

***SUBJECT – Testimony for Council Bill 39-2020; Approving a Multi-Year Tax-Exempt Lease-to-Purchase Agreement for LED Streetlights***

**June 30, 2020**

**To:** Lonnie R. Robbins  
Chief Administrative Officer

**From:** Leah Miller  
Energy Manager, Office of Community Sustainability

This bill is authorizing the Executive to enter into an agreement to finance the replacement of existing inefficient streetlights with energy efficient LED lights. A Request for Proposals has been issued and responses were due on 6/29/20. The successful bidder will provide the financing for the purchase and installation of 7,258 LED streetlights. Updates on the successful bidder and interest rate will be shared with the Council prior to the Public Hearing and an amendment to the legislation will be proposed to insert the successful bidder into the bill. Streetlight fixtures will be purchased from one or more vendors selected through a competitive bid process and will be installed by BGE.

This Multi-Year Tax-Exempt Lease/Purchase Agreement is not to exceed \$3,463,000, including project and financing costs. The Lease is expected to close in August and all fixtures to be installed within one year. The finance agreement will finance the lease-to-purchase of the LED streetlights for a term of 12 years. Because this Agreement requires the payment by the County of funds from an appropriation in a later fiscal year, it requires County Council approval as a multi-year agreement pursuant to Section 612 of the Howard County Charter.

LED light fixtures are highly efficient and require significantly less maintenance than other sodium vapor, metal halide, and other fixtures currently in use by Howard County. By converting all of its streetlights to LED, the County expects to reduce its electricity use by 226,596 kWh per year.

Replacing existing streetlights with energy efficient LED lights is expected to generate \$350,000 in savings annually. Howard County's Operating Budget for Fiscal Year 2020 includes lease financing sufficient to fund the first year's payment and the funds have been earmarked for this use. The finance agreement will be structured so that the cost of the annual lease payments is less than the anticipated annual savings. The LED lights are rated for 100,000 hours, which is close to 20 years of use at the typical 12 hours per day for streetlights. After the first 12 years, the County realizes the full savings. Therefore, this project will result in a net savings of at least \$1.75 million over 20 years.

Using the U.S. EPA greenhouse gas equivalency calculator, we estimate this project will reduce our greenhouse gas emissions by 155 metric tons of Carbon Dioxide Equivalent in the first year and a total of 3,045 metric tons of Carbon Dioxide Equivalent over the life of the project. This project lifetime greenhouse gas emissions reduction is the equivalent of planting 50,000 trees.

## **Fiscal Impact**

The term of the loan has been structured so that the annual lease payments will be covered by the estimated energy savings resulting in zero net change to the Operating Budget.

The 12-year payback is based on total loan amount of \$3,463,000 with 3.25% financing and an annual payment less than the anticipated annual savings of \$350,000.

The County's estimated savings are calculated using the expected savings in electricity and maintenance costs as provided by BGE. Electricity savings are calculated by multiplying kWh savings (resulting from lower wattage of LED lights) by our current electric supply and delivery rates. Maintenance savings are calculated by tallying the maintenance fee savings for each type of current light fixture that will be replaced by LEDs. Maintenance fees by fixture types are set by the Public Service Commission and are part of BGE's published rates for streetlights.

Cc: Jennifer Sager  
Angela Price  
Nikki Griffith