OBF is a financial mechanism that enables local governments to finance qualified energy efficiency projects. SCE's program provides zero-interest, no-fee loans that can be conveniently repaid through the City's monthly SCE bills. In addition, projects that result from this program provide additional financial incentives for installing qualified energy-efficient equipment, lower monthly electricity costs and produce long-term energy savings. The City Council last approved the use of this financial mechanism for energy efficiency projects in 2011.

Staff has made significant progress in the installation of LED fixtures for the City's traffic safety intersection lights (Phase 1). The Port of Long Beach's Greenhouse Gas Mitigation Grant is funding Phase 1 of the project. The City celebrated the kick-off to the installation on October 29, 2015 at Third Street and Cedar Avenue. Phase 2 of the project, which will begin in early January, converts the nearly 24,000 streetlights in the City, and will take approximately one year to complete. The predicted strong winter storms as a result of the El Niño weather pattern could potentially affect this schedule as high winds and/or rain would delay the installation of the fixtures.

For Phase 2, the anticipated cost to convert the City's 24,000 streetlights to LED fixtures is approximately \$6,040,000. Staff identified incentives, rebates, and financing provided by the California Public Utilities Commission's set-aside of ratepayer money. Staff worked with The Energy Network, a Los Angeles County sponsored organization that supports public agencies in achieving energy efficiency, and with SCE to apply for incentives, rebates, and SCE OBF. As a result, the City received approval for incentives, rebates, and OBF to fund the installation of the LED fixtures from SCE. Specifically, the City will receive \$3,140,000 million in rebates to fund the project, and the ability to finance the remainder of the projects costs through an OBF program.

HONORABLE MAYOR AND CITY COUNCIL

December 1, 2015

Page 2

Staff conservatively anticipates \$665,000 in energy savings in the first year, with savings projected to increase at approximately 2 percent annually to reflect consumer price index increases. With an estimated loan amount of \$2,800,000, staff expects approximately a four-year pay-back.

While OBF can fund the majority of the costs, the financing agreement does not cover project-related costs such as project inspections and oversight, or the sensors for the smart pins that will enable the City to network the lights into a "smart grid," allowing a particular street or area to be briefly illuminated brighter for our public safety responders. As part of the FY 16 adopted budget, the City Council authorized \$100,000 in non-recurring funds for LED conversions that will be used to partially offset these costs. Future maintenance savings from the installation of the LEDs is estimated at \$240,000 a year and will be used to partially fund the installation of sensors, lighting controls and the software and licensing needed to network the lights into the "smart grid."

This matter was reviewed by Deputy City Attorney Amy Webber on November 5, 2015 and by Assistant Finance Director Lea Eriksen on November 13, 2015.

TIMING CONSIDERATIONS

City Council action is requested on December 1, 2015, in order to execute the agreements with SCE to finance the conversion to LEDs, and to begin work in early January 2016.

FISCAL IMPACT

The anticipated cost to convert the City's 24,000 streetlights is \$6,040,000. The project will be funded, as currently estimated, through a combination of the following sources:

<b>Source</b>	<b>Amount</b>
FY 16 One-Time Funds	\$100,000
SCE Rebates	\$3,140,000
Savings from reduced energy usage with SCE cash flow funding or a loan	\$2,800,000
<b>Total</b>	<b>\$6,040,000</b>

An appropriation increase in an amount of \$6,040,000 is requested in the Capital Projects Fund (CP) in the Public Works Department (PW) to implement the project.

Should the OBF financing not be ready at the time payments are due, interim funding may be provided by General Fund reserves and replenished when actual financing has occurred through OBF. If interim funding is needed, City Council authorization will be required to proceed.

HONORABLE MAYOR AND CITY COUNCIL

December 1, 2015

Page 3

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ARA MALOYAN, PE  
DIRECTOR OF PUBLIC WORKS



JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

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APPROVED:

  
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PATRICK H. WEST  
CITY MANAGER