



Street Lighting Discussion
February 28, 2020

Funding for Street Lighting Is Not a New Topic

- February 2002 – The first attempt by the consolidated government to identify funding for arterial lighting. One tenth of a mill was designated, generating \$350,000.
- August 2008 – the first rate change in over 10 years was approved for residential street lighting districts. The fee continued to be based on type of light and road frontage.
- September 4, 2018 - Current fee structure was approved.

Options and Future Goals

(July 13, 2017)

Immediate: Determine funding strategy for current year to avoid increasing the deficit position of the Street Lighting Fund. Changes must be made for timely inclusion on the tax bills.

For 2018 Billing Cycle: Total overhaul of rate and billing structure.

**Financial Position as of
12-31-16
(from July 13, 2017)**

Street Light Special Revenue Fund
has a deficit fund balance at
12-31-16 in the amount of

(\$440,572)

Street Lighting Fund Deficit

(from July 31, 2018)

<u>Year</u>	<u>total actual Revenues</u>	<u>total actual Expenditures</u>	<u>excess/(deficit)</u>	<u>Fund balance</u>
2015	4,577,916.74	5,056,978.25	(479,061.51)	278,833.06
2016	4,407,254.85	5,126,660.34	(719,405.49)	(440,572.43)
2017	4,651,549.00	5,403,504.18	(751,955.18)	(1,192,527.61)

Streetlight Program should:

(August 7, 2018)

- Have a method to provide equitable billing
- Generate enough revenue to repay current deficit and prevent deficits going forward
- Generate sufficient revenue to provide for adequate system maintenance

The Original Goal

(August 23, 2018)

- To generate sufficient revenue to operate the current system, systematically reduce the existing deficit, and to provide some funding to enhance or expand the current level of operations.

Necessary Actions

(August 21, 2018)

- Determine Billing Rate
- Amend Ordinance
- Implement new billing structure for inclusion on 2018 tax bills

2018 Audit Presentation July 17, 2019



**AUGUSTA,
GEORGIA**

Management Points / Recommendations

3) Deficit Fund Balances at Special Revenue Funds

- *Special Assessment Fund (Streetlights)*
2018 Loss = \$400,000. Deficit at \$1,580,000.
We recommend a revised fee structure to cover costs.

Current Rate Structure

(approved September 4, 2018)

- Residential in suburban district who have neighborhood street lights are billed at \$85 per parcel
- All Commercial properties are billed at \$107.36
- All Exempt properties are billed at \$85
- Hephzibah and Blythe were excluded
- For each residential parcel in the urban service district \$85 from ad valorem taxes collected from Urban mill rate is transferred to Street Light Fund

It Didn't Fix the Problem

- Rate structure (adopted in 2018) generates revenue of **\$5,478,000**
- This amount barely covers cost of electricity alone, \$5,460,000 in 2019
- Total 2019 expenditures (unaudited) **\$5,961,000**
- Adds \$483,000 to existing deficit
- Estimated deficit at year end 2019 - **\$2,064,000**

Revisit The Original Goal

- To generate sufficient revenue to operate the current system, systematically reduce the existing deficit, and to provide some funding to enhance or expand the current level of operations.

Summary for 2020 Discussion

- Current budget is \$6.148 million
- Estimated \$5.6 million will be spent on Electricity, (budgeted at \$5.5 million)
- \$185,000 budgeted for Traffic Supplies and Replacement lights
- \$367,000 obligated for S&W, benefits, other
- Leaves only \$4,000 for other operating expenses

2020 Discussion

- Deficit is now \$2.064 million
- Previously Discussed Target of \$6.5 Million Revenue
 - \$100,000 would fund remainder of operating costs
 - \$252,000 to pay down deficit – approx. 8 years
- Increased Revenue
 - Would allow quicker elimination of deficit
 - Would provide some funding for additional small projects

System Continues to Expand

- Projects with State Funding must meet specs:
 - Riverwatch Pkwy, Alexander Dr. to 15th St. – 210 light poles with 2 lights each
 - Walton Way – Monte Sano Ave. to 15th St. – 125 light poles with 2 lights each
 - Deans Bridge, Georgetown Dr. to Glenn Hills Dr. – 110 light poles, single light each
 - Windsor Springs Road, Tobacco Rd. to Willis Forman Rd. – 150 light poles, single light each
 - These four Projects generated 930 additional lights

...and Expand

- Gordon Hwy, Skyview Dr. to State Line – 130 light poles, single light each
- Harper Street, 15th St. to St. Sebastian – 20 light poles, single light each
- These two projects added another 150 lights
 - At average cost of \$24 per light per month, these 1,080 additional lights increased operating costs \$311,000 per year

Current Light Count Info

Total Street Lights: 25,500

Roadway (Arterial) Lights: 15,300

Residential Lights: 10,200

Georgia Power Contract:

Lights: 19,000

* Augusta pays a flat monthly rate on average of \$20 to \$25 per month for each individual street light.

** Flat monthly fee covers electrical + operations + maintenance costs. **Fee is set by Public Service Commission and non-negotiable**

* Augusta pays monthly cost of electricity for each light. Average monthly cost is approximately \$12 per light

Augusta Owned Lights: 4,500

** Maintenance is the responsibility of Augusta and is paid out of Traffic Engineering's budget, approximately \$75,000 per year

Jefferson Electric Contract

Lights: 2,000

* Augusta pays a flat monthly rate on average of \$20 to \$25 per month for each individual street light.

** Flat monthly fee covers electrical + maintenance costs. **Fee is set by Public Service Commission and non-negotiable**

More Lights are on the Way

- Phase Two Gordon Hwy, Skyview to Peach Orchard, approx. 260 lights, some are replacement, some are additional
- 15th Street Improvement between Calhoun Expressway and Milledgeville Rd – total unknown
- *Roadway projects using state funds combined with SPLOST, TIA or other local funds must meet DOT design standards for number of lights and distance. While those funding sources provide construction costs, incremental operating costs must be covered by the existing revenue stream.*

Parcel Count Info

Aug 2019 file count				<u>Parcel Count in Suburban district</u>			<u>info</u>
	<u>Total</u>	<u>Urban</u>	<u>Suburban</u>	<u>Outside H&B</u>	<u>Hepzibah</u>	<u>Blythe</u>	<u>Billed in 2019</u>
Residential	71,828	13,558	58,270	55,984	1,881	405	40,770
Commercial	6,427	2,175	4,252	4,181	62	9	6,307
Exempt	3,112	1,276	1,836	1,728	70	38	2,950
Total	81,367	17,009	64,358	61,893	2,013	452	50,027
less: Blythe	-452		-452				
Hepzibah	-2,013		-2,013				
Net of other incorporated areas	78,902	17,009	61,893				

Competing Billing Methodologies

- Flat Rate – Basically every type of parcel would be billed the same amount, *regardless of location and proximity to street lights*
- Base with Increment – All parcels share the cost of providing roadway (arterial) lighting. Additionally those parcels with neighborhood lighting would pay an incremental cost for the enhanced level of service.

Current Rate Structure

(approved September 4, 2018)

- Is a modified version of the flat rate model
- It sets one rate for residential and exempt properties (\$85) and another rate (\$107.36) for commercial parcels
- **However**, approximately 17,700 of the total 81,367 parcels do not contribute to funding **any** portion of the costs of the system

Flat Rate or Base with Increment

Flat Rate

- Pro
 - Simple to administer
 - Cost of service shared equally by all property owners
 - Will remove imbedded service from urban service bill
- Con
 - Fee for service level not aligned with level of service delivered
 - Does not address HOA issues
 - Revenue stream does not grow unless new parcels are drawn

Base with Increment

- Pro
 - Costs are more closely aligned with service level
 - Will remove imbedded service from urban service bill
 - Revenue from billing increases as service districts are added
 - HOA issue is addressed
 - All parcels share some portion of cost
- Con
 - Parcels not previously billed will see line on tax bill for base level of service for roadway lighting costs

Rate Structure at \$100 and \$150

\$100 per parcel Residential, \$150 per parcel Commercial
 Hephzibah and Blythe excluded, exempt parcels not billed

Total parcels	81,367	Residential	69,363 *
Less Hephzibah and Blythe	<u>(2,465)</u>	Commercial	6,427
Total parcels for calculations	78,902	Exempt	<u>3,112</u>
		Total	78,902

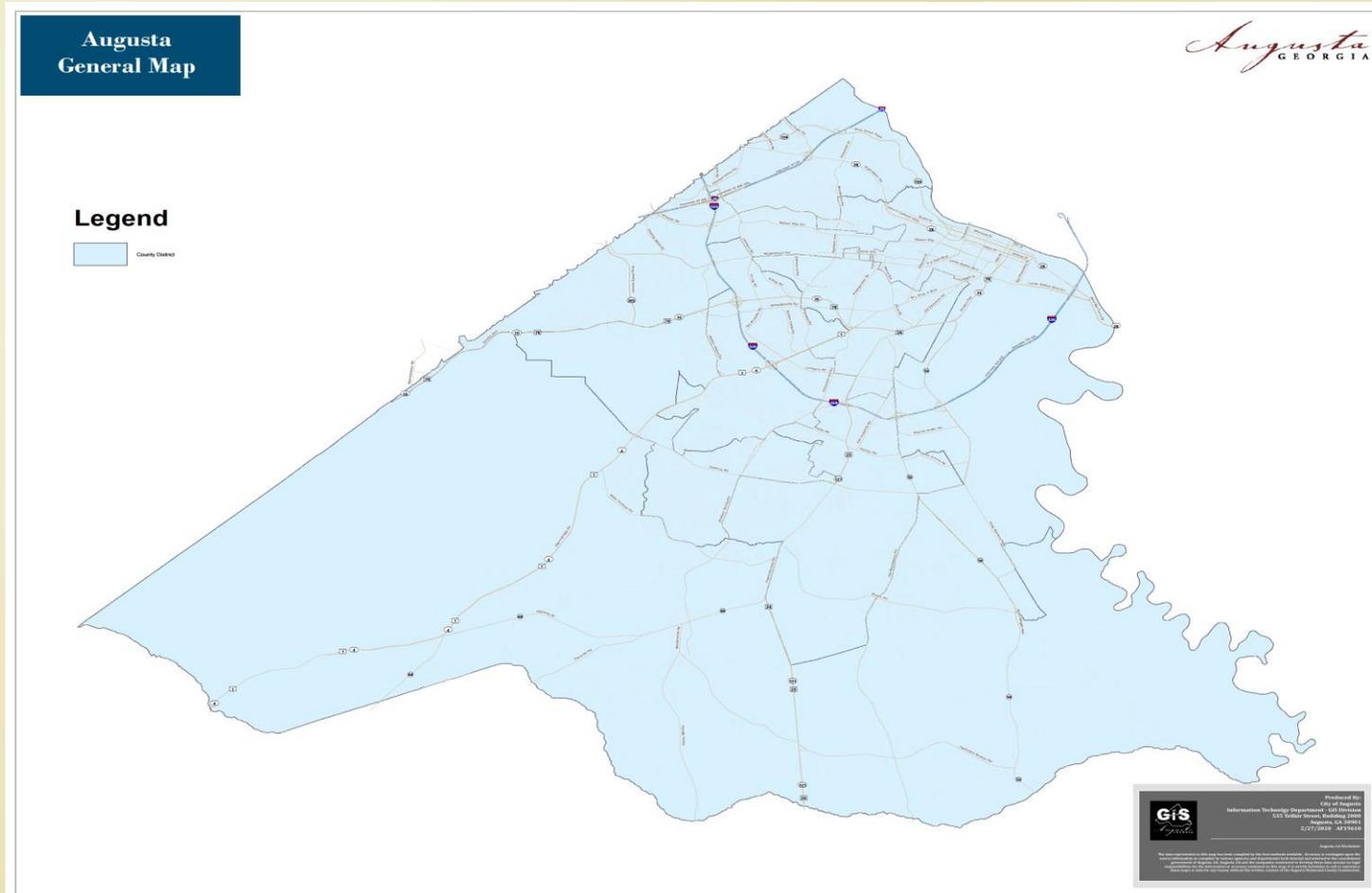
	Total Parcels*	Rate \$100/\$150	Revenue
Residential	69,363	\$ 100	\$ 6,936,300
Commercial	6,427	\$ 150	\$ 964,050
Exempt	<u>3,112</u>	0	\$ -
Total	78,902		\$ 7,900,350
	less bad debt	5%	\$ (395,018)
	net revenue		<u>\$ 7,505,333</u>

* Hephzibah and Blythe parcels excluded - all counted as residential

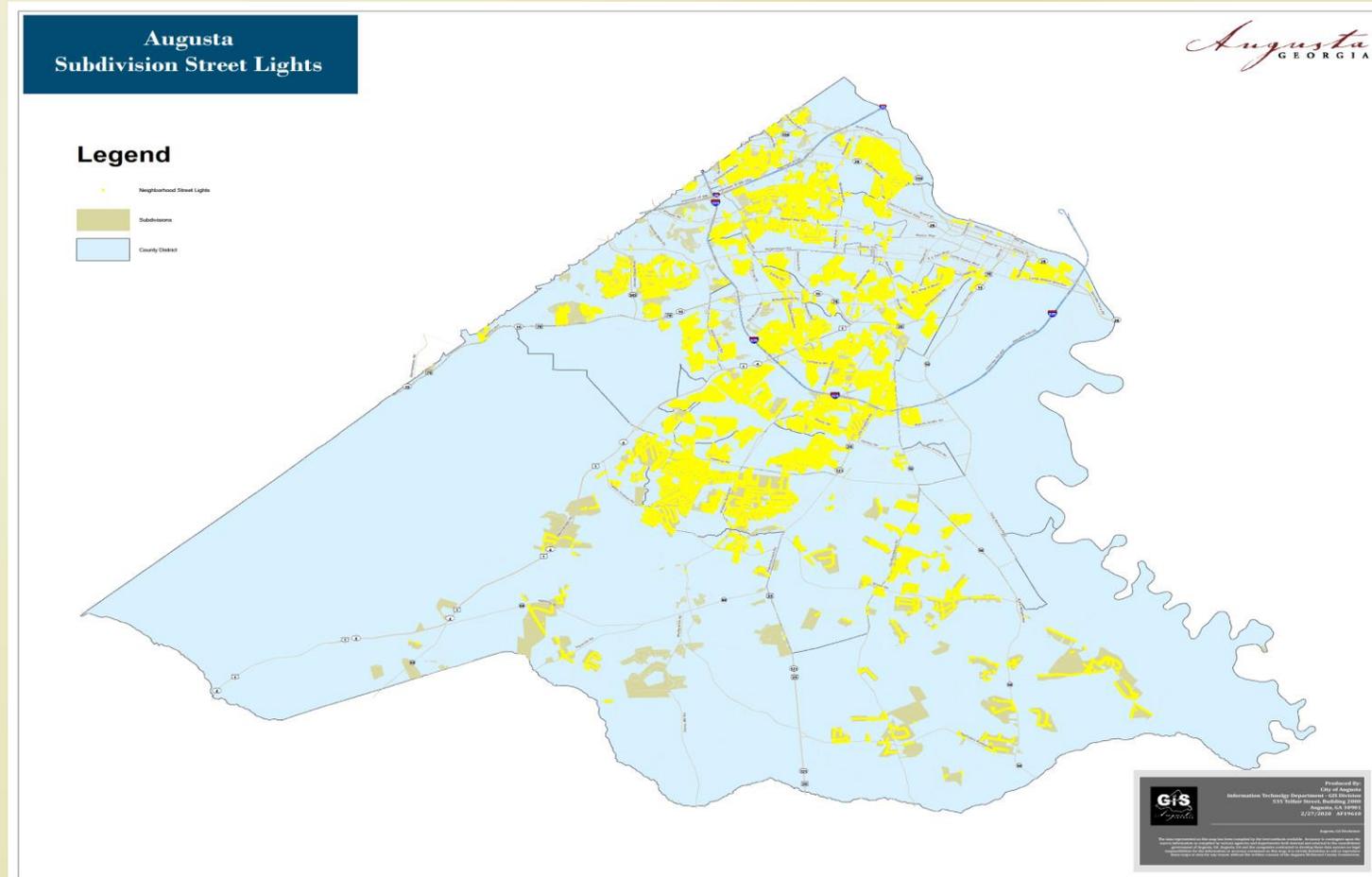
Why Use Base plus Increment?

1. **All** parcels participate in sharing cost of roadway lighting
2. Streetlights system is **fee based**. Fees are associated with level of service
3. Parcels in neighborhoods with lights pay increment associated with increased level of service
4. Tax Exempt parcels, Hephzibah, and Blythe pay **only the base fee**
5. Parcels who pay for lights thru their HOA are **only paying the base fee**
6. **Phase in** parcels in Urban Service District and decrease mill rate accordingly, which follows the model used in implementing the garbage fee

Area benefiting from Roadway Lights



Areas benefitting from Roadway and Neighborhood Street Lights



Calculation of Base Rate

Target Revenue

\$6,500,000

BASE RATE

to cover 60% arterial cost all parcels pay

Commercial base 50% higher than Residential and Exempt

	Number of Parcels	Rate	gross revenue	net revenue
Residential and Exempt	74,940	\$ 48.54	3,637,344.55	
Commercial	6,427	\$ 72.81	467,918.60	
revenue generated		\$ 4,105,263	\$ 4,105,263	
5% bad debt		\$ 205,263		
net revenue		\$ 3,900,000		\$ 3,900,000

INCREMENTAL RATE

to generate 40% revenue for those with street lights

	\$ 2,736,842 target		\$ 2,600,000
5% bad debt	\$ 136,842		
gross needed	\$ 2,600,000	\$ 2,600,000	
		\$ 6,705,263	\$ 6,500,000

Calculation of Increment

Calculation of Increment

Calculation of Increment	
Hephzibah, Blythe and exempt excluded from increment	Parcels*
Residential	54,328
Commercial	6,356
Exempt	-
	<hr/>
	60,684
Incremental amount	
Residential	\$ 42.86
commercial 50% higher	\$ 64.28
Total bill including base	
Residential	\$ 91.39
Commercial	\$ 137.09

RATES	
Residential without Streetlights (this includes Hephzibah and Blythe)	\$ 48.54
All Urban Service District Residential	\$ 48.54
All Tax Exempt parcels	\$ 48.54
Residential paying HOA for street lights	\$ 48.54
Residential currently billed for Streetlights	\$ 91.39
All Commercial	\$ 137.09

Phase in Process for Urban

Phase in Urban Service District Over Two Years

Background: Urban Service district parcels currently pay for street lights thru their millage rate.

There is currently no accurate information concerning which neighborhoods or subdivisions have an enhanced level of service in the urban service district from placement of street lights in their neighborhood.

Proposal: In year one, residential parcels in the Urban Service District will pay **only the base fee**. The remainder of the calculated charge will be transferred from the tax collections in Urban Service district to the Streetlighting Special Revenue fund. The millage rate for Urban Service district will be **reduced** by the amount of revenue collected from the base fee.

In year two, an accurate assessment of the location of neighborhood lighting and service levels will be complete. Urban Service district residents will be billed in the same manner as those in the Suburban district. The additional amount of revenue from direct billing will be converted to a mill rate and the millage set in the Urban Service district will be **reduced** by a corresponding amount.

Calculation of Mill Reduction for Base

<u>Urban Parcels Only</u>		<u>Base Fee</u>	<u>Revenue Billed</u>	
Residential	13,558	\$ 48.54	\$ 658,105.32	
			less 7%	delinquency rate
			\$ 612,037.95	projected net revenue
2019 urban service district net digest		\$ 904,049,000	0.68	equivalent mill rate
		2019 Urban Mill Rate	5.162	
		Less computed credit	-0.68	
		Reduced Mill Rate	4.485	

Effect of Credit on Urban Tax Bill

Value of Home	\$100,000	\$ 150,000	\$ 200,000	\$ 300,000
Percent Assessed	40%	40%	40%	40%
Assessed Value	\$40,000	\$60,000	\$80,000	\$120,000
Homestead Exp	-5,000	-5,000	-5,000	-5,000
Taxable Value	\$35,000	\$55,000	\$75,000	\$115,000
Change Due to Rate Adjustment	Mills	Mills	Mills	Mills
Urban Service District	-0.68	-0.68	-0.68	-0.68
Effect of Reduction to Bill	(\$23.80)	(\$37.40)	(\$51.00)	(\$78.20)
Addition of Base Fee	48.67	48.67	48.67	48.67
Net Effect	\$24.87	\$11.27	(\$2.33)	(\$29.53)

Choices for Home Owners' Associations

1. Continue to operate “as is”. Resident pays HOA. HOA pays electrical bill for streetlights. Resident pays base charge to Augusta for arterial roadway lighting.
2. HOA can request Augusta to absorb their lighting district, subject to it conforming to Augusta standards. Then electrical bill comes to Augusta. HOA can reduce charge to resident. Resident then pays base plus increment to Augusta.

Actions Needed

- Agree upon a billing methodology
- Agree upon an appropriate target revenue
- Devise a plan to systematically eliminate the deficit

This plan should be in place prior to the completion of the 2019 financial audit, to demonstrate that the government has taken corrective action and avoid an audit finding relating to the ongoing deficit.

Actions Needed

- Adopt the rate structure, prior to July 1, 2020. This insures that there is adequate time to test and implement the rate structure prior to issuance of tax bills.
- Plan for review of rate structure **regularly** to avoid insufficient revenue stream

Questions – Comments

