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TRANSMITTAL

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|------------------------|------------------------------|------------------|
| TO The City Council | DATE 03/14/2025 | COUNCIL FILE NO. |
| FROM The Mayor | COUNCIL DISTRICT Citywide | |

INDEPENDENT FINANCIAL ANALYSIS OF THE
REVENUE REQUIREMENTS OF THE CITY STREET LIGHTING SYSTEM

Transmitted for your consideration. See the
City Administrative Officer report attached.



MAYOR
(Carolyn Webb de Macias for)

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 14, 2025

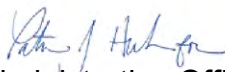
CAO File No. 0220-06297-0000

Council File No.

Council District: Citywide

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer



Reference: Street Lighting Maintenance and Assessment Fund

Subject: **INDEPENDENT FINANCIAL ANALYSIS OF THE REVENUE REQUIREMENTS
OF THE CITY STREET LIGHTING SYSTEM**

RECOMMENDATIONS

1. That the Mayor and City Council approve placing an assessment increase for the City street lights before the voters, consistent with the requirements of Proposition 218;
2. That the Mayor Instruct the Public Works Bureau of Street Lighting and the City Clerk and request the City Attorney to pursue the steps necessary to facilitate a Proposition 218 balloting process to adjust assessment fees to the necessary level required to maintain and operate the City Street Lighting System; and,
3. Send this report and the attached consultant report to the City Council pursuant to their request (C.F. 24-0600-S114).

SUMMARY

On August 22, 2024, the Mayor's Office tasked this Office with conducting an analysis of the revenue requirements for maintaining and operating the City street lighting system considering the significant increase of labor and material costs following the pandemic, the increase in copper wire theft, and the potential cost impacts of solar powered lights. In the 2024-25 First Financial Status Report, the Council and Mayor approved the transfer and appropriation of funds to the Office of the City Administrative Officer Contractual Services Account to fund the study.

Matrix Consulting Group, Ltd. was hired to perform the study. The results of Matrix's analysis are intended to provide the Bureau of Street Lighting (Bureau) and the City with an indication of the projected financial need to properly maintain the City street lighting system based upon the judgement of an independent third party, instead of the Bureau of Street Lighting. The Final Revenue Requirements Study is attached.

The City Attorney has opined that every light has both a Special Benefit (that can be funded by property assessments) and a General Benefit (that must be funded by the City General Fund or

other discretionary funds). System-wide the Special Benefit will be 89.41 percent and the General Benefit will be 10.59 percent. Therefore, even if Assessments are increased, the City must still fund 10.59 percent of the street lighting system.

Matrix reports that the City street light assessments are set at 45 percent of the level required to properly maintain and operate the system and that, on average, property assessments need to increase at an average of 123 percent in 2025-26. For comparison, the Consumer Price Index (CPI) increased at approximately 111 percent from 1996 to 2024. See table below:

| Category | FY25-26 | FY26-27 | FY27-28 | FY28-29 | FY29-30 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Requirements | \$111,760,006 | \$117,250,548 | \$122,264,297 | \$122,748,863 | \$128,163,452 |
| Less General Benefit Cost (10.59%) | \$11,835,385 | \$12,416,833 | \$12,947,789 | \$12,999,105 | \$13,572,510 |
| Total Assessment Requirements | \$99,924,622 | \$104,833,715 | \$109,316,508 | \$109,749,758 | \$114,590,942 |
| Assessment Revenue | \$44,831,789 | \$45,327,924 | \$45,876,785 | \$46,483,400 | \$47,153,283 |
| Annual Surplus/(Deficit) or Potential Revenue | (\$55,092,832) | (\$59,505,791) | (\$63,439,723) | (\$63,266,358) | (\$67,437,660) |
| ♦ of Parcels | 550,710 | 551,644 | 552,652 | 553,737 | 554,903 |
| Avg Cost / Parcel | \$181.45 | \$190.04 | \$197.80 | \$198.20 | \$206.51 |
| Current Avg Rev / Parcel | \$81.41 | \$82.17 | \$83.01 | \$83.94 | \$84.98 |
| Surplus / (Deficit) | (\$100.04) | (\$107.87) | (\$114.79) | (\$114.25) | (\$121.53) |
| Cost Recovery % | 45% | 43% | 42% | 42% | 41% |
| % Increase | 123% | 131% | 138% | 136% | 143% |

The reason for the large increase is that most property assessments have been frozen since 1996. As a result, the City contributed discretionary funds (i.e. General Fund and Gas Tax). Due to the competing interest for those funds, the City was unable to provide sufficient funding.

Increasing property assessments would potentially have an overall benefit to the City General Fund and provide better service levels to City constituents.

- In the 2024-25 Adopted Budget, the City General Fund provided a \$17 million subsidy to the Street Lighting Maintenance Assessment District, which is \$5.2 million more than the estimated General Benefit cost in 2025-26 of \$11.8 million. Another \$14.6 million in other City discretionary funds were provided, for a total subsidy of \$19.8 million.
- Insufficient funds has made it challenging to address routine maintenance which has been further exacerbated by issues of copper wire and power theft. On October 16, 2024, the Bureau of Street Lighting reported the response times shown in the following table:

| Average Response Time to Complete Incident - Days | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| Incident Type | FY 16/17 | FY 17/18 | FY 18/19 | FY 19/20 | FY 20/21 | FY 21/22 | FY 22/23 | FY 23/24 |
| Single Light Out | 5 | 7 | 10 | 21 | 30 | 44 | 89 | 128 |
| Multiple Lights Out | 9 | 16 | 21 | 37 | 35 | 47 | 103 | 146 |
| Copper Wire Theft | 12 | 21 | 35 | 62 | 38 | 55 | 127 | 110 |
| Power Theft * | N/A | N/A | N/A | N/A | 23 | 47 | 82 | 99 |
| Post Hit ** | 58 | 69 | 118 | 152 | 109 | 168 | 190 | 255 |
| Conduit Hit | 4 | 19 | 24 | 33 | 18 | 22 | 44 | 83 |

The funding level recommended by Matrix will allow the Bureau to reduce service response times to two days, allow for preventative maintenance to further the lifespan of lighting assets, and establishing a pole replacement program.

Should the City pursue an increase in assessments, the City will need to comply with the requirements of Proposition 218 which requires voter approval for general and special taxes. A “general tax” is defined as “any tax imposed for general governmental purposes.” A “special tax” is defined as “any tax imposed for specific purposes, including a tax imposed for specific purposes, which is placed into a general fund.” Parcel taxes are considered special taxes.

The Mayor may direct the Bureau to initiate the process for a Prop 218 ballot vote to adjust assessments to meet the needs of maintaining the street lighting system. Once requested the process would follow these steps:

- The Bureau will prepare an Engineers Report produced by a Registered Professional Engineer certified by the State of California.
 - The report must quantify the proportionate special benefit derived by each identified parcel subject to the proposed assessment in relationship to the entirety of the capital cost of the public improvements or services being provided, and must calculate the amount of the assessment to be imposed on each identified parcel.
- The Engineers Report will then be reviewed by the City Attorney to determine if there have been any subsequent changes in the law that may impact the recommendations in the report.
- After approval by the City Attorney, the Bureau will submit a report to the Board of Public Works and subsequently to City Council.
- If approved by the City Council the following items will be submitted to the City Clerk.
 - Copies of the Board and Council approvals;
 - Ordinance of Intention; and

- Council approved Ordinance.
- The City Clerk will prepare and publish public notices and send out ballot information.
- Following the election the City Attorney will prepare a final ordinance according to the ballot results and submit to City Council.

BACKGROUND

The City has been exploring the need to increase the amount assessed to property owners to pay ongoing costs of the City Street Lighting System. Increases must be approved by the majority of benefiting property owners under the Proposition 218 process. Proposition 218, the "Right to Vote on Taxes Act," was passed by California voters in 1996 and froze existing street lighting assessments, as the City could no longer increase assessments without obtaining voter approval. The City's streetlight system is segmented into the four following districts:

1. Los Angeles City Lighting District (LACLD): This district includes about 510,000 parcels. The assessments in this district are frozen. This includes all districts confirmed prior to 1996 and totals about two-thirds of the City's streetlights. This district requires a Proposition 218 vote to increase assessments.
2. 1996/97 Z Series Districts: This district includes about 1,600 parcels. The assessments in this district are frozen. This includes districts that were confirmed just prior to the approval of Proposition 218. These districts require a Proposition 218 vote to increase assessments.

The following districts were confirmed after 1996 based upon Proposition 218 requirements requiring parcel owner votes and they include approximately 37,000 parcels.

3. Proposition 218 Confirmed Benefiting Frontage Districts: The assessments incorporate the Consumer Price Index (CPI) to allow for increases related to inflation. The assessment amount is based upon benefit frontage.
4. Proposition 218 Confirmed Land Use Districts: The assessments incorporate the CPI to allow for increases related to inflation. These parcels are assessed an amount determined based upon the Land Use.

In this study, the Matrix Consulting Group utilized a variety of data collection including comparisons to industry standards and analytical techniques to develop recommendations and model five fiscal scenarios regarding staffing levels and financial inputs and conducted current and future fiscal projections of the Bureau's financial needs on an annual and per-parcel basis. The Special Benefit calculation developed by Matrix aligns with legal requirements that each light has a special and general benefit. System-wide the Special Benefit will be 89.41 percent (paid for by the assessments) and the General Benefit will be 10.59 percent (paid for by the City's General Fund).

The scenarios are as follows:

- Scenario One: The assessment level to support current staffing and equipment.
- Scenario Two: The assessment level to support staffing increases as recommended by Matrix without including pole replacement costs.
- Scenario Three: The assessment level required for a pole replacement program as recommended by Matrix but does not include staffing changes.
- Scenario Four: Combines both Scenario 2 (recommended staffing increases) and Scenario 3 (recommended equipment and replacement costs) into one scenario. This is Matrix's recommended approach.
- Scenario Five: Includes all staffing and equipment costs specifically requested as part of the Bureau of Street Lighting's long-term operational plan. This has additional staff, equipment and replacement costs beyond those in Scenario 4.

Matrix recommends a series of changes in scenario four that are intended to reduce service response times to two days, allow for preventative maintenance to further the lifespan of lighting assets, and establishing a pole replacement program. The summary of Matrix's recommendations are as follows:

| # | Type | Recommendation | Cost Impact |
|---|-----------|---|-------------|
| 1 | Staffing | The Bureau should budget for and reinstate six (6) positions eliminated in maintenance support and system operations. | \$796,447 |
| 2 | Staffing | The Bureau should add eleven (11) positions to support the fortification efforts related to reducing copper wire theft to reduce response times. | \$1,604,513 |
| 3 | Staffing | The Bureau should increase its maintenance support positions by 42.5 positions to effectively implement appropriate maintenance levels and standards. | \$6,279,247 |
| 4 | Staffing | No change should be made in the number of crews assigned to pole painting. | n/a |
| 5 | Staffing | To implement a pole and foundation replacement program aligned with an adopted service levels for infrastructure replacement, the Bureau should add 30 maintenance positions. | \$4,609,611 |
| 6 | Staffing | With increases in the number of maintenance staff, and to address current deficiencies in support personnel that are impacting crew productivity or efficiency, the Bureau should add 17 support positions. | \$2,236,752 |
| 7 | Financial | Pole replacement materials costs should be budgeted to support the recommended pole replacement program. | \$8,763,500 |

| # | Type | Recommendation | Cost Impact |
|----|-----------|--|-------------|
| 8 | Financial | To accommodate staffing increases as well as improve existing service levels a new corporation yard should be added in the southern part of the City. This expenditure should be capitalized and included in the assessment calculation. | \$1,800,000 |
| 9 | Financial | The Bureau needs to budget for fleet and equipment costs directly associated with new staff positions. | \$2,063,530 |
| 10 | Financial | The Bureau should set aside reserves at 5% of operating and maintenance costs and develop a formalized reserve policy to achieve that target over a period of 10 years. The reserve amount should begin its incorporation into the budget in Year 4 of the plan. | N / A |

Matrix's recommended additions total to \$28,153,600 for 2025-26. In the report Matrix also identified an assessment shortfall of \$27,166,386 to support the Bureau in 2024-25. These two numbers combined total \$55,319,986. Additional 2025-26 adjustments reflected in the financial model for CPI increases, reductions in anticipated overtime expenditures, hiring hall, and other expense accounts contribute toward the projected \$55,092,832 needed in assessments for 2025-26.

FISCAL IMPACT STATEMENT

Should an assessment increase be approved as recommended, an estimated \$55.1 million in additional assessment revenue could be available in the first year, improving the service level for the street lighting system. The average annual parcel assessment would increase by \$100, although exact increases will vary by parcel. An estimated \$19.8 million of City discretionary revenue would be able to be deployed elsewhere in the City Budget, improving service levels outside of the street lighting system.

FINANCIAL POLICIES STATEMENT

The recommendations in this report complies with the City Financial Policies in that the goal for all special funds is to fully reimburse the General Fund for all direct expenditures and related costs provided to support their programs.

MWS:ADN:06250077

Attachment

Bureau of Street Lighting Financial Assessment
LOS ANGELES, CA

March 14, 2025



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1. Introduction and Executive Summary

The Matrix Consulting Group was retained to conduct an assessment of the financial needs of the City of Los Angeles Bureau of Street Lighting (Bureau or BSL). This evaluation included reviewing the Bureau's already established direct and indirect costs and conducting a staffing and operational analysis to recommend any additional costs that should be incorporated into the financial analysis. This report presents the results of the analysis of the financial needs assessment for the Bureau of Street Lighting.

1. Background and Overview

The Bureau of Street Lighting provides three main operational functions: Assessment Lighting, General Benefit Lighting, and Special Services/Projects. The Assessment Lighting function of the Bureau is in direct relation to the operations and maintenance of street lights throughout the City of Los Angeles on privately owned parcels. The General Benefit lighting is in relation to city or county-operated street lights and special services and projects are in relation to grant-funded or development-related activities. Each parcel has an assessment amount depending upon which district it is in, the size of the parcel, the specific benefit being received, and the type of parcel (residential or commercial). These assessments are accounted for in the Street Lighting Maintenance Assessment Fund (SLMAF).

The scope of this study was to conduct a financial evaluation of the SLMAF, to determine its current financial needs, and to incorporate into the financial analysis any deficiencies related to staffing and other operational requirements, that are allowable but are currently not budgeted for in SLMAF. The SLMAF is currently divided into four districts, two of which were adopted by resolution prior to Proposition 218, and two post Proposition 218, which are allowed annual increases in assessments based upon CPI. The two pre-Proposition 218 districts, which comprise approximately 98% of the total parcels in the SLMAF, have had their assessments frozen since the passage of Proposition 218 in 1996.

The results of this analysis are intended to provide the Bureau and the City with an indication of the current and projected financial state of SLMAF based upon the existing methodology associated with parcel assessments. The results of this analysis are not in lieu of an Engineer's Assessment report, which would be necessary to calculate updated parcel tax assessments per parcel.

2. Study Scope and Methodologies

In this study, the Matrix Consulting Group utilized a variety of data collection and analytical techniques including the following activities:

- Interviewed staff in the Bureau of Street Lighting to obtain an understanding of current practices, processes, staffing levels and financial needs.
- Reviewed prior and current labor hour information by project for staff in the Bureau of Street Lighting to evaluate staffing utilization.
- Conducted an evaluation of the Bureau's current financial state (labor and non-labor requirements) and developed a model to project future cost increases.
- Evaluated current staffing levels and recommended positions necessary to enable the BSL to implement maintenance programs that align with industry standards, to reduce workload backlogs, and to address service request timelines that far exceed acceptable levels.

Based upon these activities, the project team developed recommendations regarding staffing levels and financial inputs and conducted a current and future fiscal projection of the Bureau's financial needs on an annual and per-parcel basis. To this end, the project team developed five scenarios for financial modeling:

- Scenario One: Contains no changes in recommended staffing or equipment.
- Scenario Two: Includes only pole and foundation replacement costs and a reserve as recommended in this report and no staffing changes.
- Scenario Three: Includes only staffing increases as recommended in this report and not pole and foundation replacement costs or a reserve.
- Scenario Four: Combines both Scenario 2 (recommended pole and foundation replacement costs and a reserve) and Scenario 3 (recommended staffing increases) into one scenario. This is the recommended scenario.
- Scenario Five: Includes all staffing and equipment costs specifically requested as part of the Bureau of Street Lighting's long-term operational plan. This has additional staff, equipment and replacement costs beyond those in Scenario 4.

Later portions of this report focus on scenarios one and four. Scenario one is used as a baseline to show projected costs with no major operational changes. Scenario four

represents the costs associated with operational changes recommended by the project team.

3. Summary of Financial Needs Assessment

Based on the financial needs assessment and analysis, recommendations were developed to address both staffing requirements and financial practices. The following table outlines the specific recommendations and indicates the type of recommendation (staffing or financial), the recommendation itself, as well as the initial cost impact of the recommendation:

| Summary of Recommendations and Implementation Plan | | | |
|--|-----------|--|-------------|
| # | Type | Recommendation | Cost Impact |
| 1 | Staffing | The Bureau should budget for and reinstate six (6) positions eliminated in maintenance support and system operations. | \$796,447 |
| 2 | Staffing | The Bureau should add eleven (11) positions to support the fortification efforts related to reducing copper wire theft to reduce response times. | \$1,604,513 |
| 3 | Staffing | The Bureau should increase its maintenance support positions by 42.5 positions to effectively implement appropriate maintenance levels and standards. | \$6,279,247 |
| 4 | Staffing | No change should be made in the number of crews assigned to pole painting. | n/a |
| 5 | Staffing | To implement a pole and foundation replacement program aligned with an adopted service levels for infrastructure replacement, the Bureau should add 30 maintenance positions. | \$4,609,611 |
| 6 | Staffing | With increases in the number of maintenance staff, and to address current deficiencies in support personnel that are impacting crew productivity or efficiency, the Bureau should add 17 support positions. | \$2,236,752 |
| 7 | Financial | Pole replacement materials costs should be budgeted to support the recommended pole replacement program. | \$8,763,500 |
| 8 | Financial | To accommodate staffing increases as well as improve existing service levels a new corporation yard should be added in the southern part of the City. This expenditure should be capitalized and included in the assessment calculation. | \$1,800,000 |
| 9 | Financial | The Bureau needs to budget for fleet and equipment costs directly associated with new staff positions. | \$2,063,530 |

| # | Type | Recommendation | Cost Impact |
|----|-----------|--|-------------|
| 10 | Financial | The Bureau should set aside reserves at 5% of operating and maintenance costs and develop a formalized reserve policy to achieve that target over a period of 10 years. The reserve amount should begin its incorporation into the budget in Year 4 of the plan. | N / A |

The results of the staffing analysis indicate the need for a total of 106.5 additional FTE at a total base annual salary of \$15,526,570. The following table shows, by functional support area, the position title and the proposed number of staff being recommended to be added to the Bureau:

| Functional Area | Position Title | FTE to be Added |
|---------------------|--|-----------------|
| System Operations | Maintenance and Construction Helper | 2.00 |
| System Operations | Mechanical Helper | 1.00 |
| System Operations | Welder | 1.00 |
| System Operations | Streetlighting Electrician | 2.00 |
| Maintenance Support | Assistant Street Lighting Electrician | 6.00 |
| Maintenance Support | Cement Finisher | 4.00 |
| Maintenance Support | Electrical Craft Helper | 9.00 |
| Maintenance Support | Maintenance and Construction Helper | 4.00 |
| Maintenance Support | Mechanical Helper | 2.00 |
| Maintenance Support | Street Lighting Electrician | 8.00 |
| Maintenance Support | Street Lighting Electrician Supervisor | 3.00 |
| Maintenance Support | Welder Supervisor | 1.00 |
| Maintenance Support | Welder | 4.00 |
| Maintenance Support | Cement Finisher Supervisor | 1.00 |
| Maintenance Support | Street Lighting Engineering Associate II | 0.50 |
| Fortify Maintenance | Assistant Street Lighting Electrician | 2.00 |
| Fortify Maintenance | Cement Finisher | 1.00 |
| Fortify Maintenance | Electrical Craft Helper | 2.00 |
| Fortify Maintenance | Mechanical Helper | 1.00 |
| Fortify Maintenance | Street Lighting Electrician | 2.00 |
| Fortify Maintenance | Street Lighting Electrician Supervisor | 1.00 |
| Fortify Maintenance | Welder | 1.00 |
| Fortify Maintenance | Cement Finisher Worker | 1.00 |
| P&F Replacement | Assistant Street Lighting Electrician | 5.00 |
| P&F Replacement | Cement Finisher | 2.00 |
| P&F Replacement | Electrical Craft Helper | 3.00 |
| P&F Replacement | Maintenance and Construction Helper | 4.00 |
| P&F Replacement | Mechanical Helper | 1.00 |
| P&F Replacement | Street Lighting Electrician | 5.00 |
| P&F Replacement | Street Lighting Electrician Supervisor | 1.00 |
| P&F Replacement | Welder | 4.00 |
| P&F Replacement | Street Lighting Engineering Associate II | 4.00 |

| Functional Area | Position Title | FTE to be Added |
|------------------------------------|---|-----------------|
| P&F Replacement | Street Lighting Engineering Associate III | 1.00 |
| Admin Support | Senior Administrative Clerk | 2.00 |
| Admin Support | Systems Analyst | 1.00 |
| Admin Support | Senior Management Analyst I | 1.00 |
| Admin Support | Management Analyst | 3.00 |
| Admin Support | Senior Storekeeper | 1.00 |
| Admin Support | PR Storekeeper | 1.00 |
| Admin Support | Storekeeper II | 4.00 |
| Admin Support | Warehouse and Toolroom Worker I | 2.00 |
| Admin Support | Accounting Clerk | 1.00 |
| Admin Support | Administrative Clerk | 1.00 |
| TOTAL POSITIONS TO BE ADDED | | 106.5 |

For the purposes of the financial projection model, it was assumed that the additional FTEs would be added to the Bureau in FY25-26 to address the immediate staffing deficiency as well as to have the greatest immediate impact on improving service levels. This also allows for a total cost impact to be developed via financial modeling shown later in this report. The City or Bureau may consider a staggered rollout of new positions over multiple years, which would subsequently spread out staffing and equipment costs over a longer period of time.

The impact to the service levels will include the following:

- **Reduction in service response times:** By increasing the staffing resources dedicated to copper wire theft, the Bureau will be able to utilize the existing maintenance crews to respond to service outages in a timely manner and meet the best practices standards of 2 working days.
- **Emphasis on Preventive Maintenance:** The focus on pole painting is shifting the Bureau's focus on preventive maintenance to one that is proactive rather than reactive. The proactive maintenance helps extend the life and usefulness of the street light poles.

Based upon the increased staffing levels as well as the financial recommendations, a financial projection model was developed to project the costs and revenues associated with SLMAF for the current year as well as five years into the future. This financial projection model takes into account cost increases associated with salaries, services, goods, supplies, energy costs, general fund reimbursement, benefits costs; as well as increased costs related to the acquisition of new equipment and new space for the increased staffing levels. The following table presents the results of this financial analysis by fiscal year:

| Category | FY25-26 | FY26-27 | FY27-28 | FY28-29 | FY29-30 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Requirements | \$111,760,006 | \$117,250,548 | \$122,264,297 | \$122,748,863 | \$128,163,452 |
| Less General Benefit Cost (10.59%) | \$11,835,385 | \$12,416,833 | \$12,947,789 | \$12,999,105 | \$13,572,510 |
| Total Assessment Requirements | \$99,924,622 | \$104,833,715 | \$109,316,508 | \$109,749,758 | \$114,590,942 |
| Assessment Revenue | \$44,831,789 | \$45,327,924 | \$45,876,785 | \$46,483,400 | \$47,153,283 |
| Annual Surplus / (Deficit) or Potential Revenue | (\$55,092,832) | (\$59,505,791) | (\$63,439,723) | (\$63,266,358) | (\$67,437,660) |
| # of Parcels | 550,710 | 551,644 | 552,652 | 553,737 | 554,903 |
| Avg Cost / Parcel | \$181.45 | \$190.04 | \$197.80 | \$198.20 | \$206.51 |
| Current Avg Rev / Parcel | \$81.41 | \$82.17 | \$83.01 | \$83.94 | \$84.98 |
| Surplus / (Deficit) | (\$100.04) | (\$107.87) | (\$114.79) | (\$114.25) | (\$121.53) |
| Cost Recovery % | 45% | 43% | 42% | 42% | 41% |
| % Increase | 123% | 131% | 138% | 136% | 143% |

Based upon this analysis, in FY25-26, the Bureau of Street Lighting should, on average, be assessing parcels at approximately \$181.45 compared to the average assessment of \$81.41 in the prior fiscal year. Note that this calculation refers to the “Total Assessment Requirements” value. This accounts for the 89.41% assessment eligibility rate, meaning that 10.59% of the “Total Requirements” is allocated to general benefits.

4. Summary of Financial Projections

Overall, many different cost factors such as salaries, consumer price indexes, and average charges have been considered in the development of this financial model. The following table shows by major cost category the total requirements projected for the Street Lighting Bureau by Fiscal Year:

| Expense Subcategory | FY25-26 Amount | FY26-27 Amount | FY27-28 Amount | FY28-29 Amount | FY29-30 Amount |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Other City Dept. Support | \$1,691,047 | \$1,744,582 | \$1,799,827 | \$1,856,834 | \$1,915,661 |
| Street Lighting Requirements | \$51,279,050 | \$52,930,972 | \$54,742,994 | \$56,194,043 | \$57,332,376 |
| Capital Improvement Costs | \$1,794,032 | \$1,794,032 | \$1,794,032 | \$1,794,032 | \$1,794,032 |
| Pole Replacement | \$9,026,357 | \$8,874,966 | \$9,141,324 | \$9,331,460 | \$9,525,551 |
| Energy & Maint. Charges | \$12,226,690 | \$12,709,645 | \$13,211,675 | \$13,733,537 | \$14,276,011 |
| Other Costs | \$35,742,831 | \$39,196,351 | \$41,574,445 | \$39,238,957 | \$40,919,821 |
| Reserve | \$0 | \$0 | \$0 | \$600,000 | \$2,400,000 |
| TOTAL REQUIREMENTS | \$111,760,006 | \$117,250,548 | \$122,264,296 | \$122,748,863 | \$128,163,452 |

| | | | | | |
|--------------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| ASSESSMENT REQUIREMENTS | \$99,924,622 | \$104,833,715 | \$109,316,507 | \$109,749,758 | \$114,590,942 |
|--------------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|

The overall requirements for the Bureau range from approximately \$111 million in FY25-26 increasing to a high of \$128 million in FY29-30. Assessment requirements (accounting for the 10.59% allocated to general benefits) range from \$99 million to \$114 million. These requirements account for all allowable direct and indirect costs associated with the operations and maintenance of the City's assessment districts. When considering the calculation of a revised parcel assessment, all of these costs should be taken into consideration.

The following table compares the Bureau's projected requirements to the overall projected revenues for the Bureau by fiscal year, as well as the resulting surplus/(deficit):

| Category | FY25-26 Amount | FY26-27 Amount | FY27-28 Amount | FY28-29 Amount | FY29-30 Amount |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Requirements | \$111,760,006 | \$117,250,548 | \$122,264,296 | \$122,748,863 | \$128,163,452 |
| Assessment Requirements | \$99,924,622 | \$104,833,715 | \$109,316,507 | \$109,749,758 | \$114,590,942 |
| Total SLMAF Revenue | \$44,831,789 | \$45,327,924 | \$45,876,785 | \$46,483,400 | \$47,153,283 |
| SURPLUS/(DEFICIT) TOTAL REQUIREMENTS | (\$66,928,217) | (\$71,922,624) | (\$76,387,511) | (\$76,265,463) | (\$81,010,169) |
| SURPLUS/(DEFICIT) ASSESSMENT REQUIREMENTS | (\$55,092,833) | (\$59,505,791) | (\$63,439,722) | (\$63,266,358) | (\$67,437,659) |

The annual SLMAF deficit for the Bureau ranges from a low of \$66.9 million in FY25-26 to a high of \$81 million in FY29-30. The assessment requirements deficit ranges from \$55 million to \$67.4 million.

To provide further context to this deficit, the assessment requirements and the revenues were compared on a per-parcel basis. The following table shows on a per parcel basis the average cost per parcel, the average revenue per parcel, and the resulting surplus/(deficit) per parcel. Note that cost per parcel is calculated based on the assessment requirements (less the 10.59% allocated to general benefits).

| Category | FY25-26 Amount | FY26-27 Amount | FY27-28 Amount | FY28-29 Amount | FY29-30 Amount |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Avg. Cost/Parcel | \$181.45 | \$190.04 | \$197.80 | \$198.20 | \$206.51 |
| Current Avg. Revenue/Parcel | \$81.41 | \$82.17 | \$83.01 | \$83.94 | \$84.98 |
| Avg. Surplus or Deficit/Parcel | (\$100.04) | (\$107.87) | (\$114.79) | (\$114.26) | (\$121.53) |

On a per parcel basis, the average deficit ranges from \$100 to \$121 per parcel. This is a significant deficit on a per parcel basis, and for some parcels in the City would represent a 100% or more increase in assessment amounts.

The following table shows based upon the average assessment amounts calculated per parcel, the annual percentage increases or changes. Again, assessment amounts account for the 10.59% allocated to general benefits:

| Fiscal Year | Avg Assessment Per Parcel | % Difference from Prior Year |
|--------------------|--------------------------------------|---|
| FY24-25 | \$79 | |
| FY25-26 | \$181 | 130% |
| FY26-27 | \$190 | 5% |
| FY27-28 | \$198 | 4% |
| FY28-29 | \$198 | 0% |
| FY29-30 | \$207 | 4% |

As the table indicates, the largest increase in average assessment amount would occur in the first fiscal year, at 130%. It is important to note that the cost-per-parcel projections in this report are merely representative of an average. The actual cost per parcel would be determined by an Engineer's Assessment report identifying the specific benefit associated with each parcel. However, the purpose of this financial model is to provide the Bureau and the City with an indication of the maximum allowable requirements needed for the Bureau of Street Lighting to operate and maintain its assessment districts at a high service level.

2. Staffing Analysis

In order to assess the financial needs for the Bureau, a staffing and operational analysis was conducted to determine if there were any additional costs due to staffing or operational inadequacies that should be addressed and included in the financial analysis to be incorporated into the calculation of the Bureau's financial needs.

In projecting the staffing levels that will be required over the planning period in this study, it is necessary to make certain assumptions regarding the staffing component of future costs. These can be summarized as follows:

- Hiring Hall staff will continue to be utilized by BSL for the same functions over the planning period.
- Certain work activities will be emphasized to a greater degree. These include pole painting, LED Testing and Installation, responding to service outage requests, and abatement of outages related to copper wire theft.

The following subsections discuss the key staffing projections related to copper wire theft, pole painting, and support staff.

1. Staffing for Long Term Support

The Matrix Consulting Group provided the Bureau with a prior analysis calculating staffing requirements to address the creation of a pole replacement program, copper wire and power theft, and pole painting. Support staff (for administrative positions) were also included as part of the analysis.

The BSL utilized this analysis to develop long-term staffing projections for a ten-year period for the programs referenced above, as well as others such as Conduit Replacement, ITD support, and Field Technology Maintenance.

The project team reviewed these staffing assumptions developed as part of this plan and incorporated some projections into this updated model:

- Analysis and projections contained in this report pertain specifically to staffing increases for baseline services. This included increased staffing for maintenance support, pole and foundation replacement staff, and fortify maintenance (for CWPT prevention).
- A second scenario includes the total cost for all staff and equipment calculated by the BSL as part of their long-term staffing plan, which was also developed but not

included in this report. This included all prior staffing, and equipment increases but also included staffing for Design and Construction, Lighting Assessment, Conduit Replacement, Lifecycle LED, and an additional dedicated pole replacement contingent for ornamental poles only.

- The total staffing requirement for this scenario is 193.5 additional FTEs (compared to the 106.5 recommended in the primary financial scenario).
- By comparison, total costs for personnel and equipment in this scenario would total \$135,331,021 in year one (compared to \$107,006,221 in the standard model).

The BSL also had several vacant positions eliminated as part of a Citywide budgeting effort. The project team also reviewed these eliminated positions and found that several should be reallocated in order to meet current and future service levels. The positions are as follows:

| Functional Area | Position Title | FTE to be Added |
|-------------------|-------------------------------------|-----------------|
| System Operations | Maintenance and Construction Helper | 2.00 |
| System Operations | Mechanical Helper | 1.00 |
| System Operations | Welder | 1.00 |
| System Operations | Streetlighting Electrician | 2.00 |

These six FTEs were included due to their importance to the core services of the BSL, specifically in the areas of System Operations and Maintenance Support. Design and Construction and Lighting Assessment positions were not included in staffing projections. Note that five maintenance support-type functions were also removed and have been considered in a later section of this analysis.

2. Maintenance Staffing Analysis

This staffing analysis pertains to the maintenance support functions as well as the mitigation of copper wire and power theft (CWPT) incidents. The Bureau of Street Lighting's Field Operations Division (FOD) has been called out consistently to respond to light-out complaints that are primarily due to copper wire and power theft (CWPT). The increased incidents in copper wire thefts have resulted in a diversion from the Bureau's ability to respond to complaints related to general service outages in a timely manner.

In order to quantify the impact of the significant recent increase in copper wire theft, it is necessary to place the demands of crews within the context of a longer period of time. The following table provides the total incidents related to lights out related to copper wire

and power theft, based on performance data as submitted as part of the Bureau's 2025/2026 budget request. Note that 2024 data was incomplete and not included in the averages.

| FY | Reported | Closed |
|----------------|-----------------|---------------|
| 17 | 1,447 | 1,323 |
| 18 | 1,939 | 1,745 |
| 19 | 2,751 | 2,963 |
| 20 | 3,010 | 2,635 |
| 21 | 6,776 | 4,465 |
| 22 | 7,063 | 7,872 |
| 23 | 9,597 | 8,137 |
| 24(YTD) | 1,217 | 3,660 |
| Average | 4,655 | 4,163 |

The table shows a significant increase in CWPT incidents, doubling between 2020 and 2021. In addition, the BSL reports response times exceeding 100 days for CWPT incidents. The BSL has attempted to mitigate CWPT via the fortification of assets, which generally involved welding or setting concrete to prevent access to the BSL's lights.

Additionally, the project team was provided with average response times for various incident types, including copper wire and power theft, spanning the years FY16-17 to FY23-24:

Average Response Time to Complete Incident (Days)

| Incident Type | FY16-17 | FY17-18 | FY18-19 | FY19-20 | FY20-21 | FY21-22 | FY22-23 | FY23-24 |
|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Single Light Out | 5 | 7 | 10 | 21 | 30 | 44 | 89 | 128 |
| Multiple Lights Out | 9 | 16 | 21 | 37 | 35 | 47 | 103 | 146 |
| Copper Wire Theft | 12 | 21 | 35 | 62 | 38 | 55 | 127 | 110 |
| Power Theft | N/A | N/A | N/A | N/A | 23 | 47 | 82 | 99 |
| Post Hit | 58 | 69 | 118 | 152 | 109 | 168 | 190 | 255 |
| Conduit Hit | 4 | 19 | 24 | 33 | 18 | 22 | 44 | 83 |
| Average (All) | 18 | 26 | 42 | 61 | 42 | 64 | 106 | 137 |

All response times have increased dramatically in this time period. Requests were resolved in an average of 18 days in FY16-17 compared to 137 days in FY23-24. These response time figures clearly illustrate a need for additional resources in order to not only address the current backlog of maintenance tasks but to then maintain a higher level of service compared to what is currently being offered. Staffing limitations, as well as an

increase in CWPT incidents, have resulted in extensive response times for core maintenance services such as responding to lights-out issues or hits to lighting infrastructure.

This fortification effort is not currently a standalone program and would require additional staffing to help address this in the long term. Moreover, these fortification efforts require continuous service, particularly when access to the asset is required. Fortifications must be removed in order to engage in regular light maintenance before being put back in place. The project team recommends the creation of a dedicated fortification team to address continued efforts in this area, consisting of a total of 11 FTEs:

| Position | Count |
|--|--------------|
| Assistant Street Lighting Electrician | 2.00 |
| Cement Finisher | 1.00 |
| Electrical Craft Helper | 2.00 |
| Mechanical Helper | 1.00 |
| Street Lighting Electrician | 2.00 |
| Street Lighting Electrician Supervisor | 1.00 |
| Welder | 1.00 |
| Cement Finisher Worker | 1.00 |
| Total | 11.00 |

These positions will help to mitigate CWPT incidents over time, ideally reducing the number of CWPT incidents requiring maintenance staff to address.

The service level issues resulting from the diversion of existing crews to copper wire theft is an immediate need for the Bureau. Therefore, this staffing addition should be incorporated into the financial projection model starting in FY25-26. The immediate ramp-up of staffing to address copper wire theft will address copper wire theft incidents locally and free up existing crews to address routine maintenance issues to be resolved in a timely manner.

Additionally, the number of maintenance staff (as well as those dedicated to supporting said staff) should also be increased to assist in the repair of assets impacted by CWPT, as well as the BSL's ongoing service requirements. Current maintenance requirements are not in alignment with recommended standards or best practices. Other maintenance requirements include responding to pole hits, lights-out requests, and more.

The following table shows the total number of positions for this area:

| Position | Count |
|--|--------------|
| Assistant Street Lighting Electrician | 6.00 |
| Cement Finisher | 4.00 |
| Electrical Craft Helper | 9.00 |
| Maintenance and Construction Helper | 4.00 |
| Mechanical Helper | 2.00 |
| Street Lighting Electrician | 8.00 |
| Street Lighting Electrician Supervisor | 3.00 |
| Welder Supervisor | 1.00 |
| Welder | 4.00 |
| Cement Finisher Supervisor | 1.00 |
| Street Lighting Engineering Associate II | 0.50 |
| Total | 42.5 |

This staffing increase will help the Bureau continue to address its core service requirements, including CWPT incidents and address the significant response times it is currently experiencing. The BSL should target response times for core services (such as pole hits) of two days and aim to immediately reduce current response times (an average of 137 days).

3. Pole Painting Staffing Analysis

The Bureau of Street Lighting has traditionally not dedicated crews to paint the approximately 38,000 steel poles in the system. Rather, it has contracted with the Hiring Hall to paint as many poles as can be painted. This approach has resulted in far less than the number of poles needed to be painted to maintain a ten-year cycle for painting, which is a key element of the preventive maintenance of poles, in addition to providing a pleasant aesthetic appearance for the poles.

In determining the number of staff members required to ensure that poles are painted on a ten-year cycle, the project team made the following assumptions, based on discussions with BSL staff:

- There are approximately 38,000 paintable poles in the system.
- Each pole should be painted on a ten-year cycle.
- Pole Painting crews are comprised of one (1) Pole Painter and one (1) Maintenance and Construction Helper which, in the experience of the project team is a typical crew composition.

- Each crew can paint three (3) poles per eight-hour workday.
- There are approximately 225 working days in a year. This accounts for potential impacts to staff availability such as leave, training days, and other unplanned absences.

Based on these assumptions, the project team recommends the addition of five (5) pole painting crews as the following table shows.

| Data Element | Number |
|---|---------------|
| A. Poles in System | 35,439 |
| B. Painting Cycle | 10 Years |
| C. Number of Poles to Paint Annually (A/B) | 3,544 |
| D. Number of Poles Painted by Two Person Crew per Day | 3 |
| E. Number of Days Required to Paint Poles (C/D) | 1,181.30 |
| F. Number of Workdays Available in Year (excludes leave/admin time) | 225 |
| G. Number of Crews Needed to Paint Poles (E/F) | 5.25 |

As the table shows, 5.25 crews are required to paint the required number of poles. The project team recommends the addition of five (5) crews. To provide oversight and support to these five crews, there is the need for a Pole Painting Supervisor.

As the analysis indicates that a need exists for only a small fractional increase in the number of crews is needed (5.25 crews versus the existing 5 crews), the implementation of an additional sixth crew would not be required at this time as it would not be fully utilized. It should only be implemented if the BSL desired to increase the annual work program by reducing the painting cycle or increasing the number completed annually.

4. Pole and Foundation Replacement

A later chapter of this report discusses the need for the implementation of a dedicated pole and foundation replacement program, which the BSL currently does not have. The project team recommends the addition of 30 FTEs for the creation of this program, including support personnel:

| Category | Title | FTEs |
|-----------------|--|-------------|
| P&F Replacement | Assistant Street Lighting Electrician | 5.00 |
| P&F Replacement | Cement Finisher | 2.00 |
| P&F Replacement | Electrical Craft Helper | 3.00 |
| P&F Replacement | Maintenance and Construction Helper | 4.00 |
| P&F Replacement | Mechanical Helper | 1.00 |
| P&F Replacement | Street Lighting Electrician | 5.00 |
| P&F Replacement | Street Lighting Electrician Supervisor | 1.00 |
| P&F Replacement | Welder | 4.00 |

| Category | Title | FTEs |
|-----------------|---|--------------|
| P&F Replacement | Street Lighting Engineering Associate II | 4.00 |
| P&F Replacement | Street Lighting Engineering Associate III | 1.00 |
| TOTAL | | 30.00 |

The ability to proactively manage and replace aging infrastructure in alignment with the asset's expected useful life is considered an industry best practice. The Bureau currently has an estimated backlog of 12,371 poles requiring replacement, with an additional 5,583 expected to exceed the replacement age of 75 years over the next five years. The addition of these positions will allow for the creation of a dedicated team to address both the current backlog and future needs.

5. Support Staffing Analysis

Increasing maintenance personnel also requires the addition of new support-focused positions to provide administrative and other types of assistance to the various crews recommended in this report. While the specific types of positions required varies based on the requirements of each team, the project team used a general ratio of one (1) support-based position for every five (5) recommended positions. This ratio was arrived at based on internally developed staffing metrics and informed by prior analysis and industry standards.

A summary of the types and counts of support positions can be found below:

| Position | Total |
|---------------------------------|--------------|
| Accounting Clerk | 1.00 |
| Administrative Clerk | 1.00 |
| Management Analyst | 3.00 |
| PR Storekeeper | 1.00 |
| Senior Administrative Clerk | 2.00 |
| Senior Management Analyst I | 1.00 |
| Senior Storekeeper | 1.00 |
| Storekeeper II | 4.00 |
| Systems Analyst | 1.00 |
| Warehouse and Toolroom Worker I | 2.00 |
| Grand Total | 17.00 |

A total of 17 FTEs has been recommended for inclusion as part of overall staffing increases for the Bureau. These positions would provide non-maintenance support to the BSL staff recommended in the earlier sections of this chapter.

6. Summary of Staffing Analysis

The recommendation is that these staffing projections are implemented in the next fiscal year, or the first projected year of increased revenue assessment receipt, without any phased approach. The immediate implementation of this staffing increase will help address the following key issues:

1. **Copper Wire Thefts:** Copper wire theft-related incidents continue to grow at an exponential rate; as such, it is imperative for the Bureau to dedicate resources to reinforcing the street light poles to reduce the risk of copper wire thefts.
2. **Service Level Responses:** Due to the spike in copper wire and power thefts, existing crews have been diverted from responding to light outage requests, resulting in an increase in the average number of days to respond to light out incidents from 5 days in FY16/17 to 128 days in FY23/24. The increased staffing levels will result in the Bureau reducing its average response time back in line with the two (2) working day previously accomplished by the Bureau and in alignment with industry best practices.
3. **Focus on Routine Maintenance including Pole and Foundation Maintenance:** The addition of the pole painting crews, as well as the bolstering of additional maintenance crews to implement appropriate infrastructure maintenance levels, will allow the Bureau to appropriately focus its efforts on routine maintenance activities to help prolong the life of the existing street lights, as well as continue providing a high level of service to the assessment payors.

Therefore, for purposes of the financial conditions assessment, the staffing increase has all been assumed in the first fiscal year of implementation with annual salary increases factored in for future fiscal years. This methodology ensures that any financial projections immediately incorporate the increased staffing levels, as well as increased service level impacts.

Copper wire theft is an issue that has clearly become one that has consumed a large and increasing portion of the available time of Field Operations Division staff. It also shows no signs of immediate decrease. Given these facts, and that crew sizes that the FOD currently utilizes are typical and reasonable and cannot be further reduced, the project team recommends increasing the number of crews that FOD can allocate to abate the problems created by copper wire theft.

In the case of pole painting, this is a category of work that has been insufficiently addressed for several years, and although the justification for increasing staffing in this

area are different than those for increasing staffing to address copper wire theft, pole painting is a critical element of a proactive preventive maintenance program, and as it is a program that should be implemented immediately.

3. Current Financial State Analysis

The Bureau of Street Lighting is primarily funded through the Street Lighting Maintenance Assessment Fund. The Street Lighting Maintenance Assessment Fund is governed by the City of Los Angeles Administrative Code Sec 6.118. Special Fund. The code clearly states that all assessments collected should be stored in the designated Street Lighting Maintenance Assessment Fund, which can be used for the following two purposes:

1. **Maintenance:** Pay for any costs associated with maintenance, operation, repairs, and replacement of street lights.
2. **Annual Budget of Bureau of Street Lighting:** Serve as a source of funds for appropriations to the annual budget for the Bureau of Street Lighting.

In addition to these two primary uses of the Fund it also states that if there is any deficiency in the assessment fund, City Council has the ability to initiate transfers from the General Fund to help offset these deficient areas or ask for a supplemental assessment.

The scope of this study was to conduct a financial needs assessment of the Bureau, including evaluating its current financial needs, as well as future projected needs. This section of the report focuses on the evaluation of the Bureau's current financial needs.

The following subsections provide information regarding the parcels that generate the street lighting fund revenue, the requirements associated with the Street Lighting Bureau, and the resulting current financial assessment.

1. Street Lighting Assessment Parcel Information

There are currently four (4) different assessment districts within the Street Light Assessment Fund. The four districts are as follows:

1. **District #1 – Los Angeles City Lighting District (LACLD):** This district has not had any assessment increases or changes since 1996.
2. **District #2 – 1996-97 Z-Series:** This is a much smaller district than LACLD, but similar to LACLD has had no increases in annual assessments.
3. **District #3 – P218 Confirmed Benefiting Frontage:** This is one of the districts created based upon Proposition 218 requirements requiring parcel owner votes. The assessment amount is based upon benefit frontage and a CPI factor is

annually applied to the assessment to keep up with increasing maintenance and operation costs.

- 4. District #4 – P218 Confirmed Land Use:** This district is similar to District #3 in that it was created based upon Proposition 218 requirements regarding parcel owner votes and also annually increases based upon a CPI Factor. The only difference is that the assessment amount is determined based upon the Land Use rather than the benefit frontage.

Based upon the four districts, the following table summarizes for each of the districts, the assessment methodology utilized, whether a CPI factor is utilized and the approximate number of parcels:

| District | Methodology | CPI Factor | # of Parcels |
|-------------------|--------------------|-------------------|---------------------|
| LACLD | Benefit Frontage | No | 509,526 |
| 1996-97 Z Series | Benefit Frontage | No | 1,613 |
| P218 Confirmed BF | Benefit Frontage | Yes | 11,455 |
| P218 Confirmed LU | Land Use | Yes | 25,666 |

As the table indicates, the majority of the parcels (approximately 94%) do not receive an annual increase in the assessment amount. As such, the primary increases to revenue from assessment districts are from the two P218 districts.

The table also presents the two different methodologies used by the Assessment District Fund to calculate the total assessment amount per parcel – Benefit Frontage (BF) and Land Use (LU). Three out of the four districts utilize the benefit frontage calculation. The following table shows for each of the four districts and the total parcel count for the last four years:

| District | FY20-21 Parcel Count | FY21-22 Parcel Count | FY22-23 Parcel Count | FY23-24 Parcel Count |
|-------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| LACLD | 509,526 | 508,579 | 508,367 | 507,821 |
| 1996-97 Z Series | 1,613 | 1,610 | 1,612 | 1,612 |
| P218 Confirmed BF | 11,455 | 11,435 | 11,440 | 11,439 |
| P218 Confirmed LU | 25,666 | 26,976 | 28,220 | 29,589 |
| TOTAL | 548,260 | 548,600 | 549,639 | 550,461 |

In the last four years, the overall number of parcels has increased by approximately 2,201 parcels. However, this increase was not proportionate across all districts; as the P218 Confirmed LU district has the largest increase, whereas LACLD had a decrease. The decrease in parcels is not due to elimination of parcels, but rather the transferring of parcels from LACLD to another district. Where possible, the Bureau's Assessment

Division works to transfer parcels into the newer districts, where CPI is applicable so as to ensure that the Bureau is collecting appropriate revenue for those parcels.

The following table shows the total amount assessed by district for the most recent four fiscal years:

| District # | FY20-21 Assessment Amount | FY21-22 Assessment Amount | FY22-23 Assessment Amount | FY23-24 Assessment Amount |
|-------------------|--|--|--|--|
| LACLD | \$38,301,317.22 | \$38,142,939.30 | \$38,083,526.36 | \$38,066,079.02 |
| 1996-97 Z Series | \$100,781.35 | \$100,573.40 | \$100,653.00 | \$100,653.00 |
| P218 Confirmed BF | \$1,441,309.51 | \$1,456,114.58 | \$1,516,326.51 | \$1,628,013.56 |
| P218 Confirmed LU | \$3,157,994.01 | \$3,344,038.84 | \$3,823,627.19 | \$4,185,049.02 |
| TOTAL | \$43,001,402 | \$43,043,666 | \$43,524,133 | \$43,979,795 |

As the table indicates, the assessment amount has only increased by approximately \$978,393 over the four-year period. This increase correlates closely to the number of parcels within each of the districts; as the largest increase in revenue (25%) is associated with District #4 (P218 Confirmed LU). However, it is difficult to accurately make that determination, as the number of parcels is only one factor in calculating the revenue. Other items such as CPI increases, size of the parcel, and average assessment per parcel influences the revenue calculation.

Based upon the total number of parcels for each district, as well as the total assessment amount, the project team calculated the average cost per parcel for each district. The following table shows the average cost calculated per parcel for the most recent four fiscal years:

| District # | FY20-21 Avg Assessment Per Parcel | FY21-22 Avg Assessment Per Parcel | FY22-23 Avg Assessment Per Parcel | FY23-24 Avg Assessment Per Parcel |
|-------------------|--|--|--|--|
| LACLD | \$75.17 | \$75.00 | \$74.91 | \$74.96 |
| 1996-97 Z Series | \$62.48 | \$62.47 | \$62.44 | \$62.44 |
| P218 Confirmed BF | \$125.82 | \$127.34 | \$132.55 | \$142.32 |
| P218 Confirmed LU | \$123.04 | \$123.96 | \$135.49 | \$141.44 |

As the table indicates, the average assessment per parcel for each type of district has increased steadily for the two districts that have the CPI factor increases; while staying relatively consistent and stable for the two districts (LACLD and 1996-97 Z Series) that have had no CPI Factor increases. The variation in the average cost per parcel is due to the different types of land use, CPI factor increases, as well as the type of streetlights providing benefits to each parcel owner.

2. Bureau Expenditures

The following table shows by major cost category, the total expenditures for operations and maintenance for SLMAF for the four most recent fiscal years. It is important to note that these are budgeted expenditures during this time period and may have been constrained due to a lack of funding and other resources. These values do not represent the total requirements for Bureau operations.

| Cost Category | Actual 21-22 | Actual 22-23 | Actual 23-24 | Estimated 24-25 |
|---|-----------------|-----------------|-----------------|--------------------|
| City Clerk | \$370 | \$0 | \$0 | \$0 |
| General Services | \$715,670 | \$781,302 | \$879,120 | \$884,354 |
| ITA | \$141,084 | \$61,328 | \$43,811 | \$42,526 |
| Finance | \$35,537 | \$37,294 | \$40,225 | \$40,468 |
| Personnel | \$120,384 | \$114,652 | \$114,771 | \$130,795 |
| PW Board | \$231,562 | \$239,891 | \$267,149 | \$273,821 |
| PW Contract Administration | \$21,733 | \$54,681 | \$21,055 | \$65,838 |
| PW Engineering | \$19,561 | \$76,640 | \$78,541 | \$86,229 |
| Sanitation | \$0 | \$0 | \$4,399 | \$0 |
| Street Lighting | \$28,518,090 | \$27,746,079 | \$33,010,252 | \$36,378,841 |
| CTIEP Physical Plant | \$37,119 | \$0 | \$0 | \$0 |
| Capital Improvement Expenditure Program | \$0 | \$0 | \$889,320 | \$0 |
| Capital Finance Administration Fund | \$11,223,214 | \$11,223,439 | \$11,223,439 | \$7,635,562 |
| Assessment district analysis | \$166,337 | \$400,908 | \$17,954 | \$0 |
| Energy and Maintenance | \$6,094,774 | \$7,671,665 | \$10,334,475 | \$11,836,099 |
| Energy and Conservation Loan Repayment | \$268,432 | \$486,167 | \$351,951 | \$351,951 |
| Engineering Special Service Fund | \$44,655 | \$44,697 | \$0 | \$0 |
| Fleet Replacement | \$505,322 | \$343,951 | \$0 | \$0 |
| HV Conversion Program | \$407,097 | \$542,104 | \$0 | \$0 |
| LED Fixtures | \$223,502 | \$26,390 | \$423,544 | \$0 |
| LAPL Reimbursement | \$0 | \$0 | \$5,062 | \$0 |
| NASA Grant | \$378,079 | \$27,069 | \$16,571 | \$22,000 |
| Official Notices | \$2,772 | \$2,829 | \$6,192 | \$10,000 |
| Smart Nodes | \$1,823 | \$1,479 | \$0 | \$0 |
| Street Lighting Improvements and Supplies | \$4,534,575 | \$5,026,028 | \$4,321,267 | \$4,481,219 |
| STM/STP Ventura | \$306,715 | \$0 | \$0 | \$0 |
| CD15 | \$47,700 | \$0 | \$0 | \$0 |
| STM/STP Wilshire | \$22,800 | \$0 | \$0 | \$0 |
| Cartegraph OMS | \$0 | \$0 | \$0 | \$0 |
| Reimbursement of General Fund Costs | \$6,713,441 | \$10,634,171 | \$5,488,231 | \$1,059,215 |

| Cost Category | Actual 21-22 | Actual 22-23 | Actual 23-24 | Estimated 24-25 |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
| Total Expenditures | \$60,781,348 | \$65,545,696 | \$69,685,193 | \$63,298,918 |

The total expenditures for SLMAF increased between FY21 and FY23, with estimated expenditures decreasing in FY24.

3. Financial Condition Analysis

Comparing the Bureau's revenues related to assessments and the total expenditures, there is a deficit. The following table shows the Bureau's Assessment Revenue, SLMAF expenditures, and the resulting surplus/(deficit) for the last four fiscal years.

| Category | Actual 21-22 | Actual 22-23 | Actual 23-24 | Estimated 24-25 |
|---|---------------------|---------------------|---------------------|---------------------|
| Assessment Revenue | \$43,001,402 | \$43,043,666 | \$43,524,133 | \$43,979,795 |
| Total Street Lighting Maintenance Assessment Fund Expenditures | \$60,781,348 | \$65,545,696 | \$69,685,193 | \$63,298,918 |
| Surplus/(Deficit) | (\$17,779,946) | (\$22,502,030) | (\$26,161,060) | (\$19,319,123) |

The deficit ranges from a low of \$17.7 million in FY21-22 to a high of \$26.1 million in FY23-24. There are alternative funding sources utilized by the Bureau; however, these revenues are used to offset other non-assessment related activities (i.e. grants) and as such were not evaluated in this analysis.

Ultimately, the results of this analysis indicate that based upon the current financial and operational practices of the Bureau there has historically been a consistent deficit. However, as an assessment fund, the goal of the Bureau should be 100% cost recovery of its assessment-related costs through its assessments, rather than reliance on other funding sources to mitigate those deficits.

It is important to note that this calculation of the financial condition is based upon existing Bureau classification of direct and indirect calculations. It does not incorporate any changes in service levels, operations, practices, as well as inclusion of requirements related to maintenance, replacement, and reserves.

The following chapter discusses the financial needs analysis based upon recommended service level changes and cost factors.

4 Financial Needs Analysis

The Bureau of Street Lighting is primarily funded through street lighting maintenance assessment fund revenue. The Bureau may utilize other revenue sources for special projects, grants, and development review; however, those activities, revenues and requirements are not included in this analysis.

Based upon the Bureau's current SLMAF-related requirements and revenue, the Bureau is suffering from a deficit, as discussed in the previous chapter. The primary source of this deficit is related to the assessment revenue not increasing at the same pace as the requirements. The Bureau has been unable to increase the assessments as they are considered a tax, and it requires approval of the voters. Therefore, this analysis was conducted to evaluate the current and future projected financial needs for the Bureau, assuming no change in parcel tax assessments. The results of this analysis were intended to provide the Bureau with an indication of the overall deficit.

The Financial Projection model considers the current fiscal year of Bureau SLMAF-related requirements and revenue (FY 24-25) and estimates revenues and costs for five fiscal years into the future – through FY29-30. The purpose of this financial projection model is to evaluate the increase in the Bureau's requirements based upon different cost factors in the next five years. The projection model developed is based on the following key operational and financial assumptions:

1. **Staffing Level Changes:** Changes in staffing due to proposed service level changes have been incorporated in this model. Further discussion in this chapter will discuss how the proposed staffing changes were incorporated into the model.
2. **Pole Replacement Costs:** Street Lighting Poles are a depreciable asset. The model assumes that as poles need replacement, these replacement costs are factored into the calculation.
3. **Reserve Policy:** In the event of unforeseen circumstances, as well as per best management practices, reserve is being proposed for the Bureau, which has been included in the financial analysis.
4. **New Space and Equipment Costs:** Changes in staffing levels correlate to the need for new space for those employees and equipment costs. These have been incorporated into the calculation.
5. **SLMAF-Related Existing Costs:** All other direct and indirect costs for the Bureau as it relates to providing Street Lighting Maintenance and Operations relations

functions have been included in the analysis. *Note: Any costs related to special projects, grants, or staff/supplies funded through those items have been excluded from this analysis.*

The inclusion of these assumptions is a comprehensive analysis, which incorporates all allowable requirements to ensure that the Bureau is appropriately capturing its costs. The table below summarizes projected requirements (both total and assessment) for the Bureau over the next five fiscal years. This is considered “Scenario 1”, where no staffing, cost, or operational changes are implemented:

| Category | FY25-26 | FY26-27 | FY27-28 | FY28-29 | FY29-30 |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Requirement | \$82,769,326 | \$87,464,699 | \$86,807,286 | \$90,119,366 | \$90,735,576 |
| Less General Benefits Cost (10.59%) | \$8,765,272 | \$9,262,512 | \$9,192,892 | \$9,543,641 | \$9,608,898 |
| Total Assessment Requirements | \$74,004,054 | \$78,202,187 | \$77,614,394 | \$80,575,725 | \$81,126,679 |
| Assessment Revenue | \$44,831,789 | \$45,327,924 | \$45,876,785 | \$46,483,400 | \$47,153,283 |
| Annual Surplus/(Deficit) | (\$29,172,265) | (\$32,874,263) | (\$31,737,609) | (\$34,092,325) | (\$33,973,396) |
| # of Parcels | 550,710 | 551,644 | 552,652 | 553,737 | 554,903 |
| Avg Cost/Parcel | \$134.38 | \$141.76 | \$140.44 | \$145.51 | \$146.20 |
| Current Avg Rev/Parcel | \$81.41 | \$82.17 | \$83.01 | \$83.94 | \$84.98 |
| Surplus/(Deficit) per Parcel | (\$52.97) | (\$59.59) | (\$57.43) | (\$61.57) | (\$61.22) |

The Bureau’s annual projected deficit ranges from \$32.8 million in FY25-26 to the largest projected deficit of \$34 million in FY28-29. It is important to note that the cost and revenue projections on a per parcel basis in this financial model are meant to be representative of the average cost and revenue per parcel. Each parcel is taxed differently based upon the type (residential or commercial), density, land use, and benefit to the property. The actual detailed per parcel tax for each property would have to be calculated based upon an Engineer’s Assessment report. These cost figures are merely representative of the impact that the financial projections have on a per parcel basis for the Bureau of Street Lighting and the City of Los Angeles.

The following subsections discuss the revenue projection calculation, cost projection calculations, general fund support, the Street Lighting requirements – personnel and non-personnel costs, capital projects, pole replacement costs, energy costs, other types of costs, reserve policy, and provide a summary of the financial analysis.

1. Assessment Revenue Projection

One of the main components in the financial needs analysis is the calculation of assessment revenue. The calculation of the assessment revenue in conjunction with the number of parcels determines the average revenue per parcel, which is compared to the average cost per parcel to determine the cost recovery per parcel. The determination of the estimated number of parcels and total assessment revenue was calculated based upon a three-year average in the annual difference for each district. The following subsections discuss these calculations:

1.1 Assessment Parcel Calculation

The Bureau's Assessment Division collects information regarding the number of parcels in each of the four districts annually. This is imperative for the Bureau to accurately determine the assessments to be charged to those parcels and to conduct revenue projections. The following table shows for the last four fiscal years the number of parcels by District:

| District # | FY20-21 Parcel Count | FY21-22 Parcel Count | FY22-23 Parcel Count | FY23-24 Parcel Count |
|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| LACLD | 509,526 | 508,579 | 508,367 | 507,821 |
| 1996-97 Z Series | 1,613 | 1,610 | 1,612 | 1,612 |
| P218 Confirmed BF | 11,455 | 11,435 | 11,440 | 11,439 |
| P218 Confirmed LU | 25,666 | 26,976 | 28,220 | 29,589 |
| TOTAL | 548,260 | 548,600 | 549,639 | 550,461 |

Overall, there has been an increase in the number of parcels; however, the change by district has varied. The following table shows the percentage change for the last three years, as well as the three-year average annual change:

| District # | Year 1 Change | Year 2 Change | Year 3 Change | 3-year Average Annual Change |
|-------------------|------------------|------------------|------------------|---------------------------------|
| LACLD | -0.19% | -0.04% | -0.11% | -0.11% |
| 1996-97 Z Series | -0.19% | 0.12% | 0.00% | -0.02% |
| P218 Confirmed BF | -0.17% | 0.04% | -0.01% | -0.05% |
| P218 Confirmed LU | 5.10% | 4.61% | 4.85% | 4.86% |

For the first three districts, the percentage change is fairly minimal, on average less than 1% per year. The three-year average is meant to smooth all of the variations. The three-year average change was applied to the prior year's existing parcels to project the number of parcels for each year for the next five years. The following table shows this calculation:

| District# | Projected Year 1 | Projected Year 2 | Projected Year 3 | Projected Year 4 | Projected Year 5 |
|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| LACLD | 506,688 | 506,122 | 505,557 | 504,993 | 504,429 |
| 1996-97 ZSeries | 1,610 | 1,610 | 1,610 | 1,610 | 1,610 |
| P218 Confirmed BF | 11,421 | 11,416 | 11,411 | 11,406 | 11,401 |
| P218 Confirmed LU | 30,991 | 32,496 | 34,074 | 35,728 | 37,463 |
| TOTAL | 550,710 | 551,644 | 552,652 | 553,737 | 554,903 |

The number of parcels is continuing to increase, with the largest component of parcels still within the LACLD District, which has been frozen at the same assessment amount

since 1996. These parcel counts were utilized to project the average cost per parcel and the average revenue per parcel for the Bureau's financial needs.

1.2 Assessment Revenue Calculation

Similar to the parcel calculation, a three-year average approach was utilized to project the Bureau's Assessment-related revenue. The average revenue per parcel was not utilized for this calculation as different parcels get taxed differently utilizing different components. Therefore, it was determined that utilizing actual revenue dollars as the basis of the calculation would have the least room for error. The following table shows the revenue collected by District for the past four fiscal years:

| District # | FY20-21 Assessment | FY21-22 Assessment | FY22-23 Assessment | FY23-24 Assessment |
|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| LACLD | \$38,301,317.22 | \$38,142,939.30 | \$38,083,526.36 | \$38,066,079.02 |
| 1996-97 Z Series | \$100,781.35 | \$100,573.40 | \$100,653.00 | \$100,653.00 |
| P218 Confirmed BF | \$1,441,309.51 | \$1,456,114.58 | \$1,516,326.51 | \$1,628,013.56 |
| P218 Confirmed LU | \$3,157,994.01 | \$3,344,038.84 | \$3,823,627.19 | \$4,185,049.02 |
| TOTAL | \$43,001,402 | \$43,043,666 | \$43,524,133 | \$43,979,795 |

There was a minor increase between FY20-21 and FY23-24, totaling \$978,393.

| District # | Year 1 Change | Year 2 Change | Year 3 Change | 3-year Average Annual Change |
|-------------------|---------------|---------------|---------------|---------------------------------|
| LACLD | -0.41% | -0.16% | -0.05% | -0.21% |
| 1996-97 Z Series | -0.21% | 0.08% | 0.00% | -0.04% |
| P218 Confirmed BF | 1.03% | 4.14% | 7.37% | 4.18% |
| P218 Confirmed LU | 5.89% | 14.34% | 9.45% | 9.90% |

Similar to the parcel data, the annual change for the first three districts is minimal; however, there are large variations in the annual percentage change in the P218 Confirmed LU, requiring the need to utilize a three-year average. The three-year average is applied to the prior year's assessment revenue to calculate and project the assessment revenue by District for the next five fiscal years. The following table shows the projected assessment revenue calculation:

| District # | FY24-25 Assessment | FY25-26 Assessment | FY26-27 Assessment | FY27-28 Assessment | FY28-29 Assessment | FY29-30 Assessment |
|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| LACLD | \$37,988,033 | \$37,910,147 | \$37,832,421 | \$37,754,854 | \$37,677,446 | \$37,600,197 |
| 1996-97 Z Series | \$100,610 | \$100,567 | \$100,525 | \$100,482 | \$100,439 | \$100,397 |
| P218 Confirmed BF | \$1,695,999 | \$1,766,824 | \$1,840,606 | \$1,917,469 | \$1,997,542 | \$2,080,959 |
| P218 Confirmed LU | \$4,599,162 | \$5,054,251 | \$5,554,372 | \$6,103,980 | \$6,707,972 | \$7,371,729 |
| TOTAL | \$44,383,804 | \$44,831,789 | \$45,327,924 | \$45,876,785 | \$46,483,400 | \$47,153,283 |

The annual assessment is projected to increase over the next several years, with an overall increase of 6% over 6 years or a 1% average increase per year.

1.3 Revenue per Parcel Calculation

The projected parcels and the projected assessment amounts were utilized to calculate the average revenue per parcel by District. While each parcel is taxed or assessed a different amount based upon a variety of characteristics, this average revenue per parcel provides the Bureau and the City with an indication of the impact of the financial deficit on a per parcel basis. The following table shows the average revenue per parcel for the past four fiscal years by District:

| District # | FY20-21 | FY21-22 | FY22-23 | FY24-25 |
|-------------------|----------|----------|----------|----------|
| LACLD | \$75.17 | \$75.00 | \$74.91 | \$74.96 |
| 1996-97 Z Series | \$62.48 | \$62.47 | \$62.44 | \$62.44 |
| P218 Confirmed BF | \$125.82 | \$127.34 | \$132.55 | \$142.32 |
| P218 Confirmed LU | \$123.04 | \$123.96 | \$135.49 | \$141.44 |

The average revenue per parcel varies from a low of \$62.48 in FY20-21 for the 1996-97 Z series to a high of \$142.32 for the P218 Confirmed BF district. As the table demonstrates, the Districts that have been able to increase the assessments based upon CPI (P218 Districts) have a higher average revenue per parcel.

Based upon the projected parcel counts and the assessment revenue, the average revenue per parcel was projected for the four districts for the next five fiscal years. The following table shows the average revenue per parcel by District for the next five fiscal years:

| District # | FY24-25 Assessment | FY25-26 Assessment | FY26-27 Assessment | FY27-28 Assessment | FY28-29 Assessment | FY29-30 Assessment |
|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| LACLD | \$74.89 | \$74.82 | \$74.75 | \$74.68 | \$74.61 | \$74.54 |
| 1996-97 Z Series | \$62.49 | \$62.46 | \$62.44 | \$62.41 | \$62.38 | \$62.36 |
| P218 Confirmed BF | \$148.43 | \$154.70 | \$161.23 | \$168.04 | \$175.13 | \$182.52 |
| P218 Confirmed LU | \$155.61 | \$163.09 | \$170.92 | \$179.14 | \$187.75 | \$196.77 |

Due to the decline in the number of parcels for LACLD, as more parcels shift from LACLD to P218 Districts, the average revenue per parcel is actually also declining. The largest increase in average revenue per parcel is associated with the P218 Confirmed LU and BF districts.

2 Expenditure Cost Factors

There are certain cost factors that have been utilized for expenditure projections throughout the financial model. These cost factors include CPI – Materials, CPI – Energy, Salaries, Benefits (Cost Allocation Plan Fringe Benefits), and Cost Allocation Plan –

Central Services. The following subsections discuss these expenditure cost factors and their calculation basis.

2.1 CPI – Materials, Services, and Supplies

The Street Lighting Bureau already utilizes a Consumer Price Index (CPI) for annual increases for the P218 District parcels. The CPI is calculated on a monthly basis by the Bureau of Labor Statistics. The Bureau utilizes the CPI specific to the Los Angeles-Anaheim Area and an average for the previous calendar year. The Bureau also collects information for the average CPI for the entire nation. The following table shows a sample of the data collected by year by the Bureau:

| Year | LA CPI | US Avg CPI |
|------|--------|------------|
| 2019 | 3.07% | 1.83% |
| 2020 | 1.62% | 1.21% |
| 2021 | 3.83% | 4.71% |
| 2022 | 7.45% | 8.71% |
| 2023 | 3.48% | 3.43% |
| 2024 | 3.10% | 3.54% |

Typically, the LA CPI has been higher than the national average. Statista, a data projection firm, has calculated the projected CPI for the US national average for the next five years. This projection was utilized to calculate the projected CPI for the LA-Anaheim Region. Based on the last five years, on average, LA-Anaheim has been higher by approximately 19.16%. The following table shows the projected US national average CPI, and the calculated LA-Anaheim CPI utilizing the 19.16% average increase.

| Year | LA-Anaheim CPI | US CPI |
|------|----------------|--------|
| 2024 | 3.10% | 3.54% |
| 2025 | 1.27% | 1.30% |
| 2026 | 3.00% | 3.07% |
| 2027 | 2.08% | 2.13% |
| 2028 | 2.15% | 2.20% |
| 2029 | 2.16% | 2.21% |

It is important to note that these are projections based upon a variety of economic factors and are utilized in the model to project increases related to non-personnel and energy-related costs.

CPI is a commonly utilized mechanism to capture increased costs due to economic inflation. In any financial projection analysis, it is important to consider increases in costs associated with basic services and goods.

2.2 Benefits

Part of personnel expenses are costs associated with benefits, such as medical, dental, retirement, workers' compensation, etc. The City of Los Angeles is unique in that instead of budgeting benefits as a separate cost item for each employee or program, bureau, division, or department; it calculates a fringe benefit rate. The fringe benefit rate is meant to encompass all fringe benefit costs including retirement/pension costs, flex benefit programs (health, dental, basic life insurance), employee assistance, life insurance, Medicare, social security, unused sick/vacation payout, unemployment, and workers' compensation. The Fringe Benefits rate is computed annually by the City Controller's office and is based on actual expenses from two fiscal years ago as part of the City's Cost Allocation process. The Fringe Benefits rates is applied to the Department, Division, or Bureau's salaries to determine the total cost associated with benefits.

The following table shows the Fringe Benefits rates calculated through the Cost Allocation Plan (CAP) for the last two fiscal years:

| Budget Year | Fringe Benefit Rate |
|--------------------|----------------------------|
| FY23-24 | 47.19% |
| FY22-23 | 47.82% |

Therefore, based upon the table, there is information for the first projected year for benefits calculation. However, in order to estimate the cost increases for benefits in the future years, the following table shows by benefit type the projected increase in costs by percentage for the next four fiscal years:

| Benefit Type | FY25/26 % Growth | FY26/27 % Growth | FY27/28 % Growth | FY28/29 % Growth |
|---------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Pension | 10.33% | 8.67% | 6.59% | 1.55% |
| Workers' Comp | 5.20% | 4.40% | 3.50% | 3.60% |
| Flex Benefits | 6.80% | 4.30% | 4.50% | 4.00% |

The percentage increase in benefits shows an upward trend for most categories, with the exception of pension, which shows the percentage growth of costs being a smaller share each year. Due to the lack of information regarding how the current CAP Fringe Benefits rate is generated, as well as the total dollar value associated with each benefit type, the assumption was made that each benefit growth rate has an equal impact and as such the overall average growth for each year was calculated. The following table shows this calculation:

| Category | FY25/26 % Growth | FY26/27 % Growth | FY27/28 % Growth | FY28/29 % Growth |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Average Benefit Growth Rate | 6.34% | 5.56% | 4.73% | 3.12% |

Due to the current CAP Fringe Rate being applicable for FY20-21, for all other years the fringe benefits rate was projected. Based upon these projected rate increases, the following table shows the projected Fringe Benefits rate by fiscal year:

| Year | Fringe Benefit Rate |
|-------|---------------------|
| 24-25 | 50.18% |
| 25-26 | 53.37% |
| 26-27 | 55.89% |
| 27-28 | 58.65% |
| 28-29 | 60.48% |

The Fringe Benefits rate is applied to the Bureau's total salaries to calculate the appropriate reimbursement amount to the general fund for employee benefits.

2.3 CAP – Central Services

The Fringe Benefits Rate calculation is a component of the City's Cost Allocation Plan. The primary purpose of the Cost Allocation Plan is to determine the indirect costs associated with general support services provided throughout the City. The City of Los Angeles' Cost Allocation Plan includes the following support for central services:

- **Non-Departmental Expenses:** This includes items such as Building Leases, Building Depreciation, Equipment Depreciation, Communications Lease, Gas, Insurance, Audits, Internal Service Units, Liability Claims, Water, and Electricity.
- **City Administrative Officer:** This includes support for budget development, employee relations, finance, systems, productivity, management and policy analysis, and municipal facility projects.
- **Emergency Management:** This includes support for citywide coordination for natural disasters or other types of emergencies.
- **Employee Relations Board:** This includes support related to oversight and management of employee relations board.
- **Personnel:** This includes support for employee support services, workers' compensation and safety.
- **Police Department:** This only includes support provided by the department as it relates to security at City facilities.
- **City Attorney:** This includes support related to Civil Litigation, Workers' Compensation cases, Employee relations, Municipal Counsel, Legislative Services, Land Use, and support to the Police Division.

- **Finance:** This includes support related to citywide collections, cash and debt administration.
- **General Services:** This includes support related to assets management, facilities maintenance, construction management, fleet services, mail services, parking services, and warehouse/supply services.
- **Public Works – Board Office:** This includes support associated with Commission and Department Management, as well as Financial support and personnel support to Public Works Divisions and Bureaus.
- **Public Works – Contracts Administration:** This includes support related to contract management and oversight for capital and non-capital related projects for Public Works Divisions, Bureaus, and Programs.
- **City Clerk:** This includes support associated with Council and records management.
- **City Ethics Commission:** This includes support associated with management of the ethics commission and oversight of ethical policies and procedures implementation within the City.
- **Pension Expenses:** This only includes the overhead or administrative support associated with managing the City's Pension program, as direct pension costs are included in the fringe benefits rate.
- **Controller:** This only includes support associated with processing accounts payable, developing the budget, general accounting, reconciliations, cost allocation plan, costs of the Financial Management System, internal audit, payroll, and the single audit.
- **Information Technology Agency (ITA):** This includes support related to general IT Services (i.e. helpdesk, network connectivity, servers, # of devices, etc.), Communications, and Telecommunications.
- **CERS:** This only includes the overhead or administrative support associated with managing the California Employee Retirement System, as direct retirement costs are included in the fringe benefits rate.

Together these 17 components result in the calculation of a central services rate. This central services rate, similar to the fringe benefits rate, is applied to a department, division, or bureau's salaries. The rate is meant to capture all of the indirect support related to that employee existing within the City.

The Controller's office calculates the Central Services Rate for each Department, Division, and/or Bureau. The following table shows the Central Services Rate calculated for the Bureau of Street Lighting by budget year:

| Budget Year | Central Services CAP Rate |
|--------------------|--------------------------------------|
| FY21-22 | 4.58% |
| FY22-23 | 10.86% |

There is a significant difference between the CAP Rate calculated for FY21-22 compared to the CAP rate for FY22-23. The reasoning behind this difference is that the rate calculated by the Controller includes all support departments. However, certain support departments provide services directly to a Department, Division, or Bureau. In those instances, those services are direct billed or charged to those departments. Therefore, the Central Services Rate calculated through the Controller's Office must be reduced or offset by those direct charged services.

The current Cost Allocation Plan has the rate calculated for use in FY24-25; however, there is still the need for calculation of Central Services rates for the future fiscal years. The primary driver for increases in the Central Services rates are salary increases. Therefore, the projected salary increase rates were utilized to calculate the projected increases in the CAP rates.

| Fiscal Year | Central Services CAP Rate |
|--------------------|--------------------------------------|
| 24-25 | 3.37% |
| 25-26 | 3.44% |
| 26-27 | 3.51% |
| 27-28 | 3.59% |
| 28-29 | 3.63% |

The Central Services CAP rates are applied to the Bureau's salaries to calculate the reimbursement to the general fund.

3 Other City Department Support

The Bureau of Street Lighting receives direct support from other city departments. These costs are determined annually by the departments providing support to the Bureau and are reflective of staff support as well as direct material costs. To determine the projected expenditures for each support department, information was collected regarding whether the charges were salaries or contractual / equipment costs, or both. If the costs were based upon salaries, the salary increase factors were applied. If the costs were based upon contractual costs, the CPI cost factors were applied. If the costs were based upon

both criteria, a weighted approach based upon the proportion of salary to contractual or equipment costs was taken to determine the costs that should increase based upon salary and those costs that should increase based upon CPI.

The Bureau of Street Lighting receives direct support from General Services, Information Technology Agency, Finance, Personnel, Public Works Board, Public Works Contract Administration, and Public Works Engineering. The following table shows by department/division the FY24-25 budgeted amounts:

| Department | Budget Amount |
|----------------------------|----------------------|
| General Services | \$884,354 |
| ITA | \$42,526 |
| Finance | \$40,468 |
| Personnel | \$130,795 |
| PW Board | \$273,821 |
| PW Contract Administration | \$65,838 |

The following table shows by Department, the annual increase utilized for expenditure projections:

| Account Name | FY25-26 Amount | FY26-27 Amount | FY27-28 Amount | FY28-29 Amount | FY29-30 Amount |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| General Services | \$975,327 | \$1,004,598 | \$1,034,748 | \$1,065,803 | \$1,097,790 |
| ITA | \$45,519 | \$46,529 | \$47,562 | \$48,617 | \$49,696 |
| Finance | \$45,470 | \$47,061 | \$48,708 | \$50,413 | \$52,178 |
| Personnel | \$146,961 | \$152,105 | \$157,429 | \$162,939 | \$168,641 |
| PW Board | \$307,665 | \$318,434 | \$329,579 | \$341,114 | \$353,053 |
| PW Contract Admin | \$73,217 | \$75,577 | \$78,013 | \$80,527 | \$83,123 |
| PW Engineering | \$96,887 | \$100,278 | \$103,788 | \$107,420 | \$111,180 |
| Other Depts Total | \$1,691,047 | \$1,744,582 | \$1,799,827 | \$1,856,834 | \$1,915,661 |

Over the next five fiscal years, the total direct support to the Departments is expected to increase from \$1.6 million to approximately \$1.9 million.

4 Street Lighting Bureau Costs

The core costs for the Bureau as it relates to staffing, materials, and equipment are classified as street lighting bureau costs in the budget development process. The costs included in this section include salaries, overtime, hiring hall salaries and benefits, printing and binding, contractual services, field equipment expense, new equipment for staff, transportation, office supplies and expenses, operating supplies, and furniture equipment. The following subsections discuss these categories and their cost factor projections.

| Account Name | FY25-26 Amount | FY26-27 Amount | FY27-28 Amount | FY28-29 Amount | FY29-30 Amount |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Services | \$975,327 | \$1,004,598 | \$1,034,748 | \$1,065,803 | \$1,097,790 |
| ITA | \$45,519 | \$46,529 | \$47,562 | \$48,617 | \$49,696 |
| Finance | \$45,470 | \$47,061 | \$48,708 | \$50,413 | \$52,178 |
| Personnel | \$146,961 | \$152,105 | \$157,429 | \$162,939 | \$168,641 |
| PW Board | \$307,665 | \$318,434 | \$329,579 | \$341,114 | \$353,053 |
| PW Contract Administration | \$73,217 | \$75,577 | \$78,013 | \$80,527 | \$83,123 |
| PW Engineering | \$96,887 | \$100,278 | \$103,788 | \$107,420 | \$111,180 |
| General Fund Support Total | \$1,691,047 | \$1,744,582 | \$1,799,827 | \$1,856,834 | \$1,915,661 |
| Salaries, Salaries and Wages | \$44,634,999 | \$46,197,224 | \$47,860,324 | \$49,200,413 | \$50,233,621 |
| Salaries, Overtime | \$334,226 | \$345,924 | \$358,377 | \$368,412 | \$376,148 |
| Salaries, Hiring Hall | \$636,000 | \$658,260 | \$681,957 | \$701,052 | \$715,774 |
| Benefits Hiring Hall | \$437,316 | \$452,622 | \$468,917 | \$482,047 | \$492,170 |
| Printing and Binding | \$12,500 | \$12,500 | \$12,500 | \$12,500 | \$12,500 |
| Contractual Services | \$802,221 | \$812,425 | \$836,808 | \$854,213 | \$872,605 |
| Field Eqpt Expense | \$10,162 | \$10,551 | \$11,337 | \$11,732 | \$12,095 |
| New Equipment for Staff | \$2,063,531 | \$2,063,531 | \$2,063,531 | \$2,063,531 | \$2,063,531 |
| Transportation | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 |
| Office Supplies and Exp | \$418,755 | \$424,081 | \$436,809 | \$445,894 | \$455,495 |
| Operating Supplies | \$1,927,340 | \$1,951,854 | \$2,010,434 | \$2,052,250 | \$2,096,436 |
| Furniture, Off & Tech Eqpt | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 |
| Street Lighting Total | \$51,279,050 | \$52,930,972 | \$54,742,994 | \$56,194,043 | \$57,332,376 |
| New Corp Yard | \$1,794,032 | \$1,794,032 | \$1,794,032 | \$1,794,032 | \$1,794,032 |
| Total Capital Improvement Expenditures | \$1,794,032 | \$1,794,032 | \$1,794,032 | \$1,794,032 | \$1,794,032 |
| Pole Replacement Costs | \$8,763,500 | \$8,874,966 | \$9,141,324 | \$9,331,460 | \$9,525,551 |
| Pole Upgrade Costs | \$262,857 | \$0 | \$0 | \$0 | \$0 |
| Total Pole Replacement / Depreciation Costs | \$9,026,357 | \$8,874,966 | \$9,141,324 | \$9,331,460 | \$9,525,551 |
| Energy & Maintenance (DWP) | \$12,226,690 | \$12,709,645 | \$13,211,675 | \$13,733,537 | \$14,276,011 |
| Total Energy & Maintenance | \$12,226,690 | \$12,709,645 | \$13,211,675 | \$13,733,537 | \$14,276,011 |
| MICLA 2016 Streetlights | \$0 | \$0 | \$0 | \$0 | \$0 |
| MICLA 2017 Streetlights | \$4,469,877 | \$4,469,877 | \$4,469,877 | \$0 | \$0 |
| MICLA 2019 Streetlights | \$2,177,501 | \$2,177,501 | \$2,177,501 | \$2,177,501 | \$2,177,501 |
| MICLA 2020 Streetlights | \$988,184 | \$988,184 | \$988,184 | \$988,184 | \$988,184 |
| Reimbursement of General Fund Costs (Overhead) | \$23,951,238 | \$26,356,499 | \$28,619,276 | \$30,847,323 | \$32,441,204 |

| Account Name | FY25-26 Amount | FY26-27 Amount | FY27-28 Amount | FY28-29 Amount | FY29-30 Amount |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Energy Conservation Asst Loan Repayment | \$351,951 | \$351,951 | \$351,951 | \$175,976 | \$175,976 |
| Official Notices | \$10,000 | \$10,000 | \$10,000 | \$10,000 | \$10,000 |
| Fleet Replacement | \$0 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| Street Lighting Improvements and Supplies | \$3,794,080 | \$3,842,338 | \$3,957,656 | \$4,039,973 | \$4,126,956 |
| Total Other Expenses | \$35,742,831 | \$39,196,351 | \$41,574,445 | \$39,238,957 | \$40,919,821 |
| Reserve for Future Operations and Maintenance | \$0 | \$0 | \$0 | \$600,000 | \$2,400,000 |
| Total Operating Reserves | \$0 | \$0 | \$0 | \$600,000 | \$2,400,000 |
| TOTAL REQUIREMENTS | \$111,760,006 | \$117,250,548 | \$122,264,297 | \$122,748,863 | \$128,163,452 |

The table above shows the total BSL requirements in full. Later subsections of this chapter break down each subcategory in further detail.

4.1 Salaries – Salaries and Wages

The Bureau's salaries and wages line item represents the gross wages paid to the permanent staff of the Bureau. This includes salaries and wages associated with both full-time and part-time positions within the Bureau. The salary costs included in the financial projection model are inclusive of the expected salary increases for City of Los Angeles' employees for each fiscal year. The salary cost factors have been applied annually for each fiscal year as discussed in the cost factors section.

Additionally, for FY25-26 the salaries also include the addition of all projected staffing increases. The reasoning behind increasing staffing in the first fiscal year, is that the staffing deficit calculated is an immediate staffing need. Therefore, it should be addressed immediately in order to bring service levels to acceptable levels. Therefore, between FY24-25 and FY25-26, there is a significant increase in projected salaries. For the remaining fiscal years, the costs for salaries are only increased by the expected salary increases for city staff. The following table shows the projected salary costs by fiscal year:

| FY | Salary Requirements |
|---------|------------------------|
| FY24-25 | \$30,019,852 |
| FY25-26 | \$44,634,999 |
| FY26-27 | \$46,197,224 |
| FY27-28 | \$47,860,324 |
| FY28-29 | \$49,200,413 |
| FY29-30 | \$50,233,621 |

As indicated, the increase between FY24-25 and FY25-26 is significant; however, the increases between the remaining fiscal years are more representative of the annual salary increases.

4.2 Hiring Hall – Salaries and Benefits

The Hiring Hall line item is for additional personnel resources that are not permanent bureau employees, but supplemental employees. For these employees, the Bureau is financially responsible for salaries and all fringe benefits.

There are a variety of positions that can be hired from the hiring hall, and the type of positions hired can vary from year-to-year. The assumption is that there is some proportion of staffing that is always going to be supplemented by hiring hall; either due to the temporary nature of the work being requested, additional resources needed beyond what was initially expected, and/or for specialized or technical skills. The following table shows for the past five fiscal years, the total hiring hall salary costs.

| FY | Hiring Hall Salaries |
|-----------------------|-----------------------------|
| FY20-21 | \$1,867,286 |
| FY21-22 | \$2,103,407 |
| FY22-23 | \$2,520,351 |
| FY23-24 | \$2,384,813 |
| FY24-25 | \$952,836 |
| 5-year average | \$1,965,739 |

The hiring hall costs vary dramatically over the last several years with a high of approximately \$2.5 million in FY22-23 to a low of \$952,836 in FY24-25. The five-year average for hiring hall costs is approximately \$1,965,739. However, as there are pole painters in the hiring hall costs, which have been accounted for in the increased staffing, those costs will need to be deducted from the hiring hall salaries.

The projected cost factor increases applied for hiring hall salaries are the same as the personnel cost increases for city staff. Even though hiring hall may have different agreements for personnel cost increases, for purposes of this model it is assumed that the increases would be in line with other City of Los Angeles' employee increases. The following table shows the projected hiring hall salary costs by fiscal year:

| FY | Hiring Hall Salaries |
|-----------|-----------------------------|
| FY25-26 | \$636,000 |
| FY26-27 | \$658,260 |
| FY27-28 | \$681,957 |
| FY28-29 | \$701,052 |
| FY29-30 | \$715,774 |

The hiring hall salaries are lower than the average for the last several years; however, that is expected as they are excluding the costs for pole painters, which have been factored into the staffing projections.

4.3 Printing and Binding

The costs associated with the printing and binding line item are in relation to publication of street lighting assessment educational and outreach materials. These costs have been accounted for at a fixed rate for the past five years and for the future five years have been calculated at the same fixed rate of \$12,500 per year.

4.4 Contractual Services

Contractual services represent the total contracted costs associated with copier rentals, miscellaneous contractual services, ice maker, microfiche services, and dig alerts. As contracted costs can change annually based upon increasing costs, the CPI factor for goods and services was applied to this expense line item. The following table shows the total projected contractual costs by fiscal year:

| FY | Contractual Services |
|---------|----------------------|
| FY25-26 | \$802,221 |
| FY26-27 | \$812,425 |
| FY27-28 | \$836,808 |
| FY28-29 | \$854,213 |
| FY29-30 | \$872,605 |

The assumption behind the increase in contractual services is that the contracted services will be in place for the next five years and that there will be annual cost increases to these services.

4.5 Field Equipment Expense

The field equipment expense is in relation to equipment utilized by Bureau staff in the field. This equipment expense is minimal compared to the Operating Supplies line item where the majority of the equipment related costs are tracked. The costs in this line item have been increased annually based upon the goods, services, and supplies CPI factor.

The following table shows the field equipment expense projected for the next five fiscal years:

| FY | Field Equipment Costs |
|-----------|----------------------------------|
| FY25-26 | \$10,162 |
| FY26-27 | \$10,551 |
| FY27-28 | \$11,337 |
| FY28-29 | \$11,732 |
| FY29-30 | \$12,095 |

The costs related for field equipment expenses are expected to increase from \$10,000 in the current fiscal year to approximately \$12,095 by FY29-30

4.6 New Equipment for Staff

Based upon the staffing chapter, there is a projected increase in the number of crews as well as pole painting staff. Each maintenance crew, as well as pole painting crew requires equipment. Data was collected regarding the cost of the equipment by equipment type. For each equipment type the most recent fiscal year for purchase price was utilized and the CPI factor from that year through FY25-26 was applied to calculate the cost of purchase for that equipment in that fiscal year.

The following table shows by function the type of equipment required, the number of equipment required, as well as the cost associated with the equipment in FY24-25, and the total cost:

| Equipment | Count | Total Cost |
|--------------------------|--------------|---------------------|
| Aerial Lift Truck | 16.00 | \$1,993,580 |
| Cement Truck | 4.00 | \$758,950 |
| Chevy Bolts | 0.00 | \$45,500 |
| Compressor/Dump Truck | 8.00 | \$1,720,000 |
| Office trailer | 1.00 | \$10,000 |
| Pick-Up Truck | 5.00 | \$151,912 |
| Portable Mixer | 1.00 | \$7,582 |
| Restroom Trailer Rental | 1.00 | \$12,000 |
| Stakebed (12 ft) | 2.00 | \$39,494 |
| Weld Truck | 11.00 | \$1,876,543 |
| Derrick | 8.00 | \$3,200,000 |
| Compressor Dump Truck | 1.00 | \$28,408 |
| Crew Cab With Compressor | 2.00 | \$400,000 |
| Flatbed with Compressor | 1.00 | \$28,685 |
| Pick-Up Truck (Upgrade) | 1.00 | \$45,000 |
| Grand Total | 62.00 | \$10,317,654 |

Based upon the estimated number of crews and staff, the total start-up equipment cost for the addition of new staff is approximately \$10.3 million. This is a one-time cost that is only applicable for new staff. However, as new equipment can be financed or leased, or acquired at an annual payment, the cost associated with the equipment has been amortized over 5 years to arrive at an annual cost of \$2,063,530. The following table shows the annual cost associated with new equipment:

| FY | New Equipment for Staff |
|-----------|------------------------------------|
| FY25-26 | \$2,063,530 |
| FY26-27 | \$2,063,530 |
| FY27-28 | \$2,063,530 |
| FY28-29 | \$2,063,530 |
| FY29-30 | \$2,063,530 |

As the table indicates, the annual cost for new equipment stays fixed at \$2,063,530.

4.7 Transportation

The cost associated with transportation is a fixed cost of \$1,000 per year and it is related to the mileage/transit subsidy provided to Bureau employees. This cost remained fixed at \$1,000 per year for the five fiscal years.

4.8 Office Supplies and Expenses

The office supplies and expenses line-item budget accounts for a variety of office supplies such as software costs for ARC GIS software, blanket purchase orders, city stores, credit cards, dues and subscriptions, training costs, Verizon costs, and office depot. These costs are fairly standardized for general functions of the office. For FY24-25, the budgeted expenses for SLMAF related office supplies and expenses are approximately \$401,514. These costs are generally in relation to services, supplies, and goods and as such the CPI cost factor was applied to these expenses to project the costs for the future fiscal years. The following table shows by fiscal year the office supplies and expenses:

| FY | Office Supplies and Expenses |
|-----------|---|
| FY25-26 | \$418,755 |
| FY26-27 | \$424,081 |
| FY27-28 | \$436,809 |
| FY28-29 | \$445,894 |
| FY29-30 | \$455,495 |

The projected office supplies and expenses are expected to increase to approximately \$455,495 primarily in relation to office supplies.

4.9 Operating Supplies

The operating supplies includes minimal equipment rental costs, as well as portable toilet rental and cleaning, and the contract associated with debris collection. It is important to note that the total operating supplies requirements for the Bureau includes equipment rental for special projects, co-location, and grant funded activities. However, for purposes of this analysis only costs associated with assessment-related activities were included.

The requirements associated with operating supplies have varied over the last five years from a low of \$1.9 million in FY20-21 to a high of \$2.9 million in FY23-24. To ensure that an appropriate amount for operating supplies was captured, a five-year average was calculated. The five-year average for FY20-21 through FY24-25 resulted in operating supplies of approximately \$1,927,340. This was used as the starting value for FY25-26. For all subsequent years, the materials, goods, services, and supplies CPI factor was applied. The following table shows the projected costs for Operating supplies by fiscal year:

| FY | Operating Supplies |
|---------|--------------------|
| FY25-26 | \$1,927,340 |
| FY26-27 | \$1,951,854 |
| FY27-28 | \$2,010,434 |
| FY28-29 | \$2,052,250 |
| FY29-30 | \$2,096,436 |

Operating supplies costs are expected to increase every year based upon increases to rental costs, contracted costs, as well as rental of portable bathroom equipment.

4.10 Furniture, Office and Technical Equipment

The furniture, office, and technical equipment line item is for purchase of office furniture or equipment. However, those items are captured in the office supplies and expenses line item. The current budget of \$1,000 for this line item is a placeholder.

5. Capital Improvement Expenditures

Based upon discussion with Street Lighting Bureau staff as well as a Facility Planning study that the City is undergoing, it was determined that there would be a need for additional space for existing and new staff. The additional space would be in the form of a 2-acre corporation yard in the southern area of the City to help improve service levels in that geographic area of the City. Information was provided by the General Services Real Estate Department and the City's Bureau of Engineering regarding the estimated costs associated with land acquisition, demolition of existing property, and construction. The following table shows by cost category, the total costs projected:

| Cost Category | Amount |
|----------------------|---------------------|
| Land Acquisition | \$3,300,000 |
| Demolition | \$1,300,000 |
| Construction | \$23,500,000 |
| TOTAL COST | \$28,100,000 |

Based upon the different cost components, the total cost for constructing a new corporation yard for the Street Lighting Bureau would be approximately \$28.1 million. The standard practice for the City is to capitalize these costs over 20 years by taking out a loan. The following table shows the calculation for the new corporation yard on an annual basis.

| Cost Category | Amount |
|---------------------------------|--------------------|
| Total Cost for Corporation Yard | \$28,100,000 |
| # of Years for Capitalization | 20 |
| Annual Cost | \$1,405,000 |

However, as this capital cost would primarily be funded through loans, there is an interest rate component for the calculation. An annual fixed interest rate of 2.45%¹ was utilized. Based upon the initial loan amount, the interest rate, and a period of 20 years, the annual loan payment was calculated \$1,794,032. Therefore, the annual cost associated with the corporation yard is \$1,794,032.

There are no other capital expenditures or projects proposed as part of this financial projection model. The only other asset related costs are for street light pole replacement, but due to the specific nature of this cost it has been classified in its own category.

Recommendation: To accommodate staffing increases as well as improve existing service levels a new corporation yard should be added in the southern part of the City. This expenditure should be capitalized and included in the assessment calculation.

6. Pole Replacement

The Bureau of Street Lighting does not currently have a street light pole replacement program in place. Part of the scope of this study included reviewing the Bureau's current financial practices to determine if they met best practices and prevailing standards. It is typical for assessment districts to incorporate the cost of asset replacement, along with maintenance, in the assessment calculation. The California Roads and Highways

¹ The 2.45% interest rate was calculated by taking an average of the fixed interest rates utilized by the Bureau for its MICLA loan rates at 2.10%, 2.79%, and 2.46%.

Improvement Act of 1911, the basis for the assessment district law, allows for the inclusion of replacement of assets in the assessment calculation.

During this study, data was collected regarding the total number of street light poles within the City in assessment districts, the average life of the pole, and the number of poles that need to be replaced annually. Currently, the Bureau has a total of 12,371 streetlights exceeding the age of 75 years. The 75 years is a conservative estimate, as the more typical standard is 50 years; however, 75 years is the useful life of street light poles utilized by the Bureau for Governmental Accounting Standards Board (GASB) depreciation accounting. Based upon the 75-year replacement standard and the actual installation date, the following table shows by fiscal year, the number of street light poles that require replacement:

| Fiscal Year | # of Street Light Poles to Be Replaced |
|--------------------|---|
| FY25-26 | 1,174 |
| FY26-27 | 905 |
| FY27-28 | 551 |
| FY28-29 | 496 |
| FY29-30 | 936 |

Based upon the table, there is significant variation in the number of poles that need to be replaced on an annual basis. To equalize the replacement of poles, the total number of poles to be replaced over five years was calculated (5,583) and divided by five years to arrive at an average of 882 street light poles per year. This average of 882 street light poles was rounded down to 850 street light poles for the purposes of developing a rounded target for the Bureau.

The current estimated cost of replacing a street light pole is approximately \$10,000. This cost is inclusive of design, development, and installation of the street light pole. However, as there are increases in costs associated with contractors and materials, there will be increases in costs associated with replacing street light poles. Therefore, a CPI factor was applied to the \$10,000 base amount for street light pole replacement to determine the cost to replace each street light pole in the future fiscal years. The following table shows by fiscal year the number of street light poles to be replaced, the cost per pole, and the resulting annual cost:

| FY | # of Street Light Poles to Be Replaced | Cost per Street Light Pole | Total Street Light Pole Replacement Cost |
|-----------|---|-----------------------------------|---|
| FY25-26 | 850 | \$10,000 | \$8,500,000 |
| FY26-27 | 850 | \$10,310 | \$8,763,500 |
| FY27-28 | 850 | \$10,441 | \$8,874,966 |
| FY28-29 | 850 | \$10,754 | \$9,141,324 |
| FY29-30 | 850 | \$10,978 | \$9,331,460 |

The annual cost associated with street light pole replacement varies from a low of \$8.5 million in FY25-26 to a high of \$9.5 million in FY29-30

These costs have been included in the financial projection model to help ensure that the assessment is capturing the total costs associated with maintenance and replacement of street lights. However, they have been included as a separate cost category, in the event that the Bureau would like to fund these activities through an alternate source, it is easily identifiable and could be removed from any assessment calculations. Regardless of the funding source, the Bureau should include funding for street light pole replacement as part of its annual budgeting process.

It is important to note that the pole replacement calculation assumes replacement of poles exceeding their 75 year useful life over the next five years, and does not take into account the backlog of street light pole replacements (approximately 12,371 street light poles need to be replaced prior to 24-25), as well as future anticipated increased needs for street light pole replacements due to unforeseen circumstances.

If the Bureau were to undertake the replacement required of 12,371 street light poles (that have already exceeded their useful life of 75 years) at the base rate of \$10,000 per pole, the total anticipated cost for the backlog replacement would be \$123,710,000 or \$123.7 million. This is a significant sum, and it would require debt service and could not be cash funded. The Bureau would not be able to replace all poles in one year, in addition to the 850 poles being recommended to be replaced annually. Assuming a similar debt service loan as required for the new corporation yard, with a term of only 20 years and fixed interest rate of 5.5%, the annual cost for backlog street light replacement would be \$6,804,068 annually.

To provide further context to the backlog replacement cost, if an average of 5 years of parcel information is utilized, the following table shows the additional per parcel impact of backlog of street light pole replacement:

| Category | Amount |
|---|----------------|
| Total Annual Backlog Street Light | \$6,804,068 |
| 5-year average of parcels | 552,729 |
| Average Cost of Backlog per Parcel | \$12.31 |

If the Bureau would want to capture the additional cost associated with replacement of the backlog of streetlighting poles, the projected assessments would need to add an additional \$12.31 per parcel. Due to the significant annual cost associated with the pole replacement of the backlogged poles, these costs have been factored in as an alternate scenario, rather than built into the baseline requirement calculations.

As part of the annual budgeting process, the Bureau should also review the projected pole replacement calculation to determine if there needs to be any anticipated increases in pole replacements.

Recommendation: Street Light Pole replacement should be included as part of the Bureau's annual budgeting process.

7 Energy Charges

Energy charges are a key operating expense for the Bureau of Street Lighting. These charges have been called out separately in the financial model as Energy and Maintenance. This is the electricity charge assessed to the Bureau for its street lights.

The Department of Water and Power annually increases their rates, based upon a cost formula. The rate increases for Water and Power are based on the inflationary rate (CPI-Energy) minus 2% and the addition of a decoupling mechanism, which has averaged about 2% per year. Therefore, the formula for the rate increase is $\text{CPI-Energy} - 2\% + 2\%$, which equals CPI-Energy.

The CPI-Energy factor was applied to project the Energy charges for future years. The following table shows the projected Energy charges by category for the current year and the next five fiscal years.

| Account Name | FY 24-25 Amount | FY25-26 Amount | FY26-27 Amount | FY27-28 Amount | FY28-29 Amount | FY29-30 Amount |
|--------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Energy Total | \$11,836,099 | \$12,226,690 | \$12,709,645 | \$13,211,675 | \$13,733,537 | \$14,276,011 |

The increased costs represent \$2.4 million over the next five years.

8 Other costs

The Bureau has several other costs that it classifies as other expenses. These include loan repayments, reimbursement of general fund costs, official notices, tree trimming, graffiti removal, fleet replacement, fleet rental, new technology lighting advancements, street lighting improvements and supplies, and one-time expenses. The following subsections discuss these items.

8.1 Capital Finance Administration – Refi Loans

The Capital Finance Administration charges for the Bureau are in relation to the loans taken by the Bureau for the conversion of its High Voltage lights to LED lights. The Bureau took four separate loans and there is a projected repayment schedule for each of these loans. The following table shows the projected repayment schedule by loan by fiscal year:

| Account Name | FY 20-21 Amount | FY 21-22 Amount | FY 22-23 Amount | FY 23-24 Amount | FY 24-25 Amount |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| MICLA 2016 Streetlights | -- | -- | -- | -- | -- |
| MICLA 2017 Streetlights | \$4,469,877 | \$4,469,877 | \$4,469,877 | -- | -- |
| MICLA 2019 Streetlights | \$2,177,501 | \$2,177,501 | \$2,177,501 | \$2,177,501 | \$2,177,501 |
| MICLA 2020 Streetlights | \$988,184 | \$988,184 | \$988,184 | \$988,184 | \$988,184 |
| Total | \$7,635,562 | \$7,635,562 | \$7,635,562 | \$3,165,685 | \$3,165,685 |

The loan repayment schedule was provided by the Bureau staff and is based upon calculations conducted by the Bureau's Finance staff in conjunction with the City Controller's office. As these are fixed amounts, the amounts were incorporated directly into the financial model.

8.2 Reimbursement of General Fund Costs

The City Controller's office annually develops the City's Cost Allocation Plan, which generates two percentages – Fringe Benefits and Central Services. These two percentages combined and applied to the Bureau's salaries calculate the reimbursement amount to the General Fund for paying for all employee benefits as well as any indirect support or oversight. The following table shows the total general fund reimbursement charges by fiscal year:

| Fiscal Year | Reimbursement of General Fund Costs |
|-------------|--|
| FY25-26 | \$23,951,238 |
| FY26-27 | \$26,356,499 |
| FY27-28 | \$28,619,276 |
| FY28-29 | \$30,847,323 |
| FY29-30 | \$32,441,204 |

Due to the increase in overhead rate by FY29-30 the amount of reimbursement to the general fund also increases significantly.

8.3 Energy Conservation Assistance Loan Repayment

Similar to the capital financing loans, the bureau took out another loan for energy conservation assistance. The repayment of this loan is also set at fixed amounts calculated by the Bureau finance staff. The following table shows the payments over the next five fiscal years:

| Fiscal Year | Energy Conversion Assistance Loan Repayment |
|--------------------|--|
| FY25-26 | \$351,951 |
| FY26-27 | \$351,951 |
| FY27-28 | \$351,951 |
| FY28-29 | \$175,976 |
| FY29-30 | \$175,976 |

The repayment amount for the loan is expected to decline starting in FY27-28 and continue to decline in the future.

8.4 Official Notices

The official notices charges are incurred by the Bureau to send out notices related to assessment payments. These are a fixed cost annually at \$10,000.

8.5 Fleet Replacement

The Bureau utilizes a variety of equipment and vehicles to perform its daily functions and operations. These equipment are typically owned by the Bureau and maintained by the City's General Services Department (GSD).

Similar to street light pole replacement, the Bureau has not traditionally replaced its vehicles or equipment upon the requisite replacement cycle; however, through this study, it was recommended that the costs associated with those replacements should be factored into the Bureau's budget to fund replacement of vehicles and equipment in a timely manner. The following table shows the projected fleet replacement costs by fiscal year:

| FY | Fleet Replacement Costs |
|-----------|------------------------------------|
| FY25-26 | \$1,035,000 |
| FY26-27 | \$1,000,000 |
| FY27-28 | \$1,000,000 |
| FY28-29 | \$1,000,000 |
| FY29-30 | \$1,000,000 |

The inclusion of fleet replacement charges is a standardized practice for special revenue funds and should be incorporated in future budget development for the Bureau.

Recommendation: The Bureau should add fleet replacement costs to its annual budget development.

8.6 Street Lighting Improvements and Supplies

Historically, the Bureau's supplies have been recorded in the Street Lighting budget section; however, due to the large dollar value of these supplies on an annual basis, it was determined that they should be listed as a separate line item under other costs. The Street Lighting Improvements and Supplies line item refers to copper wire theft repair and materials, as well as general maintenance supplies for the street lights. These costs are for materials and contracted services for maintenance, as such the materials, goods, services, and supplies CPI factor was applied to the budgeted requirements for the current fiscal year. The following table shows the projected requirements for Street Lighting Improvements and Supplies by fiscal year:

| Fiscal Year | Street Lighting Supplies |
|--------------------|-------------------------------------|
| FY25-26 | \$3,794,080 |
| FY26-27 | \$3,842,338 |
| FY27-28 | \$3,957,656 |
| FY28-29 | \$4,039,973 |
| FY29-30 | \$4,126,956 |

Street lighting supplies are expected to increase in requirements from \$4.0 million to \$4.5 million over the next five years.

8.7 Summary of Other Expenses

The following table summarizes by expenditure category and fiscal year the projected requirements for the other costs subcategory.

| Category | FY25-26 Amount | FY26-27 Amount | FY27-28 Amount | FY28-29 Amount | FY29-30 Amount |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| MICLA 2017 Streetlights | \$4,469,877 | \$4,469,877 | \$4,469,877 | -- | -- |
| MICLA 2019 Streetlights | \$2,177,501 | \$2,177,501 | \$2,177,501 | \$2,177,501 | \$2,177,501 |
| MICLA 2020 Streetlights | \$988,184 | \$988,184 | \$988,184 | \$988,184 | \$988,184 |
| Reimbursement of General Fund Costs (Overhead) | \$23,951,238 | \$26,356,499 | \$28,619,276 | \$30,847,323 | \$32,441,204 |
| Energy Conservation Asst Loan Repayment | \$351,951 | \$351,951 | \$351,951 | \$175,976 | \$175,976 |
| Official Notices | \$10,000 | \$10,000 | \$10,000 | \$10,000 | \$10,000 |
| Fleet Replacement | \$0 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| Street Lighting Improvements and Supplies | \$3,794,080 | \$3,842,338 | \$3,957,656 | \$4,039,973 | \$4,126,956 |
| Total | \$35,742,831 | \$39,196,351 | \$41,574,445 | \$39,238,957 | \$40,919,821 |

The total other costs for the Bureau are approximately \$35.7-\$37.5 million annually, with the largest component of the requirements related to the General Fund Reimbursement, followed by the Refi Loan Repayment and Street lighting supplies.

9 Reserve

Currently, the Bureau of Street Lighting does not have a formalized fund reserve policy. Per the City's internal policies, as well as Government Finance Officers Association (GFOA) standards, special revenue funds should have an established reserve policy. The purpose of a reserve policy is for the fund to have additional resources to rely upon if there is a sudden lack of revenue collection or unforeseen expenditures to limit the impact on the fund's ability to provide for daily operations.

The primary source of revenue for the Bureau of Street Lighting is street lighting assessments which are tied to the property tax bill. Therefore, there is minimal chance for lack of payment of assessment or receipt of assessment by the Bureau. Due to the low risk of the Bureau, it was determined that the minimum standard for reserve policies at 5% of the fund's annual budget should be applied to the Bureau. The 5% reserve policy equates to 18 operational days within the year.

The 5% reserve policy for the Bureau only applies to its operations and maintenance costs and does not include any costs associated with capital projects (corporation yard or street light pole replacements). Additionally, it is assumed that the 5% reserve for operating and maintenance requirements for the Fund would not be achieved in one fiscal year but rather over 10 years. The phased implementation of the reserve policy is consistent with the approach utilized by other funds within the City of Los Angeles.

Due to the loan repayments that occur in one year and may be reduced in other years, as well as other requirements that can vary from year to year, instead of calculating the reserve policy based upon a single fiscal year, an average was utilized. The following table shows by fiscal year the total operating requirements to the budget, and the five-year average of the operating requirements to the budget. Note that this calculation does not include additional costs associated with the pole replacement program and other capital improvements, based on prior analysis.

| Fiscal Year | Operating and Maintenance Requirements |
|-----------------------|---|
| FY25-26 | \$100,939,617 |
| FY26-27 | \$106,581,550 |
| FY27-28 | \$111,328,941 |
| FY28-29 | \$111,023,371 |
| FY29-30 | \$114,443,869 |
| 5-year average | \$111,328,941 |

The five-year average of the operating and maintenance costs is approximately \$111 million. The target reserve level is 5% of this 5-year average, which is \$5,566,447. Similar to other city funds, a 10-year amortization approach will be undertaken, resulting in an

annual reserve expense of approximately \$556,644. The \$556,644 was rounded to \$600,000 to determine the annual reserve amount included in the financial model. As the reserve is meant to be a contingency, it does not need to be an exact value. The rounded value of \$600,000 makes it easy to budget for on an annual basis, rather than recalculating the value annually and/or utilizing a value that may be under-representing the annual build-up needed for a reserve.

For purposes of this analysis, it is assumed that year 4 or FY28-29 is the first year that the Bureau will have an opportunity to budget for the reserve in its requirements. Then in Year 5, the Bureau will budget the prior years' reserve costs (Years 1, 2, and 3) as well as the reserve amount for Year 5, so approximately \$2.4 million. The reasoning for the build-up of the reserve in Year 5 or FY28-29, is to help stabilize the Bureau's requirements and reserve policy, prior to implementation of the reserve.

It is important to note that while the reserve has been considered as part of the calculation of the financial needs analysis, a portion of the Bureau's revenue equating to the reserve amount should be set aside annually rather than incorporated into the Bureau's operating budget. The purpose of this reserve is to help bolster the Bureau's fund balance and to be used towards unexpected operations and maintenance needs.

The Bureau should document the decision to implement this reserve, including potential uses of this reserve and the collection of the reserves, in a policy document that is formally adopted. This will ensure that the reserve dollars are appropriately collected and spent in the future.

Recommendation: The Bureau should set aside reserves at 5% of operating and maintenance costs and develop a formalized reserve policy to achieve that target over a period of 10 years. The reserve amount should begin its incorporation into the budget in Year 4 or FY28-29.