

CITY OF LAKELAND, FLORIDA
**ANNUAL
REPORT**
TO BONDHOLDERS

FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2015



ANNUAL REPORT TO BONDHOLDERS

OF THE

CITY OF LAKELAND, FLORIDA

FOR THE

FISCAL YEAR ENDED SEPTEMBER 30, 2015

MICHAEL C. BROSSART, CPA
FINANCE DIRECTOR

DEIDRA JOSEPH
ASSISTANT FINANCE DIRECTOR

JEFF STEARNS
TREASURY MANAGER

CITY COMMISSION AND ADMINISTRATION

R. HOWARD WIGGS
MAYOR

PHILLIP E. WALKER
Commissioner

EDITH L. YATES
Commissioner

DON R. SELVAGE
Commissioner

KEITH MERRITT
Commissioner

JUSTIN M. TROLLER
Commissioner

JAMES B. MALLESS
Commissioner

TONY DELGADO
City Manager

BRAD JOHNSON
Interim Deputy City Manager

VACANT
Assistant City Manager

MICHAEL BROSSART
Finance Director

TIM MCCAUSLAND
City Attorney

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April 30, 2016

On Behalf of the Members of the City Commission, I am pleased to present the 2015 Annual Report to Bondholders. This report provides information to you, the investor, relating to the City's finances and outstanding bond indebtedness. We, in the City of Lakeland, are proud of our accomplishments during the last year. It is our goal to continue to provide a high level of service to our community at a fair price.

The City team is committed to making Lakeland a vibrant, culturally inclusive world-class community. We understand that to achieve this vision, we must be mission driven and results oriented. To facilitate growth and development of the City, we must be pro-active and not reactive. We must anticipate the future in our comprehensive planning, visioning, and long range financing of City infrastructure. We must secure the future of our children and grandchildren through cooperative efforts among all levels of government and private enterprise. We must develop and maintain partnerships and strategic alliances which address common goals and priorities.

Many governments across the country have experienced financial difficulties relating to the recent economic recession. The City of Lakeland also has its challenges; however, I am confident that the financial position of our City is sound and that we have the resources to achieve our goals and objectives while ensuring that our obligations to investors are met in a timely manner.

We thank you for your past support and interest in the City of Lakeland. We also pledge to you and our citizens to continue the past tradition of superior management, and sound fiscal policy as we carry out our responsibilities as stewards of the City's future.

Sincerely,

A handwritten signature in blue ink, appearing to read 'R. Howard Wiggs'. The signature is stylized and cursive.

R. Howard Wiggs
Mayor



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PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The ANNUAL REPORT TO BONDHOLDERS has been prepared by the City of Lakeland, Florida (City) to provide information concerning the City, its financial operations, and its indebtedness.

The Securities and Exchange Commission (SEC) issued interpretive guidance in 1994 regarding continuing disclosure requirements under rule 15c2-12. This rule provides that a Broker¹ may not act as a Participating Underwriter¹ in a primary offering of municipal securities with an aggregate principal amount of \$1,000,000 or more, unless the underwriter reasonably determines that the issuer of such municipal securities has undertaken in a written agreement or contract, to provide to each Nationally Recognized Municipal Securities Information Repository [NRMSIR] certain disclosure information as enumerated in the rule. The effect is to require continuing disclosure, to the secondary market, for issuers of municipal securities.

The City of Lakeland has covenanted for the benefit of bondholders to provide certain financial information and operating data relating to the City in each year, and to provide notices of the occurrence of certain enumerated material events. The City has agreed to file annual financial information and operating data and the audited financial statements with each nationally recognized municipal securities information repository approved by the Securities and Exchange Commission (the “NRMSIRs”), as well as any state information depository that is established in the State (the “SID”). Currently, there are no such SIDs. The City has agreed to file notices of certain enumerated material events, when and if they occur, with the NRMSIRs or the Municipal Securities Rulemaking Board, and with the SIDs, if any. In conjunction with the continuing disclosure requirement, the City entered into an agreement with Digital Assurance Certification, L.L.C. (“DAC”) in October 2002, providing for DAC to act as a Dissemination Agent for the City.

¹See SEC rules for definitions of capitalized terms in the Purpose of Annual Report to Bondholders section.

INTRODUCTION

The following report represents the seventeenth ANNUAL REPORT TO BONDHOLDERS prepared by the City. This report is designed to provide useful information to current and potential investors, rating agencies, bond insurers, municipal analysts, and other interested parties. In achieving this objective, the ANNUAL REPORT TO BONDHOLDERS also fulfills SEC requirements to provide updated information to the secondary bond market that is consistent with other official statements relating to the City's indebtedness.

Included in the ANNUAL REPORT TO BONDHOLDERS is background information about the City and its services, key staff, and demographics. Financial information, particularly data related to revenues that have been pledged to support debt service requirements on outstanding bonds, is also included. Additionally, the ANNUAL REPORT TO BONDHOLDERS includes details about each outstanding bond issue for which the City has a legal obligation. All of the information is presented as of the fiscal year ending September 30, 2015, unless otherwise noted.

In addition to the ANNUAL REPORT TO BONDHOLDERS, The City is filing a copy of its "Comprehensive Annual Financial Report" (CAFR) for the fiscal year ended September 30, 2015. The CAFR is being transmitted as a separate document in an effort to preserve the conciseness of the ANNUAL REPORT TO BONDHOLDERS and also to make pertinent financial information available that may be of interest to the reader. The ANNUAL REPORT TO BONDHOLDERS is a supplementary document and should be reviewed in conjunction with the CAFR, and not as a replacement of the CAFR.

The ANNUAL REPORT TO BONDHOLDERS together with the accompanying CAFR represent a complete picture of the City's finances. Anyone requesting financial information about the City will be referred to these documents. Copies of the ANNUAL REPORT TO BONDHOLDERS are being furnished to current or potential bondholders upon request, rating agencies, insurers of municipal debt, and to Nationally Recognized Municipal Securities Information Repositories [NRMSIRs]. Anyone interested in receiving this report should make a request in writing to the address provided below. If it is determined that any future requested information is not included in this document or the CAFR, but should be made available to the "market," a response will be provided through a filing with the NRMSIRs and the requester will be notified accordingly.

City of Lakeland
Finance Director
228 South Massachusetts Avenue
Lakeland, Florida 33801-5012

Certain information presented in the ANNUAL REPORT TO BONDHOLDERS was obtained from sources external to the City that is believed by the City to be reliable. The City has not undertaken an independent review or investigation to determine the accuracy of the information that has been obtained from other sources. Neither the City nor the elected or appointed officials make any representations or warranties with respect to the accuracy or completeness of that information.

To the extent that certain portions of the ANNUAL REPORT TO BONDHOLDERS constitutes summaries of documents, reports, resolutions or other agreements relating to the operations or outstanding debt of the City, this report is qualified by reference to each such document, copies of which may be obtained from the Director of Finance.

The ANNUAL REPORT TO BONDHOLDERS contains certain capitalized terms that are not defined within this report. Such terms are defined in the ordinances or resolutions of the City authorizing the issuance of the respective bonds.

GENERAL & STATISTICAL INFORMATION

The City of Lakeland was incorporated in 1885 as a political subdivision of the State of Florida. The City is operated using a Commission-Manager form of government. This system provides a centralized professional administration and a seven member City Commission. Four Commission members are elected from single member districts and the other three members are elected at large. All Commissioners serve four-year terms of service. The Mayor is elected by popular vote and is recognized as the head of City government for all ceremonial occasions. The City employs a full-time manager, appointed by the Commission, who is the chief executive and administrative officer of the City.

The City of Lakeland provides a full range of municipal services including public works, public safety, health and social services, recreation and cultural activities. In addition, the City's enterprise activities include electric and water utilities, airport operations, and sanitation services.

PRINCIPAL OFFICIALS

The legislative power of Lakeland is vested in a commission of seven members. The City Commission generally meets on the first and third Monday of each month in the commission chambers at City Hall, 228 South Massachusetts Avenue. The following table lists the elected officials of the City as of September 30, 2015:

District	Elected Officials	Service	Term Expires
At large	R. Howard Wiggs (Mayor)	20 years	December 2017
Northwest	Phillip Walker	6 years	December 2015
Northeast	Keith Merritt	4 year	December 2015
Southwest	Don Selvage	6 years	December 2017
Southeast	Edith Yates	10 years	December 2017
At large	Justin Troller	8 years	December 2015
At large	James Malless	2 year	December 2017

SENIOR MANAGEMENT – CITY

ANTHONY J. DELGADO - CITY MANAGER

Tony began work with the City of Lakeland in January 1997 as Assistant Director for The Lakeland Center. He became Assistant City Manager in November 2000. He has a Bachelor of Science degree in Parks & Community/Commercial Recreation from Southern Illinois University. Tony is active in Downtown Kiwanis and is a graduate of Leadership Lakeland XVIII. Tony accepted the role of Interim City Manager on September 13, 2015 and City Manager on January 4, 2016.

BRAD JOHNSON - INTERIM DEPUTY CITY MANAGER

Brad began work as the Assistant City Manager in March 2012. Prior to his appointment he served in various governmental roles with the City of Palm Bay, FL, most recently as the Budget Administrator. In addition he has held leadership positions with the City of Holly Hill, FL. Brad is a graduate of the Harry S. Truman School of Public Affairs at the University of Missouri where he received his Masters of Public Administration with a focus in public management. Additionally he received his Bachelor of Science degree from the University of Maryland and is a graduate of the American Public Works Association's Emerging Leaders Academy. Brad serves on the Board of Directors for the United Way of Central Florida and is a graduate of Leadership Lakeland Class XXXI. On September 13, 2015 Brad stepped into his new role of Interim Deputy City Manager.

MICHAEL C. BROSSART - FINANCE DIRECTOR

Mike Brossart started with the City in 1996. He was appointed Assistant Finance Director in December 2003 and Finance Director in 2013. Mike is a certified public accountant and holds Bachelor of Science Degree in both Accounting and Marketing from Florida Southern College.

DEIDRA JOSEPH – ASSISTANT FINANCE DIRECTOR

Deidra Joseph started with the City in August of 1998. In January of 2013, Deidra was appointed Assistant Finance Director. Deidra is a member of the Government Finance Officers' Association and a Certified Public Manager. She holds Bachelor of Science Degree in Accounting from Florida A&M University School of Business and Industry and a Master's of accountancy from the University of South Florida, College of Business Administration.

GINA JACOBI – ASSISTANT GENERAL MANAGER - FISCAL OPERATIONS, ELECTRIC

Gina Jacobi was appointed Assistant General Manager – Fiscal Operations in December, 2014. She has more than 30 years of professional experience in finance, 20 of which were in the utility and energy sectors. Prior to joining Lakeland Electric, she spent eight years at an investor-owned utility with 745,000 customers. She holds a Bachelor's degree in management from Rice University; a Master's of Business Administration from Northwestern University and is currently pursuing a Certificate in Government Financial Management (CGFM).

SENIOR MANAGEMENT – ELECTRIC UTILITIES

JOEL IVY - GENERAL MANAGER, ELECTRIC UTILITIES

Joel was appointed General Manager, Electric Utilities in July, 2012. He has a 30-year career path that includes climbing utility poles to managing multi-hundred million dollar operations with start-ups, investor owned and publicly owned utilities. Past experience includes his tenure as Chief Operating Officer at Visible Light Solar Technologies and Vice President of New Mexico Operations for Public Service Company of New Mexico, an investor owned utility with almost 500,000 customers. He most recently oversaw the Energy Department for Imperial Irrigation District, a vertically integrated public electric utility located in El Centro, California. Ivy graduated from the University of Texas at Arlington with a Bachelor of Science degree in Electrical Engineering.

ALAN SHAFFER - DEPUTY GENERAL MANAGER, ELECTRIC UTILITIES

Alan Shaffer was appointed Deputy General Manager, Electric Utilities in January, 2012. He served as Interim General Manager until a General Manager was permanently selected. Prior to that Alan served as the Assistant General Manager - Delivery. As Assistant General Manager - Delivery, he was responsible for the coordination and direction of all functions pertaining to the planning, construction, maintenance, and operation of the Lakeland Electric transmission and distribution systems. He began his career as an electric engineer with Lakeland Electric in 1979 after receiving a Bachelor's Degree in Engineering from the University of South Florida. He also holds a Master's Degree in Engineering Management and has been a registered Professional Engineer since 1983.

MICHAEL BECKHAM - ASSISTANT GENERAL MANAGER - PRODUCTION

Mike Beckham was appointed Assistant General Manager – Production in June, 2015. Mike heads up the Production Division, which includes all generating facilities, and also has responsibility for Power Resources. Prior to joining the City, Mike worked in the Electric Utility Industry for over 30 years, holding positions at The Southern Company, Tennessee Valley Authority and FirstEnergy. Mike has a Bachelor's Degree in Electrical Engineering from the Georgia Institute of Technology and is a Registered Professional Engineer.

DAVID KUS - ASSISTANT GENERAL MANAGER - CUSTOMER SERVICE

David Kus was appointed Assistant General Manager - Customer Service in January, 2007. As Assistant General Manager - Customer Service, he is responsible for overseeing all of the utility's customer service operations and offices, including the call center and billing and collections functions. He is also responsible for directing the utility's focus on major accounts and economic development. David has over 21 years' experience in leading Customer Service Operations in both investor-owned and municipal utilities. David has a Bachelor's Degree from the University of Michigan.

BETSY LEVINGSTON - DIRECTOR OF TRAINING AND WORK FORCE DEVELOPMENT

Betsy Levingston began her career with the City in 1989. December 2000 Betsy was appointed Manager of Staff Support Services. Betsy has a bachelor degree in Business Administration from the Ferris State College in Big Rapids, MI and a Master of Arts degree in General Studies: Leadership and Development from the Ohio State University in 1985. Betsy is a Certified Senior Professional of Human Resources and Public Personnel Professional.

SENIOR MANAGEMENT – WATER/WASTEWATER UTILITIES

ROBERT CONNER - DIRECTOR OF WATER UTILITIES

Robert Conner began his career with the City of Lakeland in 1996, after completing 23 years of service in the operation and management of other utilities. He holds degrees in Electronics, Marine Science and Civil Engineering. His appointment as Interim Director of Water Utilities was effective as of December 2013. He was appointed Director of Water Utilities on April 5th 2015.

SENIOR MANAGEMENT – PUBLIC WORKS DEPARTMENT

RICHARD E. LILYQUIST, P.E. - PUBLIC WORKS DIRECTOR

Richard Lilyquist was appointed Public Works Director in October 1998. He has experience working for private firms performing civil engineering duties. He holds a Master of Engineering and a Bachelor of Science in Civil Engineering from the University of Florida, and is a registered professional engineer in the States of Florida and South Carolina.

ECONOMIC CONDITION AND OUTLOOK FOR POLK COUNTY

The City of Lakeland is located in Polk County at the geographic center of the Sunshine State along the I-4 corridor between the cities of Tampa and Orlando. Lakeland is the largest city in Polk County with an estimated population of 101,517 as of December 2015 and covers an area of approximately 75 square miles.

The City of Lakeland is the wholesale and retail trade center for the surrounding area which is supported by agriculture, cattle production, citrus production, phosphate mining, diversified industry, and tourism. The City is also a warehousing and distribution center, with over 10,000,000 square feet of warehousing facilities within the service area being utilized.

Executive and administrative headquarters of the Florida Citrus Mutual, Publix Supermarkets, The Ledger and other produce and shipping companies are located in the City or adjacent urban areas. There are nine major phosphate extractive and processing facilities within a 12-mile radius of the City. The Lakeland area benefits from over 300 diversified manufacturing and industrial concerns which produce a great variety of products. Among those firms are Publix (groceries), Amazon (retail), Sykes (call center), GTEC (lotto tickets printer), Midstate Machine & Fabricating (fabrication & general machining), Florida Southern College (education), KeySafety Systems of FL (airbags), McDonald Construction, Lakeland Ledger Publishing (newspaper publishing), Watson Clinic (healthcare), Pepperidge Farm, Inc. (bakery products), and Tampa Maid Foods (seafood processing and packaging). A more comprehensive list of the largest employers in the Lakeland area can be found on the website of the Lakeland Area Economic Development Council at www.lakelandedc.com

POPULATION

The population growth in Polk County over the last five years has remained strong. Polk County's estimated population for 2015 was 633,052. In 2014, it was approximately 623,174, an increase of about 9,878 residents.

EMPLOYMENT

The average level of employment during 2015 was 264,136, that is an increase of 8,010 compared to 2014 of 256,127

UNEMPLOYMENT

The average unemployment for Polk County in 2015 was 17,183 which represents a decrease of 2,850 from 2014. The average unemployment rate was 5.7%, down from 7.3% and 7.4% in 2014 and 2013, respectively.

HOUSING STARTS

There were 1,471 building permits issued for single family homes in Polk County during 2015. This represents an increase of 11.7% compared to the 1,317 permits issued in 2014.

POLK COUNTY STATISTICAL AREA ECONOMIC TRENDS

	2013	2014	2015
Population ¹	618,135	623,174	633,052
Population Change	1,536	5,039	9,878
Employment ²	267,300	256,127	264,136
Employment Change	16,886	(11,173)	8,009
Unemployment Rate ²	7.4%	7.3%	5.7%
Total Housing Starts ³	1,067	1,317	1,471

Source: ¹University of Florida, BEBR
²State of Florida, Labor Market Info
³Polk County Building Division

EDUCATION

Public schools are administered by the School Board of Polk County for the county-wide school district. There are 23 public elementary schools, 6 public middle schools, 9 public high schools and 8 Charter Schools in the Lakeland area. In addition, there are several private elementary, middle and senior high schools. Florida Southern College, a four-year liberal arts institution, is located in Lakeland. Florida Polytechnic University, a public university was completed and opened in August 2014 to students. Polk State College and Southeastern University, a private biblical studies institution, are also located in Lakeland. Lakeland Regional Medical Center (LRMC), one of the largest private not for profit hospitals in the State, is owned by the City, but is operated by a not-for-profit corporation pursuant to a lease and franchise agreement between the corporation and the City. LRMC recently announced a partnership with Tampa-based University of South Florida for a joint medical-education facility in Lakeland. LRMC will become one of the larger teaching hospitals in the State of Florida.

TRANSPORTATION

Transportation facilities include CSX Railroad; Greyhound-Trailways bus line; Lakeland Linder Regional Airport; Interstate Highway 4; Polk County Parkway; other Federal and State primary highways and toll roads; and access to major airport terminal facilities in Tampa and Orlando and seaport facilities in the Tampa Bay area. The City and County have joined together to form the Lakeland Area Mass Transit District to provide public transportation throughout the City and surrounding areas of unincorporated Polk County.

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CITY OF LAKELAND, FLORIDA

GENERAL FUND – REVENUES AND OTHER FINANCING SOURCES

<u>Year</u>	<u>Taxes</u>	<u>Permits</u>	<u>Governmental</u>	<u>Services</u>	<u>Forfeits</u>	<u>Miscellaneous</u>	<u>Sources</u>	<u>Total</u>
2015	\$ 36,061,177	\$ 3,962,233	\$ 10,713,905	\$ 4,373,111	\$ 1,718,661	\$ 1,896,595	\$ 39,465,483	\$ 98,191,165
2014	34,712,809	3,563,220	10,382,342	3,993,673	1,859,682	3,204,922	34,887,171	92,603,819
2013	33,931,698	3,146,388	9,878,305	4,018,057	1,303,805	1,213,097	33,981,060	87,472,410
2012	32,993,511	2,809,143	9,531,871	3,781,446	1,350,597	2,993,292	34,246,552	87,706,412
2011	34,522,669	2,820,389	8,901,436	3,617,805	1,771,411	2,905,511	34,680,146	89,219,367
2010	34,832,408	2,837,757	8,950,662	3,423,517	3,357,338	3,359,734	35,678,442	92,439,858
2009	35,157,710	2,561,889	8,527,834	3,684,745	1,638,939	2,898,665	34,034,322	88,504,104
2008	33,875,629	3,300,692	9,709,731	3,982,580	963,902	1,660,613	34,961,003	88,454,150

SCHEDULE OF PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS

MILLS (\$1 PER \$1,000 VALUATION)

Period	City of Lakeland				Other				Total Direct Overlapping Rates
	Municipal	Lakeland Area Mass Transit District	Lakeland Downtown Development District	Total	Polk County	Southwest Florida Water Management District	Polk County School Board	Peace River Water Basin	
Fiscal Year Ending September 30									
2015	4.664	0.500	2.000	7.164	6.867	0.366	7.208	—	21.605
2014	4.664	0.500	2.000	7.164	6.867	0.382	7.547	—	21.960
2013	4.664	0.500	1.995	7.159	6.867	0.393	7.492	—	21.910
2012	4.164	0.500	2.000	6.664	6.867	0.393	7.670	—	21.594
2011	4.164	0.500	1.874	6.539	6.867	0.377	7.792	0.183	21.757
2010	3.654	0.500	1.874	6.028	6.867	0.387	7.586	0.183	21.050
2009	3.403	0.500	1.874	5.778	6.867	0.387	7.634	0.183	20.847
2008	3.230	0.488	1.937	5.654	6.867	0.387	7.512	0.183	20.602
2007	3.545	0.488	1.956	5.989	8.477	0.284	7.770	0.195	22.715
2006	3.545	0.500	1.956	6.001	8.727	0.284	7.770	0.195	22.977

Source: Polk County Property Appraiser

SOCIOECONOMIC DATA

Fiscal Year	Population ¹	Per Capita Personal Income ²	Median Age ³	Education Level (in years of formal schooling) ³	School Enrollment ⁴	Unemployment Rate ¹
2015	101,517	*	40	*	37,212	5.70%
2014	100,728	*	40	*	37,987	6.20%
2013	98,733	*	39	*	36,601	7.40%
2012	98,200	35,746	38	24	35,613	9.10%
2011	97,690	33,447	38	24	39,032	11.08%
2010	94,024	32,392	37	35	39,355	12.00%
2009	94,163	30,562	36	*	37,191	10.60%
2008	93,508	32,621	39	*	36,605	7.90%
2007	93,428	31,838	38	*	38,000	4.80%
2006	91,623	31,018	38	*	34,686	4.10%

¹City of Lakeland, Community Development

²University of Florida, BEBR

³Central Florida Economic Development Council Demographics

⁴Polk County School Board

* Information not available

TEN LARGEST TAXPAYERS

SEPTEMBER 30, 2015

For the Current Year and Nine Years Prior

Taxpayer Name	Type of Business	2015		Percentage of Total Assessed Value of Real And Personal Property	2006		Percentage of Total Assessed Value of Real And Personal Property
		Assessed Value of Real And Personal Property	Rank		Assessed Value of Real And Personal Property	Rank	
Publix Supermarkets, Inc.	Retail/Distribution-Grocery	\$ 270,783,020	1	5.75%	\$ 272,186,891	1	6.32%
Amazon	Retail/Distribution	93,403,939	2	1.98%			
RTG Furniture Corp.	Retail/Distribution-Furniture	52,886,884	3	1.12%	57,530,058	2	1.33%
Watson Clinic	Medical Facility	50,985,277	4	1.08%	51,993,935	3	1.21%
Casto Oakbridge Venture LTD	Real Estate	46,268,116	5	0.98%	32,592,630	8	0.76%
Lakeland Square Mall LLC	Retail/General Merchandise	42,274,375	6	0.90%	40,884,415	5	0.95%
Pepperidge Farm Inc. - Lakeland Plant	Retail/Distribution-Bakery	35,606,177	7	0.76%			
Verizon	Telecommunications	35,356,166	8	0.75%	51,165,921	4	1.19%
Walmart	Retail/Distribution-Grocery	34,242,856	9	0.73%			
MIC VM LLC	Real Estate-Apartment Complex	30,492,131	10	0.65%			
Lakeland Ledger Publishing Corp.	Print Media				38,554,133	6	0.89%
Carlton Arms of North Lakeland	Real Estate-Apartment Complex				33,181,809	7	0.77%
Lakeland Property Partners LLC	Real Estate				28,006,160	9	0.65%
Butterkrust Bakeries Inc	Manufacturing-Bakery				26,825,968	10	0.62%
		<u>\$ 692,298,941</u>		<u>14.70%</u>	<u>\$ 632,921,920</u>		<u>14.69%</u>



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FINANCIAL INFORMATION

REPORTING ENTITY

The financial statements present the City (the primary government), and the Lakeland Community Redevelopment Agency. The Lakeland Community Redevelopment Agency is blended in the financial statements of the City.

INTERNAL CONTROLS

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The City employs a staff of Internal Auditors whose responsibility is to audit City operations and procedures, provide findings, and recommend improvements to internal controls or other procedures as deemed appropriate. These audits include detailed reviews of established financial policies and procedures to ensure compliance with: agreements and contracts; ordinances and resolutions; federal and state regulations; budgetary procedures; cash collection and disbursement procedures; purchasing policies; payroll policies; and bond covenants. The staff is independent of the Finance Department and reports directly to the City Manager's office and is also monitored by an advisory committee.

BUDGETARY CONTROL

Budgetary control is maintained through an annual budget ordinance passed by the City Commission which establishes budgets at the departmental level of control within funds. Generally, line item transfers within departments may be accomplished during the fiscal year without legislative approval. However, budget adjustments affecting payroll and equipment accounts require City Manager approval. Adjustments to capital expenditure accounts in excess of \$5,000 and additional appropriations involving departmental or fund totals are subject to City Commission approval.

With respect to the Department of Electric Utilities and Water and Wastewater Utilities, the City Manager has the authority to approve budget transfers between operating and capital accounts without regard to amount as long as the overall budget authority as set forth in the budget ordinance is not exceeded.

MILLAGE

The City adopted the following millage rates for the respective fiscal years as follows:

	2015	2014	2013
Gross Taxable Property	\$ 4,708,173,385	\$ 4,417,785,507	\$ 4,262,190,596
Property tax millage (rates per \$1,000) operating purposes	<u>4.664</u>	<u>4.664</u>	<u>4.664</u>

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, AND THEIR UNDERLYING BASIS OF ACCOUNTING

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). This board issues and enforces the rules for accounting and disclosure to be followed by all state and local government entities.

In June 1999 the GASB issued Statement 34 entitled *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The City implemented this new standard for the fiscal year ending September 30, 2002. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the City's overall financial position and results of operations.
- Fund financial statements that focus on individual, "major" fund types of the City, with only non-major funds presented in aggregate totals. The traditional accounting policies and procedures that are unique to governmental operations are utilized within the financial statements.
- Government-Wide financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc). These statements are intended to provide accounting data that is prepared using uniform application of the same accounting policies adopted by entities in the private sector.

Both the government-wide and fund financial statements categorize activities as either governmental or business-type based on their nature and funding practices. The City's planning and zoning, police and fire protection, parks and recreation, public works, and general governmental functions are classified as governmental activities since they generally cannot pass the full cost of providing those services directly to the users of those services in the form of a user fee. The electric, water, wastewater, solid waste, sanitation, parking, airport, civic center and golf course activities are classified as business type activities because they are able to assess user fees that are intended to satisfy at least the majority of their annual operating costs.

The City's comprehensive Annual Financial Report is published under separate cover. The financial information contained within this report is comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. A summation of the more significant information contained within that report appears on the following pages.

GOVERNMENT-WIDE STATEMENTS

In the government-wide Statement of Net Position, both the government and business-type activities are presented on a consolidated basis in separate columns. This statement is prepared using the economic resources measurement focus, which means that all assets and liabilities (including fixed assets and long-term debt) are included in the Statement of Net Position. This accounting methodology is much more consistent with methodology used for business accounting in the private sector than "traditional" governmental accounting methodology.

Within this statement, the net position of the City (assets plus deferred outflows minus liabilities and deferred inflows) are reported in three separate components – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City utilizes restricted resources first to satisfy financial obligations whenever possible.

The government-wide Statement of Activities reports the degree to which the gross expenses, including depreciation, of the significant governmental and business-type functions provided by the City are financed by the program revenues and the operating and capital grants that are directly related to the costs of providing each function. The statement then reports the extent to which the resulting net costs of these functions (gross expenses less directly-related program revenues and grants) are financed by general revenues of the City (i.e. taxes, interest income, etc.) This statement is prepared using the full accrual basis of accounting, which determines the timing of the recording of revenues and expenditures/expenses. Under this basis of accounting, revenues are recorded when earned, and expenses are recorded when an obligation is incurred. These accounting methods are also more consistent with the methodologies used for business accounting in the private sector than “traditional” governmental accounting methodology.

Within the government-wide Statement of Activities, the City has elected not to include an allocation of indirect expenses to related functions. Administrative fees are charged by the General Fund to other funds, which are eliminated (reducing the revenue and expense of the General Fund) to recover the direct costs of providing services to those funds (i.e. finance, personnel, legal, technology management, etc). All other internal transactions related to services provided by internal service funds of the City to other functions within the City are also eliminated, insuring that the related expenses appear only once and are categorized within the appropriate functional activity.



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A condensed Statement of Net Position and Statement of Activities for the City for the fiscal year ended September 30, 2015 are presented in the following tables:

	Primary Government		
	Governmental	Business-type Activities	Total
ASSETS			
Current assets	\$ 82,044,202	\$ 221,620,353	\$ 303,664,555
Asset Apportionments	9,841,870	136,234,044	146,075,914
Restricted assets	69,806,378	36,446,671	106,253,049
Capital assets	253,465,447	1,091,384,732	1,344,850,179
Other noncurrent assets	-	861,651	861,651
Total assets	<u>415,157,897</u>	<u>1,486,547,451</u>	<u>1,901,705,348</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pens	8,903,614	10,631,927	19,535,541
Decrease in fair value of interest rate swaps	-	47,953,148	47,953,148
Unamortized loss (gain) on refunding	44,670	19,466,176	19,510,846
Total deferred outflows of resources	<u>8,948,284</u>	<u>78,051,251</u>	<u>86,999,535</u>
LIABILITIES			
Current liabilities	14,177,534	76,854,929	91,032,463
Apported Asset liabilities	-	12,479,000	12,479,000
Restricted liabilities	-	17,295,919	17,295,919
Regulatory liability	-	47,953,148	47,953,148
Accrued liabilities,	-	1,051,034	
less current portion	5,000,619	7,171,548	12,172,167
Net OPEB obligation	66,548,266	83,710,793	150,259,059
Unearned revenue, less current portion	22,321,682	27,036,318	49,358,000
Notes and loans payable,	-	-	
less current portion	1,192,854	32,120,095	33,312,949
Revenue bonds payable, less current portion	72,418,530	487,954,470	560,373,000
Less unamortized bond (discount) premium	-	28,031,463	28,031,463
Total liabilities	<u>181,659,485</u>	<u>821,658,717</u>	<u>1,002,267,168</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	3691426	1957647	5,649,073
Over-recovery of fuel	0	13057442	13,057,442
Gain on hedges	0	5366286	5,366,286
Contributions in aid of construction	-	46,112,503	46,112,503
Total deferred inflows of resources	<u>3,691,426</u>	<u>66,493,878</u>	<u>70,185,304</u>
NET POSITION			
Invested in capital assets,			
net of related debt	175,539,437	536,302,359	711,841,796
Restricted	69,806,378	19,150,752	88,957,130
Unrestricted	(6,590,545)	120,992,996	114,402,451
Total net position	<u>\$ 238,755,270</u>	<u>\$ 676,446,107</u>	<u>\$ 915,201,377</u>

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities				
General government	\$ 14,927,037	\$ 1,810,344	\$ 1,965,201	\$ -
Public safety	58,028,791	6,201,388	2,079,835	377,777
Physical environment	11,447,894	5,277,189	584,399	-
Transportation	11,952,761	2,442,139	-	963,507
Economic environment	3,913,276	-	1,107,392	250,352
Human services	164,557	-	-	-
Culture/recreation	22,695,304	2,563,396	1,335,936	664,234
Interest on long-term debt	1,507,237	-	-	-
Total governmental activities	<u>124,636,857</u>	<u>18,294,456</u>	<u>7,072,763</u>	<u>2,255,870</u>
Business-type activities:				
Electric	272,297,874	309,502,891	-	-
Water and Wastewater	43,346,589	54,359,528	-	8,503,551
Parking	906,654	710,911	-	-
Lakeland Center	8,982,016	5,293,426	39,943	-
Lakeland Linder Regional Airport	7,851,437	4,497,642	-	12,574,180
Solid Waste	12,234,732	15,108,680	-	-
Cleveland Heights Golf Course	2,438,137	1,222,406	-	-
Total business-type activities	<u>348,057,439</u>	<u>390,695,484</u>	<u>39,943</u>	<u>21,077,731</u>
Total primary government	<u>\$ 472,694,296</u>	<u>\$ 408,989,940</u>	<u>\$ 7,112,706</u>	<u>\$ 23,333,601</u>
General revenues:				
Property taxes				
Franchise taxes				
Motor fuel taxes				
Utility taxes				
Tourism taxes				
State shared revenues (unrestricted)				
Payments from Lakeland Regional Medical Center				
Investment earnings				
Miscellaneous				
Transfers (to)/from other funds				
Total general revenues, special items, and transfers				
Change in net assets				
Net position, beginning of year				
Prior period adjustment (Note 2)				
Net position, end of year				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (11,151,492)	\$ -	\$ (11,151,492)
(49,369,791)	-	(49,369,791)
(5,586,306)	-	(5,586,306)
(8,547,115)	-	(8,547,115)
(2,555,532)	-	(2,555,532)
(164,557)	-	(164,557)
(18,131,738)	-	(18,131,738)
(1,507,237)	-	(1,507,237)
<u>(97,013,768)</u>	<u>-</u>	<u>(97,013,768)</u>
-	37,205,017	37,205,017
-	19,516,490	19,516,490
-	(195,743)	(195,743)
-	(3,648,647)	(3,648,647)
-	9,220,385	9,220,385
-	2,873,948	2,873,948
<u>-</u>	<u>(1,215,731)</u>	<u>(1,215,731)</u>
<u>-</u>	<u>63,755,719</u>	<u>63,755,719</u>
<u>(97,013,768)</u>	<u>63,755,719</u>	<u>(33,258,049)</u>
23,935,374	-	23,935,374
225,994	-	225,994
5,214,687	-	5,214,687
14,644,431	-	14,644,431
-	318,081	318,081
8,456,135	-	8,456,135
12,900,000	-	12,900,000
2,028,242	5,494,383	7,522,625
2,510,905	1,283,505	3,794,410
32,671,504	(32,671,504)	-
<u>102,587,272</u>	<u>(25,575,535)</u>	<u>77,011,737</u>
5,573,504	38,180,184	43,753,688
313,159,836	722,293,579	1,035,453,415
(79,978,070)	(84,027,656)	(164,005,726)
<u>\$ 238,755,270</u>	<u>\$ 676,446,107</u>	<u>\$ 915,201,377</u>

FUND FINANCIAL STATEMENTS

These statements report information at a higher level of detail, focusing on separate reporting of individual major funds, rather than consolidating financial data into two very broad categories of governmental and business-type activities. Those funds that are considered non-major are consolidated into a single column.

The financial transactions of the City are reported in individual funds within the City's accounting system. Each fund is accounted for by providing a separate, self-balancing set of accounts comprising of the assets, liabilities, reserves, fund equity, revenues and expenditures/expenses of each fund. GASB 34 sets forth the minimum criteria used to determine whether the individual funds are considered major versus non-major, based on the value of assets, liabilities, revenues and expenditures/expenses of each fund considered in relation to all funds taken as a whole. Those major funds for which detailed financial information is provided based on these criteria are the City's General Fund, Electric Utility Fund, and Water/Wastewater Utility Fund.

Within the fund financial statements, funds are also classified into fund types. Different basis of accounting are applied to the various fund types, based on the nature of the financial information needed to sustain the types of services provided. The various funds are classified based on fund types as follows:

GOVERNMENTAL FUNDS

Within the fund financial statements, the accounting policies applied to governmental funds is intended to capture only those transactions that will occur in the short-term, and the ability to finance those activities as needed. The financial focus applied to governmental funds is called the modified accrual basis of accounting. Revenues are susceptible to accrual in the accounting period in which they become available and measurable, which generally means those revenues that are collected within 60 days after year end. The City accrues an asset equal to the value of all material revenue to which it is entitled. Intergovernmental revenues included in this accrual are recognized as revenue while all other types are deferred. Major sources of revenue that meet the availability criterion include investment earnings, federal and state grants, state shared revenues, and the City's share of State collected taxes. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due and the long-term portion of accumulated unpaid vacation and sick pay which is recognized when paid.

Within governmental fund types, assets and liabilities are recorded using the flow of current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

The governmental fund types utilized by the City are broken down as follows:

- General Fund – a “catch-all” fund used to account for all financial activities and resources not required to be accounted for in other funds.
- Special Revenue Funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose, such as gas taxes that are expended on transportation-related services.
- Debt Service Fund – accounts for the accumulation of resources needed to make that component of principal and interest payments on long term debt which will be payable in the current year.

Condensed Governmental Funds Financial Statements for the fiscal year ended September 30, 2015 are presented in the following tables:

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS	\$ 46,361,191	\$ 96,410,194	\$ 142,771,385
LIABILITIES, DEFERRED INFLOWS OF RESOURCES	<u>\$ 6,413,142</u>	<u>\$ 3,505,264</u>	<u>\$ 9,918,406</u>
Deferred inflows of resources			
Deferred revenue	20,813,740	11,892,817	32,706,557
Total deferred inflows of resources	<u>20,813,740</u>	<u>11,892,817</u>	<u>32,706,557</u>
FUND BALANCES			
Nonspendable	-	4,175,583	4,175,583
Restricted	1,667,267	62,867,918	64,535,185
Committed	-	5,468,299	5,468,299
Assigned	7,983,980	8,500,313	16,484,293
Unassigned	9,483,062	-	9,483,062
Total fund balances	<u>19,134,309</u>	<u>81,012,113</u>	<u>100,146,422</u>
REVENUES			
Taxes	\$ 36,061,177	\$ 7,959,309	\$ 44,020,486
Licenses and permits	3,962,233	-	3,962,233
Intergovernmental	10,713,905	3,387,860	14,101,765
Charges for services	4,373,111	8,240,451	12,613,562
Fines and forfeits	1,718,661	-	1,718,661
Miscellaneous	1,896,595	14,548,396	16,444,991
Total revenues	<u>58,725,682</u>	<u>34,136,016</u>	<u>92,861,698</u>
EXPENDITURES			
Current	\$ 97,844,487	\$ 10,735,371	\$ 108,579,858
Capital outlay	411,540	11,707,494	12,119,034
Debt service	241,949	10,648,839	10,890,788
Total expenditures	<u>98,497,976</u>	<u>33,091,704</u>	<u>131,589,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,772,294)</u>	<u>1,044,312</u>	<u>(38,727,982)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of long-term debt	-	46,824,935	46,824,935
Transfers from other funds	43,289,835	1,315,104	44,604,939
Transfers to other funds	(3,824,352)	(9,687,219)	(13,511,571)
Total other financing sources and uses	<u>39,465,483</u>	<u>38,452,820</u>	<u>77,918,303</u>
Net change in fund balances	(306,811)	39,497,132	39,190,321
FUND BALANCE, beginning of year	19,441,120	41,514,981	60,956,101
FUND BALANCE, end of year	<u>\$ 19,134,309</u>	<u>\$ 81,012,113</u>	<u>\$ 100,146,422</u>

PROPRIETARY FUNDS

Within the fund financial statements, the financial focus for proprietary funds is identical to the full accrual, “private sector” focus applied within the government-wide statements. Revenues are recognized when they are earned and expenses are recognized when they are incurred, without application of the “measurable and available” criteria applied to governmental funds. Accordingly, full recognition is given to fixed assets (and depreciation thereof) and all long-term liabilities. The emphasis is on recovering the costs of supplying needed services over the long-term from user fees charged directly to the persons using those services.

The proprietary fund types utilized by the City are broken down as follows:

- Enterprise Funds account for operations for which a fee is charged to external users for goods or services, i.e. utility services provided to residents in the geographic areas served by the City’s electric, water and wastewater utilities.
- Internal Service Funds account for operations for which a fee is charged to internal users for goods or services. This includes the administrative cost of purchasing and acquisition; the purchase, maintenance and fueling of motorized equipment used by various City departments; the cost of self-insured risk programs administered by the City; and an internal loan program. To the extent possible, the ultimate costs of these services are reported in the appropriate functional activity.

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Condensed Proprietary Funds financial statements for the fiscal year ended September 30, 2015 are presented in the following tables:

	Electric Utilities	Wastewater Utilities	Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets	\$ 150,622,184	\$ 31,163,345	\$ 20,730,063	\$ 202,515,592	\$ 48,504,229
Noncurrent assets:					
Asset Apportionment	70,549,069	22,285,725	338,931	93,173,725	49,320,139
Restricted assets	14,498,381	11,061,913	2,209,424	27,769,718	8,676,953
Capital assets	666,644,107	277,199,288	106,765,465	1,050,608,860	40,775,872
Other noncurrent assets	860,206	-	1,445	861,651	36,184,213
Total assets	<u>903,173,947</u>	<u>341,710,271</u>	<u>130,045,328</u>	<u>1,374,929,546</u>	<u>183,461,406</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources related to pensions	6,129,560	1,623,721	1,073,735	8,827,016	21,522,564
Decrease in fair value of interest rate swaps	47,953,148	-	-	47,953,148	-
Unamortized loss (gain) on refunding	16,415,262	1,992,198	266,439	18,673,899	792,277
Total deferred outflows of resources	<u>70,497,970</u>	<u>3,615,919</u>	<u>1,340,174</u>	<u>75,454,063</u>	<u>22,314,841</u>
LIABILITIES					
Current liabilities	44,121,471	9,343,853	10,281,398	63,746,722	21,522,564
Noncurrent liabilities					
Liabilities from apportioned assets	-	-	-	-	12,479,000
Restricted liabilities	14,494,713	2,455,994	345,212	17,295,919	-
Other noncurrent liabilities	535,403,916	103,244,207	33,098,064	671,746,187	87,687,968
Total liabilities	<u>594,020,100</u>	<u>115,044,054</u>	<u>43,724,674</u>	<u>752,788,828</u>	<u>121,689,532</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources related to pensions	1,128,630	298,974	197,706	1,625,310	332,337
Over-recovery of fuel	13,057,442	-	-	13,057,442	-
Gain on hedges	5,366,286	-	-	5,366,286	-
Contributions in aid of construction	46,112,503	-	-	46,112,503	-
Total deferred inflows of resources	<u>65,664,861</u>	<u>298,974</u>	<u>197,706</u>	<u>66,161,541</u>	<u>332,337</u>
NET POSITION					
Invested in capital assets, net of related debt	203,262,738	189,358,147	102,905,602	495,526,487	40,775,872
Restricted	3,667	8,605,920	1,864,212	10,473,799	8,676,953
Unrestricted	110,720,551	32,019,095	(17,306,692)	125,432,954	14,583,900
Total net assets	<u>\$ 313,986,956</u>	<u>\$ 229,983,162</u>	<u>\$ 87,463,122</u>	<u>\$ 631,433,240</u>	<u>\$ 64,036,725</u>
OPERATING EXPENSES					
Operating income (loss)	<u>254,712,998</u>	<u>40,457,386</u>	<u>31,588,166</u>	<u>326,758,550</u>	<u>72,661,080</u>
	<u>54,789,893</u>	<u>13,902,142</u>	<u>(4,755,101)</u>	<u>63,936,934</u>	<u>(228,721)</u>
NONOPERATING REVENUES (EXPENSES)					
Income (loss) before contributions, transfers, and other	<u>(14,558,873)</u>	<u>(1,227,664)</u>	<u>72,954</u>	<u>(15,713,583)</u>	<u>1,641,046</u>
	<u>40,231,020</u>	<u>12,674,478</u>	<u>(4,682,147)</u>	<u>48,223,351</u>	<u>1,412,325</u>
Capital grants and contributions	-	8,503,551	12,574,180	21,077,731	-
Transfers from other funds:	-	-	5,617,600	5,617,600	2,865,668
Transfers to other funds	<u>(29,505,534)</u>	<u>(8,129,147)</u>	<u>(1,641,187)</u>	<u>(39,275,868)</u>	<u>(300,768)</u>
	<u>(29,505,534)</u>	<u>374,404</u>	<u>16,550,593</u>	<u>(12,580,537)</u>	<u>2,564,900</u>
Change in net position	10,725,486	13,048,882	11,868,446	35,642,814	3,977,225
NET POSITION, beginning of year	352,475,235	229,516,067	84,044,680	666,035,982	73,841,600
Prior period adjustment (Note 2)	<u>(49,213,765)</u>	<u>(12,581,787)</u>	<u>(8,450,004)</u>	<u>(70,245,556)</u>	<u>(13,782,100)</u>
NET POSITION, end of year	<u>\$ 313,986,956</u>	<u>\$ 229,983,162</u>	<u>\$ 87,463,122</u>	<u>\$ 631,433,240</u>	<u>\$ 64,036,725</u>

FIDUCIARY FUNDS

Within the fund financial statements, fiduciary fund types are used to report assets that are held in trust or in an agency capacity by the City on behalf of designated beneficiaries. These consist of pension and other post-employment benefit funds maintained on behalf of retired City employees; and an agency fund use to accumulate impact fee revenues collected on behalf of Polk County, Florida. The same financial focus applied to proprietary funds types is applied to fiduciary fund.

Fiduciary Funds financial statements for the fiscal year ended September 30, 2015 are presented in the following table:

	Pension and Other Employees Benefit Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 8,097,453	\$ 14,337,203
Investments	685,050,674	-
Prepaid Expenses	10,256	-
Accrued interest receivable	677,943	-
Unsettled investment sales	3,005,527	-
Due from employees	358,297	-
Due from employer	590,438	-
Due from other governments	754,489	-
Total assets	698,545,077	14,337,203
LIABILITIES		
Accounts payable	446,613	-
Unsettled investment purchases	4,410,623	-
Due to other governmental units	-	14,337,203
Due to other funds	300,248	-
Total liabilities	5,157,484	14,337,203
NET POSITION		
Held in trust for DROP benefits	25,446,238	-
Held in trust for OPEB benefits	5,602,380	-
Held in trust for pension benefits and other purposes	662,338,975	-
Total net assets	\$ 693,387,593	\$ -
ADDITIONS		
Contributions:		
Employer	\$ 21,294,914	
Plan Members	10,666,847	
On-behalf payments - State of Florida	1,498,988	
Total contributions	33,460,749	
Net investment income (loss)	2,875,584	
Miscellaneous income	73,824	
Total contributions, net	36,410,157	
DEDUCTIONS		
Benefits paid	47,416,662	
Refunds, former plan members	1,565,824	
Other	148,090	
Transfers to other funds	742,330	
Total deductions	49,872,906	
Change in net assets	(13,462,749)	
NET POSITION, beginning of year	706,850,342	
NET POSITION, end of year	\$ 693,387,593	

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide a further level of detail necessary to better understand the information provided within the government-wide financial statements and fund financial statements.

Included in the notes to the financial statements is a note addressing the financial condition and results of operations of the one component unit of the City.

ADDITIONAL INFORMATION

In addition to the three major types of data included in the basic financial statements, the annual financial report also includes supplementary information intended to provide additional information on the financial condition and results of operations of the city. This information is organized within the report as follows:

REQUIRED SUPPLEMENTARY INFORMATION

Included in this section of the report is a schedule that compares the annual operating budget adopted by the City for the General Fund to the actual revenues and expenditures reported for the year.

This section also includes information regarding the performance of those defined benefit pension funds that are sponsored by the City.

COMBINING STATEMENTS

Included in this section is detailed financial information for each of the various funds maintained by the City that have been aggregated into consolidated columns within the fund financial statements. The level of detail appearing within these statements is generally compatible with the level of detail appearing in the fund financial statements, allowing the totals to be traced back and forth from these two sections of the report.

CASH MANAGEMENT

The City has defined cash and cash equivalents to include cash on hand, demand deposits, cash with paying agents, money market funds, as well as each Fund's equity in pooled cash.

The various funds of the City have combined their resources into a pool for the purpose of maximizing investment earnings on daily cash balances. The investment pool is comprised of money market funds, time deposits, notes, bonds, and other securities. Amounts invested in money market funds are reported at cost, all other investments are recorded at fair value. Revenue from pooled investments is allocated on the basis of the participation by each fund. Each fund's pro-rata share of pooled investments is included in the caption "cash and cash equivalents". These amounts are considered a cash equivalent because each fund can withdraw cash at any time without prior notice or penalty.

Investments owned by individual funds, comprised of time deposits, notes, bonds, and other securities, are reported at fair value. Amounts invested with the SBA and money market funds are reported at cost, which approximates fair value. Fixed income, equity and equity securities are reported at fair value.

Revenue from investments owned by the individual funds is recorded in the respective fund as it is earned.

Several forms of legal and contractual provisions govern the types of investments in which the City may directly invest. In particular, the City has adopted an investment policy for its pooled funds pursuant to Section 218.415 of the Florida Statutes, which governs the investments of local government units in the State of Florida. The allowable investments authorized through the adopted investment policy include direct obligations of the Federal Government, interest bearing time deposits, obligations of the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank or obligations guaranteed by the Government National Mortgage Association or the Federal National Mortgage Association, investment grade bonds and notes issued by corporations and municipalities, repurchase agreements and the Florida State Board of Administration Investment Pool (SBA).

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. All trades, where applicable, will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Safekeeping receipts or other evidence of ownership will be audited on a semi-annual basis with a variance report issued to the Investment Administrator.

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The following investments held by the various funds of the City as of September 30, 2015 are collateralized by registered securities held by the City or its agents in the City's name:

Investment Type	Primary Government	Less than 1	1-5	6-10	More than 10
US Treasury Notes	\$ 2,051,152	\$ -	\$ -	\$ 1,332,601	\$ 718,551
US Treasury Bonds	9,228,659	-	-	-	-
US Government Backed Bonds	1,741,514	-	30	27,391	464,484
Federal Farm Credit Bank	839,047	-	-	779,540	59,507
Federal Home Loan Bank	10,854,509	-	1,480,865	743,337	-
Federal Home Loan Mortgage Corporation	2,350,131	-	-	281,517	908,966
Federal National Mortgage Association	14,017,343	-	175,226	4,549,621	285,621
Federal Agencies Mortgage Backed (1)	156,646,823	-	174,123	1,497,838	4,645,970
Municipal Bonds (1)	80,222,097	-	203,728	10,566,356	21,308,250
Corporate Notes and Bonds (1)	103,153,591	-	2,891,999	21,614,738	48,521,760
Corporate Mortgage Backed Securities	2,768,301	-	-	-	114,944
Corporate Stocks (1)	232,357,730	-	232,357,730	-	-
Foreign Stocks	46,008,396	-	46,008,396	-	-
Sub-total	\$ 683,925,425	\$ -	\$ 286,203,582	\$ 43,182,792	\$ 91,526,597

Other investments are collateralized by securities that exist in physical or book entry form and thus cannot be held in the City's name. The breakdown of these investments, held as of September 30, 2015, is as follows:

Investment Type	Reported Amount - Fair Value				
	Primary Government	Less than 1	1-5	6-10	More than 10
LGIP (Fund A)	8	8	-	-	-
Money Market Funds (3)	15,939,089	15,939,089	-	-	-
Mutual Funds	236,436,070	236,436,070	-	-	-
Comingled Trust Funds (3)	95,596,718	95,596,718	-	-	-
Accrued Interest Receivable (5)	2,369,649	2,369,649	-	-	-
Sub-total	\$ 350,341,534	\$ 350,341,534	\$ -	\$ -	\$ -
Total Investments	\$ 1,034,266,959	\$ 636,545,116	\$ 43,182,792	\$ 91,526,597	\$ 263,012,454

- (1) The following investments in the Pension Funds had net transactions that had been executed but not settled as of September 30, 2015: Corporate stocks balance includes \$394,470 in net transactions and corporate notes, federal agencies mortgage backed balance includes \$775,918 in net transactions, and corporate bonds balance includes (\$40,249) in net transactions. The following investments in the Pooled Investment Fund had net transactions that had been executed but not settled as of September 30, 2015: corporate notes and bonds balance includes \$2,535,938 in net transactions and municipal bonds balance includes (\$125,000) in net transactions.
- (2) The repurchase agreement total includes repurchase agreements collateralized by government-backed securities having a fair value of \$2,911,485 as of September 30, 2015.
- (3) The rate of return on the money market funds, commingled trust funds, and mutual funds fluctuates during the year based on market conditions. Also, there is no stated maturity date for this type of investment. These funds may be invested, withdrawn, or reinvested at the discretion of the City.
- (4) Represents accrued interest accounted for within the internally managed investment pool. This asset is allocated to participating funds on a pro-rata basis and is included within the investment caption.

RISK MANAGEMENT

The City is currently self-insured for worker's compensation, general liability, auto, public officials' liability, and pension fund trustees' liability. The City relies on the State of Florida's sovereign immunity statute, which limits governmental liability to \$200,000 per person and \$300,000 for multiple claims arising out of one incident. In order to reduce the City's potential exposure, excess workers' compensation insurance and airport liability insurance has been purchased through a conventional carrier.

Significant losses from other forms of risk, including property damage, are also covered by commercial insurance. The City has also purchased a stop-loss policy to reduce the City's exposure to large losses on health insurance claims. This policy reimburses the City for expenses related to claims exceeding \$200,000.

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DEBT ADMINISTRATION

The City has not had any outstanding general obligation bond debt since fiscal year 1971. The following revenue bond issues are outstanding for fiscal year ended 2015 (in thousands):

Issue	2014	Issued	Retired	2015
Electric Refunding Revenue Bonds, Series 1999A	\$ 5,021	\$ -	5,021	\$ 0
Energy System Refunding Revenue Bonds, Series 1999B	8,495	-	8,495	0
Energy System Revenue and Refunding Bonds, Series 2006	39,360	-	975	38,385
Energy System Revenue and Refunding Bonds, Series 2010	190,690	-	6,285	184,405
Energy System Refunding Bonds, Series 2012	100,000	-	-	100,000
Energy System Refunding Bonds, Series 2014	95,000	-	-	95,000
Total Electric Bonds	\$ 438,566	\$ -	\$ 20,776	\$ 417,790
Water and Wastewater Revenue Refunding & Improvement Bonds, Series 2002	5	-	-	5
Wastewater System Revenue Bonds, Refunding Series 20012 A	37,325	-	-	37,325
Wastewater System Revenue Bonds, Refunding Series 2012 B	4,195	-	1,510	2,685
Total Water and Wastewater Bonds	\$ 4,195	\$ -	\$ 1,510	\$ 40,015
Capital Improvement Refunding Bonds, Series 2012A	15,050	-	1,296	13,754
Capital Improvement Refunding Bonds, Series 2012B	1,375	-	340	1,035
Capital Improvement Revenue Bonds, Series 2010A	36,015	-	4,480	31,535
Capital Improvement Revenue Bonds, Series 2010B	8,200	-	765	7,435
Capital Improvement Revenue Bonds, Series 2010C	21,115	-	-	21,115
Taxable Capital Improvement Refunding Series 20015	5,000	5,000	-	5,000
Capital Improvement Revenue Bonds, Series 2015	51,465	51,465	-	51,465
	\$ 138,220	\$ 56,465	\$ 6,881	\$ 131,339
Total	\$ 580,981	\$ 56,465	\$ 29,167	\$ 589,144

The City's revenue bond issues are described individually in the remainder of this report.

LOAN PROGRAMS

The City had the following loans outstanding as of September 30, 2015:

Lender	Issue Amount	Maturity Date	Interest Rates	Year-end Balances
Governmental Activities:				
Nally Property	455,000	01/01/18	N/A	\$ 70,000
US Bancorp	1,280,000	02/10/22	3.07%	760,221
Key Financial	975,000	03/21/21	4.24%	586,597
				1,416,818
Business Type Activities:				
Caterpillar	1,572,285	02/05/18	2.60%	787,755
Wastewater Revolving Loan Program	1,649,093	10/15/36	1.69%	1,649,093
Wastewater Revolving Loan Program	42,713,194	09/30/28	2.96%	30,842,192
PNC Bank	756,653	11/24/18	5.70%	613,518
US Bancorp	1,166,640	02/10/22	3.07%	802,784
				34,695,342
				\$ 36,112,160

WASTEWATER REVOLVING LOAN PROGRAM

In March 1994, the City entered into an agreement with the State of Florida Department of Environmental Protection (FDEP) whereby the State would provide a low interest loan to the City to finance the cost of specified capital improvements to the wastewater system. The loan was executed in two installments carrying separate rates of interest, but with identical repayment terms. The loans carry a fixed interest rate of approximately 2.36% and 2.59% and are to be repaid over a period of 20 years. A second loan was issued in January 2004 and has a fixed interest rate of 2.96% to be repaid over a period of 20 years.

These loans are secured by a pledge of excess revenues of the wastewater system, and by a pledge of certain amounts deposited into a loan amortization account and loan amortization reserve established by the City for the purpose of funding future debt service on the loans. Amounts required for deposit are classified as a restricted asset.

NALLY PROPERTY

On December 01, 2002, the City entered into a lease purchase agreement for property appraised at \$210,000. The agreement did not state an interest rate. The interest rate is calculated as the difference between the total lease payments of \$2,500 per month for 182 months and the appraised value of \$210,000. Because the City has the option to purchase the property for \$1 at the end of the 182 months, the agreement is being treated as a capital lease. The interest will be treated as simple and deducted equally over the life of the lease. Lease payments are paid from the Public Improvement Fund.

KEY FINANCIAL

On June 21, 2011, the City executed a ten-year capital lease with Key Financial in the amount of \$975,000. The capital lease was issued to finance the purchase of air conditioning chillers for the Lakeland Police Department. The lease carries an interest rate of 4.24%. Ownership transfers to the City at the termination of the lease. Lease payments are paid from the Public Improvement Fund.

PNC EQUIPMENT FINANCE

On October 22, 2010, the City executed a four-year with balloon capital lease with PNC Equipment Finance in the amount of \$416,407. The capital lease was issued to finance the purchase of 108 golf carts. The lease carries an interest rate of 5.70%. Ownership transfers to the City at the termination of the lease with no additional payment required. Lease payments are paid from the Cleveland Heights Golf Course Fund.

CATERPILLAR

In fiscal year 2009, the City executed a six-year capital lease with Caterpillar in the amount of \$1,483,586, this is a joint lease with Orlando Utilities Commission. The City's portion of the lease is \$671,176. The capital lease was issued to finance the purchase of a loader. The lease carries an interest rate of 5.21%. Ownership transfers to the City and Orlando Utilities Commission at the termination of the lease with a balloon lease payment of \$328,464. Lease payments are paid from the Electric Fund.

INTERNAL LOANS

The City created an Internal Loan Fund during fiscal year 1996 for the purpose of financing relatively short-term capital projects. The corpus of this Fund was established from surplus revenue of the general government. Loans will be made to various Funds of the City requiring a financing mechanism without going to the bond market and incurring additional costs associated with the issuance of bonds. As loans are made, the interest rate and amortization period will be established.

REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakeland, Florida, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2014. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, which contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. We believe our current report continues to conform to Certificate of Achievement for Excellence in Financial Reporting Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

SUBSEQUENT EVENTS

Water and Wastewater Revenue Note, Series 2015

On November 12, 2015, the City issued a \$10,600,000 Water and Wastewater Revenue Note, Series 2015 for the purpose of funding various capital projects of the related systems. The Notes bear an interest rate of 2.42% and have principal payable on October 1 of each year from 2016 through 2025. The Notes were issued on a parity basis with the outstanding Series 2012 Water & Wastewater bonds. The 2015 Notes were privately placed with the Bank of America, N.A.

Energy System Revenue and Refunding Bonds, Series 2016

On February 5, 2016, Lakeland Electric issued \$138,650,000, Series 2016 Energy System Revenue and Refunding Bonds for the purposes of (1) financing certain capital improvements, (2) refunding all of the \$95,000,000 Series 2014 Variable Rate bonds and refunding \$25,789,907 of Series 2006 Sr. Bonds, and (3) to pay

certain costs associated with the issuance of the bonds. The bonds, which include a bond premium of \$20,482,754.45, are scheduled to mature commencing October 1, 2016 through October 1, 2036. Lakeland Electric contemporaneously terminated a portion of interest rate swap transactions, using legally available apportioned assets, at a cost of \$20,678,000.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2015

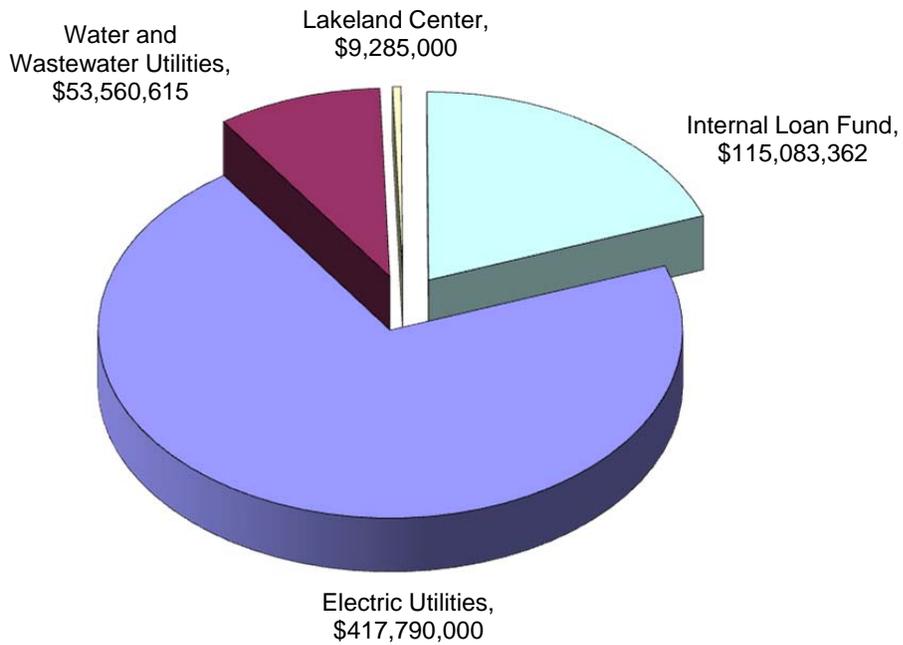
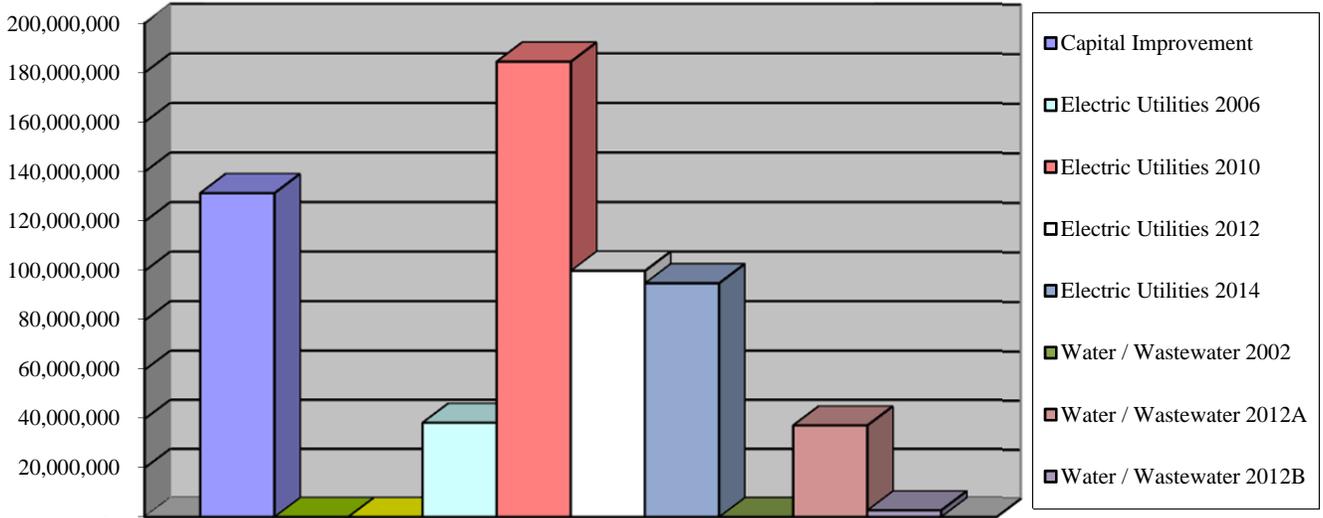
Governmental Unit	Debt Outstanding	Estimated Share of Overlapping Debt
OVERLAPPING DEBT		
District School Board of Polk County (applicable percentage 12.44%)	\$ 320,186,187	\$ 37,077,560
City Direct Debt - Governmental Activities		77,970,680
TOTAL DIRECT AND OVERLAPPING BONDED DEBT		\$ 115,048,240

1 The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by dividing the City's taxable assessed values by the County's total taxable assessed value.

Source: Polk County School Board
 Polk Country Property Appraiser

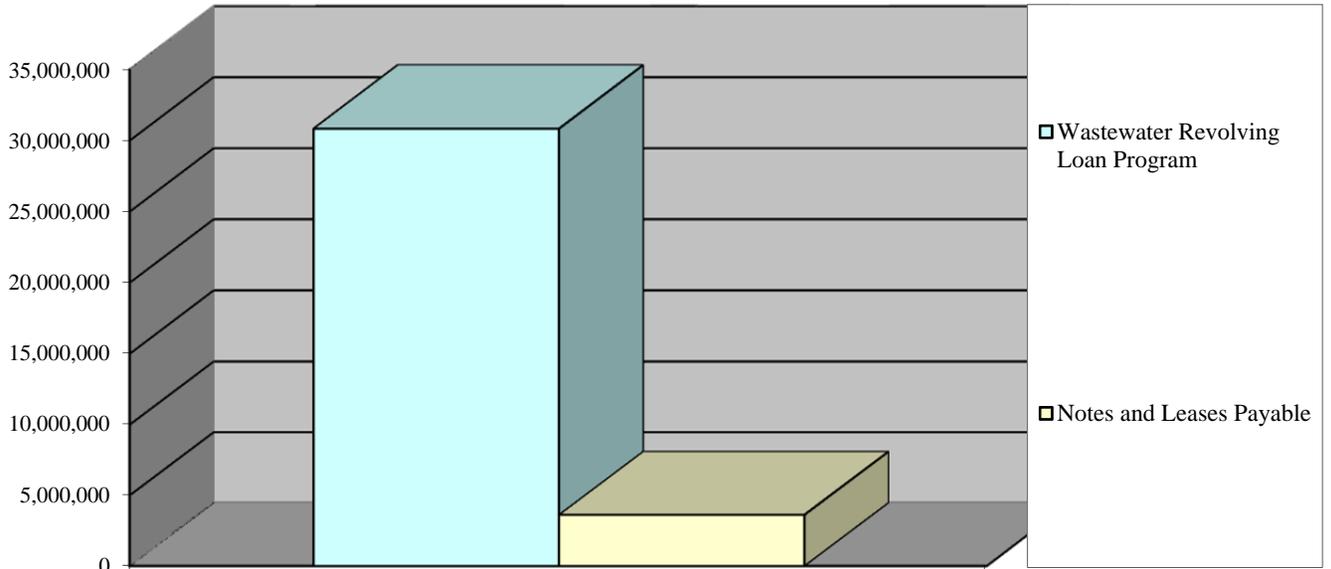
REVENUE BONDS PAYABLE

SEPTEMBER 30, 2015

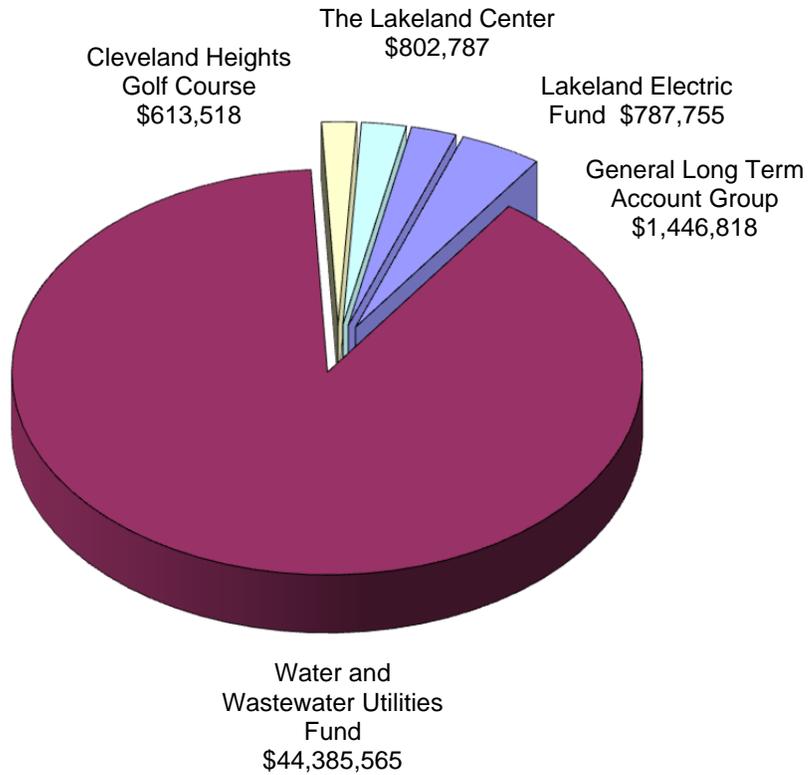


Revenue Bonds Payable by Fund

**ALL OTHER LONG TERM DEBT
SEPTEMBER 30, 2015**



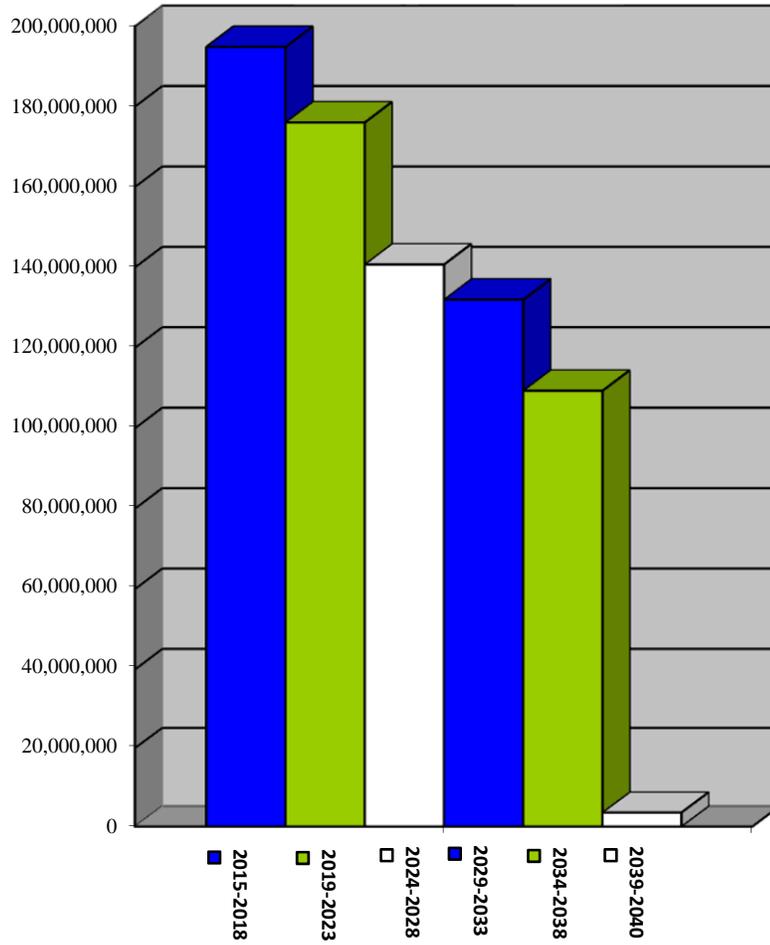
All Other Long Term Debt by Type



All Other Long Term Debt by Fund

REQUIRED DEBT PAYMENTS TO MATURITY – ALL LONG TERM DEBT

SEPTEMBER 30, 2015



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STATISTICAL DATA

REVENUE BOND COVERAGE – ELECTRIC UTILITIES REVENUE BONDS

Fiscal Year	Net Revenues Available for Debt Service	Principal*	Interest*	Total	Coverage
2015	\$ 98,518,459	\$ 16,530,000	\$ 18,575,791	\$ 32,105,791	2.81X
2014	105,209,920	20,775,503	25,469,790	46,245,293	2.28X
2013	90,272,554	20,313,195	26,313,189	46,626,384	1.94X
2012	97,653,479	24,456,267	25,040,946	49,497,213	1.97X
2011	107,664,669	23,632,510	27,423,459	51,055,969	2.11X
2010	109,966,644	21,992,218	27,974,283	49,966,501	2.20X
2009	106,745,090	28,180,719	28,309,330	56,490,049	1.89X
2008	95,251,377	18,760,000	25,832,872	44,592,872	2.14X
2007	76,058,287	17,300,000	25,041,849	42,341,849	1.80X
2006	68,195,585	575,000	23,093,002	23,668,002	2.88X

* Principal and interest amount for FY 2006 does not include the \$16,095,408 included in the advance refunding of a portion of the Series 1999B Bonds.

REVENUE BOND COVERAGE - WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS

Fiscal Year	Net Revenues Available for Debt Service	Principal	Interest	Total	Coverage
2015	\$ 24,133,751	\$ 2,690,000	\$ 2,377,209	\$ 5,067,209	4.76X
2014	26,792,559	1,510,000	1,813,722	3,323,722	8.06X
2013	20,717,446	1,490,000	1,823,257	3,313,257	6.25X
2012	26,585,007	4,390,000	1,485,113	5,875,113	4.53X
2011	25,246,174	3,165,000	2,604,107	5,769,107	4.38X
2010	21,554,943	3,010,000	2,754,607	5,764,607	3.74X
2009	22,039,419	2,875,000	2,898,356	5,773,356	3.82X
2008	17,720,622	2,705,000	2,982,888	5,687,888	3.12X
2007	20,480,187	2,645,000	3,055,625	5,700,625	3.59X
2006	16,330,825	2,575,000	3,120,000	5,695,000	2.87X

REVENUE BOND COVERAGE – 2010 CAPITAL IMPROVEMENT REVENUE BONDS

This issue is secured by a pledge on all non-ad valorem revenues budgeted and appropriated and deposited into the sinking funds established to pay principal and interest on this issue. (A covenant to budget and appropriate). As such, there is no numeric debt coverage requirement assigned to this bond issue. However, for FY 2015, non-ad valorem revenues totaled approximately 5.0 X the maximum debt service of the combined debt service of the outstanding appropriation debts.

DEPARTMENT OF ELECTRIC UTILITIES

THE SYSTEM

General

The Department of Electric Utilities ("Lakeland Electric") is one of twelve operating departments of the City of Lakeland which have been organized to perform the services provided by the City government. The cost of services used by Lakeland Electric is recovered through user charges for electric power. Lakeland Electric is responsible for all operations of the System, including the following:

- Plant engineering
- Transmission & distribution engineering
- Operations and maintenance
- Customer service
- Load forecasting and evaluation
- Financial forecasting and management
- Financial reporting and accounting
- Customer rate design

As of September 30, 2015, Lakeland Electric had a staff of 556 (544 full time, 12 part time), including 108 professional employees with degrees in engineering, business and other related fields, seven of whom are registered professional engineers in the State of Florida.

Approximately 284 Lakeland Electric employees are covered by a collective bargaining agreement with the Utility Workers Union of America, Local 604 that was entered into on September 8, 2015 and expires September 30, 2017.

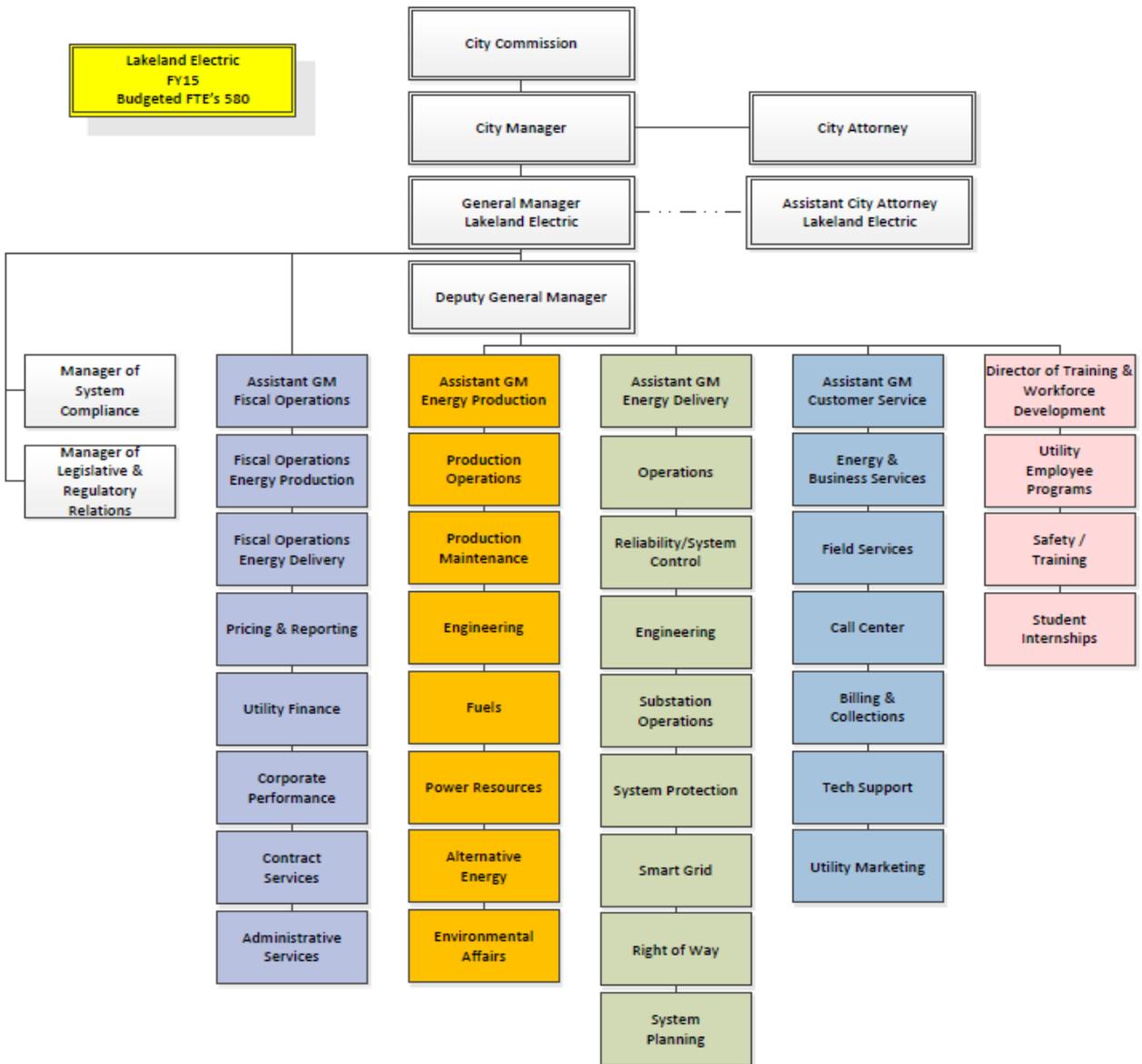
Annual financial statements covering the operations of Lakeland Electric are prepared by the Department's Fiscal Operations Division in accordance with Generally Accepted Accounting Principles in the United States of America, as required by the Governmental Accounting Standards Board (GASB). Lakeland Electric has adopted the uniform system of accounts (USOA) prescribed by the Federal Energy Regulatory Commission (FERC) for electric operations. Monthly financial and operational reports are submitted to the City Finance Director and the City Commission.

Administration

The City is operated under a Commission-Manager form of government that provides for centralized professional administration and a seven-member City Commission, elected for four-year overlapping terms. The Mayor is a member of the City Commission and is elected by the public for a four-year term. The City Manager is appointed by the City Commission. The General Manager of Lakeland Electric reports directly to the City Manager.

The City Commission established a Utility Committee to oversee all utility operations of the City. Currently, this Committee meets once per month. The Utility Committee is composed of all seven members of the City Commission plus six citizens representing a cross-section of the customer base. Management regularly provides the Utility Committee with status updates and industry concerns relating to various issues. The Committee also closely reviews items, such as pending contracts and project proposals that are to be presented to the City Commission at upcoming meetings. The Utility Committee provides both specific and global recommendations to the City Commission. The Committee gives the City Commission direction on policy issues and other matters which are then reviewed, analyzed and discussed directly with management.

Lakeland Electric Organizational Structure



Service Area

The System service territory consists of approximately 246.25 square miles including the incorporated area of the City and a number of unincorporated communities lying within a 15-mile radius of the City. The City is bisected by Interstate 4 connecting Tampa and Orlando and is located approximately halfway between the two cities. The System's service area is bordered on the north by Withlacoochee Rural Electric Cooperative, Inc., on the south by the City of Bartow, and on the east and west by Tampa Electric Company. The City has entered into territorial agreements with each of these utilities. During fiscal year 2015, an average of 124,965 electric accounts was served and the system experienced retail customer growth of approximately 3%.

Generation

The System's existing electric generating facilities are located on three sites, two bordering Lake Parker in the City and one site near the Lakeland airport. The Larsen Memorial Plant is located on the southeast shore of the lake and the McIntosh Plant is located on the north shore. The Winston Plant is located in the southwestern part of the service territory near the Lakeland airport. As of September 30, 2015, the System had a nameplate generator winter capacity of 1,010 Megawatts ("MW") (nameplate capacities are used throughout this section). For generator capacity of each facility see the table entitled "Existing Generation Facilities" below.

Larsen Plant. The Larsen Plant provides 124 MW (winter) of combined cycle intermediate load capacity and 23 MW of peaking capacity (Unit Nos. 2 and 3). The 22.50 MW of peaking capacity are provided by gas turbines and are designed to be placed into service rapidly, since the System's peak demands have normally occurred in the winter and have been of relatively short duration. They also have system restoration capability. The Larsen Plant site has limited growth options with the existing infrastructure.

McIntosh Plant. The McIntosh Plant site consists of approximately 450 acres. The size and configuration of this site would allow for the addition of significant generation facilities using existing infrastructure. There is room for up to 1,000 MW of additional generation capacity; however, there is only enough reuse water to handle cooling for approximately 500 MW of steam generation.

At the McIntosh Plant site, Unit No. 3 began commercial operations in September 1982 as a coal-fired steam turbine generator. Unit No. 3 was designed to burn pulverized coal as its primary fuel. Low nitrogen oxide burners and over-fire air were installed on the boiler to reduce its nitrogen oxide emissions. A selective catalytic reduction (SCR) system was put in operation in the Fall of 2009 to further reduce nitrogen oxide emissions to comply with applicable Clean Air Interstate Rule (CAIR) requirements. The final phase of construction required an extended outage to make the final connections of the new ductwork. Sulfur dioxide and particulate matter are removed from the boiler and flue gases by means of a wet limestone scrubber and electrostatic precipitator. The naturally oxidizing wet limestone scrubber was converted to forced oxidation and now produces gypsum. This has allowed the ability to sell combustion by-products (i.e. fly ash, bottom ash, and gypsum) and substantially minimize the amount of material that is sent to landfill, thus significantly reducing future capital and operating and maintenance costs. During fiscal year 2015, Unit No. 3 became fully compliant with the Mercury and Air Toxics Standards rule. Unit No. 3 achieved a much lower capacity factor in recent years as a favorable natural gas market has led to a decrease in the use of coal-fired units.

Pursuant to a 50-year Participation Agreement between the City and the Orlando Utilities Commission ("OUC") dated April 4, 1978 (the "Participation Agreement"), the City owns a 60% undivided interest in Unit No. 3, while OUC owns the remaining 40% share. The City's share (219-megawatt output), provides

very economical base load power. Pursuant to the Participation Agreement, the City is responsible for the operation, fueling and maintenance of the unit and bills OUC for 40% of these costs.

McIntosh Plant Unit No.1 is a 90MW oil and gas fired steam generating unit that was put into commercial operation in 1971. The unit, which was no longer available for service as of September 30, 2015, was retired as of December 31, 2015. For accounting purposes, McIntosh Unit No. 1 was considered an impairment loss as of September 30, 2015.

McIntosh Plant Unit No. 5, is a 365 MW combined cycle generating plant with a Siemens Westinghouse 501G high efficiency combustion turbine. Unit No. 5 became available for full load commercial operation in May 2002.

Winston Plant. The Winston Plant is located near the Lakeland airport and houses 20 diesel generators that provide 50 MW of peaking capacity designed for quick start capability. The site is designed to allow for a second facility of approximately the same size.

Units No. 3 and 5 located at the McIntosh Plant site, together with power purchased by the City from the Florida Municipal Power Pool (the "FMPP"), generally provide the required load for the System. The FMPP sells power to its members at a price that represents the direct fuel and variable operating and maintenance cost of the next most efficient unit that is available for dispatch. Accordingly, each member of the FMPP is frequently able to purchase power at a price that is substantially less than the incremental cost of all but the most efficient generation units in each member's own system.

The following table outlines the percentage of the gross generation requirements of Lakeland Electric provided by each resource (to serve both native load and wholesale sales obligations). Year-to-year changes are principally due to outages, both scheduled and forced, for various plants and the utilization of the most cost effective fuel sources. Unit 3 generation was significantly lower during 2014 because of an extended outage which began in February 2014 and lasted through the remainder of the fiscal year. Unit 3 returned to normal service in November 2014.

Gross Generation Requirements (FY)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Unit No. 3 (McIntosh)	28%	31%	20%	32%	13%	21%
Unit No. 5 (McIntosh)	49	53	72	58	56	60
Other Lakeland Electric Units	7	3	1	0	1	2
Purchases ¹	16	13	7	10	30	17

¹ Nearly all of such purchases are through the FMPP
Source: Lakeland Electric

The following table sets forth historical capacity factors of each of Lakeland Electric's own generating resources. "Capacity factor" represents the percentage of a generating resource's capacity that was actually utilized.

Capacity Factors of Lakeland Electric Generating Resources (FY)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Unit No. 3 (McIntosh)	53%	58%	44%	43%	24%	38%
Unit No. 5 (McIntosh)	58	58	75	69	55	63
Other Lakeland Electric Units	5	5	2	1	1	2

Source: Lakeland Electric

The following table shows certain information regarding the City's existing generation facilities, as of September 30, 2015.

Existing Generation Facilities

	<u>Fuel Type</u>		<u>Installed</u>	Net Dependable	<u>Equivalent Availability¹</u>	<u>Remaining Useful Life²</u>
	<u>Primary</u>	<u>Alternate</u>		<u>Capacity (MW)</u>		
Larsen Plant						
Combustion Turbines:						
Unit 2	FO2	NG	1962	14	95.30%	--
Unit 3	FO2	NG	1962	13	95.59	--
Unit 8	NG	FO2	1992	93	97.56	2
<u>Steam Condensing Turbines:</u>						
Unit 8	WW	FO2	1992	31	91.45	2
Larsen Plant Total:				<u>151</u>		
McIntosh Plant						
<u>Diesels:</u>						
Unit 1	FO2	--	1970	2	0.00%	--
Unit 2	FO2	--	1970	3	86.25	--
<u>Combustion Turbines:</u>						
Unit 1	FO2	NG	1973	19	86.78%	--
Unit 5 ³	NG/WW	--	2001	354	73.40	22
<u>Steam Condensing Turbines:</u>						
Unit 1 ⁴	NG	FO6	1971	85	15.77%	--
Unit 2	NG	FO6	1976	106	93.42	--
Unit 3 ⁵	CO	NG	1982	205	85.54	2
McIntosh Plant Total:				<u>774</u>		
Winston Plant Diesel Units 1-20⁶	FO2	--	2001	50	99.31%	17
Total: All Plants				<u>975</u>	<u>79.01%</u>	
Legend: CO-Coal NG-Natural Gas FO2-Light Oil FO6-Fuel Oil WW-Wasted Heat Recovery						

¹ Represents the percentage of capacity that was available for generation.

² The remaining useful life for accounting purposes. Fully depreciated units remain in service until they are retired.

³ Commercial operation commenced in May 2001. Unit 5 was converted to a combined cycle unit in May 2002.

⁴ McIntosh Unit 1 (85 MW), which was no longer available for service as of September 30, 2015, and was decommissioned as of December 31, 2015.

⁵ Reflects the City's 60% share. Pollution control equipment installed in 2009 was assigned a life that extends to 2029.

⁶ Each peaking unit is 2.5 MW, but are combined and treated as one dispatchable unit of 50 MW capacity.

Source: Lakeland Electric.

System Capacity and Load. During fiscal year 2015, the System had a net dependable capacity of 975 megawatts (mw), which will be reduced to 890 mw in fiscal year 2016 with the retirement of McIntosh Unit 1. During fiscal year 2015, the System's net integrated winter peak load reached 656 MW on February 20, 2015, and its net integrated summer peak load was 630 MW on June 18, 2015. Except for incidental power purchases, Lakeland Electric has historically generated the System's total energy requirements.

The following table indicates the historical electrical system demand and energy sales for the last ten fiscal years.

Historical System Demand and Energy Load

Fiscal Year Ending September 30	Winter Peak (MW)	Percent Increase (Decrease)	Summer Peak (MW)	Percent Increase (Decrease)	NEL (GWh) ¹	Percent Increase Decrease
2015	656	13.3%	630	0.5%	3,113	3.3%
2014	579	4.7	627	4.2	3,014	3.5
2013	553	(9.6)	602	2.4	2,911	1.6
2012	612	(8.0)	588	(3.8)	2,865	(3.3)
2011	665	(17.3)	611	(4.2)	3,012	(3.3)
2010	804	13.2	638	2.1	3,116	4.8
2009	710	3.8	625	1.6	2,973	(1.1)
2008	684	5.6	615	3.2	3,005	(0.9)
2007	648	(4.7)	596	(5.1)	3,032	5.2
2006	680	4.9	628	(1.7)	2,881	(1.9)

¹ NEL is "net energy load" and excludes sales for resale.
Source: Lakeland Electric

Transmission and Distribution System

230 and 69 kilovolt (kV) systems make up the primary transmission network for the System. There are currently 128 miles of 69 kV single and double circuit construction and all of the 69/12-kV substations have a minimum of two transmission sources.

At the present time, there are a total of 24 distribution substations (three (3) 230/69/12 kV, one (1) 230/12 kV, one (1) 230/13.8 kV, and nineteen (19) 69/12 kV) feeding 118 12.47 kV circuits and one 13.8 kV circuit. Publix Super Market's privately owned 69/12 kV substation and its three (3) 12.47 kV circuits are not included in the foregoing figures. There are 1,275 miles of overhead and 642 miles of underground distribution lines in service.

The System currently has 28 miles of 230 kV transmission lines connecting the West Substation to the McIntosh Plant, the McIntosh Plant to the Eaton Park Substation and the Eaton Park Substation to the Crews Lake Substation.

Interconnections and Interchange Agreements

The City has entered into various interconnection and interchange power agreements with neighboring electric utilities to coordinate and pool major power supplies generated throughout its region. These agreements ensure that the City has a sufficient bulk power supply to conform to appropriate reliability standards in the most economical manner. They also provide the City with opportunities for sale of excess power to Florida utilities as well as most of those in the southeastern United States . Additionally, these power agreements provide for sharing, assistance, and other benefits normally associated with the direct interconnection of electric utilities

The City currently has interchange agreements with the following utilities:

- Duke Energy
- Florida Power & Light Company
- Tampa Electric Company
- Orlando Utilities Commission (OUC)
- Jacksonville Electric Authority
- Seminole Electric Cooperative
- City of Tallahassee
- Utilities Commission-New Smyrna Beach
- The Energy Authority (TEA)
- City of Homestead
- Florida Municipal Power Agency
- Reedy Creek Improvement District
- TVA
- Oglethorpe
- Auburndale Power Partners
- Gainesville Regional Utilities
- Reliant Energy
- Southern Company Energy Marketing

Lakeland Electric has five 230 kV tie lines, three 69 kV tie lines and one Independent Power Producer ("IPP") (Ridge Generating Station L.P.) interconnection. Lakeland Electric has two 230 kV ties with Duke Energy (formerly Progress Energy) at Lakeland Electric's West Substation. One line ties with Duke Energy's Griffin Substation and the other with their Barcola Substation. Lakeland Electric's third 230 kV tie is with OUC and connects Lakeland Electric's McIntosh Substation with Orlando's Taft Substation via Tampa Electric Company's Lake Agnes Substation. The fourth and fifth 230kV ties are with Tampa Electric Company connecting Lakeland Electric's Crews Lake Substation with Tampa Electric Company's Pebbledale and Recker Substations. All three of the 69 kV tie lines are with Tampa Electric Company. They connect Lakeland Electric's Orangedale Substation to Tampa Electric Company's Polk City Substation, the East Substation to Tampa Electric's Gapway Substation and the Crews Lake Substation to Tampa Electric's Sand Hill Substation. The 69 kV IPP interconnection ties Lakeland Electric's East Substation to the Ridge Generating Station. Lakeland Electric wheels the 40 MW of the IPP's power to Duke Energy.

Fuel Supply

Oil and Natural Gas. The City has a storage capacity of 183,540 barrels for No. 6 residual oil, and 26,999 barrels for No. 2 distillate. This storage capacity affords the System a 20-day reserve for No. 6 residual oil and a 6-8 day reserve for No. 2 distillate at normal burn rates.

The City is currently obtaining all of its fuel oil through purchases via the spot market, and has no long term purchase contracts. In the opinion of Lakeland Electric, this currently provides the lowest cost for fuel oil consistent with usage, current price stabilization and on-site storage. Lakeland Electric continuously monitors the cost effectiveness of spot market purchasing.

The Florida Gas Transmission Company ("FGT") achieved "open access" status for their natural gas pipeline on August 1, 1990. This pipeline is an underground pipeline running from east Texas across the Florida Panhandle and down through the center of the state. The majority of the FGT supply comes from land-based wells. The City holds firm transportation rights on the FGT pipeline that varies by month, and falls under two rate classifications; FTS-1 and FTS-2, both under the jurisdiction of the Federal Energy Regulatory Commission. Thirty-six percent (36%) of the City's FGT firm transportation rights are under the less expensive FTS-1 rate, and sixty-four percent (64%) is under FTS-2. The two contracts under FTS-1 expire in 2020 and the two contracts under FTS-2 expire in 2017 and 2025.

In June 2002, the Gulfstream Pipeline became operational. This pipeline crosses the Gulf of Mexico starting from the Mobile Bay region and making landfall just south of Tampa, Florida near Port Manatee. Until 2008, most of the supply sources for the Gulfstream pipeline were offshore, but new pipeline interconnects by Gulfstream have increased the supply of on-shore originating gas supply. Lakeland Electric is also connected to and has purchased firm transportation rights in this pipeline which provides a second source of natural gas and gives it access to additional gas suppliers. Also, this second pipeline reduces the risk of interruption of the gas supply. Gulfstream transportation rates are under the jurisdiction of the Federal Energy Regulatory Commission and the City has two contracts for fixed volumes each month. These contracts are in effect through May 2022 and December 2027.

The City has formalized the policies and procedures utilized for a fuel hedging program. The Energy Authority (TEA) is under contract to provide consulting assistance, trade execution and back office support for a program that is focused on the purchase of natural gas. Under the terms of this program, time parameters have been adopted which result in the hedging of approximately 63% of forecasted natural gas requirements for the 12 months following the adoption of a fuel rate change which occurs quarterly. The schedule of hedge protection is set forth below:

- 100% of forecasted requirements is hedged for the first three months
- 75% for months four through six
- 50% for months seven through nine
- 25% for months 10 through 12

The program uses a combination of commodity swaps and put options to achieve some level of stability in the ultimate cost of natural gas that is factored into Lakeland Electric's rate structure. Lakeland Electric has the option of terminating commodity swap transactions at any time, at their market value. To the extent such termination results in an obligation to make a termination payment to the counterparty, such payments are considered an operation and maintenance expense and, accordingly, would be required to be paid prior to debt service on the Obligations.

The commodity swap transactions require that Lakeland Electric post collateral to the extent the mark-to-market value of outstanding contracts exceeds \$25,000,000 to the benefit of its counterparties. As of September 30, 2015, Lakeland Electric's portfolio of hedge transactions consisted of commodity swap and option contracts for approximately 16.4 million dekatherms of natural gas (which represents about 87% of a typical year's consumption) with a cost value of approximately \$22,555,655. To date, Lakeland Electric has not been required to post any collateral.

Coal. The City estimates that McIntosh Unit No. 3 will burn approximately 500,000 to 600,000 tons of coal per year. Normally a 40 to 75-day coal supply reserve (100,000-150,000 tons) is maintained at the McIntosh Plant. The City has three Illinois Basin coal contracts that expire on January 31, 2016. At that time, Lakeland Electric expects to have 90 days of coal on hand, which is sufficient to last until a maintenance outage that is scheduled to begin on February 27, 2016. In order to secure coal contracts, a new request for proposal was submitted on November 13, 2015. Coal prices have declined and pricing is

expected to be favorable for calendar year 2016. Primary coal sources are located in southwestern Indiana and eastern Kentucky which afford the City a single rail line via CSX Transportation ("CSX"). During 2015, three ships of Columbian coal contracts were purchased and commencing May 2015, the plant started burning 80% Illinois Basin and 20% Columbian coal to meet the Mercury and Air Toxics Standards emission compliance standards. All contracts contain competitive pricing.

The City entered into a two-year coal transportation contract effective October 1, 2014 with CSX. Under the terms of the contract with CSX, the City pays a monthly capacity charge to eliminate any minimum tonnage requirements. The City agreed to increase the weight-carrying capacity of its rail cars to the state of the industry standard of 286,000 pounds, and train lengths to 110 cars. This results in the ability to achieve larger volumes of deliveries. Each train movement cycle can deliver approximately 15% more coal. The City renewed its railcar leases agreement effective September 11, 2014 for another two years.

The City has the ability to transport a portion of the Colombian and Illinois Basin coal through the Port of Tampa either by barge or ship. Deliveries to the McIntosh Plant were by truck. The ability to have different options for the delivery of coal allows for more competitive pricing when negotiating transportation contracts.

Fuel Utilization. The following table shows the historical utilization of fuels by Lakeland Electric as a percentage of total generation based on megawatt hours (MWh).

**Historical Fuel Utilization
As a Percent of Total Generation (MWh)**

Fiscal Year Ending September 30	Coal	Oil	Natural Gas	Refuse	Petroleum Coke
2015	28%	0%	72%	0%	0%
2014	19	0	81	0	0
2013	25	0	75	0	0
2012	21	0	79	0	0
2011	35	0	65	0	0
2010	35	0	66	0	0
2009	59	1	40	0	0
2008	59	0	41	0	0
2007	52	1	47	0	0
2006	51	3	42	0	4
2005	54	5	37	0	4
2004	39	3	58	0	0

Source: Lakeland Electric

Conservation

In April 1993, the Florida Public Service Commission (FPSC) adopted rules implementing the Florida Energy Efficiency and Conservation Act (FEECA/1980) which requires each electric utility to establish numeric demand-side management goals. The goals are to be based on an estimate of the total cost effective kilowatt (kW) and kilowatt hours (kWh) savings reasonably achievable through demand-side management in each utility's service area over a 10-year period. These rules require the FPSC to set goals for each electric utility at least once every five years.

During the 1996 Legislative Session, the Florida Legislature modified Section 366.82 of the Florida statutes pertaining to FEECA to eliminate utilities with sales below 2,000,000 MWh's as of June 30, 1993. As of June 30, 1993, Lakeland Electric's sales were 1,966,250 MWh, thereby releasing Lakeland from complying with FEECA rules. Lakeland Electric will, however continue evaluating conservation efforts. Those, which are cost effective, will be pursued.

Lakeland Electric has been, and continues to be, dedicated to reducing the System's weather-sensitive peak demand. Lakeland Electric continues to support its conservation and demand-side management programs. The Department has either implemented or is in the process of implementing programs to promote conservation, efficient use of energy, and the reduction of weather-sensitive peak demands as reflected in the Department's load and energy forecast for future years. Examples of recent projects include: the funding of a conservation fund to promote energy efficiency measures and education, the expansion of the solar program to include solar water heaters for residential customers and large scale solar photovoltaic facilities for certain non-residential customers and the Smart Grid project which has given Lakeland Electric the ability to provide time of use rates to reduce peak demand.

Wholesale Power Exchange

The City currently has bilateral contracts with nearly all of the municipally-owned and investor-owned utilities located within Florida for the exchange of wholesale power. Transactions are conducted directly by the City and through the Florida Municipal Power Pool (FMPP) described below. As Federal and State regulation of the power industry continues to change, it is likely that the process for purchasing power on the wholesale market will also change.

Florida Municipal Power Pool (FMPP)

On July 1, 1988, the City, the Orlando Utilities Commission (OUC), and the Florida Municipal Power Agency implemented the FMPP. As of January 1, 1996, the Kissimmee Utilities Authority joined the FMPP. The FMPP was developed to produce operational savings by better utilization of FMPP members' most economical generating units and cycling off of less efficient units. All FMPP members share the cost of operation.

The City can withdraw from the FMPP with a three year written notice or at any time upon mutual agreement of all members. In May 1998, the FMPP formed a marketing group to respond to the change in the bulk power market. This group has been very successful in selling pool energy resources on a non-firm basis. Participation in the FMPP has resulted in significant savings to the City.

See also "THE SYSTEM - Generation" for information regarding the relative amount of Lakeland Electric's energy needs that are met through the FMPP.

Florida Reliability Coordinating Council

The National Electric Reliability Council has designated the State of Florida as an independent reliability region. The Florida Reliability Coordinating Council (FRCC) has been established to oversee the region to assure the reliability of electric power within the state. The City is a member of all FRCC Committees and has a representative on FRCC's Board of Directors.

Generation Mutual Aid Agreement

On October 17, 2002, the City, the City of Tallahassee, the Florida Municipal Power Agency, the City of Gainesville (Gainesville Regional Utilities), the Jacksonville Electric Authority, OUC, the Municipal Electric Authority of Georgia, and the Seminole Electric Cooperative, Inc. entered into a mutual aid agreement for extended generation outages. The purpose of the agreement is to provide mutual aid in the form of energy and price commitment in the event of an extended outage (over 60 days and up to 365 days) of one of the designated base-load generating units. Accordingly, this agreement provides a physical hedge against the exposure of a volatile energy market. The agreement had an initial term of five years commencing October 2002, and was renewed in September of 2007 for another five years. The agreement was renewed in 2012 for an additional five year term expiring in September 30, 2017. Seminole Electric Cooperative, Inc. elected not to participate in the current agreement expiring in 2017. The agreement is an example of how public power utilities work together for the benefit of their customers and communities. To date, Lakeland Electric has not needed to utilize any generation pursuant to the agreement.

Customers

Customers of the System are predominantly residential in number (83.2% in fiscal year 2015). Of the 124,965 average accounts in fiscal year 2015, 12,764 were commercial with industrial accounts providing approximately 43% of retail sales revenue. All City-owned facilities are metered and pay Lakeland Electric for services rendered on a current basis. The following table lists the ten largest users of electrical energy as of September 30, 2015, which in total represent approximately 18.7% of electric retail sales volume.

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Ten Largest Electric Customers (as of September 30, 2015)

Customer	MWh Used in Fiscal Year 2015	MWh Used in Fiscal Year 2014	Percent Change From 2014	% Total 2015 MWh Sold	YTD Max Demand 2015 (kW)
Publix ¹	198,066	197,415	0.33%	6.62%	19,008
City of Lakeland	70,951	69,345	2.32	2.37	2,200
Lakeland Regional Medical Center	58,398	55,634	4.97	1.95	2,191
Matheson Tri Gas	55,754	46,614	19.61	1.86	8,131
Owens Corning Sales	46,346	49,003	-5.42	1.55	6,408
Polk County School Board	43,345	42,355	2.34	1.45	1,152
Florida Southern College	25,381	24,684	2.82	0.85	3,941
Key Safety Systems, Inc.	23,242	21,398	8.62	0.78	3,370
Pepperidge Farms	20,666	19,733	4.73	0.69	3,302
Keymark Corp	<u>17,520</u>	<u>16,670</u>	<u>5.10</u>	<u>0.59</u>	<u>2,590</u>
Totals	559,669	542,851	3.10%	18.71%	52,292

¹ Consists of nine supermarkets and centralized office, warehouse, production and distribution facilities.
Source: Lakeland Electric.

Electric Rates

General. The level of rates charged to each class of customer for electricity is subject to periodic cost of service studies performed by Lakeland Electric. These studies are performed a minimum of every three years and evaluate the appropriateness of the current rate structure and the equitable allocation of costs among the various customer classes. These analyses form the basis of recommended rate adjustments. During 2014, a cost of service analysis was performed and rate adjustments were approved for implementation by the Lakeland City Commission effective February 2015. It is the policy of the City to establish electric rates that will be adequate to meet the cash flow requirements of the System, including sufficient funds to cover annual expenditures for operations and maintenance, debt service, renewal and replacement, transfers to the City's general fund and other reserves deemed necessary by Lakeland Electric to meet future capital requirements.

The Lakeland City Commission has sole responsibility for establishing rates for Lakeland Electric. The Florida Public Service Commission reviews Lakeland Electric's rates to insure that there is no cross-subsidy between classes of customers, but has no rate making jurisdiction.

Rate Formula. The basic rate formula applied by Lakeland Electric to all electric customers combines usage and environmental charges based on kWh used, a fuel charge based on kWh used and a minimum service charge. Additional charges are applied to specific user classes. Most significant among such additional charges is the demand charge billed to large commercial and industrial customers. Demand charges are derived by multiplying a specified charge per kW times the maximum kW consumed during any 30-minute interval during the billing period.

Electric rates are subject to a 10% utility tax on all purchases of electricity within the City and a 10% surcharge on purchases outside the City. The surcharges are calculated on only that portion of the fuel charge contained in the base rate on October 1, 1973. All other fuel is exempt. Utility tax collections are not considered revenues of the System, but surcharges on purchases outside the City are included as revenues. Utility taxes and surcharges are billed to and paid by System customers.

Fuel Charge. During 2015, the Lakeland City Commission approved an ordinance which provides for a fuel reserve balance of up to 15 percent of annual budgeted fuel costs (a maximum of \$22.6 million in FY2015) to offset costs associated with fuel inventories and prepaid fuel hedging. No less than quarterly, Lakeland Electric prepares a fuel cost forecast for the next twelve months. This forecast takes into account projected system average fuel costs, energy generation, power purchases and an amount sufficient to establish the fuel reserve.

As of October 1, 2014, the fuel charge was \$45.85/1,000 kWh, on a bills rendered basis, when the cumulative under-recovered fuel balance was (\$2.7 million). Lakeland Electric's average cost of fuel decreased during fiscal year 2015 as a result of declining natural gas prices. The fuel charge was reduced to \$43.85/1000 kWh as of October 1, 2015 when the cumulative over-recovered fuel balance was \$13.1 million. The fuel rate was subsequently reduced to \$40.85/1000 kWh effective January 1, 2015, when the cumulative over-recovered balance was \$17.7 million. When the fuel reserve was fully funded as February 29, 2016, the Lakeland City Commission approved a fuel rate decrease to \$37.00/1000 kWh to be effective April 1, 2016. By the end of fiscal year 2016, the fuel reserve is expected to be approximately 15% of the fiscal year 2016 fuel budget (about \$20 million).

Comparison of Rates. A comparison of electric rates in effect as of September 30, 2015 based on the average monthly consumption levels for customers within Lakeland Electric's service territory are as follows. The charges listed in the following table include basic rates plus a fuel adjustment charge.

	Residential 1,000 kWh	GS ¹ 1,500 kWh	GSD ² 60,000 kWh 150 kW	GSLD ³ 200,000 kWh 500kW
<u>Florida Utilities</u>				
Florida Power and Light*	\$ 99.96	\$156.54	\$5,034.55	\$16,477.18
Lakeland, City of	108.67	159.08	5,280.62	17,697.40
Orlando Utilities Commission	109.43	170.74	5,340.00	17,389.00
Jacksonville Electric Authority	111.26	160.20	5,729.20	18,899.00
Tampa Electric Company*	112.11	172.80	5,467.69	18,151.44
Tallahassee, City of	114.55	149.54	5,633.78	18,508.78
Duke Energy*	125.66	193.58	5,947.44	19,533.83
Bartow, City of	133.77	218.11	7,336.70	24,409.00
Gainesville Regional Utility	<u>140.51</u>	<u>250.00</u>	<u>8,455.00</u>	<u>27,631.50</u>
Average	\$117.32	\$181.18	\$6,025.00	\$19,855.24

* Investor owned utility; Includes an additional fee to customers which relates to the electric franchises granted to such investor-owned utilities.

¹ Small commercial.

² Large commercial.

³ Industrial.

The breakdown of the above rates into the fuel and energy components is as follows:

	Residential 1,000 kWh	GS 1,500 kWh	GSD 60,000 kWh 150 kW	GSLD 200,000 kWh 500kW
<u>Florida Utilities</u>				
Lakeland - Energy	\$63.82	\$91.81	\$2,589.62	\$8,727.40
Lakeland - Fuel	<u>44.85</u>	<u>67.28</u>	<u>2,691.00</u>	<u>8,970.00</u>
Lakeland - Total	\$108.67	\$159.09	\$5,280.62	\$17,697.40
Average - Energy	\$68.76	\$106.23	\$3,023.33	\$10,487.23
Average - Fuel	<u>48.56</u>	<u>74.94</u>	<u>3,000.67</u>	<u>9,368.00</u>
Average - Total	\$117.32	\$181.18	\$6,025.00	\$19,855.24
Lakeland % of Average – Energy	92.8%	86.4%	85.6%	83.2%
Lakeland % of Average – Fuel	92.4%	89.8%	89.7%	95.8%
Lakeland % of Average - Total	92.6%	87.8%	87.6%	89.1%

Lakeland Electric's aggregate rates are lower than many other Florida utilities included in the rate comparison, despite the fact that Lakeland is one of the smaller utilities listed. Lakeland Electric's residential fuel rates are approximately 7.6% lower than the average for the Florida utilities in this comparison. Also, Lakeland Electric's Residential base rates are at least 7.2% lower than this group. This competitive advantage with respect to base rates is a direct result of efficiency and effectiveness efforts conducted by Lakeland Electric over the course of the past five years.

Historical Rate Changes. The City has put into effect the following rate changes in recent years.

Fiscal Year	Residential			General Service		
	% Increase (Decrease) In Base Rate	% Increase (Decrease) Fuel Charge	Net Change Total Rate %	% Increase (Decrease) In Base Rate	% Increase (Decrease) Fuel Charge	Net Change Total Rate %
2015	5.9%	(2.2)%	2.4%	(3.1)%	(2.2)%	(2.7)%
2014	0.6	10.9	4.8	0.5	10.9	4.7
2013	(0.2)	(2.2)	(1.0)	(0.2)	(2.3)	(1.0)
2012	(0.2)	(16.5)	(7.7)	(0.2)	(16.5)	(7.5)
2011	0.0	(1.2)	(0.6)	0.0	(1.2)	(0.6)
2010	1.8	(6.4)	(2.2)	4.4	(6.4)	(0.8)
2009	0.5	(24.7)	(13.6)	0.4	(24.7)	(13.5)
2008	0.7	17.3	9.3	0.7	17.3	9.3
2007	7.1	(4.6)	0.7	14.7	(4.6)	3.8
2006	0.0	15.9	8.1	0.0	15.9	8.4
2005	0.0	21.7	10.0	0.0	21.7	10.4

Source: Lakeland Electric

Operating Statistics

The following table presents a history of the operation of the System for the past five fiscal years:

Description	Fiscal Year Ended September 30				
	2011	2012	2013	2014	2015
60 Minute net peak demand (MW)	665	612	602	627	656
Increase/(decrease) from prior year	-17.3%	-8.0%	-1.7%	4.2%	4.6%
<u>Energy Sales (GWh):</u>					
Residential	1,469	1,349	1,353	1,398	1,452
Commercial and industrial	1,388	1,381	1,405	1,465	1,504
Other ¹	33	33	34	33	35
Total	<u>2,890</u>	<u>2,763</u>	<u>2,792</u>	<u>2,896</u>	<u>2,991</u>
Increase/(decrease) from prior year	<u>-3.0%</u>	<u>-4.4%</u>	<u>1.1%</u>	<u>3.7%</u>	<u>3.3%</u>
<u>Average customers for period:</u>					
Residential	100,545	100,163	101,692	102,747	103,964
Commercial and industrial	12,400	12,324	12,438	12,622	12,764
Other ¹	8,432	8,284	8,330	8,248	8,237
Total	<u>121,377</u>	<u>120,771</u>	<u>122,460</u>	<u>123,617</u>	<u>124,965</u>
<u>Residential service:</u>					
Average kWh sales per customer	14,610	13,475	13,308	13,609	13,965
Average revenue per customer	\$1,734	\$1,450	\$1,506	\$1,558	\$1,571
Average revenue per kWh ¹	0.1187	0.1076	0.1131	0.1145	0.1125
<u>Operating revenue (\$ 000):</u>					
Residential	\$101,700	\$93,740	\$94,055	\$96,895	\$105,088
Commercial and industrial	60,082	57,794	58,123	59,977	63,000
Other electric sales ²	8,837	7,809	7,796	7,856	8,809
Sales for resale	15,875	13,606	13,372	3,840	5,521
Subtotal	\$186,494	\$172,949	\$173,347	\$168,568	\$182,418
Fuel charge	146,923	110,868	121,823	130,899	120,058
Other revenues	7,465	6,520	6,886	6,871	7,026
Total electric operating revenue	<u>\$340,882</u>	<u>\$290,337</u>	<u>\$302,056</u>	<u>\$306,338</u>	<u>\$309,502</u>

¹ Average residential revenue per kWh, including fuel.

² Includes private area lights, street lights, and municipal uses. Excludes sales for resale.

Source: Lakeland Electric

Factors Affecting the Electric Utility Industry

General. The electric utility industry has been in the past, and in the future likely will be, affected by a number of factors which could impact the business affairs, financial condition, and competitiveness of an electric utility and the level of utilization of its generating facilities, including those of the City. These factors likely would affect individual utilities in different ways. Some of the more significant factors involve increased environmental requirements and varying efforts on national and local levels to restructure the electric utility industry from a significantly regulated monopoly to an industry in which there is open competition for power supply on both the wholesale and retail level. Although recent efforts for open competition at the retail level have been limited, there is still interest by various groups for open competition. Deregulation is not expected to occur in Florida in the foreseeable future.

Additional factors impacting electric utilities include, but are not limited to: (1) effects of competition from other suppliers of electricity and new methods of producing low cost electricity, (2) effects of compliance with rapidly changing environmental, licensing, regulatory and legislative requirements, (3) regulatory changes and changes that might result from a national energy policy, (4) uncertain access to low cost capital for replacement of aging fixed assets, (5) increases in operating costs, (6) availability and cost of fuel supply, (7) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (8) "self-generation" by certain industrial and commercial customers, (9) issues relating to the ability to issue or maintain tax exempt obligations, (10) shifts in availability and relative costs of various fuels, (11) changes from projected load requirements and (12) restrictions on the ability to sell to non-governmental entities electricity from generation projects financed with outstanding tax exempt obligations. Any of these factors (as well as other factors) could have an effect on the financial condition of any given electric utility, including the System, and likely will affect individual utilities in different ways.

The City cannot determine with certainty what effects such factors will have on its business operations and financial condition, including that of the System, but any effect(s) could be significant. The following is a brief discussion of some of these factors. However, this discussion is not intended to be comprehensive or definitive, and these matters are subject to change. Any such changes could be significant. Extensive information on the electric utility industry is, and will be, available from sources in the public domain, and potential purchasers of the Series 2015 Bonds should obtain and review such information.

Energy Policy Act of 1992. The Energy Policy Act of 1992 (the "1992 Energy Policy Act") made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased wholesale electric competition. In particular, the 1992 Energy Policy Act provides the Federal Energy Regulatory Commission ("FERC") with the authority, upon application by an electric utility, federal power marketing agency, or other non-utility power generator, to require a transmitting utility to provide transmission services to the applicant essentially on a cost-of-service basis. Municipally-owned electric utilities are "transmitting utilities" for purposes of these provisions of the 1992 Energy Policy Act. At this time, FERC does not have the authority to regulate "retail wheeling," under which a retail customer of one utility could obtain power from another utility or non-utility power generator.

The 1992 Energy Policy Act also addressed nuclear power licensing and related regulations, energy efficiency standards and use of alternative transportation fuels. The City has no ownership interests in any nuclear power plants and currently has no intention of acquiring any such interests in the near term. Title XVI of the 1992 Energy Policy Act established voluntary greenhouse gas mitigation and reporting programs, and the City is participating in the United States Department of Energy greenhouse gas mitigation program entitled "Climate Challenge."

The energy efficiency title of the 1992 Energy Policy Act required states and utilities to consider adopting integrated resource planning ("IRP"), which allows utility investments in conservation and other demand-side management techniques to be at least as profitable as supply investments. The 1992 Energy Policy Act also established new efficiency standards in lighting and industrial and commercial equipment and obligated states to establish commercial and residential building codes with energy efficiency standards. Additionally, the 1992 Energy Policy Act required utilities to consider energy efficiency programs in their IRPs. The FPSC has adopted an IRP and the City is already complying with its own IRP policy. This initiative is fairly well institutionalized at this point.

Certain FERC Initiatives. On April 24, 1996, FERC issued two final rules, Orders No. 888 and 889, to address and implement the transmission access provisions of the 1992 Energy Policy Act. The final rules effect significant changes regarding transmission service performed by electric utilities subject to FERC's jurisdiction under the Federal Power Act. Among other things, FERC requires utilities to submit open-access, mandatory transmission tariffs. The goal of the rules, according to FERC, is to deny to an owner of transmission and generation facilities any unfair advantage over its competitors that exist by virtue of such owner's control of its transmission system.

Order No. 888 requires (i) the provision of open access transmission services on a non-discriminatory basis by all jurisdictional utilities by requiring all such utilities to file open access transmission tariffs that offer other entities seeking to effect wholesale power transactions the same transmission services they provide themselves, under comparable terms and conditions and (ii) non-jurisdictional utilities (including municipal and consumer-owned utilities) that purchase transmission service from FERC jurisdictional utilities under open access transmission tariffs and which own or control transmission facilities to, in turn, provide open access service to the transmitting utility under terms that are comparable to the service that the non-jurisdictional utility provides itself. Order No. 888 also includes provisions which effectively would permit utilities to recover so-called "stranded costs" for generating and other facilities from wholesale customers of a utility who opt to purchase from other power suppliers. The City has developed an open access transmission rate and tariff that conforms to Order No. 888 requirements.

Order No. 889, implements standards of conduct for utilities that offer open access transmission services to ensure that transmission owners and their affiliates do not have an unfair competitive advantage in using transmission to sell power, notably the separating of marketing from transmission and power operations.

In February 2007, FERC issued Order No. 890 reforming portions of Orders No. 888 and 889. Order No. 890 reforms include: (i) greater consistency and transparency in available transmission capacity calculations; (ii) open, coordinated and transparent planning; (iii) reforms of energy imbalance penalties; (iv) reform of rollover rights policy; (v) clarification of tariff ambiguities; and (vi) increased transparency and customer access to information. FERC reaffirmed several of the core elements of Order No. 888 in Order No. 890 including: (i) the comparability requirement wherein third-party users of the transmission system must receive service in a manner comparable to the transmission owner's use of the system; (ii) the continuance of protections for native load customer's transmission service rights; and (iii) FERC's approach to reciprocity for non-jurisdictional transmission owners which includes Lakeland Electric.

Municipally-owned electric utilities (including the System) are not subject to FERC jurisdiction under these rules but may be denied reciprocal transmission services from a FERC jurisdictional utility if they do not offer comparable transmission services. FERC stated that its overall objective in promulgating such rules was to ensure that all participants in wholesale electricity markets have non-discriminatory open access to transmission service, including network transmission service and ancillary services. In certain circumstances, the rules would require non-jurisdictional utilities to pay compensation to their present suppliers of wholesale power and energy for this stranded investment that may arise when the

non-jurisdictional utilities exercise their option to switch to an alternative supplier of electricity. Accordingly, such rules can have a significant impact on such utilities' operations.

On December 20, 1999, FERC issued its Order No. 2000. Order No. 2000 represents a further measure in FERC's attempt to foster competition in wholesale power markets by encouraging all transmission-owning utilities (including municipal utilities) to join Regional Transmission Organizations ("RTOs"). Order No. 2000 contemplates RTOs as voluntary participation associations of power transmission owning entities comprised of public and non-public utility entities, which could more efficiently address operational and reliability issues confronting the industry, in particular by improving grid reliability, increasing efficiencies in transmission grid management, preventing discriminatory practices and improving market performance. The implications of Order No. 2000 were further clarified in July 2002, when FERC issued a Notice of Proposed Rulemaking ("NOPR") for a standard market design ("SMD") to accompany formation of RTOs. However, as described below, the Energy Policy Act of 2005 defused the impact of the NOPR by making the SMD non-mandatory.

Presently there are no active RTO development activities in the Southeastern United States. Two previous efforts to develop a RTO for the Southeastern United States failed. The City believes that in each case the effort failed because of the lack of demonstrable benefits from forming a RTO and the lack of consensus support and acceptance from all applicable state and federal agencies for the proposed RTO structure.

Energy Policy Act of 2005. The Energy Policy Act of 2005 (the "2005 Energy Policy Act") was signed into law on August 8, 2005. The 2005 Energy Policy Act, described by proponents as an attempt to combat growing energy problems, provides tax incentives and loan guarantees for energy production of various types and sets reliability standards for grids. The 2005 Energy Policy Act is intended to establish a comprehensive, long-range energy policy. It provides incentives for traditional energy production as well as newer, more efficient energy technologies, and conservation.

The 2005 Energy Policy Act introduced a new Section 211A of the Federal Power Act (the "FPA") entitled "Open Access by Unregulated Transmitting Utilities." Under Section 211A, FERC has the authority to require an otherwise non-jurisdictional owner, such as the City, owning or operating transmission facilities to provide transmission services at (i) rates that are comparable to those they charge themselves and (ii) terms and conditions that are comparable to those they charged themselves and that are not unduly discriminatory or preferential.

The 2005 Energy Policy Act also introduced a new Section 217 of the FPA entitled "Native Load Service Obligation." Under this provision, any load-serving entity with a service obligation, including an otherwise non-jurisdictional transmission owner, is entitled to use its transmission capacity to meet its native load service obligation in preference to other uses of the grid. A service obligation is defined in Section 217 to mean a requirement applicable to a utility under federal, state or local law, or under a long-term contract to provide electric service to end users or a distribution utility. The statutory right that an otherwise non-jurisdictional transmission owner has to use its transmission facilities to serve native load qualifies the obligation it has to provide open access transmission service under Section 211A of the FPA.

The Energy Policy Act of 2005 additionally introduced a new Section 215 of the FPA which authorizes the FERC to designate an Electric Reliability Organization ("ERO") that would propose reliability standards that would be reviewed by FERC before becoming final. All users, owners and operators of the bulk power system, including an otherwise non-jurisdictional transmission owner, must comply with the standards. The ERO may delegate to a regional entity the authority to propose reliability standards to the ERO and to enforce the reliability standards. States may take action to ensure reliability, as long as such action is not inconsistent with a reliability standard approved by FERC.

FERC has designated the North American Electric Reliability Corporation ("NERC") as the agency that oversees compliance with bulk-power system reliability standards, and in turn, NERC has designated FRCC as the regional entity responsible for monitoring compliance for registered entities in peninsular Florida, including Lakeland Electric. As a registered entity subject to NERC reliability standards, Lakeland Electric has and in the future anticipates increased compliance costs and exposure to significant monetary penalties for non-compliance violations, if any are discovered through self-reporting or NERC compliance monitoring activities.

In March 2007, FERC issued Order No. 693 entitled "Mandatory Reliability Standards for the Bulk-Power System" or "Reliability Standards Order." In this Order, FERC approved 83 of 107 proposed reliability standards developed by NERC, which FERC has certified as the ERO responsible for developing and enforcing these mandatory reliability standards. The Reliability Standards Order requires NERC to submit changes to certain of the approved standards in the future. The Reliability Standards Order applies to all users, owners and operators of the bulk-power system within the United States (other than Alaska or Hawaii), including Lakeland Electric. The mandatory standards took effect June 2007. In addition, in April 2007, FERC issued an order in Docket Nos. RR06-1-004, et al. approving the compliance monitoring and enforcement programs to be used by the ERO and eight regional entities, including the FRCC, to monitor, assess and enforce compliance with FERC's approved reliability standards. The FRCC has responsibility for peninsular Florida. The ERO has delegated certain authority to the FRCC to propose and enforce reliability standards within the FRCC region, which includes Lakeland Electric. The issuance of these orders enabled the FERC approved reliability standards to be enforceable beginning with the summer of 2007. To date, the FRCC's compliance monitoring, assessment, and enforcement activities have not resulted in any material impact on Lakeland Electric's business operations or financial condition.

The regulatory framework established by the Energy Policy Act of 2005 and the related rules and standards subsequently established result in additional administrative costs and systematic controls for Lakeland Electric. This is particularly true of the NERC compliance requirements. Critical Infrastructure Protection (CIP) affects all aspects of utility operations. In fact, a personnel cost of more than \$1 million per year is being incurred to meet these requirements, including cyber security. Possible additional regulation from the Department of Homeland Security will likely increase these costs.

Any tax reform that affects the ability of the City to issue tax exempt debt could significantly increase debt service costs for the System. In addition, initiatives of the Environmental Protection Agency ("EPA"), particularly its aggressive timelines, could cause upward pressure on the cost of producing electricity. Specifically, the Boiler MACT (Maximum Achievable Control Technology), the CCR (Coal Combustion Residual), and Rule 316(b) (water intake for cooling regulation), are problematic for the continued production of power at today's prices. The President's Clean Power Plan currently being implemented by the EPA, is an attempt to apply, through executive action, the Waxman-Markey Bill (HB2454) that passed in the House, but failed in the Senate. In its present iteration, this plan calls for a very aggressive reduction in Florida of 70% of Green House Gases by 2020. The final rule changed the plan substantially. While the early reduction (2020) in CO2 emissions was largely eliminated for Florida, the elimination of Energy Efficiency and Nuclear from EPA building blocks under the Clean Power Plan (CPP) makes the eventual goals for later in the decade that much more difficult to achieve. That is particularly true of the extremely ambitious goals for wind and solar, even as Florida can expect very little benefit from wind. Based upon EIA forecasts, those in the EPA CPP appear to be largely unachievable. It has become increasingly difficult to forecast how all this will play out.

It is not possible at this time to predict what final forms and possible effects of the consequent rules and programs that will be enacted in order to implement the provisions of the 2005 Energy Policy Act. Additionally, it is possible that one or more electric utility restructuring bills may be introduced in future sessions of Congress. The City cannot predict whether, or in what form, any bill may be introduced, or whether any such bill will be enacted into law. There can, therefore, be no accurate predictions as to the effect of any such legislation on the City and the System. Currently, executive action is the most problematic for the electric utility industry.

Overall competition in the electric utility industry continues to increase. Pursuant to FERC mandates, full open access to the electric transmission network, including the City's, is now available to all electric providers seeking to transmit electricity for resale. The authority to order retail wheeling, which allows a retail customer to be located in one utility's service area and to obtain power from another utility or non-utility source, is presently specifically excluded from the enhanced authority granted to FERC under the 1992 Energy Policy Act. How quickly competition continues to be implemented and how far competition will be extended is uncertain. As a result of these market forces, the City is continuing to pursue initiatives and strategies which will result in the System maintaining a favorable market position.

Recent Florida Legislative Developments. The Florida legislature passed an omnibus energy bill during its 2006 legislative session that the Governor of Florida signed into law on June 19, 2006, and is codified as Chapter 2006-230, Laws of Florida ("Florida Energy Act of 2006"). Among other things, the Florida Energy Act of 2006 created the Florida Energy Commission (the "FEC") to develop recommendations for legislation to establish a state energy policy based on the guiding principles of reliability, efficiency, affordability and diversity. Specifically, Florida Energy Act of 2006 specifies certain issues for the FEC to consider including, among other things, fuel diversity and alternative energy technology, demand side management and efficiency, transmission and distribution facilities, the relationship between energy and growth management and research, development, and deployment of new or alternative energy technologies.

In accordance with the Florida Energy Act of 2006, the FEC's initial report was required, among other things, to set forth recommendations on improvements to the electricity transmission and distribution system including recommended incentives to encourage utilities and local governments to work together in good faith on underground utility issues and set forth the appropriate test for the FPSC to use in determining which energy efficiency programs are cost effective and should be implemented. The FEC issued its report to the Florida Legislature in December 2007.

The Florida Energy Act of 2006 also required the FPSC to direct a study of the transmission grid reliability, including hardening of infrastructure and steps to be taken to enhance the reliability of the transmission and distribution systems during extreme weather, including consideration of underground installation. Other sections of the Florida Energy Act of 2006 (i) provide financial incentives for renewable energy technologies, energy efficient appliances, solar energy and alternative fuels, (ii) revise the safety standards for public utility transmission facilities and (iii) modify certain provisions of the Florida Electrical Power Siting Act and Transmission Line Siting Act.

The Florida Energy, Climate Change and Economic Security Act of 2008 (the "Florida Energy Act of 2008"), which was approved by the Governor of Florida on June 25, 2008, gives legislative authority to some of the Governor's Executive Orders. Among other things, the Florida Energy Act of 2008: (a) expands the air quality, energy and land use goals of the State Comprehensive Plan to include the development of low carbon emitting electric power plants, the reduction of atmospheric carbon dioxide, the promotion of the use and development of renewable energy resources and provides for the siting of low carbon emitting electric power plants, including nuclear plants; (b) revises provisions relating to innovation incentive awards to include "alternative and renewable energy" products and specifies

eligibility requirements for such products; (c) authorizes the Florida Energy and Climate Commission (the "FECC") to allow an investor-owned utility to earn an additional return on equity for exceeding energy efficiency and conservation goals; (d) requires each public utility, and each municipal electric utility and rural electric utility cooperative that sells electricity at retail to develop a standardized interconnection and net metering program for customer-owned renewable generation; (e) requires eligible systems under the Solar Energy System Incentives Program to comply with the Florida Building Code; (f) establishes the "Florida Green Government Grants Act," providing for grants to be awarded to local governments in the development of programs that achieve green standards; (g) exempts an electric utility from obtaining certification under the Florida Electrical Power Plant Siting Act before constructing facilities for a power plant using nuclear materials as fuel; (h) requires the Department of Environmental Protection to address at a certification hearing the issue of compliance with land use plans and zoning ordinances for a proposed substation located in or along an alternate corridor; (i) requires that the Florida Building Commission select the most recent International Energy Conservation Code as a foundation code, and provides for modification of that code by the commission under certain circumstances; (j) requires the Department of Environmental Protection to adopt rules relating to the placement of and access to aerial and underground electric transmission lines; (k) requires the FPSC to adopt goals encouraging the development of demand-side renewable energy systems; (l) requires the FPSC to establish rules relating to cost recovery of new, expanded or relocated transmission lines for a nuclear power plant; and (m) repeals the statute that required the FPSC to report to the Governor and the Legislature on utility revenue decoupling.

During the 2012 legislative session, the Florida Legislature adopted the Florida Energy Act of 2012. Among other things, this act: (a) appropriates funds to evaluate whether the 1980 Florida Energy Efficiency and Conservation Act remains in the public interest, (b) creates a sales tax exemption for equipment used in the distribution of renewable fuels, (c) provides a renewable energy technology investment tax credit against the corporate income tax based on investment in equipment to be used in production, storage, and distribution of renewable fuels, and (d) creates a renewable energy production credit.

It is uncertain at this time what impact the Florida Energy Act of 2006, the Florida Energy Act of 2008, the Florida Energy Act of 2012 or any other legislation will have on the City and the System. Additionally, it is possible that one or more electric utility restructuring bills may be introduced in future sessions of the Florida Legislature. The City cannot predict whether, or in what form, any bill may be introduced, or whether any such bill will be enacted into law. There can, therefore, be no assurance as to the effect of any legislation on the City and the System. It is also possible that federal action may preempt some or all of these state initiatives.

Rate Regulation. The City Commission, under existing Florida law, has the exclusive authority to establish the level of electric rates for the System. While the FPSC has no authority to set rates for a municipal electric utility, it does have jurisdiction over municipal electric utilities to prescribe uniform systems and classifications of accounts, to require electric power conservation and reliability, to approve territorial agreements, to settle territorial disputes, to approve the need for new steam-electric power plants and transmission lines and to prescribe rate structures for municipal utilities. The current rate structure for the System has been approved by the FPSC.

The Florida Supreme Court, while continuing to hold that the FPSC has no authority to regulate municipal utility "rates" (i.e., the specific dollar amounts charged by a municipal electric utility for specific service), has held that the FPSC has jurisdiction and authority to regulate the "rate structure" of a municipal electric utility (i.e., the classification system used to justify charging different rates to different classes of customers). It is not clear at this time how broadly the Court may ultimately interpret "rate structures" to permit additional regulation of rates of municipal utilities by FPSC.

Environmental. Electric utilities (including the System) are subject to continuing environmental, conservation and other regulation and permitting requirements by federal, state and local authorities. Changes to these regulations may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the City's facilities will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain or maintain all required permits. An inability to comply with environmental standards or deadlines could result in fines and/or legal action as well as reduced operating levels or complete shutdown of individual electric generating units or water plant facilities that are not in compliance. Furthermore, clean air laws, compliance with environmental standards or deadlines may substantially increase capital and operating costs.

There has been, and continues to be, concern by individuals, the scientific community and Congress regarding environmental damage resulting from the use of fossil fuels. The System's plants use fossil fuels. From time to time, there are a number of legislative proposals regarding the regulation of air, water and contaminants which affect the electric utility industry. In 1990, Congress enacted certain amendments that substantially revised the Federal Clean Air Act (the "1990 Amendments"). The 1990 Amendments sought to improve the ambient air quality throughout the United States by the year 2000. A main feature of the 1990 Amendments is the reduction of sulfur dioxide and nitrogen oxide emissions caused by electric utility power plants. The 1990 Amendments also provided facility operators with sulfur dioxide "allowances" based upon a facility's prior operating emission levels of 1985 and additional statutory allowances auctioned by EPA to provide for new units operating as applicable. The sulfur dioxide emissions from a facility were limited to these allocated sulfur dioxide allowances. Moreover, the 1990 Amendments allowed facility operators to buy and sell excess sulfur dioxide allowances. The City has either sold or banked excess allowances each year since the purchase and sale program began. The City believes it was, and currently is, in compliance with all of the requirements of the 1990 Amendments.

In mid-2005, EPA issued the final Clean Air Interstate Rule (CAIR) and the Clean Air Mercury Rule (CAMR). CAIR requires reductions in the emissions of nitrogen oxides (NO_x) and sulfur dioxide (SO₂) from electric generating units (EGUs). Under CAIR, EPA defines EGUs as stationary, fossil-fuel-fired boilers or turbines serving at any time since the start-up of a unit's combustion chamber or a generator with a nameplate capacity of more than 25 MW producing electricity for sale. However, CAIR was ultimately vacated and remanded to the agency by the D.C. Circuit Court of Appeals in 2008 after certain portions of the regulation were found to be unlawful. Additionally, on February 8, 2008, the D.C. Circuit Court of Appeals issued a unanimous opinion which vacated both of EPA's rules delisting coal- and oil-fired electric generating units from regulation under Section 112 of the Clean Air Act ("Delisting Rule") and the CAMR.

Subsequent to the vacatur of CAMR, the EPA finalized the Mercury Air Toxics Standards (MATS) for power plants on December 21, 2011. MATS is designed to reduce emissions of heavy metals, including mercury (Hg), arsenic (As), chromium (Cr), and nickel (Ni); and acid gases, including hydrochloric acid (HCl) and hydrofluoric acid (HF). Under MATS, EPA had to set emission standards for existing power plants that are at least as stringent as the emission reductions achieved by the average of the top 12% best controlled power plants. Existing power plants regulated by MATS generally had three years to comply. EPA also set industry-specific "new source performance standards" (NSPS) for those plants that are modified subsequent to the date of the rule or any new power plants that are covered by MATS. The compliance date for this rule was April 16, 2015. MATS, as finalized, primarily affects Lakeland Electric's coal-fired unit, while two other oil and gas-fired units are exempt as long as they do not fire oil for more than 10% of the average annual heat input during any three calendar years or for more than 15% of the annual heat input during any calendar year. In addition to new, more stringent Particular Matter (PM) and SO₂ emission limits, coal-fired units are also required to comply with a new Hg limit. To

comply with these new limitations, upgrades to the utility's existing coal-fired unit scrubber were necessary and were performed in early 2015. To demonstrate compliance with the PM and Hg standards, new continuous emission monitors for these pollutants have been installed.

On September 30, 2009, EPA announced a proposal that is focused on large facilities emitting over 25,000 tons of greenhouse gas (GHG) a year. These facilities would be required to obtain permits that would demonstrate they are using the best practices and technologies to minimize GHG emissions. The rule proposed new thresholds for GHG emissions that define when Clean Air Act permits under the New Source Review (NSR) and title V operating permits programs would be required for new or existing industrial facilities. The proposed thresholds would "tailor" the permit programs to limit which facilities would be required to obtain NSR and title V permits and would cover nearly 70 percent of the national GHG emissions that come from stationary sources, including those from the nation's largest emitters, including power plants, refineries, and cement production facilities. In December 2010, the EPA issued its final rule on GHG mitigation. Under this rule, it began controlling such gases utilizing Title V of the Clean Air Act. On January 2, 2011, the EPA began implementing greenhouse gas permitting for the State of Florida. Florida Department of Environmental Protection (FDEP) subsequently started the process of obtaining the GHG Prevention of Significant Deterioration (PSD) permitting authority from EPA. In May 2014, EPA issued final approval of Florida's GHG PSD permitting program, meaning that FDEP now has full authority to issue GHG PSD permits for Florida sources.

On July 6, 2011, EPA signed its final Cross-State Air Pollution Rule (CSAPR), establishing an emissions allowance trading program intended to reduce the interstate transport of NO_x and SO₂ that is inhibiting downwind states' abilities to attain and maintain compliance with the particulate matter (PM_{2.5}) and ozone national ambient air quality standards (NAAQS). CSAPR has three basic components: annual trading programs for both SO₂ and NO_x, and an ozone-season (May 1 – September 30) NO_x trading program. Florida is not subject to the annual NO_x or SO₂ trading programs, but rather is only subject to the ozone-season NO_x trading program. CSAPR was slated to replace CAIR, its flawed predecessor, effective January 1, 2012. On December 30, 2011, however, the D.C. Circuit Court of Appeals ordered CSAPR stayed and left CAIR in effect pending resolution of certain challenges to CSAPR. The D.C. Circuit subsequently vacated CSAPR, but, on April 29, 2014, the U.S. Supreme Court reversed the D.C. Circuit's decision and remanded it for further proceedings. On remand, EPA moved to lift the stay of CSAPR and begin implementation in January 2015. The D.C. Circuit granted EPA's motion on October 23, 2014, and, accordingly, CSAPR replaced CAIR effective January 1, 2015. Since Florida is subject only to the ozone-season NO_x program under CSAPR, Lakeland Electric became affected starting on May 1, 2015. Compared to the number of ozone-season NO_x allowances that were allocated under CAIR, Lakeland Electric is seeing a fairly significant decrease in the number of NO_x allowances allocated under CSAPR, which presents a challenge in complying with this rule.

In 2010, EPA proposed rules regulating the disposal of coal ash via the Coal Combustion Residual Rule. Previously, coal combustion residuals (CCR) were exempt wastes under an amendment to Resource Conservation and Recovery Act. The two options that were being considered by EPA were to regulate the ash as a Subtitle C, hazardous waste, or to regulate ash as a Subtitle D, non-hazardous waste. This rule could have impacted the beneficial use of Coal Ash as a non-hazardous waste by-product, which could have required it to be disposed of by the System in a permitted landfill rather than sold for beneficial use. Various groups filed suit in April 2012, in an attempt to force EPA to move forward with regulation of coal ash. On April 17, 2015, EPA published the rule in the Federal Register under the solid waste provisions (Subtitle D) of the Resource Conservation and Recovery Act, which is scheduled to become effective on October 19, 2015. Since the intent of Lakeland Electric is to sell all CCR material for beneficial use, this rule will likely not have a large impact on its facilities.

On March 27, 2012, EPA proposed a rule regulating greenhouse gas (GHG) emissions from new power plants that would limit CO₂ emissions. The rule was modified and re-proposed on September 20, 2013. Emissions limits from the proposed rule for new units suggest that CO₂ emissions control, such as carbon capture and storage, is needed for new coal-fired units. The rule for new units was finalized on August 3, 2015 with minor changes. Additionally, President Obama ordered in June 2013 that CO₂ emissions guidelines for existing units be developed. In June 2014, EPA proposed the CO₂ emissions guidelines for existing power plants, commonly known as the Clean Power Plan (CPP). The guidelines were finalized on August 3, 2015, and the States now have until September 6, 2016 (with an option for a two year extension, until 2018) to develop State Implementation Plans (SIPs) using EPA's guidelines as reference. According to the proposed guidelines, Florida would be required to meet three interim CO₂ emission goals during 2022-2029 of 1,097, 1,006, and 949 pounds per net MWh, and the final CO₂ goal of 919 pounds per net MWh starting in 2030. EPA calculated CO₂ emission goals for each state using three "building blocks": heat rate improvements from existing coal units, increased utilization of natural gas combined cycle (NGCC) generation, and increased generation from renewable energy. Compliance with the CPP requirements could require Lakeland Electric to, at significant cost, change or modify technology used at Lakeland Electric facilities or retire high-emitting generation facilities and replace them with lower-emitting generation facilities. The estimation of costs of compliance with expected greenhouse gas legislation is subject to significant uncertainties.

In 2010, EPA issued a final rule that was aimed at reducing emissions of toxic air pollutants from existing stationary reciprocating internal combustion engines (RICE). Subpart ZZZZ, also known as the RICE Rule, became effective on May 3, 2013 for compression ignition engines (diesel-fired) and on October 19, 2013 for spark ignition engines (gasoline-fired and propane-fired). The rule has different requirements based on engines' intended use. Requirements for non-emergency engines are most stringent and include limitations such as CO emission standards (requiring oxidation catalysts to be installed), periodic CO emissions testing, fuel restrictions (only fuel containing no more than 15 ppm sulfur, or 0.0015%, is allowed), and monitoring of catalyst inlet temperature and pressure drop. Requirements for emergency engines are essentially to keep the annual hours of operation below certain thresholds and to conduct the required engine maintenance at specified time intervals. The only requirement for startup (black start) engines is to conduct the required engine maintenance. Lakeland Electric currently has 21 non-emergency, three emergency, and three startup engines that are subject to the RICE Rule requirements.

EPA was required, pursuant to a 2009 consent decree entered into with certain environmental advocacy groups, to adopt rules setting forth numeric nutrient (nitrogen and phosphorus) criteria standards for water bodies within the State of Florida. On November 15, 2010, EPA established numeric nutrient criteria for lakes and flowing waters within the State of Florida (except for those in the South Florida region). These criteria were required to be implemented by July 6, 2012. However, the State of Florida adopted its own criterion which it has presented to the EPA for consideration for adoption in lieu of EPA's current adopted standards. In late 2013, EPA moved to amend the consent decree, which was the final necessary step to pave the way for the new State program to fully supplant the EPA program. The environmental advocates opposed the modification of the consent decree and moved to "enforce" the decree. After a hearing on the matter, the court approved the motion to amend the consent decree and denied the advocates' motion to "enforce" it. The environmental advocates appealed the decision to the 11th Circuit Court in Atlanta. On July 7, 2015, the 11th Circuit Court upheld the district court's decision to approve the amendments, ultimately resulting in EPA accepting FDEP's nutrient rules and withdrawing their corresponding federal rules.

In the opinion of Lakeland Electric, the System is currently in compliance with all current federal, state and local environmental regulations. The City cannot predict at this time whether any additional legislation or rules will be enacted which will affect the City's operations and, if such laws or rules are enacted, what the additional capital and operating costs, if any, to the City might be in the future because

of such action. The financial impact of the adopted proposals and future proposals to Lakeland Electric could be substantial.

See also "THE SYSTEM - Conservation" herein

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LAKELAND ELECTRIC
SUMMARY OF RESULTS OF OPERATIONS
(In Thousands of Dollars)

	Fiscal Years Ended September 30,				
	2011	2012	2013	2014	2015
	(as restated)				
Gross Revenues					
Electric retail-base rate	\$ 170,618	\$ 159,342	\$ 160,703	\$ 164,729	\$ 176,897
Electric retail-Fuel Charge	146,923	110,868	121,095	130,899	120,058
Electric wholesale	15,875	13,606	13,372	3,840	5,521
Other Electric ¹	7,465	6,520	6,886	6,870	7,027
Other	598	588	663	6,813	772
Investment Income	8,170	8,009	84	8,736	3,455
Total Gross Revenues	\$349,649	\$298,933	\$302,803	\$321,887	\$313,730
Operating Expenses ²					
Electric Production:					
Fuel ³	\$ 161,967	\$ 124,143	\$ 135,104	\$ 134,396	\$ 124,528
Energy Supply ⁴	23,925	23,409	22,045	23,568	27,859
Subtotal	\$185,892	\$147,552	\$157,149	\$157,964	\$152,387
Energy delivery	22,265	21,121	20,959	22,349	23,405
Customer Service	6,904	6,520	6,713	6,726	6,583
General and Administrative	26,923	26,087	27,710	22,856	31,604
Total Operating Expenses	\$241,984	\$201,280	\$212,531	\$209,895	\$213,979
Net Revenues Available for Debt Service and Other Purposes	\$107,665	\$97,653	\$90,272	\$111,992	\$99,751
Bond Service Requirement	51,983	51,593	46,626	46,245	35,123
Balance Available for Other Obligations, Capital Improvements and Expansion	\$55,682	\$46,060	\$43,646	\$65,747	\$64,628
Debt Service Coverage Ratio from Operations ⁵	2.07	1.89	1.94	2.42	2.84

*Gross Revenues, Operating Expenses and Net Revenues Available for Debt Service and Other Purposes for the 2011 through 2015 fiscal years are derived from Lakeland Electric's audited financial statements

¹ Other Electric includes customer connection charges but excludes impact fees.

² Does not include depreciation expense.

³ Includes purchased power and fuel handling.

⁴ McIntosh Unit 1, which was unavailable for service as of September 30, 2015, and was officially retired during fiscal year 2016 due to obsolescence and reliability issues, resulting in an impairment loss of \$3.6 million, which includes \$2.7 million for the remaining undepreciated cost of improvements and a \$0.9 million write-down in the value of replacement parts. The impact of the impairment loss is reflected in the 2015 results of operations as part of energy supply expense

⁵ Equals "Net Revenues Available for Debt Service and Other Purposes" divided by "Bond Service Requirement."

Source: Lakeland Electric

The tables below were prepared by Lakeland Electric and show historical and projected cash balances (in thousands) for Lakeland Electric.

HISTORICAL	Fiscal Year Ended September 30				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Undesignated, Unrestricted Cash	\$83,927	\$79,625	\$68,147	\$59,836	\$70,792
Designated for Capital Improvements	45,351	42,728	37,586	38,620	36,560
	<u>\$129,278</u>	<u>\$122,353</u>	<u>\$105,733</u>	<u>\$98,456</u>	<u>\$106,392</u>

PROJECTED	Fiscal Year Ended September 30				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Undesignated, Unrestricted Cash	\$68,908	\$59,670	\$52,914	\$54,487	\$67,251
Designated for Capital Improvements	43,164	44,422	45,716	47,049	48,420
	<u>\$112,072</u>	<u>\$104,092</u>	<u>98,630</u>	<u>\$101,536</u>	<u>\$115,671</u>

Liquidity requirements are mitigated by the City's ordinance requiring that fuel costs be recovered on a dollar-for-dollar basis based on quarterly projections of cost and mandated fuel rate changes. On September 21, 2015, the City Commission approved an ordinance that established a fuel reserve equal to 15% of annual fuel costs (approximately \$20 million of the current budgeted fuel costs). The fuel reserve totaled \$13 million at the end of fiscal year 2015, and is expected to be \$20 million by the end of fiscal year 2016.

Sales volume exceeded the forecast in fiscal year 2011. Retail sales volume for fiscal year 2012 was 5% lower than in the previous fiscal year because of unusually mild weather. The weather during fiscal year 2013 was also milder than normal however there was 2% increase in retail sales partially aided by a 1% increase in the retail customer base.

Retail sales during fiscal year 2014 were 3% lower than budget because of continued mild weather. Wholesale sales decreased, and purchased power increased, significantly in 2014 due to the unscheduled outage of Lakeland Electric's coal-fired unit, McIntosh 3, for more than half of the fiscal year.

Retail sales during fiscal year 2015 was slightly better than forecast, led by a very strong third quarter. An independent study of electric rates performed in 2014, indicated the need to address cost of service issues between customer classes, as well as provide additional revenue requirements. The Lakeland City Commission approved a base rate increase which was effective, on a bills rendered basis, March 1, 2015. It was Lakeland Electric's first base rate increase since 2007. The impact of the increase varies among customer classes however the overall result was an average increase of 5 percent on base rates only.

Sales projections for fiscal year 2016, and beyond, assume normal weather and minimal customer growth (approximately 1% each year). The projections assume a 5% increase in base rates effective at the beginning of fiscal year 2019, however management is still evaluating the timing of the next rate increase. The Projected Results of Operations set forth in the following table were prepared by staff of Lakeland Electric based on revenue forecasts.

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LAKELAND ELECTRIC
PROJECTED RESULTS FROM OPERATIONS
(In Thousands of Dollars)

	Projected				
	Fiscal Year Ended September 30				
	2016	2017	2018	2019	2020
Gross Revenues					
Electric Retail - Base Rate	\$171,932	\$174,778	\$177,029	\$186,859	\$187,678
Electric Retail - Fuel Rate	118,363	122,518	121,836	131,993	135,192
Electric Wholesale	17,137	7,813	12,003	9,874	9,735
Other Electric ¹	14,164	14,384	14,618	15,210	15,384
Other	401	409	417	426	434
Investment Income	4,215	4,217	4,037	3,942	3,985
Total Gross Revenues	\$326,212	\$324,119	\$329,940	\$348,304	\$352,240
Operating Expenses ²					
Fuel ³	\$135,381	\$129,743	\$133,251	\$141,279	\$144,337
Energy Supply	26,458	27,613	28,323	29,051	29,879
Subtotal	\$161,839	\$157,356	\$161,574	\$170,330	\$174,216
Energy Delivery	\$25,573	\$26,299	\$26,969	\$27,656	\$28,453
Customer Service	7,839	7,931	8,134	8,342	8,580
General and Administrative	31,499	32,685	33,487	34,622	35,434
Total Operating Expenses	\$226,749	\$224,271	\$230,164	\$240,950	\$246,683
Net Revenues Available for Debt Service and Other Purposes	\$ 99,463	\$ 99,848	\$ 99,776	\$107,354	\$105,725
Bond Service Requirement ⁴	38,400	39,256	39,243	34,853	28,996
Balance Available for Other Obligations, Capital Improvements and Expansion	\$61,063	\$60,592	\$60,533	\$72,501	\$76,729
Debt Service Coverage Ratio ⁵	2.59	2.54	2.54	3.08	3.65

¹ Other Electric Revenues includes customer connection charges but excludes impact fees and gross receipts revenues.

² Operating expenses excludes gross receipts taxes and depreciation expense.

³ Includes purchased power and fuel handling.

⁴ Future Bond Service Requirement as of September 30, 2015, prior to issuance of Series 2016 revenue and refunding bonds in the subsequent fiscal year.

⁵ Equals "Net Revenues Available for Debt Service and Other Purposes" divided by "Bond Service Requirement."

Source: Lakeland Electric

Capital Improvement Plan

The following table represents a summary of Lakeland Electric's projected capital improvement requirements through fiscal year 2020 (in 1,000s):

	Fiscal Year Ended September 30				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Energy Supply	\$17,240	\$17,281	\$17,365	\$15,784	\$13,120
Energy Delivery	14,685	15,289	15,854	16,306	17,922
All Other	1,052	1,315	1,144	707	1,036
TOTAL FUNDING¹	\$32,977	\$33,885	\$34,363	\$32,797	\$32,078

¹On February 5, 2016, Lakeland Electric issued Series 2016 Energy System Revenue and Refunding Bonds which resulted in \$37 million of new bond proceeds to finance certain capital improvements. All other funding for capital projects included the above table is expected to be generated from base electric rates.

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ENERGY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2006

\$44,870,000

**REVENUE AND REFUNDING BONDS
DATED AUGUST 1, 2006**

CUSIP NUMBERS

**51166FAK5 51166FAL3 51166FAM1 51166FAN9 51166FAP4
51166FAQ2 51166FAR0 51166FAS8 51166FAT6 51166FAU3
51166FAV1 51166FAW9 51166FAX7 51166FAY5 51166FAZ2
51166FBA6 51166FBB4 51166FBC2 51166FBD0 51166FBE8
51166FBF5**

PURPOSE

The Series 2006 Bonds were issued for the principal purposes of (i) financing certain capital improvements for the electric power system of the City of Lakeland, Florida, (ii) refunding, on a current basis, a portion of the City's outstanding Energy System Refunding Revenue Bonds, Series 1999B, and (iii) paying certain costs and expenses related to the issuance of the Bonds.

Approximately \$24,645,000 of the 2006 Bonds were refunded in February 2016. The remaining \$12,740,000 of 2006A bonds are expected to be paid and/or called on October 1, 2016.

SECURITY

The Bonds and the interest thereon are payable from the Trust Estate which consists principally of certain Revenues derived by the City from the operation of its electric power system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the City's hereinafter defined Parity Obligations.

INSURANCE

A municipal bond insurance policy from XL Capital Assurance, Inc was purchased to unconditionally and irrevocably guarantee the full and complete payment required to be made by or on behalf of the City.

RATINGS*

Moody's Investor Service: Aa3

Standard & Poor's Ratings Services: AA

Fitch Ratings: AA-

*As of October 1, 2015

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2006 (CONTINUED)

MANDATORY REDEMPTION

The Bonds maturing on October 1, 2031 are subject to mandatory sinking fund redemption in part, by lot, on October 1, 2026 and on each October 1 thereafter at a price of par, plus accrued interest to the date of redemption as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
October 1, 2026	\$1,705,000	October 1, 2027	\$1,790,000
October 1, 2028	1,885,000	October 1, 2029	1,975,000
October 1, 2030	2,070,000	October 1, 2031*	2,175,000

*Final Maturity

The Bonds maturing on October 1, 2036 are subject to mandatory sinking fund redemption in part, by lot, on October 1, 2032 and on each October 1 thereafter at a price of par, plus accrued interest to the date of redemption as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
October 1, 2032	\$2,285,000	October 1, 2033	\$2,395,000
October 1, 2034	2,510,000	October 1, 2035	2,630,000
October 1, 2036*	2,755,000		

*Final Maturity

OPTIONAL REDEMPTION

The Bonds maturing on or after October 1, 2017 are subject to redemption prior to maturity on or after October 1, 2016, at the option of the City, in whole or in part at any time at a redemption price of par, together with accrued interest to the redemption date, and without premium.

AGENTS

Registrar:	The Bank of New York, New York, New York
Paying Agent:	The Bank of New York, New York, New York
Trustee:	The Bank of New York, New York, New York
Issuer's Bond Counsel:	Holland & Knight LLP, Lakeland, Florida
Issuer's Financial Advisors:	RBC Capital Markets, Jacksonville,, Florida
Managing Underwriter:	Goldman, Sachs and Company
Underwriters' Counsel:	Nabors, Giblin, & Nickerson, PA, Tampa, Florida
Insurance:	XL Capital Assurance, Inc. New York

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2006 (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT*

Maturity	Principal	Interest	Total
1-Oct-15	1,020,000	933,972	1,953,972
1-Apr-16		913,572	913,572
1-Oct-16	1,055,000	913,572	1,968,572
1-Apr-17		887,197	887,197
1-Oct-17	1,105,000	887,197	1,992,197
1-Apr-18		864,406	864,406
1-Oct-18	1,155,000	864,406	2,019,406
1-Apr-19		835,531	835,531
1-Oct-19	1,215,000	835,531	2,050,531
1-Apr-20		805,156	805,156
1-Oct-20	1,275,000	805,156	2,080,156
1-Apr-21		773,281	773,281
1-Oct-21	1,335,000	773,281	2,108,281
1-Apr-22		739,906	739,906
1-Oct-22	1,405,000	739,906	2,144,906
1-Apr-23		704,781	704,781
1-Oct-23	1,475,000	704,781	2,179,781
1-Apr-24		667,906	667,906
1-Oct-24	1,545,000	667,906	2,212,906
1-Apr-25		629,281	629,281
1-Oct-25	1,625,000	629,281	2,254,281
1-Apr-26		588,656	588,656
1-Oct-26	1,705,000	588,656	2,293,656
1-Apr-27		546,031	546,031
1-Oct-27	1,790,000	546,031	2,336,031
1-Apr-28		501,281	501,281
1-Oct-28	1,885,000	501,281	2,386,281
1-Apr-29		454,156	454,156
1-Oct-29	1,975,000	454,156	2,429,156
1-Apr-30		404,781	404,781
1-Oct-30	2,070,000	404,781	2,474,781
1-Apr-31		353,031	353,031
1-Oct-31	2,175,000	353,031	2,528,031
1-Apr-32		298,656	298,656
1-Oct-32	2,285,000	298,656	2,583,656
1-Apr-33		244,388	244,388
1-Oct-33	2,395,000	244,388	2,639,388
1-Apr-34		187,506	187,506
1-Oct-34	2,510,000	187,506	2,697,506
1-Apr-35		127,894	127,894
1-Oct-35	2,630,000	127,894	2,757,894
1-Apr-36		65,431	65,431
1-Oct-36	2,755,000	65,431	2,820,431
	<u>\$ 39,315,000</u>	<u>\$ 26,049,828</u>	<u>\$ 65,364,828</u>

*Prior to February 2016 refunding

ENERGY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2010

\$199,300,000

**REVENUE AND REFUNDING BONDS
DATED OCTOBER 20, 2010**

CUSIP NUMBERS

51166FCL1	51166FCM9	51166FBS7	51166FBT5	51166FBU2
51166FBV0	51166FBW8	51166FBX6	51166FBY4	51166FBZ1
51166FCA5	51166FCB3	51166FCC1	51166FCD9	51166FCE7
51166FCF4	51166FCG2	51166FCH0	51166FCJ6	51166FCK3

PURPOSE

The Series 2010 Bonds were issued for the principal purposes of (i) financing certain capital improvements for the electric power system of the City of Lakeland, Florida (the “City”), (ii) refunding, on a current basis, a portion of the City’s outstanding Energy System Refunding Revenue Bonds, Series 1999A and refunding on an advance basis the City’s outstanding Energy System Revenue Bonds, Series 2001B, (iii) paying costs associated with the termination of a conditional bond warrant agreement, and (iv) paying certain costs and expenses related to the issuance of the Bonds.

SECURITY

The Bonds and the interest thereon are payable from the Trust Estate which consists principally of certain Revenues derived by the City from the operation of its electric power system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the City’s hereinafter defined Parity Obligations.

INSURANCE

A municipal bond insurance policy from Assured Guaranty Municipal Corp., was purchased to unconditionally and irrevocably guarantee the full and complete payment required to be made by or on behalf of the City related to the Series 2010 bonds maturing in the years 2011 through 2029. The Series 2010 bonds maturing in 2036 were not insured.

RATINGS

Moody’s Investor Service: **Aa3**

Standard & Poor’s Ratings Services: **AA**

Fitch Ratings: **AA-**

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2010 (CONTINUED)

MANDATORY REDEMPTION

The Bonds maturing on October 1, 2036 are subject to mandatory sinking fund redemption in part, by lot, on October 1, 2026 and on each October 1 thereafter at a price of par, plus accrued interest to the date of redemption as follows:

<u>Date</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Principal Amount</u>
October 1, 2030	\$6,040,000	October 1, 2031	\$6,360,000
October 1, 2032	6,695,000	October 1, 2033	7,045,000
October 1, 2034	7,415,000	October 1, 2035	7,800,000
October 1, 2036 *	8,215,000		

*Final Maturity

OPTIONAL REDEMPTION

The Bonds are not subject to optional redemption prior to maturity.

AGENTS

Registrar:	The Bank of New York, New York, New York
Paying Agent:	The Bank of New York, New York, New York
Trustee:	The Bank of New York, New York, New York
Issuer's Bond Counsel:	Holland & Knight LLP, Lakeland, Florida
Issuer's Financial Advisors:	RBC Capital Markets, Jacksonville,, Florida
Managing Underwriter:	Goldman, Sachs and Company
Underwriters' Counsel:	Nabors, Giblin, & Nickerson, PA, Tampa, Florida
Insurance:	Assured Guaranty Municipal Corp.

2004 Basis Swap

As a means to reduce borrowing costs on a portion of the Electric and Water Refunding Revenue Bonds Series 1999A the City entered into an interest rate swap in June 2004. On October 20, 2010, the City refunded a large portion of the Series 1999A bonds. The City has elected to apply the existing swap agreement to the related 2010 refunding bonds.

Under the swap agreement, the City pays CitiGroup Financial Products Inc. (the counterparty) a payment equal to \$156.515 million (the unmortising remaining notional amount) times an interest rate equal to the SIFMA Municipal Bond index. In return, the counterparty pays the City an amount equal the notional amount times an interest rate equal to 67 percent of the three-month USD-LIBOR-BBA index, plus a spread of .046%. To the extent the relationship between SIFMA and LIBOR approximates a marginal tax rate of more than 33 percent; the net borrowing costs on the underlying debt will be reduced. During FY2015 the counterparty paid the City about \$1 million under the agreement, reducing the City's net borrowing cost by that amount. Since inception, the counterparty has paid the City approximately \$8.1 million, reducing the City's net borrowing cost since 2004, by that amount. Settlement payments to the City have been positive in each fiscal year since inception.

The notional amount of the swap amortizes, approximating the amount of the outstanding bonds. Settlement payments are made semi-annually. The City is exposed to counterparty credit risk because the swap had a positive fair value. The City is exposed to basis risk to the extent the relationship of SIFMA to LIBOR increases to greater than 33 percent. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2010 (CONTINUED)

standard termination events, such as failure to pay, bankruptcy, or a rating downgrade by Moody's or S&P issued to either the City or the counterparty.

As of September 30, 2015 the swap had a fair market value of \$3,906,917.03.

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

Date	Maturity	Interest	Total
1-Oct-15	15,510,000	4,649,150	20,159,150
1-Apr-16		4,261,400	4,261,400
1-Oct-16	16,280,000	4,261,400	20,541,400
1-Apr-17		3,854,400	3,854,400
1-Oct-17	17,105,000	3,854,400	20,959,400
1-Apr-18		3,426,775	3,426,775
1-Oct-18	17,950,000	3,426,775	21,376,775
1-Apr-19		2,978,025	2,978,025
1-Oct-19	13,840,000	2,978,025	16,818,025
1-Apr-20		2,632,025	2,632,025
1-Oct-20	4,695,000	2,632,025	7,327,025
1-Apr-21		2,514,650	2,514,650
1-Oct-21	4,925,000	2,514,650	7,439,650
1-Apr-22		2,409,994	2,409,994
1-Oct-22	5,140,000	2,409,994	7,549,994
1-Apr-23		2,300,769	2,300,769
1-Oct-23	5,355,000	2,300,769	7,655,769
1-Apr-24		2,180,281	2,180,281
1-Oct-24	5,595,000	2,180,281	7,775,281
1-Apr-25		2,040,406	2,040,406
1-Oct-25	5,885,000	2,040,406	7,925,406
1-Apr-26		1,893,281	1,893,281
1-Oct-26	6,180,000	1,893,281	8,073,281
1-Apr-27		1,731,056	1,731,056
1-Oct-27	5,180,000	1,731,056	6,911,056
1-Apr-28		1,595,081	1,595,081
1-Oct-28	5,450,000	1,595,081	7,045,081
1-Apr-29		1,452,019	1,452,019
1-Oct-29	5,745,000	1,452,019	7,197,019
1-Apr-30		1,301,213	1,301,213
1-Oct-30	6,040,000	1,301,213	7,341,213
1-Apr-31		1,142,663	1,142,663
1-Oct-31	6,360,000	1,142,663	7,502,663
1-Apr-32		975,713	975,713
1-Oct-32	6,695,000	975,713	7,670,713

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2010 (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

1-Apr-33		799,969	799,969
1-Oct-33	7,045,000	799,969	7,844,969
1-Apr-34		615,038	615,038
1-Oct-34	7,415,000	615,038	8,030,038
1-Apr-35		420,394	420,394
1-Oct-35	7,800,000	420,394	8,220,394
1-Apr-36		215,644	215,644
1-Oct-36	8,215,000	215,644	8,430,644
	<u>\$190,690,000</u>	<u>\$95,586,167</u>	<u>\$286,276,167</u>

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VARIABLE RATE ENERGY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2012

**DATED
AUGUST 23, 2012**

\$100,000,000

**CUSIP NUMBERS
51166FCN9**

PURPOSE

The Series 2012 Bonds were issued for the principal purpose of: (i) refunding a portion of the City's outstanding Energy System Variable Rate Revenue Bonds, Series 2009; (ii) paying certain costs and expenses related to the issuance of the Series 2009 Bonds.

SECURITY

The Series 2012 Bonds and the interest thereon are payable from certain revenues derived by the City from the operations of its electric power system on parity in all respects as to the lien thereon and pledge thereof granted with respect to the City's hereinafter defined Parity Obligations.

INSURANCE

The City has not purchased bond insurance or any other form of credit enhancement for the 2012 Bonds.

RATINGS

Moody's Investor Service: Aa3 Standard & Poor's Ratings Services: AA Fitch Ratings: AA-

OPTIONAL REDEMPTION

The series 2012 Bonds are subject to redemption, in whole or in part, in Authorized Denominations on or after April 1, 2017.

AGENTS

Registrar:	The Bank of New York Mellon Trust Co., New York, New York
Paying Agent:	The Bank of New York Mellon Trust Co., New York, New York
Trustee:	The Bank of New York Mellon Trust Co., New York, New York
Calculation Agent:	The Bank of New York Mellon Trust Co., New York, New York
Issuer's Bond Counsel:	Holland & Knight LLP, Lakeland, Florida
Issuer's Financial Advisors:	RBC Capital Markets, Jacksonville,, Florida
Managing Underwriter:	Goldman, Sachs and Company
Underwriters' Counsel:	Nabors, Giblin, & Nickerson, PA, Tampa, Florida

VARIABLE RATE ENERGY SYSTEM REFUNDING BONDS, SERIES 2012 (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

The Series 2009 Bonds pay a variable rate of interest that is equal to the SIFMA index plus a fixed rate spread, as shown below. Interest is calculated and paid on a monthly basis.

<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>
10/1/2017	\$ 100,000,000	SIFMA Rate + 0.75%

SWAP AGREEMENTS

As a means to hedge the variable rate risk exposure related to certain variable rate Electric System bonds, the City has entered into several interest rate swap agreements. These agreements, which were entered into between 2001 and 2008, were related to certain prior variable rate debt, which has been subsequently refunded. The City has elected to apply the existing swap agreements to hedge the 2012 and 2014 variable rate refunding debt. The existing swap agreements are summarized in the chart below.

<u>Notional 9/30/2014</u>	<u>Counterparty</u>	<u>Start Date</u>	<u>Maturity Date</u>	<u>City Receives</u>	<u>City Pays</u>	<u>Fair Market Value 9/30/2015</u>
30,000,000	Citigroup Global Markets Holdings, Inc.	03/23/06	10/01/35	SIFMA	4.28%	\$ (9,321,514)
60,000,000	Goldman Sachs Mitsui Marine Derivative Products, LP	03/23/06	10/01/35	SIFMA	4.28%	(18,643,013)
90,000,000	Citigroup Global Markets Holdings, Inc.	06/14/01	05/01/21	74.12% of 1 mo. LIBOR	SIFMA	390,307
47,860,000	Citigroup Global Markets Holdings, Inc.	01/22/03	10/01/37	67% of 1 mo. LIBOR	3.74%	(17,692,873)
47,980,000	Goldman Sachs Mitsui Marine Derivative Products, LP	07/30/08	10/01/37	67% of 1 mo. LIBOR	3.16%	(6,592,972)
						<u>\$ (51,860,065)</u>

As a result of the swap agreements, the City will receive (on a combined basis) variable rate payments equal to between 67% and 74.125% of LIBOR times the notional amount of the swap agreements. The notional amount of the swap agreements roughly corresponds to the outstanding amount of the Series 2012 and 2014 variable rate bonds. In return, the City will make fixed rate payments of between 3.163% and 4.283% times the notional amount of the swap agreements. These agreements fix the variable rate exposure of the 2012 and 2014 bonds at the fixed rates noted above (plus the fixed rate spread paid on the bonds) to the extent that the variable rate payments received by the City under the swap agreements are equal to the variable rates paid by the City on the 2012 and 2014 Bonds. The City is subject to the basis risk between the LIBOR based variable rates it receives and the actual rates paid on the 2012 and 2014 bonds, which are based on SIFMA. Over time the variable rates paid and received are expected to be equivalent.

The swap agreements use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, bankruptcy, or rating downgrades to either counterparty. As of September 30, 2015, the City was not subject to credit risk with its counterparties because the fair market values of the swap agreements were negative.

Accordingly, the market values of the derivatives are recorded as offsetting items on the balance sheet i.e. recognition of changes in fair market value are deferred.

Several of these swap agreements were partially terminated in February 2016 in concert with the refunding of the 2014 Variable Rate Bonds

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VARIABLE RATE ENERGY SYSTEM REVENUE AND REFUNDING BOND, SERIES 2014

**DATED
APRIL 1, 2014**

\$95,000,000

**CUSIP NUMBERS
NA**

PURPOSE

The Series 2014 Bonds were issued for the principal purpose of: (i) refunding a portion of the City's outstanding Energy System Variable Rate Revenue Bonds, Series 2009; (ii) paying certain costs and expenses related to the issuance of the Series 2014 Bonds.

The 2014 Bonds were refunded in whole in February 2016.

SECURITY

The Series 2014 Bonds and the interest thereon are payable from certain revenues derived by the City from the operations of its electric power system on parity as to the lien thereon and pledge thereof granted with respect to the City's hereinafter defined Parity Obligations.

The Series 2014 Bonds were issued through a direct placement and were purchased by the Banc of America Preferred Funding Corporation.

INSURANCE

The City has not purchased bond insurance or any other form of credit enhancement for the 2014 Bonds.

RATINGS

NA

OPTIONAL REDEMPTION

The series 2014 Bonds are subject to redemption, in whole or in part, in Authorized Denominations on or after April 1, 2015.

VARIABLE RATE ENERGY SYSTEM REFUNDING BONDS, SERIES 2014 (CONTINUED)

AGENTS

Registrar: City of Lakeland
Paying Agent: City of Lakeland
Trustee: NA
Calculation Agent: Banc of America Preferred Funding Corporation
Issuer's Bond Counsel: Holland & Knight LLP, Lakeland, Florida
Issuer's Financial Advisors: RBC Capital Markets, Jacksonville,, Florida
Managing Underwriter: NA
Purchaser's Counsel: Mark E. Raymond

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT*

The Series 2014 Bonds pay a variable rate of interest that is equal to the SIFMA index plus a fixed rate spread, as shown below. Interest is calculated and paid on a monthly basis.

<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>
10/1/2019	\$ 95,000,000	SIFMA Rate + 0.58%

*Refunded in ful in February 2016.

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WATER UTILITIES SYSTEM

ADMINISTRATION AND ORGANIZATION

Operation of the Water System is the immediate responsibility of the Water Utilities Department. The Water Utilities Department includes two divisions, the Water Operations Division and the Wastewater Operations Division.

The Water Operations Division of the Water Utilities Department currently has a staff of 124 employees. Approximately 75 Water employees are member of the Utility Workers Union of America, Local 604. The Water Operations Division includes the following functional areas:

- Administration
- Engineering
- Water Production
- Water Distribution

SERVICE AREA

The City of Lakeland's Water System serves the incorporated area of the City of Lakeland and as well as a substantial area outside the City Limits. On April 1, 1980, an Interlocal Agreement was signed, which provides for the Department of Water Utilities to service current and future customers in certain defined unincorporated areas of Polk County.

The service area currently encompasses approximately 132 square miles, serving an estimated 171,951 people. The distribution system has a total of 4,219 fire hydrants and 5,119 backflow preventers. There are 57,317 service meters installed in the system.

The City of Lakeland's Water System has interconnections with the Auburndale and Plant City water systems that are designated to provide additional reliability for both systems.

Certain water use restrictions imposed by the Southwest Florida Water Management District (SWFWMD) are currently in effect within the service area of the Water System. The City has adopted an ordinance that complies with these restrictions. The Department has taken into account the effect of such restrictions in its forecasts of future consumption.

The SWFWMD issued WUP No. 200004912.007 to the City for 35.03 MGD for public supply needs on December 16, 2008. This permit is for a 20-year period and provides source water for the City's projected demands through that period. Meeting a special condition of this permit, an agreement dated March 31, 2009 was executed between the City and the Tampa Electric Company (TECO) for the City to provide TECO treated wastewater from the City's Wetlands treatment facility for a 30-year term. A separate agreement between TECO and SWFWMD was executed to fund construction of a pipeline from the City's Wetlands treatment facility to TECO's Polk Power Station. This pipeline will transfer the City's treated wastewater for use as cooling water at the TECO facility. The TECO project became operational in the FY2015 budget year and transferred an average of 3.30 million gallons per day of treated wastewater. When the pipeline is fully operational, the City will be able to claim a 100% beneficial reuse of treated wastewater effluent.

WATER DISTRIBUTION

Water Distribution is responsible for the operation and maintenance of approximately 994 miles of water distribution piping and a comprehensive meter servicing and backflow prevention program. The leak detention program includes evaluating all service valves and meters over a time period of 3 to 4 years. The distribution staff consists of 55 employees (40 operating and 15 supervisory or administrative). Approximately 77% of the employees hold certifications as Distribution System Operators, water meter repair, and/or backflow preventer testing and repair.

Water Distribution also provides a customer interface for those field inquiries related to the Water Utility and billing questions.

WATER ENGINEERING

Water Engineering is responsible for the designing and permitting of water mains, the relocation of mains, inspection of new facilities/distribution components, responding to public inquiries on utility locations, coordination of work performed by consultants and developers, and reviewing all commercial and multi-family developmental site plans. The staff includes a manager and 22 staff members.

FACILITIES - WATER

The existing Water System facilities consist of two water treatment production plants; the TB Williams WTP and the CW Combee WTP. Their combined rated design capacity totals 59 million gallons per day. Together for 2015, these plants provided an average of over 20.7 MGD to meet the demands of Lakeland's customers.

There are thirteen wells producing groundwater in the Northwest Wellfield for the Williams WTP. Eleven wells are 24-inch diameter and two wells are 20-inch. These wells provide for a combined capacity of 55 MGD of water from the Floridian Aquifer. The Combee WTP is supplied water from the Northeast Wellfield which contains five production wells. These five wells sited on 860-acre parcel are all 16-inch in diameter. Another 24-inch production well has been constructed at the Combee WTP site and is considered the Combee Wellfield. Newly permitted, it is not operational yet. Each well is capable of 4 MGD.

THOMAS B. WILLIAMS TREATMENT PLANT

The Thomas B. Williams water treatment plant, which has been in operation since April 1983, has a design capacity of 51 million gallons per day and is capable of supplying the total water needs of the City's primary system. The water treatment process at the Williams Facility consists of the following processes:

- Prechlorination
- Stabilization and corrosion control
- Filtration
- Split lime softening
- Clarification
- Fluoridation and Chlorination

Operation of the Williams Facility is facilitated by a telemetry/automated computer processing unit (CPU). The system components monitor and serve to control various parameters in the distribution system (i.e. pressures and water flow demand) with the treatment components (well pumpage/treatment flow rates and ground storage volumes) to optimize water supply. This includes controlling well pumps and high service pumps, as well as specific internal treatment processes, for example, automatic backwashing the filters.

In addition, the reliability of the Williams Facility is enhanced with standby auxiliary power provided by diesel generators in the event of power outages. The existing two 1250 KW generators provide auxiliary power to meet at least 50% of the maximum daily water pumpage, as required by the Florida Department of Environmental Protection. A third generator is set to directly power a High Service Pump that moves water from the clearwell out to the distribution system.

After the treatment process, the treated water is pumped to either of two 5.0 million-gallon ground storage tanks or the 0.7 million-gallon clearwell to be pumped to the distribution system. In addition to storage facilities at the Williams Facility, the Highlands Pump Station includes a 3.0 million-gallon ground storage equalization reservoir.

C.W. COMBEE WATER TREATMENT PLANT

The C.W. Combee Water Treatment Plant became operational in October 2005. The treatment plant is located on twenty acres approximately five miles south of the well field. The treatment plant was constructed with the proceeds of the Series 2002 Bonds. The plant is designed for 8 MGD. Two additional phases, 8 MGD each, are also incorporated in the design and can be constructed at a later date. The plant has a 5.0 million-gallon storage tank on site and a second ground storage tank is expected to be constructed at a later date.

The Combee WTP is designed and built to provide the same water treatment scheme of split lime softening as the Williams WTP. The process control system is newer and more advanced than the Williams WTP. It is a distributed control system produced by Emerson-Delta V. Currently, the Combee WTP is producing almost 4 MGD into the system.

The new 20-year Water Use Permit limits the production from the Northeast Wellfield to a rate of only 4 MGD. The Northwest Wellfield is permitted for no more than 28.03MGD. When operational, the Combee Well is permitted for 3 MGD.

TRANSMISSION AND DISTRIBUTION

The Water System has over 996 miles of transmission and distribution lines that serve customers and provide capacity for future expansion within the service area. Approximately 60 miles of 16-inch to 54-inch diameter transmission mains are in service, transporting finished water from the Thomas B. Williams water treatment plant throughout the distribution system. The Water System has three booster pumping stations, one of which has a 3.0 million-gallon storage tank for peaking. The following table indicates the current supply facilities.

Supply Facility	Installed	Capacity
Treatment:		
Thomas B. Williams Treatment Plant	1983	51 MGD
C.W. Combee Water Treatment Plant	2005	8 MGD
Storage:		
Tanks – Williams Plant	1983 - 1988	10.7 MGD
Tank – Combee Plant	2005	5.0 MGD
Tank – Highlands Booster	1983	3.0 MGD

CAPITAL IMPROVEMENT PLAN

The City develops and refines a 10-year Capital Improvement Plan (CIP). The continuing preventive maintenance, renewal, and replacement activities for the water systems reflect good judgment and sound management. The Engineering Division assists the Water Operations in formulating the CIP. Revenues are identified and expenditures are subdivided into four categories:

- Production
- Transmission and Distribution
- Engineering
- Miscellaneous

The capital improvements budgeted for FY 2015 was \$14,592,664. Budgeted CIP expenses for FY 2015 consisted of the following:

Summary of Capital Improvement Plan for FY 2015

Expenses	FY 2015
Production	\$3,014,093
Transmission & Distribution	\$9,348,438
Engineering	\$1,021,494
Miscellaneous	\$1,208,639
Total Expenses	\$14,592,664

WATER RATES

The City Commission has exclusive authority to establish and revise the rates for water supplied by the Water Department. The base residential rate as of September 30, 2015 is \$1.76 per 1,000 gallons for inside the City Limits. The City also adopted an inverted rate structure as recommended by the Southwest Florida Water Management District. The inverted rate schedule encourages water conservation by increasing consumption charges based on higher volumes of usage.

Effective January 1, 1986, the Water Department began charging Water Impact Fees in addition to system connection fees. These were increased August 1, 1989, with annual increases of approximately 5% through Fiscal Year 1994. Water Impact Fees are not pledged as security for the Senior Bonds.

On April 1, 1980, the City entered into an Interlocal Agreement with Polk County whereby the Water Department had an identified Water Service Area beyond the City Limits described by a boundary line.

The City also provides water to the County through various master meters, primarily for resale to Polk County Utility water customers outside the City’s water service area. The current rate for such water is \$2.16 per 1,000 gallons, which may not be increased more than the lowest step in the Water Department’s water rate schedule.

The following tables provide water rates and charges information.

Monthly Base Rate for Residential, Commercial, and Irrigation Accounts

Meter Size	Inside City	Outside City
5/8" to 3/4"	\$7.99	\$10.79
1"	\$21.54	\$29.08
1.5"	\$38.92	\$52.54
2"	\$67.26	\$90.80
3"	\$146.22	\$197.40
4"	\$283.18	\$382.29
6"	\$597.14	\$806.14
8" and Above	\$1,011.12	\$1,365.01

Meter Connection Fees

Meter Size	Inside City	Outside City
3/4"	\$452.15	\$565.19
1"	\$509.92	\$637.40
1.5"	\$767.61	\$959.51
2"	\$949.59	\$1,186.99

Capacity Charges / Impact Fees

Account Classification	Inside City	Outside City
Detached Single-family – 325 gpd per unit	\$1,050.00	\$1,313.00
Multi-family/Attached Single-family/Mobile Homes – 244 gpd per unit	\$788.00	\$985.00
Commercial/Industrial – per gallon per day	\$3.23	\$4.04
¾" meter for dedicated wash down to lift station (or drinking fountain) – 10 gpd	\$32.00	\$40.00

Consumption Charges for Residential Accounts

Meter Size	Consumption (in 1000 Gallons)	Price Per 1000 Gallons	
		Inside City	Outside City
5/8" to 3/4"	0-7	\$1.87	\$2.53
	8-12	\$2.30	\$3.11
	13-19	\$2.88	\$3.89
	Above 19	\$3.74	\$5.05
1"	0-19	\$1.87	\$2.53
	20-32	\$2.30	\$3.11
	33-51	\$2.88	\$3.89
	Above 51	\$3.74	\$5.05
1.5"	0-34	\$1.87	\$2.53
	35-58	\$2.30	\$3.11
	59-93	\$2.88	\$3.89
	Above 93	\$3.74	\$5.05
2"	0-59	\$1.87	\$2.53
	60-101	\$2.30	\$3.11
	102-160	\$2.88	\$3.89
	Above 160	\$3.74	\$5.05
3"	0-128	\$1.87	\$2.53
	129-220	\$2.30	\$3.11
	221-348	\$2.88	\$3.89
	Above 348	\$3.74	\$5.05
4"	0-248	\$1.87	\$2.53
	249-425	\$2.30	\$3.11
	426-673	\$2.88	\$3.89
	Above 673	\$3.74	\$5.05
6"	0-523	\$1.87	\$2.53
	524-897	\$2.30	\$3.11
	898-1,420	\$2.88	\$3.89
	Above 1,420	\$3.74	\$5.05
8" and Above	0-886	\$1.87	\$2.53
	887-1,519	\$2.30	\$3.11
	1,520-2,404	\$2.88	\$3.89
	Above 2,404	\$3.74	\$5.05

Consumption Charges for Commercial Accounts

Meter Size	Consumption (in 1000 Gallons)	Price Per 1000 Gallons	
		Inside City	Outside City
All Meter Sizes	Not Applicable	\$2.15	\$2.90

Consumption Charges for Irrigation Accounts

Meter Size	Consumption (in 1000 Gallons)	Price Per 1000 Gallons	
		Inside City	Outside City
5/8" to 3/4"	0-5	\$2.30	\$3.11
	6-12	\$2.88	\$3.89
	Above 12	\$3.74	\$5.05
1"	0-13	\$2.30	\$3.11
	14-32	\$2.88	\$3.89
	Above 32	\$3.74	\$5.05
1.5"	0-24	\$2.30	\$3.11
	25-59	\$2.88	\$3.89
	Above 59	\$3.74	\$5.05
2"	0-42	\$2.30	\$3.11
	43-101	\$2.88	\$3.89
	Above 101	\$3.74	\$5.05
3"	All Metered Water Use	\$2.15	\$2.90
4"	All Metered Water Use	\$2.15	\$2.90
6"	All Metered Water Use	\$2.15	\$2.90
8" and Above	All Metered Water Use	\$2.15	\$2.90

The latest comparative water rate study was conducted by Public Resources Management Group in 2014. This study compared City rates to representative utilities throughout the State and included comparisons of both base and consumption rates for various customer classes. The following table presents a monthly charge comparison of the City with other Florida cities and counties having water treatment and softening facilities similar to the Water Department's as of September 30, 2015. These charges are based on a typical residential customer residing inside the City or Polk County limits and consuming 10,000 gallons per month.

Comparative Water Charges

Utility	Charge
Orlando Utility Commission	\$18.48
Haines City	\$18.82
Ocala	\$19.05
Orange County	\$20.22
Auburndale	\$20.77
Tallahassee	\$24.04
Citrus County	\$24.92
Winter Park	\$25.34
Marion County	\$25.80
Plant City	\$26.92
Lakeland	\$28.91
Sanford	\$31.12
Manatee County	\$31.91
Jacksonville Electric Authority	\$32.28
Polk County	\$32.36
Miami-Dade County	\$32.62
Tampa	\$32.89
Emerald Coast Water Authority	\$34.25
Coral Springs	\$34.62
Deltona	\$34.82
Volusia County – West	\$35.29
Gainesville Regional Utility	\$38.30
Bartow	\$41.76
City of Bradenton	\$44.94
Fort Lauderdale	\$45.74
Titusville	\$47.06
Fort Pierce Utilities Authority	\$47.28
Cocoa Beach	\$52.46
Hillsborough County	\$54.82
Pinellas County	\$55.06
Daytona Beach	\$57.10
West Palm Beach	\$57.15
St. Petersburg	\$58.88
Charlotte County	\$73.00
Clearwater	\$76.59
Fort Myers	\$78.38
Florida Keys Aqueduct Authority	\$85.70

HISTORICAL WATER RATE INCREASES

Fiscal Year	Percentage
2015	0.00%
2014	5.50%
2013	0.00%
2012	5.50%
2011	5.50%
2010	0.00%
2009	7.00%
2008	0.00%
2007	4.50%
2006	4.00%
2005	7.00%
2004	9.00%
2003	2.33%
2002	12.50%

WATER UTILITIES CUSTOMER BASE

Fiscal Year	Customers
2015	54,322
2014	53,400
2013	53,490
2012	52,603
2011	52,424
2010	52,316
2009	53,112
2008	52,271
2007	52,974
2006	52,121
2005	50,928
2004	49,824

LARGEST WATER CUSTOMERS FY2015

Customer	Total Gallons ⁽¹⁾
City of Lakeland	259,329
Lakeland Regional Medical Center	124,570
Board of County Commissioners	89,988
Florida Southern College	74,127
Skyview Utilities	60,065
Carlton Arms of North Lakeland	50,058
Crothall Laundry Services	48,197
Polk County School Board	42,557
Publix Super Markets	38,790
Tampa Maid Foods	34,784

¹All City-owned facilities are metered and pay the Department for services.

Source: Department of Water Utilities.

City of Lakeland Water Utilities Customers of the System as a Percentage FY 2015		
	Customers	Percentage
Single Family Residential	36870	67.9%
MultiFamily Residential	7229	13.3%
Mobile Home	4942	9.1%
Residential Irrigation	154	0.3%
SUBTOTAL of Residential Service	49195	
Industrial/Commercial	4712	8.7%
Recreational/Aesthetic	397	0.7%
Golf Course Irrigation	2	< .1%
Fire and Other Accounted Uses		
SUBTOTAL	54306	100.0%
Sales For Resale - Exported Water	16	< .1%
TOTAL	54322	100.0%

The following table presents a five-year history of the operations of the Water System:

WATER UTILITIES – OPERATING STATISTICS

	2011	2012	2013	2014	2015
Water Produced ⁽¹⁾	8,097.7	7,845.2	7,552.9	7,491.2	7,537.9
Unaccounted-for Water <i>(1)</i>	(608.6)	(629.5)	(685.2)	(681.4)	(627.5)
Water Sold ⁽¹⁾	7,489.1	7,215.7	6,867.7	6,809.9	6,910.4
Customers	52,424	52,603	53,490	53,587	54,322
Gross Revenues ⁽²⁾	\$26.453	\$27.058	\$24.855	\$28.061	\$27.674
Gross Revenues per 1,000 gallons Water Produced	\$3.27	\$3.45	\$3.29	\$3.75	\$3.67
Operating Expenses ⁽²⁾	\$12.122	\$11.679	\$12.724	\$12.986	\$14.483
Operating Expenses per 1,000 gallons Water Produced	\$1.50	\$1.49	\$1.68	\$1.73	\$1.92

¹Expressed in million gallons.

²Million gallons per day.

³Includes water system capacity fees.

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WASTEWATER UTILITES SYSTEM

ADMINISTRATION AND ORGANIZATION

The Wastewater System is managed, operated, and maintained by the Wastewater Operations Division of the Water Utilities Department. The Wastewater Operations Division currently has a staff of 85 (this includes full-time, regular part-time, and seasonal personnel) as well as 4 contract personnel and 2 college interns. Approximately 68 Wastewater employees are members of the Utility Workers Union of America, Local 604. The Wastewater Operations includes six functional areas:

- Administration
- Engineering
- Wastewater treatment
- Wastewater collection system
- Wastewater laboratory
- Wetlands management

The Wastewater Collection System category is divided into three sections: wastewater collection line maintenance, pretreatment program, and pumping stations. The Wastewater Treatment category is divided into four sections: the Glendale Facility, the Northside Facility, the West Lakeland Waste Load Reduction Facility and an integrated maintenance section.

SERVICE AREA

The City's Wastewater System service area includes the incorporated area of the City. Additionally, an Interlocal Agreement between the City and Polk County provides for the Wastewater Department to serve customers in unincorporated areas of the county. As of September 2015, Wastewater customers total 44,600.

DEMOGRAPHICS

Population and wastewater flow rate projections for the City of Lakeland service area are presented in the following table¹.

Year	Projected Population Served by Treatment Facilities	Annual ADF (MGD)	Maxium 3-month ADF (MGD)
2015	118,878	15.68	18.25
2016	121,279	16.00	18.62
2017	123,729	16.32	19.00

¹ Source: Chastain Skillman Capacity Analysis Report, December 2007

The latest population and wastewater flow projections for the service area were reported in the Capacity Analysis Reports prepared by CSI in December 2007. The population projections were based on Polk County Traffic Analysis Zone (TAZ) data and data from the Florida Statistical Abstract. The wastewater flow was based on a level of service of 130 gallons per capita day (gpcd) for the Glendale Water Reclamation Facility (WRF) and 136 gpcd for the Northside Wastewater Treatment Plant (WWTP).

COLLECTION SYSTEMS

The collection and transmission system is comprised of approximately 316 miles of gravity sewer, 139 miles of force main, and 176 pump stations. Most of the City's pump stations are equipped with telemetry, allowing City personnel to monitor their status from a central location at the Glendale Water Reclamation Facility (WRF). Pump stations receiving flow from other stations are equipped with standby power generators. Other stations are equipped with portable generator receptacles. Odor control systems are present at 99 pump stations.

TREATMENT FACILITIES

The City owns and operates three wastewater treatment facilities:

<u>Facility</u>	<u>Capacity</u>
Glendale Water Reclamation Facility	13.7 million gallons per day
Northside Wastewater Reclamation Facility	8.0 million gallons per day
West Lakeland Wasteload Reduction Facility	1.5 million gallons per day ¹

Flow is not additive, as it is retreated at Glendale

The treatment facilities consistently treat at required levels, often functioning at a greater rate of removal than required. In 1989, the Glendale Facility was awarded the Phelps Award by the Florida Pollution Control Association (FPCA) as the best secondary facility in the State, with the Northside Facility ranked second. In 1990 and 1991, the Northside Wastewater Reclamation Facility won the same award and the Glendale Facility ranked second. In 1992, the Northside Facility ranked second for the Phelps Award. The City of Lakeland Artificial Wetlands Treatment System received an Outstanding Public Interest Project Award from the State of Florida Bureau of Mine Reclamation in 1999.

GLENDALE WATER RECLAMATION FACILITY

The Glendale Water Reclamation Facility (WWRF) is an activated sludge biological treatment facility with a present permitted treatment capacity of 13.7 million gallons per day (MGD). Construction to upgrade the plant to 13.7 MGD capacity was completed in 1999. The treated effluent from the facility is discharged to a lined holding pond where it is held until discharged into the City's wetlands disposal system or used as makeup cooling water at the McIntosh power plant. At the present time, the Glendale Facility includes the following systems:

- A primary/secondary wastewater treatment system with provisions for biological nutrient removal through nitrification, denitrification and luxury uptake of phosphorous ;
- Disinfection facilities
- Sludge treatment and stabilization facilities
- An effluent disposal system, including a holding pond, effluent reuse and discharge pumps.

The wastewater treatment system includes the following processes:

- Influent pump station
- Screening
- Grit removal
- Primary clarification
- Intermediate lift station
- Anaerobic digestion
- Liquid sludge loadout
- Fine bubble activated sludge system
- Secondary clarification
- Chlorination
- Effluent pumping
- Sludge holding
- Sludge thickening

Raw wastewater enters the facility at the pretreatment system. The pretreatment system includes the following equipment:

- Mechanical screens
- Screen bypass channel
- Screenings conveyor and dumpster
- Odor control system
- Influent pump station wetwell and pumps
- Vortex grit chambers
- Grit concentrator and dewatering screen
- Grit dumpster

The raw wastewater enters the facility at the influent structure and flows through the mechanical screens into the pump station's wetwell. Flow entering the wetwell is pumped to the influent splitter box at the grit chambers, flows through the grit chambers, and discharges to a splitter box for the primary clarifiers. The odor control system is used to mitigate odor problems at the influent structure.

Material collected on the screens is discharged to a screenings conveyor, shredded, washed and routed to a dumpster. Grit captured in the grit chambers is discharged through the grit concentrator and the grit-dewatering screen to a second dumpster. The dumpsters are drained back into the influent pump station. The dumpsters are hauled to a landfill for disposal when full.

Screened and degritted raw influent leaving the pretreatment system flows by gravity through an influent splitter box to the primary clarifiers. The primary clarifiers are used to settle approximately 60% of suspended solids. These settled solids are discharged to the anaerobic digesters.

Effluent from the primary clarifiers discharges to the intermediate pump station and is pumped to the secondary influent splitter box, then through the activated sludge system.

The activated sludge system includes three parallel aeration basins followed by four parallel secondary clarifiers. Effluent from the primary clarifiers is mixed with recycled settled activated sludge from the secondary clarifiers and is split between the activated sludge basins. The basins are suspended growth biological reactors where biological oxygen demand (BOD) is removed and where nitrogen is removed by nitrification and denitrification. The configurations of the basins and the location of the aeration zones in each basin allow the system to remove BOD and set up aerobic zones where ammonia is converted to nitrate and anoxic zones where the nitrate is converted to nitrogen gas. The system is controlled by controlling the amount of air provided to the reactors to oxidize organic matter in the wastewater.

The mixed liquor suspended solids generated in the aeration basins discharge to the clarifier splitter box and flow by gravity to the clarifiers. Solids in the mixed liquor entering the clarifiers settle to the bottom where it is collected in sumps. Sludge collected in the sumps is withdrawn by the sludge pumps and recycled to the activated sludge basins. Excess sludge is wasted to the waste activated sludge holding tanks directly from the return sludge sumps.

Scum and other floatables on the clarifier surface are collected by a skimming arm and discharged to a scum sump. Scum from these sumps is pumped to the sludge handling system.

Treated effluent leaving the clarifiers is combined and discharged to the effluent holding basins. The effluent may be pumped from these basins to the McIntosh power plant for reuse or to the wetlands treatment system. The effluent is chlorinated prior to discharge from the basins. Flow meters with recorders and totalizers monitor the various effluent flows.

The sludge handling system includes the following facilities:

- Aerated waste activated sludge holding tank
- Gravity belt activated sludge thickeners
- Anaerobic digesters
 - (1) Thermophillic Anaerobic Digester
 - (2) Mesophillic Anaerobic digesters

Sludge collected from the primary clarifiers is wasted directly to the anaerobic digesters. Waste activated sludge is discharged to the aerated sludge holding tank, thickened in the gravity belt thickeners, and then discharged to the anaerobic digesters. Filtrate from the thickeners is returned to the influent of the facility. The facility is currently in the process of producing Class AA sludge as a result of the installation of a new anaerobic digestion system that was completed in 2007.

Class AA sludge is generated at the Glendale Facility and is disposed of by land application. Class AA sludge meets the most stringent pathogen reduction limits and constituent concentrations. Land application of Class AA biosolids has essentially no restrictions and may occur in areas that are accessed by the public. Class AA biosolids may possess a market value and be sold as fertilizers. Land application is conducted by commercial haulers under contract with the City. The treatment plant staff is responsible for wasting, thickening, digesting, holding and monitoring the quality of the sludge.

The Glendale Facility includes a certified wastewater analysis laboratory which is well equipped, staffed and maintained.

NORTHSIDE WASTEWATER RECLAMATION FACILITY

The Northside WWRF has a permitted design capacity of 8.0 MGD limited by the solids treatment system. This system was designed to treat raw influent from the North Lakeland Service Area, diverting flow from the Glendale Facility and to provide the capacity for future growth in the northern sections of the City. Treated effluent from the facility is discharged to an effluent storage tank. Effluent held in the tank is reused as cooling make-up water by the McIntosh power plant that is located immediately south of the treatment facility. Excess effluent, exceeding the requirements at the power plant, is bypassed, for disposal, to the Lakeland wetlands system. Cooling make-up water requirements exceeding the flow from the Northside Facility are supplied from the Glendale Facility.

The Northside Facility includes the following systems:

- A secondary wastewater treatment facility with provisions for nitrification and partial denitrification.
- An effluent disposal system, including an effluent storage tank, effluent bypass, and effluent supplement system.
- Sludge holding, aeration, and thickening facilities.

Operators at the treatment facility are responsible for the treatment system, effluent storage tank, and sludge handling system. Power plant personnel are responsible for operation of the cooling tower reuse system. The wastewater treatment system includes the following processes:

- Screening
- Grit removal
- 2-stage anoxic/aerobic activated sludge
- Secondary clarification
- Sludge stabilization and thickening
- Effluent pumping
- Chlorination

Raw wastewater enters the facility from the influent force main at the pretreatment structure. The pretreatment structure houses the following equipment:

- Two mechanical bar screens
- Manual bar screen (bypass)
- Two vortex grit chambers
- Screenings conveyor and dumpster
- Grit classifier and dewatering unit
- Grit dumpster
- Odor control system

Force mains from the wastewater collection system discharge directly into the plant's pretreatment structure. The raw influent entering the structure flows through the mechanical screens and grit chambers. Gates in the pretreatment structure allow the operator to bypass the mechanical screens and/or grit chambers. When the mechanical screens are bypassed, the raw influent is discharged through the manual bar screen.

Material collected on the screens is discharged to the screenings conveyor and routed to a dumpster located below the structure. Captured grit is discharged to the grit-dewatering unit and discharged to a second dumpster. The dumpsters are drained at the plant lift station. The grit and screenings are transported to the Glendale Facility drying beds and the consolidated material is disposed in a sanitary landfill.

Screened and dewatered raw influent is mixed with return activated sludge leaving the pretreatment structure and flows by gravity through the influent splitter box, the 2-stage activated sludge system, and the secondary clarifiers to the effluent pump station. The effluent pump station discharges the treated wastewater to the effluent storage tank for reuse at the power plant or disposal at the wetlands. Valves and gates in the piping system allow the operator to place the following units in service:

- * Any of the four anoxic tanks
- * Any of the oxidation ditches
- * Any of the clarifiers

The activated sludge system includes four parallel 2-stage anoxic/aerobic treatment systems followed by four parallel secondary clarifiers. Each train of the system has a design capacity of 2.0 MGD.

Each train of the 2-stage system includes an anoxic first stage and aerobic second stage. The first stage is a completely mixed tank operated at a very low dissolved oxygen concentration that discharges directly to the second stage. The second stage is a fine bubble activated sludge system with an internal mixed liquor, which recycles back to the anoxic tank. The 2-stage configuration, with the internal recycle, allows the plant to nitrify in the fine bubble aerator where oxygen is present and also to denitrify in the anoxic tank where oxygen is absent.

The mixed liquor from the activated sludge tanks enters the effluent chambers and flows by gravity to the final clarifiers. Solids in the mixed liquor entering the clarifiers settle to the bottom where they are withdrawn to the return activated sludge (RAS) sumps. Telescoping valves in the sumps control the withdrawal rate. Sludge collected in the sumps is withdrawn by the sludge pumps and recycled to the pretreatment structure. Sludge is wasted to the sludge holding tanks directly from the RAS line. Flow meters, recorders, and totalizers are provided on both the RAS and waste activated sludge (WAS) lines to monitor and record the respective flow rates.

Scum and other floatables on the clarifier surface are collected by a skimming arm and discharged to scum hoppers. The scum hoppers are discharged to a scum pit, the contents of which are pumped to the sludge holding tanks.

Treated effluent leaving the clarifiers is combined and discharged to the effluent pump station wetwell. The effluent is chlorinated in the wetwell. The effluent pipeline is used to pump the effluent to the effluent storage tank. A flow meter with a recorder and totalizer monitors the effluent flow.

The effluent reuse and disposal system includes the following facilities:

- Effluent storage tanks
- Reuse pump station
- Bypass pump station
- Emergency generator
- Non-potable water pump station

The two effluent storage tanks receives all of the chlorinated effluent from the Northside Facility along with chlorinated effluent pumped from the Glendale Facility. The effluent in the storage tank is reused as cooling make-up water at cooling towers at the McIntosh Power Plant. The system is designed to provide a constant supply for reuse. This is accomplished by maintaining a fixed volume of 600,000 gallons in the 1.5 million-gallon storage tank. If the flow from the Northside Facility is too low to maintain the level, flow from the Glendale Facility is pumped into the tank. If the flow from the Northside Facility exceeds the amount required to maintain the storage volume, the excess flow is bypassed to the Glendale Facility effluent holding basins.

Operation of the Northside Facility reuse pump station and the Glendale Facility pump is automatic, responding to the cooling water requirements and the level in the storage tank. Operation of the bypass pump station is manual, requiring the Northside Facility operator to manually divert the flow and start the pumps.

The non-potable water pumps supply the treatment facility with non-potable water at the Northside WWRF. The effluent stored in the tanks serves as the system supply.

The sludge handling system includes two aerated sludge holding tanks, a polymer feed system, two gravity belt thickeners, four auto heated thermophilic aerobic digestion reactors (ATAD), and one holding tank for digested sludge.

The holding tanks are designed to provide normal and wet weather storage of both thickened and unthickened WAS. Thickening is accomplished by decanting the tanks or using the polymer feed and gravity belt thickeners. Decant from the tanks and the underflow from the thickeners are discharged to the plant sewer and returned to the pretreatment structure.

Class AA stabilized solids generated and wasted at the Northside Facility are disposed by land spreading. Commercial haulers under contract with the City conduct the land spreading. The treatment facility staff is responsible for wasting, thickening, stabilizing, holding, and monitoring the quality of the sludge. The haulers are responsible for proper disposal of the sludge.

An Operations Building on the facility site contains administrative offices along with the following:

- Laboratory facilities
- Operators' and meter rooms
- Maintenance storage space
- Men's and women's lockers/rest rooms
- A lunch/training room

The building serves as the center of facility operations and for the storage of operating records. The meter room, located next to the operators' room, contains the annunciator/monitoring panel along with plant flow meters. The panel displays the status of equipment throughout the system. Alarms on the panel require the operator to go to the equipment to diagnose and troubleshoot operating problems.

Significant upgrades to the Northside Facility include the addition of the chlorine contact chamber system. The system, placed in operation in the last quarter of 2007, comprises three chambers, each sized for an average flow of 8 MGD. All three chambers combined will handle a peak flow of 24 MGD. The system may provide 22.5 minutes of water detention at average flow with one chamber online and 22.5 minutes of water detention at peak flow with all three chambers utilized. A fourth ATAD tank and a second 1.5-MGD effluent storage tank for the treatment of sludge and the storage of treated effluent, respectively, were added during 2008. These improvements allowed the Facility to increase its permitted treatment capacity by 1.75 MGD, from 6.25 MGD to a total of 8.0 MGD.

EFFLUENT DISPOSAL SYSTEMS

Effluent disposal for the City's two treatment facilities is provided through two methods:

- Reuse as cooling make-up water for the McIntosh Power Plant; and
- Disposal/reuse to an artificial wetlands system located six miles south of the Glendale Facility.

The power plant make-up reuse water pumping system is designed to transfer approximately 8 MGD of secondary treated wastewater effluent from the Glendale Facility and the Northside Facility to Lakeland Electric and McIntosh Power Plant Unit Numbers 2,3, and 5. The wastewater effluent is used as make-up water for the unit's cooling tower.

Effluent from the two treatment facilities is pumped to a 1.5 million-gallon reuse storage tank located at the Northside Facility. Effluent is pumped on demand from this storage tank to the power plant. Excess effluent from the Northside Facility and blowdown from the power plant (McIntosh return) are discharged to the holding basins at the Glendale Facility for pumping to the wetlands system.

The artificial wetland system pump station consists of five vertical turbine pumps, pumping from the Glendale Facility holding basin through 4.3 miles of 36-inch force main and 2.1 miles of 42-inch force main to the artificial wetlands system. The wetlands system covers approximately 1,600 acres (1,400 wet acres) of former phosphate clay settling areas. It is divided into seven distinct cells through a series of earthen berms. The wetlands system uses a combination of biological and physical methods to remove pollutants from the treated effluent prior to discharge to the Alafia River.

The flow enters the wetland system via a cascade inlet structure, which adds dissolved oxygen to the water through the turbulent fall down the structure's 13 steps. The aerated water passes out of the inlet structure by overflowing weirs on either side of the inlet distribution box. From this structure, the water enters two long ditches that have overflow structures at 100-foot centers. The distribution ditches provide an even distribution of water to the first wetland cell. Water meanders through the first cell and is treated by the wetland grasses and plants. The water then collects in a ditch on the western side of the cell. This ditch delivers the water to control structures. The control structures allow the water to pass through the berm to a second distribution ditch, similar to the ditch adjacent to the inlet structure. Water passes through cell 2, is collected in a ditch connected to control structures, and passed into cell 3. This general collection and pass through scheme is repeated through the remaining cells up to cell 4. Operation of the remaining cells varies to meet operational demands.

At the south end of the final cell, an outlet structure measures the total flow via an "H" flume. The outlet structure also includes a meteorological station for monitoring weather data. The water then travels through an outfall ditch to the Alafia River. The artificial wetlands system currently has a permitted capacity of 20 MGD. The system is providing treatment beyond secondary levels and the effluent from this system often meets tertiary treatment levels.

The system's effluent monitoring station has been upgraded with automated digital data recording and funds are forecast to upgrade the outlet structures at several points in the ditch water distribution channel. A tracer study has been completed to evaluate the duration of hydraulic residence in the seven cells, which can be used to optimize their performance. In FY 2003, the aeration manifold in the effluent discharge was replaced, as well as diffusers; and the mechanical flow control gates on the effluent of each basin are being replaced with a stop-log flow control system.

WEST LAKELAND WASTELOAD REDUCTION FACILITY (WLWRF)

The City has begun commissioning of the WLWRF. Initial results indicate the plant will effectively neutralize the excessive BOD loadings seen at Glendale. The restored balance between flow and loadings will free up the hydraulic capacity required for continued system growth.

There is an acknowledged design issue that will limit this facilities capacity until the remedy is designed, approved and implemented.

The WLWRF receives flows diverted from the pumping station serving the Publix Industrial Center and the surrounding area. The plant itself consists of:

- Headworks with screening and odor control
- Packaged suspended growth wastewater plant
 - 2 aerators
 - 1 clarifier
 - 1 sludge holding tank
- Auxiliary Power, Motor Control Centers
- Pumps, blowers and piping
- Operations/Lab Building
- Flow return lift station

The plant can be operated from either on-site operators or by Glendale's staff utilizing the SCADA system. The flows treated at the WLWRF are returned to the sewer system leading to Glendale WWTP for final treatment and reuse/disposal.

STATUS OF PERMITS

The Glendale WRF is operating under the provisions of FDEP Permit No. FL0039772. The operating permit was issued on December 3, 2015 and expires on December 2, 2020. The Glendale WRF, West Lakeland Wasteload Reduction Facility, and the Artificial Wetlands System operate under the new permit. The new permit also includes the required permitting for the planned TECO reuse project. Effluent from the Glendale WRF is pumped to the Wetlands System or reused as non-contact cooling water at the McIntosh Power Generating Plant. There is no limit on the volume that can be routed to the power plant. Water returned from the power plant is routed to the Wetlands System for final treatment. Effluent treated in the Wetlands System is subsequently discharged to an unnamed ditch to the North Prong of the Alafia River.

Facility	Agency	Type	Permit	Expiration
Glendale	FDEP	Operation	FL0039772 DWIP	12/2/2020
Northside WWRf	FDEP	Operation	FLA 12985-006 DWIP / NR	2/24/2019
Wetlands system	FDEP	Operation	FL0039772 DWIP	12/2/2020

STATUS OF OPERATIONS AND MAINTENANCE – TREATMENT

GENERAL

The information reported in this section is the result of site visits, personnel interviews, record and data reviews provided by the City's Water Utilities Department, as well as information from previous annual reports.

The City has always emphasized controlling infiltration (groundwater entering the system through broken pipes, defective pipe joints or illegal connections of foundation drains) in budgeting capital improvements for the collection system. Both inflow and infiltration contribute to increased water flows in the wastewater system. The means of implementing reduction of non-sewer related flow in the wastewater system included ten measures. These measures could be classified relative to the responsibility of homeowners and developers and those under the City. The principal matters which the City is addressing are the following:

- Expand public collection system flow monitoring
- Initiate a smoke testing program for the collection system
- Enhance storm drainage
- Perform a public information campaign
- Eliminate contaminated stormwater connections
- Aggressively enforce wastewater meter requirements
- Provide more emergency power generation at lift stations

GLENDALE FACILITY

The Glendale facility operated well within its permit limits in 2015. The current Updated Capacity Analysis Report (unpublished) for the facility projects an average influent flow of 8.52 mgd in 2015 and increasing to 9.88 mgd by 2023. The skills and efforts of the operating staff are major reasons why the facility continues to operate well, despite system variations. As noted in the 2007 Updated Capacity Analysis Report, the rolling annual average daily flow at the Glendale Facility has been less than 70 percent of the permitted capacity. The average flowrate for 2014 was 8.66 MGD. Population and flow projections suggest that the hydraulic capacity of the Facility will not be reached in the near future. However, there has been a pressing need to address increased BOD and nitrogen loadings at the influent of the Facility. These loadings are expected to exceed the loadings based on which the Facility was designed.

The recommendations of the 2007 Updated Capacity Analysis Report are along the lines of the 2002 Capacity Analysis Report. The Westside Pretreatment Facility is expected to significantly reduce BOD and nitrogen loadings at the Glendale Facility. The City's pretreatment program has established a schedule of surcharges to significant industrial users that discharge "non-domestic" wastewater to the City sewer. This will discourage significant users to discharge to the City sewer without pretreatment and, even if they do so, the proper revenue will be collected to mitigate the impacts. In addition, a Re-Rating Study, completed in January 2008, indicated that the Glendale Facility could be expanded to provide 15 MGD of treatment capacity with relatively minor operational changes and limited equipment procurement.

Other on-going studies or projects related to the Glendale Facility include the following:

- Reuse of the biogas generated by the anaerobic digestion system to generate electricity
- Re-evaluation of disinfection practices to assess whether alternate methods are safer or more economical than the present method

FY15 improvements to the Glendale Facility include:

- Glendale WRF Influent Pump Station Control Panel Upgrade – Scope: Upgrade of station includes pump controls, incoming power supply, standby power, switch gear, new roof, and other equipment. Budget: \$1,109,574 – Status: Under construction.
- Glendale Clarifier Coating – Clarifier #1 down for recoating. Clarifiers #2 and #3 will follow.
- Glendale WRF Solids Processing Improvements – Budget: \$1,404,474 – Status: Design underway.
- Skyview Utility System –Scope: Wastewater treatment plant being decommissioned, upgrade of main pump station, rehabilitation of wastewater lines and manholes. Budget: \$6,662,000 – Status: Construction underway.

NORTHSIDE WWRF

The performance of the Northside Facility through the last several years of operation has also been excellent. The operating staff has achieved a high level of proficiency in the operation of the Northside Wastewater Reclamation Facility. The water quality of the effluent discharge was excellent. The City completed a Capacity Analysis Report for the Northside Facility in February 1993, which indicated that the capacity of the original system would be exceeded by the end of 1995 or early 1996. The City completed construction of the facility expansion in the fall of 1996. In addition, construction has recently been completed that will allow this facility to be re-rated and expand its treatment capacity from 6.25 to 8 MGD. This expansion is facilitated by the addition of a fourth sludge treatment tank (ATAD) and an increase in the effluent storage capacity by adding a second effluent storage tank.

As outlined in the 2007 Updated Capacity Analysis Report the rolling annual average daily flow for the last five years has never exceeded 3.65 MGD. It is also noted that the strength of the wastewater received by the Northside Facility is much lower than that of the Glendale Facility and the design capacity of the Northside Facility in terms of flows and loadings is not expected to be exceeded in the next ten years.

Recent improvements at the Northside facility include a new chlorine contact chamber, an additional effluent ground storage reservoir, additional residuals treatment capacity, replacement media for the odor control system, four internal recirculation pumps, rehabilitation of an effluent pump, and remodeling of the operations building. In addition, design is underway for chlorine building improvements at both Glendale and Northside facilities, including new emergency chlorine scrubbers.

As with the Glendale Facility, the City is exploring the alternatives to:

- Upgrade the Northside Facility to provide advanced wastewater treatment by adding media filters upstream of the chlorine contact chamber.
- Add additional trains to further expand the capacity and meet future wastewater treatment demand.

FY15 improvements to the Northside Facility include:

- Office / Admin building renovations
- Northeast Pump Station Upgrade. The last major upgrade was over 20 years ago. Improvements include upgrades to the programmable logic controllers, replacing grinders, valves, HVAC, and roof. In addition, the brick on the exterior will be repaired and the entire station re-painted. Budget: \$804,000. Status: Design underway, construction scheduled to begin in 2016.

WETLANDS

Various maintenance and improvement activities are on-going at the Wetlands System. These activities include landscape maintenance, vegetation control, and annual inspections of berms, structures, and piping. Upon inspection of Control Structure 7, the 54-inch diameter corrugated metal pipe conveying water from Wetland Cell 5 to Cell 6 was found to contain small holes and general deterioration. Rather than replacing the pipe, one hundred and forty-four feet of pipe was rehabilitated with a cured-in-place pipe slip liner.

A stop log gate was also installed in Control Structure 7 to control water flow through the structure. Upon completion of this work, all ten active Wetlands control structures have been retrofitted with stop log gates. Wetland's Office Building was replaced in 2014.

There has been significant procurement of landscape capital equipment and a structure to store and maintain the equipment for the facility. This equipment provides the means to maintain and control vegetation covering the berms between the wetland ponds. Excessive vegetation can contribute to weaken the berms and mask potential leakage requiring remediation.

On-going and near future projects at the Wetlands include the following:

- Installation of fiber to allow the Wetlands to have access to City of Lakeland network.
- Select Wetlands property will be utilized as a park for walking and bird watching.
- Flow monitoring at the inlet structure to Wetlands. Two different flowmeters/locations are currently tested and the data collected are compared against data recorded at the Glendale Facility and by Polk County. It is noted that treated effluent from the Polk County's wastewater facilities is occasionally disposed at the City's Wetland System.
- Security enhancements at critical points along the perimeter of the system have been completed.

STATUS OF OPERATION AND MAINTENANCE - COLLECTION SYSTEM

The Wastewater Collection Group provides comprehensive maintenance for the City's wastewater pump stations and collection piping network. Most of the City's pump stations are equipped with telemetry, allowing the City to monitor status and collect data from each pump station on pump run time, number of pump starts, and flow of wastewater through the station. These data are accessible at any time from a central location at the Glendale facility. All pump stations are equipped with high and low level alarms and operate on portable generators, if needed. The smaller lift stations are inspected twice a month. The master lift stations are inspected daily by Collection System personnel. A commercial in-pipe treatment is injected at strategic locations in the system to control odor. A formal schedule for inspecting the collection piping network provides for annual cleaning and television inspection of portions of the sanitary sewer system, such that the entire system is completed in approximately 10-year cycles.

The City maintains a continuous renewal and maintenance program to ensure reliable service. This program includes cleaning, video inspection, smoke testing, and lining and point repairs of sewers and manholes. The City schedules inspection and cleaning such that the entire collection system is covered in approximately 10-year cycles. Approximately 19% of the collection system lines were cleaned and 3% televised in FY 2015. The City reports no increase in public complaints of odor or other issues. The table below summarizes the maintenance activities performed on the collection and transmission system in FY 2011 through FY 2015.

Collection System Maintenance (FY 2010 - FY 2015)

Activity	2011	2012	2013	2014	2015
Work Orders Processed	22,568	20,401	34,841	30,249	29,540
Lines Televised (feet)	42,738	50,584	60,846	88,447	40,795
Lines Cleaned (feet)	315,949	336,233	336,513	303,198	309,770
Liners Installed (feet)	5,111	10,597	5,301	23,034	21,958

The City provided an inventory of the 176 pump stations in the collection system. This inventory indicates each pump station and pump designation, description, manufacturer, and operating status. Field visits to pump stations were last performed in FY15. All pump stations visited were operational.

FY15 improvements to the Collection System Facilities include:

- Wastewater Collection Administrative Building and Warehouse Renovations and Expansion – Scope: Renovation of the Collection Administration Building and Maintenance Building, as well as construction of approximately 3,300 square feet of new space at the Warehouse Building. Construction will also address ADA compliance and fire code issues. Budget: \$1,774,618 – Status: Construction underway and is scheduled for completion for July 2016.

A 2011 study (“English Oaks Phase III Force Main – Routing Study of Revised Corridor”) identified potential capacity issues in the 48-inch diameter Western Gravity Trunk Line which conveys wastewater from the western side of the City to the Glendale WRF. The report indicated the trunk sewer line has insufficient capacity for the Southwest pump station and other gravity flow in the area under high flow conditions. The City is considering diverting at least a portion of the flow from the Southwest pump station into the English Oaks force main which will bypass the trunk line. This would likely reduce the chance of surcharging and give the City time to plan for a long-term solution. Portions of the English Oaks force main have been constructed. The alignment of the segment from Florida Avenue to the Glendale WRF has yet to be finalized and designed. This project continues to be in the plan and moves further out pending the anticipated growth.

CAPITAL IMPROVEMENT PLAN

The City develops and refines a 10-year Capital Improvement Plan (CIP). The continuing preventive maintenance, renewal, and replacement activities for the wastewater system reflect good judgment and sound management. The Engineering Division assists the Wastewater Operations in formulating the CIP. Revenues are identified and expenditures are subdivided into six categories:

- Collection System
- Pump Stations
- Treatment Plants
- Wetlands
- Engineering
- Miscellaneous

The capital improvements budgeted for FY 2015 was \$19,746,898. Budgeted CIP expenses for FY 2015 consisted of the following:

Summary of Capital Improvement Plan for FY 2015

Expenses	FY 2015 Budgeted
Collection System	\$ 9,983,961
Pump Stations	\$ 1,904,504
Treatment Plants	\$ 3,632,863
Wetlands	\$ 1,106,429
Engineering	\$ 773,113
Miscellaneous	\$ 2,346,028
Total Expenses	\$19,746,898

WASTEWATER CHARGES & RATES

GENERAL

The City of Lakeland’s primary means of financing expenditures for improvements to, and operation and maintenance of, its wastewater utility system is through user charges, impact fees supplemented by revenue bonds and state loans. Revised rates and charges are described more fully within the Ordinances and Resolutions as adopted by the Lakeland City Commission. FY 14 revised rates and charges were adopted by Resolution No. 5159. Note that rates were not increased for FY13.

USER CHARGES

The wastewater user charge rate is composed of a service charge component and a volumetric component, based on actual usage. The following sections detail the current rates and charges in effect. It should be noted that as of September 30, 2015 residential wastewater user charges have a maximum billing amount of \$59.43, based on the assumption that water consumption in excess of 12,000 gallons per month is used for irrigation or other outdoor uses and is not returned to the sewer system.

IMPACT FEES

Water pollution control charges (impact fees) are one-time charges for wastewater capacity, which includes costs for engineering, surveying, legal services, financial & administrative, and construction costs for new system capacity. Charges for upgrading the System, without adding additional capacity, are funded by user charges, not through impact fees. The current impact fee is established at \$1,916 per equivalent residential connection. Impact fees are also collected from customers who discharge wastes in excess of accepted norms. Those fees are identified in the following Rates and Charges Table.

HIGH STRENGTH SURCHARGES

The City also charges user rates on the basis of wastewater strength. Those customers who generate wastewater stronger than established design parameters are charged monthly surcharges based on the actual strength of waste discharged. As of September 30, 2015, those surcharge amounts are identified in the following Rates and Charges Table.

Water pollution control charges (impact fees) are one-time charges for wastewater capacity. The impact fee for FY 2015 was \$1,916 per equivalent inside City residential connection. The table on the following page summarizes impact fees for FY 2015.

Pollution Control / Sanitary Sewer Impact Fees for FY 2015

Description	Inside City	Outside City
Detached Single Family – 250 gpd per unit	\$1,916	\$2,395
Multi-family/Attached Single Family/Mobile Homes – 244 gpd per unit	\$1,798	\$2,248
Commercial/Industrial – per gallon per day	\$7.37	\$9.22
BOD – per lb. per day	\$389	\$486
TSS – per lb. per day	\$90	\$113
Total N – per lb. per day	\$590	\$738

The volume charge for inside City residential customers is capped at 12,000 gallons per month. The following table summarizes the wastewater rates for FY 2015.

Wastewater Rate Schedule for FY 2015

Classification	Fixed Charge		Volume Charge per 1000 gallons	
	Inside City	Outside City	Inside City	Outside City
Residential - Individually Metered ⁽¹⁾	\$16.11	\$20.13	\$3.61	\$4.51
Residential – Master Metered ⁽¹⁾	\$13.84	\$17.30	\$3.61	\$4.51
Commercial / Industrial Meter Size (inches)				
5/8 to 3/4	\$16.10	\$20.13	\$3.61	\$4.50
1	\$43.46	\$54.33	\$3.61	\$4.50
1-1/2	\$78.39	\$97.99	\$3.61	\$4.50
2	\$174.34	\$217.93	\$3.61	\$4.50
3	\$436.73	\$545.91	\$3.61	\$4.50
4	\$650.58	\$813.23	\$3.61	\$4.50
6	\$1,203.05	\$1,503.81	\$3.61	\$4.50
8	\$2,037.01	\$2,546.26	\$3.61	\$4.50

⁽¹⁾ Volume charges capped at 12,000 gallons per month per unit on Lakeland Water. Volume charges fixed at 12,000 gallons per month per unit when not on Lakeland Water.

Notes

1. Sewer customers outside the City’s corporate limits pay a 25 % surcharge.
2. Biochemical Oxygen Demand (BOD) charge is \$0.42/lb BOD.
3. Suspended Solids (TSS) charge is \$0.27 /lb TSS.
4. Total Nitrogen (TN) charge is \$0.59 /lb TN.
5. Residential impact fee (in City) is \$1,916 per unit.
6. Multi-family impact fee is \$1,798 per unit.
7. High strength BOD impact fee (above 300 mg/l) is \$389/lb BOD.
8. High strength TSS impact fee (above 300 mg/l) is \$90/lb TSS.
9. High strength TN impact fee (above 300 mg/l) is \$590/lb TN.

The latest comparative wastewater rate study was conducted by the City in December 2012. This study compared City rates to representative utilities throughout the State and included comparisons of both base (fixed) and volume rates. The following table shows the comparison of inside City residential rates using 12,000 gallons per month.

Comparative Wastewater Charges

Utility	Charge
City Of Auburndale	\$ 35.20
City Of Bartow	\$ 39.12
Hillsborough County	\$ 48.21
City Of Ocala	\$ 50.50
Marion County	\$ 54.78
Orange County	\$ 56.89
City Of Winter Park	\$ 58.28
City Of Lakeland	\$ 59.43
City Of West Palm Beach	\$ 62.54
City Of Bradenton	\$ 63.42
City Of Coral Springs	\$ 63.68
Manatee County	\$ 64.29
City Of Winter Haven	\$ 64.79
City Of Haines City	\$ 66.97
City Of St. Petersburg	\$ 67.20
Miami-Dade Water & Sewer Department	\$ 69.36
Fort Pierce Utility Authority	\$ 70.20
Charlotte County	\$ 70.26
Pinellas County	\$ 71.34
Volusia County - West	\$ 71.56
Orlando Utility Commission/City Of Orlando (I)	\$ 72.97
City Of Tampa	\$ 75.56
City Of Sanford	\$ 76.24
City Of Plant City	\$ 80.37
Emerald Coast Water Authority	\$ 80.73
GRU (Gainesville Regional Utilities)	\$ 81.00
Polk County	\$ 81.50
City Of Tallahassee	\$ 82.31
Citrus County	\$ 83.21
JEA (Jacksonville Electric Authority)	\$ 84.30
City Of Cocoa	\$ 85.78
City Of Fort Lauderdale	\$ 86.34
CITY of BARTOW (I)	\$ 42.68
ORANGE COUNTY	\$ 58.55
CITY of LAKELAND (I)	\$ 62.39
CITY of BRADENTON (I)	\$ 63.42
HILLSBOROUGH COUNTY	\$ 63.63
CITY of WINTER PARK (I)	\$ 65.30
CITY of CORAL SPRINGS (I)	\$ 65.92
CITY of WEST PALM BEACH (I)	\$ 67.15

CITY of WINTER HAVEN (I)	\$ 67.27
CITY of OCALA (I)	\$ 67.98
CITY of St. PETERSBURG (I)	\$ 69.69
PINELLAS COUNTY	\$ 71.34
CITY of AUBURNDALE (I)	\$ 71.50
VOLUSIA COUNTY - WEST	\$ 71.56
MIAMI-DADE WATER & SEWER	\$ 71.84
CITY of TAMPA (I)	\$ 75.56
MANATEE COUNTY	\$ 76.64
CITY of HAINES CITY	\$ 76.87
CITY of SANFORD (I)	\$ 78.04
GRU (Gainesville Regional Utilities) (I)	\$ 81.00
FORT PIERCE UTILITY AUTHORITY (I)	\$ 81.18
CITY of PLANT CITY (I)	\$ 81.24
CITY of TALLAHASSEE (I)	\$ 82.31
CHARLOTTE COUNTY	\$ 83.20
CITY of FORT LAUDERDALE	\$ 85.06
ORLANDO UTILITY COMMISSION/CITY of	\$ 86.35
CITY of COCOA (I)	\$ 88.32
MARION COUNTY	\$ 89.65
EMERALD COAST WATER AUTHORITY	\$ 92.61
JEA (Jacksonville Electric Authority)	\$ 97.83
CITY of CLEARWATER (I)	\$ 107.04
CITY of DAYTONA BEACH (I)	\$ 107.70
CITY of TITUSVILLE (I)	\$ 122.62
POLK COUNTY	\$ 131.96
FLORIDA KEYS AQUEDUCT AUTHORITY	\$ 155.20
CITRUS COUNTY	\$ 156.29
CITY of FORT MYERS (I)	\$ 173.90
CITY of DELTONA (I)	\$ 198.57

HISTORICAL WASTEWATER RATE INCREASES

Year	Percentage
2007	7.5
2008	7.5
2009	7.5
2010	7.5
2011	5.0
2012	5.0
2013	0.0
2014	5.0
2015	5.0

WASTEWATER CUSTOMER BASE

2007	42,738
2008	42,259
2009	42,252
2010	42,395
2011	42,659
2012	42,983
2013	43,554
2014	44,058
2015	44,600

HISTORIC WASTEWATER TREATMENT FLOWS

Influent Flow at Glendale WRF

Year	Influent Flow (MGD)
2007	7.23
2008	6.98
2009	7.51
2010	8.19
2011	8.11
2012	8.30
2013	8.27
2014	8.66
2015	9.06

Influent Flow at Northside WRF

Year	Influent Flow (MGD)
2007	3.10
2008	3.09
2009	2.98
2010	3.62
2011	3.69
2012	3.61
2013	3.50
2014	3.66
2015	3.95

WATER AND WASTEWATER UTILITIES – RESULTS OF OPERATION

Revenues and Expenses:	<u>2014</u>	<u>2015</u>
Gross Revenues		
Wastewater Service Revenues	\$ 25,528,497	\$ 27,329,008
Investment Income - Wastewater (1)	1,064,227	497,968
Miscellaneous - Wastewater	<u>115,876</u>	<u>981,621</u>
Total Operating Revenues - Wastewater	\$ 26,708,600	\$ 28,808,597
Water Service Revenues	\$ 26,809,912	\$ 27,030,519
Investment Income - Water (1)	1,171,889	598,679
Miscellaneous - Water	<u>78,715</u>	<u>44,397</u>
Total Operating Revenues - Water	\$ 28,060,516	\$ 27,673,595
Total Operating Revenues	\$ 54,769,116	\$ 56,482,192
Operating Expenses:		
Wastewater Operations	\$ 14,652,596	\$ 16,859,310
Administration - Wastewater		
Customer Service & Accounting - Wastewater		
Total Operating Expenses - Wastewater	\$ 14,652,596	\$ 16,859,310
Water Operations	\$ 13,323,961	\$ 14,483,038
Administration - Water		
Customer Service & Accounting - Water		
Total Operating Expenses - Water	\$ 13,323,961	\$ 14,483,038
Total Operating Expenses	<u>\$ 27,976,557</u>	<u>\$ 31,342,348</u>

WATER AND WASTEWATER UTILITIES – RESULTS OF OPERATION (CONTINUED)

Revenues and Expenses:	2014	2015
Net Operating Revenues (NOR) Available For Debt Service	\$ 26,792,559	\$ 25,139,844
Available Connection Charges - Wastewater (2)	\$ 612,562	\$ 933,887
Available Connection Charges - Water (2)	835,404	725,429
Total Connection Charges	\$ 1,447,966	\$ 1,659,316
Total Revenues Available for Debt Service	\$ 28,240,525	\$ 26,799,160
Debt Service Requirement (3)	\$ 3,323,722	\$ 5,067,209
Amount Available for Renewal and Replacement Deposit and all of lawful purposes	\$ 24,916,804	\$ 21,731,952
Coverage by NOR Available For Debt Service (3)	8.06	4.96
Coverage by Total Revenues Available For Debt S	8.50	5.29

(1) Includes all investment earnings available to pay debt service as prescribed in the Bond Ordinance.

(2) Pursuant to Florida law, only 58.50% of the debt service on the Series 2002 Bonds currently can be paid from Water Connection Charges and only 18.43% of the debt service on the Series 2002 Bonds currently can be paid from Wastewater Connection Charges. Because 58.50% of the Maximum Bond Service Requirement for the Series 2002 Bonds is currently greater than the Water Connection Charges shown in each fiscal year, 100% of all Water Connection Charges received by the City are being used in calculating coverage. Because 18.43% of the Maximum Bond Service Requirement (\$1,049,321) for the Series 2002 Bonds is less than the actual Wastewater Connection Charges for fiscal years 1999 through and including 2001 7 2005, only the amount of all Wastewater Connection Charges that would be available to pay the Maximum Bond Service Requirement is shown for such fiscal years.

(3) Represents Maximum Bond Service Requirement for the Series 2002 Bonds for fiscal years 1999 through and including 2002.

(4) Derived from audited financial statements.

Source: City of Lakeland, Florida

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS

SERIES 2002

\$72,755,000

**TERM BONDS
DATED AUGUST 29, 2002
CUSIP NUMBERS**

511773AA1	511773AE3	511773AJ2	511773AN3	511773AS2	511773AW3
511773AB9	511773AF0	511773AK9	511773AP8	511773AT0	511773AX1
511773AC7	511773AG8	511773AL7	511773AQ6	511773AU7	511773AY9
511773AD5	511773AH6	511773AM5	511773AR4	511773AV5	

PURPOSE

The Series 2002 Bonds were issued to (i) finance the cost of acquisition, construction, and installation of improvements to the City's water and sewer utility system, (ii) refund, on a current basis, all of the City outstanding Wastewater System Revenue Bonds, Refunding Series 1993, and (iii) and pay certain costs and expenses relating to the issuance of the Series 2002 Bonds.

SECURITY

The Series 2002 Bonds will be secured by an irrevocable, valid, and binding lien on and security interest in the Gross Revenues derived from the operation of the Water and Wastewater Systems, certain Connection charges, moneys deposited into certain funds and accounts created by the Bond Ordinance and the earnings thereon, all in the manner and to the extent provided in the Bond Ordinance.

BOND INSURANCE

N/A

RATINGS

Fitch Ratings: **AA+**

Moody's Investors Service: **Aa2**

Standard & Poors Rating Services: **AA-**

OPTIONAL REDEMPTION

On January 12, 2012, the City of Lakeland issued Series 2012A and B Water and Wastewater Revenue Refunding and Improvement Bonds. The Series 2012A and B bonds were used, in part, to refund, on an advance basis, the Series 2002 bonds maturing on October 1, 2013 through October 1, 2032, with the exception of \$5,000 of bonds maturing on October 1, 2016.

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WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS
SERIES 2002 (CONTINUED)

AGENTS

Registrar: Bank of New York, New York, New York
 Paying Agent: Bank of New York, New York, New York
 Trustee: Bank of New York, New York, New York
 Issuer's Bond Counsel: Holland & Knight, LLP, Lakeland, Florida
 Issuer's Financial Advisors: Fishkind & Associates, Inc., Orlando, Florida
 William R. Hough & Co., St. Petersburg, Florida
 Managing Underwriter: Salomon Smith Barney, Inc., West Palm Beach, Florida
 Underwriters' Counsel: Nabors, Giblin & Nickerson, P.A., Tampa, Florida

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS
SERIES 2002 (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/15	-	106	106
04/01/16	-	106	106
10/01/16	5,000	106	5,106
	<u>\$ 5,000</u>	<u>\$ 319</u>	<u>\$ 5,319</u>

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WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS
SERIES 2012A

\$37,325,000

SERIAL & TERM BONDS
DATED AUGUST 29, 2002

CUSIP NUMBERS

511773BE2	511773BF9	511773BG7	511773BH5	511773BJ1	511773BK8
511773BL6	511773BM4	511773BN2	511773BP7	511773BQ5	511773BR3
511773BS1	511773BT9	511773BU6			

PURPOSE

The Series 2012A Bonds were issued to (i) refund a portion of the City's outstanding Water and Wastewater System Revenue Refunding and Improvement Bonds, Refunding Series 2002, and (ii) and pay certain costs and expenses relating to the issuance of the Series 2012A Bonds.

SECURITY

The Series 2012A Bonds will be secured by an irrevocable, valid, and binding lien on and security interest in the Gross Revenues derived from the operation of the Water and Wastewater Systems, certain Connection charges, moneys deposited into certain funds and accounts created by the Bond Ordinance and the earnings thereon, all in the manner and to the extent provided in the Bond Ordinance.

BOND INSURANCE

N/A

RATINGS

Fitch Ratings: **AA+** Moody's Investors Service: **Aa2** Standard & Poors Rating Services: **AA-**

OPTIONAL REDEMPTION

The Series 2012A Bonds maturing on or after October 1, 2022 are subject to redemption at the option of the City on or after October 1, 2021, in whole or in part at any time, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS
SERIES 2012A (CONTINUED)

MANDATORY REDEMPTION

The Series 2012A Bonds maturing on or after October 1, 2032 are subject to mandatory sinking fund redemption, in part by lot, prior to maturity on October 1, 2030, and on October 1 of each year thereafter, at a price of par accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2030	\$2,945,000
2031	3,065,000
2032*	3,185,000

* maturity

AGENTS

Registrar:	Bank of New York Mellon Trust Co., N.A., Jacksonville, Florida
Paying Agent:	Bank of New York Mellon Trust Co., N.A., Jacksonville, Florida
Trustee:	Bank of New York Mellon Trust Co., N.A., Jacksonville, Florida
Issuer's Bond Counsel:	Holland & Knight, LLP, Lakeland, Florida
Issuer's Financial Advisors:	RBC Capital Markets, LLC, Jacksonville, Florida
Managing Underwriter:	Citigroup
Underwriters' Counsel:	Nabors, Giblin & Nickerson, P.A., Tampa, Florida

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WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS
SERIES 2012A (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

Date	Maturity	Interest	Total
1-Oct-15	-	864,475	864,475
1-Apr-16		864,475	864,475
1-Oct-16	405,000	864,475	1,269,475
1-Apr-17		856,375	856,375
1-Oct-17	1,600,000	856,375	2,456,375
1-Apr-18		824,375	824,375
1-Oct-18	1,665,000	824,375	2,489,375
1-Apr-19		791,075	791,075
1-Oct-19	1,730,000	791,075	2,521,075
1-Apr-20		752,150	752,150
1-Oct-20	1,805,000	752,150	2,557,150
1-Apr-21		707,025	707,025
1-Oct-21	1,900,000	707,025	2,607,025
1-Apr-22		659,525	659,525
1-Oct-22	1,995,000	659,525	2,654,525
1-Apr-23		609,650	609,650
1-Oct-23	2,090,000	609,650	2,699,650
1-Apr-24		557,400	557,400
1-Oct-24	2,195,000	557,400	2,752,400
1-Apr-25		502,525	502,525
1-Oct-25	2,305,000	502,525	2,807,525
1-Apr-26		444,900	444,900
1-Oct-26	2,420,000	444,900	2,864,900
1-Apr-27		384,400	384,400
1-Oct-27	2,545,000	384,400	2,929,400
1-Apr-28		320,775	320,775
1-Oct-28	2,670,000	320,775	2,990,775
1-Apr-29		254,025	254,025
1-Oct-29	2,805,000	254,025	3,059,025
1-Apr-30		183,900	183,900
1-Oct-30	2,945,000	183,900	3,128,900
1-Apr-31		125,000	125,000
1-Oct-31	3,065,000	125,000	3,190,000
1-Apr-32		63,700	63,700
1-Oct-32	3,185,000	63,700	3,248,700
		\$37,325,000	\$18,667,025
			\$55,992,025

TAXABLE WATER AND WASTEWATER REVENUE REFUNDING BONDS
SERIES 2012B

\$6,750,000

SERIAL BONDS
DATED JANUARY 12, 2012
CUSIP NUMBERS

511773BV4 511773BW2 511773BX0 511773BY8 511773BZ5

PURPOSE

The Series 2012B Bonds were issued to (i) refund a portion of the City's Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2002, and (ii) and pay certain costs and expenses relating to the issuance of the Series 2012B Bonds.

SECURITY

The Series 2012B Bonds will be secured by an irrevocable, valid, and binding lien on and security interest in the Gross Revenues derived from the operation of the Water and Wastewater Systems, certain Connection charges, moneys deposited into certain funds and accounts created by the Bond Ordinance and the earnings thereon, all in the manner and to the extent provided in the Bond Ordinance.

BOND INSURANCE

N/A

RATINGS

Fitch Ratings: **AA+** Moody's Investors Service: **Aa2** Standard & Poors Rating Services: **AA-**

MAKE-WHOLE OPTIONAL REDEMPTION

The Series 2012B Bonds are subject to redemption prior to their maturity at the option of the City, in whole or in part at any time (in such manner of selection of maturities as the City shall determine), at a redemption price equal to the greater of:

- (1) 100% of the principal amount of the Series 2012B Bonds to be redeemed; or
- (2) The sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2012B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2012B Bonds are to be redeemed, discounted to the date on which the Series 2012B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, At the Treasury Rate, plus 25 basis points; plus, in each case, accrued and unpaid interest on the Series 2012B Bonds to be redeemed to the redemption date.

TAXABLE WATER AND WASTEWATER REVENUE REFUNDING BONDS
SERIES 2012B (CONTINUED)

AGENTS

Registrar: Bank of New York, New York, New York
Paying Agent: Bank of New York, New York, New York
Trustee: Bank of New York, New York, New York
Issuer's Bond Counsel: Holland & Knight, LLP, Lakeland, Florida
Issuer's Financial Advisors: RBC Capital Markets, LLC, Jacksonville, Florida
Managing Underwriter: Citigroup
Underwriters' Counsel: Nabors, Giblin & Nickerson, P.A., Tampa, Florida

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

Date	Maturity	Interest	Total
1-Oct-15	1,530,000	26,186	1,556,186
1-Apr-16		12,416	12,416
1-Oct-16	1,155,000	12,416	1,167,416
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	\$2,685,000	\$51,018	\$ 2,736,018

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UTILITIES TAX

UTILITIES TAX ORDINANCE SUMMARY

GENERAL

The Supplemental Utilities Tax Bond Ordinance amends the Utilities Tax Bond Ordinance and provides that “Utilities Tax” means “the utilities service tax imposed by the City on each and every purchase in the City of electricity, water, and metered and bottled gas (natural liquefied petroleum gas or manufactured) and the local communications tax imposed by the City on communications services pursuant to Section 202.19, Florida Statutes. Said term shall also apply to all taxes imposed by the City on the purchase of utility services, whether levied in the amounts prescribed by the Utilities Tax Ordinance or in any other amounts and whether imposed on the purchase of the same utilities services or any other or additional utilities services, by amendment to the Utilities Tax Ordinances.” The two components of Utilities Tax are discussed in greater detail below. The utilities service tax is referred to herein as the “Public Services Tax” and the local communications tax imposed pursuant to Section 202.19, Florida Statutes is referred to herein as the “Communications Tax.”

PUBLIC SERVICE TAX

The Public Services Tax is levied and collected under Section 166.231, Florida Statutes and Ordinances Nos. 2381, 2427, 2744, 2819, and 2955 of the City, enacted on September 20, 1982, January 3, 1983, November 4, 1985, July 21, 1986, and September 21, 1987, as amended and supplemented (collectively, the “Utilities Service Tax Ordinance”).

The Public Services Tax includes the tax as levied and collected by the City pursuant to the Utilities Service Tax Ordinance which, pursuant to the applicable statutes includes taxes on every purchase of electricity, water, metered or bottled gas (natural gas, liquefied petroleum gas or manufactured gas) in the amount of 10% of the payments received by the seller of utility service from the purchaser of such utility service, which tax, in every case, is required to be collected from the purchaser of such utility service and paid by such purchaser at the time of the purchaser’s paying the charge therefore to the seller, but not less often than monthly. The Utilities Service Tax Ordinance provides that it is unlawful for any seller of utility services to collect the price of any such sale without, at the same time, collecting the tax thereby imposed and levied in respect to such purchaser. Any seller failing to collect such tax at the time of collecting the price of any purchase shall be liable to the City for the amount of such tax in like manner as if the same had actually been paid to the seller.

The Utilities Service Tax Ordinance exempts from taxation:

- (i) Any increase in the cost of utility services to the ultimate consumer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973 (with fuel adjustment charges required to be separately stated on bills for utility services)
- (ii) Any service provided to the United States of America, the State of Florida, Polk County, Florida, the City, and any other political subdivision or agency thereof;
- (iii) Any services provided by any recognized church for use exclusively for church purposes;
- (iv) The purchase of local telephone service or other telecommunication service for use in the conduct of a telecommunication service for hire or otherwise for resale.

Section 166.231, Florida Statutes, also permits municipalities to exempt any amount, up to, and including, the first 500-kilowatt hours of electricity purchased per month for residential use but to date the City has implemented such exemption.

COMMUNICATIONS TAX

The Communications Services Tax Simplification Act, enacted by Chapter 2000-260, Laws of Florida, as amended by Chapter 2001-140, Laws of Florida, and now codified in part as Chapter 202, Florida Statutes (the "CSTA") established, effective October 1, 2001, a communications services tax on the sale of communications services defined in Section 202.11, Florida Statutes, and as of the same date repealed Section 166.231(9), Florida Statutes, which previously granted municipalities the authority to levy utility services tax on the purchase of telecommunication services. Section 202.19, Florida Statutes, authorizes counties and municipalities to levy a discretionary communications services tax (the "Communications Tax") on communications services, the revenues from which may be pledged for the repayment of current or future bonded indebtedness. Section 202.41, Florida Statutes provides that revenues received under the CSTA shall be deemed as a matter of law to replace any taxes and fees previously imposed but repealed by the CSTA (which includes the tax on telecommunication services previously authorized by Section 163.231(9), Florida Statutes) as security for the bonded indebtedness. The tax rate adopted by the City of Lakeland is 6.43%.

Prior to the effective date of the CSTA, the City exercised the option to levy a utility service tax at the rate of seven percent (7%) on the purchase of telecommunications services which originated or terminated within the City, excluding the variable usage charges for cellular mobile telephone or telecommunications services, specialized mobile radio and pagers and paging services. Telecommunications service was defined to be local telephone service, toll telephone service, telegram or telegraph service, teletypewriter, facsimile or computer exchange service, private communication service, cellular mobile telephone or telecommunication service and specialized mobile radio, pagers and paging service but excluding Internet access service, electronic mail service, electronic bulletin board service, or similar on-line computer service.

One effect of the CSTA was to replace the former utility services tax on telecommunications services, including pre-paid calling arrangements, as well as any revenues from franchise fees on cable and telecommunications service providers and permit fees relating to placing or maintaining facilities in rights-of-way collected from providers of certain telecommunications services, with the local communications services tax. This change in law was intended to be revenue neutral to the counties and municipalities. The Communications Tax is applied to a broader base of communications services than the former utility services tax on telecommunications.

Communication services are defined as the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including cable services, to a point, or between or among points, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission or conveyance. The term does not include:

- (a) Information services.
- (b) Installation or maintenance of wiring or equipment on a customer's premises.
- (c) The sale or rental of tangible personal property.
- (d) The sale of advertising, including, but not limited to, directory advertising.
- (e) Bad check charges.
- (f) Late payment charges.
- (g) Billing and collection services.
- (h) Internet access service, electronic mail service, electronic bulletin board service, or similar on-line services.

UTILITIES TAX COLLECTIONS

The following table is a record of Utilities Tax collected by the City for the past five Fiscal Years ending September 30.

	Utilities Tax and Tourist Development Tax Collections				
	Fiscal Years Ending September 30				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Electricity	\$ 8,211,994	\$ 7,687,510	\$ 7,392,707	\$ 7,323,308	\$ 7,695,514
Telecommunications	4,506,582	4,939,368	5,282,293	5,529,884	5,780,502
Water	1,485,794	1,449,644	1,371,962	1,430,897	1,346,417
Gas	188,351	135,666	76,634	257,439	288,093
Propane	233,459	245,315	269,895	232,890	194,288
Fuel Oil	-	-	23,070	-	-
	<u>14,626,180</u>	<u>14,457,503</u>	<u>14,416,561</u>	<u>14,774,418</u>	<u>15,304,814</u>
 Tourist Development Tax	 <u>318,081</u>	 <u>321,257</u>	 <u>238,623</u>	 <u>440,000</u>	 <u>440,000</u>
 Total	 <u><u>14,944,261</u></u>	 <u><u>14,778,760</u></u>	 <u><u>14,655,185</u></u>	 <u><u>15,214,418</u></u>	 <u><u>15,744,814</u></u>
 Annual Debt Service Requirement	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 2,122,934</u></u>	 <u><u>\$ 1,985,140</u></u>	 <u><u>\$ 1,958,489</u></u>
 Coverage	 -	 -	 6.90	 7.66	 8.04

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TOURIST DEVELOPMENT TAX

Pursuant to Section 125.0104, Florida Statutes (Tourist Development Tax Act), the County levies a tourist development tax on the total rental charged to every lessee, tenant, or customer who rents, leases, or lets for consideration any living quarters or accommodation in any hotel, apartment, apartment hotel, motel, resort motel, apartment motel, rooming house, mobile home park, recreational vehicle park, or condominium located in the County for a term of six months or less.

POLK COUNTY ORDINANCE

Polk County Ordinance 93-45 along with subsequent amendments (Ordinance), established the Lakeland Subdistrict, which includes the greater urban area surrounding the City of Lakeland. The County Subdistrict comprises the remainder of Polk County (County). The County currently levies the tourist development tax at a rate of four percent in all areas of the County. The City is designated to receive the fourth cent of the tourist development tax collected in the Lakeland Subdistrict and one-half of the fourth cent of the tourist development tax collected within the County Subdistrict (collectively referred to as the Fourth Cent Tourist Development Tax). Pursuant to the Ordinance, this allocation became effective the first day of the month following completion of the validation of the Series 2002 Bonds.

INTERLOCAL AGREEMENT

Pursuant to the Interlocal Agreement between the City and the County, the Fourth Cent Tourist Development Tax (as described above) has been pledged by the County for payment of debt service on the Series 2012B Bonds in an aggregate amount to be not less than the lesser of the following:

- (i) The amount of annual debt service on that portion of the Series 2012B Bonds, the proceeds of which were used for the construction, renovation and expansion of a professional sports franchise facility; or
- (ii) Four hundred and forty thousand dollars (the “Minimum Annual Pledge”).

In addition, to the extent that the Fourth Cent Tourist Development Tax collected by the County is insufficient for the payment to the City of the Minimum Annual Pledge, the County has agreed to pay from the first and second cents of the tourist development tax imposed pursuant to the County Ordinance, an amount equivalent to that necessary to fund the difference between the amount of the Fourth Cent Tourist Development Tax collected and the Minimum Annual Pledge; provided, however, that the amount payable by the County to the City from the first and second cents of the Tourist Development Tax shall in no event exceed one hundred thousand dollars (\$100,000.00) per year.

In the event that the Fourth Cent Tourist Development Tax exceeds the Minimum Annual Pledge, the County, in its discretion, may pay such excess over to the City or be applied by the City for the payment of the debt service on the Series 2012B Bonds or apply the same to other indebtedness issued by the County or other entities for professional sports franchise facilities; provided, however, that the County has agreed that, in the event that the Fourth Cent Tourist Development Tax collected in any of the first through fifth years immediately succeeding the effective date of the Interlocal Agreement is less than the Minimum Annual Pledge, any excess of tax proceeds collected in any year after the fifth year up to an aggregate of the amounts of such deficiencies in each of the first through fifth years shall be deposited in the Tourist Development Tax Sinking Fund and used for payment of debt service on the Series 2012B Bonds.

No portion of the tourist development tax levied by the County other than that portion described above has been pledged by the County to the payment of the debt service on the Series 2012B Bonds.

LIMITATION ON USE OF FOURTH CENT OF TOURIST DEVELOPMENT TAX

The Fourth Cent Tourist Development Tax is levied pursuant to the Tourist Development Tax Act and the County Ordinance and may be used for the purpose of paying debt service on the Series 2012B Bonds issued for the expansion, renovation, and construction of the improvements to the Lakeland Civic Center-George Jenkins Arena.

REVENUES GENERATED

The following table indicates the total tourist development tax revenues generated from the one-cent and one-half cent of Tourist Development Tax collected within the City and County Subdistricts for the previous seven fiscal years ended September 30.

<u>Year</u>	<u>Area 1¢</u>	<u>Area ½¢</u>	<u>"Fourth Cent"</u>
2015	\$ 400,202	\$ 1,437,025	\$ 1,837,227
2014	361,867	1,214,301	1,576,168
2013	348,277	1,081,378	1,429,656
2012	225,841	1,111,062	1,336,904
2011	223,236	1,069,336	1,292,572
2010	192,665	1,004,643	1,197,308
2009	247,278	976,097	1,223,375

¹Minimum guarantee from Polk County is \$440,000 annually. To the extent that actual collections are below this amount, the County is obligated to make up the difference, up to \$100,000, from the first cent and the second cent of the Tourist Development Taxes levied.

Source: Polk County.

The total amount of tourist development tax collected within the County is subject to increase or decrease by the following:

- (i) Legislative changes resulting in an increase or decrease in the rate at which the tourist development tax is imposed;
- (ii) Changes in the rental rates, volume and usage of the living quarters and accommodations subject to the Tourist Development Tax Act, which is affected by changes in tourist and convention destinations as well as economic conditions.

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CAPITAL IMPROVEMENT REVENUE BONDS

PLEDGED REVENUES

The pledged revenues consist of “Covenant Revenues” (Non-Ad Valorem Revenues budgeted and appropriated by the City, and deposited into the Sinking Fund Account to pay the principal of, premium, if any, and interest on bonds issued under the pledge and income received from the investment of moneys deposited in the funds and accounts established under the Ordinance (ordinance 5198 enacted August 16, 2010 and subsequent amendments).

Pursuant to the Ordinance, “Non-Ad Valorem Revenues” means legally available revenues of the City derived from any source whatever, other than ad valorem taxation on real and personal property, which are legally available for payment by the City of debt service on and Non-Ad Valorem Revenue Obligations. “Non-Ad Valorem Revenue Obligations” means obligations evidencing indebtedness for borrowed money, the primary security for which is,

- (i) Provided by a covenant of the City to budget and appropriate Non-Ad Valorem Revenues of the City for the payment of debt service on such obligations, or
- (ii) Primarily secured or payable from another source of funds, but with respect to which the City has also covenanted to budget and appropriate Non-Ad Valorem Revenues of the City for the payment of debt service on such obligations, provided that obligations described in this clause (ii) shall only be considered Non-Ad Valorem Revenue Obligations to the extent the City has included in its budget (by amendment or otherwise) the payment of such Non-Ad Valorem Revenues pursuant to such covenant to pay debt service on such obligations.

COVENANT TO BUDGET AND APPROPRIATE

Until bonds issued under the pledge are paid or deemed paid pursuant to the provisions of the Ordinance, the City has covenanted to appropriate in its annual budget, by amendment if necessary, to the extent permitted by and in accordance with applicable law and budgetary processes, to prepare, approve and appropriate in its annual budget for each Fiscal Year, by amendment if necessary, and to deposit to the credit of the Sinking Fund Account created under the Ordinance, Non-Ad Valorem Revenues of the City in an amount which is equal to the Bond Service Requirements (as is more fully described in the Ordinance) with respect to the Bonds for the applicable Fiscal Year, plus an amount sufficient to satisfy all other payment obligations of the City under the Ordinance for the applicable Fiscal Year, including without limitation, to the extent applicable, the funding or the replenishment of the subaccounts in the Reserve Account in the manner described in the Ordinance.

Such covenant and agreement on the part of the City to budget and appropriate sufficient amounts of Non-Ad Valorem Revenues shall be cumulative, and shall continue until such Non-Ad Valorem Revenues in amounts sufficient to make all required payments under the Ordinance as when due, including any delinquent payments, shall have been budgeted, appropriated and actually paid into the appropriate funds and accounts under the Ordinance; provided, however that such covenant shall not constitute a lien, either legal or equitable, or any of the City’s Non-Ad Valorem Revenues or any other revenues, nor shall it preclude the City from pledging in the future any of its Non-Ad Valorem Revenues or other revenues to other obligations, nor shall it give the Bondholders a prior claim on the Non-Ad Valorem Revenues.

All obligations of the City under the Ordinance shall be secured only by the Non-Ad Valorem Revenues actually budgeted and appropriated and deposited into the funds and accounts created under the Ordinance as provided therein. Law prohibits the City from expending moneys not appropriated or in excess of its current budgeted revenues and surpluses. The obligation of the City to budget, appropriate, and make payments under the Ordinance from its Non-Ad Valorem Revenues is subject to the availability of the Non-Ad Valorem Revenues after satisfying funding requirements for obligations having an express lien on or pledge of such revenues and after satisfying funding requirements for essential government services of the City. The City has not covenanted to maintain any service or program now provided or maintained by the City, which generates Non-Ad Valorem Revenues.

NON-AD VALOREM REVENUES

The following table summarizes the available Non-Ad Valorem Revenues for the fiscal year ending September 30, 2015.

	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
GENERAL FUND REVENUES					
Utility Taxes	\$ 15,057,722	\$ 14,761,856	\$ 14,523,106	\$ 14,534,094	\$ 14,644,431
Franchise Fees	247,092	233,641	234,959	239,500	225,994
Licenses & Permits	2,820,389	2,809,143	3,146,388	3,563,220	3,962,233
State Shared Revenues					
Half-Cent Sales Tax	4,486,691	4,817,063	5,098,715	5,395,592	5,656,163
Cigarette Taxes	1,799,097	2,060,351	2,078,795	2,248,500	2,443,691
Mobile Home License Fees	189,840	184,560	188,449	197,654	208,150
Alcoholic Beverage Licenses	71,750	79,897	76,919	80,487	89,776
Firefighter Training	26,410	44,441	39,182	32,895	58,355
Charges for Services	3,617,805	3,781,446	4,018,057	3,993,673	4,373,111
Fines & Forfeits	1,771,411	1,350,597	1,303,805	1,859,682	1,718,661
Miscellaneous					
Interest & change in market value	1,627,676	1,928,261	1,589,498	1,394,812	842,814
Rents	74,157	73,445	74,999	75,344	59,598
Sales of Fixed Assets	41,504	1,650	202	0	4,000
Other	950,562	891,462	1,097,375	1,335,506	990,183
Transfers from Enterprise and Other Funds	37,475,407	36,906,207	35,555,297	38,613,245	43,289,835
Sub-Total	<u>\$ 70,257,513</u>	<u>\$ 69,924,020</u>	<u>\$ 69,025,746</u>	<u>\$ 73,564,204</u>	<u>\$ 78,566,995</u>
PUBLIC IMPROVEMENT FUND					
Charges for Services	\$ 355,954	\$ 429,401	\$ 415,831	\$ 423,223	\$ 426,932
Sale of Fixed Assets	1,769,835	956,978	-	-	13,915
Interest & change in market value	449,395	298,462	56,550	418,484	222,885
Hospital Lease Payments	11,649,287	12,485,508	12,100,000	12,100,000	12,100,000
Other	1,112,437	521,461	638,858	433,230	(2,096,884)
Sub-Total	<u>\$ 15,336,908</u>	<u>\$ 14,691,809</u>	<u>\$ 13,211,239</u>	<u>\$ 13,374,937</u>	<u>\$ 10,666,848</u>
TRANSPORTATION FUND					
Interest & change in market value	\$ 146,388	\$ 516,818	\$ 92,520	\$ 121,159	\$ 80,058
Other	4,978,872	3,167,200	2,565,659	1,936,071	2,586,285
Sub-Total	<u>\$ 5,125,260</u>	<u>\$ 3,684,018</u>	<u>\$ 2,658,179</u>	<u>\$ 2,057,230</u>	<u>\$ 2,666,343</u>

CITY OF LAKELAND, FLORIDA
HISTORICAL REVENUES AND EXPENDITURES⁽¹⁾

	2011	2012	2013	2014	2015
Governmental Sources of Revenue:					
Ad-Valorem Taxes	\$ 19,217,855	\$ 17,998,014	\$ 19,173,633	\$ 19,939,215	\$ 21,190,752
Plus Legally Available Non-Ad Valorem Revenues	90,544,484	87,102,705	85,501,324	91,944,455	94,771,981
Plus Restricted Non-Ad Valorem Revenues:					
Federal Grants & Assistance ⁽¹⁾	5,248,083	1,049,805	2,015,112	2,614,820	1,366,915
State Grants & Assistance ⁽¹⁾	1,694,496	4,095,621	1,955,957	1,702,957	2,616,975
Fines and Forfeitures ⁽²⁾	563,473	137,257	181,473	354,495	167,243
Special Revenue Funds ⁽³⁾	12,506,574	10,210,370	10,686,400	3,355,073	11,002,752
Plus Other Financing Sources:					
Proceeds from Debt	1,863,504	2,271,279	3,329,339	6,540,041	46,824,935
Operating Transfers In	7,481,576	8,606,913	8,757,254	9,186,118	6,350,019
Operating Transfers Out	(12,446,587)	(10,576,939)	(10,576,939)	(14,613,622)	(13,511,571)
Total Revenues and Other Sources	\$ 126,673,458	\$ 120,895,025	\$ 121,023,553	\$ 121,023,552	\$ 170,780,001
General Government Expenditures:					
General Government	\$ 9,767,997	\$ 11,311,456	\$ 11,346,768	\$ 12,332,196	\$ 12,580,992
Public Safety	50,177,776	52,388,896	53,480,901	54,826,981	56,737,346
Physical Environment	5,652,541	5,682,062	5,562,590	5,757,799	6,546,813
Transportation	9,830,872	10,662,829	10,594,039	10,359,390	11,047,810
Economic Environment	3,402,397	2,912,890	3,277,658	3,639,445	2,766,183
Human Services	162,927	181,199	152,255	156,787	164,557
Culture and Recreation	17,096,301	16,978,064	17,744,340	18,215,386	18,736,157
Capital Outlay	25,935,038	16,015,051	13,857,972	12,584,688	12,119,034
Debt Service	12,028,807	10,146,773	8,261,998	7,664,818	10,890,788
Total General Expenditures	\$ 134,054,656	\$ 126,279,220	\$ 124,278,521	\$ 125,537,490	\$ 131,589,680
Fund Balance - Beginning of FY ⁽⁴⁾	72,921,584	65,540,386	60,184,600	56,929,632	52,658,342
Excess of Revenues and Other Sources Over/(Under)					
Expenditures and Other Uses:	(7,381,198)	(5,355,786)	(3,254,968)	(4,271,290)	39,190,321
Increase (Decrease) in Inventory Reserve					
Fund Balance - End of FY ⁽⁴⁾	65,540,386	60,184,600	56,929,632	52,658,342	91,848,663

(1) The use of such moneys is restricted as provided in the provisions of the respective grants and assistance.

(2) Fines and forfeiture revenues may only be used to pay court related fees and costs.

(3) Represents all other restricted nonad valorem revenues (other than enterprise

(4) Fund balance consists of aggregate balance in General Fund, Special Revenue Funds, and Trust Funds

Source: City of Lakeland, Florida Finance Department. Derived from audited financial statements for Fiscal Years 2011-2015.

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010A

\$48,490,000

**SERIAL BONDS
DATED SEPTEMBER 30, 2010
CUSIP NUMBERS**

511662AV0	511662AW8	511662AX6	511662AY4
511662AZ1	511662BA5	511662BB3	511662BC1
511662BD9	511662BE7	511662BF4	511662BJ6
511662BG2	511662BH0		

PURPOSE

The Series 2010A Bonds were issued for the purpose of providing funds: (i) to currently refund certain loans (“the Sunshine State Loans”) entered into by the City with the Sunshine State Government Financing Commission, which Sunshine State Loans financed various capital improvements within the City; (ii) to refund all of the Series 1997 Capital Improvement bonds, (iii) to fund certain capital projects, and (iv) to pay costs related to the issuance of the Series 2010A Bonds

SECURITY

The Series 2010A Bonds and the interest thereon are payable from and secured by a pledge of Pledged Revenues, consisting of Non-Ad Valorem Revenues Budgeted and appropriated by the City on an annual basis and deposited into the Sinking Fund Account, as well as income received from the investment of moneys deposited in the funds and accounts established pursuant to the Ordinance.

INSURANCE

None.

RATINGS

Moody’s Investors Service: **Aa3** Standard & Poor’s Ratings Services: **NA** Fitch: **AA-**

MANDATORY REDEMPTION

The Series 2010A Bonds are not subject to mandatory redemption.

OPTIONAL REDEMPTION

The Series 2010A Bonds maturing on or before October 1, 2020, are not redeemable prior to their stated dates of maturity. The Series 2010A Bonds maturing on or after October 1, 2021, are subject to redemption prior to their stated dates of maturity, at the option of the City, in whole or in part on any date on or after October 1, 2020 at the redemption prices of 100% of the principal amount redeemed, plus interest accrued to the date of redemption.

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010A (CONTINUED)

AGENTS

Registrar: Bank of New York Trust Mellon Company N.A.,
Jacksonville, Florida
Paying Agent: Bank of New York Trust Mellon Company N.A.,
Jacksonville, Florida
Issuer's Bond Counsel: Holland & Knight LLP, Lakeland Florida
Issuer's Financial Advisor's: RBC Capital Markets Corporation, Jacksonville, Florida
Underwriter: Goldman, Sachs & Co., New York, New York
Underwriter's Counsel: Nabors, Giblin & Nickerson, Tampa, Florida

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

10/01/15	8,185,000	745,681	8,930,681
04/01/16		541,056	541,056
10/01/16	5,645,000	541,056	6,186,056
04/01/17		399,931	399,931
10/01/17	5,925,000	399,931	6,324,931
04/01/18		251,806	251,806
10/01/18	2,855,000	251,806	3,106,806
04/01/19		194,706	194,706
10/01/19	2,970,000	194,706	3,164,706
04/01/20		120,456	120,456
10/01/20	2,015,000	120,456	2,135,456
04/01/21		90,231	90,231
10/01/21	1,350,000	90,231	1,440,231
04/01/22		56,481	56,481
10/01/22	945,000	56,481	1,001,481
04/01/23		28,625	28,625
10/01/23	1,145,000	28,625	1,173,625
	<u>\$ 31,035,000</u>	<u>\$ 4,112,269</u>	<u>\$ 35,147,269</u>

TAXABLE CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010B

\$10,140,000

**TERM BOND
DATED SEPTEMBER 30, 2010
CUSIP NUMBER**

511662AS7

PURPOSE

The Series 2010B Bonds were issued for the purpose of providing funds: (i) to currently refund certain loans (“the Sunshine State Loans”) entered into by the City with the Sunshine State Government Financing Commission, which Sunshine State Loans financed various capital improvements within the City; (ii) to fund certain capital projects, and (iii) to pay costs related to the issuance of the Series 2010B Bonds

SECURITY

The Series 2010B Bonds and the interest thereon are payable from and secured by a pledge of Pledged Revenues, consisting of Non-Ad Valorem Revenues Budgeted and appropriated by the City on an annual basis and deposited into the Sinking Fund Account, as well as income received from the investment of moneys deposited in the funds and accounts established pursuant to the Ordinance.

INSURANCE

None.

RATINGS

Moody’s Investors Service: **Aa3** Standard & Poor’s Ratings Services: **NA** Fitch: **AA-**

MANDATORY REDEMPTION

The Series 2010B Bonds maturing on October 1, 2020 are subject to mandatory sinking fund redemption in part prior to maturity, at a redemption price equal to 100% of the principal amount of the Series 2010B Bonds to be redeemed, commencing October 1, 2011 and on each October 1 thereafter, in the years and in the principal amounts shown below.

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2011	\$ 590,000	2016	\$ 2,115,000
2012	645,000	2017	1,065,000
2013	705,000	2018	1,105,000
2014	765,000	2019	1,140,000
2015	830,000	2020	1,180,000

TAXABLE CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010B (CONTINUED)

MAKE-WHOLE OPTIONAL REDEMPTION

The Series 2010B Bonds are subject to redemption prior to their maturity at the option of the City, in whole or in part at any time (in such manner of selection of maturities as the City shall determine), at a redemption price equal to the greater of:

- (3) 100% of the principal amount of the Series 2010B Bonds to be redeemed; or
- (4) The sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B Bonds are to be redeemed, discounted to the date on which the Series 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, At the Treasury Rate, plus 25 basis points;

Plus, in each case, accrued and unpaid interest on the Series 2010B Bonds to be redeemed to the redemption date.

AGENTS

Registrar: Bank of New York Trust Mellon Company N.A.,
Jacksonville, Florida
Paying Agent: Bank of New York Trust Mellon Company N.A.,
Jacksonville, Florida
Issuer's Bond Counsel: Holland & Knight LLP, Lakeland Florida
Issuer's Financial Advisor's: RBC Capital Markets Corporation, Jacksonville, Florida
Underwriter: Goldman, Sachs & Co., New York, New York
Underwriter's Counsel: Nabors, Giblin & Nickerson, Tampa, Florida

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TAXABLE CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010B (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/01/15	830,000	163,830	993,830
04/01/16		145,541	145,541
10/01/16	2,115,000	145,541	2,260,541
04/01/17		98,937	98,937
10/01/17	1,065,000	98,937	1,163,937
04/01/18		75,470	75,470
10/01/18	1,105,000	75,470	1,180,470
04/01/19		51,121	51,121
10/01/19	1,140,000	51,121	1,191,121
04/01/20		26,001	26,001
10/01/20	1,180,000	26,001	1,206,001
	<u>\$ 7,435,000</u>	<u>\$ 957,972</u>	<u>\$ 8,392,972</u>

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TAXABLE CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2010C
(FEDERALLY TAXABLE - BUILD AMERICA BONDS - DIRECT SUBSIDY)

\$21,115,000

TERM BONDS
DATED SEPTEMBER 30, 2010
CUSIP NUMBERS

511662AT5 511662AU2

PURPOSE

The Series 2010C Bonds were issued for the purpose of providing funds: (i) to finance various capital improvements within the City; (ii) to pay costs related to the issuance of the Series 2010C Bonds

SECURITY

The Series 2010C Bonds and the interest thereon are payable from and secured by a pledge of Pledged Revenues, consisting of Non-Ad Valorem Revenues Budgeted and appropriated by the City on an annual basis and deposited into the Sinking Fund Account, as well as income received from the investment of moneys deposited in the funds and accounts established pursuant to the Ordinance.

INSURANCE

None.

RATINGS

Moody's Investors Service: **Aa3** Standard & Poor's Ratings Services: **NA** Fitch: **AA-**

TAXABLE CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2010C (CONTINUED)

MANDATORY REDEMPTION

The Series 2010C Bonds maturing on October 1, 2030 are subject to mandatory sinking fund redemption in part prior to maturity, at a redemption price equal to 100% of the principal amount of the Series 2010B Bonds to be redeemed, commencing October 1, 2024 and on each October 1 thereafter, in the years and in the principal amounts shown below.

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2024	\$ 1,250,000	2028	\$ 1,425,000
2025	1,305,000	2029	1,480,000
2026	1,320,000	2030	1,525,000
2027	1,370,000		

The Series 2010C Bonds maturing on October 1, 2040 are subject to mandatory sinking fund redemption in part prior to maturity, at a redemption price equal to 100% of the principal amount of the Series 2010B Bonds to be redeemed, commencing October 1, 2031 and on each October 1 thereafter, in the years and in the principal amounts shown below.

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2031	\$ 1,445,000	2036	\$ 1,000,000
2032	1,500,000	2037	1,040,000
2033	1,190,000	2038	1,080,000
2034	930,000	2039	1,120,000
2035	965,000	2040	1,170,000

EXTRAORDINARY MAKE-WHOLE OPTIONAL REDEMPTION

The Series 2010C Bonds are subject to extraordinary optional redemption on any business day prior to their maturity at the option of the City, in whole or in part at any time (in such manner of selection of maturities as the City shall determine), upon the occurrence of an Extraordinary Event at a redemption price equal to the greater of:

- (1) 100% of the principal amount of the Series 2010C Bonds to be redeemed; or
- (2) The sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010C Bonds are to be redeemed, discounted to the date on which the Series 2010C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, At the Treasury Rate, plus 25 basis points;

Plus, in each case, accrued and unpaid interest on the Series 2010C Bonds to be redeemed to the redemption date.

The Extraordinary Event so referenced relates to future changes in the federal Build America Bond program that would adversely affect the City, including but not limited to the City's continued receipt of the federal subsidies provided for under the program.

TAXABLE CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2010C (CONTINUED)

AGENTS

Registrar: Bank of New York Trust Mellon Company N.A.,
Jacksonville, Florida
Paying Agent: Bank of New York Trust Mellon Company N.A.,
Jacksonville, Florida
Issuer's Bond Counsel: Holland & Knight LLP, Lakeland Florida
Issuer's Financial Advisor's: RBC Capital Markets Corporation, Jacksonville, Florida
Underwriter: Goldman, Sachs & Co., New York, New York
Underwriter's Counsel: Nabors, Giblin & Nickerson, Tampa, Florida

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TAXABLE CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2010C (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT*

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
10/1/2015		631,674	631,674
4/1/2016		631,674	631,674
10/1/2016		631,674	631,674
4/1/2017		631,674	631,674
10/1/2017		631,674	631,674
4/1/2018		631,674	631,674
10/1/2018		631,674	631,674
4/1/2019		631,674	631,674
10/1/2019		631,674	631,674
4/1/2020		631,674	631,674
10/1/2020		631,674	631,674
4/1/2021		631,674	631,674
10/1/2021		631,674	631,674
4/1/2022		631,674	631,674
10/1/2022		631,674	631,674
4/1/2023		631,674	631,674
10/1/2023		631,674	631,674
4/1/2024		631,674	631,674
10/1/2024	1,250,000	631,674	1,881,674
4/1/2025		594,618	594,618
10/1/2025	1,305,000	594,618	1,899,618
4/1/2026		555,931	555,931
10/1/2026	1,320,000	555,931	1,875,931
4/1/2027		516,800	516,800
10/1/2027	1,370,000	516,800	1,886,800
4/1/2028		476,186	476,186
10/1/2028	1,425,000	476,186	1,901,186
4/1/2029		433,942	433,942
10/1/2029	1,480,000	433,942	1,913,942
4/1/2030		390,067	390,067
10/1/2030	1,525,000	390,067	1,915,067
4/1/2031		344,859	344,859
10/1/2031	1,445,000	344,859	1,789,859
4/1/2032		301,299	301,299
10/1/2032	1,500,000	301,299	1,801,299
4/1/2033		256,082	256,082
10/1/2033	1,190,000	256,082	1,446,082
4/1/2034		220,209	220,209
10/1/2034	930,000	220,209	1,150,209

CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2012A

\$15,983,000

**TERM NOTE
DATED DECEMBER 20, 2012**

**CUSIP NUMBERS
NA**

PURPOSE

The Series 2012A Note was issued for the purpose of providing funds: (i) to refund the City's outstanding Utilities Tax Revenue Refunding Bonds, Series 2002A and 2002B; (ii) to pay costs related to the issuance of the Series 2012A Note.

SECURITY

The Series 2012A Note and the interest thereon are payable from and secured by a pledge of Pledged Revenues, consisting of Non-Ad Valorem Revenues Budgeted and appropriated by the City on an annual basis and deposited into the Sinking Fund Account, as well as income received from the investment of moneys deposited in the funds and accounts established pursuant to the Ordinance.

The Notes were issues as a private placement and purchased by PNC Bank, NA.

INSURANCE

None.

RATINGS

NA

CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2012A (CONTINUED)

MANDATORY REDEMPTION

The principal of Series 2012A Note is payable in annual installments in the amounts and on the dates set forth below:

<u>Payment Date</u> <u>(October 1)</u>	<u>Payment Amount</u>
2013	\$ 933,000
2014	1,296,000
2015	1,321,000
2016	1,347,000
2017	1,370,000
2018	1,875,000
2019	1,908,000
2020	1,943,000
2021	1,977,000
2022	2,013,000

OPTIONAL REDEMPTION

The Series 2012A Note is subject to prepayment, in whole or in part, on any date at the option of the City, at a Prepayment Price (as defined in the applicable Ordinance), plus interest accrued on the amount being prepaid to the date of prepayment.

AGENTS

Registrar: City of Lakeland, Lakeland, Florida
Paying Agent: City of Lakeland, Lakeland, Florida
Issuer's Bond Counsel: Holland & Knight LLP, Lakeland Florida
Issuer's Financial Advisor: RBC Capital Markets Corporation, Jacksonville, Florida
Registered Holder: PNC Bank, National Association
Bank's Counsel: Bryant Miller Olive, P.A.

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CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2012A (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

Date	Maturity	Interest	Total
1-Oct-15	1,321,000	120,348	1,441,348
1-Apr-16		108,789	108,789
1-Oct-16	1,347,000	108,789	1,455,788
1-Apr-17		97,003	97,003
1-Oct-17	1,370,000	97,003	1,467,003
1-Apr-18		85,015	85,015
1-Oct-18	1,875,000	85,015	1,960,015
1-Apr-19		68,609	68,609
1-Oct-19	1,908,000	68,609	1,976,609
1-Apr-20		51,914	51,914
1-Oct-20	1,943,000	51,914	1,994,914
1-Apr-21		34,913	34,913
1-Oct-21	1,977,000	34,913	2,011,913
1-Apr-22		17,614	17,614
1-Oct-22	2,013,000	17,614	2,030,614
	<hr/>	<hr/>	<hr/>
	\$13,754,000	\$1,045,062	\$14,802,061

CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2012B

\$1,625,000

DATED DECEMBER 20, 2012

CUSIP NUMBERS

NA

PURPOSE

The Series 2012B Note was issued for the purpose of providing funds: (i) to refund the City's outstanding Tourist Development Tax and Utilities Tax Refunding Bonds, Series 2002C; (ii) to pay costs related to the issuance of the Series 2012B Note.

SECURITY

The Series 2012B Note and the interest thereon are payable from and secured by a pledge of Pledged Revenues, consisting of Non-Ad Valorem Revenues Budgeted and appropriated by the City on an annual basis and deposited into the Sinking Fund Account, as well as income received from the investment of moneys deposited in the funds and accounts established including certain Tourist Development Tax Revenues pursuant to the Ordinance.

The Notes were issued through a private placement and purchased by PNC Bank, NA.

INSURANCE

None.

RATINGS

NA

CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2012B (CONTINUED)

MANDATORY REDEMPTION

The Series 2012B Note is payable in annual installments in the amounts and on the dates set forth below:

<u>Payment Date (October 1)</u>	<u>Payment Amount</u>
2013	\$ 250,000
2014	340,000
2015	340,000
2016	345,000
2017	350,000

OPTIONAL REDEMPTION

The Series 2012B Note is subject to prepayment, in whole or in part, on any date at the option of the City, at a Prepayment Price (as defined in the applicable Ordinance), plus interest accrued on the amount being prepaid to the date of prepayment.

AGENTS

Registrar:	City of Lakeland, Lakeland, Florida
Paying Agent:	City of Lakeland, Lakeland, Florida
Issuer's Bond Counsel:	Holland & Knight LLP, Lakeland Florida
Issuer's Financial Advisor's:	RBC Capital Markets Corporation, Jacksonville, Florida
Registered Holder:	PNC Bank, National Association
Bank's Counsel:	Bryant Miller Olive, P.A.

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CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2012B (CONTINUED)

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

Date	Maturity	Interest	Total
1-Oct-15	1,321,000	20,796	1,323,470
1-Apr-16		13,993	13,993
1-Oct-16	1,347,000	13,993	1,377,056
1-Apr-17		7,056	7,056
1-Oct-17	1,370,000	7,056	1,467,003
	<u>\$4,038,000</u>	<u>\$62,894</u>	<u>\$4,188,578</u>

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CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2015

\$51,465,000

**SERIAL BONDS
DATED MAY 20, 2015
CUSIP NUMBERS**

511662CE6	511662BL1	511662BM9	511662BN7
511662BP2	511662BQ0	511662BR8	511662BS6
511662BT4	511662BU1	511662BV9	511662BW7
511662BX5	511662BY3	511662BZ0	511662CA4
	511662CB2		

TERM BONDS

511662CC0 & 511662CD8

PURPOSE

The Series 2015 Bonds were issued for the purpose of providing funds: (i) to finance various capital improvements within the City, including but not limited to improvements to Joker Marchant Stadium; and (ii) to pay costs related to the issuance of the Series 2015 Bonds

SECURITY

The Series 2015 Bonds and the interest thereon are payable from and secured by a pledge of Pledged Revenues, consisting of Non-Ad Valorem Revenues Budgeted and appropriated by the City on an annual basis and deposited into the Sinking Fund Account, as well as income received from the investment of moneys deposited in the funds and accounts established pursuant to the Ordinance.

INSURANCE

None.

RATINGS

Moody's Investors Service: **Aa3** Standard & Poor's Ratings Services: **NA** Fitch: **AA-**

MANDATORY REDEMPTION

The Series 2015 Bonds maturing on October 1, 2033, are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount of the Series 2015 Bonds to be redeemed, commencing October 1, 2032 and on each October 1 thereafter, in the years and in the principal amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2032	\$2,685,000
2033*	2,800,000

*maturity

The Series 2015 Bonds maturing on October 1, 2036, are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount of the Series 2015 Bonds to be redeemed, commencing October 1, 2034 and on each October 1 thereafter, in the years and in the principal amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2034	\$2,895,000
2035	3,010,000
2036*	2,320,000

*maturity

OPTIONAL REDEMPTION

The Series 2015 Bonds maturing on or before October 1, 2024, are not redeemable prior to their stated dates of maturity. The Series 2015 Bonds maturing on or after October 1, 2025, are subject to redemption prior to their stated dates of maturity, at the option of the City, in whole or in part on any date on or after April 1, 2025 at the redemption prices of 100% of the principal amount redeemed, plus interest accrued to the date of redemption.

AGENTS

Registrar:	Bank of New York Trust Mellon Company N.A., Jacksonville, Florida
Paying Agent:	Bank of New York Trust Mellon Company N.A., Jacksonville, Florida
Issuer's Bond Counsel:	Holland & Knight LLP, Lakeland Florida
Issuer's Financial Advisor's:	RBC Capital Markets Corporation, Jacksonville, Florida
Underwriter:	Goldman, Sachs & Co., New York, New York
Underwriter's Counsel:	Nabors, Giblin & Nickerson, Tampa, Florida

Maturity	Principal	Interest	Total
1-Oct-15	30,000	881,171	911,171
1-Apr-16	-	1,210,469	1,210,469
1-Oct-16	815,000	1,210,469	2,025,469
1-Apr-17	-	1,190,094	1,190,094
1-Oct-17	2,040,000	1,190,094	3,230,094
1-Apr-18	-	1,139,094	1,139,094
1-Oct-18	2,640,000	1,139,094	3,779,094
1-Apr-19	-	1,073,094	1,073,094
1-Oct-19	4,375,000	1,073,094	5,448,094
1-Apr-20	-	963,719	963,719
1-Oct-20	4,330,000	963,719	5,293,719
1-Apr-21	-	855,469	855,469
1-Oct-21	1,785,000	855,469	2,640,469
1-Apr-22	-	810,844	810,844
1-Oct-22	1,870,000	810,844	2,680,844
1-Apr-23	-	764,094	764,094
1-Oct-23	1,965,000	764,094	2,729,094
1-Apr-24	-	714,969	714,969
1-Oct-24	2,060,000	714,969	2,774,969
1-Apr-25	-	663,469	663,469
1-Oct-25	2,035,000	663,469	2,698,469
1-Apr-26	-	612,594	612,594
1-Oct-26	-	1,705,000	588,656
1-Oct-26	2,075,000	612,594	2,687,594
1-Apr-27	-	560,719	560,719
1-Oct-27	2,180,000	560,719	2,740,719
1-Apr-28	-	506,219	506,219
1-Oct-28	2,215,000	506,219	2,721,219
1-Apr-29	-	450,844	450,844
1-Oct-29	2,325,000	450,844	2,775,844
1-Apr-30	-	392,719	392,719
1-Oct-30	2,445,000	392,719	2,837,719
1-Apr-31	-	331,594	331,594
1-Oct-31	2,570,000	331,594	2,901,594
1-Apr-32	-	267,344	267,344
1-Oct-32	2,685,000	267,344	2,952,344
1-Apr-33	-	217,000	217,000
1-Oct-33	2,800,000	217,000	3,017,000
1-Apr-34	-	164,500	164,500
1-Oct-34	2,895,000	164,500	3,059,500
1-Apr-35	-	106,600	106,600
1-Oct-35	3,010,000	106,600	3,116,600
1-Apr-36	-	46,400	46,400
1-Oct-36	2,320,000	46,400	2,366,400
	<u>\$ 52,395,000</u>	<u>\$ 30,600,052</u>	<u>\$ 81,878,708</u>

TAXABLE CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2015

**DATED
SEPTEMBER 29, 2015**

\$5,000,000

**CUSIP NUMBERS
NA**

PURPOSE

The Series 2015 Notes were issued for the principal purpose of: (i) refunding a portion of the City's outstanding Capital Improvement Revenue and Refunding Bonds, Series 2010A; and (ii) paying certain costs and expenses related to the issuance of the Series 2015 Notes.

SECURITY

The Series 2015 Notes and the interest thereon are payable from and secured by a pledge of Pledged Revenues, consisting of Non-Ad Valorem Revenues Budgeted and appropriated by the City on an annual basis and deposited into the Sinking Fund Account, as well as income received from the investment of moneys deposited in the funds and accounts established pursuant to the Ordinance.

The Series 2015 Bonds were issued through a direct placement and were purchased by the Bank of America, N.A..

INSURANCE

The City has not purchased bond insurance or any other form of credit enhancement for the 2014 Bonds.

RATINGS

NA

OPTIONAL REDEMPTION

The Series 2015 Notes are subject to redemption, in whole or in part, on or after September 1, 2016, without penalty on any interest payment date.

TAXABLE CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2015 (CONTINUED)

AGENTS

Registrar: City of Lakeland
Paying Agent: City of Lakeland
Trustee: NA
Calculation Agent: Bank of America, N.A.
Issuer's Bond Counsel: Holland & Knight LLP, Lakeland, Florida
Issuer's Financial Advisors: RBC Capital Markets, Jacksonville, Florida
Managing Underwriter: NA
Purchaser's Counsel: Mark E. Raymond

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENT

The Series 2015 Notes pay a variable rate of interest that is equal to the one-month LIBOR index plus a fixed rate spread, as shown below. Interest is calculated and paid on a monthly basis.

<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>
10/1/2020	\$ 5,000,000	LIBOR Rate + 1.15%

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GLOSSARY OF TERMINOLOGY

ACCRUED INTEREST

The interest that has accumulated since the last interest payment up to, but not including, the settlement date and that is added to the contract price of a bond transaction. There are two methods for calculating accrued interest: the 30-day-month (360-day-year) method for corporate and municipal bonds, and the actual-calendar-days (365-day-year) method for government bonds. Income bonds, bonds in default and zero-coupon bonds trade without accrued interest.

ADVANCE REFUNDING

The refinancing of an existing municipal bond issue prior to its maturity or call date by using funds from the sale of a new bond issue. The proceeds of the new bond issue are used to purchase government securities, and the municipality puts the principal and interest received from these securities into an escrow account; it then uses these funds to pay off the original bond issue at the first call date.

AMBAC INDEMNITY CORPORATION (AMBAC)

A corporation that offers insurance on the timely payment of principal and interest obligations of municipal securities. Bonds insured by AMBAC usually receive an AAA rating from rating services.

BOND

A legal obligation (debt) of an issuing company or government to repay the principal of a loan to bond investors at a specified future date.

BOND COUNSEL

A lawyer or law firm experienced in the matters relating to the validity of, and the exclusion from gross income for federal income tax purposes of interest on, obligations of states and their political subdivisions.

BOND PURCHASE AGREEMENT

The agreement between the issuer of bonds and the underwriter or underwriters, who have agreed to purchase the bonds, setting forth the terms of the sale, including the price of the bonds, any premium or discount, the interest rate or rates, the conditions of closing, any restrictions on the liability of the issuer, and, occasionally, indemnity provisions if there is not a separate indemnity letter or agreement. (Also called “contract of purchase” or “underwriting agreement”)

BOND RATINGS

Evaluations by independent rating services of a bond’s investment quality and credit worthiness.

BONDHOLDER

The registered owners, or their authorized representatives, of Bonds.

BROKER-DEALER (BD)

A person or firm in the business of buying and selling securities. A firm may act as both broker (agent) and dealer (principal) but not in the same transaction. Broker-dealers normally must register with the SEC, the appropriate SRO's and with any state in which they do business.

CALL FEATURES

Provisions for the redemption by the issuer of a bond or bonds prior to the stated maturity of the securities. Provisions may be either mandatory or exercisable at the option of the issuer.

CALL PREMIUM

A dollar amount, usually stated as a percentage of the principal amount called, paid as a "penalty" or a "premium" for the exercise of a call provision.

CALLABLE BOND

A bond which may be redeemed by the issuer on specified date(s) prior to maturity.

CLOSING DATE

The date on which a new bond issue is delivered to the purchaser upon payment of the purchase price and the satisfaction of all conditions specified in the bond purchase agreement.

COMMITTEE ON UNIFORM SECURITIES IDENTIFICATION PROCEDURES (CUSIP)

A committee that assigns identification numbers and codes to all securities, to be used when recording all buy or sell orders.

COST OF ISSUANCE

The costs associate with the sale of a security, including printing, legal fees, cost of ratings, and other items.

COVENANTS

Pledges made by an issuer in regards to the operation of a project, system, or enterprise of the issuer. Such pledges are of interest to the bondholder as they assure that certain practices will be followed or avoided by the issuer.

COVERAGE

The margin of safety for payment of debt service, reflecting the number of times by which the annual revenues, either gross or net, exceed the annual debt service.

DIGITAL ASSURANCE CERTIFICATION (DAC)

An Ernst & Young LLP Company, that specializes exclusively in investor relations programs and compliance reporting for the municipal securities industry. DAC has a compliance reporting platform which assists issuers and other market participants in the required disclosures in accordance with SEC Rule 15c2-12, as amended.

DEALER

An individual or firm that is engaged in the business of buying and selling securities for its own account, either directly or through a broker or a firm or an individual who acts as a principal and charges the customer a markup or markdown.

DEBT FINANCING

Raising money for working capital or for capital expenditures by selling bonds, bills, or notes to individual or institutional investors.

DEBT SERVICE

Required payments for interest on and retirement of the principal amount of a debt obligation.

DEBT SERVICE ACCOUNT

The account used to pay a municipal revenue bond's semiannual interest and principal maturing in the current year; it also serves as a sinking fund for term issues.

DEBT SERVICE RESERVE FUND

The account into which funds are deposited to pay one year's debt service on a municipal revenue bond.

DEBT SERVICE SCHEDULE

A table outlining the retirement of bonded debt over a specified period of time, providing for annual or semi-annual payments of principal and interest to extinguish the debt.

DEFAULT

Failure by the issuer to pay principal or interest promptly when due or failure to fulfill other covenants previously agreed to.

DEFEASANCE

The termination of a debt obligation by issuing a new debt issue or creating a trust that generates enough cash flow to provide for the payment of principal and interest.

DENOMINATION

The face or dollar amount for bonds which are issued.

DISCOUNT

The difference between the lower price paid for a security and the security's face amount at issue.

DISCOUNT BOND

A bond that sells for a lower price than its face value.

EFFECTIVE DATE

The date the registration of an issue of securities becomes effective, allowing the underwriters to sell the newly issued securities to the public and confirm sales to investors who have given indications of interest.

END OF UNDERWRITING PERIOD

The latter of (i) the time the issuer of the municipal securities delivers the securities to the Participating Underwriters or (ii) the Participating Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the securities for sale to the public.

EXEMPT SECURITY

A security exempt from the registration requirements (although not from the antifraud requirements) of the Securities Act of 1933.

FACE VALUE

The dollar amount the issuer promises to pay the bondholder at maturity. Also called the par value.

FINAL OFFICIAL STATEMENT

A document or set of documents prepared by an issuer of municipal securities or its representatives that is complete as of the date delivered to the Participating Underwriter(s) and that sets forth information concerning the terms of the proposed issue of securities; information, including financial information or operating data, concerning such issuers of municipal securities and those other entities, enterprises, funds, accounts, and other persons material to an evaluation of the offering.

FINANCIAL ADVISOR

A consultant to an issuer of municipal securities who provides the issuer with advice with respect to the structure, timing, terms, or other similar matters concerning a new issue of securities.

FINANCIAL GUARANTY INSURANCE CORPORATION (FGIC)

An insurance company that offers insurance on the timely payment of interest and principal on municipal issues and unit investment trusts.

FINANCIAL SECURITY ASSURANCE, INC (FSA)

An insurance company that offers insurance on the timely payment of interest and principal on municipal issues and unit investment trusts.

FITCH INVESTORS SERVICE, INC

A rating service for corporate bonds, municipal bonds, commercial paper, and other debt obligations.

GENERAL OBLIGATION BOND (GO)

A bond secured by the pledge of the issuer's full faith, credit, and, usually, taxing power, which may be an unlimited ad valorem tax or a limited tax on real estate and personal property.

INDUSTRIAL DEVELOPMENT REVENUE BOND (IDB)

A debt security issued by a municipal authority, which uses the proceeds to finance the construction or purchase of facilities to be leased or purchased by a private company. The bonds are backed by the credit of the private company, which is ultimately responsible for principal and interest payments.

INSTITUTIONAL INVESTOR

A person or organization that trades securities in large enough share quantities or dollar amounts that it qualifies for preferential treatment and lower commissions. An institutional order can be of any size. Institutional investors are covered by fewer protective regulations because it is assumed that they are more knowledgeable and better able to protect themselves.

INSURANCE COVENANT

A provision of a municipal revenue bond's trust indenture that helps ensure the safety of the issue by promising to insure the facilities built.

INSURED BOND

A bond insured as to timely payment of principal, interest, and premium by private insurers.

INVESTMENT BANKER

A broker/dealer firm that underwrites new issues and provides financial counseling to issuers of securities. (underwriter)

ISSUER

A legal entity that borrows money through the issuance of debt obligations specified in section 3(a)(29) and rule 3b-5(a) of the Act.

MATERIAL INFORMATION

Any information or fact that could affect an investor's decision to trade a security.

MATURITY

The date upon which the principal of a municipal bond becomes due and payable to the bondholders.

MOODY'S INVESTORS SERVICES

A rating service for corporate bonds, municipal bonds, commercial paper, and other debt obligations.

MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION (MBIA)

A corporation that offers insurance on the timely payment of principal and interest obligations of municipal securities. Bonds insured by MBIA usually receive an AAA rating from rating services.

MUNICIPAL BONDS

Debt obligations issued by states, counties, cities, political subdivisions, and territories of the United States.

MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB)

A self-regulatory organization that regulates the issuance and trading of municipal securities. The Board functions under the supervision of the Securities and Exchange Commission; it has no enforcement powers.

NET DIRECT DEBT

The amount of debt obligations of a municipality, including general obligation bonds, notes, and short term notes. Self-supported debt from revenue bond issues is not included.

NON-CALLABLE BOND

A bond that cannot be called for redemption at the option of the issuer before its specified maturity date.

PAR

The dollar amount assigned to a security by the issuer. For a municipal security, the amount repaid to the investor when the bond matures.

PARITY BONDS

Municipal bonds which enjoy the same lien position as previously outstanding bonds.

PAYMENT DATE

The date at which the interest of a municipal bond is due to the bondholder.

PLEGGED REVENUES

Those revenues of an entity which are designated for the repayment of debt obligations.

PREMIUM

The amount by which the cost price (market value) exceeds the principal amount of a municipal bond.

PRINCIPAL

The face amount or par value of a municipal bond, exclusive of accrued interest.

PRIMARY OFFERING

An offering of municipal securities directly or indirectly by or on behalf of an issuer of such securities, including any remarketing of municipal securities (i) that is accompanied by a change in the authorized denomination of such securities from \$100,000 or more to less than \$100,000, or (ii) that is accompanied by a change in the period during which such securities may be tendered to an issuer of such securities or its designated agent for redemption or purchase from a period of nine months or less to a period of more than nine months.

RATE COVENANT

A covenant requiring the charging of rates or fees for the use of specific facilities or operations sufficient to achieve a stated minimum coverage.

RATING AGENCY

A nationally recognized agency that rates securities for safety of payment of principal, interest, or dividends at the request of the issuer.

RATING CATEGORY

One of the generic rating categories of any nationally recognized securities rating agency without regard to any refinement or graduation of such rating by a numerical modifier or otherwise.

REFUNDING

The retiring of a bond issue at the earliest call date or at maturity with funds from a new issue.

REGISTERED BOND

A bond which has a name printed on the certificate identifying the owner. The owner is “registered” with the issuer or its agent, either as to both principal and interest, or as to principal only.

REGISTRAR

The issuer or agent designated by the issuer, by ordinance or resolution, to maintain the registration books for the Bond issued or to perform other duties with respect to registering the transfer of Bonds.

RESERVE FUND

A fund that may be used to pay debt service if the pledged revenue sources do not generate sufficient funds to cover debt service.

REVENUE BOND

A bond secured by a pledged source of revenue.

SENIOR LIEN DEBT

A bond issue that shares the same collateral as other issues, but has a prior claim to the collateral in the event of default.

SERIAL BOND

A bond that has a series of maturities at intervals during the term of the bond.

STANDARD & POORS CORPORATION (S&P)

An independent company that rates stock and corporate and municipal bonds according to risk profiles and produces and tracks the S&P indexes.

SUBORDINATED DEBT FINANCING

A form of long-term capitalization used by broker/dealers, in which claims of lenders are subordinated to the claims of other creditors.

TAXABLE BOND

Bonds on which the interest at the time of issuance is not intended to be excluded from the gross income of the holders for federal tax purposes.

TAX-EXEMPT BOND

A municipal bond, the interest on which is exempt from Federal Income Tax.

TERM BOND

A municipal bond issue that has a single maturity.

TRUSTEE

A person or organization legally appointed to act on behalf of a beneficiary.

TRUST AGREEMENT

An agreement between an issuer and a trustee acting on behalf of bondholders, (i) authorizing and securing the bonds; (ii) containing the issuer's covenants and obligations with respect to the project and payment of debt service; (iii) specifying the events of default; and (iv) outlining the trustee's fiduciary responsibilities and bondholders' rights.

UNDERWRITER

Any person or firm that purchases from an issuer of municipal securities, or offers or sells for an issuer of municipal securities in connection with, the offering of any municipal security, or participates or has a direct or indirect participation in any such undertaking; except, that such term shall not include a person whose interest is limited to a commission, concession, or allowance from an underwriter, broker, dealer, or municipal securities dealer not in excess of the usual and customary distributors' or sellers' commission, concession, or allowance.

UNDERWRITERS' COUNSEL

A law firm engaged to represent the interests of the underwriters of a security issue.

VARIABLE RATE BOND

Bonds issued with a variable, adjustable, convertible, or other similar interest rate which is not fixed in percentage at the date of issue for the entire term thereof.

YIELD

The net rate of return on an investment based on an annual interest rate over the term of the security. Also called yield to maturity.

ZERO COUPON BOND/CAPITAL APPRECIATION BOND

A bond which pays no interest that is purchased or traded at a deep discount, with the full face value redeemed at maturity.



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