



Council Agenda Report

From: Ditas Esperanza, Capital Projects Engineer

Subject: Approval of an Amendment to the Contract with Tanko Lighting to Initiate the Purchase of the City's Street Lighting System from Pacific Gas & Electric Company

CEQA Determination: The City finds that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378.

Date: August 6, 2024

Facts

1. There are approximately 3,000 streetlights within the City. Approximately 2,600 are owned and maintained by Pacific Gas and Electric (PG&E), with the balance owned and maintained by the City.
2. As part of the FY 2022-23 and 2023-24 adopted City Council goals, the City Council identified improving downtown street lighting as a priority.
3. In May 2023, the City issued a Request for Proposals (RFP) for consultants to assist the City in developing a Streetlighting Master Plan for the downtown area. Four firms responded to the City's solicitation. City staff reviewed the proposals and determined that Tanko Lighting best met the needs of the project.
4. Based on this initial assessment, taxpayers would see reduced costs and improved service if the City purchased the streetlights from PG&E.
5. Evaluating the purchase of the system from PG&E is an adopted City Council goal for 2024-2026. The intent of this goal is to continue and augment the Tanko study by adding an evaluation of the feasibility of City ownership of streetlights to the previously contracted scope of identifying lighting deficient areas and identifying optimal fixture types.
6. Funding for this work was approved by the City Council as part of the FY 2024-25 and FY 25-26 budgets.
7. At the City's request, Tanko Lighting provided a scope of work and fee proposal detailing their planned work to move the City toward purchasing the PG&E owned streetlights. The fee for this scope of work is \$300,000.
8. A sub task of the existing Streetlighting Master Plan included an analysis of PG&E charges for the City's streetlighting system, and a recommendation regarding the future of that system. In undertaking the development of the Streetlighting Master Plan, Tanko Lighting is uniquely positioned, based on its comprehensive knowledge of the City's streetlighting system, to negotiate with the utility on City's behalf to reach the best deal. Accordingly, staff believes the City is best served by approving a contract amendment to Tanko Lighting in the amount of \$300,000.

Options

1. Take no action;

2. Authorize the City Manager in consultation with the City Attorney to execute an amendment to the contract with Tanko Lighting in the amount of \$300,000 to initiate negotiations with PG&E to purchase the City's street lighting system; or
3. Provide alternative direction to staff.

Analysis and Conclusions

There is a growing trend across the country where public agencies are acquiring streetlight infrastructure from local private or public utility companies. Municipal ownership of streetlights offers several benefits:

- **Enhanced Control and Management:** Public agencies can directly manage the streetlight system, standardize design, and improve maintenance response times.
- **Cost Savings:** Municipally owned streetlights can lead to significant cost reductions, particularly in maintenance and energy expenditures when compared to PG&E's cost structure. Other cost savings may include reduced costs to developers for acquiring and installing streetlights associated with new developments.
- **Energy Efficiency:** Public agencies can further save by converting existing High-Intensity Discharge (HID) fixtures to energy-efficient LED fixtures.
- **Public Expectations:** This move aligns with public expectations that municipalities are responsible for maintaining and operating streetlight systems, providing quicker responses for repairs and maintenance issues.

The acquisition process can be tedious and complex. The process involves an evaluation of the existing streetlight system, its value, negotiations with PG&E and approval by the California Public Utilities Commission (CPUC). Therefore, it is recommended the City retain a third-party expert to assist in the acquisition process. There are several areas in which this third-party can assist the City in this process:

- **Technical Expertise:** A deep understanding of the technical aspects of streetlight systems is required.
- **Legal Framework:** Knowledge of the legal processes and regulations governing the transfer of streetlight ownership from utilities to municipalities is essential. This includes processes outlined by PG&E and the CPUC.
- **Precedents and Context:** Familiarity with past precedents and the context in which these transfers have occurred is crucial.
- **Negotiations and Legal Strategies:** Effective navigation of negotiations and legal strategies is necessary to ensure a successful acquisition.

To ensure the acquisition process is efficient, it is recommended the City leverage the expertise of Tanko Lighting to assist the City through this process. Tanko Lighting has completed 128 acquisition projects across the nation, which total over 530,000 streetlights.

Tanko Lighting will provide the following services as part of this process:

- Serve as the project lead, responsible for all project deadlines, reporting, and compliance.
- Ensure that statutory requirements are met in a timely manner.
- Coordinate with both City staff and legal counsel via ongoing meetings and correspondence.
- Lead negotiations (if applicable) with the utility.
- Advise City staff on ongoing potential options and strategies.
- Provide relevant documentation on previous precedents, technical elements, case law, and legal arguments.

- Draft documents for City staff and legal counsel's review.
- Provide final edits for negotiation and court documents.
- Provide documentation and justification for valuation estimates. Provide ongoing reporting as needed.

Fiscal Impact

The total cost for negotiating services to Tanko Lighting is \$300,000. The City's FY 2024-25 adopted budget includes this professional services expenditure and no other action is required. This action does not include the cost to purchase the system from PG&E. Once the negotiations are finalized, staff will return to City Council for authorization of the final costs as well as a proposed financing plan.

CEQA

The City finds that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378.

Recommendation (Option 2)

Approve Resolution 24-XXX, authorizing an amendment to the contract with Tanko Lighting in the amount of \$300,000 to initiate negotiations with PG&E to purchase the City's Street lighting system.

Attachments

1. Resolution 24-XXX – Tanko Lighting Contract Amendment
2. Tanko Lighting - Scope of work and fee proposal