

COUNCIL POLICY NO. C-20

TITLE: STREETLIGHT FUND FINANCIAL POLICY

POLICY: See attached.

REFERENCE: 7/8/2024 City Council Report (Agenda Item No. 3.2a., Resolution 2024-13)

HISTORY: 2/20/2024 Finance Committee Report (Agenda Item No. 4.b)

STREETLIGHT FUND FINANCIAL POLICY

I. Introduction

The Streetlight Fund was established in 2015 to relieve the Transportation Fund of the responsibility for funding electricity and maintenance costs. Account fees were set at a level sufficient to maintain rates for an anticipated 7 - 10 years. Funding was sufficient to re-lamp the entire system to light-emitting diodes (LEDs) and reduce energy costs. In addition, new streetlights have been installed annually in underserved areas of the city based on a prioritized list.

II. Purpose

This policy establishes practices which will guide forecasting and budgeting to support sound financial management of the Streetlight Fund and establishes an operating reserve.

III. Scope

This policy applies to the Streetlight Fund.

IV. Related Financial Policies

Budget and Revenue Policies, Council Policy C-8

V. Policy Statement

- a. **Use of funds.** Streetlight fee proceeds can be used for installation and replacement of streetlight lamps and poles, as well as the electricity to power the lamps. Since 2020, the fund has also provided funding for electricity for lights in parks. The intent is to provide lighting on pathways and general park areas for public access.
- b. **Compliance with other policies.** In accordance with Council Policy C-8, the City will strive to provide the stable financial environment necessary to sustain streetlight services over time and to continually expand the system into underserved areas of the community.
- c. **Forecasting.** A financial forecast will be used to assess the long-term ability of streetlight revenue to sustain services and accomplish service objectives. Staff will seek to maintain a stable level of funding for installation of new lights and poles in underserved areas of the community.
- d. **Stabilization of Revenue.** The City will index the primary revenue source and adopt an annual streetlight fee adjustment to support increases in the cost of electric utility

services, maintenance of streetlights, and expansion of the system in underserved areas of the community.

- e. **Annual adjustment.** An annual adjustment of streetlight fees shall be based on the weighted average of the increase announced by the primary electrical utility and the change in the construction cost index from the Engineering News Record from December to December. For example, if 60 percent of the budgeted fund expenditures in the prior year are for electricity and 40 percent are for capital, then the adjustment factor shall be weighted 60 percent based on electricity rates of the primary electrical provider and 40 percent based on the Engineering News Record. In any given year, the rate of increase shall be a maximum of 5 percent unless an exception to this policy is approved by City Council.
- f. **Operating Reserve.** An operating reserve equal to 45 calendar days of anticipated revenue shall be maintained as an unappropriated ending fund balance to sustain services during periods of lower than anticipated revenue.
- g. **Capital Reserve.** A complete re-lamping of the streetlight system is expected to occur in 20-year increments. A capital reserve fund shall be established to accumulate funding over a 20-year period to fund the re-lamping improvements. The first re-lamping is anticipated to occur by 2036.
- h. **Capital Investments.** Capital funding allocations are to be maintained or increase over time to provide new installations in underserved areas.

VI. Use of Contingency/Reserves

Contingency funds of \$200,000 shall be budgeted annually for urgent and unanticipated needs or unforeseen opportunities. Unused contingency funds shall remain in fund balance for rebudgeting in future years.