COUNCIL STAFF REPORT

CITY COUNCIL *of* SALT LAKE CITY

PROJECT TIMELINE:
Briefing: 11/17/2015
SetDate: MM/DD/YYYY

TO: City Council

FROM: Lehua Weaver, Senior Public Policy Analyst, Jan Aramaki, Senior Public Policy Analyst

DATE: November 13, 2015 1:41 PM

RE: **Special Lighting Districts L01, L02 and L03 Options**

Legislative Sponsor: **Council Member, District 3 - Stan Penfold/Not Required - Informational Only**

ISSUE AT-A-GLANCE

Currently, the City's system of charging neighborhoods for enhanced levels of lighting is not serving the residents or the City well. When consultant Linda Hamilton briefed the Council at its August 2015 work session, the Council requested information about converting the current Lighting Special Assessment Areas (SAAs - L01, L02 and L03) to a utility fee or surcharge account in the City's Street Lighting Enterprise Fund. In response, the Administration has provided a thorough transmittal that identifies the steps necessary to close out the SAAs and begin billing for operations and maintenance through the utility bills.

The Council's consultant has provided a recommended approach to dissolving the SAAs and converting them to a utility surcharge. The recommendation is to allocate additional General Fund money to resolve the issue of extensions with negative balances in order to convert the accounts by July 1, 2016. The recommendation is outlined in the consultant's memo on pages 3 and 4 (attached). Ms. Hamilton's recommendation is in keeping with the Council's stated values of equity and financial oversight.

If the Council would prefer to consider the issue in its component parts, Council direction is needed on several points:

- The process to dissolve existing SAAs - whether to reconcile positive and negative account balances at the overall SAA level or at the smaller extension (neighborhood) level.

- Timeline for converting - whether to allow time for a rate study by an outside consultant to establish appropriate rates for the utility surcharge, addressing the extension balances (both positive and negative balances), allowing time to get the SAA properties on the City's billing cycle, etc.
- Interim expenses and revenues - whether additional SAA assessment bills should be sent out to property owners for L01, L02, and L03 SAAs for fiscal year 2016, which triggers a Board of Equalization (BOE) hearing. The alternative is for the Council to weigh a potentially higher General Fund contribution against:
    - The costs - both direct and staffing related - to conduct the BOE process
    - The time it would extend the process to get all three SAAs through the BOE process and the operating costs for each month associated with the delay, confusion of timing of assessments.
    - The confusion that could be created for the SAA property owners with an assessment and a billing change - SAA and Lighting Fund surcharge - in the same year.
    - The risk that this process could delay the conversation from the complicated SAA process to the more transparent utility surcharge approach

More information on options can be found below in the Policy Questions Section.

In addition to the detailed information in the transmittal, the Administration will be prepared during the briefing to present the step-by-step process of closing the SAAs, converting those neighborhoods to a utility surcharge, and recommending options for the Council's discussion.

It should be noted that regardless of the Council's direction, the process of converting the SAAs to a utility surcharge will take several months.

Goal of the briefing: *Review the process for converting lighting SAAs to a utility surcharge, and provide direction where options exist, identify the schedule moving forward, and whether to schedule a public hearing.*

POLICY QUESTIONS

There are several steps involved to discontinue the Special Assessment Areas (SAAs) and begin using a surcharge on utility bills. The specific steps are: 1) bringing the SAA accounts to zero (item 1 below), 2) setting up the new utility surcharge rate structure and budget (item 2 below), and 3) addressing ongoing expenses until those two items are complete (item 3).

1) **<u>Step 1: Reconcile SAA accounts (L01, L02 and L03)</u>**
    A. General information about SAA accounts:
        i. There are three SAAs in the City and within those SAAs are 42 separate extensions (neighborhoods). By State Statute, each of the SAAs balance must be zero in order to dissolve or close them.
        ii. As of September 2015, the net balance for each of the three SAAs (L01, L02 and L03) is positive.
        iii. 13 extensions have negative balances totaling -$854,231 (Refer to Chart 1 for information about each Extension.)

B. Broad question: Should the balances be reconciled at the extension level or SAA level? Info:

i. Option A: Reconciling at the extension level would treat neighborhoods with positive balances separate from those with negative balances, would likely take more time, and reconciling the negative balances would require some combination of either an assessment billed to property owners or additional General Fund contributions. If the Council would like to explore this option, please see question #1c.

ii. Option B: Reconciling at the SAA level would allow for extensions that have built up positive balances to offset the extensions with negative balances and the SAA bottom line would be reconciled. If the Council would like to explore this option, please see question #1f.

C. If the Council wishes to reconcile at the extension level (Option A), the extensions would be split based on those with positive balances and those with negative balances, so that each extension grouping would be handled differently.

i. Positive Balances - For extensions with positive balances, the Council could use their fund balances to pay for this year's expenses (without an SAA assessment bill), and also have energy efficiency upgrades or other maintenance and repair work scheduled and paid for out of their available funds. Would the Council support using the funds in this way? (This would assume that positive balances would not be used to reconcile the bottom line of each SAA. Rather, the Council will need to choose either property owner assessments in neighborhoods with deficits, a General Fund subsidy in order to bring extensions with negative balances to zero, or a combination of both.)

ii. Negative Balances - Reconciling the SAAs on an extension-by-extension basis will most likely require additional General Fund contributions toward the negative balances. Options 1 through 4 listed below are each stand-alone options to address the extensions with negative balances. These options would be necessary if item C-i (above) is selected and the positive balances are used for other expenses rather than for balancing the SAAs bottom line. The Council may consider each one individually or some combination of each.

1. Option 1: The City has continuously contributed 25% to each of the SAAs.

   a) **Would the Council support recapturing 25% of the positive extensions' funds and applying it to the negative balances**?

      i. Positive extensions total $1,406,020

      ii. 25% of that total is $351,504 that could be "returned to the General Fund" and applied to the extensions with negative account balances

   b) **Under the same methodology, would the Council support allocating additional funding to apply to 25% of the negative balances?**

      i. Negative balances total -$854,231

      ii. 25% of that total is $213,558 that would be a new general fund contribution to apply toward 25% of the negative balances

2. Option 2: Use the City's current budgeted 25% subsidy, currently $205,000 approved in the 2015-16 annual budget. **Would the Council support applying the full amount to the extensions with negative balances, rather than applying it across the board and further adding to the positive balances in some extensions?**

3. Option 3: If Options 1 and 2 above are supported by the Council, an additional

$85,000 would be needed to eliminate the negative extension balances and bring them to zero. **Would the Council support appropriating that additional $85,000 toward the negative account balances?**

4. Option 4: If the Council does not support options 1,2, and 3 above, **does the Council support billing property owners through the annual assessment process?**
   a) Staff could return with those scenarios to see the percentage increase that some property owners would experience.
   b) Billing the property owners will likely result in increases greater than 33%, which was the Council's previous limit.
   c) Billing the property owners triggers the Board of Equalization process, which includes mailings and a public hearing.
   d) The total time for a Board of Equalization process is approximately 160 days. Each of the SAAs would have its own BOE process.
   e) The billing cycle varies for each of the SAAs L01, L02, and L03
5. Notes about these options with reconciling the negative balances:
   a) In addition to reconciling the negative balances, the ongoing monthly expenses within those extensions with negative balances is $39,000 per month until the SAAs are closed out and converted to a utility surcharge. (Addressed in Item #3 below.)
   b) If the Council is supportive of bringing the negative balances to zero through the options in items e-i, e-ii, and e-iii, it would result in a cost of $300,000 to the general fund above the $205,000 already included in the 2015-16 annual budget.
   c) Addressing each extension provides equity within the SAAs, however the Council may wish to weigh the value of that equity with whether it is most equitable to all General Fund tax and rate payers to have such a large General Fund subsidy to resolve this.

D. If the Council wishes to reconcile at the SAA level (Option B), the SAAs, L01 / L02 / L03, would be reconciled overall, using extensions with positive balances to offset the extensions with negative balances.
   i. L01 balance: $158,941
   L02 balance: $391,211
   L03 balance: $ 1,637
   ii. This would be the most expedient option to reconcile the SAA accounts and dissolve them.
   iii. The Council may wish to weigh the value of expediency with a possible equity issue of whether it is appropriate to handle the positive accounts in that manner.
   iv. The Council would still need to review budget estimates for ongoing monthly expenses. More information in Item 3 below.

2) Step 2: Setting surcharge rates - The utility bill provides the necessary system to begin billing enhanced lighting residents through a monthly surcharge. The surcharge would appear as a line item with water, sewer, garbage, and basic lighting. It would only be added to the bills of property owners within enhanced lighting areas.

a) **Does the Council support hiring an outside consultant to perform a rate study to establish surcharge amounts**? This would cost the General Fund approximately $40,000.
   i) When the City established the current street lighting fund, a surcharge for SAAs was contemplated, but not adopted.
   ii) A multiple tiered system (likely no more than 3 or 4 tiers) could be established based on lighting density, intricacy of pole design, or other criteria.
   iii) The Council could confirm other budgetary goals for the surcharge, for example that the revenue collected is adequate to pay for ongoing operations, maintenance, energy efficiency upgrades, build up a fund balance, or other items.

b) Time would be needed for an outside consultant to perform a rate study, but the Council could set a reasonable timeline for the study to be submitted and other preparation so that, if all goes as planned, the new surcharge could be functioning by July 1, 2016.

c) If the Council does not support the expense or time necessary for a rate study, a new fee structure could be developed by Administrative staff.

d) Consultant Linda Hamilton notes that the City Administrative staff is fully capable of conducting the rate study, and having it conducted in-house could save time. The outside consultant approach does add credibility. One approach is for the Administrative staff to do the initial study, get the fee implemented, and have a consultant do an outside review. Any issues / changes identified by the consultant could be implemented after the appropriate public process and Council approval.

3) **Step 3: Handling interim expenses** - depending on the direction on items 1 and 2 above, several months or more may pass. During that time, expenses continue for the existing SAAs.

a) The minimum amount needed for monthly expenses for all SAAs is $60,000. It is $39,000 for extensions with negative balances.

b) For expenses within extensions with positive balances, does the Council support using their available funds rather than billing those property owners? (Property owners would still receive notice of the BOE hearings and a bill, but the amount due would be zero.)

c) For expenses within extensions with negative balances, does the Council support billing the property owners or using General Fund money?
   i) Billing the property owners may result in increases greater than 33%, which was the Council's previous limit.
   ii) Billing the property owners triggers the Board of Equalization process, which includes mailings and a public hearing.
   iii) The total time for a Board of Equalization process is approximately 160 days.

4) **Public Process** - Currently, in order to enact the changes to a surcharge billing, there is no required public hearing. If the Council supports continuing to move in this direction, some engagement options may include:

a) Send out a mailing to property owners within enhanced lighting areas to notify them of the City's direction, and solicit their feedback.

b) Hold a public hearing and/or open house, send a notice property owners who will be affected, plus additional advertisement so that others can participate. On the November 17 consent agenda, is a tentative item to set the date for a hearing on December 1 to preserve options for the Council.

   Staff Note: A public hearing on December 1 may be premature - all property owners have been notified that this process is taking place and have been invited to sign up for updates. If the Council settles on direction for staff at the November 17 briefing, that direction could be formalized in a resolution on December 1 or 8 to maximize clarity in the public record. Information could then be sent to those property owners who have signed up for updates, or an additional mailing could be sent to all SAA property owners to request feedback. Usual channels can be used to notify the general public.

c) If the Council adopts an interim billing (item #3 above), the Board of Equalization process includes a mailing, two hearings, etc. Investment of General Funds in the SAA would be the subject of a budget opening public hearing.

ADDITIONAL & BACKGROUND INFORMATION

General Fund contributions: Depending on the Council's approval of different General Fund contributions, below is a tally of the total amount of possible General Fund support toward resolving the negative account balances. While General Fund contributions may not be the most desirable option for several reasons, it does buy expediency - it would assist in bringing the negative account balances to zero more quickly than other options.

Reconciling the negative balances:

- 2015-16 Contribution: $205,000 **Included in 2015-16 adopted budget*
- 25% of negative balances: $213,558 **New; not yet budgeted*
- 2016-17 Contribution: $ 85,000 **New; not yet budgeted*

Other Items:

- Monthly Expenses $39,000 for extensions with negative balances
- Rate Study: $40,000

Sampling of Extension Outliers: During the August briefing, the Council requested a sampling of extensions with positive balances and negative balances to understand contributing factors. The last several pages of the Administrative transmittal provide that sampling as a budget history for those high/low extensions.

It is difficult to recreate the reasons for all of the balances, but in general, expenses would have been related to:

- scheduled replacements or upgrades.
- unplanned damage replacement(s) or thefts of wire or other components.
- the style or expense of the types of lights in any given extension.

Income excess or shortfalls would have been related in part to:

- annual assessments not being adequately adjusted.
- agreements - either explicit or in effect - between the City and residents based on needed work and expense adjustments for the extension.
- the small size of the extensions also contributes to the issue, because there are fewer property owners to share periodic large expenses.

The following background information was previously provided in the August 25, 2015 staff report:

Earlier this year, the City processed the annual assessments for Lighting District L03, which is one of the three Lighting Special Assessment Areas (SAAs) in the City. During the processing, the Council and City staff recognized that several neighborhoods ("extensions" in an SAA) had growing negative fund balances, because the amount property owners paid to the City over the years had not covered the expenses for the Street Light maintenance and operations, including some unforeseen costs. As a result, the annual assessments were increasing significantly, and for some neighborhoods, significant increases were projected to continue for several years before the negative balances would be recovered.

In order to assess the ongoing management of the SAAs, the Council requested broader attention and the City retained consultant Linda Hamilton to conduct a review of Citywide Lighting SAAs and provide recommendations.

1. Regardless of the options to move forward with the SAAs, the negative balances in some of the extensions need to be addressed. There are (at least) three levels at which to evaluate the negative balances: a) between extensions, b) the City's role, and c) priority of time vs. equity.

    a) Between extensions - when the extensions within each L01 and L02 are totaled, they have a positive balance overall, even though some extensions within that SAA have negative balances. L03 has both extensions with negative balances and overall also has a negative balance. Totaling up at the L01, L02, and L03 level is legally allowed, because each major Lighting District L01, L02, and L03 respectively are the SAAs.

        - Should the extensions and their balances be addressed separately, or should each L01, L02 and L03 be summed together?
        - Would it help the Council to see a sample of the extensions with negative balances and some explanation of the contributory factors? The consultant could select a few extensions with high positive balances and with high negative balances and provide reasons that contributed to the balance status - which may include the quality of poles that were selected to begin with, damages or theft that has occurred, or decisions made about expenses and annual assessments.
        - Within neighborhoods and different extensions, what is the Council's initial direction for addressing the negative balances in an equitable way?

    b) The City's role - Some of the negative balances are related to decisions made by the City for timing of repairs and billing assessments that did not adequately recoup the costs. In other situations, there may have been damages or theft that occurred that would be covered by the City, because the City is self-insured. It is also possible that property owner decisions have played a role.

        - Does the Council support some financial responsibility by the City for some of the factors that contributed to the negative balances? If so, to what extent?
        - Alternatively, does the Council consider that the property owners within the SAA extensions bear the full financial burden of the costs for their enhanced lighting, because it is a higher level of service than what other areas of the City receive, there is no "general public benefit" to their neighborhood's lighting?
        - What is the Council's direction for how to "fairly" address any potential City financial responsibility?

    c) Another decision point on how to address the negative balances may be an evaluation of priority:

        - Time: is it more important to resolve the financial issues quickly so that the slate can be cleared and improvements can be implemented
        - Equity:

- is it more important to equitably address the causes for financial issues and resolve them
- use of positive balances be used to offset negative balances
- use of General Fund money to resolve issues within enhanced service areas

2. Future of enhanced lighting areas
    - Does the Council hope to see options for the future creation of enhanced lighting areas in the City?
        - For Capital expenses, the SAA model would likely work well to assist neighborhoods with upfront costs.
        - For operating expenses, the Administration and the consultant suggest that for an SAA is the wrong tool for enhanced lighting area operating expenses. There are some circumstances or criteria under which an SAA for operations (non-lighting) work well, but for future enhanced lighting area operating costs, the utility surcharge would be the appropriate method for billing residents and establishing budgets.
            - It should be noted that the street lighting O&M SAA concept is unique in that it is the only SAA approach the City is using that does not identify solid costs up front. The Downtown SAA for economic promotion sets a specific cost, and past sidewalk SAAs have also set specific costs. The nature of this lighting SAA approach, where costs are charged based on internal City decisions amongst various divisions and departments, and not communicated clearly with property owners has placed the City in an unfortunate situation that may justify an unusual solution.
3. Public Process - immediate and ongoing communication with SAA / enhanced lighting property owners should be improved regardless of what changes are made to the program
    - Most immediately, what is the timing for processing changes, and how much time and opportunity should be given to SAA property owners to provide input?
    - In the future, even if the SAAs are dissolved and shifted to the Enterprise Fund as a surcharge, ongoing communication should be improved for ongoing maintenance issues, capital improvements and other projects related to the lighting. Would the Council like to consider a legislative intent statement or other motion related to this?

ATTACHMENTS:

- Linda Hamilton's Memo - Lighting Nov 17, 2015 (PDF)
- Administrative Transmittal- Street Light SAA Options (PDF)
- Admin Attachment 1_Stree Light SAA Options (PDF)
- Chart 1: SAA Fund Balance Tables (PDF)

M E M O R A N D UM

To: Salt Lake City Council
Luke Garrott, Chair

From: Linda Hamilton Consulting

Re: Public Utilities Transmittal on Street Light SAA Options

Date: November 12, 2015

I have reviewed the subject transmittal document and have the following comments.

Overall Public Utilities' recommendations achieve what I understand to be the Council's objectives.

1. Eliminates the general fund subsidy
2. Brings negative account balances to zero over a one year time frame.
3. Brings positive account balances to zero over one year.
4. Ensures that those businesses and residents with enhanced lighting will pay for that benefit, if some form of surcharge is adopted.
5. Provides consistency with the Council's over riding policy of maintaining equity.

Broadly, I endorse Public Utilities recommendation to incorporate the SAAs into the Lighting Enterprise fund. This provides the best possible management structure and would eliminate the role of the Treasurer's Office of billing the annual assessments and Engineering's responsibility for setting the assessments and participation in preparation of the annual budget.

Their proposed absorption of the 25% of the deficit and 25% of the positive balances by the general fund and applying those numbers to the deficits owed by residents and businesses makes sense. Given the City's past policy, it is logical to assume the City "owns" 25% of both the positive and negative balances. When these two actions are combined together with two years' of the existing general fund subsidy, bringing negative balances to zero should be relatively painless. Moving the SAA properties into the enterprise fund has other benefits. Extraordinary maintenance costs would be born over a much larger number of properties. This has the advantage of eliminating large swings in payment amounts, which may create hardships for residents. It also would have the benefit of eliminating the **very** inefficient mechanism of using liens to collect delinquencies.

Public Utilities has provided two options for ensuring that positive balances are brought to near zero. One would be to not assess any extensions with a positive balance and use the balance to pay for operations and maintenance until the account is near zero. The second option would be to send out partial annual assessments and use the funds generated to upgrade the lighting systems for efficiency in those areas with positive balances. If approved, Public Utilities, believes the positive balances are high enough on some extension to employ several strategies. Where positive balances are sufficient Public Utilities would like to employ several strategies. They are: (a) not have any assessment for the current fiscal year; (b) use the balance; to pay for (1) operations and maintenance; (2) catch up on deferred maintenance; (c) and implement energy efficiency projects. The strategies would be used in combination until positive balances are brought to zero.

The question of whether the Council should authorize the convening of a BOE is a complex one that the Council should probably ask Public Utilities to explain if further detail is wanted. The complexity is largely a result of the current SAAs all being on three different billing cycles. In order to bring the SAAs into the Lighting Enterprise fund July 1, 2016, all SAAs would have be billed for a partial year so they would have an end date of June 30, 2016. The advantage to having a BOE session is that sending out assessments in November would begin to bring some revenue into the SAAs. Conversely this would result in SAA properties receiving a 33% assessment increase now and a different increase on July 1. This may lead to confusion among property owners. Also, there are administrative costs associated with the BOE and sending out assessments would limit the benefit of revenues that would be generated from them.

There are a few other issues of which the Council should be aware.

- I think the public outreach timeframe proposed in the transmittal is excessive. Public outreach is costly. Materials must be prepared and staff time spent. Often long public outreach processes are not very effective due to waning of public interest over time.
- During the public outreach period, Public Utilities employee(s) should be designated as the lead spokespersons. Close coordination with Council staff during this period is also essential.
- There are currently $147,000+ in delinquent past assessments. When those properties are moved into the enterprise fund, those delinquencies will be difficult to impossible to collect.
- Public Utilities proposes the hiring of a consultant to do a rate study for roughly $40,000. They likely have adequate in-house expertise to conduct the study but a consultant would bring third party validation.

However, I am aware that the direction the Council gave after the last briefing on this issue was that equity should be the guiding principle in coming up with a strategy. The proposal eliminates the perceived inequity that would result from extensions with positive balances paying off deficit balances of other extensions. The substitute in the proposed strategy is having the General Fund, which all property owners in the City pay into, fill in the void. On the one hand an inequity is avoided, but on the other it could be argued that the inequity is being placed on all the other property owners in the City. Having the General Fund pick up the slack is preferable because the pain is spread over a larger pool.

Conclusion

This has been a complex and sticky issue for over a decade that has cost the general fund a lot of money. I would address these problems head-on and get the issues resolved. I would also rely on the City's general fund to solve this problem. There are no other realistic alternatives and it is a practical use of general fund to solve a problem that, if not addressed, would continue to bleed the general fund of $800,000+ every four years. In my opinion, the steps outlined below are the best and most practical options to bring the problem to closure. This is a rational approach that is good public policy by ensuring that those with enhance service levels pay for it and the general fund, which constitutes the rest of the tax payers, would not continue to subsidize those receiving enhanced service.

It should be noted that multiple approaches must be used in order for the strategy recommended below to achieve the end goal of bringing all SAA extension fund balances to zero. It is much like a three legged stool. The Council would, at a minimum, would need to approve A, B, C, D, E, and F below in order to eliminate fund balances to bring all property into the Lighting Enterprise Fund.

A. The City general fund should take care of its ownership of 25% of the negative balances, thereby reducing the liability of property owners.

B. The City general fund should take ownership of 25% of the positive balances, thereby reducing the surplus on properties in those extensions and freeing up those funds for other uses.

C. Once the City has taken ownership of 25% of the positive balances, those funds should be applied to the negative extension balances.

D. Use the current year $205,000 general fund appropriation to address the negative balances.

E.. Use what would have been the 2016-17 general fund appropriation to address the negative balances.

F. Be prepared for an additional small general fund appropriation to eliminate all negative balances.

G. Eliminate the SAAs on July 1, 2016 and move the properties into the Lighting Enterprise Fund

H. Adopt a surcharge system within the enterprise fund to ensure that properties receiving enhanced service pay for it.

I. Write off the $147,000+ existing delinquencies as uncollectable.

J. Do not convene a BOE because of the confusion of many extensions experiencing two different rate hikes in a seven month period. The revenue collected would not be worth alarm and potential distrust the confusion would generate.

K. Ensure that a surcharge is implemented for Washington Square, Library Square, and many downtown areas that currently are not assessed but do receive the benefit of enhanced lighting.

L. Conduct a thorough and focused public outreach to ensure transparency prior to implementation. The timeframe proposed by Public Utilities seems excessive to me. I would consider condensing it. Public Utilities employees should be designated as the lead spokesperson(s) during the public outreach, while maintaining close coordination with Council staff.

RALPH BECKER
Mayor

JEFF NIERMEYER
Public Utilities

SALT LAKE CITY CORPORATION
Public Utilities

CITY COUNCIL TRANSMITTAL

David Everitt, Chief of Staff 10/1/2015

Date Received: 10/01/2015
Date Sent to Council:10/01/2015

TO: City Council
Luke Garrott - Chair

FROM: Jeff Niermeyer

SUBJECT: Street Light SAA Options

STAFF CONTACT:

COUNCIL SPONSOR: Council District 3 - Stan Penfold/Not Required - Informational Only

DOCUMENT TYPE: Information Item

RECOMMENDATION: It is requested that the City Council provide direction to implement a sustainable program to fund enhanced street lighting, and to provide direction on interim assessments of existing Street Lighting Special Assessment Area (SAA) operating costs until a long term enhanced service fee or other sustainable funding program is established.

BUDGET IMPACT: Potential savings to General Fund is about $200,000 per year. This is based on moving the current General Fund SAA administration to a cost of service fee for enhanced lighting and phasing out 25 percent General Fund contributions to the SAAs.

BACKGROUND: This report provides:

1) A step-by-step process on how the City could establish and move the existing

street light SAAs to an enhanced street light utility fee system along with options for Council consideration at appropriate steps in the process,
2) Options for interim funding to allow the City to collect revenue for the SAAs until they can be moved to the utility fee enterprise as noted above, and
3) An evaluation of the SAA extensions with the three highest positive balances and three lowest negative balances.

A step-by-step transition from SAA to an enhanced street light enterprise Utility Fee. The Council requested in August 2015 that the Administration provide an approach on steps the City would need to take to convert the Street Light SAAs to a higher level of service surcharge utility fee as generally recommended in the *Report on Street Lighting SpeUt1l Assessment Areas for the Salt Lake City Council*, Linda Hamilton Consulting, August 2015 (the "Hamilton Report").

This report identifies options to bring extension account balances to near zero or at manageable levels while addressing the Council's objective of equity, value, and benefit to the properties within and between separate extensions in each SAA.

Interim SAA funding and assessments. Until a decision is made for how the City's SAAs will be managed moving forward, the City continues to incur expenses to keep SAA lighting operating. For 2015-16, there is no offsetting revenue source unless annual assessments are mailed out or a surcharge is established in the Consolidated Fee Schedule and then implemented with invoicing on monthly utility bills. Each month the energy, operation, and maintenance (O&M) costs related to lighting all the SAAs is nearly $60,000. Of that monthly amount, about $39,000 is required to fund SAA extensions currently with negative account balances and $21,000 is for extensions with positive account balances. This memorandum provides options for interim funding.

Comparison of high/low SAA extensions. To help inform the Council deliberation on addressing positive and negative balances, staff was asked to provide an evaluation of the SAA extensions with the three highest and three lowest balances.

BACKGROUND

SAAs have been used to provide O&M funding for enhanced street lighting. Today there are 3 SAA's that include a total of 42 extension groups within those 3 SAAs. The extensions within each SAA vary significantly and are not grouped geographically or otherwise. Attachment A shows extension area locations. While the SAA program is well-suited to fund new capital improvements, the program is inefficient and not well-suited for sustainable O&M funding and administration. The Hamilton Report provides additional information and recommendations regarding problems with the existing Street Light SAA administrative framework. The general recommendations included resolving negative extension and SAA balances, provide options for SAA extensions to move into a surcharge system, include provisions for interim funding assessment until the surcharge is collecting revenue, and provide a public process for input and transparency in developing and implementing the potential changes.

ATTACHMENTS:

- Admin Attachment 1_Stree Light SAA Options (PDF)

STEP-BY-STEP TRANSITION FROM SAA TO AN ENHANCED STREET LIGHT ENTERPRISE UTILITY FEE

Below is a summary of basic criteria and five recommended steps to move properties serviced by Street Light SAAs to an enhanced lighting utility surcharge system. In addition, respective issues and options have been identified for Council consideration where appropriate at each step.

1) Public outreach and engagement.
    a. Public outreach and engagement is anticipated to take 2 to 4 months in conjunction with the utility surcharge fee study development. The public outreach may include, but may not be limited to, direct mailing to SAA properties; notices on utility bill and/or flyer enclosed in bill; Open City Hall, including online questionnaires; sharing information with community councils through newsletters and attend meetings as requested; and holding public workshop(s) on enhanced street lighting.
    b. If SAA assessments are part of the interim funding solution, the Board of Equalization (BOE) hearing will be coordinated with the enhanced lighting fee outreach. The BOE could be an introduction of the enhanced fee program discussion.
2) Bring extension balances toward zero (<u>see discussion for options</u>)
    a. Account for 25 percent General Fund contributions to the SAA.
    b. Bring negative SAA extension balances to near zero or manageable levels.
    c. Bring positive SAA extension balances to near zero.
    d. Budget FY16/17 final General Fund SAA allocation to closeout SAAs (or other option as determined by Council).
3) Establish enhanced street lighting surcharge in the Consolidated Fee Schedule.
    a. Perform a rate study to develop tiered enhanced level of service definitions and respective tiered enhanced utility rate fees. It is estimated that $40,000 would be required/budgeted to hire a consultant for this effort. Public outreach and engagement would be conducted to obtain input into the rate schedule development process.
    b. Establish enhanced street light fees in the Consolidated Fee Schedule.
4) Dissolve SAAs once all extension balances for each SAA are brought to near zero or manageable balances that can be paid off. Each SAA (L01, L02, L03) would be dissolved once all the extensions within that SAA have been reconciled.
5) Begin including enhanced street light fee in monthly utility bills once an SAA has been closed.

Implementation Schedule and Public Process

It is estimated that it will take 4 to 6 months from the time of Council authorization to begin setting up the enhanced lighting fee, at which time the Council could approve fees in the Consolidate Fee Schedule as part of the normal budget approval process. It will take another 6 to 12 months to bring SAA extensions near zero and implement the transition to a point where SAAs as a whole can be dissolved and transitioned to the enhanced utility service fee system (see options section on how to bring extension account balances to near zero). Council approval in Fall of 2015 would provide sufficient time for a consultant rate study and public outreach to enable implementation by the July 1, 2016 start of the fiscal year.

Many of the proposed implementation activities may run concurrently and in coordination with each other. Below is a conceptual schedule for Council consideration that would be revised based on Council's final decisions.

Enhanced Street Light Utility Fee
Implementation Schedule
(Conceptual)

Action		Timeframe
Council authorization		Oct/Nov 2015
Interim funding Board of Equalization hearing to issue FY 16/17 assessments for L01, L02, L03 concurrently. Coordinate with initial rate study outreach effort.		Nov/Dec 2015
Public outreach and comment		Nov 2015-March 2016 (4-12 weeks)
Rate Study	Hire and contract with utility rate consultant	Oct-Dec 2015 (4-8 weeks)
Rate Study	Initial rates evaluation	Nov 2015-Jan 2016 (2-4 weeks)
Rate Study	Finalize rate schedule options & recommendations	April 2016 (2 weeks)
Council work session review of proposed rate schedule		May 2016
Council approval of enhanced lighting Consolidated Fee Schedule		June 2016
Council approval of SAA closeout budget		June 2016
Implement plan for SAA transition to enhanced lighting		FY 2016/17
Fund balances are brought to near zero or manageable levels		FY 2016/17
Dissolve the three SAA and moved to enhanced lighting utility fee		FY 2016/17

The public process for the conversion to an enhanced street lighting utility fee should be closely coordinated with any interim SAA assessment funding option, with the understanding that a Board of Equalization hearing must be held for public input by statute before any further assessments may be billed. Close coordination of these efforts could help inform the SAA property owners, as the complex issues associated with the SAA will demand effective communication from the City to avoid confusion or unnecessary concern. Should the Council decide to authorize interim funding through SAA assessments, the BOE hearing and SAA assessment schedule could be as follows:

IMPLEMENTATION ISSUES AND OPTIONS

Requirements to dissolve an SAA

The general criterion for dissolution of an SAA is that the SAA account balance must be brought to a positive or zero balance. Extensions within an SAA may have positive and negative balances, but the SAA may be dissolved only if the SAA balance is greater than or equal to zero.

The Council could decide to resolve accounts at the SAA level today, as each of the SAA are currently net positive[1]. However, each SAA includes extensions with positive balances and extensions with negative balances. The Council requested that additional options be identified to bring individual extensions to zero prior to SAA dissolution. The following section identifies various means to balance individual extensions.

Options to bring the SAA and extension account balances to near zero

Several options have been identified to bring extension balances to zero. These include recognition and accounting for the General Fund's existing share of the SAA accounts based upon the fact the General Fund has contributed 25 percent toward the extension balances over many years.

Reducing the positive extension balances could start with reducing 25 percent to account for the General Fund share in each account. The positive extensions could also be reduced by implementing high efficiency lighting or other deferred capital improvements, and allowing the positive funds to pay for monthly operating costs to keep the lights on without any further assessment revenue. These measures could bring the positive extensions to zero in a year or less time frame after Council approval.

The negative extension accounts can also be resolved in part by assigning a similar 25 percent General Fund share in the negative extension balances. In addition, the General Fund has already budgeted $205,000 in FY15/16 to the SAAs, and these funds could be strategically assigned to the negative extension balances only and not positive extension balances. Looking at the forthcoming year, the Council could strategically budget an additional $205,000 or a larger allocation in FY16/17 to pay down the remaining negative balances, which would allow dissolution and resolution of the SAAs in one year.

Use of several of these options in sequence or in conjunction may provide a favorable, quick, and relatively equitable resolution to the negative and positive account balances. A possible scenario or steps to use these options is provided below that could allow each extension to be brought near zero, allowing the SAA to be dissolved within the next fiscal year.

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[1] One of the three SAA accounts was negative at the time of the Hamilton Report, but all three were in a positive position as of September 2015.

Steps to bring the SAA and extension account balances to near zero

Bringing the extensions to near zero can be broken up into three steps, which are listed below and described further in greater detail:

1) Account for the 25 percent General Fund contributions to the SAA.
2) Bring negative SAA extension balances to near zero.
3) Bring positive SAA extension balances to near zero.

Step 1 - Account for the 25 percent General Fund Contributions to the SAA

Recognizing that the General Fund has been subsidizing the Street Light SAAs for many years means that the General Fund has contributed 25 percent of the positive fund balances in the extensions. The General Fund contribution and share of the positive balances in all 3 SAAs is $351,505 as of September 2015.

The General Fund can similarly assign a 25 percent share of the negative extension balances. Under this framework, the General Fund share of the negative extension balances across all 3 SAA is (-$213,558).

Accounting for the General Fund contribution to the SAAs provides three mechanisms to bring extension balances closer to zero.

a) This decreases positive extension balances 25 percent or $351,505 since those property owners did not actually contribute those funds.
b) Reduces the negative extension balances by 25 percent or $213,558.
c) The General Fund share of positive balance is available for use at Council discretion, and rather than increase already positive accounts, the Council can strategically allocate the funds to reduce negative extension balances $351,505.

Table 1
General Fund Share in SAA Extension Balances

	L01	L02	L03	Totals
Total or Net SAA Balance	$ 158,941	$ 391,211	$ 1,637	$ 551,789
Total of all Positive Extensions	$ 324,273	$ 536,365	$ 545,382	$ 1,406,020
General Fund Share (25%) of Positive Extension Balances	$ 81,068	$ 134,091	$ 136,345	$ 351,504
Total of all Negative Extensions	$ (165,332)	$ (145,154)	$ (543,745)	$ (854,231)
General Fund Share (25%) of Negative Extension Balances	$ (41,333)	$ (36,289)	$ (135,936)	$ (213,558)

Step 2 - Bring Negative SAA Extension Balances to Near Zero
Options to bring the extension balances to zero include the following. Used in coordination the options (a) through (d) can resolve the negative extension balances.

a) Account for 25 percent General Fund contributions to SAA (as noted above).

b) The current FY General Fund budget for SAA of $205,000 can be strategically assigned to take care of negative extension balances only. This would be in lieu of the General Fund contributing 25 percent of the SAA budget per year ($205,000 in the current fiscal year) to all SAAs, in lieu of past practice where positive extension balances increased also.

c) Council may authorize a final General Fund contribution to SAA budget, specifically to close out the SAA by bringing remaining negative extension balances to near zero. Based on current extension balances of September 2015, this would require an $84,169 budget allocation.

d) Depending on the scenario chosen by City Council, including if and when an interim assessment is made, the City will need to make adjustments based on unpaid SAA costs incurred from September 2015 through the closeout time (July 1 in this example). Those additional costs will increase negative balances that require resolution unless there is an interim SAA assessment.

The steps above to bring negative SAA extension account balances to zero are sequentially outlined below, and further detailed in subsequent Table 2.

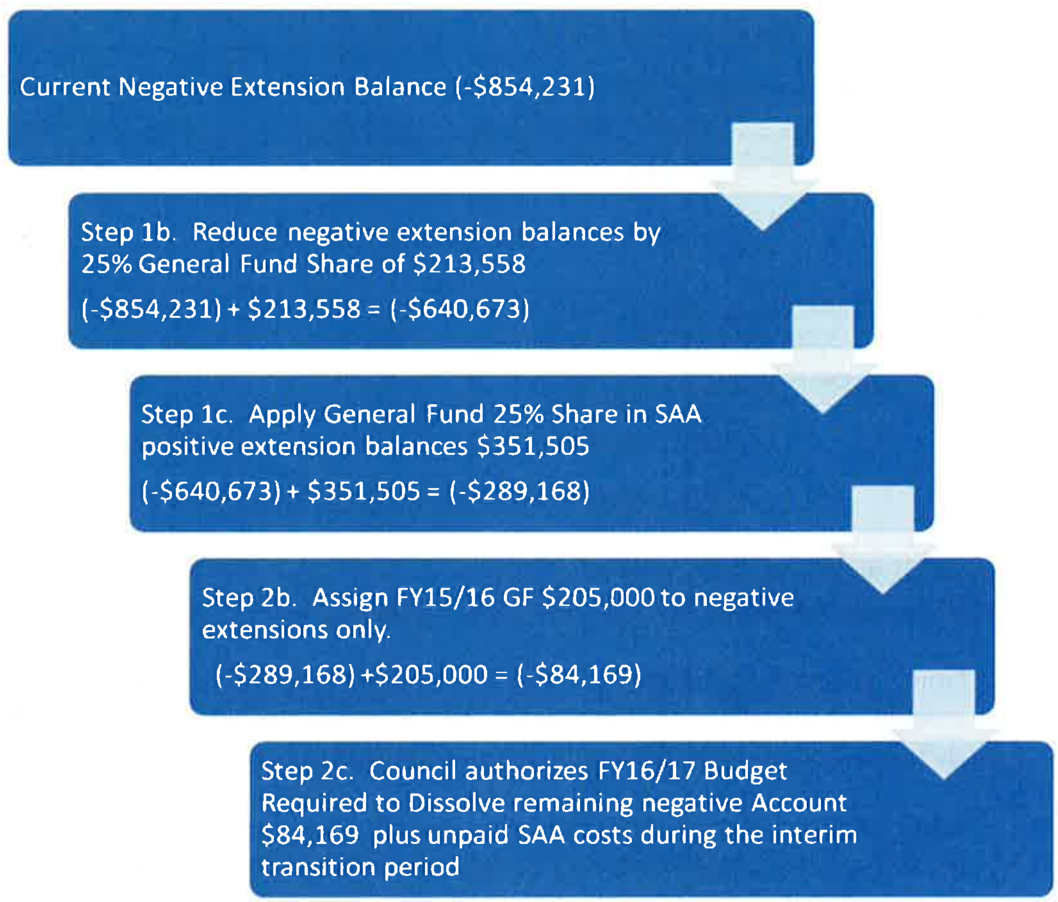


Table 2
Accounting of General Fund Share in SAA Extension Balances

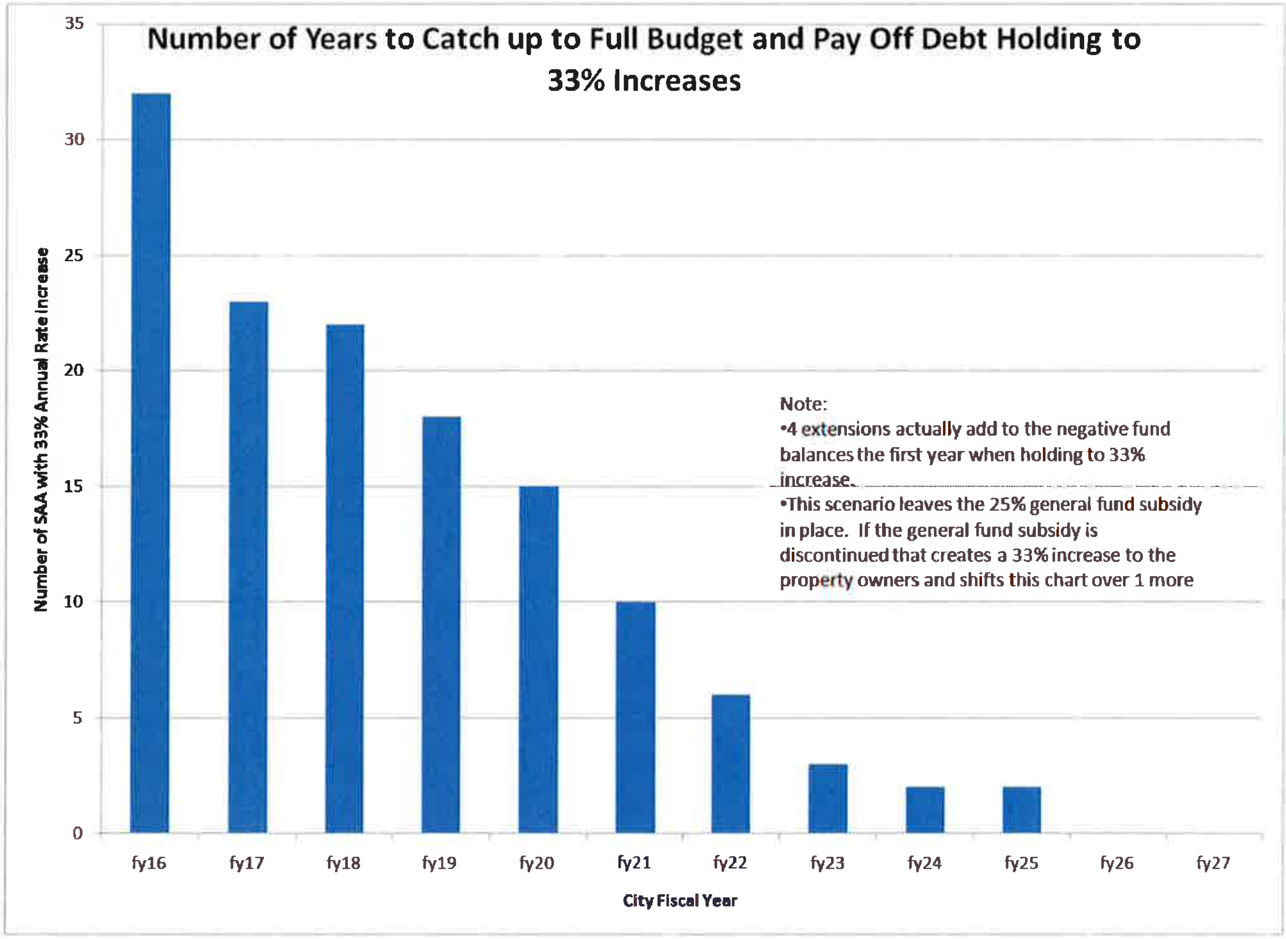
	L01	L02	L03	Totals
Total or Net SAA Balance	$ 158,941	$ 391,211	$ 1,637	$ 551,789
Total of all Positive Extensions	$ 324,273	$ 536,365	$ 545,382	$ 1,406,020
General Fund Share (25%) of Positive Extension	$ 81,068	$ 134,091	$ 136,345	$ 351,504
Total of all Negative Extensions	$ (165,332)	$ (145,154)	$ (543,745)	$ (854,231)
General Fund Share (25%) Negative Extensions	$ (41,333)	$ (36,289)	$ (135,936)	$ (213,558)
Step 1 – Use General Fund 25 percent Share in Extension Balances				
Step 1a) Negative Extension Balance Remaining after Taking Away GF Share of Negative	$ (123,999)	$ (108,866)	$ (407,808)	$ (640,673)
Step 1b) Remaining Negative Extension Balance after Applying GF Positive Share to Negative Balances	$ (42,931)	$ 25,225	$ (271,463)	$ (289,169)
Pro-rata share of total negative balances	14%		86%	100%
Allocate General Fund surplus from L02 equally to L01 and L03	$ 3,445		$ 21,780	$ 25,225
Remaining Negative Extension Balance	$ (39,486)	$ -	$ (249,683)	$ (289,169)
Step 2 - Use General Fund FY 15/16 Budget				
Step 2) Strategic allocation of General Fund FY 15/16 approved SAA Budget	14%		86%	
Less FY15/16 $205,000 GF Budget	$ 27,993		$ 177,007	$ 205,000
Remaining Balance	$ (11,493)	$ -	$ (72,676)	$ (84,169)
Step 3 – Future General Fund Budget to Closeout SAAs				
Proposed General Fund contribution FY 16/17 toward outstanding balance as of Sept 2015	$ 11,493	$ -	$ 72,676	$ 84,169

Note that additional General Fund contribution may be necessary SAA are not assessed in FY15/16, or if any extra-ordinary maintenance is required and brings accounts further down during the dissolution period (wire theft, pole failure, etc.).

Additional options (e) and (f) to bring negative SAA extension account balances to zero are described below for comparison and context, but are not included in the implementation scenario as the Council has previously expressed concern with those options.

e) Another option to bring negative extension balances to zero would be to require each extension to pay down its deficit on its own over time, which would require 10 to 15 years or more to implement. Based on most recent feedback from the City Council, this would be administered with a limit of no more than a 33 percent annual rate increase. Figure 1 below shows the timeframe required to zero out each negative balance over time based on the assumptions that their rate not be increased more than 33 percent per year, and they do not incur any future "extra-ordinary" maintenance expenses. This strategy is subject to volatility and possibility of never catching up or getting further behind in that a singular significant expense (e.g., wire theft) can set the entire extension back. Several extensions show a heavy burden of debt spread over only a few property owners.

Figure 1
Negative Extension Payout Scenario and Years to Pay Off
If each Extension Pays its own Balance



Step 3 - Bringing Positive SAA Extension Balances to near zero

This section provides several ways to bring positive balances down by applying the funds to meaningful improvements that will go toward the extension properties that contributed to and built up the respective positive balances. Otherwise, based upon most recent legal opinion it is understood that any remaining positive balance in an SAA will be transferred to the General Fund upon SAA dissolution. Options to bring positive extensions near to zero include the following:

a) Account for and reduce the accounts by the 25 percent General Fund contributions to the SAA extensions (as noted above).
b) Invest in each extension by catching up on previously deferred maintenance.
c) Complete energy efficiency upgrades.
d) Use extension SAA balance to cover operating costs and "keep the lights on" until each positive extension is near zero.
e) A combination of the options listed above.

Table 3 provides an accounting of the respective extension balances and allocations for each of the cost categories as a representation of how the extensions may be brought to zero. A combination of the options would achieve the goal within a 1 year SAA closeout timeframe, including completion of deferred maintenance projects, high efficiency capital upgrades, and using positive balances to pay ongoing operating costs. For purposes of this illustration, the cost to "keep the lights on" is limited to the power bill, the contract maintenance fee which is charged per bulb, and general overhead. It does not include extra-ordinary maintenance costs such as pole replacements, etc.

Table 3
Positive Extension Conceptual Fund Balance
Allocations to Bring Accounts near Zero*

SAA Ext. #	Extension Fund Balance September 2015	General Fund 25% Share of Fund Balance	Extension Fund Balance after subtracting General Fund 25% Share	Estimated Energy Efficiency Upgrade cost for all lamps in extension	Fund Balance after Energy Efficiency capital upgrades	Annual O&M Cost to "Keep the Lights On"	Months Remaining Balance can "Keep the Lights On"	# of ERU in ext.
L01								
78	$163,068	$40,767	$122,301	$90,750	$31,551	$19,571	2	80
61	$60,837	$15,209	$45,628	$57,750	($12,122)	$16,550	-	22
49	$42,339	$10,585	$31,755	$30,750	$1,005	$9,516	-	23
65	$24,044	$6,011	$18,033	$6,000	$12,033	$16,537	-	93
63	$21,912	$5,478	$16,434	$5,250	$11,184	$4,043	3	12
62	$12,072	$3,018	$9,054	$33,000	($23,946)	$21,534	-	105
L02								
72	$130,145	$32,536	$97,609	$64,500	$33,109	$16,478	2	14
8	$109,113	$27,278	$81,835	$20,250	$61,585	$9,220	7	181
7	$95,678	$23,919	$71,758	$31,500	$40,258	$15,866	3	35
55	$86,618	$21,655	$64,964	$27,000	$37,964	$33,401	1	72
73	$54,986	$13,747	$41,240	$32,250	$8,990	$23,729	-	31

SAA Ext. #	Extension Fund Balance September 2015	General Fund 25% Share of Fund Balance	Extension Fund Balance after subtracting General Fund 25% Share	Estimated Energy Efficiency Upgrade cost for all lamps in extension	Fund Balance after Energy Efficiency capital upgrades	Annual O&M Cost to "Keep the Lights On"	Months Remaining Balance can "Keep the Lights On"	# of ERU in ext.
53	$38,190	$9,548	$28,643	$5,400	$23,243	$1,819	13	18
46	$15,541	$3,885	$11,656	$141,750	($130,094)	$48,592	-	23
74	$6,094	$1,523	$4,570	$7,200	($2,630)	$2,287	-	17
				L03				
10	$75,647	$18,912	$56,735	$21,750	$34,985	$5,850	6	87
47	$69,985	$17,496	$52,488	$15,000	$37,488	$3,878	10	31
80	$56,225	$14,056	$42,168	$21,000	$21,168	$4,481	5	1
42	$51,467	$12,867	$38,600	$32,250	$6,350	$8,271	-	28
67	$42,828	$10,707	$32,121	$109,500	($77,379)	$34,102	-	15
11	$40,743	$10,186	$30,557	$13,500	$17,057	$9,253	2	18
50	$39,235	$9,809	$29,427	$108,750	($79,323)	$23,499	-	3
40	$33,068	$8,267	$24,801	$7,500	$17,301	$2,952	6	69
69	$32,664	$8,166	$24,498	$57,750	($33,252)	$12,505	-	18
9	$32,626	$8,157	$24,470	$30,750	($6,280)	$6,574	-	34
19	$23,887	$5,972	$17,915	$13,800	$4,115	$4,398	-	21
56	$21,074	$5,269	$15,806	$12,000	$3,806	$2,972	1	44
5	$16,474	$4,119	$12,356	$0	$12,356	$5,566	2	45
70	$7,784	$1,946	$5,838	$43,500	($37,662)	$10,751	-	13
22	$1,674	$418	$1,255	$13,200	($11,945)	$8,320	-	48

* SAA extensions with negative balance not shown

Steps and options to move SAAs to the enhanced lighting utility fee surcharge

After extensions within an SAA have been brought to near zero balance or a manageable level, an SAA can be dissolved and the SAA can then be moved to an enhanced street light fee under the street light enterprise utility. The enhanced street light surcharge fees must be approved by the City Council in the Consolidated Fee Schedule before the fees may be charged directly to the property owner. Currently the only approved manner of tracking and billing enhanced lighting service is through the SAAs.

Each property will be assessed the enhanced fee based on its respective enhanced "level of service." The properties within the extension will be identified and billed with the appropriate enhanced street lighting utility fee based on the Consolidated Fee Schedule (CFS) after Council approval of the CFS.

Dissolution and transfer of individual extensions to enhanced lighting surcharge

One area of inquiry has been if individual extensions within an SAA can be moved over to pay the enhanced service utility fee instead of paying their respective SAA assessment. The City Attorney's office evaluated the possibility that extensions might be removed from an SAA on an individual basis. At present there does not appear to be an easy and proven method of dissolving individual extensions. While each extension balance can be tracked and managed independently, the dissolution process can be achieved within the SAA as a whole in a complete and timely manner.

Transfer of street light SAA assets and liabilities to the enterprise utility

The assets and liabilities of the SAAs would be transferred to the street light enterprise utility similar to when the enterprise utility was created, when all existing lighting infrastructure assets and liabilities were transferred to the lighting enterprise fund. While the fixed assets (lights) are simply transferred over to the enterprise fund, remaining negative or positive account balances with the three SAAs must be reconciled with the General Fund. This allows the enterprise fund to be managed under its separate enterprise fund governance and cost of service accounting principles.

Setting Enhanced Lighting Fees

The options for setting utility fees are varied, but must be based on some defined level of service to which the rate payer has a benefit. The City obtained consultant recommendations and public input into the enhanced lighting fee options in 2012 during completion of the Street Light Study and Street Light Citizens Committee that included representative residents, institutions and businesses throughout the City. The consultant recommended 3 enhanced lighting fee "tiers" at that time based upon levels of service. The Committee majority recommended moving the SAA to enhanced lighting fees.

Based upon industry practice and accounting standards, the general rule advised by the 2012 rate consultant was to keep enhanced lighting fees to a reasonably low number of tiers which are easily understood and are reasonably consistent as a user class. One of the primary benefits of greatly reducing the number of current billing groups from 42 to a much smaller number is that the costs are spread out and volatility of any one large expense in an area is spread over the user group or billing class. The larger the user class the larger the distribution of costs to that group, and the less volatile the fees will be to any large capital expense that may be incurred (e.g., wire theft, several poles struck in short time frame, etc.).

Hiring a rate consultant would provide a third party review and bring an outside perspective and experience to evaluating the enhanced lighting utility surcharge fees.

Enhanced Street Light Fee Structure Example

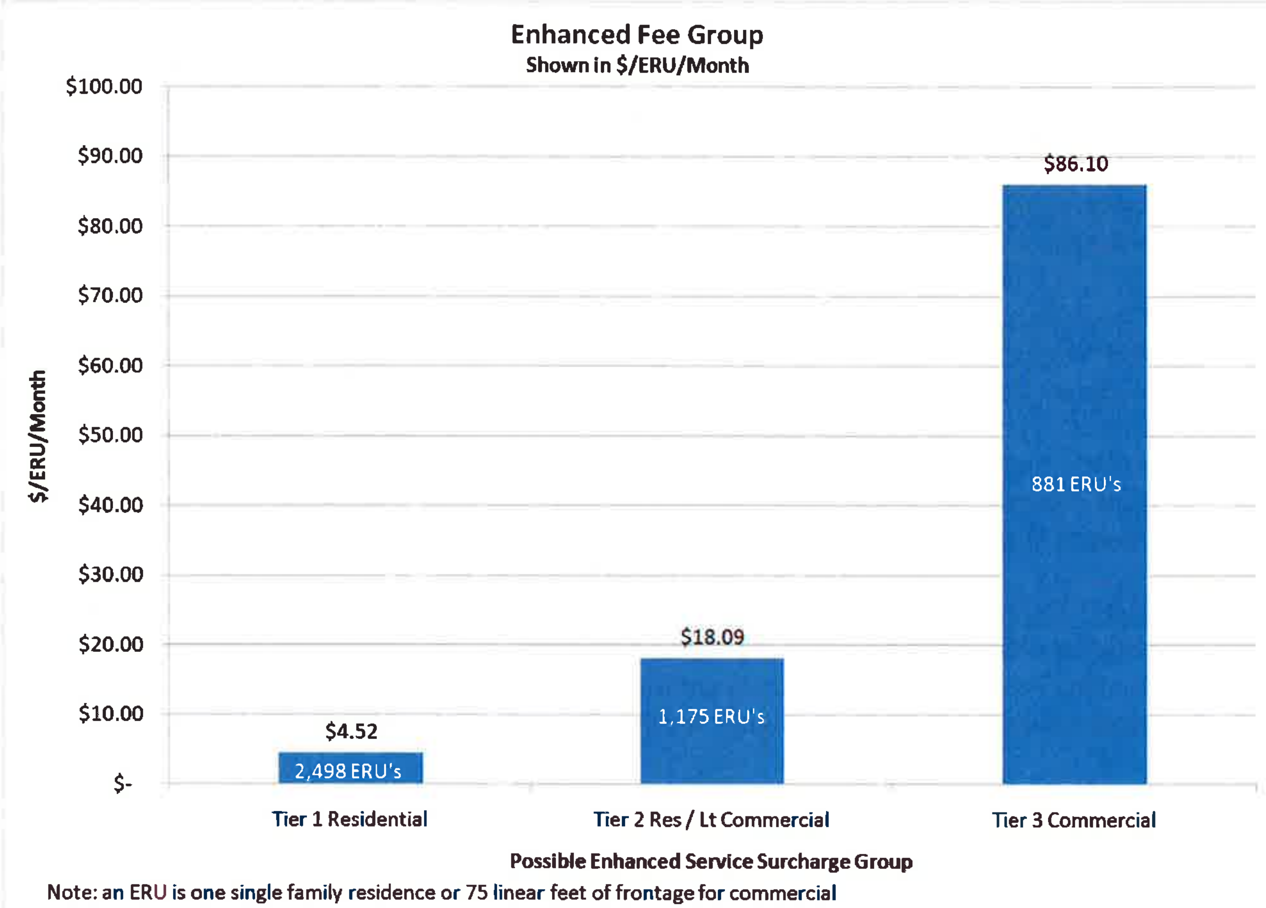
Below are three proposed enhanced service groups that are very similar to that recommended by the consultant and citizen committee in 2012. This structure and fees provide a close approximation of what the enhanced fee structure might look like, but would be revisited and updated with a new rate study.

Tier 1 Enhanced Lighting (Residential). This level of service is characteristic of enhanced lighting systems which are newer and high efficiency (HE) compliant, and therefore have lower maintenance repairs, lower power bills, and do not require the City to pay for an O&M service contract fee. The Rose Park area generally consists of Tier 1 Enhanced Lighting. It should be noted that the current fee estimate is for a newer system, and it is expected that the costs in Tier 1 areas will increase as they age and require more routine maintenance or capital upgrades.

Tier 2 Enhanced Lighting (Residential/Light Commercial). This level of service looks very similar to Tier 1, and is typically characterized by single bulb decorative poles of moderate height with a slightly increased light density and tighter spacing (typically at spaced every two or three houses). However, this tier includes older systems that have notably higher O&M costs than Tier 1. Tier 2 is characteristic of many residential and light commercial areas, including the Harvard / Yale area and other residential areas in Council Districts 3 and 6.

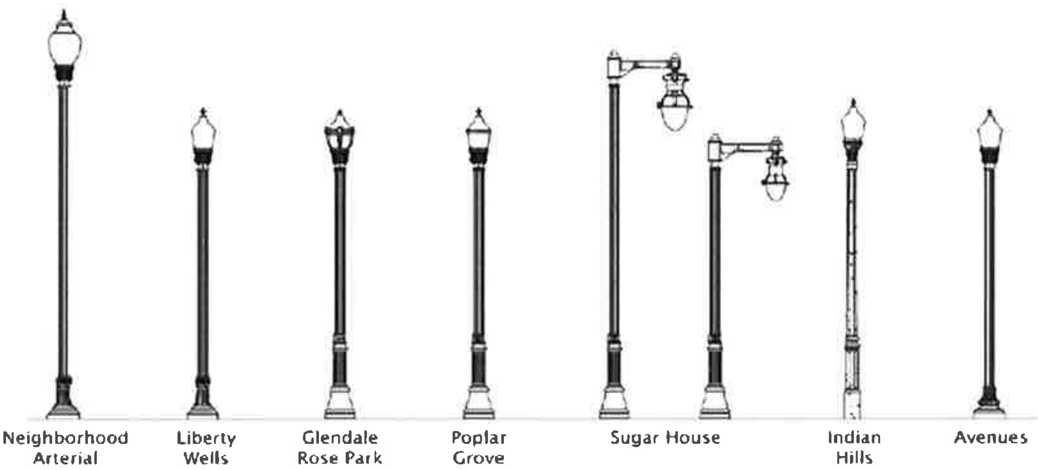
Tier 3 Enhanced Lighting. This level of service would be the typically defined by areas with the ubiquitous three-headed cactus pole with the decorative base seen downtown and in many business districts. An exception is the Sugarhouse Business District, which has a triple headed light with one higher and two lower for sidewalk level lighting.

Table 3
Possible Enhanced Lighting Groups and Fees



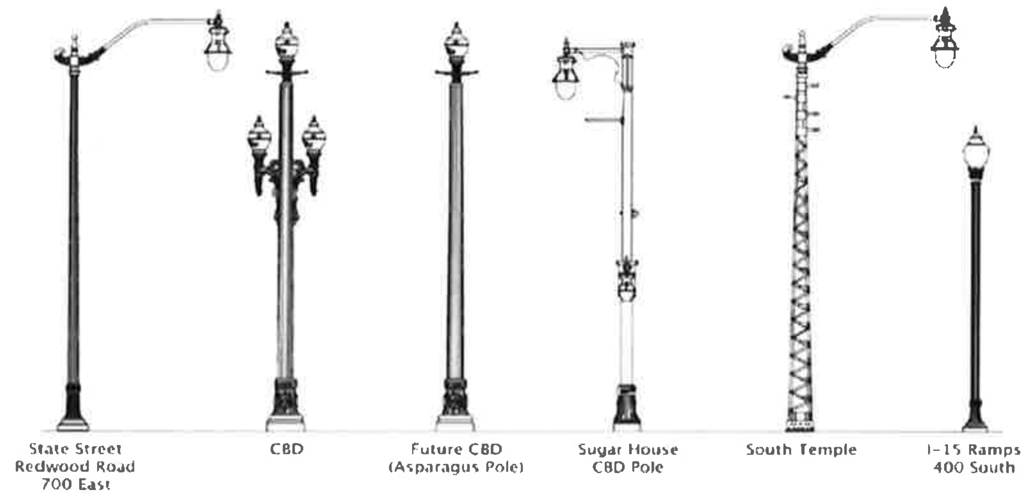
Tier 1 and 2 Enhanced Lighting (Residential & Light Commercial)

Residential Street Lights and Poles



Tier 3 Enhanced Lighting (Commercial)

Street Light Poles and Fixtures on Major Streets and in Commercial Areas



INTERIM SAA FUNDING AND ASSESSMENTS

Until a decision is made for how the City's SAAs will be moving forward, the City continues to incur expenses to keep SAA lighting operating. For 2015-16, there is no offsetting revenue source unless annual assessments are mailed out or the surcharge is established. Each month, the General Fund incurs about $60,000 to keep the SAA lights on. The SAAs will incur about $360,000 in expense every over 6 months against the fund balances if there is no revenue. If it is decided to have extensions with positive balances fund their monthly operating expenses as described in the previous section, then the General Fund would only need to cover the SAA's with negative balances and those with insufficient positive balance. Subtracting out the positive extensions the SAA operating cost is estimated at $39,000/month or $234,000 over the 6 month period.

It should be noted that in addition to the normally time-consuming SAA process, the SAA state statute requires a Board of Equalization (BOE) hearing once every 5 years to allow public review and feedback regarding assessments. It has been 5 years since the last BOE, and the City has determined that it will not send out further assessments until a BOE hearing is held with opportunity for public input.

Below are interim funding options.

1) The City could do BOE now (October / November) and do SAA assessment billing for all three lighting SAA groups for FY16. The advantage of this option is that it appears to be the fastest option to bring in revenue. The BOE and assessment can also be used to provide initial public awareness and educations to the problems associated with the existing SAA accounts, and inform them that the City is embarking on a public process to get input into proposed changes to the SAA (i.e. transitioning to an enhanced lighting utility fee).

2) Another option is to not send out any SAA assessments. The City would allow the SAAs and extensions to live off fund balances until the SAA's can be dissolved and the surcharge billing system set up (6 to 12 months or more). This option has significant effect on the General Fund as it would need to cover the expenses against the fund balances as they went negative. This expense would be about $465,000 annually for the extensions with negative fund balances and for fund balances not sufficient to cover the costs of keeping the lights on. This would cost the General Fund about $39,000 per month to pay the expenses. The extensions with sufficient positive fund balances could cover their monthly costs until the dissolution and enhanced surcharge fee is in place.

COMPARISON OF HIGH/LOW SAA EXTENSIONS.

To help inform the Council deliberation on addressing positive and negative balances, staff was asked to provide a summary of the SAA extensions with the three highest and three lowest balances. The historical expenses and account balances associated with these extensions are shown in the attached tables.

Three highest positive balance extensions:

Special Assessment Area L01-78 400 West Revenue and Expenses 7 Properties

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Beginning Balance	**152,873**												152,873
Payments from Residents	6,946	7,500	7,500	6,750	6,750	3,375	3,000	2,439	2,776	3,785	2,373	12,020	65,213
General Fund Portion	2,496	2,500	2,500	2,250	2,250	1,125	1,000	1,000	1,000	1,000	1,000	5,066	23,187
Interest Income	3,096	3,679	6,447	8,597	8,422	4,298	1,320	1,042	1,266	1,261	893	903	41,223
Revenue	**12,537**	**13,679**	**16,447**	**17,596**	**17,422**	**8,798**	**5,320**	**4,481**	**5,042**	**6,046**	**4,266**	**17,989**	**282,496**
Project Expenses													0
Power/Maintenance Expenses	-6,080	-6,080	-4,160	-4,160	-4,160	-3,759	-3,871	-4,022	-4,022	-4,022	-12,701	-13,140	-70,176
Administrative Costs*	-155	-212	-596	-1,087	-788	-624	-734	-718	-669	-639	-639	-1,781	-8,642
Interest Allocation													0
Unexpected Capital Replacement/Other Projects		-947	-6,952	-202	-5,062	-2,537	-10,183	-643	-3,077	-610	-2,283	-787	-33,283
Expenses	**-6,235**	**-7,239**	**-11,708**	**-5,448**	**-10,011**	**-6,919**	**-14,789**	**-5,383**	**-7,768**	**-5,271**	**-15,623**	**-15,708**	**-112,101**
Ending Balance													**170,395**

* Salary contingency, postage, legal fees, printing charges, recording charges, publication of public notices charges.

Special Assessment Area L02-72 301 W South Temple Revenue and Expenses 2 Properties

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Beginning Balance	140,433										140,433
Payments from Residents	10,500	9,450	9,450	5,670	4,724	4,725	4,725	1,181	8,268	11,198	69,891
City Portion	3,500	3,151	3,151	1,891	1,575	1,575	1,575	1,575	1,575	3,733	23,301
Interest Income	5,903	8,106	8,062	4,181	1,260	1,030	1,136	933	686	681	31,978
Revenue	**19,903**	**20,707**	**20,663**	**11,742**	**7,559**	**7,330**	**7,436**	**3,689**	**10,529**	**15,612**	**265,603**
Project Expenses											0
Power/Maintenance Expenses	-6,864	-6,864	-6,864	-5,925	-6,103	-6,338	-6,338	-6,338	-9,410	-9,736	-70,781
Administrative Costs*	-724	-1,234	-1,058	-913	-940	-983	-978	-936	-978	-1,319	-10,064
Interest Allocation											0
Unexpected Capital Replacement/Other Projects	-1,750	0	-225	-10,592	-1,922	-984	-33,752	-6,210	-2,011	-1,195	-58,641
Expenses	**-9,338**	**-8,098**	**-8,147**	**-17,429**	**-8,965**	**-8,305**	**-41,068**	**-13,485**	**-12,399**	**-12,250**	**-139,485**
Ending Balance											126,118

* Salary contingency, postage, legal fees, printing charges, recording charges, publication of public notices charges.

Special Assessment Area L02-8 400 South Revenue and Expenses 9 Properties

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Beginning Balance	**73,428**										73,428
Payments from Residents	9,610	15,698	4,062	2,774	2,169	7,132	6,611	3,871	880	4,768	57,576
General Fund Portion	2,000	2,000	2,000	2,000	1,800	1,800	1,800	1,800	1,800	2,419	19,419
Interest Income	5,472	10,550	3,749	3,024	810	658	1,029	766	683	2,352	29,093
Revenue	**17,082**	**28,248**	**9,811**	**7,798**	**4,779**	**9,591**	**9,440**	**6,437**	**3,363**	**9,539**	**179,515**
Project Expenses											0
Power/Maintenance Expenses	-7,858	-7,858	-7,858	-6,874	-7,081	-7,357	-7,357	-7,357	-2,537	-2,625	-64,762
Administrative Costs*	-779	-1,239	-1,226	-1,069	-1,091	-1,157	-1,137	-1,132	-1,134	1,006	-10,969
Interest Allocation			-38	-40	-19	-12	-9	-8	-6	-3	-135
Unexpected Capital Replacement/Other Projects		-7,429	-489	-1,531	-408	-159	-1,890	-498	-390		-12,794
Expenses	**-8,638**	**-16,526**	**-9,610**	**-9,514**	**-8,599**	**-8,685**	**-10,393**	**-8,995**	**-4,067**	**-3,633**	**-88,661**
Ending Balance											**90,855**

* Salary contingency, postage, legal fees, printing charges, recording charges, publication of public notices charges.

Three highest negative balance extensions:

Special Assessment Area L03-12 Arlington Drive Revenue and Expenses 65 Properties

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Budget Abutters & City											12,000	13,200	13,200	13,200	27,000	38,806	
Beginning Balance	**6,540**																6,540
Payments from Residents	3,872	3,528	3,712	6,046	6,946	6,694	6,869	6,488	6,969	7,597	8,577	9,198	10,228	8,764	16,405	1,788	113,679
General Fund Portion	1,156	1,156	1,156	1,156	2,256	2,260	2,260	2,260	2,260	3,000	3,000	3,300	3,300	3,301	6,750	11,874	50,445
Interest Income	718	129	29	57	141	134	251	279	215	151	77	128	102	300	80	288	3,077
Revenue	**5,745**	**4,813**	**4,897**	**7,259**	**9,343**	**9,088**	**9,380**	**9,027**	**9,443**	**10,747**	**11,654**	**12,626**	**13,629**	**12,365**	**23,234**	**13,951**	**173,741**
Project Expenses*					-	-	-	-	-			-99,755	-190,100		-		-289,856
Power/Maintenance Expenses	-5,600	-5,166	-4,511	-4,872	-4,908	-4,908	-4,398	-4,398	-4,398	-5,031	-5,178	-5,378	-5,328	-5,328	-3,184	-3,294	-75,830
Administrative Costs**		-1,047	-769		-96	-780	-642	-834	-813	-1,121	-1,349	-1,237	-1,073	-1,017	-964	-1,463	-13,206
Interest Allocation		-589	-771	-611	-547	-573	-1,032	-1,719	-2,988	-2,026	-816	-788	-1,881	-2,184	-		-16,525
Unexpected Capital Replacement/Other Projects***	-3,674	-28,491		-2,358			-3,554	-20,231	-36,456	-37,915	-716			-1,083		-986.89	-135,466
Expenses	**-9,274**	**-35,293**	**-6,050**	**-7,842**	**-5,551**	**-6,261**	**-9,627**	**-27,183**	**-44,655**	**-46,094**	**-8,059**	**-107,108**	**-198,383**	**-9,612**	**-4,148**	**-5,744**	**-530,884**
Ending Balance																	**-357,143**

* Underground wire and circuits replacement necessitated by old worn out system.

** Salary contingency, postage, legal fees, printing charges, recording charges, publication of public notices charges.

*** Maintenance on an old system to keep the lights on. Wire theft.

Special Assessment Area L02-6 Rose Park Revenue and Expenses 2,498 Properties

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Budget Abutters & City										
Beginning Balance	**0**									0
Payments from Residents	15,049	15,991	15,822	17,545	19,115	20,256	21,692	22,835	32,348	180,663
General Fund Portion	3,900	5,900	6,490	7,139	8,000	8,000	8,000	8,750	12,781	68,960
Interest Income	220	447	158	232	262	479	801	616	1,101	4,316
Revenue	**19,169**	**22,338**	**22,470**	**24,915**	**27,376**	**28,745**	**30,493**	**32,201**	**46,231**	**253,940**
Project Expenses	-	-	-	-				-		0
Power/Maintenance Expenses	-12,830	-12,830	-18,544	-19,152	-20,156	-20,156	-20,156	-23,612	-24,429	-171,865
Administrative Costs*	-4,632	-8,068	-9,454	-8,965	-14,719	-9,276	-11,995	-8,138	-9,663	-84,911
Interest Allocation	0	0	-18	-17	-36	-30	-6	-1		-108
Unexpected Capital Replacement/Other Projects	-3,734	-8,367	-12,505	-7,340	-15,551	-33,369	-18,133	-17,896	-25,425	-142,319
Expenses	**-21,196**	**-29,265**	**-40,521**	**-35,474**	**-50,461**	**-62,831**	**-50,289**	**-49,647**	**-59,517**	**-399,203**
Ending Balance										**-145,264**

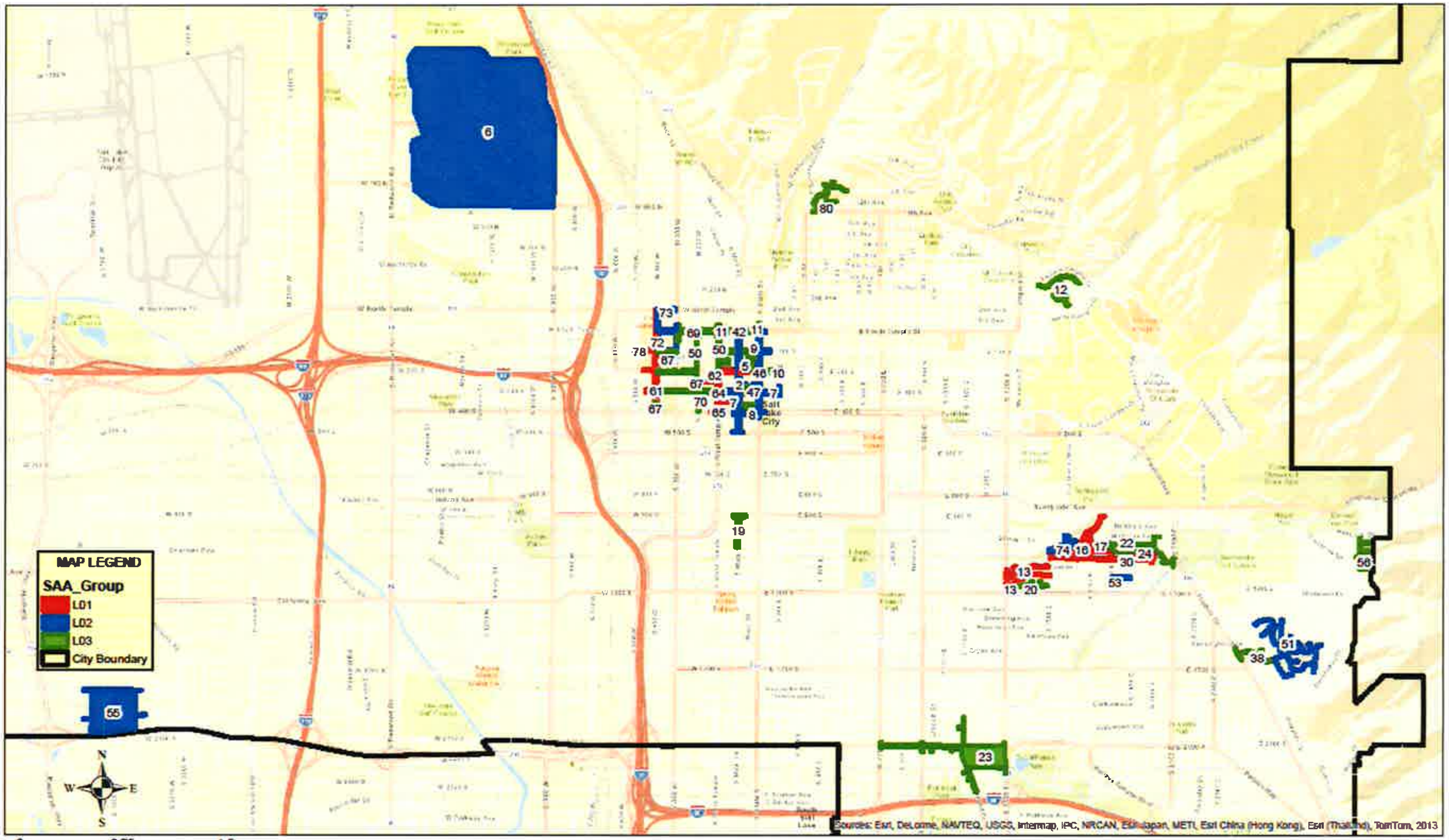
Special Assessment Area L03-23 Sugar House Revenue and Expenses 113 Properties

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Beginning Balance	**257,395**												257,395
Payments from Residents	11,584	12,132	11,998	12,721	11,374	22,921	32,163	36,417	48,111	39,373	43,854	482	283,131
General Fund Portion	3,444	4,125	4,125	4,125	4,125	8,250	12,375	13,750	13,750	13,750	15,000	20,879	117,698
Interest Income	5,350	1,845	735	5,619	210	117	298	525	818	566	226	101	16,410
Revenue	**20,378**	**18,102**	**16,858**	**22,465**	**15,709**	**31,288**	**44,836**	**50,692**	**62,679**	**53,689**	**59,081**	**21,462**	**674,634**
Project Expenses*		-252,600	252,600		-156,436								-156,436
Power/Maintenance Expenses	-15,864	-15,864	-15,778	-15,778	-15,778	-33,767	-34,737	-36,398	-36,398	-36,398	-46,199	-47,797	-350,756
Administrative Costs**	-187	-7,463	-1,905	-2,702	-2,616	-5,711	-6,210	6,258	-5,924	-5,783	-5,752	-6,435	-51,945
Interest Allocation					-1,071	-1,657	-661	-611	-819	-838	-596.96	-536.85	-6,792
Unexpected Capital Replacement/Other Projects***	-22,628	-58,611	-26,880	-21,677	-2,343	-3,754	-12,626	3,703	-21,075	-3,043	-9,451	-8,133	-193,875
Expenses	**-38,678**	**-329,537**	**208,036**	**-40,157**	**-178,244**	**-44,890**	**-54,235**	**-46,970**	**-64,166**	**-46,062**	**-61,999**	**-62,902**	**-759,805**
Ending Balance													**-85,170**

* In FY 2004 the beginning fund balance of $257,395 was sufficient to complete a new lighting system for Sugar House. According to Transportation in FY 2008 over $100,000 was invoiced to the project or was previously invoiced and never paid. This additional expense caused the fund balance to go into deficit.

** Salary contingency, postage, legal fees, printing charges, recording charges, publication of public notices charges.

*** The maintenance for this extension is extremely high due to expensive, decorative poles and fixures and the number of poles damaged by vehicular traffic traveling on 2100 South Street.



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Dave Pearson Printed (6/18/2015)
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Lighting Special Assessment Areas

Salt Lake City
Department of Public Utilities
"Serving our Community, Protecting our Environment"

Chart 1: Extension balances

SAA Group	Extension Number	Extension Fund Balance on 9/11/2015
L01	13	($39,318)
L01	16	($111,261)
L01	17	($12,588)
L01	30	($1,143)
L01	49	$42,339
L01	61	$60,837
L01	62	$12,072
L01	63	$21,912
L01	64	($1,020)
L01	65	$24,044
L01	78	$163,068
Net Balance		$158,941

SAA Group	Extension Number	Extension Fund Balance on 9/11/2015
L02	2	($3,095)
L02	6	($119,472)
L02	7	$95,678
L02	8	$109,113
L02	46	$15,541
L02	51	($22,587)
L02	53	$38,190
L02	55	$86,618
L02	72	$130,145
L02	73	$54,986
L02	74	$6,094
Net Balance		$391,211

SAA Group	Extension Number	Extension Fund Balance on 9/11/2015
L03	5	$16,474
L03	9	$32,626
L03	10	$75,647
L03	11	$40,743
L03	12	($338,700)
L03	19	$23,887
L03	20	($1,938)
L03	22	$1,674
L03	23	($113,204)
L03	24	($63,148)
L03	38	($26,755)
L03	40	$33,068
L03	42	$51,467
L03	47	$69,985
L03	50	$39,235
L03	56	$21,074
L03	67	$42,828
L03	69	$32,664
L03	70	$7,784
L03	80	$56,225
Net Balance		$1,637