

Budget & Finance Committee
Thursday, April 9, 2015 – 5:00 p.m.
1st Fl. Council Committee Rm. – City Hall
-Minutes-

Present: Chair, Councilor Melissa Cox; Vice Chair, Councilor Bill Fonvielle; Councilor Paul McGeary

Absent: None,

Also Present: Kenny Costa; Jim Destino; John Dunn; Linda T. Lowe; Tom Daniel; Matt Coogan

The Committee meeting was convened at 5:04 p.m.

1. Supplemental Appropriation-Budgetary Request 2015-SA-26 from Mayor's Office

Matt Coogan, Senior Planner, said that the next energy saving project for the city is the conversion of the city's streetlights to Light Emitting Diode (LED) technology. The city took ownership of the streetlights in October 2014 which gave the city an automatic savings and paid \$1 for 2,800 streetlights because they were so depreciated. The entire project would purportedly cut the city's electric bill for street lights by half and improve the quality of light for both pedestrians and motorists and improve public safety because police can identify vehicles. Unlike high pressure sodium street lights, LED lights are directed downward so there is not a lot of light pollution.

Anticipating that the city would eventually convert their streetlights to LED technology, the city participated in a group procurement that was hosted by the Metropolitan Planning Council (MAPC). MAPC scoped the entire project for the city including all of the bidding process. Mr. Coogan was part of the selection committee. Siemens was the vendor that nine communities were able to contract with directly to convert their street lights done through an energy contract -- an audit of the city's streetlights is done to determine what would be replaced with LED lights and guarantee the amount of savings the city would get. The city would then decide to pursue the conversion of its street lights to LED lighting.

In order to finance this project, the city could enter into a lease/purchase financing agreement with any savings the city gets from the conversion to LEDs the savings can be used to pay back the cost of the project. The city hired a consultant to assist the city with the street lights purchase who was also contracted to do an analysis of what the savings would be and it was calculated that the city's savings at that time were estimated to be \$100,000 per year to convert to LED lighting.

The overall project is expected to come in at approximately \$1 million. With some incentives offered by National Grid and the city's application for \$250,000 Green Communities reimbursement grant, similar to the grant the city pursued and was awarded for the replacement of the O'Maley Innovation Middle School boiler, it would see the city with a simple payback ending in 6.7 years.

Mr. Coogan pointed out that the LED lights are warranted for 10 years, but that in some instances LED lights last up to 20 years. He said that not only would this be a good visual project, but that the city would be significantly reducing its energy consumption by this conversion, it is safer and better quality lighting overall.

Councilor Cox said she has received complaints that lighting on some of the streets is too low, for example at the lower end of Maplewood Avenue because the lights are lit every other pole. She asked if LED lights reduce lighting footprints, would there be a need for additional lights with that footprint reduction from the current lighting scheme. **Mr. Coogan** said the LED lights have the same coverage, or footprint, as the high pressure sodium lights which the city currently has will be the same but the light will be more focused and directed. High pressure sodium lighting is much less focused and causes light to scatter in areas lighting is not needed or necessarily welcome. He confirmed for **Councilor Cox** that the lighting footprint would be unchanged on the ground, but would be more directed. He said that as part of the audit, Siemens reviews the current lights the city has, recommends LED equivalent and whatever engineering may be necessary and then it is up to the city to decide what actions to take.

Councilor Cox asked if the city could test LED lighting in a neighborhood first. **Mr. Coogan** said it is an option that he believed the city should take. Part of the contract requires Siemens to provide pricing three types of industry standard lights, and he reiterated the city should test them. He noted that the LED lights vary in color and temperature slightly and so testing would provide feedback as to what could work best.

Councilor Fonvielle said he gets frequent complaints in his immediate neighborhood about the light from Stage Fort Park that have a terrifically bright impact overall blotting out even the lights of the overall city from his vantage point and wanted to see if the testing could be done in that immediate area. **Councilor Cox** added her endorsement of that neighborhood to be the testing site.

Councilor Cox pointed out that Main Street doesn't necessarily have the same type of streetlights as the rest of the city. **Mr. Coogan** said that any street light the city purchased with high pressure sodium lights makes financial sense to swap them out to LED lights because the savings would pay for the financing of the project. He pointed out that the city always owned the Main Street lights. In that regard, going through the process with Siemens for the Main Street lights would not necessarily yield the same kind of savings, however, they may wish to switch out some of the old technology but he suggested that for those lights it may not bring as much savings in this iteration.

Councilor Cox said that the \$44,000 covers the audit only but will produce a document of guaranteed savings which **Mr. Coogan** confirmed. He was unable to confirm for **Councilor Cox** what would happen if the city didn't meet those savings goals but would get back to the Councilor with that information prior to the April 14 Council meeting. He said that in the investment grade audit there is a cost at a price per fixture (approximately \$14 per fixture), and there are 2,800 fixtures the city just purchased from National Grid. The investment in the audit gets rolled in the project, he added. He said that with the previous study, it is fairly well known savings for the LED conversion, but this is a necessary step.

Councilor Cox asked: How many lights will be affected; the possible savings through the audit; and what the overall project will cost, and after the audit what can the city anticipate in savings. **Mr. Coogan** said that: With 2,800 street lights, the fixtures will cost about \$300 to \$400 each and will be about \$1 million for the project to replace all the lights with an anticipated savings on the city's power bill of about \$96,000 per year. He said they also calculated what the city's rebates would be and for every kilowatt hour saved, National Grid pays the city for it which is estimated to be \$175,000 one time for the project. The city also applied for a \$250,000 Green Community grant which is a strong application, he said. He confirmed the city will receive the rebate.

John Dunn, CFO, explained the financials of the project as: With \$1 million and \$170,000 for a one-time rebate from National Grid, and some portion of the \$250,000 grant would go towards the \$1 million price tag. The city would be looking at about \$650,000 for the city's cost to do this. Siemens will offer their financing arm to the city, and said that there are other banks that will do this. The financiers will match up the term of the loan with the interest to the city's annual savings. The city nets the out-of-pocket expense for whatever term it takes, and to repay the loan is flat. From this financing perspective there is no budgetary impact, he said.

Mr. Dunn said there is a budgetary impact to a certain impact because the city is responsible for any bulbs that have to be replaced. The bulbs are guaranteed to last 10 years but are generally known to last 20 years. The maintenance contract with Siemens to maintain the city's streetlights will shrink considerably and will only be on call for a knockdown of a pole or a catastrophic failure. The goal is that it will take six to seven years for the project payback. Siemens through this audit will tell the city what the savings are per year. They will know what the savings will be, and with the conversion to all these various wattages on the LEDs that it will save "X" amount of money, and that is what the city will have available to it for the project's debt service.

Responding to an inquiry by **Councilor Cox**, **Mr. Dunn** said the city signs a contract to take care of the street lights is \$50,000 a year about, , and is a contract they can walk away from, which is the same company. He said there will be circumstances where they will need to come in i- there are technicians who go up on the pole to do certain functions, which the city doesn't have the capability to do and so they still need them. There would be another contract for the new LEDs, and the bulbs are warranted for 10 years. If there is a pole knockdown the city is likely covered by insurance. This is a pretty good deal, he said, and reconfirmed that the \$44,000 for the study is subsumed into the larger contract with Siemens. The city is looking at a 10 percent chance they'll spend the \$44,000, he suggested. **Mr. Coogan** said Siemens wanted to start at the end of this month. **Councilor McGeary** noted that per the terms of the contract the study takes up to 90 days by contract.

MOTION: On a motion by Councilor McGeary, seconded by Councilor Fonvielle, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2015-SA-26 in the amount of \$44,000 (Forty Four Thousand Dollars) from the General Fund- Undesignated Fund Balance ("Free Cash"), Account #101000.10.000.35900.0000.00.000.00.000 to DPW Other, Streetlights Power and Service, Account # 101000.10.499.52130.0000.00.000.00.052 for the purpose of funding an Investment Grade Audit (IGA) to determine the guaranteed savings to be derived from a conversion of city owned street lights to LED lighting.

2. Special Budgetary Request 2015-SBT-41 from City Clerk/Registration Department

Linda T. Lowe, City Clerk, said before the Committee is a request to transfer funds from the Registrar's Department to the City Clerk's Department to fully fund replacement blinds for her department. She assured that the Purchase Order process was followed. She said she had an informal discussion with a vendor a year ago when at

that time there no funding for the blinds replacement. It turned out the estimate given by the vendor for the total cost was nowhere near the actual cost of replacing all the department's blinds. The cost of the replacement blinds remained \$1,000 short despite the previous transfer in January, she noted.

Responding to an inquiry by **Councilor Cox**, **Ms. Lowe** said that this transfer would cover everything and she would insure that the written quote was adhered to by the vendor. She noted that the shades would be for all the windows including the back office used by the Clerk of Committees as well as her own office's uniquely sized window. **Councilor Cox** asked what remained in the City Clerk-Rental of Facilities account after this transfer. **Ms. Lowe** noted the storage account had \$2,500 to start with and **Mr. Costa** confirmed that \$100 would be remaining.

Councilor Cox said with the Snow and Ice deficit to be overcome it is going to create a very tight city budget for FY16 and wished to justify the new blinds versus using any found monies for filling that gap. **Councilor McGeary** said the need is real, especially in an age where people spend days at computers where light coming in from a window can obliterate a screen view. He said it is an efficiency issue not just one of aesthetics. **Councilor Cox** acknowledged the very poor condition of the blinds in the Clerk's office that are no longer able to be cleaned. **Ms. Lowe** reiterated the blinds now in use are in such poor condition that they are unable to be cleaned of grime and was primarily concerned for the health of her staff and for light regulation, as well as an aesthetic improvement to the department. **Councilor McGeary** reiterated that there was a real demonstrated need to replace the blinds.

MOTION: On motion by Councilor Fonvielle, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend that the City Council approve Special Budgetary Transfer 2015-SBT-41 in the amount of \$1,000 from Account #101000.10.163.52700.0000.00.000.00.052, Registration, Rental of Facilities to Account #101000.10.161.52550.0000.00.000.00.052 City Clerk, Office Furnishings, for the purpose of replacing window blinds.

3. *Memo from City Auditor regarding accounts having expenditures which exceed their authorization & Auditor's Report*

Mr. Costa reviewed his reports with the Committee. He noted that the Snow & Ice deficit is growing. The city is at almost \$3.2 million in actual expenditures. The actual deficit is \$2.5 million with \$650,000 having been funded in the FY15 budget. He noted a five year actual expenditure history (placed on file) and discussed it with the Committee. **Mr. Dunn** also discussed how the city would try to fill the financial gap. Both **Mr. Dunn** and **Mr. Costa** advised the Committee that the Department of Revenue will be forwarding advice as to how cities and towns may raise the deficit for Snow and Ice into future fiscal years without penalty, but that wouldn't be known until the DOR advises them through an Informational Guideline Release (IGR) at the end of June. There was a discussion with the Committee about how the city would handle such a deficit moving forward should this past winter be followed by another harsh snow season.

A motion was made, seconded and voted unanimously to adjourn the meeting at 5:43 p.m.

**Respectfully submitted,
Dana C. Jorgensson
Clerk of Committees**

DOCUMENTS/ITEMS SUBMITTED AT MEETING:

- **City of Gloucester 5 Year Comparison Report (for Snow & Ice 2015-2011) from Kenny Costa**