



The Long-Range Planning section begins with an analysis of the current financial environment, in addition to a Financial Condition Overview of the City, our Revenue Sources, Financial Strategy and Debt Management Overview.

City of Lakeland, Florida

Annual Budget

Fiscal Year 2021

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Long-Range Planning Overview

This section outlines the elements of the long-range financial planning process.

First, a new Strategic Plan for the City, beginning with Fiscal Year 2021, was developed. The Strategic Plan is the outcome of the City Commission Retreat and contains the eight Target Areas the City will focus on in the long and short-term. The Strategic Plan also ties the Vision, Mission, and Core Values of the City to the Strategic Objectives and Prioritized Initiatives of each Target Area.

The Environmental Scan, which follows the Strategic Plan, is an overview of the economic and developmental forces at work in the community, as well as information regarding changes in the demographic, technological, legislative, and service demand areas. During the Environmental Scan, departments also look outside our organization at other cities and private sector competitors to evaluate levels of service and operational strategies. The City believes in utilizing standard best practices to model our systems.

A Debt Management Overview is provided with brief explanations of debt purposes and debt trends. Based on our Strategic Plan, Environmental Scan, and Financial Forecasts, we have created a financial strategy for the short-term, that positions us to be in the best position for long-term trends and conditions.

All the tools noted are used in the development of the Financial Health summary. This section attempts to anticipate the impacts of a changing environment as well as plan for future operational and capital expenditures.



Environmental Scan – Demographic Trends

Please Note: The economic indicators and information contained in the Environmental Scan was prepared before March 9, 2020, and the emergence of the COVID-19 coronavirus outbreak in the United States. This disease and our “new normal” will have an impact on all of the local and national economic measures highlighted.

Demographic Trends

In 2019, the University of Florida’s Bureau of Economic and Business Research (BEBR) estimated the City of Lakeland’s population to be 107,552, making Lakeland the 21st most populated city in Florida. This estimate depicts a nominal but steady increase from the 2010 U.S. Census estimate of 97,422. Supporting a healthy job and housing market, Lakeland is continuing to grow at a pace of more than 1% per year. With the consistent pattern of residential construction, Lakeland’s population has grown by 37% from the 2000 decennial census which estimated the City’s population to be 78,452.

Households and Families

The U.S. Census Bureau QuickFacts for 2018 estimated that there were 40,938 occupied housing units in Lakeland, of which, 54.9% were owner-occupied and 45.1% were renter-occupied. There were 8,434 vacant units, with a homeowner vacancy rate of 4.2% and a rental vacancy rate of 10.1%. The average Lakeland owner-occupied household size during this period was 2.47 people while the average family size was 3.15. Also, in 2018, the median age of residents in Lakeland was estimated to be 41.1.

Income

The 2018 QuickFacts estimated Lakeland's median household income at \$44,313 while the personal per capita income for Lakeland was estimated at \$35,463 for 2018 (*these figures are based upon 2018 inflation-adjusted dollars*).

Per Capita Personal Income

Year	Lakeland	Florida
2010	\$32,893	\$38,473
2011	\$34,873	\$40,215
2012	\$33,647	\$41,041
2013	\$34,393	\$41,497
2014	\$32,652	\$42,737
2015	\$33,723	\$44,429
2016	\$34,199	\$45,953
2017	\$34,213	\$47,648
2018	\$35,463	\$50,070

Figure C-1: Per Capita Income

Environmental Scan – Demographic Trends

Cultural Factors

As Lakeland’s population continues to expand well beyond the 100,000 mark, the City is also seeing shifts in its diversity. The 2018 QuickFacts data from the U.S. Census shows, 97.9% of Lakeland’s residents reported themselves as being of one race. Within this one race category, 72.5% were white, 20.6% were African American, 0.3% were American Indian or Alaska Native, 0.1% were Native Hawaiian or Pacific Islander, 2.4% were Asian, and 2.1% listed other as a race. As part of the City’s total population, the 2018 QuickFacts estimates there are 17,247 Hispanics or Latinos of any race embedded within the total figure. This number represents 15.6% of the City’s total population, which is a 28.3% increase in Lakeland’s Hispanic population since the 2010 U.S. Census.

Educational Attainment

With several public and private colleges located within the Lakeland Electric Service Area and the accessibility of online learning, Lakeland has seen a marked increase in the educational attainment of its residents. The 2018 Census QuickFacts shows that 88.8% of Lakeland residents over the age of 25 had graduated from high school. This marked a 11.4% increase from the 79.2% number that was recorded in the 2000 Census. The 2018 survey also reported that 26.3% of Lakeland’s residents over age 25 had a bachelor’s degree or higher.

Unemployment Rates for People Age 25 and Older by Educational Attainment
Source: Bureau of Labor Statistics, January 2020

Unemployment rates for people age 25 and older by educational attainment

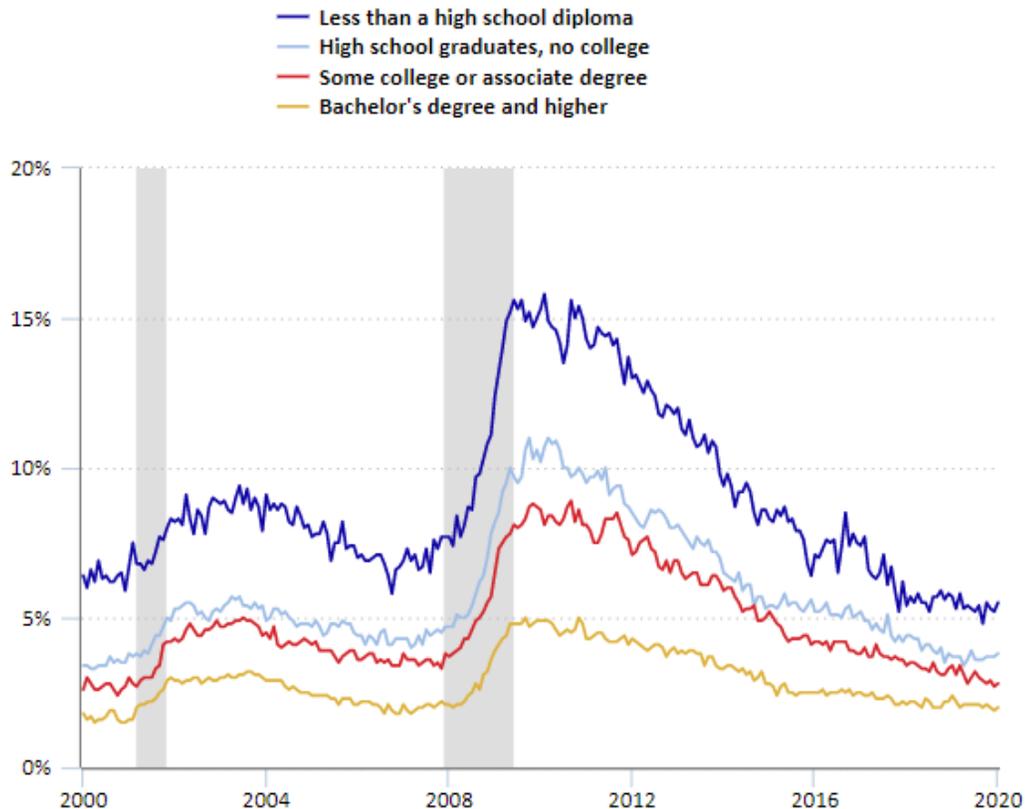


Figure C-2: Unemployment Rate by Educational Attainment

Environmental Scan – Land Development

Land Development Trends

Single-Family Residential

Residential construction in Lakeland continues to be very active. Lakeland issued 361 new single-family permits and 844 multi-family permits in 2019. This marks a slight year-over-year decrease from 2018 for single-family permits and a sharp increase for multi-family permits. Single-family permitting in Lakeland has averaged more than 300 new permits annually over the past 5-years, while multi-family has averaged just over 200 annually. Based on the highs and lows of the single-family residential market in Lakeland over the past 25 years, it is widely believed that a healthy market in Lakeland could support 150-200 new single-family permits per year. As we grow beyond that number, Lakeland's market is demonstrating a great deal of core strength as the market signals an expanding pattern for residential development. Prior to the housing crash in the late 2000's, Lakeland averaged more than 350 single family permits per year from 2002-2008. During this period, inflated values and accessible financing drove up the volume of housing units as prices rose to a seemingly sudden and unmanageable peak. Understanding the combined cyclical effects of a historic recession and stagnant unemployment, economists are now seeing a recovery in Lakeland's residential real estate market that is both consistent and sustainable.

Consistent with new single-family construction, Lakeland's residential resale market is busy. 2019 was marked as the most active real estate resale year over the past two decades, with 4,483 residential units being sold. Balancing this growth, the total units sold in 2019 marked a 141% increase from the markets most recent lowest point which was recorded in 2008. This increase in the number of homes sold has also impacted the price of existing homes. In Lakeland, the average purchase price for a home in 2019 was \$225,302, which was a 11.1% year-over-year increase from the prior year.

In 2008, when the real estate bubble burst and the market crash followed, the Lakeland Association of Realtors (LAR) reported the local real estate market had peaked with over 3,500 existing homes for sale within the current inventory. With a statistically steady number of buyers, and a defined number of homes for sale, it was estimated that Lakeland's residential real estate market had compiled almost 30 months of inventory during that period. Conversely, by the close the 2019 calendar year, the residential resale market accelerated to a level that may become difficult to maintain. With current inventory levels 47% below where they were just three years ago, Lakeland's 842 existing units for sale in December of 2019 represent a market inventory of just 2.3 months. Demand for existing inventory and new construction have enhanced the local housing market. Steady home sales and increasing market prices have solidified a turn towards a more level foundation that typically promotes a healthy and consistent residential market.

With this momentum, most economists agree that the residential real estate market reached its bottom in late 2012 and, moving forward, stabilization and growth may become the new normal. Key statistics outlining real estate valuations, sales transactions, and new construction starts all point to local and regional growth. Complimenting these trends, mortgage interest rates are decreasing, unemployment rates are historically low, and banks continue to loosen restrictions related to lending money. All of these factors look to be positive in repositioning Lakeland's residential market for continued growth.

Environmental Scan – Land Development

Commercial and Industrial Properties

Lakeland's industrial market is heavily reliant on job growth. Leasing activity in Lakeland's industrial market remained steady during 2019, similar to the accelerated pace seen over the past several years. Vacancy rates have surged to 7.0% which surpassed a 10-year post recession high. This increase can be attributed to the amount of new speculative warehouse projects that have been completed without a tenant in place. Analysts project that Lakeland's industrial market is positioned well, demonstrating strengths in both affordability and absorption. In 2019, Lakeland experienced more than 1.6 million square feet of new space delivered, making this one of the most active years since 2016. With many new industrial projects under construction and planned, 2020 should be another active year. The influx of new space should help vacancy rates remain stable as new inventory is constructed and demand increases.

With all of the new inventory being added, I-4 continues to be a primary attractor for tenants locating to and expanding within the region to add new jobs. Unemployment rates within Lakeland continued to decline, with the year-end rate for 2019 dropping to 3.7%, which is 0.3% less than the 2018 rate and 1.1% less than the recorded rate for 2017. Lakeland's industrial market continued to expand as many organizations add jobs and make investments in new and existing facilities. The Lakeland MSA added 7,214 new jobs from January of 2019 to January of 2020. From a percentage standpoint, several industry sectors experienced positive year-over-year gains, the most substantial coming in construction, warehousing, and financial activities. These employment sectors grew cumulatively by 23% from January 2019 to January of 2020, with 2,900 new jobs added. Growth from all of Lakeland's professional industry sectors is a key indicator that aligns well with the fundamental health and expansion of the industrial market.

In 2019, industrial vacancy rates in Lakeland rose above 7% for the first time since 2009. This increase marked the end of an extended period which identified Lakeland as an area that was consistently regarded as an area with one of the lowest overall vacancy rates in the U.S. primary market. By the start of the fourth quarter of 2019, Lakeland's industrial vacancy rate was 7.4%, which ended a streak of 29 consecutive quarters with a vacancy rate below 6%. With that, Lakeland's industrial market is still very healthy. In fact, much of this spike in vacancy is attributed to the net volume in new industrial space being permitted and constructed. With 1.6 million square feet completed in 2019 and 1.3 million more under construction, a slowdown in leasing activity of existing space has attributed to this increase.

Lakeland's consistency and demand can be partially attributed to the area's attractive lease rates. After several years of consistent rate increases, lease rates dropped by 8.8% in 2019 to an average asking rate of \$5.18. Rising vacancy rates and the volume of new inventory are impacting the rates for industrial property in Lakeland. The drop can be attributed to the number of high valued new products that have been added to the local market. This rate highlights a fair balance in availability, though new space is required to keep up with the demand shown in the market. Lakeland has several large speculative products nearing completion and new ones being planned in 2020 that should hold rates steady as demand and interest continues.

Environmental Scan – Land Development

Downtown Activity

Lakeland's downtown is experiencing a significant expansion. After a long wait without any significant new construction, downtown Lakeland saw many new projects begin and finish in 2019 that will change the area and will add value for its Citizens. From a residential standpoint, the Mirrorton Development located just north of Lake Mirror is now under construction and progressing quickly. The project will consist of 305 apartments and townhomes throughout 28 separate buildings. These apartments will feature many amenities that will attract new residents to downtown Lakeland. Within the Garden District, an additional 90 one-bedroom apartments are being planned on the south side of Lake Mirror and interest in Oak Street, between Tennessee and Kentucky Avenues, continues as developers explore options for more units that can accommodate the increase in demand. These additional units will, in turn, help support additional retail, office and entertainment options in downtown.



Mirrorton Development, Framework Group



Heritage Parking Garage, lakelandgov.net

Functioning as a successful urban area, Lakeland is seeing downtown growth in every major economic segment. To support all of this growth, the City of Lakeland partnered with Aspyre Properties, Mid Florida Credit Union, and Lakeland Regional Health Systems to support the construction of a new 836 space parking garage constructed in the City's downtown on the Heritage lot, south of Lemon Street and between Kentucky and Tennessee Avenues. This garage, which officially opened in February of 2020, will also feature a 40,000-square foot speculative office building that fronts Orange Street and has been partially leased. Lakeland's growing office market will be supported by an additional 18,000 square foot office which is under construction on the east side of Lake Mirror, just west of The Joinery. Also beginning construction in 2020 is the 9-story 135,000 square foot Summit Consulting office building that will be located on the southeast corner of Massachusetts Avenue and Cedar Street on the western edge of Lake Mirror. Adding to the excitement, the much-anticipated Catapult 3.0 will be completed and occupied in the spring of 2020. This state-of-the-art facility will feature a 24,000 square foot co-working and private office space, a 5,000 square foot commissary kitchen, and a 9,000 square foot makers space. Catapult 3.0 will further infuse a culture of small business and entrepreneurialism in downtown Lakeland.

Environmental Scan – Land Development

Downtown Activity Continued

Lakeland is set up to offer a variety of mixed-use options utilizing the City's various shopping, dining, and cultural amenities. For years, multi-story downtown buildings were utilized as retail and office components, standing as a crucial measure of the City's economic health. With both residential and office growth occurring downtown it is anticipated that this new growth will reveal a new wave of development and redevelopment opportunities in Lakeland's urban core.



Catapult 3.0, The Lunz Group



The Joinery, WFLA

Other Land Development Trends

Lakeland is positioned well for growth. New residential construction continues to expand which, helps to balance consistent commercial and industrial activities throughout the City's core. For nearly a decade all types of construction and development-related activities boomed in Lakeland. Projects in north, south, and central Lakeland all brought residential elements with retail, commercial, and office to support. The previous recession and economic turbulence of 2007-2008 brought many projects to a sudden and expected halt. Today, development interests and projects have returned and there is an overall great interest in Lakeland.

Recognizing the community's interest in resurging neighborhoods, redevelopment activities in Lakeland continue to do well within a number of specifically targeted areas. Property acquisitions throughout the City's central core have begun to bring a pattern of change. Residential demolition and infill opportunities have brought new businesses, owners and families, into previously established neighborhoods while commercial, office and retail activities are bringing about new jobs and industry. This rise and success of redevelopment activities is a trend that will endure. With well-designed neighborhoods and geographically significant areas with character and charm, redevelopment offers a number of opportunities that are certain to preserve and enhance certain targeted commercial corridors and residential neighborhoods by providing additional economic stability from within.

Environmental Scan – Population and Employment

Population

The City of Lakeland’s population continues to grow at a moderate pace. In 2019, the University of Florida’s Bureau of Economic and Business Research (BEBR) estimated Lakeland’s population at 107,552 and Polk County’s at 690,606. By all accounts, Florida’s recent population is growing by more than 1,000 residents per day. The US Census Bureau estimates that Florida’s 2019 population of 21,208,589, which ranks the state as the 3rd most populated in the US. Though Lakeland’s growth is not as rapid as the state or county, the city has been growing at a pace of just over 1% annually since 2010. With regards to Lakeland Electric’s service territory, for 2019, the population is estimated at 292,465 which represents a 1.49% increase from the prior year. This increase indicates that the residential construction market in the unincorporated area is expanding at a greater pace than the in-city market.

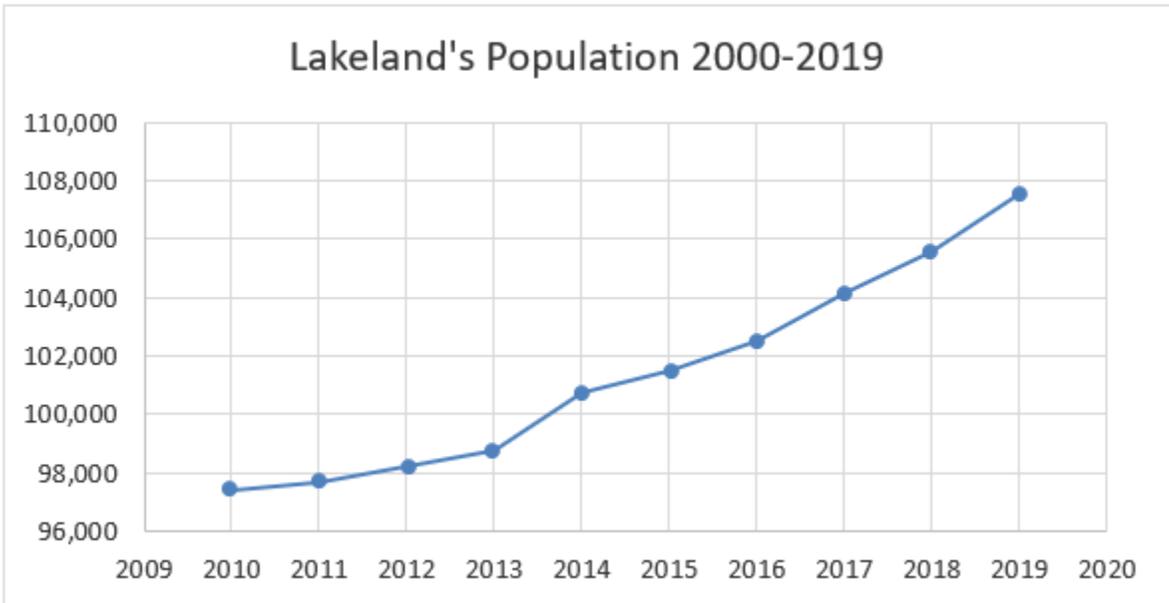


Figure C-3: Lakeland’s Population by Year

Local Employment

Existing and new companies in Lakeland are helping to fuel the City’s growing population which has a direct correlation in the local unemployment rate. The average level of unemployment during 2019 declined month-over-month by 1.4% points, peaking at a high of 4.5% in January and dropping to a low of 3.1% in December. Employment opportunities grew throughout the year thus allowing Lakeland’s overall annual unemployment rate to drop from 4.0% in 2018 to 3.7% in 2019. This decrease marked the 9th consecutive annual drop in Lakeland’s unemployment rate since it peaked at 11.7% in 2010.

Despite the expanding population, Lakeland’s labor force shrunk slightly to 47,176 in 2019. This represents a small 0.48% decrease from the previous year but shows a healthy 8.7% increase since 2010. Lakeland’s economic health relies on job growth. As new companies locate and existing ones expand and grow their workforces, new jobs are required. These new jobs help balance available opportunities with new residents, thus allowing the city’s overall unemployment rate to remain stable and low. For 2020, Lakeland’s unemployment will remain constant, dipping into the low 3% range and expanding, before eventually stabilizing below 4% at year’s end.

Economy

The National Economy

The US economy is entering a period of uncertainty. The most essential measurement for this is the gross domestic product (GDP), which is the broadest of all economic indicators and is the standard for the Federal Reserve's interest rate policy. After registering a positive 2.1% GDP in the 4th quarter of 2019, economists have downgraded their forecasts for growth in 2020 with a likely contraction that could end a 10-year streak of expanded GDP. With the COVID-19 coronavirus spreading globally, there is now talk about negative growth. Consumer and business spending, corporate earnings, business investments, and interest rates are all being monitored closely as this disease expands through the US. Travel restrictions, social distancing, and business reductions have slowed spending. Consumer spending, which accounts for two-thirds of economic activity, grew at a solid pace of 2.3% in the 4th Quarter of 2019. However, this spending is expected to drop as the long-term uncertainty for the virus causes concern.

After reaching an all-time high in February of 2020, the Stock Market has experienced a sell off that resulted in a 40+% decline in value in just under two weeks in March. This sudden and turbulent market has pushed the Federal Reserve to reduce interest rates to 0% in an attempt to stabilize the financial market. Additionally, the Federal Government has approved a multi-trillion-dollar stimulus package that is intended to bridge the short and long-term effects of this pandemic on US businesses and citizens.

National Employment

US unemployment ended 2019 at a 50-year low by recording a rate of 3.5%. Employers reported 1 million more job openings than job seekers during this historic period. Forecasters believed early on that the labor market would continue to tighten with increased job growth in 2020, however much of that has been halted by the COVID-19 coronavirus pandemic. Mass closures involving schools, hotels, bars restaurants, sporting leagues, and entertainment venues have economists reassessing their economic forecasts for 2020.

Summary

After a solid start to 2020, estimations regarding future growth have become unclear with the COVID-19 coronavirus spreading throughout the US. Forecasters believe that the US GDP could drop below 1% for the 2nd quarter of 2020 before going negative in the 3rd quarter, with a possible rebound coming in the final quarter of 2020. Ahead of what seems to be a very fluid and unpredictable time, economists are waiting to understand the progression of the virus before making unreliable forecasts. It is true that consumer confidence will drop as spending is confined, global trade and manufacturing will slow, GDP will decline, and unemployment will rise as job openings begin to fall. Estimations for future growth are uncertain. Most economists agree that economic growth could be further downgraded if the current pandemic is not contained. Conversely, if the virus is managed in a way that limits its spread and exposure throughout the 3rd quarter of the year, declining interest rates and pent up customer spending could accelerate the economy through the 4th quarter of the year and into 2021.

Environmental Scan - Technology

Technology

Citizens of Lakeland, as your new Chief Information Officer (CIO) and Director of Information Technology, I'm excited to lead this exceptional team of technology professionals into the next chapter of providing innovative technology services and support to the City of Lakeland.

Our role as an Information Technology (IT) Department is to serve as a technology leader, expert, and trusted partner with strategic objectives that align with business/departmental goals, resulting in world-class municipal services and support to the citizens of Lakeland.

The City of Lakeland IT staff are among the finest technology professionals in the industry. We have the skills, knowledge, and experience to accomplish the City's Mission and support the Vision. The technology landscape continues to evolve and keep pace with the needs of the business; we will need to focus the IT strategy to align with business transformation and City Strategic Goals.

The IT strategic lines of effort that will help support this alignment are governance, servant leadership, business alignment, service management, cyber-focus, cost optimization, modernization, and professional development.

The Department of Information Technology is postured to meet the technology needs of the City. I'm excited to lead the department into the next evolution of technology services and innovative solutions that will support City departments and our citizens.



Environmental Scan - Legislation

Affordable Housing – SHIP & SAIL

The two primary state housing assistance programs are the State Housing Initiatives Partnership (SHIP) and the State Apartment Incentive Loan (SAIL) programs. The SHIP program provides funds to eligible local governments, using a population-based formula, to address local housing needs as identified in the Local Housing Assistance Plan, for single-family units. The SAIL program provides low-interest loans on a competitive basis for multifamily affordable housing developments. Funding for these programs is provided by the Legislature through the Local Government Housing Trust Fund (SHIP) and the State Housing Trust Fund (SAIL). Estimates from the Revenue Estimating Conference show that the Trust Funds should collect more than \$328M from documentary stamp taxes on real estate transactions for 2019-20.



SHIP and SAIL funding are critical components of Lakeland's affordable housing and neighborhood stabilization efforts. The City is able to use these funds to leverage additional Federal dollars through CDBG and HOME grants to assist low-income families. However, since the recession in 2009, funding levels for cities through SHIP have been erratic as the funds have been diverted during the State Budget process, making it difficult to properly plan projects. In FY 2017-18, Lakeland received \$439,440, but in FY 2018-19, that number dropped to \$152,392. Lakeland is approximately 500-700 housing units short of the need in our community.

Position: Support increased funding of the State's SHIP and SAIL programs in the 2020-21 Budget. Identify opportunities to reduce the shortfall in low income housing units in Lakeland.

Impact Fees

In 2019, the Legislature passed HB 207 which requires a 'rational nexus' for the use of funds realized from impact fees at the local level. The bill also delayed the collection of impact fees until the issuance of a building permit. The new law went into effect July 1st, so local governments are now conforming to the new requirements.

Despite the new law, legislation has been introduced that would provide further restrictions and requirements on local governments implementing impact fees. In addition to enhanced reporting requirements, each city and county that assesses impact fees would be required to appoint a 7-member committee that would be tasked with reviewing all proposed impact fees on new development and submit recommendations to the governing board.

Position: Oppose HB 637 and SB 1066 which would place further restrictions on the implementation of impact fees by cities and counties.

Environmental Scan - Legislation

Florida Polytechnic University

Florida Polytechnic University welcomed the first class of students to Florida's 12th University in August 2014. Currently, the 1,424 students are focusing their education on STEM programs, primarily technology and engineering, at the 530- acre campus located at the intersection of I-4 and the Polk Parkway.

Florida Polytechnic University is seeking a \$2 million operational funding increase from the Legislature in the 2020-21 Budget, as well as \$12 million to finalize construction of an Applied Research Center.



Position: Support Florida Polytechnic University's 2020-21 operational funding requests, as well as the \$12 million Applied Research Center PECO project.

Polk State College

Polk State College is seeking an increase of \$2 million in recurring operating funds to lessen the academic advisor to student ratio. Polk State predominantly serves low-income and first-generation-in-college students that require comprehensive, personalized services to help them succeed. In addition to the increase in operating dollars, Polk State College is seeking additional PECO funds in the 2020-21 Budget for projects currently underway; \$16 million is necessary for the Winter Haven Building 4 maintenance and renovation.

Position: Support Polk State College's 2020-21 operational funding requests as well as their \$16 million PECO project.



Communications Services Tax

In 2001, the Legislature restructured taxes on telecommunications, cable, home satellite, and related services. The changes replaced and consolidated seven different state and local taxes and fees into a single tax with two centrally administered parts – the state Communications Services Tax and the local Communications Services Tax (CST). The local CST is one of the main sources of general revenue for Cities, generating more than \$400 million annually statewide. Last year, the CST generated \$4.5 million for the City of Lakeland. The revenue may be used for any public purpose, including public safety and to secure bonds.

The CST Work Group reviewed tax policy, historical trends, usage of the revenue source by local governments, and fairness of the tax structure. The Group submitted recommendations to the Legislature that included complete elimination of the CST. In recent years, the Legislature has reduced the State portion of the CST by 1.73%, without reducing the local portion.

Position: Oppose HB 701 which seeks to reduce the amount that municipalities collect from the Communications Services Tax.

Environmental Scan - Legislation

Local Business Tax

Cities may impose a Local Business Tax on certain businesses, professions, or occupations. Cities have very little flexibility in determining the type and amount of the taxes or when any increases may be considered. Revenues from the Local Business Tax are used to assist in funding general government services critical to business, such as zoning, code enforcement, and Police and Fire services. Revenues can also be used to spur economic development programs. Many cities, like Lakeland, use the tax as general revenue funds and have pledged the revenues to secure debt. In addition, the Local Business Tax is also the most comprehensive way of knowing what businesses are operating within the community, which enables the City to allocate resources appropriately. The Local Business Tax generates more than \$120 million annually statewide. Last year, the Local Business Tax generated \$1.5 million for the City of Lakeland.

Position: Oppose legislation which would place restrictions on the authority of municipalities to collect or spend Local Business Taxes.

Commercial Lease Sales Tax

Legislation has been introduced in recent years that would gradually eliminate Florida's sales tax on commercial leases. Florida is the only state that currently collects the tax, approximately \$2 billion per year. Over the past several years, the Legislature has included cuts to the Commercial Lease Sales Tax in the Budget, reducing it by 0.2% in 2017 and 0.3% in 2018. The current rate is 5.5%.

Position: Monitor legislation which would decrease or eliminate the sales tax on commercial leases.

Florida Sports Development Program

Over the past several years, Legislation has been introduced that would repeal the Statute that governs the Florida Sports Development Program. Under the current statute, the Department of Economic Opportunity evaluates proposals from sport franchises and complexes seeking Florida tax revenue. Once a project is approved, the funding must be approved by the Legislative Budget Commission. The State can award up to \$13 million annually for all certified applicants, with a maximum distribution per franchise of \$3 million per year, for up to 30 years.

In 2019, the bill was expanded to include the F.S. 288.11631, which governs Spring Training funding. The City of Lakeland utilized 288.11631 in 2014 to expand and remodel Joker Marchant Stadium. By doing so, Lakeland secured its relationship with the Detroit Tigers as their Spring Training home for another 20 years.

Position: Oppose legislation which would repeal Florida's Sports Development Program.

Environmental Scan - Legislation

Municipal Election Dates

Legislation has been introduced for the past couple of years that would have preempted to the State the authority to establish municipal election dates. Cities would have four options to choose from for their election dates - the General Election date in November of even-numbered years, the first Tuesday in November of odd-numbered years, or the third Tuesday in March of either even or odd numbered years. As a basic function of home rule authority, cities should retain the authority to determine when their elections are held.

Position: Oppose legislation dictating when municipal governments can hold their elections.



Building Inspector Certifications

Local governments throughout Florida are experiencing a shortage of qualified building code inspectors and plans examiners. This shortage of qualified candidates, and inability to fill vacant positions, has led to costly delays for customers throughout the State.

A major contributing factor to the shortage is an interpretation by the Florida Building Code Administrators and Inspectors Board of those individuals qualified to sit for certification exams. To be eligible to sit for the exam, a candidate must provide evidence of five years of combined experience in the field of construction, building code inspection or plans review. In order to qualify as a single-family dwelling inspector, the candidate must show experience in building, mechanical, plumbing, and electrical. Instead of interpreting this as five years of work, the Inspectors Board interprets it as five years in each field, for a total of 20 years of experience before a candidate is eligible. Once eligible, the candidate must sit for five exams in each of the specific trades in a one-year period, an arduous task for anyone working full-time.

Legislation will be introduced that will address the experience requirements as well as provide additional time to pass the 5 exams. Lakeland will work with Polk County and the homebuilders to address this critical issue. Increasing the number of competent, qualified inspectors will have a positive impact on the future growth of the region.

Position: Support legislation which increases the pool of qualified candidates for building code inspector and plans examiner certification.



Environmental Scan - Legislation

Public Broadband Access

One of the City of Lakeland's priorities is to create a world class community for its residents and businesses. Affordable high-speed internet access is a key component for economic development, growth, opportunity and innovation, as well as increased quality of life.

Several states have recently considered measures that would severely restrict the ability of municipalities to provide broadband access to their constituents. These restrictions often go beyond the implementation of special taxes on telecommunications services (such as Florida's CST), and instead seek to make it impossible for municipalities to provide telecommunications, cable or broadband services. Such restrictions would only serve to deprive residents and businesses of affordable service.

Legislation has been filed this year which would create the Florida Office of Broadband within the Department of Economic Opportunity and provide up to \$5 million per year for development of broadband infrastructure within the proposed multiuse corridors.

Position: Oppose legislation which would restrict the authority of municipalities to provide, or partner with internet service providers to provide, public broadband to its citizens and business community. Monitor SB 1166 which would allocate funding for broadband infrastructure projects within the multiuse corridors.

Cannabis

In 2016, the Lakeland City Commission held a 5-hour community forum to hear from interested parties on whether the City should pass an ordinance that provides for an alternate adjudication process for possession of small amounts of cannabis. Commissioners heard from experts on both sides of the issue and ultimately decided not to move forward but recognize that there are issues that may be addressed at the State level, such as ensuring that enforcement procedures at the local level are adjudicated uniformly.

Position: Monitor legislation that would provide for uniformity of enforcement procedures for the adjudication of violations related to the possession of small amounts of cannabis.

Lakeland Se7en Wetlands

The City of Lakeland's Se7en Wetlands is an existing wastewater treatment facility consisting of 1,640 acres. The wetland is a regional facility that impacts the groundwater of Polk, Hardee, Highlands, and Manatee counties and has been in operation since 1987. In 2018, Lakeland opened the wetlands to the public for educational and recreational opportunities, with over 22 miles of pedestrian trails. The facility connects three existing Polk County parks – Lake Highland Scrub, Loyce Harpe Park, and Mulberry Park. The Se7en Wetlands project secured initial State funding in 2019 for an Education Center for visitors.

Position: Support HB 2467 which seeks \$2,000,000 for the City of Lakeland's Se7en Wetlands Educational Center project in the 2020-21 Budget.

Environmental Scan - Legislation

School Safety

Following the February 14, 2018, tragedy at Marjory Stoneman Douglas High School in Parkland, Florida, the Legislature passed a comprehensive bill that addressed multiple aspects relating to the shooting. The Marjory Stoneman Douglas Public Safety Act, signed into law by Governor Scott, dealt with the provision of increased mental health and threat assessment services in public schools, greater sharing of information between state and local agencies and the courts, authorized sheriffs to appoint trained individuals as school guardians, enhanced penalties for those who post or transmit threats of mass shootings or act of terrorism, raised the age limit to purchase firearms to 21, and expanded the 3-day waiting period for handguns to all firearms and bans possession of bump stocks.



The 2018-19 State Budget allocated \$67.5M for the Aaron Feis Guardian Program, statewide. School districts that chose not to participate in the Guardian Program are required to provide for a School Resource Officer in each school, one for every 1,000 students. The Legislature allocated \$97.5M, statewide, for the Safe Schools Allocation. (Average costs: Guardian - \$7,500 training; SRO - \$142,000 initial, \$77,635 recurring) In Polk County, Sheriff Grady Judd implemented the Guardian Program to supplement Polk's current SRO program, training armed guardians in time for the 2018-19 school year. These newly deputized guardians will serve in Polk County's public schools.

As with any major, comprehensive legislation that passes, implementation of the law has identified unintended consequences that should be addressed. One issue that has arisen is that the Safe Schools Allocation does not provide funding for charter schools. Due to the high costs of training and hiring SROs, many small budget charter schools cannot afford an SRO on campus. Another issue is that city police departments that provide SROs on school campuses are not funded at the same level as their counterparts at the Sheriff's Office. Lakeland Police Department SROs are funded by the Polk County School Board at 75% of the cost. This shortfall has led to an inability to place an SRO in every school in the city.

Position: Support increased funding of the Safe Schools Allocation to include charter schools as well as increased funding and flexibility for city police department officers to provide for safety of schools and students.

Automated Traffic Enforcement Systems

Automated traffic enforcement programs have been shown to be effective in reducing the frequency and severity of intersection crashes. Lakeland enacted its program in 2008 and opposes any provision that would eliminate the City's ability to utilize this effective safety tool.

Position: Oppose legislative efforts to repeal the Mark Wandall Traffic Safety Statute.

Environmental Scan - Legislation

FRDAP Funding

For the past three years, Lakeland had grant application submissions for Large Project Funding Florida Recreation Developmental Assistance Program (FRDAP) for \$200,000 each. The applications, for Lake Crago Park Phase 1 and 2, were ranked #1 and #11 out of 166 submissions. The funding, matched through the City's CIP program, would be used to create a new soccer and baseball complex in order to keep up with community demands as well as hiking, bike, and nature trails. Unfortunately, the Legislature has not funded the Large Project FRDAP program for several years, so the funds were not realized.

Position: Support funding of the Large Project Funding FRDAP Grant Program in the 2019-20 Budget to include \$400,000 for the Lake Crago Park projects.

State Library Aid Funding

State aid to the Florida Libraries Program is a continuing State grant program authorized by Statute. For forty years, the State Aid to Libraries has been an incentive program, designed to encourage counties to provide library service to the residents. Currently, local communities invest approximately \$518 million, statewide, to public libraries. The State's investment in 2018-19 is \$20.5 million. This low funding level makes it very difficult for the Library Cooperatives to continue to provide quality services to their residents.



Another resource for local libraries is the Library Cooperative Grant Program. This program reduces costs for libraries by facilitating resource sharing between libraries and providing training for 16,000 library staff annually.

Position: Support the Florida Library Association in their position to increase the State Aid Funding to the historical amount of \$33 million. Support continued funding of the Library Cooperative Grant Program at \$2 million.

Municipal Utilities

Municipal electric utilities in the State of Florida collectively serve more than 3 million Floridians, the third largest source of electric power in the State. As community-owned and locally managed organizations, these utilities focus on serving local needs and profits are reinvested into the local community to fund the needs of the community, such as police and fire protection. In addition, nearly every city has a locally-owned water/wastewater utility serving its citizens. Legislation has been filed which would prohibit municipal utilities (both electric and water/wastewater) from returning profits to the local government to pay for City services. On an annual basis, Lakeland Electric returns approximately \$30 million to the City to fund governmental services. If these funds were to be removed, the millage rate would need to be increased substantially to replace the funds.

Position: Oppose HB 653 which prohibits municipal utilities from returning profits to their local government for City services

Environmental Scan - Legislation

I-4/State Road 33 Interchange Funding

The Polk Transportation Planning Organization (TPO) is currently preparing its “Momentum 2040” long-range transportation plan to address transportation needs through the year 2040. Included in the plan is the reconstruction of the Interstate 4/State Road 33 interchange (Exit 38). The interchange is functionally obsolete and requires a full reconstruction. Florida Department of Transportation (FDOT) District One has already invested in PD&E/design and the right-of-way acquisition for the interchange but has not programmed construction funding. Exit 38 is the only interchange in Polk County that has not already been significantly modified, included in the Five-Year Work Program, or included in FDOT’s SIS 2040 Cost Feasibility Plan.

The SR 33 interchange is a critical component for freight movement for existing and future providers in Central Florida. Given its proximity to the CSX Intermodal Logistics Center, Florida Polytechnic University, and major transportation providers, such as Saddle Creek Corp. and ComCar Industries, the SR 33 interchange is critical to the future growth of the region and failure to address it expeditiously will constitute a connectivity failure for freight delivery in Florida.

Position: Support inclusion of the construction phase for Interstate 4/State Road 33 interchange in the DOT’s SIS 2040 Cost-Feasible Plan.

Transportation Funding

Transportation infrastructure is paramount to the prosperity of all cities. It greatly affects quality of life by influencing peoples’ decisions about where to live, work, and play. For more than 60 years, the federal government has helped states pay for highway repair and construction through the Highway Trust Fund, which relies primarily on federal gas tax revenue. However, with the growth of both electric vehicles and more fuel-efficient vehicles, drivers are buying less gasoline, leading to reduced gas tax revenues.

While the federal, state and county governments have a variety of tools available to address transportation funding, including charter counties having the ability to hold a referendum to impose up to 1% sales tax to fund transportation projects, cities have limited revenue options. Providing to cities the same transportation revenue options and/or indexing their local motor fuel tax rates are ways to provide greater flexibility to fund their unique needs. An improved transportation infrastructure at the local level will improve public safety and provide a catalyst for continued economic development and growth of a community.

Position: Support legislation that provides local governments with new and innovative revenue options and resources to finance critical infrastructure, maintenance, and construction needs.

Environmental Scan - Legislation

Municipal Airport Construction Engineering Inspection

Following the tragic bridge collapse next to the Florida International University campus in 2018, the Legislature passed a bill last year requiring that projects partially funded by DOT, and administered by a local government, may not allow the same company to perform both design services and construction engineering and inspection services. Requiring a separate Construction Engineering Inspection company (CEI), possibly a company that lost the original design services contract, leads to increased costs and potential delays in projects.

The majority of funding for large projects at Lakeland Linder International Airport are Federal funds, through the FAA and USDOT. The Federal agencies, which provide oversight on the expenditure of funds and progress of the construction project, do not require separate companies used for design services and CEI. The Florida Airports Council is seeking legislation this year to exempt airports from the requirements of the 2019 bill, the same exemption that seaports received during the bill process.

Position: Support legislation exempting airports from duplicative construction engineering inspection requirements.



Water Resources & Wastewater Discharge

Several bills have been introduced to address water resources in the 2020 Session that will need to be followed closely. HB 147 and SB 690 would require DEP to conduct a water needs assessment for the whole State, documenting current and future water infrastructure demands and identifying potential sources of funding to meet those needs.

One of the priorities for Governor DeSantis is enacting the recommendations of the Blue-Green Algae Task Force. SB 712 contains those recommendations, primarily consisting of the transfer of oversight for septic systems from the Department of Health to DEP, as well as enhancing Basin Management Action Plans (BMAPs) and Best Management Practices (BMPs) for application of fertilizers and agricultural practices. This bill will also bear watching due to significant planning requirements for local utilities as well as increased penalty thresholds for sanitary sewer overflows.

Finally, HB 715 puts forth the recommendations from the Potable Reuse Commission for the development of potable reuse as an alternative water supply. The bill also contains a prohibition, beginning in 2026, for wastewater facilities to dispose of effluent into surface waters, unless certain conditions are met.

Position: Support HB 147 and SB 690 requiring DEP to conduct a state-wide water needs assessment. Monitor SB 712 relating to water quality and septic oversight conversion. Monitor HB 715 relating to potable reuse as an alternative water supply and prohibiting discharge of effluent to surface waters.

Environmental Scan - Legislation

Florida Underground Facility Damage Prevention & Safety

F.S. 556 is the Florida Underground Facility Damage Prevention and Safety Act, commonly known as Sunshine 811. The goal of the Act is to identify and locate underground facilities prior to an excavation or demolition in order to prevent, damage, injury, or interruption of services. All operators of underground facilities in the State are required to be members of the corporation and required to use and participate in the system. Currently, contractors are required to notify the statewide toll-free telephone number (811) no less than 2 full business days prior to beginning operations. The system then notifies the facility operator who has 2 days to locate their underground facility in relation to the excavation site. Once everything has been properly marked, the contractor may proceed. Violations of the Act are noncriminal infractions enforceable by civil penalty of \$500, plus court costs. Revenues from the penalties are distributed 80% to the local government and 20% to the Clerk of Court. The USDOT's Pipeline and Hazardous Material Safety Administration (PHMSA) has federal authority to evaluate each state's damage prevention programs and enforce minimum standards. Where deficiencies are determined, PHMSA can enforce minimum Federal damage prevention standards and penalties sufficient to deter noncompliance.

Potential legislation would expand the time frame for underground facility operators to locate their facilities from 2 days to 3. The bill would also create a statewide Review Panel, made up of construction, telecom, water, and sewer experts who will review violations. Civil penalties will be increased to \$1,000 for the first violation, \$5,000 for the second violation, and up to \$50,000 for violations resulting in injury or service disruption to more than 500 customers.

Position: Support legislation strengthening the Sunshine 811 standards and civil penalties for noncompliance.

CCNA Annual Cost Indexing

F.S. 287.055 is the Consultants' Competitive Negotiation Act (CCNA). The Statute governs a public entity's acquisition of professional architectural, engineering, landscape architecture, and surveying and mapping services. The Statute allows for a continuing contract for professional services to be entered into between a local government and a firm if the individual project cost does not exceed \$2 million or the individual study does not exceed \$200,000. Any project or study exceeding these amounts must be put out to bid. These threshold amounts have not been adjusted since 2009, during the height of Florida's recession. In addition, the purchasing category threshold amounts listed in F.S.287.017 have not been adjusted since 2010.

Legislation has been introduced that would increase the maximum limit for using a continuing contract with a firm from \$2,000,000 to \$5,000,000 per project. The maximum limit for procuring a study is also increased from \$200,000 to \$500,000. In addition, the bill calls for the maximum limits to be adjusted annually based on the Construction Cost Index.

Position: Support HB 441 and SB 506 increasing the threshold amounts contained within the CCNA Statute and allowing them to be adjusted annually.

Environmental Scan - Legislation

Support Florida League of Cities Agenda

The Florida League of Cities supports legislation that strengthens municipal self-governing powers. The League believes that key governmental services are best delivered under a system that leaves each community free to exercise its responsibilities in a manner best suited to the needs of its citizens. Home Rule Authority has been under attack by the Legislature for the last several years, resulting in unfunded mandates placed upon local governments and the reduction of the quality of services that can be provided to the citizens of Florida. The Florida League of Cities has outlined a comprehensive list of legislative actions for the 2020 Session, and support of these initiatives will assist the municipalities of the State in the stewardship of their citizens' interests.

League of Cities' Priorities for 2020:

- Affordable Housing
- Communications Services and Local Business Tax Protection
- Cybersecurity
- Transportation Funding
- Vacation Rentals
- Water Resources

Position: Support the initiatives outlined in the Florida League of Cities 2020 Legislative Policy Statement and Legislative Action Agenda.



A Snapshot of Lakeland's Budget

The City of Lakeland provides a wide variety of services to the citizens of Lakeland. In many cases, the nature of these services accommodates recovery of the operating and capital costs associated with those services, in the form of a user charge levied against the users based on actual consumption. Examples of these are electric, water, wastewater, and solid waste management services, stormwater management, a parking system, and a public golf course. These are referred to as “enterprise” services. The revenues and expenditures associated with providing each of these services, including any capital costs associated with constructing the facilities needed to support those services, are budgeted in separate “funds” – one Enterprise Fund for each type of service.

Other services, such as the provision of public safety, transportation systems, and leisure activities do not lend themselves to the recovery of the underlying costs directly from the users of those services. Accordingly, the day-to-day operating costs associated with these services are generally financed from generic revenue sources such as property and sales taxes. These are referred to as “general governmental” services.

The day-to-day operating costs and the revenue sources that finance all those general governmental services are budgeted in the General Fund. Any costs associated with capital improvements related to general governmental services, such as the construction of parks, building facilities, roadways, and major equipment purchases are budgeted separately from the day-to-day operating costs in two funds, the Transportation Fund and the Public Improvement Fund. Also, separately budgeted are the revenues and expenses associated with services that are provided by City departments for the exclusive benefit of other departments. This includes certain “centralized” services such as Fleet Management, Purchasing and Warehousing, Facilities Maintenance, and Information Technology. These individual services are budgeted in what is referred to as “Internal Service Funds”.

As with any enterprise, a major concern is cost control. The City of Lakeland is committed to providing quality services at a reasonable cost. One of the best measures of whether that goal is being attained is a comparison of fees charged by Lakeland, in the form of utility rates and tax rates, compared to other similar municipalities.

To obtain a “snapshot” of Lakeland’s budget, the table on the following page is prepared each year. It represents a compilation of the total annual amount of taxes and fees that are collected from a typical residential homeowner in Lakeland, in exchange for the services provided. This table combines the cost of all the services provided by the City, across all the individual Funds, into one column of data. Included in this chart is a comparison of those same taxes and fees collected by other similar city governments in the State of Florida.

For each city in the chart, the category of “Utilities” represents the cost of electric, water, wastewater, and solid waste services, based on consumption volumes typical for the average residential customer of Lakeland. In cases where the electric utility in a compared municipality is not owned by the local government, the rates charged by the private company that serves that municipality are used.

Financial Health

Overall, Lakeland compares favorably to the other cities in this survey. At a property tax millage rate of 5.4644 mills, Lakeland's property tax burden is among the lowest in the State of Florida.

In addition, Lakeland's relative cost of electric power has us positioned as one of the lower-cost utilities in the state, which has been aided by the significant decrease in the cost of natural gas. For the municipalities in this sample, the combined annual cost of services in Lakeland is lower than the average for the group.

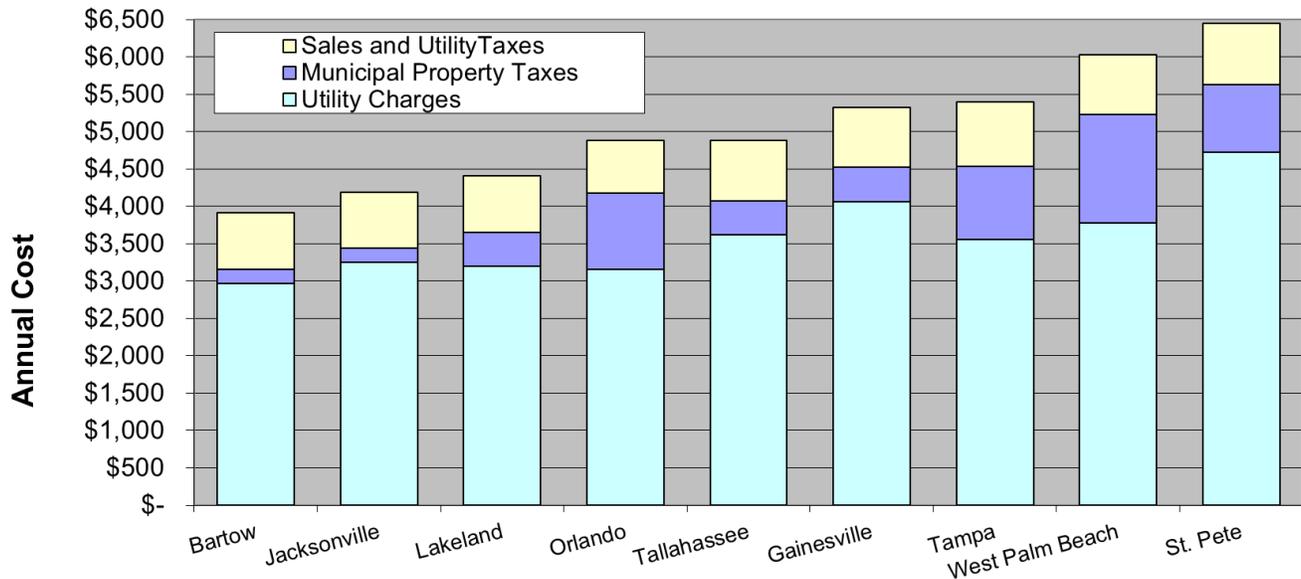


Figure C-4: Comparative Cost of Services

Three-Year Financial Forecast

A Three-Year Financial Forecast tool is used to determine what level of risk we face over the next few years, in our ability to pay for the services we provide, if we take no positive action to increase revenues or decrease cost. Revenues are projected at conservative levels over the period and are compared to estimated cost increases in payroll, operating expenditures, and capital outlay. Since many of our expenditure increases are fixed and predictable, the main variables are the rate of increase in existing revenues and new programs or projects planned over the forecast period. Typically, future years show a deficit of revenues over expenditures.

The purpose of this financial exercise is to adequately prepare for future challenges, so it is always conservative in outlook. As we map out our financial and operating strategies, we will use the model to determine the potential impact of decisions. Using this tool will help keep us focused on long-term solutions, rather than short-term "fixes" which could lead to negative financial impacts in future years.

Revenue Sources

The City of Lakeland relies on a variety of revenue sources to finance the cost of services provided to its citizens. Some of these revenues can be directly associated with the cost of specific services. Examples include the user fees charged for electricity, water, wastewater, and solid waste collection services, use of parking facilities and certain fees for recreational facilities including the City-owned golf course. The amount charged increases or decreases based on the volume of services provided, for example electric revenues are based on an amount per kilowatt-hour (kWh). For these services, the intent is that 100% of the cost of providing that service is recovered through the imposition of this user fee.

Other governmental revenue sources cannot be related directly to underlying services, primarily because the services do not lend themselves to cost recovery using a direct user charge. Examples are police and fire services, maintenance of roadways and parks, libraries, etc. These public services are financed through a variety of “generic” revenue sources including property, sales, and utility taxes, and state and local grants. The City of Lakeland also relies on the profits earned by the Electric, Water, Wastewater, and Solid Waste utility operations as a source of revenue to finance these same general governmental functions.

Because of the relatively large annual percentage increases in taxable values, the significance of this revenue source as a percentage of the General Fund budget had been growing. The impact of property tax reform starting in FY 2008 and the subsequent reduction in property values, resulting from the economic conditions, has reversed that trend somewhat. Total taxable values within the city limits are decreasing in FY 2021 compared to FY 2020. The proposed millage rate for FY 2021 is 5.4644, the same as FY 2020.

Public Service Taxes, Franchise Fees, and Communications Services Tax

The City levies:

- A 10% Public Services Tax on the purchase of electricity, metered natural gas, liquefied petroleum gas (metered or bottled), manufactured gas (metered or bottled), and water service within the municipality.
- A tax on fossil fuel oil in the amount of 4 cents per gallon.
- A Communications Services Tax applies to telecommunications, video, direct-to-home satellite, and related services. Communication services, except direct-to-home satellite services, are subject to a combined rate of 7.44%. Direct-to-home satellite service is subject to a combined rate of 11.44%.
- The City has extended a franchise agreement to Peoples Gas System (a division of Tampa Electric Company) to distribute metered gas within the city limits. The franchise agreement calls for a payment to the City equal to 6% of monthly gross revenues.

Half-Cent Sales Tax Revenues

County and municipal governments in Florida are entitled to a distribution equal to 9.653% of total sales tax proceeds attributable to sales within each county. Those revenues are shared between the county government and each of the municipal governments within the county. Effective July 1, 2004, this revenue source decreased based on the State of Florida’s change in funding procedures related to the state-run court system. This decrease was intended to be offset by increases in the amount of State Revenue Sharing funds disbursed to cities and counties.

Revenue Sources

State Revenue Sharing Revenues

The State of Florida distributes revenues to each county and municipal government based on a Revenue Sharing act adopted in 1972. At one time, this distribution was based on the dollar value of cigarette taxes collected within each county, however, the methodology was changed in FY 2000 to remove the cigarette taxes as the basis for the distribution, and now the basis for this distribution consists of a stated percentage of the general state-wide sales, use, and other taxes. This calculation is performed by the State Department of Revenue, based on population data provided by each county. This revenue source has been relatively flat over the past ten years.

Business Tax Revenues

The City issues receipts to all commercial business enterprises located within the city limits. A fee is assessed to each user, based on a predefined fee schedule that considers the type of business conducted and the volume of business conducted. By state law, the rates charged per the adopted fee schedule may be increased every other year, in an amount that does not exceed 5% per receipt.

Building Permit and Inspection Fees

Permit fees are issued for construction/renovation occurring within the city limits. Separate permit fees are levied for landscaping, building, plumbing, electrical, and other mechanical improvements. This fee is intended to cover the cost of inspections performed by building inspectors employed by the City.

Federal, State, and Local Grant Revenues

The City applies for grants from various federal, state, and local agencies to help finance specific operating costs. In recent history, most of these grants have been to hire additional police officers. These grant programs typically reimburse the City for a stated percentage of specific program costs. This revenue source has been declining rapidly as the federal government scales back its funding for law enforcement.

Charges for Service Revenues

Charges for services represent user fees assessed directly against the users of municipal services. The most significant of these are parks and recreation fees. These revenues consist of facility rental fees, recreational class/program fees, tennis and swimming fees, and parking and expense recovery fees related to the Detroit Tigers major and minor league activities at Joker Marchant Stadium. This category of revenues also includes a variety of other fees as follows:

- Lot clearing and cleaning
- Building demolition
- Sale of fire inspection permits
- False alarm fees
- Reimbursement for overtime services provided by the Lakeland Police Department, established in conjunction with the collective bargaining agreement with the police union
- Wrecker service permitting fees
- Public records copying
- Zoning fees
- Cemetery fees

Revenue Sources

Fines and Forfeits Revenues

This category consists primarily of the proceeds from fines issued for motor vehicle traffic infractions. Also included in this category:

- Revenues that pass through the City and are paid to police officers who have achieved certain levels of higher education as supplemental compensation
- Proceeds from confiscated cash and property seized by law enforcement agencies
- Collection of fines levied by the City's Code Enforcement Board

Miscellaneous Revenues

Most of the revenue included in this category represents investment income earned on working capital held by the General Fund and the various restricted sub-funds maintained within the General Fund:

- Hollis Gardens Maintenance Trust Fund
- Law Enforcement Trust Fund (confiscated property)
- Recreation Facilities
- Cultural Activities Reserve

This category also includes:

- Proceeds from the sale of cemetery lots
- Contributions and donations from private entities
- Cost reimbursements collected from other City funds/departments

Gasoline Tax (1 Cent Municipal Fuel Tax) Revenues

The amount of this tax is equal to 1 cent per gallon of gasoline sold within the municipal limits, less an administrative fee (retained by the state) not exceeding 2% of the gross proceeds of the tax. The proceeds of this tax shall be used for the purchase of transportation facilities, roads and street rights-of-way, construction, reconstruction and maintenance of roads, streets, bicycle paths and pedestrian pathways, adjustment of City-owned utilities as required by road and street construction, reconstruction, transportation-related public safety activities, maintenance, and operation of transportation facilities. Municipalities are authorized to expend the funds received under this section in conjunction with other cities, counties, the state, or federal government in joint projects.

Gasoline Tax (9th Cent Fuel Tax) Revenues

This is an optional tax, levied by the county and shared with municipalities within the county, based on an inter-local agreement. Per the inter-local agreement, the distribution formula is weighted 50% towards the ratio of each municipality's population to total county population and 50% towards the ratio of each municipality's lane miles to total county lane miles.

6 Cents Local Option Fuel Tax Revenues

This is an optional tax, levied by the county and shared with municipalities within the county, based on an inter-local agreement. The distribution formula is identical to that used for the 9th cent fuel tax. The eligible uses of these funds are also identical to those of the 9th cent fuel tax.

Revenue Sources

5 Cents Additional Local Option Fuel Tax Revenues

This is an optional tax, levied by the county and shared with municipalities within the county, based on an inter-local agreement. The distribution formula is identical to that used for the 9th cent fuel tax. The proceeds of this tax shall be used for “transportation expenditures” needed to meet the requirements of the capital improvements element of an adopted comprehensive plan or for expenditures needed to meet immediate local transportation problems and for other transportation-related expenditures that are critical for building comprehensive roadway networks by local governments. Expenditures for the construction of new roads, the reconstruction or resurfacing of existing paved roads, or the paving of existing graded roads shall be deemed to increase capacity and such projects shall be included in the capital improvements element of an adopted comprehensive plan. Expenditures of this revenue source shall not include routine maintenance of roads.

Historical Revenues

Historical Revenues

A historical look at the Governmental Activities Tax Revenues by Source is included in the chart below.

CITY OF LAKELAND, FLORIDA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE (UNAUDITED) LAST TEN FISCAL YEARS (accrual basis)

Fiscal Year	Property Tax	Utility & Communication Service Tax	Motor Fuel Tax	Franchise Tax	Half Cent Sales Tax	State Shared Revenues				Total
						State Revenue Sharing	Mobile Home License Fees	Alcoholic Beverage Tax	FF Comp Tax*	
2019	\$40,355,438	\$15,436,866	\$6,060,873	\$265,961	\$6,997,382	\$2,943,228	\$260,395	\$92,373	\$70,124	\$72,482,640
2018	37,045,511	14,758,072	5,828,014	247,128	6,586,865	2,805,371	246,617	88,162	64,346	67,670,086
2017	33,362,591	14,735,018	5,584,212	234,659	6,292,201	2,699,611	232,445	93,563	69,520	63,303,820
2016	30,912,106	14,831,215	5,436,168	242,656	6,202,015	2,550,919	217,330	86,116	36,740	60,515,265
2015	23,935,374	14,644,431	5,214,687	225,994	5,656,163	2,443,691	208,150	89,776	58,355	52,476,621
2014	22,577,691	14,534,094	4,903,358	239,500	5,395,592	2,248,500	197,654	80,487	32,895	50,209,771
2013	21,784,397	14,523,106	4,879,101	234,959	5,098,715	2,078,795	188,449	76,919	39,182	48,903,623
2012	20,909,045	14,761,856	4,910,650	233,641	4,817,062	2,060,351	184,560	79,897	44,441	48,001,503
2011	22,641,400	15,057,722	4,943,075	247,092	4,486,691	1,799,097	189,840	71,750	26,410	49,463,077
2010	24,651,942	14,979,375	4,914,311	266,727	4,287,133	1,789,260	190,380	69,789	32,115	51,181,032

*Firefighters' Compensation Tax

Figures C-5: Governmental Activities Tax Revenues by Source

Debt Management Overview

Debt Management Overview

For the purpose of funding capital improvements to City facilities and infrastructure, the City of Lakeland (the “City”) incurs long-term debt either in the form of bonds or notes issued directly in the name of the City, direct loans from banks, or other loans obtained from pooled debt programs managed by third parties. The City also funds a significant amount of capital improvements through “pay-as-you-go” cash financing. Pay-as-you-go financing comes from cash outlays of various revenues including state and federal grants, impact fees, certain lease payments, and other operating revenues, particularly those of the City’s utilities. As of September 30, 2019, the City had outstanding long-term debt of \$590.1 million.

Purpose of Debt

Debt issued by the City is incurred to fund capital improvements to three major categories of assets: the electric system, the water and wastewater system, and all other projects. Some 65% of the City’s outstanding debt funded electric system improvements. Water and wastewater projects make up another 14%, while all other uses account for the remaining 21% of outstanding debt.

Electric system improvements include construction, purchase and conversion of generating assets, environmental projects, renewal, replacement and expansion of the transmission and distribution network, and numerous other projects. Water and wastewater improvements include construction and improvements to water and wastewater treatment systems and replacement and expansion of distribution and collection networks. All other projects encompass a variety of governmental and development projects, including improvements to and/or expansion of the City-owned baseball Spring Training complex, Lakeland Linder International Airport, the RP Funding Center, local roads, public safety facilities, and parks and recreation facilities.

As shown, some 79% of the debt incurred by the City is for the provision of basic utilities, e.g., electricity, water, and wastewater. The City operates a municipally owned electric system, including power generation as well as transmission and distribution. In many communities, these services are provided through private investor-owned utility companies. In those communities, the debt used to finance electric utilities would appear in the financial statements of the private corporations, not those of the city or town. Because the City of Lakeland owns and operates the electric utility, it incurs a much larger amount of debt than most other cities of comparable size.

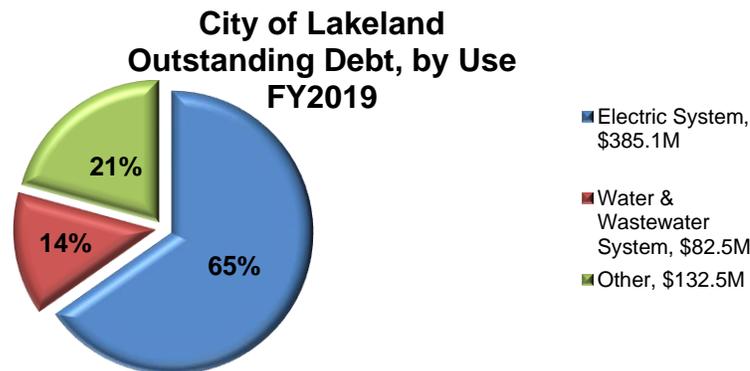


Figure C-6: Outstanding Debt by Use
Fiscal Year 2021 Annual Budget

Debt Management Overview

Types of Debt

The City’s long-term debt consists primarily of revenue debt. Revenue debt is issued under trust indentures that specify the security for and specific source of repayment for the debt. City debt is issued in one of two forms, bonds or loans. Bonds are formal borrowings issued publicly through Wall Street to investors. The City’s loans consist of certain bank loans which are negotiated directly with lenders and monies borrowed through the State Revolving Loan program. As of September 30, 2019, the City had \$449.5 million of bonds outstanding (76%) along with \$140.6 million of loans (24%).

The City of Lakeland has three distinct revenue debt programs which are summarized in the table below. Revenue debt consists of a promise to repay bonds from a specified revenue stream. As shown, the overwhelming portion of the City’s revenue debt (\$467.6 million or 79%) is utility system related. It is user-based debt, issued for utility system improvements and repaid from the fees charged to the users of those utilities. These forms of debt are not subject to specific legal debt limits but are instead limited by the competitiveness of the rates and charges which must be imposed to repay the debt and rating agency criteria related to such systems.

In contrast, general obligation debt entails a promise of the “full faith and credit” of a governmental entity and a requirement to repay any such debt from all available revenues, including the use of the entity’s taxing power. In Florida, local general obligation debt requires voter approval through a referendum. Florida Statute does not provide any limits on the amount of general obligation debt a city may issue. The City’s Charter does provide for a limit on the issuance of general obligation debt equal to 17% of the assessed value of the taxable real estate in the City. For FY 2019, that limit would have been approximately \$1.100 billion. However, the City has not had any general obligation debt outstanding since 1971.

City of Lakeland Revenue Bond Programs 9/30/2019				
Type	Source of Repayment	Amount Outstanding	Outstanding Through	Interest Rate [b]
Energy System [a]	Rates, fees, charges and other operating revenues of the electric system – primarily payments from electricity customers	\$385.1M	2037	2.00% to 5.25%
Water and Wastewater System	Rates, fees, charges (including impact fees) and other operating revenues of the electric system – primarily payments from water and wastewater users	82.5M [c]	2033	0.44% to 5.00%
Capital Improvement	Non-ad valorem revenues from any source legally available (not including ad valorem taxes on real and personal property), subject to availability and appropriation	122.5M [d]	2040	1.75% to 6.03%
[a] Includes \$97.0 million of variable rate debt in the form of bank loan. [b] Coupon rates; effective yields differ due to original issue price and/or federal subsidies. [c] Includes \$8.8 million bank loan and \$40.1 million of State Revolving Fund loans issued under bond indenture [d] Includes \$ 33.3 million of bank loans				

Figure C-7: Revenue Bond Programs

Debt Management Overview

Debt Trends

Overall Debt: The City's outstanding debt has dropped, declining by 22% (\$162 million) since FY 2008. The most significant increase in the City's outstanding debt (\$144 million) occurred in FY 2001 when the City issued bonds to fund the conversion of one of the Electric Department's major generating assets. Similarly, the City issued \$60 million of new debt in FY 2008, which was used to fund environmental remediation improvements to the City's coal-fired electric generation plant. City debt peaked in FY 2008 at \$733.

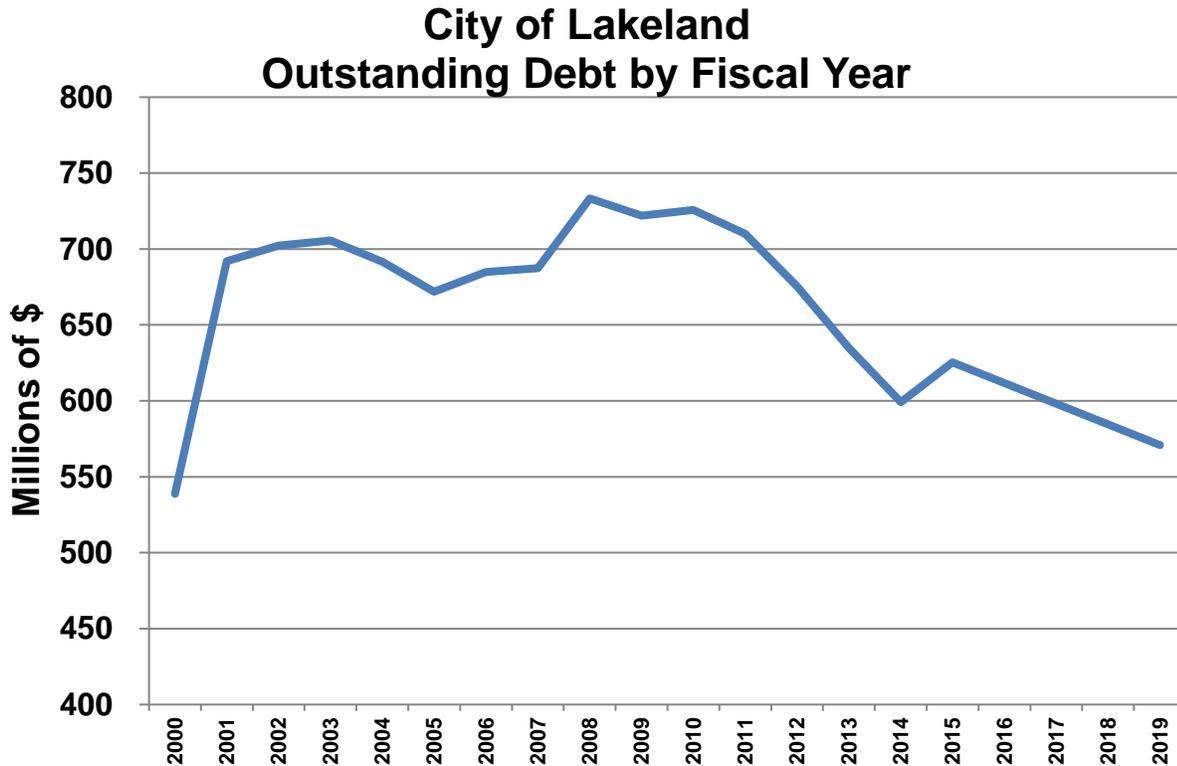


Figure C-8: Outstanding Debt by Fiscal Year

During FY 2019, overall debt declined by approximately \$13.6 million, because of regularly scheduled principal repayments exceeding new debt issuance. During FY 2020, outstanding debt is expected to increase by about \$63 million due to new issuance of some \$101 million less scheduled principal repayments of \$38 million.

Other Measures of Debt: Over the last decade, the Lakeland area has experienced substantial development and population growth. Although the dollar volume of debt outstanding is important, other normative measures, such as debt per capita (per person) and debt as a percentage of personal income, provide a more accurate gauge of an area's debt burden. Debt per capita measures debt against the size and growth of the population served. Debt as a percentage of personal income measures outstanding debt against an area's ability to pay for projects. As shown on the following page, Lakeland's debt per capita has declined by 38% since 2002, reaching an estimated \$5,091 per person in 2019. Debt as a percentage of the area's annual personal income declined by 56% over the same period, dropping to an estimated 14.0% as of 2019. Both measures experienced a slight uptick during FY 2015 but have decreased since.

Debt Management Overview

Debt Trends (continued)

City of Lakeland Debt Trends

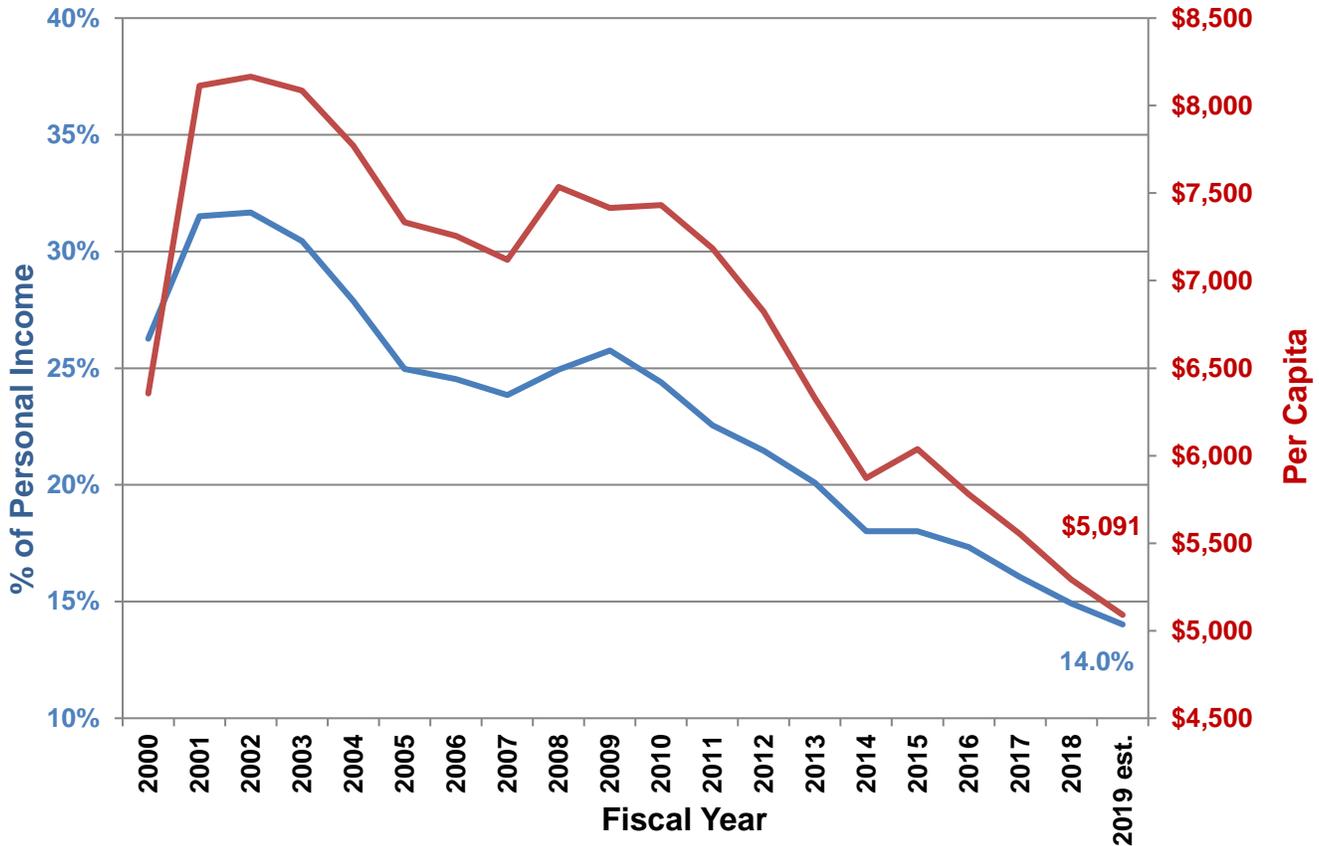


Figure C-9: Debt Trends Graph

As noted, most of the City’s debt has been incurred to finance electric system improvements. In other communities, these types of projects are financed through investor-owned utility companies. As such, any debt incurred to finance projects would not appear on that city’s books. If Lakeland’s electric system debt is excluded from the calculations, debt per capita would drop to \$1,656 and debt as a percentage of personal income would be about 4.0%.

Recent Debt Management Activities

During FY 2019, the City incurred approximately \$7.8 million in new debt in the form of loans. These included some \$4.9 million in low-cost subsidized loans from the State of Florida through the State Revolving Fund for the City’s wastewater system and a \$2.9 million loan from the Florida Department of Transportation for development projects at Lakeland Linder International Airport. These new loans were more than offset by regular principal payments on other City debt, resulting in a \$14 million decrease in overall outstanding debt.

During FY2020, the City executed three significant debt transactions.

Debt Management Overview

In October 2019, The City of Lakeland entered into a forward delivery agreement with a bank for the issuance and delivery of the Water and Wastewater Refunding Bond, Series 2021 in the amount of \$28.2 million. The bond, which will take the form of a fixed rate loan, will be issued to refund the outstanding Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012A maturing on and after October 1, 2022. The bonds are expected to be issued on or before October 1, 2021.

In November 2019, the City of Lakeland issued a Florida Revenue Note, Series 2019. The Note takes the form of a line of credit loan from a bank in an amount not to exceed \$32 million. As of the end of FY 2020, approximately \$20 million of the line had been utilized. Proceeds of the line are being used to temporarily finance certain improvements at the Lakeland Linder International Airport. The Notes pay a variable rate of interest based on the utilization of the line of credit and mature on February 1, 2021. The City intends to permanently finance the aforementioned projects before the expiration of the line of credit.

In March 2020, the City issued its Taxable Pension Liability Reduction Note, Series 2020 in the amount of \$81,000,000. The Note, which was issued in the form of a bank loan from Toronto Dominion Bank, N.A, is a fixed rate obligation which amortizes over a period of 20 years. Proceeds of the Note are being used to reduce the unfunded liabilities in the City's three pension plans. Issuance of the note will result in net savings in that required contributions to the various pension plans will be reduced by amounts exceeding the allocable debt service on the bonds.

Debt Service Requirements

The debt service requirements for all the City's outstanding long-term debt, including both bonds and loans, are shown on the table below.

City of Lakeland Debt Service Requirements (FY 2019 CAFR)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	37,868,897	20,608,812	58,477,709
2021	46,368,562	19,128,212	65,496,774
2022	32,211,663	17,726,041	49,937,704
2023	31,573,869	16,424,009	47,997,878
2024	29,402,895	15,160,240	44,563,135
2025-2029	152,276,090	56,534,599	208,810,689
2030-2034	141,474,425	28,496,091	169,970,516
2035-2039	115,634,218	6,152,050	121,786,268
2040-2044	3,304,322	91,545	3,395,867
	<u>590,114,941</u>	<u>180,321,599</u>	<u>770,436,540</u>

Figure C-10: Debt Service Requirements

Debt Management Overview

Ratings & Coverage

As noted, the debt of the City is almost exclusively revenue bond debt, the repayment of which is guaranteed by pledges of specific revenues, as detailed in the previous table. Before such debt can be issued in the capital markets, the creditworthiness of each revenue bond program is typically reviewed by one or more of the three major credit rating agencies - Moody's Investors Service, Standard & Poor's, and Fitch Ratings.

In performing credit assessments of revenue bond programs, rating agencies consider several factors, including the:

- Strength of the legal pledge involved
- Level of rates and charges relative to peers and to the economic base of the service territory
- Overall level of debt outstanding compared to the size of the operation involved
- Size of the entity's capital plan and the likelihood it will have to issue additional debt
- Ratio of net revenues (after paying operational costs) to debt service requirements ("coverage")
- Amount of cash reserves on hand.

After review, the rating agencies assign a letter grade which represents their assessment of the relative creditworthiness of the bond program. For investment grade credits, the scale runs from a low of **BBB** to **A** to **AA** to a high of **AAA**, with either a **+** or **-** added to indicate gradations within each category. As shown below, all the City's revenue bond programs are rated in **AA** categories, which is very high. Arguably, these ratings are an independent assessment of the financial health of the business operations involved. Higher ratings also mean that the City will obtain lower interest rates when it issues debt to fund capital markets.

City of Lakeland Revenue Bond Ratings

Type	Moody's	Standard & Poor's	Fitch
Electric	Aa3	AA	AA
Water & Wastewater	Aa2	AA	AA+
Covenant to Budget & Appropriate	Aa3	NA	AA-

Figure C-11: Revenue Bond Ratings