



City of Palo Alto

City Council Staff Report

(ID # 5683)

Report Type: Consent Calendar

Meeting Date: 5/18/2015

Summary Title: Capital Improvement Project Amendment: EL-10009 Street Light System Conversion and Adoption of a BAO

Title: Approval of Final Payment and Withheld Retention in a Combined Total Amount of \$232,137 to Republic Intelligent Transport Services, Inc. (a Siemens Company) for Work Performed C12143538 for Phase II of the LED Light Conversion Project (EL-10009) and Adoption of a Budget Amendment Ordinance for Fiscal Year 2015 in the Amount of \$184,510 Offset with a Reduction in the Electric Fund Distribution Reserve

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council:

1. Approve and authorize the City Manager or his designee to release a final payment and withheld retention for a combined total of two hundred thirty-two thousand one hundred thirty seven dollars (\$232,137) to Republic Intelligent Transportation Services, Inc. (a Siemens Company, referred to herein as "Siemens") for the work performed under Contract C12143538 for Phase II of the LED street light conversion project (EL-10009).
2. Adopt a related Budget Amendment Ordinance (Attachment A) to appropriate \$184,510 offset with a reduction from the Electric Fund Distribution Reserve to allow for such release for EL-10009.

Background

On April 9, 2012, the City awarded Phase II of the LED street light conversion contract in the amount of \$1,017,214, including a ten percent contingency, to Siemens to replace 2,655 high pressure sodium (HPS) street light fixtures with energy efficient light-emitting diode (LED) fixtures (Staff Report #2564). Siemens completed installation work in 2013 and thus far has received progress payments totaling \$699,882. However, Siemens failed to fulfill contract requirements, including provision of as-built drawings and streetlight inventory information,

and did not provide a final invoice to the City until January 2015. As a result, staff did not process a final invoice or release the retention money. Now that staff has received the requisite contract documents and a final invoice, the City is prepared to provide Siemens with a final payment in the amount of \$232,137, which includes payment of the final invoice and withheld retention amounts. However due to Siemens significant delay in completing contract tasks and submission of its invoice, in order to make such a payment to Siemens staff must recover funds that were previously for the LED streetlight conversion project (EL-10009).

The original budget for the five year Street Light Conversion project was \$3,400,000. In mid-year 2014, staff returned \$1,400,000 to Electric Fund reserves because the scope of the project was reduced after re-evaluation. The original plan was to convert all 6,500 HPS lamps to LED lamps serving the community. LED street lighting luminaires have a longer life (15-18 years) compared to traditional HPS luminaires (5-6 years), lower ongoing maintenance costs, and provide better lighting distribution pattern on the streets. The average power demand of the LED luminaires is lower than the average power demand of HPS street lights, in the range of 45-50 percent. As of February 2015, the City has converted 85% or 5,500 cobra head street light fixtures from HPS to LED. The remaining 1,000 street lights have a mixture of decorative type fixtures. Staff plans to evaluate converting these decorative luminaires to LED within the next two to five years and will seek Council's approval of additional expenditures if and when such are identified. Staff is investigating viable retrofit options and will work with the Planning Department, the Architectural Review Board, and community on acceptable designs.

Discussion

Under Contract C12143538 for the LED street light conversion project (EL-10009), Siemens was required to submit final as-built drawings and street light inventory information to the City before release of final payment. Staff made numerous requests to Siemens over the past two years for the final drawings and street light information but Siemens was not responsive. After trying without success to gather the documentation and pay out final invoices and withheld retention, the City finally closed the contract in 2013 and returned the remaining balance of \$317,332 for EL-10009 to CIP project EL-10009 budget.

Siemens finally submitted the required documents (as-builts, street light inventory information) to the City along with a final invoice in January 2015. Due to Siemens extensive delays and non-responsiveness, staff inadvertently overlooked holding the necessary funds to cover the final payment and withheld retention to Siemens when returning \$1,400,000 from CIP project EL-10009 to the Electric Fund reserves. The work has been verified and the project is deemed complete per the contract terms. As such, the City is now finally prepared to release the final payment along with the retention money to Siemens.

The first three phases of the street light conversion project are complete. CIP project EL-10009 has a remaining balance of \$137,335, of which \$89,708 is recommended to be reappropriated to Fiscal Year 2016 through the adoption of the 2016-2020 Capital Improvement Program. The reappropriated funds will be used for the evaluation of options for retrofitting the remaining

decorative streetlights, and the balance will be used towards the final payment to Siemens. Therefore, the project requires an additional \$184,510 to process the final payment (final invoice, withheld retention) of \$232,137 to Siemens.

Timeline

Supply and Installation work under this contract is completed in its entirety.

Resource Impact

A Budget Amendment Ordinance in the amount of \$184,510 offset with a reduction to the Electric Fund Distribution Reserve is recommended to fund the final payment (final invoice and withheld retention) for capital improvement project EL-10009 (Street Light System Conversion).

Policy Implications

Authorization of this Budget Amendment Ordinance does not represent a change in existing City policies.

Environmental Review

Approval of the final payment to Siemens, and adoption of a related Budget Amendment Ordinance is not a project under the California Environmental Quality Act and therefore, no environmental assessment is necessary.

Attachments:

- Attachment A: Budget Amendment Ordinance (PDF)

ATTACHMENT A

Ordinance No. XXXX

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO AMENDING THE BUDGET FOR FISCAL YEAR 2015 TO INCREASE THE STREETLIGHT CONVERSION CAPITAL IMPROVEMENT PROJECT (EL-10009) IN THE ELECTRIC FUND IN THE AMOUNT OF \$184,510, OFFSET BY A REDUCTION TO THE ELECTRIC FUND DISTRIBUTION RESERVE.

The Council of the City of Palo Alto does ORDAIN as follows:

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 12 of Article III of the Charter of the City of Palo Alto, the Council on June 16, 2014 did adopt a budget for Fiscal Year 2015; and

B. In July 2012 the City awarded a contract in the amount of \$1,017,214, including a ten percent contingency, to Republic Intelligent Transport Services (Republic ITS, Inc., a Siemens Company, "Siemens") to replace 2,655 high pressure sodium (HPS) street light fixtures with energy efficient light-emitting diode (LED) fixtures; and

C. Siemens completed installation work in 2013, but did not fulfill contract requirements until recently, and thus far has received progress payments totaling approximately \$699,882; and

D. Due to significant delays on the part of Siemens in satisfying contractual obligations and submitting final invoices, staff has not processed the final invoice nor released the withheld retention; and

E. Siemens satisfied its contractual obligations and submitted a final invoice in January 2015 and staff is now prepared to release a total final payment to Siemens in the amount of \$232,137 (including payment of final invoice and withheld retention); and

F. The work has been completed and verified, and the project is deemed complete per the contract terms by staff. The project has a remaining balance of \$47,627 to use towards the final payment to Siemens, leaving a balance of \$184,510 required in order to release the final payment to Siemens; and

G. Staff therefore requires additional funds in the Streetlight Conversion capital improvement project (EL-10009) in order to release such final payment.

SECTION 2. Therefore, the sum of One Hundred Eighty Four Thousand, Five Hundred and Ten Dollars (\$184,510) is hereby appropriated in the Electric Fund for the Street Light Conversion Project (EL-10009), offset with an equal reduction in the Electric Fund Distribution Reserve.

SECTION 3. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

SECTION 4. The Council of the City of Palo Alto hereby finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED: Enter Date Here

AYES:

NOES:

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Senior Assistant City Attorney

City Manager

Director of Administrative Services

Director of Utilities