



**Rate Study
for the
Blacklake Village
Street Lighting Assessment District**

**DRAFT REPORT
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INTRODUCTION

Background

The Blacklake Village Street Lighting Assessment District is made up of 190 high pressure sodium vapor (HPSV) street lights that provide lighting service to 557 parcels. The intent of this report is to evaluate the operating and capital costs of the District and recommend street light assessments to fund these costs. Nipomo Community Services District (NCSD) has provided street lighting services to Blacklake Village from the time NCSD took over a developer-petitioned assessment district formed by the County. In order to maintain the street lighting system, an annual assessment is levied on each parcel for the service rendered. The current approved maximum annual assessment is \$50.00¹ per parcel.

The table below shows the history of per parcel annual assessments and the proposed Fiscal Year (FY) 2022-2023 assessment:

Table 1: History of Assessments
2022 Street Light Rate Study
Blacklake Village Street Lighting Assessment District

Fiscal Years		Charge per Parcel	County Fee	Total
1992-93	1 year	\$48.00	\$2.00	\$50.00
1993-94	1 year	\$50.00	\$2.00	\$52.00
1994-95	1 year	\$48.00	\$2.00	\$50.00
1995-96	1 year	\$40.00	\$2.00	\$42.00
1996-97 through 2012-13	17 years	\$34.00	\$2.00	\$36.00
2013-2014 through 2017-18	5 years	\$44.00	\$2.00	\$46.00
2018-2019 through 2021-22	4 years	\$50.00	\$2.00	\$52.00
2022-2023 PROPOSED		\$85.00	\$2.00	\$87.00

Currently, the District is operating at a deficit and an assessment increase is needed to meet costs, fund capital needs, and accumulate appropriate reserves. The proposed annual assessment for the 2022-2023 fiscal year is \$85.00.¹ Note that San Luis Obispo County adds \$2.00 per parcel handling fee for processing the property tax collection, making the total proposed annual assessment billed to each parcel owner \$87.00.

Street Light Inventory

The Blacklake Village Street Lighting Assessment District is comprised of 190 HSPV street lamps. 30 lamps are owned, operated, and maintained by Blacklake Village and billed for electric service by Pacific Gas and Electric (PG&E) via the LS-2 tariff. 160 lamps are served under the LS-1 tariff. For these lamps, some or all of the street light facilities are owned by PG&E. Blacklake Village pays PG&E for electric

¹ Not including County administrative fee.

service as well as rental and maintenance of the LS-1 lamps.² The LS-1 tariff is further subdivided into LS-1A through LS-1F based on pole type and configuration. The tariff applicable to each lamp determines Blacklake Village's facility rental fees. A list of street light terms and definitions is provided below as well as an inventory of Blacklake Village's lamps.

Street Light Terms

Photo controller: daylight sensor that turns street lights on and off at dusk and dawn

Luminaire: bulb, lighting fixture, and photo controller

Mast arm: bracket or support arm that attaches the luminaire to the pole

Pole: support for the mast arm and luminaire

Post: support for street lights served on tariff LS-1D and Blacklake Village's LS-2A street lights³; the luminaire is a post top fixture that is not attached to a mast arm

Shared distribution pole: a pole that supports a street light mast arm as well as other PG&E electric distribution system wiring or other non-street light equipment; LS-1A mast arms are supported by shared distribution poles

Street light only pole: a pole that is only used for street lighting service and does not support other electrical equipment

Street light: total street light facility potentially including a pole or post, mast arm, and luminaire

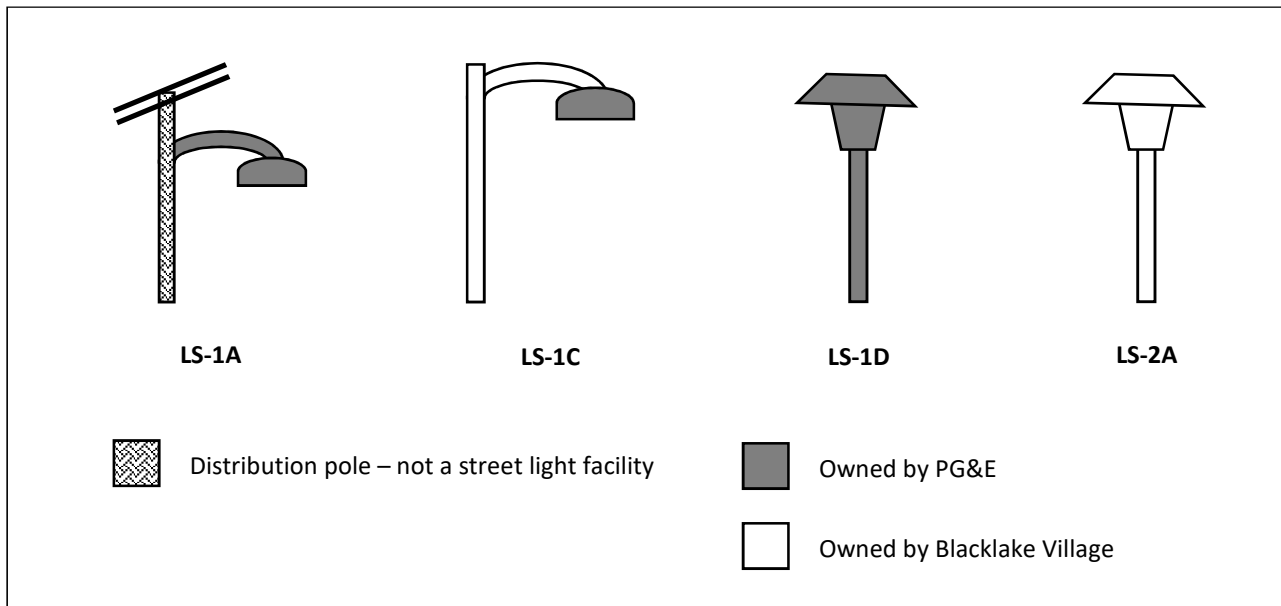
² PG&E's maintenance responsibility varies by LS-1 street light tariff.

³ LS-2As can be supported by a variety of pole or post types. Blacklake Village's LS-2As are post top lamps

**Table 2: Blacklake Village Street Light Inventory
2022 Street Light Rate Study
Blacklake Village Street Lighting Assessment District**

Tariff	Blacklake Village Ownership	PG&E Ownership	Lamp Type	Count
LS-1A	None	Mast arm and luminaire attached to a shared distribution pole	HPSV 120 Volt 100 Watts	1
LS-1C	Mast arm and pole or post	Luminaire	HPSV 120 Volt 70 Watts	83
			HPSV 240 Volt 200 Watts	1
LS-1D	None	Street light only pole, post top lamp	HPSV 120 Volt 70 Watts	70
			HPSV 120 Volt 100 Watts	5
LS-2A	Post and luminaire	None	HPSV 120 Volt 70 Watts	30
Total				190

Figure 1: Ownership of Blacklake Village Street Light Facilities by Tariff



COST OF SERVICE

This section describes the operating and capital cost of service associated with providing street lights to the Blacklake Village residents and businesses. No new lamps are proposed to be constructed in this report.

Revenues

The District's only source of revenue is assessments paid by property owners within Blacklake Village. In the past, the District has generated small amounts of interest earnings from reserves. However, due to recent operating deficits, it is anticipated that interest earnings will be de minimis. Current revenues are \$27,850 and are stable due to Blacklake Village's participation in the Teeter Plan. Assessments are not sufficient to fund operating costs. Blacklake Village has not historically planned for or budgeted for capital improvements. It is proposed that Blacklake Village adjust its accounting practices such that assessment revenues be set aside to fund capital expenses separate from operating expenses. It is recommended that the current assessment revenues increase from \$27,850 to \$47,345. Of the total assessment revenues, it is recommended that \$37,245 be allocated to operations and \$10,100 be allocated to capital.

Operating Expenses

NCSD evaluated its overhead costs and adjusted its estimates for Blacklake Village's expenses related to insurance, public noticing, and administration. In FY2021-2022 and into FY2022-2023, Blacklake Village will incur higher-than-typical expenses related to preparing this rate study, mailing notices to property owners, and conducting a Proposition 218 balloting process.

Monthly street light bills paid to PG&E are estimated in Table 3 at about \$29,400 in FY2022-2023. The total cost reflects known and assumed adjustments to PG&E's electric rate and street light rental fees. It should be noted that PG&E has transitioned Blacklake Village's 30 LS-2C street lights to the LS-2A tariff. The LS-2C tariff is higher cost as PG&E provides maintenance of the lamps. Under the LS-2A tariff, Blacklake Village is responsible for maintenance. Due to the transition, Blacklake Village's LS-2 fees paid to PG&E are reduced.

LS-2 maintenance costs must now be paid to a contractor who will service the lamps independent of PG&E. The primary maintenance cost for Blacklake Village's lamps is the replacement of burnouts. A typical HPSV lamp lasts for 72 months before burning out. Nipomo CSD staff estimate the cost to replace a burned-out lamp at about \$200 per lamp. This cost amortized over 72 months is \$2.78 per lamp per month. For all 30 LS-2A lamps, the total annual maintenance cost is estimated at \$1,000.80.

To fund cash flow insufficiencies due to the delay in the collection of property tax revenues, it is anticipated that Blacklake Village will borrow short-term funds from Nipomo CSD. This loan is expected to be repaid with a small amount of interest.

**Table 3: Estimated Street Light PG&E Bills
2022 Street Light Rate Study
Blacklake Village Street Lighting Assessment District**

Tariff	Lamp Type	kWh per month	Estimated PG&E Bills FY2022-2023			# of Lamps	Total Annual PG&E Cost
			Facilities Charges [1]	Energy Charges [2]	Total Estimated Monthly Bill		
LS-1A	HPSV 120-V 100 W	41	\$7.14	\$8.54	\$15.68	1	\$188.16
LS-1C	HPSV 120-V 70 W	29	\$6.64	\$6.04	\$12.68	83	\$12,629.28
LS-1C	HPSV 240-V 200 W	81	\$6.64	\$16.86	\$23.50	1	\$282.00
LS-1D	HPSV 120-V 70 W	29	\$9.44	\$6.04	\$15.48	70	\$13,003.20
LS-1D	HPSV 120-V 100 W	41	\$9.44	\$8.54	\$17.98	5	\$1,078.80
LS-2A	HPSV 120-V 70 W	29	\$0.20	\$6.04	\$6.24	<u>30</u>	<u>\$2,246.40</u>
						190	\$29,427.84

1 - Based on facilities charges agreed to in the Street Light Settlement Agreement in PG&E's 2020 General Rate Case Phase 2 and approved by the California Public Utilities Commission in Decision 12-11-016.

2 - Estimated based on the January 1, 2022 rate of \$0.20310/kWh increased by 2.5%

Capital Expenses

As mentioned, Blacklake Village has not historically budgeted for capital replacements or reserves. It is recommended that assessments be adjusted to recover the cost of painting street light poles⁴ and to plan for the eventual conversion of LS-2 street lights to light emitting diode (LED) (see Blacklake Village Street Light LED Conversion Analysis dated January 14, 2022).

Nipomo CSD received a contractor quote at prevailing wage to paint the street light poles at \$280 per lamp. This cost is escalated by 2.5% annually to 2023. This report assumes Blacklake Village will paint approximately 27 lamps per year on an ongoing basis. The count of 27 lamps reflects one seventh of the inventory reflecting a typical seven-year lifespan of paint.

It is recommended that Blacklake Village plan for the eventual conversion of its 30 LS-2 lamps to LED.⁵ Based on potential high-end cost estimates to convert the LS-2A lamps to LED, Blacklake Village may need to cash fund a portion of the conversion (the other portion of conversion costs may be eligible for low or no cost financing). For planning purposes, the cash-funded portion is estimated at \$350 per lamp and is proposed to be accumulated over five years from street light assessments. The annual set-aside for FY2022-20203 is \$2,100 and is assumed to increase annually by inflation.

⁴ It is assumed that the district (and not PG&E) is responsible for pole painting

⁵ PG&E offers a no cost conversion program for LS-1A and LS-1C lamps so no funding from Blacklake is needed to convert those street lights. Conversion of LS-1D lamps is uneconomical and not recommended. Blacklake Village owns the LS-2 lamps and would need to develop a funding source for conversion.

CASH FLOW AND PROPOSED ASSESSMENT

Cash Flow and Reserves

The proposed Blacklake Village Street Light District cash flow is presented in Table 4. Table 4 shows the cash flow for the proposed assessment year of FY2022-2023 as well as illustrative assessments if costs increase by 2.5% annually. In FY2022-2023, It is proposed that operating assessment revenues be increased from \$27,850 to \$37,245. This revenue increase will cover ongoing operating costs and a portion of one-time costs related to Proposition 218 balloting. In FY2023-2024 and beyond, these one-time costs will be eliminated⁶ and the Blacklake Village Street Light District is projected to generate positive net revenues. Net revenues will be added to the District's operating reserves. It is recommended that Blacklake Village target an operating reserve of \$17,000 representing about six months of costs.

This rate study proposes a capital budget of \$10,100 in FY2022-2023 to fund pole painting and set aside funds for the eventual conversion of LS-2 lamps to LED. It is expected that pole painting funds will be spent annually while LED conversion funds will remain in District reserves until the project is conducted. The maximum reserve balance is proposed to be \$25,000 reflecting a high potential LED conversion cost of \$700 per lamp for 30 lamps plus annual inflation. Should either the operating or capital reserves exceed their targets, Blacklake Village could forgo future assessment increases and use excess reserves for the benefit of property owners.

⁶ Higher than typical legal fees are expected to continue from FY2022-2023 into FY2023-2024 due to the Proposition 218 balloting process

**Table 4: 5-Year Cash Flow
2022 Street Light Rate Study
Blacklake Village Street Lighting Assessment District**

	Budget 2021-2022	PROPOSED 2022-2023	Illustrative 2023-2024	Illustrative 2024-2025	Illustrative 2025-2026	Illustrative 2026-2027
ASSESSMENT REVENUES						
Operating street lighting assessment	\$27,850	\$37,245	\$38,107	\$38,962	\$39,810	\$40,652
Capital street lighting assessment		<u>\$10,100</u>	<u>\$10,353</u>	<u>\$10,611</u>	<u>\$10,877</u>	<u>\$11,149</u>
Total street lighting assessment proceeds		\$47,345	\$48,459	\$49,573	\$50,687	\$51,801
OPERATIONS						
REVENUES - Operating assessment		\$37,245	\$38,107	\$38,962	\$39,810	\$40,652
EXPENDITURES						
Insurance	100	110	113	116	118	121
Public & Legal Notice (Preparing Ballots and Legal Review of Process)	4,000	4,000	2,500	250	256	263
Administration [1]	500	1,500	1,538	1,576	1,615	1,656
Street Light Rate Study	7,660	2,500	0	0	0	0
PG&E Street Light Fees [2]	28,900	29,400	29,829	30,238	30,990	31,763
Est. Maintenance for LS-2A Lamps [3]		1,000	1,025	1,051	1,077	1,104
Repayment of Interest on Past Deficit [4]	0	52	0	0	0	0
Miscellaneous	0	0	500	500	500	500
Total expenditures	<u>(41,160)</u>	<u>(38,562)</u>	<u>(35,505)</u>	<u>(33,731)</u>	<u>(34,557)</u>	<u>(35,406)</u>
Net Operating Surplus (Deficit)	<u>(13,310)</u>	<u>(1,317)</u>	2,602	5,231	5,253	5,246
Plus Interest earnings	0	<u>0</u>	<u>0</u>	<u>50</u>	<u>50</u>	<u>75</u>
Net surplus (deficit) from operations	<u>(13,310)</u>	<u>(1,317)</u>	<u>2,602</u>	<u>5,281</u>	<u>5,303</u>	<u>5,321</u>
Estimated cash balance 6/30	<u>(\$395)</u>	<u>(\$1,712)</u>	<u>\$890</u>	<u>\$6,171</u>	<u>\$11,474</u>	<u>\$16,795</u>
Operations Cash Reserve Goal [5]		<u>\$17,000</u>	<u>\$17,000</u>	<u>\$17,000</u>	<u>\$17,000</u>	<u>\$17,000</u>

	Budget 2021-2022	PROPOSED 2022-2023	Illustrative 2023-2024	Illustrative 2024-2025	Illustrative 2025-2026	Illustrative 2026-2027
CAPITAL						
REVENUES - Capital assessment		\$10,100	\$10,353	\$10,611	\$10,877	\$11,149
EXPENDITURES						
Pole Painting [6]		8,000	8,200	8,405	8,615	8,831
Conversion of LS-2A lamps to LED [7]		<u>2,100</u>	<u>2,153</u>	<u>2,206</u>	<u>2,261</u>	<u>2,318</u>
Total capital expenditures [8]		\$10,100	\$10,353	\$10,611	\$10,877	\$11,149

CASH FLOW NOTES

1 - Accounting, public hearing prep, tax roll preparation, reporting maintenance issues to PG&E, preparation of engineer's report

2 - FY2021-2022 budget street light fees reflect January 1, 2022 rates and the transition of LS-2C lamps (PG&E maintained) to LS-2A (no PG&E maintenance).

3 - Based on a contractor estimate of \$200 per lamp burnout. Amortized over 72 months, this cost is about \$2.78 per each LS-2 lamp

4 - In FY 2022-2023, Blacklake Village is projected to face cash flow constraints due to the timing of tax roll revenue disbursements. It is assumed that the Blacklake Village will receive a short-term loan from NCSO and repay the loan once assessments are received from the County. It is assumed that Blacklake Village will repay the loan with interest based on the Local Agency Investment Fund interest rate (assumed to be 0.24% quarterly based on the September 2021 rate).

5 - Section 22569 of the 1972 Landscape and Lighting Act specifies that the reserve fund should not exceed the cost to operate the District from July through December while waiting for the County property tax revenue distributions. For Blacklake Village, this amount is approximately \$17,000.

6 - Based on contractor quote (prevailing wage) of \$280 per lamp escalated by 3% annually to 2023. Assumes Blacklake Village will paint approximately 27 lamps per year (i.e. one seventh of its inventory reflecting a typical seven year lifespan of paint)

7 - Based on potential high-end cost estimates to convert 30 LS-2A lamps to LED, Blacklake Village may need to cash fund a portion of the conversion (the other portion of conversion costs may be eligible for low or no cost financing - see Blacklake Village Street Light LED Conversion Analysis). For planning purposes, the cash-funded portion is estimated at \$350 per lamp and is proposed to be accumulated over five years from street light assessments.

8 - Any unspent capital assessments will be added to the street light funded replacement reserve on an annual basis. The maximum reserve balance is \$25,000 reflecting a high potential total LED conversion cost of \$700 per lamp for 30 LS-2A lamps plus annual inflation.

Proposed Assessment

Table 5 provides the current and proposed assessment developed in this report. It is proposed the assessment per parcel be increased from \$50 to \$85 annually plus the \$2 county charge. In addition, it is recommended that Blacklake Village adopt an annual inflationary increase to the assessment to keep up with rising expenses. The inflationary increase should be tied to the Consumer Price Index or other index used by Blacklake Village or Nipomo CSD. The District can implement inflationary increases annually without conducting another Proposition 218 balloting process.

**Table 5: Proposed Assessment Calculation
2022 Street Light Rate Study
Blacklake Village Street Lighting Assessment District**

	Current	2022-2023 Proposed
Operating street lighting assessment	\$27,850	\$37,245
Capital street lighting assessment	<u>\$0</u>	<u>\$10,100</u>
Total street lighting assessment proceeds	\$27,850	\$47,345
Number of parcels	557	557
Assessment per parcel	\$50.00	\$85.00
County charge	<u>\$2.00</u>	<u>\$2.00</u>
Total assessment per parcel	\$52.00	\$87.00

Table 6 provides potential illustrative assessments from FY2023-2024 to FY2026-2027 reflecting a 2.5% annual inflation. The assessment would increase \$2 per year. If inflation is higher than 2.5%, the District could implement higher assessments provided appropriate notice was provided to property owners.

**Table 6: FY2023-2024 to FY2026-2027 Illustrative Assessments
2022 Street Light Rate Study
Blacklake Village Street Lighting Assessment District**

	Illustrative Assessments if Inflation is 2.5%			
	2023-2024	2024-2025	2025-2026	2026-2027
Operating street lighting assessment	\$38,107	\$38,962	\$39,810	\$40,652
Capital street lighting assessment	<u>\$10,353</u>	<u>\$10,611</u>	<u>\$10,877</u>	<u>\$11,149</u>
Total street lighting assessment proceeds	\$48,459	\$49,573	\$50,687	\$51,801
Number of parcels	557	557	557	557
Assessment per parcel	\$87	\$89	\$91	\$93
County charge	<u>\$2</u>	<u>\$2</u>	<u>\$2</u>	<u>\$2</u>
Total assessment per parcel	\$89	\$91	\$93	\$95