

Office of the County Auditor
Auditor's Analysis

Council Bill No. 39-2020 - REVISED

Introduced: July 6, 2020

Auditor: Edward Shulder

Fiscal Impact:

The fiscal impact of this legislation is **approximately \$3.3 million** of expenditures over the 12-year lease to purchase 7,411 LED streetlight fixtures. See the table below:

Item	Description	Total Cost (est.)
Fixtures	Various types based on the existing streetlights. Cost per unit varies.	\$ 2,124,628
Installation	County will pay Baltimore Gas and Electric Company to install the 7,411 LED streetlight fixtures (at \$157 each).	\$ 1,163,527
Cost of Issuance	Estimated fees associated with the 2020 Financing.	\$ 60,906
Total		\$ 3,349,061

The County believes that annual savings from lower utility and maintenance costs (as determined by Baltimore Gas and Electric Company) will total approximately \$350,200. **Annual lease payments are estimated at \$317,500 based upon the 1.66 percent financing rate. The financing term will extend for 11.5 years, ending August 2032. Financing has been awarded to JP Morgan Chase Bank, N.A. The Administration will be submitting an amendment reflecting the financing award.**

The lease payments will be paid from the operating budget. The Fiscal Year 2020 budget includes \$450,000 in Pay-As-You-Go (PayGo) funds for the first-year costs. We were advised that the funds have been earmarked as of the end of FY 2020.

We have requested an opinion from Office of Law (OOL) to determine if Section 615B of the County Charter allows for use of PayGo for this expense. The Charter states that PayGo can be used for non-recurring expenses. We received an OOL opinion in 2014 that stated that multi-year contracts are recurring expenses, therefore PayGo cannot be used for such payments. We also received an OOL opinion that states that earmarked funds cannot be used in the current budget unless the funds are re-appropriated.

The bill has no impact on County revenues.

Purpose:

Council Bill 39-2020 authorizes the County to enter into a multi-year lease/purchase agreement for the purpose of purchasing and installing LED streetlight fixtures.

Other Comments:

The bill states that the agreement is for 7,258 LED streetlight fixtures, but Exhibit A (attached to the bill) totals 7,411 fixtures. The Administration stated that a physical inventory totaled 7,411 streetlights. The bill will need to be amended to reflect the correct number of streetlights.

As the estimated life of the fixtures is 20 years, the County anticipates continued savings from lower costs after the end of the lease payments.

The County is in the process of finalizing contracts for certain fixture types and the streetlight fixture installation. Invitations for bids for the remaining fixtures will be issued in July 2020.

Note: This Fiscal Impact Statement has been updated for additional cost and financing information provided by the Administration.