



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Ristow

SUBJECT: SEE BELOW

DATE: June 14, 2021

Approved

Date

06/17/21

SUBJECT: CHANGE ORDER APPROVAL UNDER THE PG&E TURNKEY SERVICE AND FINANCING AGREEMENTS FOR LED STREETLIGHT CONVERSION

RECOMMENDATION

- (a) Approve Change Order No. 01 for completed work involving lead testing of existing painted streetlight poles in the amount of \$32,175 under the PG&E Turnkey Service Agreement for Streetlight LED Conversion.
- (b) Adopt a resolution authorizing the Director of Transportation or the Director of Public Works to negotiate and execute future change orders to the PG&E Turnkey Service Agreement for Streetlight LED Conversion subject to the following conditions:
 - (1) The amount of the change order is \$100,000 or less,
 - (2) The amount of the change order is appropriated, and
 - (3) The change order does not extend the repayment period in the On-Bill Financing (OBF) Loan Agreement.

OUTCOME

Approval of the above recommendations will allow (1) the execution of the \$32,175 change order and (2) give authorization to the Department Directors to approve future change orders in a timely manner.

BACKGROUND

On June 25, 2019, City Council authorized the City Manager to execute a turnkey service agreement along with six OBF loan agreements with PG&E to finance and install up to 27,000 LED streetlight fixtures at a cost not to exceed \$11M, including a payback provision with estimated energy cost savings within seven years at 0% interest. When the LED fixtures are installed, PG&E will track the energy cost savings of the new LED fixtures. PG&E will use that energy cost savings to cover the costs of the OBF loans for the project. The payback period of the OBF loan is estimated to be about seven years.

PG&E began a field inventory of streetlights in August 2020 and the installation of LED fixtures in late December 2020. As of May 27, 2021, a total of 4,150 streetlights have been converted and 8,000 streetlights are on schedule to be converted by the end of June. Streetlight conversion is expected to be completed in December 2021. The public can view the progress of the LED streetlight conversions at <https://www.sanjoseca.gov/your-government/departments/transportation/roads/streetlights/led-conversion-program>.

ANALYSIS

In early January 2021, PG&E's contractor encountered old painted streetlight poles with deteriorating paint that chipped off when touched. Due to the age of the poles, the contractor was concerned that the paint may be lead-based. PG&E relayed the concern to the City and requested information on the paint. To ensure safety for their contractors, PG&E also directed the crews to avoid installing LED fixtures on painted poles until the risk of lead exposure could be assessed.

The Department of Transportation (DOT) does not have historical information on the type of paint used on specific streetlight poles. In response to PG&E's health and safety concern for their crews, DOT worked quickly with PG&E to determine the appropriate sample size for lead testing. Ninety poles were selected from different areas of the City and different installation periods. To avoid a major delay or stoppage in conversion work, DOT authorized PG&E to proceed with sample collection and lead testing at a cost of \$32,175.

Although the test results showed the presence of lead in the paint samples, there was no lead detected in the respiratory samples collected by the installers. With these results, the contractor has elected to provide their crews with personal protective equipment as an optional means of protection.

Additional change orders may be necessary to address future unforeseen installation issues. Staff anticipate the total number of standard streetlight conversions by the turnkey project to fall below the originally estimated 27,000 cap. This is a result of DOT maintenance crews continuing to replace Low Pressure Sodium streetlights with LEDs to address burnouts that have occurred since the turnkey contract was executed in 2020. As a result, the approved OBF loan

amounts will be under-spent. It is anticipated that this savings will be able to fund additional change order work that may be needed without further increasing the total loan amount or extending the length of the loans.

The City Council's authorization for the City Manager to execute a turnkey service agreement along with six OBF loan agreements with PG&E to finance and install up to 27,000 LED streetlight fixtures at a cost not to exceed \$11M did not include establishing a project contingency or any authority to execute change orders. Accordingly, staff is requesting approval of change order No. 01 in the amount of \$32,175 to pay for the completed lead testing work. Due to the reduction in project scope, the City can pay for this change order within the existing project cost allocation and with no extension in the financing repayment period.

In order to streamline the future process, Staff recommends Council delegate change order approval authority to the Director of Transportation and the Director of Public Works subject to the following: (1) the change order is \$100,000 or less, (2) there is an appropriation for the amount of the change order, and (3) the change order does not extend the financing repayment period.

CONCLUSION

The recommended actions will provide assurance for worker safety and will allow staff to address future project needs more effectively and efficiently, thereby ensuring timely completion of the project by the end of 2021.

EVALUATION AND FOLLOW-UP

No further evaluation is necessary.

CLIMATE SMART SAN JOSE

The recommendations in this memo aligns with one or more Climate Smart San José energy, water, or mobility goals.

COORDINATION

This memo has been coordinated with the City Attorney's Office, the Department of Public Works, the Department of Planning, Building and Code Enforcement, and the City Manager's Budget Office.

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COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

The turnkey project cost will increase by \$32,175, bringing the project total cost to \$11,032,175. The project is funded by PG&E OBF loans, which are paid down over several years with the energy cost savings of the LED light conversions. The \$32,175 change order can be covered within the OBF payback period and there is no need to change the terms or payback period of the loan.

CEQA

Categorically Exempt, File No. PP18-029, CEQA Guidelines Section 15301(c) Existing Facilities and PP19-024, CEQA Guidelines Section 15303(d) New Construction of Small Structures.

/s/

JOHN RISTOW

Director of Transportation

For questions, please contact Lily Lim-Tsao, Deputy Director, Department of Transportation, at Lily.Lim-Tsao@sanjoseca.gov.