REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 21, 2026

CAO File No. 0220-06415-0000
Council File No. 26-0955
Council District: Citywide

To: The Council

From: Matthew W. Szabo, City Administrative Officer

Reference: Motion (Hernandez, Yaroslavsky - Harris-Dawson) (C.F. 26-0955)

Subject: **RESPONSE TO MOTION REGARDING FUNDING FOR BUREAU OF STREET LIGHTING WORKFORCE, BASELINE SERVICES, AND REVENUE GENERATING OPPORTUNITIES**

RECOMMENDATIONS

That the Council:

1. Instruct the City Administrative Officer to initiate a budget reduction exercise to identify appropriation reductions from the Department of Public Works or other City departments and report to Council with recommended options for appropriation reductions to support up to $6.47 million in additional support for the Bureau of Street Lighting (BSL);

2. Instruct the BSL to complete Proposition 26 compliant fee studies for its fee proposals related to the Banner, Streetlights-As-A-Service (SAAS), EV Chargers on Streetlights, and Community Impact programs described in its report dated August 7, 2026 (C.F. 26-0955);

3. Instruct the BSL, with the assistance of the City Administrative Officer (CAO) and the City Attorney to report on the current legal authorities and limitations for the commercial proposals included in its August 7, 2026 report (C.F. 26-0955) and what additional authority would be needed to pursue the BSL's proposals, and the steps needed to obtain such authority, prior to the approval of an RFP/RFQ for any of the proposed commercial activities; and,

4. Instruct the BSL and the CAO, with the assistance of the City Attorney, to report on opportunities to restructure the BSL and/or the provision of street lighting services which will result in a sustainably funded model for street lighting services in the City.

SUMMARY

On July 1, 2026, the Council approved Motion (Hernandez, Yaroslavsky - Harris-Dawson), which instructed this Office, with assistance from the Bureau of Street Lighting (BSL), to report with

options identifying $6.6 million for immediate use by BSL to maintain workforce and baseline services, including the feasibility of repurposing MICLA funding previously approved for use by the BSL by the Council and Mayor (C.F. 26-0955). In this report, this Office provides options for funding the $6.6 million in costs referenced by the Motion, an assessment of the potential use of previously authorized MICLA funding for BSL operations, and input from this Office on key factors mentioned in the separate BSL report written in response to other instructions of the Motion.

BACKGROUND

The Bureau of Street Lighting (Bureau) maintains the City's street lighting system, which supports public safety, mobility, neighborhood connectivity, and economic activity. The Bureau's primary funding source is property assessment funds, which have remained at the same amount since 1996 despite increases in labor, construction, and operating costs, aging infrastructure, and growing service demands. Following the failure of the 2026 Proposition 218 Street Lighting Assessment ballot, the Bureau experienced an immediate funding shortfall that impacted its ability to maintain workforce levels and baseline services, including copper wire power theft prevention. Without additional funding, the Bureau expects to reduce field staffing levels and significant increases in response times for streetlight repairs, which are likely to lead to increased risks to public safety and the City's street lighting infrastructure.

Bureau of Street Lighting Funding Needs

Motion (Hernandez, Yaroslavsky - Harris-Dawson) directed this Office to provide options for $6.6 million in funding for BSL to maintain its workforce and baseline services. In its report dated August 7, 2026, however, BSL identified $6,315,691 in immediate needs (C.F. 26-0955). In this report, this Office evaluated the amount BSL stated in its report in addition to costs for BSL’s work in support of Executive Directive (ED) 18 ($135,000) and for Operating Supplies ($149,309), based on information from BSL, to align with the $6.6 million amount referenced by Motion (Hernandez, Yaroslavsky - Harris-Dawson).

BSL currently relies on 13 resolution authority positions dedicated to fortifying street lighting entry points and monitoring the status, impact, and effectiveness of its Copper-Wire-Power-Theft (CWPT) mitigation efforts. In addition, Hiring Hall crews supplement the Bureau's maintenance workforce by responding to streetlight outages, replacing stolen copper wire and damaged street lighting infrastructure, and supporting emergency responses to wire and power theft incidents.

In its report, BSL identified immediate funding needs to address the impacts of the current budget in light of the unsuccessful Street Lighting Assessment District No. 5500 increase. These funding needs consist of the restoration of prior budget cuts for hiring hall salaries, benefits, and the associated operating supplies and materials for those positions to sustain field operations. Additionally, BSL identified funding needs for the restoration of overtime funding and the restoration of an Assistant Street Lighting Electrician and operating supplies necessary to sustain field operations and to restore overtime funding for the Copper Wire Power Theft mitigation efforts. These funding needs are primarily intended to preserve existing service levels rather than expand operations.

The BSL report also mentions the temporary use of existing resources to provide expedited plan review and approval of solar street lighting plans in support of ED 18. Under ED 18, BSL will be responsible for the design of the solar street lighting improvements, while the Los Angeles Department of Water and Power (LADWP) would provide the materials and perform the installation of the solar lights. Based on additional information received from BSL, the estimated overtime cost for this work through October is $135,000 and is anticipated to support the installation of approximately 6,000 solar lights by LADWP at a cost to the City of approximately $23 per solar light.

Additionally, this Office collaborated with BSL to determine the highest funding need to align our review with the $6.6 million figure reference in Motion (Hernandez, Yaroslavsky - Harris-Dawson). Based on that input, this Office determined that additional funding for operating supplies would best support BSL's immediate funding needs as we enter 2026-27. The table below shows the breakdown of costs by account which were evaluated by this Office:

BSL Funding Needs to Maintain Service Levels and Support ED 18	
Salaries General	$103,517
Overtime General	$1,000,000
Hiring Hall Salaries	$2,653,305
Hiring Hall Benefits	$2,122,644
Operating Supplies	$264,309
Street Lighting Improvements & Supplies	$321,225
Overtime for Solar Lighting	$135,000
Total	**$6,600,000**

Evaluation of Funding Sources

This Office evaluated the following sources of funds that are eligible, in part or in whole, to support costs for BSL's operations and include a summary for each on the determination of the current availability of each fund to support the $6.6 million in costs identified in the table above:

- Street Lighting Maintenance and Assessment Fund (SLMAF): This fund is the primary funding source for BSL and is fully budgeted for 2026-27 and is currently subsidized by the General Fund by approximately $23 million;

- Proposition C Anti-Gridlock Fund: Eligible to fund lighting work that has been approved as part of a Metro project;

- Measure R Traffic Relief and Measure M Local Return funds: These funds are only eligible to support the installation of roadway lighting;

- Special Gas Tax Street Improvement Fund: This fund may be used for the installation, maintenance, including preventative maintenance, and the provision of power for streetlights. This fund is subsidized by the General Fund by approximately $18 million in 2026-27;

- Road Maintenance and Rehabilitation Program Special Fund: This fund is eligible to support street projects including the installation of street lighting and is provided on a reimbursement basis.

- General Fund: The fund may be used to support any of the identified costs. This Office, however, recommends that any additional General Fund support be considered through the annual budget process. If the Council decides to fully fund the $6.6 million request, General Fund support may be necessary for costs that are not eligible for the other funding sources identified above.

This Office evaluated the current status of each fund to determine if there were savings or available funds that could offset or address the $6.6 million in funding for BSL described in this report. The identified special funds are fully programmed in the 2026-27 Budget, and less than two months into the fiscal year, we were not able to identify savings that could be used to support BSL's stated funding needs. The use of any of these funds to provide additional funding to BSL would require offsetting revenue or appropriation reductions. While the General Fund is eligible to support any of the funding needs identified, any additional General Fund support should only be considered along with corresponding appropriation reductions within the Department of Public Works or other City services. This Office recommends that the Council direct this Office to conduct an appropriation reduction exercise and report to Council with options for appropriations that could be reduced to support up to $6.47 million in additional support for the BSL. This amount includes all identifying funding needs for BSL with the exception of the costs associated with solar street lights, which is discussed in the section below.

Municipal Improvement Corporation of Los Angeles (MICLA) Funds

This Office evaluated the feasibility of repurposing previously authorized MICLA funding to support BSL's workforce and baseline services. In general, MICLA eligible uses include capital improvements through the acquisition, construction, or improvement of long-lived public assets. Operational expenditures, including salaries, overtime, Hiring Hall personnel, and routine maintenance activities, are not MICLA eligible. This Office, with the assistance of BSL, reviewed the cash balances of existing MICLA Construction Fund Nos. 26U, 26Y, 27F, and 27J in connection with debt issued in 2016, 2017, 2019, and 2020, respectively, to determine if any unspent proceeds (available cash) could be used to support the installation of solar powered streetlights. The unspent proceeds within the Construction Funds described above could be used to support BSL's technical work directly attributable to the design of capital improvements, including the installation of solar

lighting as part of ED 18, however, these funds cannot be used for related administrative activities in support of these solar installations. As of April 2026, there are approximately $2.2 million in unspent proceeds that could be used to support the technical design work for ED 18 solar installations. This Office recommends that the BSL continue with its work to support ED18 and ensure the maintenance of records sufficient to delineate the technical design work done for solar installations as part of ED 18 and this Office will address those costs as part of FSRs in 2026-27.

Additionally, this Office evaluated the previously authorized MICLA issuance for $65 million that was approved to fund the purchase and installation of approximately 7,500 solar street lights, with the principal and interest to be repaid by the SLMAF. In light of the failure of the 2026 Proposition 218 Street Lighting Assessment ballot, the SLMAF does not have sufficient funding to support this debt issuance and continue to support BSL operations. Therefore, this previously authorized issuance of MICLA for solar lights is not a viable option for the BSL funding needs described in this report.

Review of BSL Fee and Revenue-Generating Proposals

In its report dated August 7, 2026, BSL identified two broad categories of opportunities to address long term funding needs: 1) updates to existing fees intended to recover the City's cost of providing services and 2) commercial activities intended to generate revenue from BSL assets, infrastructure, or service capabilities. These categories should be evaluated separately as their fiscal objectives and risk profiles differ.

Fee and Cost-Recovery Proposals

The Bureau identifies proposed fee adjustments for the Co-Location, Banner, Streetlights-As-A-Service (SAAS), EV Chargers on Streetlights, and Community Impact programs. With the exception of the proposal to align co-location fees paid by the Gas Company with the fees charged to all other entities for co-location, the other fee proposals in the report should undergo formal fee studies to validate the proposed amounts to ensure compliance with Proposition 26 requirements for fees. The amounts in the report are indicative of the order of magnitude of the updated fees, however, they should not be used to update fees prior to a Proposition 26 compliant fee study. Although the Bureau's analysis provides a basis for evaluating potential fee adjustments, additional analysis is needed to support the proposed amounts. In particular, BSL should document the methodology and assumptions used to calculate each fee to demonstrate that the proposed amount reflects the cost of providing the associated service.

Accordingly, the CAO recommends that BSL complete a comprehensive fee study before implementing the proposed fee adjustments. The study should validate the proposed fees, identify the full costs associated with each service, and distinguish between amounts supported by completed cost analyses and those that remain preliminary or estimated.

Commercial Revenue-Generating Activities

The Bureau also proposes expanding or establishing commercial activities that go beyond cost recovery, including commercial street-banner advertising, leasing or monetizing conduit and fiber assets, expanded SAAS and smart-city services, and a consolidated leasing program that operates in partnership with one or more external activation partners or activation partners.

BSL estimates that an expanded commercial Banner Program could generate approximately $8.1 million to $12.1 million annually under the pricing assumptions presented in its report, compared with approximately $339,000 in 2024-25 revenue. For conduit, the Bureau cites a rough estimate of approximately $1.25 per foot per year and estimates approximately $9.5 million in potential annual revenue if 1,700 miles of solar-potential conduit could be commercialized at that rate. BSL also notes that its recent experience suggests a lower rate closer to $0.50 per foot and that dark-fiber leasing could have substantially greater revenue potential. These estimates illustrate the scale of the opportunity, but they are unconfirmed estimates at this point.

At the time of this report, the proposed commercial activities and revenue potential remain largely conceptual. Actual revenues would depend on the final program design and the Bureau's ability to attract and retain paying users. The City does not yet have sufficient information regarding market demand for these services, operating costs, or the timing of implementation. As these factors are developed through program implementation, actual revenue projections may differ materially from the gross revenue estimates currently presented by BSL.

Legal Authority and Charter Considerations

Implementation of commercial activities also depends on confirmation of the City's and BSL's legal authority. Certain proposed commercial activities may require additional legal authority. Charter Section 580 establishes the powers and duties of the Department of Public Works primarily with respect to the design, construction, excavation, and maintenance of streets and public works improvements, including City-owned public right-of-way lighting facilities. The Charter does not explicitly authorize the Department to engage in commercial activities or monetize City assets as an independent business function. Additionally, Charter Section 104(g) generally prohibits the City from engaging in purely commercial or industrial enterprises unless approved by a majority of City voters or otherwise specifically authorized by the Charter. Accordingly, implementation of the Bureau's proposed commercial activities should be subject to review by the City Attorney to determine whether they are permissible under Charter Section 104(g), may be authorized under the existing Charter and by ordinance, or would require an amendment to Charter Section 104(g), 580 or other Charter provisions.

Business and Financial Risk

The City should distinguish between investments needed to achieve full cost recovery and investments intended to create new revenue-producing businesses. BSL identifies startup needs for asset commercialization, including approximately $12,000 to $15,000 annually for fiber infrastructure management software and approximately $400,000 to $500,000 for a

commercialization strategy manager/owner's representative, with $180,000 in Digital Inclusion fee revenue proposed as a starting source. As these costs relate to starting up potential commercial activities that the City has not previously undertaken, there is a different risk profile compared to costs to manage a cost-recovery fee program. As with any commercial activity, the City must be prepared to accept the risk of commercial activities, including the risk that revenues from such programs do not recover funding invested to pursue such commercial activities either in the short or long term. Additional staffing, training, equipment, legal support, and other related support may also be required.

Alternative Models for Provision of Street Lighting Services

This Office recommends that BSL and this Office be instructed to report on alternative structural changes to the BSL that would result in the sustainable funding for the provision of street lighting services with the assistance of the City Attorney. These structural changes could include changes in the funding model, method of service delivery, and the potential role that LADWP could fill in the provision of street lighting services. This proposed report is intended to provide guidance for policy makers on options beyond the fee changes and commercial activities discussed in the report from BSL.

FISCAL IMPACT STATEMENT

There is no immediate fiscal impact as a result of this report's recommendations. Implementation of the Bureau's commercial revenue-generating proposals may require future startup and ongoing expenditures. The amount and funding sources for these proposals should be determined after completion of the recommended analyses.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City’s Financial Policies.

MWS:NSC:JO:06270011C