



MEMORANDUM

To: Kurt Triplett, City Manager

From: Ray Steiger, P.E., Streets and Public Grounds Manager
Erin Devoto, Public Works Superintendent
Marilynne Beard, Interim Public Works Director

Date: September 29, 2014

Subject: STREET LIGHTING ADMINISTRATION IN THE JFK ANNEXATION AREA

The purpose of this memo is to provide background on street light power costs in the JFK annexation area, describe the current status and provide options for City Council consideration in the 2015-2016 Budget process.

Background

Prior to annexation, the City's practice was to pay the power costs for all street lights in the City, regardless of whether they were located on arterials and collectors or neighborhood (local) streets. When the City requested an inventory of street lights from King County, there were 600 street lights identified for which the County paid power costs. King County does not require street lights on local streets as a condition of a development permit, unlike the City of Kirkland which requires street lights on arterials, collectors and local streets when a short plat is developed or any significant redevelopment occurs. Based on the inventory of 600 street lights, staff included an initial budget of \$100,000 that was later reduced to \$84,000 for street light power in the annexation budget. During the City's franchise negotiations with the Northshore Utility District and the Woodinville Water District, it was discovered that as many as 1,500 additional street lights located on local residential streets existed that were paid for through lighting districts established through the water/sewer utility districts. The utility districts bill each parcel \$3.00 per month for lighting district charges and Puget Sound Energy in turn bills the utility districts for actual power costs. Based on the information available at that time, staff estimated an additional annual funding need of \$190,000 to assume the remaining street lights in the area.

The updated information about street lights was obtained after the annexation election and just prior to the effective date of annexation (June 1, 2011). The City Council was advised by staff of the update and staff requested direction regarding how to proceed (see attached memo from Public Works for the June 7, 2011 City Council meeting). At the June 7, 2011 meeting, the City Council approved Ordinance #4309 that relates to the provision of street lighting services in the JFK Annexation Area. Key provisions stated that:

"WHEREAS, the City intends to assume the costs associated with street lighting in the JFK Annexation Area in accordance with a phasing plan that will be developed by no later than 2014"

"The cost of providing and maintaining street light service in existing street light districts in the JFK Annexation Areas and street lights districts subsequently created in the JFK Annexation Areas shall be borne by the lots and lot residents within the street light districts who are billed for utility services provided to the lots."

"The City shall develop a phasing plan by no later than 2014 which identifies how and when the City shall assume responsibility for providing and paying for street light utility services in the portions of the JFK Annexation Area currently or hereafter serviced by a street light district. The street light districts in the JFK Annexation Area shall be disbanded at such time as the City assumes responsibility for providing and paying for street light utility services in the portions of the JFK Annexation Area served by street light districts."

In short, the City deferred assuming responsibility for local street lights for three years and required that any new street lights installed on neighborhood streets be paid for through new street light districts established with the local water/sewer utilities. The Council did express their intent to eventually assume responsibility for all street lights (consistent with the practice in pre-annexation Kirkland) and committed to establishing a phasing plan by 2014.

Between June 2011 and 2014, new street lights were installed for a number of development and redevelopment projects that have occurred in the annexation area that were permitted by the City under the City's development regulations. One example is the construction of Sandburg Elementary School. The school is located on one parcel, a portion of which is located on a collector with another portion located along a local access street. Under King County's development standards, street lights would not have been required on the local access street, only on the collector. The County would have assumed responsibility for utility costs on the lights located on the collector. Under the City's development standards, the school district was required to install street lights along the collector and the local access street and was directed to form a lighting district to pay for the utilities on street lights located on the local access street (and the City would assume responsibility for the street lights on the collector) consistent with the adopted ordinance.

Current Status

The Sandburg Elementary School project is nearly complete and the street lights are being installed. Earlier this year, City staff contacted Northshore Utility District (NUD) regarding the street light installation at Sandburg Elementary and NUD advised City staff that no longer had the legal authority to form new lighting districts that were for properties located within an incorporated city that would otherwise provide street lighting as a general service. The legal rationale for NUD's conclusion was reviewed by the City Attorney's Office who agreed with their conclusion. Cities do not have legal authority to form lighting districts. As a result, new lighting districts cannot be created as provided for in Kirkland's ordinance, although existing lighting districts could be continued provided they were established prior to annexation.

At the same time, several new subdivisions have been permitted and are under construction. PSE has advised us that there is no practical way for PSE to bill the utility costs of shared street lights to multiple parcels, even if a homeowners association is formed. PSE will either bill the lighting district or the City. The only other alternative would be to turn off the lights until funding is established. Since 2011, a physical inventory of street lights was conducted by City staff. There are 160 street lights on arterials and collectors in the annexation area (billed directly to the City) and 1,800 street lights on neighborhood (local) streets that are billed through lighting districts. PSE's current rate for an average street light (rates vary based on wattage and type of light fixture) is \$13.10 per month. If the City assumes the cost of power for all street lights in the annexation area, additional funding of \$283,000 would be needed to cover the costs.

City-sponsored roadway improvements are designed to include roadway lighting in order to provide safe and efficient systems. During private development projects, developers are required to meet similar lighting standards, and the developer installs them at their own cost and then, turns them over to the City for the ongoing operation and maintenance. A city has no statutory obligation to provide street lights. However failing to require them would be contradictive to a long standing City standard to provide street lights along all types of streets (neighborhood access to Arterials) and would set us up for long-term challenges as neighbors come to the City requesting street lights at a later date

Given this new information – no new lighting districts and cost of assuming existing lights -- the City will need amend the existing ordinance and reconsider its approach to requiring and paying for new street lights in the annexation area when developing the phasing plan called for in the 2011 ordinance.

Options

As long as the water/sewer utility districts are willing to continue billing for pre-existing lighting districts, there is not a pressing legal or financial need to assume lighting districts at this time. However, some provision will need to be made to account for new street lights that are required by the City but that are not eligible for a lighting district or that cannot be assessed to a property owners. The following options describe different financial approaches to assuming street light costs.

Option 1: Assume responsibility for all street lights in the near term and include the costs in the shortfall that supports the Annexation Sales Tax Credit (ASTC), resulting in an increase in the amount requested from the State. The preliminary budget keeps the ASTC revenues flat with the 2014 budget. Given the growth in sales tax, there is capacity to add these costs to the ASTC reimbursement request for the next State fiscal year, beginning July 1, 2015. If this option is selected, the City will become more reliant on this one-time revenue source that expires in 2021, so an on-going funding source would need to be identified on or before that date. The ASTC would not be available until July 1, 2015 at the earliest (with notice given to the State by March 1, 2015).

Option 2: Continue to leave the street light districts in operation until the City has closed the gap left by the expiring ASTC in 2021, unless additional on-going revenues increase sufficiently to absorb the costs. Amend the current ordinance to provide for gradual assumption of new street lights required as a condition of a development permit. Under this scenario, no action would be taken on assuming pre-existing street light utilities until 2021 and the process for transitioning away from the street light districts would be evaluated at that time.

Option 3: Phase in ongoing funding for all street lights over the next seven years and backfill with one time ASTC revenue and/or street reserves.

Option 4: Incorporate City assumption of all street lights as an ongoing expense in the 2015-2016 Budget.

As a corollary policy to assuming street light utility costs, the City Council may want to consider a phased approach to transitioning to LED light fixtures throughout the City for both street lights and pedestrian lighting. LED lights consume far less energy and are therefore more sustainable and less expensive. The monthly maintenance and energy cost of an LED street light is \$9.07 per month compared to the \$13.10 per month for High Pressure Sodium lights (most of the current inventory). A first step would be to require all new developments and City capital projects (with lighting) to install LED lights. The marginal cost for an LED light ranges

from \$150 to \$400 per light depending on the wattage (cost of a new street light installation with pole is currently estimated at \$4,000).

Ultimately, the City can retrofit all street lights throughout the City. Grants and PSE rebate funding for retrofit of existing High Pressure Sodium lights with LED lights are available periodically, but require a significant City match that would be amortized over about a 10-12 year period. Other agencies have utilized this program to replace their aging electrical system in the region (<http://rentonwa.gov/news/default.aspx?id=37967>), however the current Department of Energy Systems grant program awaits funding during future sessions.

Summary

The disparate approach to streetlight utility and maintenance costs between pre-annexation Kirkland and the annexation area was necessitated as an interim approach until more was known about the cost of providing services to the annexation area. However, new information about lighting utilities requires that the City modify its approach. Staff is seeking Council direction the following policies:

- When should the City assume street light costs throughout the City? (e.g. beginning in 2015, phased-in over the next six years)
- How should the City finance the cost when and if street lights are assumed? (e.g. ongoing revenue, one-time funds, annexation sales tax credit, phase in from one-time to ongoing).
- Should the City require all new street lights to be LED fixtures for new private development and/or City capital improvement projects?

The preliminary 2015-2016 budget reflects assuming the street light costs using the annexation sales tax credit (ASTC) revenue, with the intent of phasing out reliance on the ASTC credit by 2021.



CITY OF KIRKLAND
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Rob Jammerman, Development and Environmental Services Manager
Ray Steiger, P.E., Public Works Director

Date: May 26, 2011

Subject: Street Lighting Administration in the Annexation Area

RECOMMENDATION:

It is recommended that the City Council approve the attached Ordinance requiring property owners to continue being responsible for the cost of providing and maintaining existing and new street lights along residential streets in the Juanita, Finn Hill, Kingsgate annexation area (JFK). The ordinance also establishes that the City shall develop a phasing plan by no later than 2014 which will identify how and when the City shall assume responsibility for providing and paying for street light utility services in the portions of the JFK Annexation Area currently or hereafter served by a street light district.

BACKGROUND DISCUSSION:

At the April 8, 2011, City Council Study Session, street light information in the JFK area was presented to the Council. The following information is a summary of what was presented to Council and the issues that need to be addressed as City staff moves forward:

1. How many street lights were planned for when the annexation was contemplated?

When the City was obtaining street light inventory data from the County in 2007, the County communicated that there were approximately 600 street lights in the JFK for which the County paid energy costs. The subsequent annexation budget based energy costs on this data and using a comparable Kirkland cost per street light budgeted \$130,000/year for street light energy costs. New and more recent data obtained from the County reduces the actual number of lights, and it is now estimated that the energy costs will be approximately \$84,000/year; these lights are predominantly along arterials and collectors. Additional data verification by City staff is underway with the County and Puget Sound Energy (PSE). Options for how to allocate any final savings will be brought back to the Council but staff is likely to propose to set aside any savings into a street light transition reserve to help ultimately pay for the City assuming the cost of all street lights in the annexation area.

2. How many street lights are funded by property owners?

When staff was obtaining street light inventory data from the County, it was not known nor was it disclosed by the County that there were other street lights in the JFK that are

paid for by private property owners. In the last few months, during discussions with water districts serving the area, it became apparent that there were approximately 1,460 street lights paid for by property owners; the majority of these lights are located on residential streets (not arterials or collectors). The estimated energy cost for these lights is \$190,000/year. The payments by the property owners for these lights are collected by Northshore Utility District (NUD) or Woodinville Water District (WWD) through separate Lighting Districts that have been established through the years in conjunction with development of each neighborhood. The annual cost to each property owner is approximately \$36/year.

3. *What direction did the Council give when briefed on this issue at the April 8, 2011 Study Session?*

After discussing the issue, the Council recommended that the City should pay for the arterial/collector systems currently being paid for by the County, that JFK Lighting Districts remain paid for by the owners, that new developments in the JFK area also develop lighting districts to pay for lights, but that the City should develop a plan to eventually take over the street light energy costs for the entire area in the future.

4. *When will a plan be developed to assume the street light energy costs?*

Staff recommends that a plan be developed no later than 2014 for the assumption of the street light energy costs that are now paid by property owners; this timeframe will allow the Finance Department to have sufficient time to gather accurate data and analyze costs and revenues in the annexation area as a whole. This approach will also allow the Finance Department to program the assumption of the street light energy costs into the street operating budget and establish a date certain when the assumption of costs can occur.

5. *How will street light energy costs be handled for new developments in the JFK?*

In order to maintain equity in lighting costs for all developments in the JFK, staff is recommending that all new development be required to pay for their respective lighting costs as they would have under the County jurisdiction, i.e., energy costs for lights installed along residential streets shall be borne by the property owners. It would be problematic and inequitable to assume the street light energy costs from new development (post annexation) and leave the existing Lighting Districts in place. Given this Staff recommendation, the attached Ordinance requires new developments to establish a Lighting District with the respective water or sewer utility (NUD or WWD) to administer the payment for street lights by the property owners. Any new Lighting Districts created in conjunction with new development will be included in the City's plan to ultimately assume the street lighting costs.

In summary, it is recommended that the Council approve the attached Ordinance requiring new development in the JFK area to continue to install street lights and establish Lighting Districts to pay for them and authorizing staff to develop a plan by no later than 2014 to assume the street lighting costs in the JFK area.

Attachment: Ordinance

cc: John Hopfauf, Street Department Manager
Julie Elsom, Senior Operations and Finance Analyst

ORDINANCE NO. 4309

AN ORDINANCE OF THE CITY OF KIRKLAND RELATING TO THE PROVISION OF STREET LIGHTING IN THE JFK ANNEXATION AREA OF THE CITY OF KIRKLAND.

WHEREAS, on June 1, 2011, the City of Kirkland annexed the North Juanita, Finn Hill and Kingsgate area legally described in Ordinance No. 4229 and the Wild Glen area legally described in Ordinance No. 4296 (collectively referred to herein as "JFK Annexation Area"); and

WHEREAS, prior to annexation, certain residential developments in the JFK Annexation Area established street lighting districts to pay the costs associated with providing street lighting within the respective district; and

WHEREAS, the City intends for the existing street lighting districts in the JFK Annexation Area to continue to pay the costs associated with street lighting in their respective district until such time as the City assumes responsibility for providing and paying for street light utility services in the JFK Annexation Area; and

WHEREAS, the City intends for new residential development in the JFK Annexation Area to establish street lighting districts to pay the costs associated with providing street lighting until such time as the City assumes responsibility for providing and paying for street light utility services in the JFK Annexation Area; and

WHEREAS, the City intends to assume the costs associated with street lighting in the JFK Annexation Area in accordance with a phasing plan that will be developed by no later than 2014.

NOW, THEREFORE, the City Council of the City of Kirkland do ordain as follows:

Section 1. The cost of providing and maintaining street light service in existing street light districts in the JFK Annexation Area and street light districts subsequently created in the JFK Annexation Area shall be borne by the lots and lot residents within the street light districts who are billed for utility services provided to the lots.

Section 2. The electric utility provider shall, by agreement with the applicable utility district, bill each lot within the boundary of a street light district for street light utility services. The charge for street light service shall be determined by the applicable utility district after consultation with the electric utility provider.

Section 3. The City shall develop a phasing plan by no later than 2014 which identifies how and when the City shall assume

responsibility for providing and paying for street light utility services in the portions of the JFK Annexation Area currently or hereafter served by a street light district. The street light districts in the JFK Annexation Area shall be disbanded at such time as the City assumes responsibility for providing and paying for street light utility services in the portions of the JFK Annexation Area served by street light districts.

Section 4. If any provision of this ordinance or its application to any person or circumstance is held invalid, the remainder of the ordinance, or the application of the provision to other persons or circumstances is not affected.

Section 5. This ordinance shall be in force and effect five days from and after its passage by the Kirkland City Council and publication, as required by law.

Passed by majority vote of the Kirkland City Council in open meeting this ____ day of _____, 2011.

Signed in authentication thereof this ____ day of _____, 2011.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney