

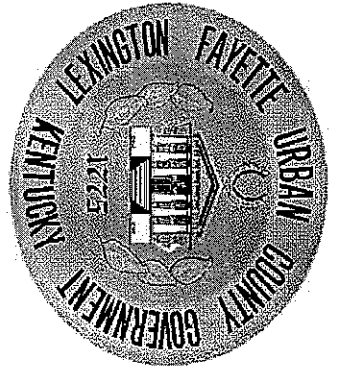
***Urban Service Fund
Street Light Imbalance***

***"Summary of Options"
January 24, 2012***

Overview

- ❖ **Review** Analysis of Fund by Purpose
- ❖ **Cost Savings** Options for Street Lights
- ❖ **Funding Options** for Street Lights
- ❖ **Administrative Policy Changes**



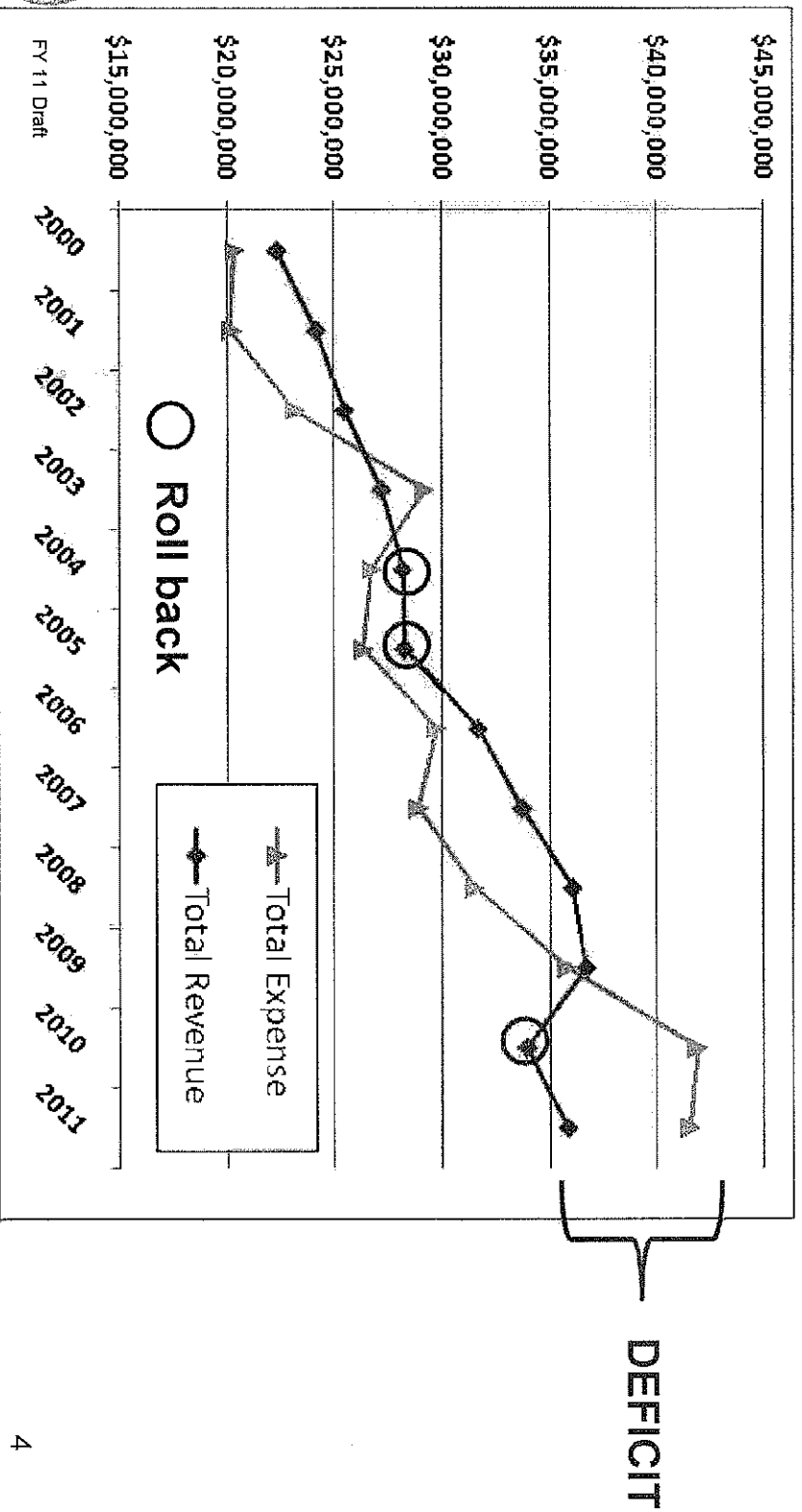


Review

Historical Urban Services Cash Flow

Ten Year Change

- ❖ Revenue Increase \$11.6MM
- ❖ Expense Increase \$21.4MM

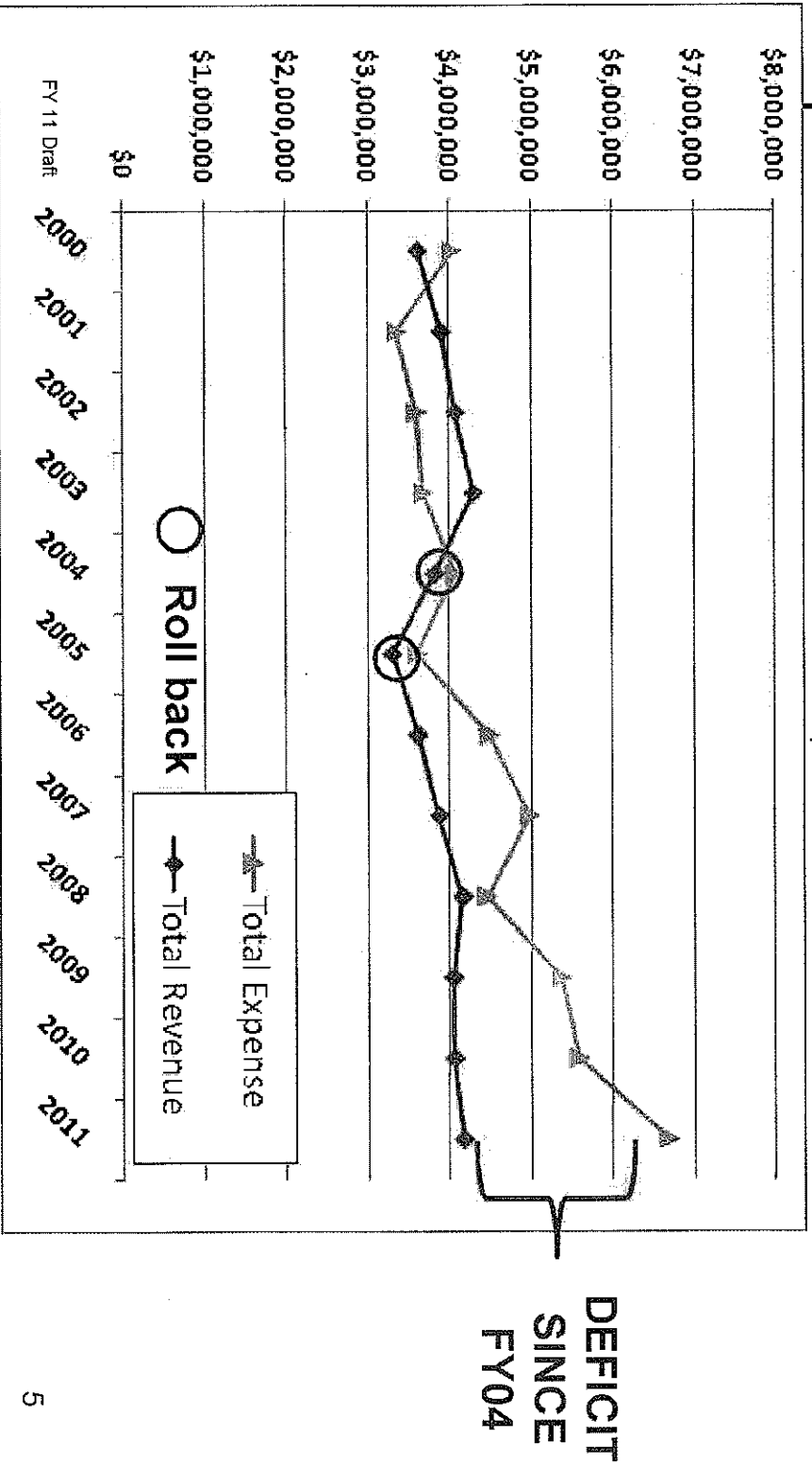


Historical Street Lights Cash Flow

Ten Year Change

❖ Revenue Increase \$270k

❖ Expense Increase \$3.3MM



FY12 Budget (The Urban Fund Bottom Line)

- ❖ Expenditures > Revenues
- ❖ Net Loss of -\$1.2MM
- ❖ Excludes Requested Capital in Refuse & Street Lights



FY12 Budget (The Bottom Line by Purpose)

Refuse

- ❖ Allocated Net Gain of \$0.6MM Net Income excluding \$4MM in Requested Capital

Street Lights

- ❖ Allocated Net Loss of -\$1.7MM Net Income excluding \$0.3MM in Requested Capital

Street Cleaning

- ❖ Allocated Net Loss of -\$125k



FY12 Budget Cost of Service Analysis

❖ Adjust Urban Services Tax Rates to Cost of Service

	Existing Rates	Cost of Service Rates	Percentage Increase
<u>FY 2012 Budget</u>			
Refuse	\$0.1431	\$0.1431	0.0%
Street Lights	\$0.0210	\$0.0299	42.4%
Street Cleaning	\$0.0094	\$0.0102	8.5%
<u>FY 2012 Budget (Including Requested Capital)</u>			
Refuse (+4MM)	\$0.1431	\$0.1839	28.5%
Street Lights (+300k)	\$0.0210	\$0.0330	57.1%
Street Cleaning	\$0.0094	\$0.0102	8.5%



FY12 Budget Cost of Service Analysis (cont.)

❖ Urban Services Tax Bill with Cost of Service Rates
(i.e. \$150,000 home)

	Existing Tax Bill	Cost of Service Tax Bill	Tax Bill Increase
FY2012 Budget			
Refuse	\$214.65	\$214.65	\$0.00
Street Lights	\$31.50	\$44.85	\$13.35
Street Cleaning	\$14.10	\$15.30	\$1.20
FY2012 Budget (Including Requested Capital)			
Refuse (+4MM)	\$214.65	\$275.85	\$61.20
Street Lights (+300k)	\$31.50	\$49.50	\$18.00
Street Cleaning	\$14.10	\$15.30	\$1.20





Cost Savings

Findings from Meetings with KU

- ❖ KU does not charge for the permanent removal of a street light that has been in service for longer than 5 years.
 - ❖ However, removal of concrete bases is LFUCG responsibility (est. \$200/base, qty unknown)
 - ❖ KU will charge for the removal and replacement of a light. The cost is site specific.
 - ❖ Rough estimates (on average):
 - \$197 for removal of existing light
 - \$945 to reinstall new light
 - ❖ Not all decorative lights can be removed. DOT requires 'knock-down' light along some roadways. Standard (wooden) poles not allowed.
 - ❖ Quantity of lights ineligible for standard pole unknown.
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Cost Saving Options

1. Remove Street Lights
 - A. Entire Areas of Lighting
 - B. Remove Selected Residential Lighting
 - C. Remove Selected Arterial Lighting
2. Replace with a "Less Expensive Light"



What streetlights do we have?

Type	Qty	Cost/mo	%
Ornamental (metal, cobra)	17,622	\$ 216,920	54%
Contemporary (shoebox)	5,356	\$ 93,929	24%
Standard (wood, cobra)	5,165	\$ 51,920	13%
Granville (downtown)	382	\$ 23,492	6%
Other	994	\$ 13,216	3%
Total	29,519	\$ 399,477	100%



1A. – Remove Areas of Lighting

❖ Hypothetical

- Remove entire areas such as streets, neighborhoods etc.

Not recommended

- It would have the affect of removing the area from the tax assessment for street lights along with the expense
- It does nothing to correct the funding imbalance.



1B. – Remove Selected Residential Lighting

- ❖ Hypothetical
 - Lighting on Lower Volume Residential Streets
- ❖ Impact
 - 37% Reduction in streetlights (approx. 1/2 of all lights in residential areas).
 - 33% Reduction in streetlight payments.
 - Capital Costs - Approx. \$2M over 15 years to implement. Additional charges may be necessary.
- ❖ Additional Light Removal in the Future (Environmental Regulations will cause the Tariff to increase)
- ❖ Public Opinion: Neighborhood streets will be considerably darker & real or perceived reduction in overall public safety.



1B. – Residential Lighting Example Removal Map

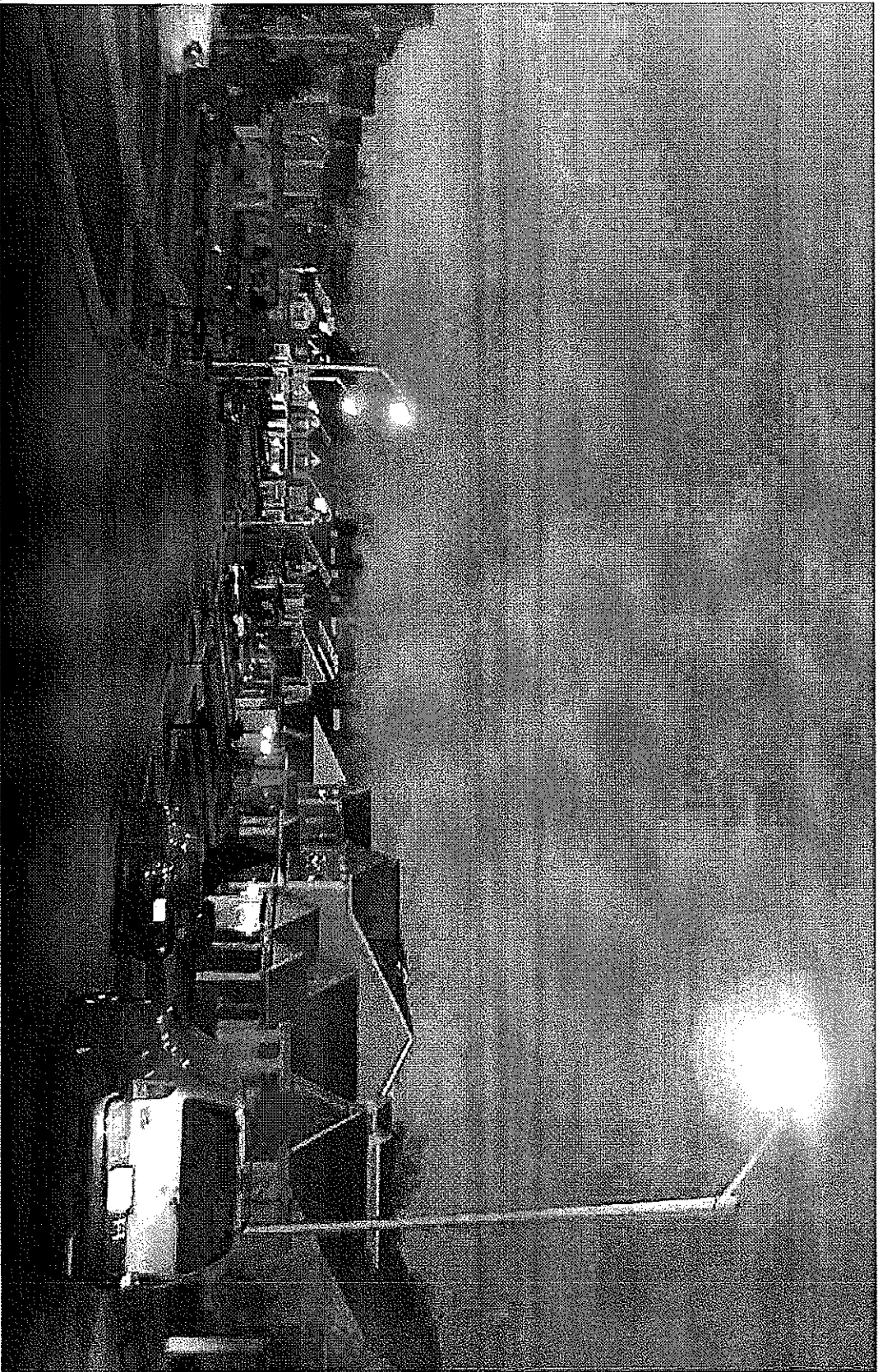


Typical Lexington Neighborhood

Blue Squares = Existing Streetlights while Red Dots = Streetlights to be removed. Lighting will remain at intersections, abrupt curves, and most cul-de-sacs. Midblock lights spaced at no greater than 600 feet or as to be determined.



1B. – Example Residential Lighting (Night)



1C. – Remove Selected Arterial Lighting

- ❖ Hypothetical
 - Remove Select Arterial Lighting
- ❖ Impact
 - 2% Reduction in streetlights on major corridors.
 - 3% Reduction in streetlight payments.
 - Capital Costs - Approx. \$130K over 3 years to implement. Additional charges may be necessary
- ❖ Additional Light Removal in the Future (Environmental Regulations will cause the Tariff to increase)
- ❖ Public Opinion: Perceived reduction in overall public safety and Kentucky Transportation Cabinet Approval Required.



1C. – Arterial Lighting Map



2. – Replace with a “Less Expensive Light”

❖ Hypothetical

- Convert all Shoebox to Cobra Head Fixtures

❖ Impact

- 0% Reduction in streetlights.
- 8% Reduction in streetlight payments.
- Capital Costs -Approx. \$100K over 8 years to implement. Additional charges may be necessary

❖ Public Opinion: Less Appealing Streetlight, only one type of streetlight will be installed in the future regardless of promises made.



2. – Example of a “Less Expensive Light”



Cost Savings Summary

	<i>1A</i>	<i>1B</i>	<i>1C</i>	<i>2</i>
	Remove Areas	Remove Res. Lights	Remove Arterial Lights	Less Expensive Lights
<u>Lights</u>				
Street Lights	Not	29,519	29,519	29,519
Street Light Reduction	Economical	37%	2%	0%
Street Lights Removed		10,922	590	-
<u>Savings (FY12)</u>				
Annual Cost		\$4,701,780	\$4,701,780	\$4,701,780
Tariff Reduction		33%	3%	8%
Street Lights Savings from Removed		1,551,587	141,053	376,142
<u>Estimated Capital Cost of Implementation *</u>		\$2,000,000	\$130,000	\$100,000
<u>Estimated Term of Implementation</u>		15-years	3-years	8-years

* KU does not charge for the removal of a street light that has been in service for longer than 5 years.





Funding Options

Funding Options

1. Increase the Urban Service Property Tax Rate
 - FY 2013 Change to the Cost of Service Model
 - Subject to Recall
2. Create a Street Light Fee
3. Use General Fund
 - A. Appropriation
 - B. Raise and Appropriate Incremental Franchise Fee Revenue



1. - Increase the Urban Services Tax Rates

❖ Adjust Urban Services Tax Rates to Cost of Service by Purpose for FY 2013 (i.e. 2012 plus inflationary pressure in Street Light Tariff)

	Existing Rates	Cost of Service Rates	Percentage Increase
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2. Create a Street Light Fee

- ❖ Replace the Street Light Tax with a Fee (\$6MM)
 - Collection Rates Substantially Less
 - Additional Cost of Implementation
 - Projected: Immediate Cost shift to Residential from Commercial and Industrial
- ❖ Supplement the Street Light Tax with a Fee (\$2MM)
 - Collection Rates Substantially Less
 - Additional Cost of Implementation
 - Projected: Gradual Cost shift to Residential from Commercial and Industrial



3. Use General Fund

A. Appropriation

- General Fund is Structurally Imbalanced due to (Pension and Capital Backlog)
- Will reduce other government functions and require cuts to one or all of the following:
 - Public Safety
 - Social Services
 - Parks
 - General Government

B. Raise and Appropriate Incremental Franchise Revenue

- 1/2 % increase in Electric & Gas = \$2MM





Administrative Policy Changes

Administrative Policy Changes

❖ Short Term:

- Future street light installations limited to most economical rate (i.e. cobra head on a wooden pole);
- Cost of streetlight installation in new development responsibility of developer. (Requires ordinance change); or
- Continue moratorium on street light installation.

❖ Longer Term:

- Evaluate purchase of street lights.
- Evaluate purchase of street lights with utility providing maintenance. (New tariff required)

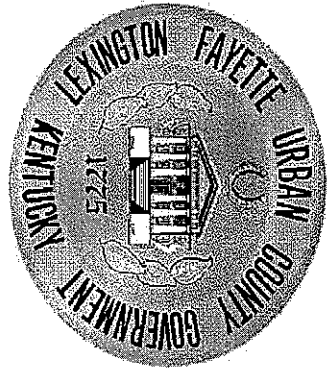




Next Steps?

Lower Cost (Remove Light, Less Expensive Lights)
and/or

Increase Revenue (Fees or Other Sources)



Questions



Appendix A

What have other municipalities done to address this problem?

Other Municipalities

- ❖ **Ann Arbor, MI:** Instituted a pilot project to turn off 17% of their streetlights to save \$120,000. Four months later, the city council reversed course and scrapped the program, citing public safety concerns. <http://www.michigandaily.com/content/ann-arbor-city-council-passes-repeal-streetlight-reduction-initiative>

- ❖ **Salt Lake City, UT:** City owns their streetlights. FY12 budget is based on a new streetlights fee of \$3-\$5 per property owner per month. Consultant's report completed; council briefing pending. New fee may take effect in Jan. 2012. <http://www.sltrib.com/sltrib/politics/51840663-90/streetlights-bill-becker-budget.html.csp>



Other Municipalities (con't)

❖ **Lincoln, NE:** Proposing to shift street light responsibility to the Lincoln Electric System to free up about \$5.9 million. Utility responded by claiming ratepayers could expect an increase of 2.5%.
http://journalstar.com/news/local/govt-and-politics/article_d9a565dc-e8e7-548c-ae56-e2359b71b440.html

❖ **Rockford, IL:** In December, approved eliminating 2,300 street lights to save the city half-a-million dollars annually.
<http://www.wrex.com/Global/story.asp?S=14745968>



Other Municipalities (con't)

- ❖ **Fayetteville, NC:** City refused to pay the utility (Progress Energy) for streetlights, assuming the utility would pass the cost on to ratepayers. The state's public utility commission voted against the rate change, though, leaving the city to pay for \$100,000 in unpaid costs.
http://www.wral.com/news/news_briefs/story/8943650/

- ❖ **Houston, TX:** The city of Houston filed a lawsuit accusing CenterPoint Energy of overbilling for street lighting for 20 years. David Feldman, Houston's city attorney, said the claim could be for "tens of millions of dollars," based on outcomes of similar cases cities have brought against other utility companies.
<http://blog.chron.com/lorensteffy/2011/05/centerpoint-accused-of-overcharging-city-for-street-lights/>



Other Municipalities (con't)

- ❖ **Beaumont, TX:** In 2009, the city of Beaumont filed a lawsuit against Entergy Texas claiming the company had for several years “fraudulently” billed for street light costs. Entergy denied the claim and said it wanted Beaumont to prove its allegations before a jury, according to reports.
<http://galvestondailynews.com/story/236322>

- ❖ **Lawrence, KS:** A May 2009 performance audit of this city’s system recommended a review of “the feasibility of acquiring the street lights from the utility company.” The audit cited positive experiences in some cities who took ownership of street lights: Kansas City, MO, Binghamton, NY, Manchester, CT, Lenexa, KS. These cities claim to have experienced savings in the range of 30-50%.
http://lawrenceks.org/auditor/2009/street_lights
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Other Municipalities (con't)

❖ **Preston, MN:** The city adopted a street light fee to augment their existing property tax revenues.
<http://www.prestonmn.org/lightfaq.pdf>.

❖ **Vista, CA:** The city council proposed, in Nov. 2010, turning off two-thirds of their streetlights; asked for public opinion: learned that the 53% of the respondents oppose added fees for streetlights; rate not changed since 1996. Eventually opted to keep the lights on, and continue dialogue with San Diego Gas & Electric, the local utility.
http://www.nctimes.com/news/local/vista/article_3bec25f-5d20-597f-b071-396966cae6c2.html

