
New York: Self-Funding

System owners may be able to use existing operations and maintenance (O&M) or capital budgets to finance a project, if the owners have sufficient budget flexibility. Most municipalities, however, restrict how budgets can be used. For instance, success in a targeted effort to reduce maintenance costs typically results in a reduced maintenance budget rather than in savings available for reinvestment.

The New York City Department of Transportation (NYCDOT) faced a hurdle when planning to upgrade its street lighting system. Recent system costs in the nation's largest city included an annual expenditure for street

lighting construction contracts and associated capital costs totaling \$25 million (3 percent of the city's \$840-million capital budget), an annual streetlight maintenance expense budget of \$33 million (4 percent of the \$760-million operating budget), and an annual streetlight energy budget of \$72 million (10 percent of the operating budget).

These levels of cash flow were enough to fund significant upgrades in LED street lighting if the resulting savings could be reinvested. NYCDOT successfully convinced its City Council and Budget Office to retain any O&M (including energy) savings achieved through its LED replacement program, to allow those dollars to be reinvested in additional efficiency improvements. As a result, this program is proceeding on only its previously existing budget, and is picking up speed as the savings mount.

