

LED STREET LIGHT CONVERSION

July 2, 2018

Agenda



- **Phase I –Audit and Pilot**
- **Phase II – Conversion**
- **Summary of Costs and Savings**
- **Funding Options**



Policy Direction



Seek policy direction on moving forward with project and funding options.

Phase I – Audit and Pilot



- January 2018 - Council approved \$100,000 for street light audit and pilot project
- February to April 2018 - Audit completed and replacement fixtures selected
- May 2018 – 153 Pilot Project Fixtures installed and feedback obtained
- June 2018 - Guaranteed energy savings, APS rebate amount, and final project costs were determined

Proposed Phase II Conversion



- July to August 2018 - Purchase fixtures
- August to October 2018 - Install fixtures
- October 2018 - Submission of rebate information to APS*

*APS rebate requires project completion by November 1



Summary of Costs and Savings Associated with this Project



- Total Cost with Tax: \$2,770,700
- Total Savings: \$414,300
 - Annual Energy Savings: \$306,100
 - Annual Maintenance Savings: \$108,200
- Simple Payback – 6.7 years

*Simple Payback using Net Costs – 6.2 years
Net costs include APS rebate

Funding Options



Project Funded immediately – APS Rebate Eligible*

- 1. Finance as Tax-Exempt Lease purchase**
- 2. Utilize CIP Project reserves (now)**

*Project must be complete by November 1, 2018

Project Funding Delayed – Forego APS Rebate

- 3. Determine funding through CIP Process**

Funding Options

1. Finance as Tax-Exempt Lease purchase

- i. Use \$400k annual savings to pay debt service
 - a) 7-10 year financing based on final cost and interest rate
 - b) Estimated life of product is 10-15 years
- ii. Receive \$200k APS rebate
 - a) Tight timeline
- iii. Total Interest Cost \$500k - \$700k
- iv. Minimal or no direct ongoing savings until end of lease term
 - a) Positive operational impact

Assumes \$3.0 million total project cost and estimated interest of 4%

Funding Options

2. Utilize CIP Project reserves

- i. Upon project completion reduces operating costs by \$400k annually
 - a) Frees up ongoing general fund revenue
- ii. Receive \$200k APS rebate
 - a) Tight timeline
- iii. Project not prioritized against other CIP projects
- iv. Reduces available funding for other projects

Funding Options



3. Determine funding through CIP process

- i. Project prioritized against other CIP projects
 - a) Impact on other projects fully known
- ii. Ability to fully evaluate all project and funding options
 - i. Cash, Inter-fund loan, Lease-Purchase, Excise Tax loan
- iii. Forego APS rebate of \$200k

Assumes \$3.0 million total project cost and estimated interest of 4%

Questions / Discussion



A. Does Council want to Move Forward with Project Now?

B. If yes

1. Finance as Tax-Exempt Lease purchase
2. Utilize CIP Project reserves