

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Street Light Program Funding Options
DEPARTMENT: City Manager's Office/Public Works
PRESENTED BY: Bernard Seeger, Management Analyst, City Manager's Office, Jesús Sanchez, Operations Manager, Public Works

PROBLEM/ISSUE STATEMENT:

In pursuit of Work Plan Goal #2 "Enhance our program for safe and friendly streets," Staff has initiated an effort to improve the City's street light infrastructure. The question being addressed in this staff report is "What funding mechanism the should the City use to administer/improve the City's street light system?"

Upon incorporation, the City assumed responsibility for a street lighting system that had and continues to have several deficiencies. These deficiencies include inconsistent standards for the various street classes i.e. residential, collector, arterial and an inequitable system of funding operations and maintenance costs. In order to improve street lighting standards, the City must first address the currently marginal financial infrastructure for street lighting. Four alternatives are reviewed to address this challenge. Option 1 would pursue the status quo with an annual General Fund impact of \$91,050 to \$157,818, guaranteeing the continued service of 1,768 street lights. In option 2, the City would devolve responsibility of all residential lighting, placing this responsibility on individual property owners; reducing the General Fund impact to \$75,122 - \$141,890 but only ensuring the service of 1542 lights. Option 3 pursues a complete takeover by the City but increases the General Fund impact to \$156,395 - \$230,343 and ensures the service of 2168 street lights. Finally in option 4, staff would pursue a fee-based funding system where every utility district customer would pay a recurring fee for street lighting, using one of the City's utility districts to collect these monies. The annual General Fund impact would be \$0 bringing this fund savings ranging from \$75,122 to \$397,303 depending on the level service adopted.

RECOMMENDATION

Authorize the City Manager to explore, develop, and propose a rate-based program (Option 4) with one of the utility districts. This option will ensure a high standard of street lighting through a robust and reliable source of funding and consequently provide for an equitable burden of street light expenses to all utility customers in the City and annually save the General Fund between \$75,122 and \$377,303, based on level of service.

Approved By: City Manager  City Attorney _____

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INTRODUCTION/BACKGROUND

Since incorporation, the City of Shoreline has relied on Seattle City Light (SCL) to install, maintain, and manage street lighting on all City streets. With the exception of some of the City's arterial/collector streets, streetlights were not installed to any uniform standard. In most residential areas, residents made direct requests to SCL for streetlight installation and the requesting resident assumed the cost of powering and maintaining the light. In some cases residents have coordinated with surrounding neighbors to share these expenses. Two notable exceptions to residential funding of street lighting are the Innis Arden and Briarcrest neighborhoods, where the City of Shoreline pays for all costs. This unique situation resulted in 1994 from King County's pre-incorporation arrangement to pay for the costs for these two neighborhoods. Upon incorporation, the City assumed responsibility for this payment and some city residents not in these neighborhoods had the expectation that the City would "take-over" their street light costs as well. The City has not taken this step and the current arrangement has continued the inequitable allocation of street light costs. In November 2003 staff was preparing a proposed uniform program to pay for all street lights through an incremental increase in electric rates, however the State Supreme Court ruled this type of arrangement illegal. This ruling required the City to reassess its approach to funding street lights.

Citizens continue to view improved street lighting as a priority for City government. According to the most recent latest survey, 28% of those polled were "dissatisfied" with the adequacy of street lighting in their neighborhood and 29% listed street lighting as their 1st or 2nd priority where the City should focus its maintenance priorities.

DISCUSSION

Current Conditions:

In 2002, the City of Shoreline signed a Memorandum of Understanding (MOU) with SCL to continue responsibility for streetlights. Separately, through an extensive Geographic Information Systems (GIS) street light identification project, the Public Works Department identified every light and its corresponding ownership in the City. The results of this work are shown in the table below:

Table A. Existing Lights – (Includes Active and Inactive Lights)

Neighborhood	Responsible Party	Arterial/Collector	Residential	Total
Briarcrest	City of Shoreline	23	80	103
Innis Arden	" "	52	164	216
Miscellaneous 1	" "	1467	0	1467
Miscellaneous 2	Residential/Commercial Property Owners	0	1111	1111
		1542	1355	2897

Though 2897 lights exist in the City's public rights-of-way (ROW), residential/commercial property owners and the City are currently only paying for 2168 lights. The high range cost figures shown in the following options assumes that SCL will at some time in the future bill for all unbilled lights. The City's total bill for street light services in 2003 was \$91,050. Select individual property owners collectively paid approximately \$65,345 for the operation and maintenance of their lights. Most of the residential

street lights are on the ROW and serve as public street lights with a few being used as yard or private lights.

Individual residents and commercial businesses requesting new street lights pay the full cost of the street light whether it is on their property or public rights-of-way. The current SCL process for serving residential and commercial customer requests does not require notification to the City of Shoreline.

Given the situation described above, many citizens pay the entire cost of street light while the properties in their vicinity pay nothing at all, unless a sharing arrangement has been established. Meanwhile, for the 1786 lights which are the responsibility of the City of Shoreline, both residential and commercial beneficiaries of these light systems pay no direct funds toward their provision, as these costs are paid for with General Fund dollars.

A review of how other cities are funding their street lights shows the majority of them using either General or Street fund dollars. Staff found only two municipalities (Burien and unincorporated Kitsap County) that were collecting fees separately for the funding of public street lighting, however in both cases the coverage was not comprehensive. It seems many cities have shied away from the idea since the *Okeson v. Seattle* ruling. However, a number of options are still available, including a fee based system utilizing local water or sewer districts. Regardless of which source of funding the City uses, staff hopes to, at a minimum, address the existing inequities and establish a consistent street light standard. Lastly, it should be noted that residents appear ready to share in this burden as indicated in the January 2002 opinion survey conducted by the City, whereby they were asked if they would be willing to pay \$10 to \$15 per year as an assessment to improve the level of street lighting. Sixty-four percent (64%) responded that they would be either "very willing" (32%) or "somewhat willing" (32%) to do so.

Funding Source Discussion.

Option 1: General Fund and Residential/Commercial Property Owners (Status Quo)

Annual General Fund impact: \$91,050 - \$157,818 funding up to 1786 lights

This option would continue with the current funding system whereby the city pays for its existing street light inventory and certain individual residents and commercial business owners pay their own costs directly to SCL for the existing street light infrastructure. This option would maintain the current impact on the General Fund, and limit the City's ability to increase or improve street lighting due to limited funding. With respect to equity, this option is deficient in two areas: First the Briarcrest and Innis Arden neighborhoods would continue to receive street light services without directly paying for them and secondly, for those residents who currently pay for a street light many of their immediate neighbors will continue to "free ride" on this service without assisting in their payment. Although some neighbors have come together to split the costs of the street light services on their blocks, staff is aware that this is not the case with every property owner who has a street light in their ROW. Finally this option limits the City's ability to establish enforceable standards and policies for street lighting.

Option 2: General Fund and Residential/Commercial Property Owners (City devolves responsibility of all Residential lights)

Annual General Fund impact: \$75,122 - \$141,890 funding 1542 lights.

In this option the City would return "responsibility" of all residential lighting systems to Seattle City Light and assume payment for only those streetlights on collector and arterial roads. From Table A we see

that this will reduce the City's responsibility by 244 lights. SCL would in turn add these residents to their individual billing program for these services. This would improve equity among residential property owners since Innis Arden and Briarcrest would then receive street lighting under the same conditions as the other residential property owners in the City. However, a key limitation to this option is that many property owners will choose to not disburse the expenses among their neighbors via informal agreements, inevitably creating some additional "free-riders" in the street light funding arrangement as discussed in Option 1. Another expected outcome to this new arrangement would be that some property owners would choose to not pay for these services and effectively "turn them off." This would further hamper the City's efforts towards creating a consistent set of standards in street lighting as discussed above.

Option 3: General Fund for all street lights in the public right-of-way.

Annual General Fund impact: \$156,395 - \$230,343 funding 2,987 lights.

In this option the General Fund would assume the entire costs of street lighting program equating to an additional \$65,345 in costs thereby bringing the total to \$156,395. Pursuing this option would require the Council to "find" these additional funds as no extra dollars currently exist in the General Fund budget. As in Option 1 and 2, competition for General Fund money would limit the City's ability to improve standards of street lighting. This option would however completely correct the inequitable system of payment for street lights. In addition, with full ownership of all street lights this option would provide the administrative authority to establish consistent standards throughout the City.

Option 4: Partner with a Utility District to Adopt a Street Light Utility Fee

Annual General Fund impact: \$0. (Annual savings to GF \$397,303 at service level-3195 lights + fees for full time Utility Manager and administrative billing costs)

Under state law, utility districts have the authority to provide street lights and to charge a monthly fee for that service. As stated in RCW 57.08.060 "...a district shall also have power to acquire, construct, maintain, operate, and develop street lighting systems." The City Attorney has reviewed the Okeson v. Seattle ruling and concluded that the decision does not affect utility district authority to provide street lights. Under this option the City would enter into an agreement with a local utility district where the district would bill all residential and commercial customers a recurring street light fee. Under such a partnership arrangement the utility could conceivably "hire" the City as a contractor to manage and administer the lighting program. As in option 3 this would correct the inequity in the current system of funding. This option has the additional advantage that it would provide a reliable and robust source of revenue for the City's street light system without competing for General Fund dollars. Finally, as in option 3, this would create full ownership of all lights in the ROW and provide the City the authority to establish consistent standards. Selection of this option would not guarantee implementation due to the "buy in" requirements with the utility districts.

Table B. Street Lighting Funding Options Overview.

The table below provides a quick summary of the different funding options under consideration.

Option	Funding Method	Impact to General Fund	Level of Service/ # of Lights Funded	Implementation Simplicity (1-5)*	Equity **	Annual Direct Cost/ Residential Property Owner	Annual Direct Cost/ Commercial Property Owner
1	General Fund/Private Property Owner (Status Quo)	\$91,050 - \$157,818	1786-C 1111-R	5	1	\$0 to \$65.28	\$0 to \$107.88
2	General Fund/Private Property Owner (City devolves responsibility for all residential lights)	\$75,122 - \$141,890	1542-C 1355-R	3	2	\$0 to \$65.28	\$0 to \$107.88
3	General Fund (City assumes resp. of all lights in ROW)	\$156,395 - \$230,343	2897	4	3	\$0	\$0
4	Utility Fee Collection Model with Waste Water/Water Utility	(\$397,303)	3195*** See Note4	2	3	\$9-\$12	\$65-\$93

* 1 is least simple and 5 is most simple.

** 1 = the least equity, 3 is the most.

*** At 3195, the City would achieve the standards below:

- Principle Arterials 400W@100' intervals
- Minor Arterials 200W@ 300' intervals
- Collectors 200W@ intersections only
- Residential Streets 200W@ intersections only

Engineering design would establish standards for specific arterial collectors

In the level of service column, C = city funded and R = resident funded. The City has no control over the level service for Resident funded street lights.

Miscellaneous Notes.

1. If the City pursued a fee based funding mechanism for its street light program, staff would explore these other policy issues shown below:

- Establishing rates based on Kilowatts versus a flat-rate program.
- Creation of a full time administrative Utility Management oversight position for contract monitoring and management of the City's street light assets. Job requirements for this position would include but not be limited to:
 1. Establishing a higher standard of service levels
 2. Permitting and review of commercial and residential requests
 3. Contract monitoring
 4. Reviewing and implementing adopted design guidelines
 5. Providing annual evaluative progress reports to council and leadership management.
 6. Establishing a high customer response standard level of service.
 7. Researching innovative technology that lead to cost savings for Shoreline residents

2. All of the 1,111 private street lights in the ROW that are currently paid for individually by businesses and residents would be converted to a general city responsibility which would then be passed through to the utility to be rate-based throughout Shoreline

3. The rate-based formula is based upon Shoreline's current demographic data derived from SCL. Current SCL demographic data for Shoreline indicates 20,251 residential accounts and 1,556 commercial and governmental accounts. The rate-based system would only apply to street lights located within the public rights-of-way and on publicly owned properties.

4. Staff has identified 298 intersections without street lights where light installation would be recommended. This brings the total to 3195.

RECOMMENDATION

Authorize the City manager to propose, develop, and explore a rate-based program (Option 4) with one of the district utilities. This option will ensure high standard of street lighting through a robust and reliable source of funding and consequently provide for an equitable burden of street light expenses to all property owners in the City and annually save the General Fund between \$75,122 and \$397,303, based on level of service.