

ANNUAL REPORT TO BONDHOLDERS

THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30,
2021



GREETINGS FROM
LAKELAND POSTCARD
(505 MARTIN L KING JR AVE.)

Annual Report to Bondholders
of the
City of Lakeland, Florida
for the
Fiscal Year Ended September 30th, 2021



Michael C. Brossart, CPA
Finance Director

Deidra M. Joseph
Assistant Finance Director

Jeffrey S. Stearns
Treasurer



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City of Lakeland

Elected Officials

(as of September 30, 2021)

H. William “Bill” Mutz
Mayor

Michael Musick
Commissioner

Stephanie Madden
Commissioner

Sarah R. McCarley
Commissioner

Bill Read
Commissioner

Chad McLeod
Commissioner

Phillip E. Walker
Commissioner

City Administration

Shawn Sherrouse
City Manager

Vacant**
Deputy City Manager

Emily Colón
Assistant City Manager

Michael Brossart
Finance Director

Palmer Davis
City Attorney

** Position vacant as of 01/21/2022

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MAYOR'S LETTER

April 27, 2022

To: All Relevant Parties

On behalf of the Lakeland City Commission, I am pleased to present the 2021 Annual Report to Bondholders. This report provides information for you, the investor, concerning the City's finances and current bond indebtedness. We are grateful for the many accomplishments during the past year in the City of Lakeland and are more confident than ever about the future. It is our goal to continue to provide a high level of service to our thriving community, one of the fastest growing in the nation, at a fair price.

The City Team continues its commitment to make Lakeland a vibrant, innovative, culturally inclusive, and people-centric world-class community. We understand that to achieve this vision we must remain mission driven and results oriented while remaining proactive. We work to anticipate the robust future in our comprehensive planning, visioning, and long-range financing of City infrastructure. We work to secure the future of our children and grandchildren through strategic cooperative efforts between all levels of government and private enterprise. We must develop and maintain mutually beneficial partnerships and alliances to address common goals and priorities.

Thank you for your past support and continued interest in the City of Lakeland. We pledge to you, and our citizens, that we will maintain our tradition of superior management and sound fiscal policy as we diligently fulfill our stewardship responsibilities to safeguard the City's future.

Sincerely,

H. William Mutz
Mayor

PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The Annual Report to Bondholders has been prepared by the City of Lakeland, Florida 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 SEC Rule 15c2-12. This rule provides that a broker, dealer, or municipal securities dealer may not act as a participating underwriter 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 the 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 each year, and to provide notices of the occurrence of certain enumerated material events. The City has agreed to file annual financial information, operating data, and the audited financial statements with each NRMSIR approved by the SEC and any State Information Depository (SID) that is established in the state. Currently, there are no 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 the SIDs if any. In conjunction with the continuing disclosure requirement, the City contracted with Digital Assurance Certification, LLC (DAC) to act as a dissemination agent for the City.

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INTRODUCTION

This report is intended to provide useful information to current and potential investors, rating agencies, bond issuers, municipal analysts, and other interested parties. In fulfilling this objective, the Annual Report to Bondholders also fulfills the SEC requirements to provide updated information to the secondary bond market that is consistent with other official statements related to the indebtedness of the City.

Included in the Annual Report to Bondholders is background information about the City and its services, key staff, and demographics. Financial information 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 detailed information about each bond issue for which the City has a legal obligation. All the information is presented as of the fiscal year ended September 30, 2021 unless otherwise stated.

The City has also filed separately its Annual Comprehensive Financial Report (Annual Report) for the fiscal year ended September 30, 2021. Annual Report is transmitted as a separate document to preserve the conciseness of the Annual Report to Bondholders (Bondholders Report) and to make pertinent financial information available that may be of interest to the reader. The Bondholders Report is a supplementary document and should be reviewed in conjunction with, and not in lieu of Annual Report to gain an understanding of the financial condition of the City.

The Bondholders Report together with the Annual Report 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 furnished to current or potential bondholders upon request, rating agencies, insurers of municipal debt, and 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 Annual Comprehensive Financial Report, but should be disclosed to the "market" a response will be provided through a filing with the NRMSIRs and the requestor will be notified accordingly.

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

Certain information presented in the Annual Report to Bondholders was obtained from external sources believed to be reliable by the City. The City has not undertaken an independent review or investigation to ascertain the accuracy of the information provided by other sources. Neither the City nor the elected or appointed officials make any representations or warranties with respect to the accuracy or completeness of this externally provided information.

To the extent that certain portions of the Bondholders Report constitute 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 Finance Director. The Bondholders Report 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.



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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. The commissioners and mayor serve four-year terms of service with elections held in odd numbered years. The mayor is elected by popular vote and is recognized as the head of City government for all ceremonial occasions. Four commissioners are elected from single member districts. The remaining two members are elected at large. The commission appoints, and the City employs a full-time City Manager as 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, and recreation and cultural activities. Additionally, the City's enterprise activities include electric, water, and wastewater utilities; international airport operations; the RP Funding center; parking and sanitation services.

PRINCIPAL OFFICIALS

The legislative power of Lakeland is vested in a commission of seven members. The City Commission typically meets on the first and third Monday of each month in the commission chambers on the 3rd floor of City Hall at 228 South Massachusetts Avenue. The following table lists the elected officials and their service history with the City of Lakeland as of September 30, 2021.

| <u>District</u> | <u>Elected Official</u> | <u>Term Inception</u> | <u>Term Expiration</u> |
|-------------------------|-------------------------|-----------------------|------------------------|
| At large – Mayor | H. William Mutz | January 2022 | December 2025 |
| Northwest District | Phillip Walker | January 2020 | December 2023 |
| Northeast District | Bill Read | January 2020 | December 2023 |
| Southwest District | Sara R. McCarley | January 2022 | December 2025 |
| Southeast District | Michael Musick | January 2022 | December 2025 |
| At large – Commissioner | Stephanie Madden | January 2022 | December 2025 |
| At large – Commissioner | Chad McLeod | January 2020 | December 2023 |

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SENIOR MANAGEMENT

CITY

Shawn Sherrouse – City Manager

Shawn Sherrouse became City Manager effective October 20, 2020. He was appointed Deputy City Manager on July 23, 2018 and served as the Assistant City Manager for the City of Lakeland from September 12, 2016 until his new appointment as Deputy. He was the Assistant City Manager for the City of Auburndale for 4 years and served as their Community Development Director for 6 years.

Prior to working for the City of Auburndale, Shawn was a Residential Appraisal Supervisor for the Polk County Property Appraiser's Office for over 11 years. He served in the United States Marine Corps and deployed to Iraq, Kuwait, and Saudi Arabia during Operations Desert Shield and Desert Storm.

Shawn has an A.A. degree in Public Administration from Polk State College, a B.A. in Management from Warner University, and a Master of Public Administration from the University of South Florida.

Shawn is a resident of Lakeland and is a graduate of Leadership Polk Class IV. He is also a member of the Florida City/County Management Association (FCCMA) and the International City/County Management Association (ICMA). In 2013 he was awarded the FCCMA B. Harold Farmer Scholarship and served as President of the ICMA Student Chapter at the University of South Florida in 2014, a student organization he co-founded. He served as the student chapter mentor.

Emily Colón – Assistant City Manager

Emily joined the City of Lakeland as Assistant City Manager on April 1, 2019. Emily was most recently the Program Administrator for the Internal Services Branch Departments for the Pasco County Board of County Commissioners. Additionally, in Pasco County she served as their Interim Purchasing Director, Budget Manager, Acting Administrative Services Manager for Fleet Management, and Budget Analyst.

Prior to working for Pasco County, Emily gained experience at the local, state, and federal levels working as a Florida Gubernatorial Fellow, in Constituent Services for a U.S. Senator, and in a City Manager's office.

Emily earned her Associates degree (AA) from Manatee Community College (now State College of Florida) while playing collegiate volleyball. She holds a Bachelor's degree (BA) in International Business and a Master of Public Administration (MPA), both from the University of South Florida.

Emily serves on the Fiscal and Administrative Policy Committee for the Florida City/County Management Association (FCCMA) and is a member of the International City/County Management Association (ICMA). Emily also serves on the Suncoast Chapter Council for the American Society of Public Administration (ASPA), is a certified Six Sigma Yellow Belt, an

Examiner for the Florida Sterling Council, and an adjunct professor for the University of South Florida's School of Public Affairs.

Michael C. Brossart – Finance Director

Mike Brossart started with the City in 1996. He was appointed Assistant Finance Director in 2003 and Finance Director in 2013. Mike is a Certified Public Accountant (CPA) and holds Bachelor of Science degrees in both Accounting and Marketing from Florida Southern College. Mike is a graduate of Leadership Lakeland Class XXXII and Leadership Polk Class XII. Mike is a member of the Government Finance Officers' Association (GFOA) and a Certified Public Manager (CPM). Mike is Vice President of the Achievement Academy's Board of Directors. Mike is also Chair of the Public Improvement Endowment Board.

Deidra Joseph – Assistant Finance Director

Deidra Joseph started with the City in August 1998. In January of 2013, Deidra was appointed Assistant Finance Director. Deidra is a member of the Government Finance Officers' Association (GFOA) and a Certified Public Manager (CPM). She holds a Bachelor of Science degree in Accounting from Florida A&M University School of Business and Industry and a Master of Accountancy from the University of South Florida College of Business Administration. Deidra is a member of the Public Improvement Endowment Board as well as other community organizations.

ELECTRIC UTILITIES

Joel Ivy – General Manager, Electric Utilities

Joel Ivy assumed the General Manager's position with Lakeland Electric on July 30, 2012. Prior to joining Lakeland Electric, Mr. Ivy oversaw the Energy Department for Imperial Irrigation District, a vertically integrated public utility located in El Centro, California. Mr. Ivy has over 30 years of experience in the power industry that includes climbing utility poles to managing multi-hundred million dollar operations with start-ups, investor owned and public power utilities. Mr. Ivy holds a Bachelor's degree in electrical engineering from the University of Texas. Joel accepted a position as General Manager of Lubbock Power & Light in Lubbock, Texas. His last day at Lakeland Electric was on April 13, 2022. Mike Beckham, Assistant General Manager, was appointed as interim General Manager effective April 14, 2022. Mike has worked for Lakeland Electric as Assistant General Manager since 2015 and has over 30 years in the electric utility industry.

Gina Jacobi – Assistant General Manager, Fiscal Operations

Gina Jacobi has been with Lakeland Electric since December 2014. Ms. Jacobi has more than 30 years of professional experience in finance; twenty of which were in the utility and energy sectors. Prior to joining Lakeland Electric, she served in a variety of financial management positions for PNM Resources, an investor-owned utility located in Albuquerque, New Mexico. Ms. Jacobi is a Certified Government Finance Manager and holds a Master of Science in Business Administration from Northwestern University and a Bachelor of Science degree in Management from Rice University.

Brent Howard – Lakeland Electric’s Controller

Brent Howard began his career with the City in March of 2020. Mr. Howard comes from the electric cooperative industry where he has served in finance and accounting supervisory roles for more than 20 years. He also served in public accounting in the capacity of external auditor for local governments as well as private industry. Mr. Howard holds a Bachelor of Science degree in Accounting from Jacksonville State University. As of February 11, 2021, Mr. Howard terminated his position with the City. Willem Strauss was appointed to the position effective May 9, 2022.

WATER/WASTEWATER UTILITIES

Bill Anderson – Director of Water Utilities

Bill Anderson began his career with the City of Lakeland in 2000 as an Environmental Technician III at the Wetlands Treatment System (Seven Wetlands). He was named the Environmental Scientist in 2006 overseeing wetland treatment operations for 10 years before being named Assistant Director of Water Utilities in 2016. He was named the Director of Water Utilities effective June 12, 2018.

PUBLIC WORKS DEPARTMENT

Christopher (Heath) Frederick – Public Works Director

Christopher Frederick joined the City of Lakeland in May 2016. He has over 15 years of experience in public works and construction management. He began his career as a quality control manager overseeing construction projects in 1999. He then worked for Orange County as an Engineer Inspector II before becoming the Public Works Director for the City of Tavares where he served for five years before becoming the Traffic Operations Manager for the City of Medford, Oregon. He was named the Director of Public Works for the City of Deland in 2010. Christopher has a Master of Public Administration from the University of Central Florida and a Bachelor of Business Administration from Faulkner University.

ECONOMIC CONDITION AND OUTLOOK FOR POLK COUNTY

The City of Lakeland is in Polk County Florida at the geographical center of the Sunshine State along the I-4 corridor between the major cities of Tampa and Orlando. Lakeland is the largest city in Polk County with an estimated population of 116,421 as of April 1, 2021¹ and covers an area of approximately 75 square miles.

The City of Lakeland continues to be the wholesale and retail trade center for the surrounding area which is supported by primarily by Trade 18.0% (Retail 13.4% & Wholesale 4.6%); Professional and Business Services; 14.1%, Education and Health Services 14.8%; Government

¹ https://www.bebr.ufl.edu/sites/default/files/Research%20Reports/estimates_2021.pdf

12.2%; Leisure and Hospitality services 8.7%; Manufacturing 7.2% and Transportation, Warehousing and Utilities 9.7%².

The executive and administrative headquarters of Publix Supermarkets Inc., Lakeland Regional Health, Florida Citrus Mutual, The Ledger, and other companies are in the City or adjacent urban areas. Some of the major employers and their industry are Publix (groceries), Lakeland Regional Health (healthcare), GEICO (insurance), City of Lakeland (government), Watson Clinic (healthcare), Sykes (call center), GC Services (call center), Amazon (retail), Southeastern University (Education), Saddle Creek Corporation (trucking and logistics) Rooms to Go (furniture) and Stryker (medical device re-processor)³.

POPULATION

The population continues to grow in Polk County with an estimated population of 748,365 as of April 2021 – a 23,319 increase from the 725,046 estimated in April 2020 and an increase of 146,270 from the April 1, 2010 census⁴. The City of Lakeland population is 115,283 (as of the 2020 census).

EMPLOYMENT

Employment data for the Lakeland-Winter Haven, FL Metropolitan Statistical Area shows decrease in total labor force and employment with unemployment and unemployment rates decreasing in 2021. In September 2021 the total workforce was 331,641 with 315,340 employed, 16,301 unemployed, and an unemployment rate of 4.9%; for comparison purposes, as of September 2020 the total workforce was 318,019 with 293,055 employed, 24,964 unemployed, and an unemployment rate of 7.8%⁵.

HOUSING STARTS

There were 3,710 single-residential building permits issued in Polk County during fiscal year 2021. This represents an increase of 9.70% compared to the 3,350 such permits issued in fiscal year 2020⁶.

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² https://lakelandcdc.com/wp-content/uploads/2021/10/2021-CED_DemographicGuide.pdf

³ https://lakelandcdc.com/wp-content/uploads/2021/10/2021-CED_DemographicGuide.pdf

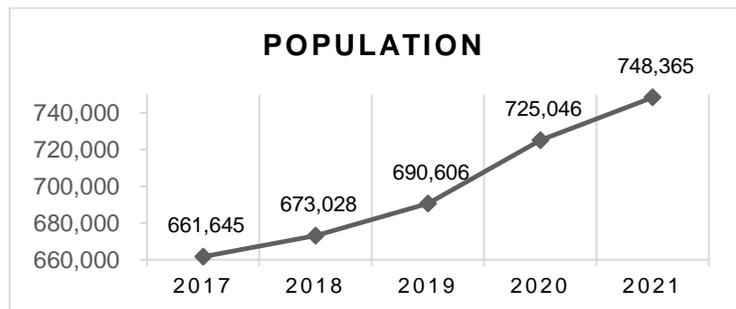
⁴ https://www.bebr.ufl.edu/sites/default/files/Research%20Reports/estimates_2021.pdf

⁵ https://www.bls.gov/eag/eag.fl_lakeland_msa.htm

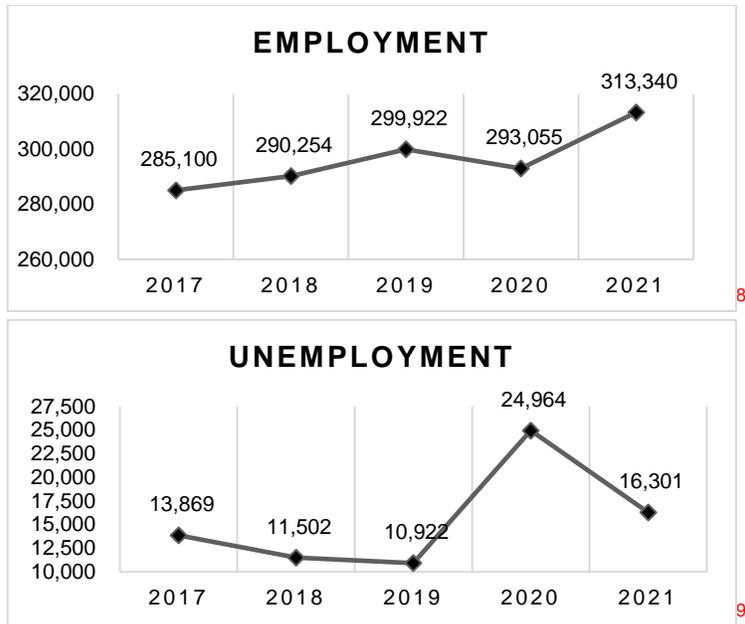
⁶ <http://www.polkcountyclerk.net/>

POLK COUNTY STATISTICAL AREA ECONOMIC TRENDS

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Population ⁷ | 661,645 | 673,028 | 690,606 | 725,046 | 748,365 |
| Population Change | 14,656 | 11,383 | 17,578 | 24,484 | 23,319 |
| Employment ⁸ | 285,100 | 290,254 | 299,922 | 293,055 | 313,340 |
| Employment Change | 11,369 | 5,154 | 9,668 | (6,867) | 22,285 |
| Unemployment ⁸ | 13,869 | 11,502 | 10,922 | 24,964 | 16,301 |
| Unemployment Change | (2,861) | (2,367) | (580) | 14,042 | (8,663) |
| Unemployment Rate ⁸ | 4.6% | 3.8% | 3.5% | 7.8% | 4.9% |
| Unemployment Rate Change | (1.2%) | (0.8%) | (0.3%) | 4.3% | (2.9%) |
| Total Housing Starts ⁹ | 2,162 | 2,574 | 2,856 | 3,350 | 3,710 |



⁷ https://www.bebr.ufl.edu/sites/default/files/Research%20Reports/estimates_2021.pdf



EDUCATION

Public schools are administered by the School Board of Polk County. The school district is the seventh largest in Florida and among the twenty eighth largest in the United States and includes more than 170 schools that educate over 109,000 students¹⁰. Within the district are 68 elementary schools, 5 elementary/middle schools, 9 elementary/middle/high schools, 20 middle schools, 4 middle/high schools, 16 high schools, 31 charter schools, 2 off-campus Head Start centers, 3 career centers, 2 adult schools, 11 alternative education/Department of Juvenile Justice sites¹¹.

There are five colleges and universities based in Polk County. Polk State College is a public institution with a current enrollment of 15,414 students attending campuses in Winter Haven, Lakeland, Bartow, and Lake Wales¹². Southeastern University is a private institution located in Lakeland with an enrollment of 8,312 students¹³. Florida Southern College is another private institution located in Lakeland with over 3,500 students enrolled¹⁴. Florida Polytechnic University is a public university located in Lakeland with an enrollment of 1,284 students¹⁵. Warner University is a private institution located in Lake Wales with an enrollment of nearly 1,200 students¹⁶.

Lakeland Regional Health (LRH) is a private not-for-profit health care system with 864 beds and is the fifth largest hospital in Florida¹⁷. On March 1, 2021 the City Commission adopted the 9th

⁸ https://www.bls.gov/eag/eag.fl_lakeland_msa.htm

⁹ <https://www.polkcountyclerk.net/>

¹⁰ <https://polkschoolsfl.com/about/>

¹¹ <https://polkschoolsfl.com/wp-content/uploads/mainsite/2020-2021Type-SchoolList.pdf>

¹² <https://www.polk.edu/about/>

¹³ <https://www.usnews.com/best-colleges/southeastern-university-1521>

¹⁴ <https://www.flsouthern.edu/about-fsc.aspx>

¹⁵ <https://floridapoly.edu/about/facts.php/>

¹⁶ <https://www.warner.edu/the-university/who-we-are/>

¹⁷ <https://mylrh.org/fast-facts/>

lease amendment wherein the City received a prepayment of \$215,000,000 to satisfy all rent and other payments owed by Lakeland Regional Medical Center from fiscal years 2022 – 2040; thereafter, total rent payments to the City will be \$10 per fiscal year.

TRANSPORTATION

Public transit in Polk County is provided by the Lakeland Area Mass Transit District operating under the name Citrus Connection¹⁸. Key transportation facilities in Polk County include Strategic Intermodal System (SIS) Corridors that serve as the primary means for moving people and freight through Florida to other states and regions¹⁹. Interstate Highway 4 (I-4), Polk County Parkway, other Federal and State primary highways, and the CSX Central Florida Intermodal Logistics Center are all considered primary SIS facilities with Lakeland Linder International Airport continuing to see an increased role²⁰.

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¹⁸ <https://www.ridecitrus.com/about-us/>

¹⁹ <https://fdot.gov/planning/sis>

²⁰ <https://www.freightmovesflorida.com>

STATISTICAL DATA

GENERAL FUND – REVENUES AND OTHER FINANCING SOURCES (IN \$1,000’S)

| Fiscal Year | Taxes | Licenses & Permits | InterGovt | Charges for Services | Fines & Forfeits | Misc. | Other Financing Sources | Total |
|-------------|--------|--------------------|-----------|----------------------|------------------|-------|-------------------------|---------|
| 2021 | 55,428 | 2,177 | 14,019 | 7,105 | 2,526 | 4,743 | 42,412 | 128,410 |
| 2020 | 52,399 | 1,770 | 16,504 | 6,454 | 2,408 | (658) | 81,543 | 160,420 |
| 2019 | 49,850 | 5,040 | 14,514 | 6,695 | 2,557 | 5,074 | 42,970 | 126,700 |
| 2018 | 47,094 | 4,843 | 11,504 | 7,044 | 2,436 | 2,755 | 41,938 | 117,614 |
| 2017 | 44,245 | 3,887 | 11,633 | 5,753 | 2,445 | 3,129 | 41,670 | 110,561 |
| 2016 | 42,424 | 4,289 | 11,290 | 4,247 | 2,525 | 2,800 | 40,007 | 107,582 |
| 2015 | 36,061 | 3,962 | 10,714 | 4,373 | 1,719 | 1,897 | 39,465 | 98,191 |
| 2014 | 34,713 | 3,563 | 10,382 | 3,994 | 1,860 | 3,205 | 34,887 | 92,604 |
| 2013 | 33,932 | 3,146 | 9,878 | 4,018 | 1,304 | 1,213 | 33,981 | 87,472 |
| 2012 | 32,994 | 2,809 | 9,532 | 3,781 | 1,351 | 2,993 | 34,247 | 87,706 |

Source: City of Lakeland Annual Comprehensive Financial Report

SCHEDULE OF PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS (MILLS \$1 PER \$1,000 VALUATION)

| Fiscal Year | City of Lakeland | | | | Polk County | Southwest Florida | Polk County | Total Direct Overlapping Rates |
|-------------|------------------|--------------------------------|--|--------|-------------|---------------------------|--------------|--------------------------------|
| | Municipal | Lakeland Area Transit District | Lakeland Downtown Development District | Total | | Water Management District | School Board | |
| 2021 | 5.4644 | 0.5000 | 1.8439 | 7.8083 | 6.8990 | 0.2669 | 5.9350 | 20.9092 |
| 2020 | 5.4644 | 0.5000 | 1.9304 | 7.8948 | 7.1565 | 0.2801 | 6.0860 | 21.4174 |
| 2019 | 5.4644 | 0.5000 | 2.0000 | 7.9644 | 7.1565 | 0.2955 | 6.2510 | 21.6674 |
| 2018 | 5.5644 | 0.5000 | 2.0000 | 8.0644 | 6.7815 | 0.3131 | 6.5140 | 21.6730 |
| 2017 | 5.5644 | 0.5000 | 2.0000 | 8.0644 | 6.7815 | 0.3317 | 6.7970 | 21.9746 |
| 2016 | 5.5644 | 0.5000 | 2.0000 | 8.0644 | 6.7815 | 0.3488 | 7.1490 | 22.3437 |
| 2015 | 4.6644 | 0.5000 | 2.0000 | 7.1644 | 6.8665 | 0.3658 | 7.2080 | 21.6047 |
| 2014 | 4.6644 | 0.5000 | 2.0000 | 7.1644 | 6.8665 | 0.3818 | 7.5470 | 21.9597 |
| 2013 | 4.6644 | 0.5000 | 1.9945 | 7.1589 | 6.8665 | 0.3928 | 7.4920 | 21.9102 |
| 2012 | 4.1644 | 0.5000 | 2.0000 | 6.6644 | 6.8665 | 0.3928 | 7.6700 | 21.5937 |

Source: City of Lakeland Annual Comprehensive Financial Report

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SOCIOECONOMIC DATA²¹

| <u>Employer</u> | <u>Type of Business</u> | 2021 | | | 2012 | | |
|---------------------------|-------------------------|------------------|-------------|----------------|------------------|-------------|----------------|
| | | <u>Employees</u> | <u>Rank</u> | <u>Percent</u> | <u>Employees</u> | <u>Rank</u> | <u>Percent</u> |
| Publix Supermarkets, Inc. | Grocery/Distribution | 8,008 | 1 | 29.31% | 8,063 | 1 | 35.70% |
| Lakeland Regional Health | Healthcare | 5,500 | 2 | 20.13% | 4,540 | 2 | 20.10% |
| GEICO | Insurance | 3,700 | 3 | 13.54% | 2,005 | 4 | 8.88% |
| City of Lakeland | Government | 2,733 | 4 | 10.00% | 2,600 | 3 | 11.51% |
| Amazon | Retail/Distribution | 2,000 | 5 | 7.32% | | | |
| Watson Clinic | Healthcare | 1,857 | 6 | 6.80% | 1,600 | 5 | 7.08% |
| Southeastern University | Education | 1,072 | 7 | 3.92% | | | |
| Saddle Creek Corporation | Trucking & Logistics | 1,042 | 8 | 3.81% | 625 | 9 | 2.77% |
| Rooms to Go Furniture | Retail/Distribution | 800 | 9 | 2.93% | 900 | 7 | 3.98% |
| Advanced Auto Parts | Retail/Distribution | 615 | 10 | 2.24% | | | |
| GC Services | Call Center | | | | 1,000 | 6 | 4.43% |
| Summit Consulting | Insurance | | | | 654 | 8 | 2.90% |
| Stryker | Healthcare | | | | 600 | 10 | 2.65% |
| Total: | | <u>27,327</u> | | <u>100.0%</u> | <u>22,587</u> | | <u>100.0%</u> |

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²¹ https://www.lakelandgov.net/media/11619/20ced_demographicguide_lowres.pdf



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FINANCIAL INFORMATION

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

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 (GAAP). 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 require 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 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 transfers from payroll to operating accounts and transfers from operating to capital equipment to purchase new items require City Manager approval. Adjustments to capital expenditure accounts greater than \$5,000 and additional appropriations involving departmental or fund totals are subject to City Commission approval.

In 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 if 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:

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Millage rate | 5.5644 | 5.5644 | 5.4644 | 5.4644 | 5.4644 |
| Gross taxable property | 8,326,608,377 | 9,118,948,315 | 9,983,710,748 | 10,649,205,306 | 11,702,150,999 |
| Less tax-exempt real property | (2,869,022,296) | (3,158,285,650) | (3,512,224,128) | (3,747,238,448) | (4,279,019,642) |
| Total taxable assessed value | <u>\$5,457,586,081</u> | <u>\$5,960,662,665</u> | <u>\$6,471,486,620</u> | <u>\$6,901,966,858</u> | <u>\$7,423,131,357</u> |

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

UNDERLYING BASIS OF ACCOUNTING

The Governmental Accounting Standards Board (GASB) is the independent, private-sector organization based in Norwalk, Connecticut, that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP).²²

The GASB standards are recognized as authoritative by state and local governments, state Boards of Accountancy, and the American Institute of Certified Public Accountants (AICPA). The GASB develops and issues accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to taxpayers, public officials, investors, and others who use financial reports.²³

The GASB does not have enforcement authority to require governments to comply with its standards.²³ Compliance with the GASB's standards is enforced through the audit process when auditors render opinions on the fairness of presentations in conformity with GAAP and through the laws of individual states – many of which require local governments to prepare GAAP basis financial statements.²⁴ The municipal bond industry prefers that governments issuing debt prepare their financial statements on a GAAP basis.²⁴

The City's financial statements are prepared in accordance with GAAP as prescribed by the GASB and are audited by an independent external audit firm. In June 1999, the GASB issued Statement 34 – *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* which established financial reporting standards for state and local governments.²⁴ The City implemented the standards established by GASB 34 in the fiscal year ended September 30, 2002 and the basic financial statements now consist of the following sections:

- **Management's discussion and analysis (MD&A)** – MD&A is presented prior to and introduces the basic financial statements to provide an analytical overview of the City's financial activities.²⁵
- **Basic financial statements** that include the following:
 - **Government-wide financial statements** – comprised of a statement of net position and a statement of activities prepared using the economic resources measurement focus and the accrual basis of accounting to report all assets, liabilities, revenues, expenditures, and gains and losses.²⁵ Each statement also distinguishes between the governmental and business-type activities of the City and its one discretely presented component unit by reporting each in separate columns.²⁵ Fiduciary activities, whose resources are not available to finance City programs are excluded from the government-wide financial statements.²⁴

²² <https://www.gasb.org>

²³ <https://www.gasb.org/page/index?pageld=standards-guidance>

²⁴ <https://www.gasb.org>

- **Fund financial statements** – consist of a series of statements that focus on information about the City’s major governmental and enterprise funds, including its blended component unit.²⁵ Fund financial statements also report information about the City’s fiduciary funds and component units that are fiduciary in nature.²⁵ Governmental fund financial statements (general fund, special revenue, capital projects, debt service, and permanent) are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.²⁵ Proprietary (enterprise and internal service) and fiduciary (pension plan) fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.²⁵
- **Notes to the financial statements** – consist of notes that provide information essential to a user’s understanding of the basic financial statements.²⁵
- **Required supplementary information (RSI)** – In addition to MD&A, GASB 34 requires budgetary comparison schedules to be presented as RSI along with other types of data as required by previous GASB pronouncements.²⁵

Government-wide and fund financial statements categorize activities as 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 as the full cost of providing those services is not readily passable to users. The electric, water, wastewater, solid waste, sanitation, parking, airport, and civic center are classified as business- type activities because they assess user fees intended to satisfy most, if not all, annual operating costs.

MANAGEMENT’S DISCUSSION & ANALYSIS

The Management’s Discussion & Analysis (MD&A) provides an objective and easily readable analysis of the City’s financial activities based on currently known facts, decisions, or conditions and includes comparisons of the current year to the prior year based on government-wide information.²⁵ It provides an analysis of the City’s overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated because of the year’s activities. It provides an analysis of significant changes that have occurred in funds and significant budget variances. Capital asset and long-term debt activity that occurred during the year is also described. The MD&A concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on the City’s financial position or results of operations.

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²⁵ <https://www.gasb.org>

Basic Financial Statements

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 historical 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. Under this basis of accounting, revenues are recorded when earned, and expenditures 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 historical 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, ensuring that the related expenses appear only once and are categorized within the appropriate functional activity.

A condensed statement of net position and statement of activities for the City of Lakeland's fiscal year ended September 30, 2021 are presented in the following tables.

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CITY OF LAKELAND, FLORIDA
CONDENSED STATEMENT OF NET POSITION (in thousands)
SEPTEMBER 30, 2021

| | Primary Government | | |
|--|--------------------|-----------------------------|---------------------|
| | Governmental | Business-type Activities | Total |
| ASSETS | | | |
| Current assets | \$ 135,581 | \$ 245,989 | \$ 381,570 |
| Asset apportionments | 234,112 | 203,652 | 437,764 |
| Restricted assets | 70,781 | 61,773 | 132,554 |
| Capital assets | 295,257 | 1,322,851 | 1,618,108 |
| Other non-current assets | - | 870 | 870 |
| Total assets | <u>735,731</u> | <u>1,835,135</u> | <u>2,570,866</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to pensions | 17,452 | 10,433 | 27,885 |
| Deferred outflows of resources related to OPEB | 44,642 | 41,091 | 85,733 |
| Deferred outflows of resources related to ARO | - | 3,130 | 3,130 |
| Decrease in fair value of interest rate swaps | - | 30,410 | 30,410 |
| Unamortized loss on hedges | - | 33,613 | 33,613 |
| Unamortized loss (gain) on refunding | 6 | 20,241 | 20,247 |
| Total deferred outflows of resources | <u>62,100</u> | <u>138,918</u> | <u>201,018</u> |
| LIABILITIES | | | |
| Current liabilities | 24,233 | 125,957 | 150,190 |
| Apportioned asset liabilities | 215,000 | 16,485 | 231,485 |
| Restricted liabilities | 241 | 26,233 | 26,474 |
| Deferred credits | - | 37,645 | 37,645 |
| Accrued liabilities, less current portion | 146,301 | 149,964 | 296,265 |
| Long-term debt payable, less current portion | 86,004 | 567,588 | 653,592 |
| Total liabilities | <u>471,779</u> | <u>923,872</u> | <u>1,395,651</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to pensions | 8,899 | 4,156 | 13,055 |
| Deferred inflows of resources related to OPEB | 48,585 | 52,560 | 101,145 |
| Over-recovery of fuel | - | 18,793 | 18,793 |
| Deferred inflows of resources related to CIAC | - | 225 | 225 |
| Contributions in aid of construction | - | 43,863 | 43,863 |
| Total deferred inflows of resources | <u>57,484</u> | <u>119,597</u> | <u>177,081</u> |
| NET POSITION | | | |
| Net investment in capital assets | 243,922 | 805,614 | 1,049,536 |
| Restricted | 70,539 | 35,539 | 106,078 |
| Unrestricted | (45,892) | 89,431 | 43,539 |
| Total net position | <u>\$ 268,569</u> | <u>\$ 930,584</u> | <u>\$ 1,199,153</u> |

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**CITY OF LAKELAND, FLORIDA
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2021**

| Functions/Programs | Expenses | Program Revenues | | | Net Revenue (Expense) and Changes in Net Position | | |
|--|--------------------|-----------------------|------------------------------------|----------------------------------|---|--------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities | | | | | | | |
| General Government | \$ 16,174,598 | \$ 2,133,817 | \$ 26,474 | \$ 7,500 | \$ (14,006,807) | - | \$ (14,006,807) |
| Public safety | 72,577,164 | 11,093,374 | 2,221,228 | 25,000 | (59,237,562) | - | (59,237,562) |
| Physical environment | 8,999,820 | 8,105,887 | 353,622 | 2,755 | (537,556) | - | (537,556) |
| Transportation | 19,012,926 | 6,069,310 | 1,140,675 | 9,976,850 | (1,826,091) | - | (1,826,091) |
| Economic environment | 9,989,204 | 86,948 | 2,426,028 | - | (7,476,228) | - | (7,476,228) |
| Human services | 362,718 | - | - | - | (362,718) | - | (362,718) |
| Culture/recreation | 29,201,982 | 6,351,816 | 1,218,319 | 3,173,669 | (18,458,178) | - | (18,458,178) |
| Interest on long-term debt | 3,036,744 | - | - | - | (3,036,744) | - | (3,036,744) |
| Total governmental activities: | <u>159,355,156</u> | <u>33,841,152</u> | <u>7,386,346</u> | <u>13,185,774</u> | <u>(104,941,884)</u> | <u>-</u> | <u>(104,941,884)</u> |
| Business-type activities | | | | | | | |
| Electric | 262,057,211 | 329,713,024 | - | - | - | 67,655,813 | 55,056,002 |
| Water and Wastewater | 49,489,370 | 75,182,288 | - | 18,841,911 | - | 44,534,829 | 37,749,398 |
| Parking | 1,061,669 | 765,658 | - | - | - | (296,011) | (258,941) |
| RP Funding Center | 7,425,644 | 2,358,538 | 2,875 | 536,097 | - | (4,528,134) | (4,512,534) |
| Lakeland Linder International Airport | 10,698,350 | 9,853,642 | 129,745 | 13,652,158 | - | 12,937,195 | 29,568,601 |
| Solid Waste | 14,957,027 | 17,238,176 | - | - | - | 2,281,149 | 1,976,810 |
| Total business-type activities | <u>345,689,271</u> | <u>435,111,326</u> | <u>132,620</u> | <u>33,030,166</u> | <u>-</u> | <u>122,584,841</u> | <u>122,584,841</u> |
| Total primary government | <u>505,044,427</u> | <u>\$ 468,952,478</u> | <u>\$ 7,518,966</u> | <u>\$ 46,215,940</u> | <u>\$ (104,941,884)</u> | <u>\$ 122,584,841</u> | <u>\$ 17,642,957</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 46,338,892 | - | 46,338,892 |
| Franchise taxes | | | | | 296,954 | - | 296,954 |
| Motor fuel taxes | | | | | 6,112,157 | - | 6,112,157 |
| Utility taxes | | | | | 16,080,526 | - | 16,080,526 |
| State shared revenue (unrestricted) | | | | | 11,925,134 | - | 11,925,134 |
| Payments from Lakeland Regional Health | | | | | 14,378,614 | - | 14,378,614 |
| Investment earnings | | | | | 13,547,307 | 21,264,127 | 34,811,434 |
| Miscellaneous | | | | | 4,804,281 | 2,435,159 | 7,239,440 |
| Transfers from (to) other funds | | | | | 38,614,517 | (38,614,517) | - |
| Special item | | | | | - | (46,416,616) | (46,416,616) |
| Total general revenues and transfers | | | | | <u>152,098,382</u> | <u>(61,331,847)</u> | <u>90,766,535</u> |
| Change in net position | | | | | 47,156,498 | 61,252,994 | 108,409,492 |
| Net position, beginning of year | | | | | 221,412,592 | 869,331,236 | 1,090,743,828 |
| Net position, end of year | | | | | <u>\$ 268,569,090</u> | <u>\$ 930,584,230</u> | <u>\$1,199,153,320</u> |

FUND FINANCIAL STATEMENTS

The fund financial statements report information in greater detail focusing on separate reporting for individual major funds, unlike the government-wide financial statements that consolidate financial data broadly into either governmental or business-type activities. Funds that are considered non-major are aggregated 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 comprised of all assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses for each fund. GASB 34 provides criteria used to determine whether individual funds are considered major or non-major based on the value of the fund's assets, liabilities, revenues, and expenditures/expenses in relation to all funds. The major funds for which detailed financial information is provided based on these criteria are the City's General Fund, Electric Utility Fund, Water/Wastewater Utility Fund, and Public Improvement Fund.

Within the fund financial statements, funds are also classified into fund types. The basis of accounting applied to the various fund types varies depending on the nature of the financial information needed to sustain the types of services provided. Funds are classified by type as follows.

GOVERNMENTAL FUNDS

Within the fund financial statements, the accounting policies applied to governmental funds are 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 accrued in the accounting period that they become available and measurable – generally this is revenue 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 un-matured 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 funds, 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 types of governmental funds used by the City are:

- 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 – account for the accumulation of resources needed to make that component of principal and interest payment on long-term debt which will be payable in the current year.

Condensed Governmental Funds financial statements for the fiscal year ended September 30, 2021 are presented in the following tables.

**CITY OF LAKELAND, FLORIDA
CONDENSED BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

| | General Fund | Public Improvement Fund | Other Governmental Funds | Total Government Funds |
|--|----------------------|-------------------------------|--------------------------------|------------------------------|
| ASSETS | <u>\$ 77,231,664</u> | <u>\$ 251,810,576</u> | <u>\$ 77,326,299</u> | <u>\$ 406,368,539</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| Liabilities | 10,801,506 | 215,875,769 | 9,627,780 | 236,305,055 |
| Deferred inflows of resources | 24,528,902 | 1,509 | 1,031,062 | 25,561,473 |
| Fund balances | | | | |
| Non-spendable | - | - | 6,761,320 | 6,761,320 |
| Restricted | 2,569,000 | 5,714,511 | 54,353,395 | 62,636,906 |
| Committed | - | 12,936,598 | 5,554,267 | 18,490,865 |
| Assigned | 6,386,744 | 17,282,189 | - | 23,668,933 |
| Unassigned | 32,945,512 | - | (1,525) | 32,943,987 |
| Total fund balances | 41,901,256 | 35,933,298 | 66,667,457 | 144,502,011 |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 77,231,664</u> | <u>\$ 251,810,576</u> | <u>\$ 77,326,299</u> | <u>\$ 406,368,539</u> |

**CITY OF LAKELAND, FLORIDA
CONDENSED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

| | General Fund | Public Improvement Fund | Other Governmental Funds | Total Government Funds |
|--|----------------------|-------------------------------|--------------------------------|------------------------------|
| REVENUES | | | | |
| Taxes | \$ 55,428,398 | \$ - | \$ 13,400,131 | \$ 68,828,529 |
| Licenses and permits | 2,176,718 | - | 3,463,941 | 5,640,659 |
| Intergovernmental | 14,019,202 | 2,623,669 | 12,487,213 | 29,130,084 |
| Charges for services | 7,105,308 | 615,588 | 17,921,689 | 25,642,585 |
| Fines and forfeits | 2,526,377 | - | 31,531 | 2,557,908 |
| Miscellaneous | 4,743,191 | 19,817,786 | 6,448,443 | 31,009,420 |
| Total revenues | 85,999,194 | 23,057,043 | 53,752,948 | 162,809,185 |
| EXPENDITURES | | | | |
| Current | 115,806,051 | 2,055,242 | 20,769,540 | 138,630,833 |
| Capital outlay | 237,695 | 3,923,338 | 13,737,517 | 17,898,550 |
| Debt service | 571,039 | 9,869,607 | 5,418,409 | 15,859,055 |
| Total expenditures | 116,614,785 | 15,848,187 | 39,925,466 | 172,388,438 |
| Excess (deficiency) of revenues over (under) expenditures | (30,615,591) | 7,208,856 | 13,827,482 | (9,579,253) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of internal loans | - | 3,500,000 | 171,882 | 3,671,882 |
| Transfers from other funds | 49,329,830 | 2,119,625 | 4,122,744 | 55,572,199 |
| Transfers to other funds | (6,918,319) | (7,585,322) | (3,175,981) | (17,679,622) |
| Total other financing sources (uses) | 42,411,511 | (1,965,697) | 1,118,645 | 41,564,459 |
| Net change in fund balances | 11,795,920 | 5,243,159 | 14,946,127 | 31,985,206 |
| FUND BALANCE, beginning of year | 30,105,336 | 30,690,139 | 51,721,330 | 112,516,805 |
| FUND BALANCE, end of year | <u>\$ 41,901,256</u> | <u>\$ 35,933,298</u> | <u>\$ 66,667,457</u> | <u>\$ 144,502,011</u> |

PROPRIETARY FUNDS

Within the fund financial statements, the accounting policies for proprietary funds are identical to the full accrual private sector focus applied within the government-wide financial statements. Revenues are recognized when they are earned, and expenses are recognized when they are incurred without application of the “measurable and available” criterion 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 those persons or entities using those services. The proprietary fund types used by the City are as follows:

- Enterprise funds – account for operations for which a fee is charged to external users for goods or services. Major enterprise funds include the Electric Utility Fund, Water Utility Fund, Wastewater Utility Fund, and Lakeland Linder International Airport Fund. Non-major enterprise funds are reported in aggregate and include the Parking System Fund, RP Funding Center Fund, and Solid Waste Management Fund.
- Internal service funds – account for operations for which a fee is charged to internal users for goods or services. The internal service funds are reported in the aggregate and include the Purchasing and Stores Fund, Fleet Management Fund, Facilities Maintenance Fund, Information Technology Fund, Self-Insurance Fund, and Internal Loan Fund. To the extent possible, the ultimate costs of the services provided by these funds are reported in the appropriate functional activity.

Condensed Proprietary Funds financial statements for the fiscal year ended September 30, 2021 are presented in the following tables.

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**CITY OF LAKELAND, FLORIDA
CONDENSED STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021**

| | Department of Electric Utilities | Water and Wastewater Utilities | Lakeland Linder International Airport Funds | Other Enterprise Funds | Total | Internal Service Funds |
|---|-------------------------------------|--------------------------------------|--|------------------------------|-----------------------|---------------------------|
| ASSETS | | | | | | |
| Current assets | \$ 164,714,493 | \$ 55,346,872 | \$ 11,795,073 | \$ 10,598,666 | \$ 242,455,104 | \$ 59,485,142 |
| Noncurrent assets | | | | | | |
| Asset apportionment | 96,902,840 | 76,761,828 | 4,503,523 | 1,793,446 | 179,961,637 | 75,994,957 |
| Restricted assets | | | | | | |
| Capital assets | 671,591,237 | 381,182,653 | 187,518,499 | 39,039,148 | 1,279,331,537 | 43,519,180 |
| Other noncurrent assets | 869,896 | - | - | - | 869,896 | 50,397,422 |
| Total assets | <u>934,078,466</u> | <u>513,291,353</u> | <u>203,817,095</u> | <u>51,431,260</u> | <u>1,702,618,174</u> | <u>229,396,701</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred outflows related to pensions | 4,512,170 | 2,565,161 | 375,612 | 933,106 | 8,386,049 | 2,047,038 |
| Deferred outflows related to OPEB | 20,409,660 | 8,800,408 | 1,230,584 | 3,208,380 | 33,649,032 | 7,442,053 |
| Deferred outflows related to ARO | 1,556,638 | 1,573,583 | - | - | 3,130,221 | - |
| Unamortized loss on hedges | 33,613,295 | - | - | - | 33,613,295 | - |
| Unamortized loss (gain) on refunding | 18,640,249 | 1,233,638 | - | 38,063 | 19,911,950 | 328,843 |
| Hedge derivative outflows | 30,409,827 | - | - | - | 30,409,827 | - |
| Total deferred outflows of resources | <u>109,141,839</u> | <u>14,172,790</u> | <u>1,606,196</u> | <u>4,179,549</u> | <u>129,100,374</u> | <u>9,817,934</u> |
| LIABILITIES | | | | | | |
| Current liabilities | 85,447,407 | 14,477,643 | 11,106,452 | 3,752,178 | 114,783,680 | 23,439,353 |
| Noncurrent liabilities | | | | | | |
| Liabilities from apportioned assets | - | - | 38,420,038 | - | 38,420,038 | 16,485,284 |
| Restricted liabilities | 13,811,136 | 11,869,857 | - | 552,217 | 26,233,210 | - |
| Other noncurrent liabilities | 483,342,236 | 139,252,380 | 16,590,924 | 24,405,942 | 663,591,482 | 103,580,758 |
| Total liabilities | <u>582,600,779</u> | <u>165,599,880</u> | <u>66,117,414</u> | <u>28,710,337</u> | <u>843,028,410</u> | <u>143,505,395</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred inflows of resources related to pensions | 2,361,022 | 365,606 | 66,133 | 533,405 | 3,326,166 | 830,175 |
| Deferred inflows of resources related to OPEB | 29,172,437 | 9,037,680 | 858,839 | 4,407,531 | 43,476,487 | 9,083,741 |
| Deferred inflows of resources related to CIAC | 224,951 | | | | 224,951 | - |
| Unamortized contributions in aid of Construction | 43,863,472 | - | - | - | 43,863,472 | - |
| Fuel reserve | 18,792,634 | - | - | - | 18,792,634 | - |
| Total deferred inflows of resources | <u>94,414,516</u> | <u>9,403,286</u> | <u>924,972</u> | <u>4,940,936</u> | <u>109,683,710</u> | <u>9,913,916</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 280,257,334 | 274,019,413 | 180,049,772 | 27,768,030 | 762,094,549 | 43,519,180 |
| Restricted, capital improvement | - | 25,652,833 | 3,514,253 | 87,100 | 29,254,186 | 6,840,175 |
| Unrestricted | 85,947,676 | 52,788,731 | (45,183,120) | (5,895,594) | 87,657,693 | 35,435,969 |
| Total net assets | <u>\$ 366,205,010</u> | <u>\$ 352,460,977</u> | <u>\$ 138,380,905</u> | <u>\$ 21,959,536</u> | <u>\$ 879,006,428</u> | <u>\$ 85,795,324</u> |

CITY OF LAKELAND, FLORIDA
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

| | Department of Electric Utilities | Water and Wastewater Utilities | Lakeland Linder International Airport Fund | Other Enterprise Funds | Total | Internal Service Funds |
|---|-------------------------------------|--------------------------------------|---|------------------------------|----------------|---------------------------|
| OPERATING REVENUES | | | | | | |
| Charges for services | \$ 329,713,024 | \$ 75,182,288 | 9,853,642 | \$ 20,362,372 | \$ 435,111,326 | \$ 86,009,064 |
| OPERATING EXPENSES | | | | | | |
| Personal services | 40,977,738 | 13,736,641 | 1,857,226 | 7,557,909 | 64,129,514 | 15,463,662 |
| Other operating expenses | 169,482,827 | 25,254,062 | 3,278,440 | 14,822,317 | 212,837,646 | 58,473,395 |
| Depreciation | 38,847,827 | 9,531,198 | 4,876,110 | 1,212,079 | 54,467,214 | 10,558,129 |
| Total operating expenses | 249,308,392 | 48,521,901 | 10,011,776 | 23,592,305 | 331,434,374 | 84,495,186 |
| Operating income (loss) | 80,404,632 | 26,660,387 | (158,134) | (3,229,933) | 103,676,952 | 1,513,878 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Total non-operating revenues | | | | | | |
| (expenses) | (1,035,680) | 4,910,157 | (522,353) | 601,361 | 3,953,485 | 8,778,401 |
| Income (loss) before contributions and transfers | 79,368,952 | 31,570,544 | (680,487) | (2,628,572) | 107,630,437 | 10,292,279 |
| Capital grants and contributions | - | 18,841,911 | 13,652,158 | 536,097 | 33,030,166 | - |
| Transfers from other funds | - | - | - | 5,052,241 | 5,052,241 | 1,681,186 |
| Special item | (46,416,616) | - | - | - | (46,416,616) | - |
| Transfers to other funds | (32,884,316) | (9,489,470) | (162,286) | (2,051,542) | (44,587,614) | (38,390) |
| Total contributions and transfers | (79,300,932) | 9,352,441 | 13,489,872 | 3,536,796 | (52,921,823) | 1,642,796 |
| Change in net position | 68,020 | 40,922,985 | 12,809,385 | 908,224 | 54,708,614 | 11,935,075 |
| NET POSITION, beginning of year | 366,136,990 | 311,537,992 | 125,571,520 | 21,051,312 | 824,297,814 | 73,860,249 |
| NET POSITION, end of year | \$ 366,205,010 | \$ 352,460,977 | 138,380,905 | \$ 21,959,536 | \$ 879,006,428 | \$ 85,795,324 |

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 funds. Fiduciary fund financial statements for the fiscal year ended September 30, 2021 are presented in the following tables.

**CITY OF LAKELAND, FLORIDA
CONDENSED STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2021**

| | Pension and Other Employee Benefit Trust Funds | Private Purpose Trust Fund | Custodial Fund |
|--|--|-------------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 19,794,816 | \$ - | \$ 935,688 |
| Investments | 1,122,447,015 | 410,998 | - |
| Prepaid expenses | 864 | - | - |
| Receivables | - | - | 86,294 |
| Contributions | 1,704,514 | - | - |
| Total assets | <u>1,143,947,209</u> | <u>410,998</u> | <u>\$ 1,021,982</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 727,969 | \$ - | \$ - |
| Due to other governmental units | - | - | 1,021,982 |
| Unsettled investment purchases | 2,378,221 | - | - |
| Due to other funds | 26,770 | 127,386 | - |
| Total liabilities | <u>3,132,960</u> | <u>127,386</u> | <u>\$ 1,021,982</u> |
| NET POSITION | | | |
| Net position restricted for DROP benefits | 27,271,041 | - | |
| Net position restricted for OPEB benefits | 11,719,931 | - | |
| Restricted for pension benefits and other purposes | 1,101,823,277 | 283,612 | |
| Total net position | <u>\$ 1,140,814,249</u> | <u>\$ 283,612</u> | |

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**CITY OF LAKELAND, FLORIDA
CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2021**

| | Pension and Other Employee Benefit Trust Funds | Private Purpose Trust Funds | Custodial Funds |
|--|--|-----------------------------------|--------------------|
| ADDITIONS | | | |
| Contributions | \$ 30,801,173 | \$ - | \$17,792,168 |
| Net investment income | 233,208,771 | 26,369 | 1,187,810 |
| Miscellaneous income | 13,713 | - | - |
| Total additions, net | <u>264,023,657</u> | <u>26,369</u> | <u>18,979,978</u> |
| DEDUCTIONS | | | |
| Benefits paid | 76,337,441 | - | - |
| Refunds, former plan members | 1,854,666 | - | - |
| Impact fee remittances to the County Joint City | - | - | 11,344,485 |
| Administrative expenses | 605,458 | - | 65,029 |
| Other | - | 741,142 | - |
| Total deductions | <u>78,797,565</u> | <u>741,142</u> | <u>18,979,978</u> |
| Net increase (decrease) in restricted net position | 185,226,095 | (714,773) | - |
| NET POSITION, beginning of year | 955,588,157 | 998,385 | - |
| NET POSITION, end of year | <u>\$ 1,140,814,249</u> | <u>\$ 283,612</u> | <u>\$ -</u> |

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NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide information that is *essential* to a user's understanding of the basic financial statements.²⁶ The notes are an integral part of the basic financial statements and focus on the primary government—specifically, its governmental activities, business-type activities, major funds, and non-major funds in the aggregate.²⁷ The City has one blended component unit, Lakeland Community Redevelopment Agency (LCRA), that is blended in the financial statements of the City and is disclosed in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

A budgetary comparison schedule is presented as required supplemental information (RSI) for the general fund that presents the originally adopted and appropriated budget, the final appropriated budget, the actual results of operations, and a separate column to report the variance between the final amended budget and the actual results.

Within the RSI, the City also elects to disclose additional information about the employee, police, and fire pension plans including a schedule of changes in net pension liability and related ratios, a schedule of contributions, and a schedule of funding progress. Additional details about these fiduciary accounts are disclosed in the notes to the financial statements section of the Annual Report.

SUPPLEMENTAL INFORMATION

A budgetary comparison schedule is presented as supplemental information for the public improvement fund that presents the originally adopted and appropriated budget, the final amended budget, the actual results of operations, and a separate column to report the variance between the final amended budget and the actual results.

COMBINING STATEMENTS

The combining statements section of the Annual Report contains detailed disaggregated financial statements for the various funds maintained by the City that were reported in the aggregate within the fund financial statements. The combining statements show in detail the fund balances that were consolidated into the aggregate columns classified as other governmental funds, proprietary funds, and fiduciary funds within the fund financial statements. The other governmental funds include special revenue funds, capital project funds, and permanent funds. The proprietary funds include both enterprise and internal service funds. The fiduciary funds include both pension and trust funds.

CASH MANAGEMENT

The City has defined cash and cash equivalents as both currency and highly liquid or short term investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.²⁷

²⁶ <http://www.gasb.org/st/summary/gstsm34.html>

²⁷ <http://www.gasb.org>

Examples of cash and cash equivalents include: currency on hand, demand deposits, cash with paying agents, Treasury bills, commercial paper, certificates of deposit, money market funds, and cash management pools.²⁸

Several forms of legal and contractual provisions govern the types of investments in which the City may directly invest. 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.²⁸ 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.

Various funds of the City combine their resources into an investment pool to maximize investment earnings on daily cash balances. The pooled investment fund is comprised of money market funds, time deposits, notes, bonds, and other securities. Amounts invested in money market funds and SBA are reported at cost, all other investments are recorded at fair value. Any revenue realized within the pooled investment fund is allocated to the participating funds based on their pro-rata participation in the pool. Each fund’s pro-rata share of the pooled investments is included in the caption “cash and cash equivalents” because each fund can withdraw cash at any time without prior notice or penalty.

Investments owned by individual funds and related revenue and expenses are recorded in the respective fund as earned or incurred. Investments in money market funds are reported at cost. Investments in time deposits, notes, bonds, other securities, fixed income, equity, and equity securities are reported at fair value.

The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement 72 - *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset where Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.²⁹ Investment values are measured consistent with the market approach to valuation using prices and other relevant information generated by market transactions involving identical or similar assets or groups of assets. The following investments were held by the various funds of the City as of September 30, 2021 and are collateralized by registered securities held by the City or its agents in the City’s name:

²⁸ <http://www.leg.state.fl.us/statutes>

²⁹ <https://gasb.org/page/PageContent?pagelId=/standards-guidance/pronouncements/summary--statement-no-72.html&isStaticPage=true>

Total Investments by Fair Value Level

| Investments by fair value level | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------------------------|-----------------|--|---|--|
| US Treasury Notes & Bonds | \$ 190,772,859 | \$ 30,680,471 | \$ 160,092,388 | \$ - |
| Corporate Bonds | 347,571,467 | - | 326,579,374 | 20,992,093 |
| Foreign Corporate Bonds | 27,005,040 | 8,835,750 | 18,169,290 | - |
| Municipal Bonds | 19,273,337 | - | 19,273,337 | - |
| Corporate Stocks | 293,775,050 | 293,775,050 | - | - |
| Foreign Corporate Stocks | 18,959,076 | 2,113,097 | 16,845,979 | - |
| Accrued Interest Receivable | 2,979,152 | 2,979,152 | - | - |
| State Board of Admin LGIP | 9 | - | 9 | - |
| Money Market Account | 287,288,867 | 286,966,672 | 322,195 | - |
| Equity Mutual Funds | 214,306,600 | 150,911,654 | 63,394,946 | - |
| Foreign Equity Mutual Funds | 51,969,827 | 51,969,827 | - | - |
| Fixed Income Mutual Funds | 41,891,273 | 41,891,273 | - | - |
| Foreign Fixed Income Mutual Funds | 38,163,836 | 38,163,836 | - | - |
| Total investments by fair value level | \$1,533,956,393 | \$ 908,286,782 | \$ 604,677,518 | \$ 20,992,093 |

| Investments measured at NAV | Total | Unfunded Commitments | Redemption Frequency if Currently Eligible | Redemption Period Notice |
|--|-----------------|-------------------------|--|-----------------------------|
| Fixed Income Strategies ¹ | 35,142,254 | 26,942,218 | n/a or quarterly* | 100 days* written |
| Real Estate Strategies ² | 89,230,481 | 13,554,909 | n/a or quarterly* | 30 days subjective* |
| Private Equity Strategies ³ | 209,060,500 | 39,339,297 | n/a daily or quarterly* | n/a or 5-10 days* |
| Alternative Investments ⁴ | 61,373,414 | 6,479,326 | n/a* | n/a* |
| Total investments measured at NAV | 394,806,649 | 86,315,750 | | |
| Total Investments | \$1,928,763,042 | \$ 86,315,750 | | |

¹Fixed Income Strategies – This type includes four securities invested primarily in secured and unsecured debt instruments of middle market companies and institutions. These securities can include special situations like rescue financing and restructuring to optimize liquidity often with lower fee structures. These investments are typically illiquid with disbursements received as underlying assets are liquidated; however, one fund is eligible for quarterly redemption with 100 days' written notice.

²Real Estate Strategies – This type includes eight funds invested primarily in commercial and residential real estate. Participation in these funds is typically as a limited partnership with ownership measured in shares of partners' capital. *These holdings are typically illiquid with disbursement received as underlying assets are liquidated; however, one fund is eligible for quarterly disbursement with 30 days' notice subject to available cash as determined by the trustee.

³Private Equity Strategies – This type includes seven private equity funds with a variety of investment strategies that typically offer superior long-term risk/reward profiles, but with more limited liquidity characteristics. Ownership is measured in shares of partners' capital with distributions received as underlying investments of the funds are liquidated. *These holdings are typically illiquid; however, two of these funds are eligible for withdrawal subject to a 5- or 10-days' notice and one fund is eligible for monthly withdrawal subject to a 5 days' notice before month end.

⁴Alternative Investments – This type includes three private equity funds with a variety of investment strategies that typically offer superior risk/reward profiles with limited liquidity characteristics. *These holdings are largely illiquid with distributions only received as underlying assets are liquidated. None of these funds are eligible for withdrawal of equity upon request

DEBT ADMINISTRATION

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)

September 30, 2021

Direct and Overlapping Governmental Activities Debt

| Governmental Unit | Debt Outstanding | Estimated % Applicable | Estimated Share of Overlapping Debt |
|--|---------------------|---------------------------|--|
| Tax Supported Ad Valorem Debt: | | | |
| District School Board of Polk County Bonds Payable ¹ | \$ 337,359,000 | 17.22% | \$ 58,093,220 |
| City Direct Debt – Governmental Activities | | | 91,644,883 |
| Total Direct and Overlapping Debt | | | \$ 149,738,103 |

¹The 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.

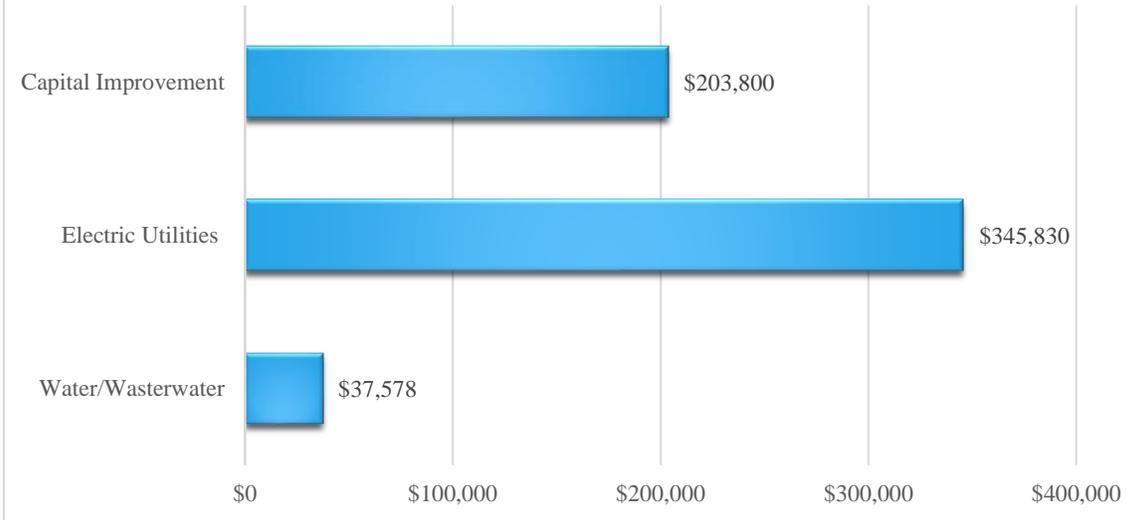
REVENUE BONDS

The City has not had any outstanding general obligation bond debt since fiscal year 1971. The following revenue bonds, including bank-loans, are outstanding for fiscal year ended September 30, 2021:

Revenue Bonds (in thousands)

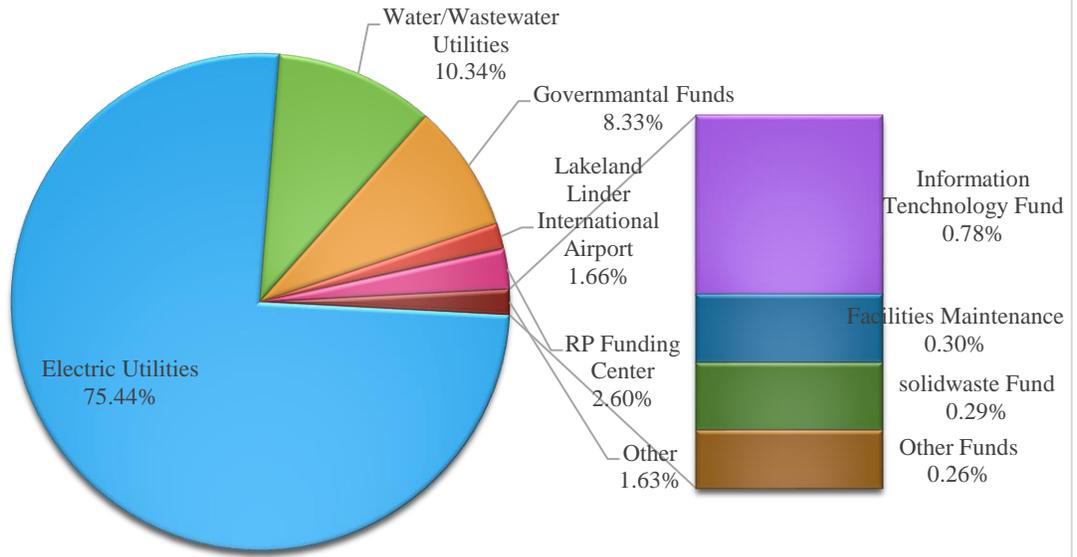
| Bond Issue | 2020 | Issued | Retired | 2021 |
|---|------------|-----------|-----------|------------|
| <u>Electric Utilities</u> | | | | |
| Energy System Revenue and Refunding Bonds, Series 2010 | \$ 103,720 | \$ - | \$ 4,695 | \$ 99,025 |
| Energy System Revenue and Refunding Bonds, Series 2016 | 122,055 | - | 4,770 | 117,285 |
| Energy System Refunding Bonds, Series 2017 | 95,205 | - | 7,000 | 88,205 |
| Energy System Revenue Bonds, Series 2018 | 43,945 | - | 2,630 | 41,315 |
| Total Electric Bonds | 364,925 | - | 19,095 | 345,830 |
| <u>Water & Wastewater Utilities</u> | | | | |
| Water & Wastewater Revenue Refunding and Improvement Bonds, Series 2012A | 31,925 | - | 1,805 | 30,120 |
| Water & Wastewater Revenue Note, Series 2015 | 8,117 | - | 659 | 7,458 |
| Total Water & Wastewater Bonds | 40,042 | - | 2,464 | 37,578 |
| <u>Capital Improvement Revenue Bonds</u> | | | | |
| Capital Improvement Revenue & Refunding Bonds, Series 2010A | 5,955 | - | 4,605 | 1,350 |
| Capital Improvement Revenue & Refunding Bonds, Series 2010B | 1,180 | - | 1,180 | - |
| Capital Improvement Revenue & Refunding Bonds, Series 2010C | 21,115 | - | - | 21,115 |
| Capital Improvement Refunding Note, Series 2012A | 5,933 | - | 1,943 | 3,990 |
| Capital Improvement Revenue Bonds, Series 2015 | 41,565 | - | 4,330 | 37,235 |
| Taxable Capital Improvement Refunding Revenue Note, Series 2015 | 5,000 | - | 5,000 | - |
| City of Lakeland, Florida Revenue Note, Series 2019 | 19,674 | 8,500 | 28,174 | - |
| Florida Taxable Pension Liability Reduction Note, series 2020 | 81,000 | - | 5,120 | 75,880 |
| Capital Improvement Revenue Note, Series 2017A | 13,350 | - | 1,055 | 12,295 |
| Capital Improvement Revenue Note, Series 2017B | 12,738 | - | 6,293 | 6,445 |
| Capital Improvement Revenue Note, Series 2021A | - | 26,195 | - | 26,195 |
| Capital Improvement Revenue Note, Series 2021B | - | 15,005 | - | 15,005 |
| Capital Improvement Revenue Note, Series 2021C | - | 4,290 | - | 4,290 |
| Total Capital Improvement Bonds | 207,510 | 53,990 | 57,700 | 203,800 |
| Total Bond Debt | \$ 612,477 | \$ 53,990 | \$ 79,259 | \$ 587,208 |

Revenue Bonds Payable by Type as of September 30, 2021.



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Revenue Bonds Payable by Funds as of September 30, 2021



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SCHEDULE OF REVENUE BONDS COVERAGE – LAST TEN FISCAL YEARS

Energy Systems Revenue Bonds

| Fiscal Year | Gross Revenues ¹ | Operating Expenses ² | Net Operating Revenues Available for Debt Service | | | Coverage Ratio | |
|-------------|-----------------------------|---------------------------------|---|---------------|---------------|----------------|------|
| | | | Principal | Interest | Total | | |
| 2021 | \$ 342,591,566 | \$ 210,460,565 | \$ 132,131,001 | \$ 18,540,000 | \$ 15,584,792 | \$ 34,124,792 | 3.87 |
| 2020 | 290,120,982 | 186,054,367 | 104,066,615 | 19,095,000 | 16,304,194 | 35,399,194 | 2.94 |
| 2019 | 333,291,588 | 209,373,188 | 123,918,400 | 20,195,000 | 17,415,419 | 37,610,419 | 3.29 |
| 2018 | 320,463,612 | 220,910,023 | 99,553,589 | 22,300,000 | 15,806,087 | 38,106,087 | 2.61 |
| 2017 | 309,315,618 | 219,734,277 | 89,581,341 | 21,250,000 | 17,299,223 | 38,549,223 | 2.32 |
| 2016 | 303,347,574 | 192,829,916 | 110,517,658 | 20,875,000 | 17,567,094 | 38,442,094 | 2.87 |
| 2015 | 313,729,994 | 215,211,535 | 98,518,459 | 16,530,000 | 18,575,791 | 35,105,791 | 2.81 |
| 2014 | 321,886,606 | 216,676,686 | 105,209,920 | 20,775,503 | 25,469,790 | 46,245,293 | 2.28 |
| 2013 | 302,803,530 | 212,530,976 | 90,272,554 | 20,313,195 | 26,313,189 | 46,626,384 | 1.94 |
| 2012 | 298,933,627 | 201,280,148 | 97,653,479 | 24,456,267 | 25,040,946 | 49,497,213 | 1.97 |

Water and Wastewater System Revenue Bonds

| Fiscal Year | Gross Revenues ¹ | Operating Expenses ² | Net Operating Revenues Available for Debt Service | | | Coverage Ratio | |
|-------------|-----------------------------|---------------------------------|---|--------------|--------------|----------------|------|
| | | | Principal | Interest | Total | | |
| 2021 | \$ 81,553,221 | \$ 38,990,703 | \$ 42,562,518 | \$ 6,806,602 | \$ 2,728,474 | \$ 9,535,076 | 4.46 |
| 2020 | 66,279,602 | 38,290,093 | 27,989,509 | 2,933,854 | 2,098,775 | 5,032,629 | 5.56 |
| 2019 | 72,238,364 | 37,469,971 | 34,768,393 | 3,773,287 | 2,262,193 | 6,035,480 | 5.76 |
| 2018 | 65,078,959 | 36,912,551 | 28,166,408 | 3,643,087 | 2,289,362 | 5,932,449 | 4.75 |
| 2017 | 63,720,012 | 34,707,999 | 29,012,013 | 3,488,247 | 2,368,078 | 5,856,325 | 4.95 |
| 2016 | 60,567,604 | 31,598,007 | 28,969,597 | 3,373,757 | 2,490,070 | 5,863,827 | 4.94 |
| 2015 | 55,530,104 | 31,237,468 | 24,292,636 | 2,690,000 | 2,377,209 | 5,067,209 | 4.79 |
| 2014 | 54,769,116 | 27,976,557 | 26,792,559 | 1,510,000 | 1,813,722 | 3,323,722 | 8.06 |
| 2013 | 48,878,811 | 28,161,365 | 20,717,446 | 1,490,000 | 1,823,257 | 3,313,257 | 6.25 |
| 2012 | 52,702,160 | 26,117,153 | 26,585,007 | 4,390,000 | 1,485,113 | 5,875,113 | 4.53 |

¹Contractual net revenues available for debt service per the bond covenant includes net revenues from operations plus 20% of fund balance.

²Excludes depreciation expense

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LOAN AND LEASE ADMINISTRATION

The City had the following loans and leases outstanding as of September 30, 2021:

Loans and Leases Outstanding

| Lender | Issue Amount | Maturity Date | Interest Rate | Year-End Balance |
|--|--------------|---------------|---------------|----------------------|
| <u>Governmental Activities:</u> | | | | |
| Lease – Leasing2, Inc. (Gradall excavators) | 784,107 | 11/15/2023 | 5.75% | \$ 315,523 |
| Lease – Leasing2, Inc. (sweepers) | 1,663,523 | 7/16/2024 | 2.80% | 1,021,347 |
| Lease – Leasing2, Inc. (wheel loaders) | 458,389 | 3/15/2025 | 2.80% | 371,712 |
| Lease – Leasing2, Inc. (Vactor trucks) | 1,079,164 | 4/16/2025 | 2.80% | 758,541 |
| Lease – PNC Equipment Finance, LLC | 1,204,179 | 7/17/2022 | 2.8 to 3.5% | 247,315 |
| Lease – Santander Leasing, LLC. | 252,000 | 11/15/2021 | 2.68% | 9,013 |
| Loan – U.S. Bancorp Government Leasing & Finance, Inc. | 1,280,000 | 2/10/2022 | 3.07% | 121,693 |
| | | | | <u>2,845,144</u> |
| <u>Business Type Activities</u> | | | | |
| U.S. Bancorp Government Leasing & Finance, Inc. | 1,166,640 | 2/10/2022 | 3.07% | 125,344 |
| Wastewater Revolving Loan Program (2006) | 42,734,405 | 9/30/2028 | 2.96% | 18,188,233 |
| Wastewater Revolving Loan Program (2016) | 1,301,890 | 4/15/2036 | 1.69% | 731,944 |
| Wastewater Revolving Loan Program (2017 Energy Efficiencies) | 12,284,141 | 1/15/2040 | 0.0%-0.44% | 11,349,070 |
| Wastewater Revolving Loan Program (2017 English Oaks) ¹ | 1,000,000 | 8/15/2040 | 1.16% | 823,967 |
| Wastewater Revolving Loan Program (2018) ² | 15,494,263 | 12/15/2042 | 0.0%-0.06% | 14,196,838 |
| Water Revolving Loan Program (2018) | 778,787 | 6/15/2040 | 1.96% | 773,702 |
| Water Revolving Loan Program (Clearwell Construction) ³ | 19,167,295 | 11/15/2041 | 0.23% | 16,605,350 |
| | | | | <u>62,794,448</u> |
| | | | | <u>\$ 65,639,592</u> |

¹\$28,525 of \$1,000,000 issued during FY2021.

²\$2,060,630 of \$15,494,263 issued during FY2021.

³\$13,218,165 of \$19,167,295 issued FY2021.

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LEASING 2, INC.

August 3, 2016 the City executed a lease-purchase agreement for a Gradall XL3100 Excavator and a Gradall XL4100 Excavator to be used by the City construction and maintenance department in the amount of \$784,107 with an interest rate of 5.75% and a maturity date of November 15, 2023. On December 7, 2018 the City executed a lease-purchase agreement for golf course maintenance equipment in the amount of \$427,800 with an interest rate of 3.99% and a maturity date of July 17, 2022. On September 16, 2019, the City also entered into a lease-purchase agreement for one Elgin Eagle and five Elgin Whirlwind Street Sweepers to clean and maintain City streets in the amount of \$1,663,523 with an interest rate of 2.80% and a maturity date of July 16, 2024. On September 16, 2019 the City entered into a lease-purchase agreement for three Volvo L60H Wheel Loaders to be used in construction project in the amount of \$458,389 with an interest rate of 2.80% and a maturity date of March 15, 2025. On September 16, 2019 the City also entered into a lease-purchase agreement for two Vactor Recyclers to clean debris from the Stormwater system in the amount of \$1,079,164 with an interest rate of 2.80% and a maturity date of April 16, 2025. Payments are made by the General Fund.

PNC EQUIPMENT FINANCE, LLC

On January 16, 2018 the City executed a 48-month lease-purchase agreement with PNC Equipment Finance, LLC to purchase 100 E-Z-GO TXT48V E Golf Carts for \$421,951 with an interest rate of 3.29% and a maturity date with a \$100,000 balloon payment of December 1, 2022. Payments are made from the General Fund.

SANTANDER LEASING, LLC

On August 15, 2016, the City executed a five-year capital lease with Santander Leasing, LLC to purchase a Cues truck for Stormwater maintenance in the amount of \$252,000. The lease carries an interest rate of 2.68% with a maturity date of November 15, 2021. Ownership transfers to the City at the termination of the lease. Lease payments are paid from the Stormwater Fund.

U.S. BANCORP GOVERNMENT LEASING AND FINANCE, INC.

On February 10, 2012, the City executed a 10-year lease-purchase agreement with US Bancorp in the amount of \$2,446,640 to finance an air conditioning system and some lighting projects. The interest rate is 3.07% with a maturity date of February 10, 2022. Lease payments are made from the general fund and the RP Funding Center fund.

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Wastewater Revolving Loan Program

The Florida Department of Environmental Protection (FDEP) provides low-interest loans for investments in water and sanitation infrastructure³⁰. 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 reserve established by the City to fund the future debt service on these loans. Amounts required for deposit are classified as a restricted asset.

- January 31, 2004 the City entered an agreement with FDEP for a \$42,734,405 loan with a 2.96% interest rate and a maturity date of September 30, 2028 to finance such improvements.
- February 11, 2014 the City entered a separate agreement with FDEP for a \$1,301,890 loan with a 1.69% interest rate with a maturity date of April 15, 2036.
- October 24, 2016 the City entered into an agreement with FDEP for a \$12,284,141 loan with an interest rate of 0.440% and a maturity date of January 15, 2040.
- March 3, 2017 the City entered into an agreement with FDEP for a \$1,000,000 loan with a 1.16% interest rate and a maturity date of August 15, 2040.
- May 7, 2018 the City entered into an agreement with FDEP for a \$15,494,263 loan with a 0.00% to 0.06% interest rate and a maturity date of December 15, 2042.

The total amount of wastewater revolving loans outstanding as of September 30, 2021 is \$45,290,052 with an additional \$4,275,568 available for drawdown.

Water Revolving Loan Program

The Florida Department of Environmental Protection (FDEP) provides low-interest loans for investments in water and sanitation infrastructure³¹. These loans are secured by a pledge of excess revenues of the water system and by a pledge of certain amounts deposited into a loan amortization account and reserve established by the City to fund the future debt service on these loans. Amounts required for deposit are classified as a restricted asset.

- November 27, 2018 the City entered into an agreement with FDEP for a \$778,787 loan with a 1.96% interest rate and a maturity date of June 15, 2040.
- July 1, 2020 the City entered into an agreement with FDEP for a \$19,167,295 loan with a 0.23% interest rate and a maturity date of November 15, 2041.

The total amount of water revolving loans outstanding as of September 30, 2021 is \$17,379,052 with an additional \$4,158,147 available for drawdown.

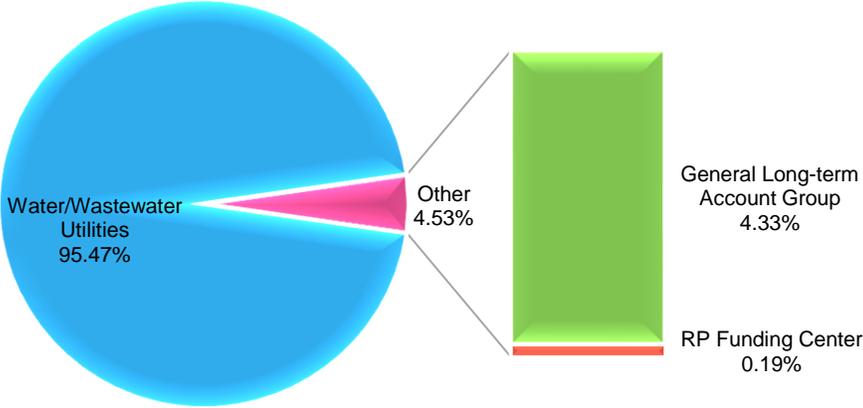
³⁰ <http://www.dep.state.fl.us/Water/wff/index.htm>

³¹ <http://www.dep.state.fl.us/Water/wff/index.htm>

**External Loans & Leases Payable as of September 30, 2021
(excluding Water, and Wastewater Revolving Loans)**



**External Loans & Leases Payable by Fund as of
September 30, 2021
(including Wastewater Revolving Loans)**



RISK MANAGEMENT

The City is currently self-insured for worker's compensation, general liability, auto liability, 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 accident³². To reduce the City's potential exposure, excess workers' compensation insurance and 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.

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 Annual Comprehensive Financial Report (Annual Report) for the fiscal year ended September 30, 2020. To be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized Annual Report, which contents conform to program standards. Such reports must satisfy both GAAP 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.

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³² http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0700-0799/0768/Sections/0768.28.html

DEPARTMENT OF ELECTRIC UTILITIES

GENERAL

The Department of Electric Utilities ("Lakeland Electric") is one of twelve operating departments of the City 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 | Load forecasting and evaluation |
| Transmission & distribution engineering | Financial forecasting and management |
| Operations and maintenance | Financial reporting and accounting |
| Customer service | Customer rate design |

As of September 30, 2021, Lakeland Electric had a staff of 388 (384 full-time, 4 part-time), including professional employees with degrees in engineering, business and other related fields. Approximately 170 Lakeland Electric employees are covered by a collective bargaining agreement with the Utility Workers Union of America, Local 604 that was entered on September 7, 2021 and expires September 30, 2023.

Annual financial statements covering the operations of Lakeland Electric are prepared by Lakeland Electric'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.

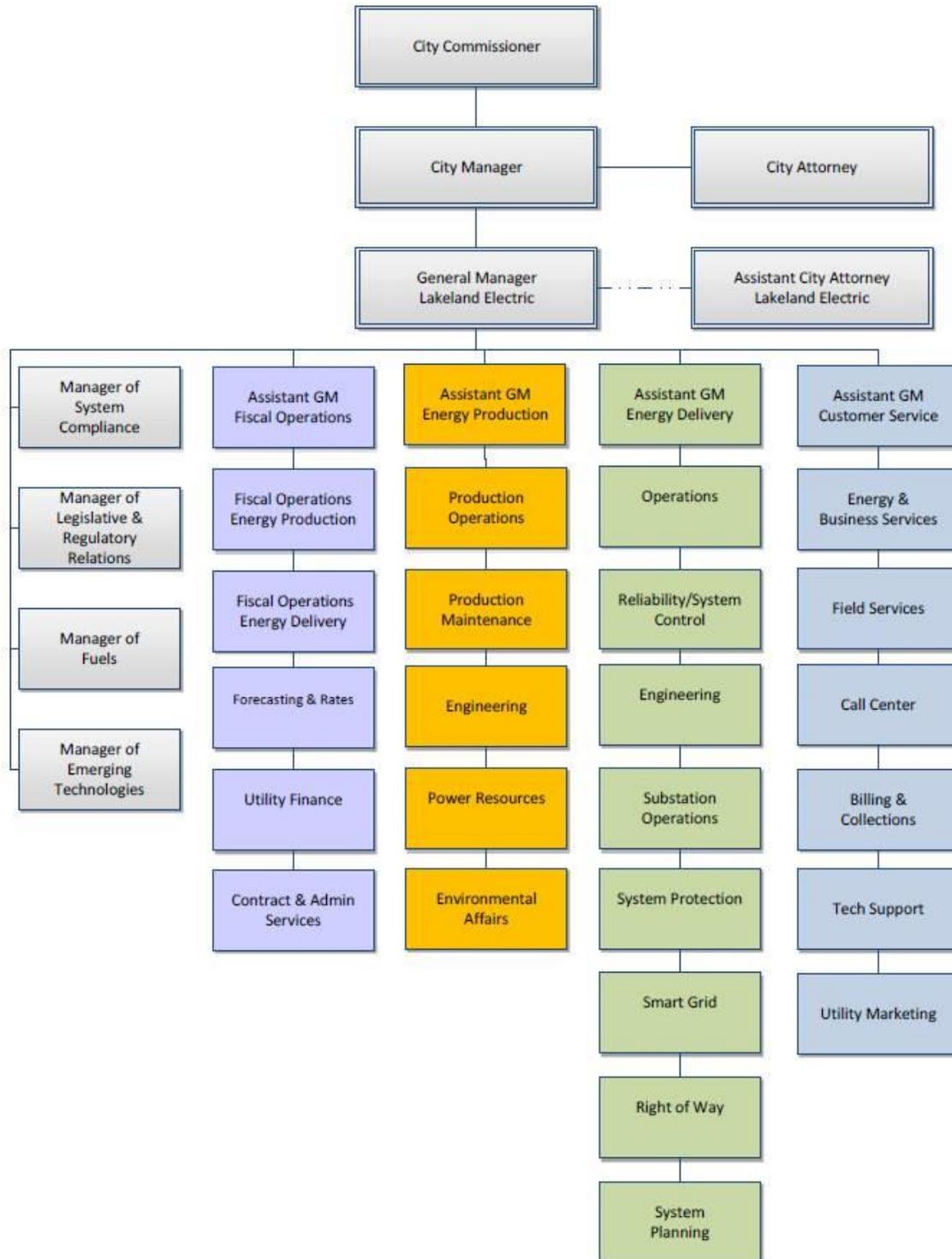
ADMINISTRATION

The City Commission established a Utility Committee as an advisory board for the Electric Utility. 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's organizational structure is intended to create accountability and responsibility. The organization is structured along functional business lines. The functional business lines are referred to as Divisions and include Production, Delivery, Customer Service, and Fiscal Operations.

The following page contains a chart of Lakeland Electric's current organizational structure.

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 several 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 existing territorial agreements with each of these utilities. During fiscal year 2021, an average of 137,295 electric accounts was served and the system experienced retail customer growth of 2.2%.

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 Linder International Airport. The Larsen Memorial Power Plant (the "Larsen Plant") is located on the southeast shore of the lake and the McIntosh Plant is located on the north shore. The Winston Power Plant (the "Winston Plant") is in the southwestern part of the service territory near the Lakeland Linder International Airport. As of September 30, 2021, the System had a net dependable capacity of 718 Megawatts ("MW"), excluding the capacity of OUC Power Purchase Agreement described below. On April 4, 2021, Lakeland Electric retired its 342 MW Unit No. 3, forty percent (40%) of which was owned by Orlando Utilities Commission ("OUC"). It is currently being decommissioned. Unit No. 3's capacity will be replaced with six 20 MW reciprocating internal combustion engine generators. Until the New Generation Units come online (anticipated to be December 2023), capacity and power previously provided by Unit No. 3 will be provided through a 125 MW Power Purchase Agreement with OUC (the "OUC Power Purchase Agreement"). Including the OUC Power Purchase Agreement, the System currently has a net dependable capacity of 843 MW. For generator capacity of each facility as of September 30, 2021, see the table entitled "Existing Generation Facilities" below.

LARSEN PLANT

Unit No. 8 at the Larsen Plant provides 124 MW (winter) of combined cycle intermediate load capacity. Larsen Unit Nos. 2 and 3 gas turbines, which accounted for 27 MW of capacity, are on long-term scheduled maintenance and not available to operate. Consequently, they have been excluded from Lakeland Electric's total net dependable capacity. The Larsen Plant site has limited growth options with the existing infrastructure. Lakeland Electric anticipates replacing Unit No. 8 in or around 2035, given it will have reached the end of its useful life.

MCINTOSH PLANT

The McIntosh Plant site consists of approximately 704 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. In Fiscal Year 2018, the City purchased a 122 MW peaking unit (McIntosh Gas Turbine 2 ("MGT2")) with proceeds of the Series 2018 Bonds. This unit replaced McIntosh Unit 2, a 106 MW (winter) net gas-fired steam generating unit. The completion date and commissioning of the MGT2 unit was June 22, 2020.

As mentioned previously, Unit No. 3, which was located at the McIntosh Plant site, was decommissioned on April 4, 2021. Unit No. 3 primarily burned pulverized coal. Pursuant to a 50-year Participation Agreement between the City and OUC dated April 4, 1978 (the "Original Participation Agreement"), the City owned a 60% undivided interest in Unit No. 3, while OUC owned the remaining 40% share. Pursuant to the Original Participation Agreement, the City was responsible for the operation, fueling and maintenance of the unit and billed OUC for 40% of such costs.

The New Generation Units are intended to replace the generation capacity of Unit No. 3 and are expected to be in service in December 2023. The New Generation Units will primarily use natural gas but will have the capability to use hydrogen for up to 20% of fuel needs. Currently, the use of hydrogen as a fuel source is not cost-effective.

McIntosh Plant Unit No. 5 is a 398 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. In Fiscal Year 2020, Lakeland Electric upgraded Unit No. 5's combustion hardware resulting in a 9% increase in power output and improved efficiency. Lakeland Electric anticipates replacing Unit No. 5 in or around 2045, given it will have reached the end of its useful life.

WINSTON PLANT

The Winston Plant is located near the Lakeland Linder International 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"), historically provided 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. As noted above, since Unit No. 3's retirement in April 2021, capacity and power previously provided by Unit No. 3 have been provided through the OUC Power Purchase Agreement. The OUC Power Purchase Agreement runs through December 2023 with an option to extend, on a month-to-month basis, if required. The New Generation Units are expected to be in service by December 2023.

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.

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Unit Specific Gross Generation % by Fiscal Year

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------------|------|------|------|------|------|------|
| Unit No. 3 (McIntosh) ¹ | 24% | 29% | 28% | 18% | 11% | 17% |
| Unit No. 5 (McIntosh) ² | 58% | 46% | 49% | 65% | 65% | 47% |
| Other Lakeland Electric Units | 4% | 5% | 3% | 5% | 4% | 9% |
| Purchases ³ | 14% | 20% | 20% | 12% | 20% | 27% |
| | 100% | 100% | 100% | 100% | 100% | 100% |

¹Unit 3 In Fiscal Year 2020, Unit No. 3 economically cycled off January and February, underwent a scheduled major outage in March and April and experienced bearing failures requiring extended forced outages between May through August 2020. On April 4, 2021, Unit No. 3 was decommissioned. See discussion under "-- Generation" above.

²Unit 5 Generation was lower during 2017 due to an extended outage when a transformer failed and two shorter outages- a 33-day bearing repair outage caused by the failure of the Unit's station service system and a 23-day outage caused by a CT row-4 blade failure. In 2018, Unit 5's generation remained lower than normal due to an 81-day combustion and steam turbine major inspection and a 16-day outage to install a new GSU transformer. Fiscal Year 2021 outage plans included a major hardware upgrade for Unit 5's combustion turbine. This included a hot gas path inspection on the combustion turbine and a field out inspection on the steam turbine generator. Outage hours totaled 3,985 in Fiscal Year 2021 versus 1,402 outage hours in Fiscal Year 2020.

³Nearly all of such purchases are through the Florida Municipal Power Pool. The increase in purchases in 2020 is mainly due to the forced outages experienced at Unit No. 3 during the Fiscal Year 2020. Starting in 2021, the System also purchased power from OUC through the OUC Power Purchase Agreement which will be in place until the New Generation Units become operational.

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 actual utilization versus its service capacity.

Capacity Factors of Lakeland Electric Generating Resources by Fiscal Year

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------------------|------|------|------|------|------|------|
| Unit No. 3 (McIntosh) ⁽¹⁾ | 56% | 50% | 55% | 37% | 20% | 32% |
| Unit No. 5 (McIntosh) ⁽²⁾ | 61 | 47 | 56 | 69 | 71 | 57 |
| Other Lakeland Electric Units | 3 | 5 | 2 | 6 | 5 | 6 |

Source: Lakeland Electric

⁽¹⁾ In Fiscal Year 2020, Unit No. 3 economically cycled off January and February, underwent a scheduled major outage in March and April and experienced bearing failures requiring extended forced outages between May through August 2020. On April 4, 2021, Unit No. 3 was decommissioned. See discussion under "-- Generation" above.

⁽²⁾ Unit 5 generation was lower during 2017 due to an extended outage when a transformer failed and two shorter outages- a 33-day bearing repair outage caused by the failure of the Unit's station service system and a 23-day outage caused by a CT row-4 blade failure. In 2018, Unit 5's generation remained lower than normal due to an 81-day combustion and steam turbine major inspection and a 16-day outage to install a new GSU transformer. Fiscal Year 2021 outage plans included a major hardware upgrade for Unit 5's combustion turbine. This included a hot gas path inspection on the combustion turbine and a field out inspection on the steam turbine generator. Outage hours totaled 3,985 in Fiscal Year 2021 versus 1,402 outage hours in Fiscal Year 2020.

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The following table shows certain information regarding the City's existing generation facilities, as of September 30, 2021.

| | Existing Generation Facilities | | | Net Dependable Equivalent | |
|---|--------------------------------|-----------|-----------|---------------------------|-----------------------------|
| | Fuel Type | | Installed | (MW) | Availability ⁽¹⁾ |
| | Primary | Alternate | | | |
| Larsen Plant: | | | | | |
| <u>Combustion Turbines</u> | | | | | |
| Unit 8 | NG | FO2 | 1992 | 93 | 93.1% |
| <u>Steam Condensing Turbines</u> | | | | | |
| Unit 8 | WW | FO2 | 1992 | 31 | 92.0 |
| Larsen Plant Total | | | | 124 | |
| McIntosh Plant: | | | | | |
| <u>Diesels</u> | | | | | |
| Unit 1 | FO2 | - | 1970 | 2 | 99.3 |
| Unit 2 | FO2 | - | 1970 | 3 | 98.0 |
| <u>Combustion Turbines</u> | | | | | |
| Unit GT1 | NG | FO2 | 1973 | 19 | 99.7 |
| Unit GT2 | NG | FO2 | 2019 | 122 | 98.0 |
| Unit 5 ⁽²⁾ | NG/WW | - | 2001 | 398 | 77.5 |
| McIntosh Plant Total | | | | 668 | |
| Winston Plant Diesel Units 1-20⁽³⁾: | FO2 | - | 2001 | 50 | 98.7 |
| Total: All Plants | | | | 718 | 86.6% |

Legend: CO - Coal, NG - Natural Gas, FO2 - Light Oil, WW - Wasted Heat Recovery

- (1) Represents the percentage of capacity that was available for generation as of September 2021.
(2) Commercial operation commenced May 2001; it was converted to combined cycle in May 2002
(3) 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 2021, following the retirement of Unit No. 3, the System had a net dependable capacity of 718 MW. Including the 125 MW OUC Power Purchase Agreement, net dependable capacity is currently 843 MW. During Fiscal Year 2021, the System's net integrated winter peak load reached 605 MW on February 4, 2021, and its net integrated summer peak load was 692 MW on August 18, 2021.

The following table shows historical electrical system demand for the last ten Fiscal Years.

Historical System Demand and Energy Load

| Fiscal Year Ended September 30 | Winter Peak (MW) | Percent Increase (Decrease) | Summer Peak (MW) | Percent Increase (Decrease) | NEL (GWh) ¹ | Percent Increase (Decrease) |
|--------------------------------|------------------|-----------------------------|------------------|-----------------------------|------------------------|-----------------------------|
| 2021 | 605 | 0.8% | 692 | 2.1% | 3,359 | 2.7% |
| 2020 | 600 | 10.1% | 678 | 1.8% | 3,237 | 0.9% |
| 2019 | 545 | (22.6%) | 667 | 4.7% | 3,208 | 2.4% |
| 2018 | 704 | 30.6% | 637 | (0.9%) | 3,133 | 2.0% |
| 2017 | 539 | (8.3%) | 643 | (0.5%) | 3,072 | (3.1%) |
| 2016 | 588 | (10.4%) | 647 | 2.7% | 3,170 | 1.8% |
| 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 | (13.7%) | 590 | (3.4%) | 2,865 | (3.3%) |

- (1) NEL is "net energy load" and excludes sales for resale.
(2) Winter Peak was significantly higher due to colder than normal weather.
Source: Lakeland Electric

TRANSMISSION AND DISTRIBUTION SYSTEM

Lakeland Electric's transmission network is made up of 230 and 69 kilovolt (kV) systems. There are currently 128 miles of 69 kV single and double circuit construction and all 69/12-kV substations have a minimum of two transmission sources. At present, there are a total of 24 distribution substations (three 230/69/12 kV, one 230/12 kV, one 230/13.8 kV, and nineteen 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 12.47 kV circuits are not included in the foregoing figures. There are 1,273 miles of overhead and 751 miles of underground distribution lines in service. The System currently has 28 miles of 230 kV transmission lines; approximately 11 miles reaches west from the McIntosh plant tying into the Interstate and West substations, and approximately 17 miles reaches south from McIntosh plant tying into the Eaton Park and Crews Lake substations.

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 some 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 Utilities
- 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
- Tennessee Valley Authority
- Oglethorpe Power Corporation
- Gainesville Regional Utilities
- Southern Company Energy Marketing

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Lakeland Electric has five 230 kV tie lines and three 69 kV tie lines. Lakeland Electric has two 230 kV ties with Duke Energy (formerly Progress Energy) at Lakeland Electric's West Substation, with one line tying to Duke Energy's Griffin Substation and the other to their Barcola Substation. Lakeland Electric's third 230 kV tie is with OUC and connects Lakeland Electric's McIntosh Substation with Orlando's Osceola 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 belong to 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 Lake Hancock Substation.

FUELS

OIL AND NATURAL GAS

The City has a storage capacity of 51,806 barrels for No. 2 distillate. This storage capacity affords the System a 9 – day reserve for No. 2 distillate at normal burn rates.

The City is currently obtaining all 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. Much of the FGT supply comes from land-based wells. Prior to August 1, 2021, the City held firm transportation rights under two rate classifications, FTS-1 and FTS-2, both under the jurisdiction of the Federal Energy Regulatory Commission. Effective August 1, 2021, per a federal rate case, the FTS-2 rate was rolled into one rate class (FTS-1) and eliminated the FTS-2 \$0.10 settlement surcharge. As a result, the City holds firm transportation rights on the FGT pipeline that varies by month and falls under one rate classification. The four contracts under the FTS-1 rate class expire March 2025, February 2027, April 2030 and July 2030.

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 while giving additional gas supplier option. Again, 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 three contracts for fixed volumes each month. These contracts are in effect through December 2027, May 2037, and May 2047.

The City secures natural gas supply by utilizing both spot and term supply methods. This allows it the diversity of moving with the spot market, while also having secure supply in place for any environmental events or pipeline allocations due to maintenance or other issues that may arise.

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 are 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 hedge policy does allow forecasted gas volumes an additional 24 months with the following targets set forth below:

- 13-24 months =0% - 50%
- 25-36 months =0% - 25%

The program uses a combination of synthetic calls and call 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, 2021, Lakeland Electric's portfolio of hedge transactions consisted of commodity swap and option contracts for approximately 23.1 million dekatherms of natural gas which represents 36-months of hedges with a cost value of approximately \$87,400,000. To date, Lakeland Electric has not been required to post any collateral. The notional cost is \$58,430,000, so Lakeland Electric's collateral value ended at a positive \$28,970,000 mark-to-market value which is below the threshold.

COAL

With the decommissioning of McIntosh Unit No. 3, the City no longer purchases or burns coal. Consequently, existing coal and related transportation contracts were terminated as the City permanently ceased to operate the coal unit.

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⁽¹⁾ as a Percent of Total Generation (MWh)

| Fiscal Year Ended September 30 | Coal | Oil | Natural Gas |
|--------------------------------------|------|-----|-------------|
| 2021 | 27% | 1% | 72% |
| 2020 | 16% | 1% | 83% |
| 2019 | 28% | 1% | 71% |
| 2018 | 44% | 0% | 56% |
| 2017 | 46% | 1% | 53% |
| 2016 | 37% | 0% | 63% |
| 2015 | 28% | 0% | 72% |
| 2014 | 19% | 0% | 81% |
| 2013 | 25% | 0% | 75% |
| 2012 | 21% | 0% | 79% |
| 2011 | 35% | 0% | 65% |
| 2010 | 35% | 0% | 65% |
| 2009 | 59% | 1% | 40% |
| 2008 | 59% | 0% | 41% |

⁽¹⁾ With the retirement of Unit No. 3 in April, 2021, the System no longer uses coal as a fuel source. Accordingly, natural gas utilization and power purchases are expected to increase.

Source: Lakeland Electric

CONSERVATION

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. 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 more utility scale solar in addition to the System's five existing solar farms (currently providing 15 MW of solar), ongoing refinements and improvements of the System's Smart Grid, and testing of storage batteries for better management of solar power and peak demand. By 2030, Lakeland Electric plans to add up to 74.5 MW of solar to the System and up to 25 MW of demand-side management.

Lakeland Electric is not subject to the Florida Energy Efficiency and Conservation Act ("FEECA") which requires electric utilities with sales greater than 2,000 GWh as of June 30, 1993 to establish numeric demand-side management goals. As of June 30, 1993, Lakeland Electric's sales were 1,966 GWh.

INDUSTRY ORGANIZATIONS

WHOLESALE POWER EXCHANGE

The City currently has bilateral contracts with nearly all 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 May 27, 1988, the City, the Orlando Utilities Commission (OUC), and the Florida Municipal Power Agency signed the Agreement and implemented the FMPP operations on July 1, 1988. On 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 keeping off 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 agreement of all members. In May 1998, the FMPP formed a marketing group – Florida Energy Marketing (FEM), 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 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 has been renewed several times and is currently set to expire in 2022. Seminole Electric Cooperative, Inc. does not participate in the current agreement. 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 (83.6% in fiscal year 2021). Of the 136,404 average accounts in fiscal year 2021, 13,853 were commercial and industrial accounts providing approximately 34.4% 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, 2021, which in total represent approximately 18.3% of the total MWh sold in Fiscal Year 2021.

Ten Largest Electric Customers as of September 30, 2021

| Customer | MWh used in Fiscal Year 2021 | MWh used in Fiscal Year 2020 | Percent Change from 2020 | Percent of Total MWh Sold in 2021 | Max Demand in 2021 (kW) |
|--------------------------|------------------------------------|------------------------------------|-----------------------------|---|----------------------------|
| Publix ¹ | 195,031 | 191,410 | 1.9% | 6.0% | 19,325 |
| City of Lakeland | 71,070 | 67,823 | 4.8% | 2.2% | 2,513 |
| Lakeland Regional Health | 69,753 | 71,989 | (3.1%) | 2.1% | 1,898 |
| Owens Corning Sales | 65,818 | 59,400 | 10.8% | 2.0% | 9,197 |
| Matheson Tri Gas | 64,624 | 60,581 | 6.7% | 2.0% | 7,795 |
| Polk County School Board | 43,837 | 39,335 | 11.4% | 1.4% | 1,250 |
| Florida Southern College | 27,818 | 27,119 | 2.6% | 0.9% | 4,190 |
| Pepperidge Farms | 23,539 | 23,062 | 2.1% | 0.7% | 3,720 |
| Watson Clinic | 17,558 | 17,418 | .8% | 0.5% | 1,308 |
| Keymark Corp | 16,780 | 17,440 | (3.8)% | 0.5% | 2,606 |
| Totals | 595,828 | 575,577 | 34.2% | 18.3% | 53,802 |
| Keymark Corp | | | | | |

¹Consists of nine supermarkets, corporate office, warehousing, 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 2018, a cost of service analysis was performed, and rate adjustments were approved for implementation by the Lakeland City Commission effective October 1, 2018. See “Electric Rates – 2018 Rate Study” on page 54. 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 rate structures 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

October 1, 2015 the Lakeland City Commission enacted ordinance 5537, which provides for a fuel reserve balance sufficient to establish reserves in the amount of 15% of the subsequent twelve-month period of fuel costs (\$18.9 million in FY2021) to offset costs associated with fuel inventories and prepaid fuel hedging. A regulatory liability exists to the extent that the cumulative over-recovered fuel charges exceeds the 15% fuel reserve. No less than quarterly, Lakeland Electric prepares a fuel cost forecast for the next twelve months. This forecast considers projected system average fuel costs, energy generation, power purchases and an amount sufficient to establish the fuel reserve.

Historical Fuel Charge and Reserve Balances

| Fiscal Quarter | Fuel Charge \$/MWh | Percent Increase (Decrease) | Fuel Reserve (\$Thousands) |
|------------------------|-----------------------|--------------------------------|-------------------------------|
| 4Q 2021 | \$ 40.00 | 0.0% | \$ 22,960 |
| 3Q 2021 | 40.00 | 14.3% | 20,153 |
| 2Q 2021 | 35.00 | 16.7% | 12,482 |
| 1Q 2021 | 30.00 | 7.1% | 15,433 |
| 4Q 2020 | 28.00 | 25.4% | 23,150 |
| 3Q 2020 ⁽¹⁾ | 22.33 | (31.8%) | 24,106 |
| 2Q 2020 | 32.75 | 0.0% | 29,762 |
| 1Q 2020 | 32.75 | (10.3%) | 27,779 |
| 4Q 2019 | 36.50 | (2.7%) | 29,308 |
| 3Q 2019 | 37.50 | (3.2%) | 28,443 |
| 2Q 2019 | 38.75 | 0.0% | 27,499 |
| 1Q 2019 | 38.75 | (4.9%) | 24,265 |
| 4Q 2018 | 40.75 | 0.0% | 24,733 |
| 3Q 2018 | 40.75 | 5.2% | 19,959 |
| 2Q 2018 | 38.75 | 0.0% | 17,001 |
| 1Q 2018 | 38.75 | 0.0% | 17,747 |

(1) Reduced fuel charge to assist customers during height of the COVID-19 pandemic.

Source: Lakeland Electric

COMPARISON OF RATES

A comparison of electric rates in effect as of September 30, 2021 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.

Rate Comparison as of September 30, 2021

| Florida Utilities | Residential 1,000 kWh | GS ⁽¹⁾ 1,500 kWh | GSD ⁽²⁾ 60,000 kWh 150 kW | GSLD ⁽³⁾ 200,000 kWh 500 kW |
|--|--------------------------|--------------------------------|---|---|
| City of Lakeland | \$ 104.87 | \$ 152.54 | \$ 5,034.35 | \$16,957.16 |
| Florida Power and Light ⁽⁴⁾ | 106.47 | 160.60 | 5,125.61 | 17,342.02 |
| City of Bartow | 119.40 | 193.50 | 6,330.10 | 21,051.10 |
| Jacksonville Electric Authority | 108.50 | 155.64 | 5,345.20 | 17,619.00 |
| Tampa Electric Company ⁽⁴⁾ | 122.03 | 187.42 | 5,837.63 | 19,384.33 |
| Orlando Utilities Commission | 109.50 | 169.02 | 5,051.60 | 16,757.00 |
| City of Tallahassee | 112.41 | 144.18 | 5,389.77 | 17,666.27 |
| Gainesville Regional Utility | 123.13 | 223.60 | 7,340.50 | 23,798.80 |
| Duke Energy ⁽⁴⁾ | 136.67 | 214.55 | 6,156.75 | 19,846.46 |
| Average | \$115.89 | \$177.89 | \$5,734.61 | \$18,935.79 |

⁽¹⁾ Small commercial.

⁽²⁾ Large commercial.

⁽³⁾ Industrial.

⁽⁴⁾ Investor-owned utility; includes an additional customer fee related to the electric franchises granted to such investor-owned utilities.

Source: Lakeland Electric

Further breakdown of rates into the fuel and energy components are as follows:

Rate Comparison Breakdown by Energy and Fuel Components

| Florida Utilities | Residential 1,000 kWh | GS 1,500 kWh | GSD 60,000 kWh 150 kW | GSLD 200,000 kWh 500kW |
|--------------------------------|--------------------------|--------------|--------------------------|---------------------------|
| City of Lakeland – Energy | 64.87 | 92.54 | 2,634.35 | 8,957.16 |
| City of Lakeland – Fuel | 40.00 | 60.00 | 2,400.00 | 8,000.00 |
| City of Lakeland – Total | 104.87 | 152.54 | 5,034.35 | 16,957.16 |
| | | | | |
| Average – Energy | 80.47 | 123.21 | 3,699.34 | 12,048.43 |
| Average – Fuel | 35.42 | 54.68 | 2,222.31 | 7,397.71 |
| Average – Total | 115.89 | 177.89 | 5,921.65 | 19,446.14 |
| | | | | |
| Lakeland % of Average – Energy | 80.6% | 75.1% | 71.2% | 74.3% |
| Lakeland % of Average – Fuel | 112.9% | 109.7% | 108.0% | 108.1% |
| Lakeland % of Average – Total | 90.5% | 85.7% | 85.0% | 87.2% |

Source: Lakeland Electric

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2018 RATE STUDY

On August 6, 2018, the Lakeland City Commission approved a three percent base rate increase which was implemented effective October 2018. Lakeland Electric will continue to closely monitor the financial position of the System, including adequacy of cost recovery and cash balances on an ongoing basis to confirm that the implementation of the proposed rates is maintaining its financial requirements. Despite the rate increase, Lakeland Electric's rates remained in the lowest quartile within the state based on currently available information.

HISTORICAL RATE CHANGES

The City has put into effect the following rate changes in recent years: The utility will be undertaking a rate study in 2022 to determine if a rate increase is required. For purposes of the projections included in the table entitled, "Lakeland Electric Projected Results of Operations," a 3.0% base rate increase was assumed to become effective in Fiscal Year 2023 although such increase has not been adopted.

Historical Rate Changes - Last Ten Years

| Fiscal Year | Residential | | | General Service | | |
|-------------|---|--------------------------------------|-------------------------------------|---|--------------------------------------|-------------------------------------|
| | % Increase (Decrease) in Base Rate ⁽¹⁾ | % Increase (Decrease) in Fuel Charge | % Increase (Decrease) in Total Rate | % Increase (Decrease) in Base Rate ⁽¹⁾ | % Increase (Decrease) in Fuel Charge | % Increase (Decrease) in Total Rate |
| 2021 | 0.2% | 25.2% | 8.6% | 0.2% | 25.2% | 8.9% |
| 2020 | 1.0 | (23.3) | (8.1) | 1.1 | (23.5) | (8.0) |
| 2019 | 2.4 | (4.7) | (0.4) | 1.6 | (4.7) | (3.3) |
| 2018 | (0.7) | 9.7 | 3.1 | 0.0 | 9.7 | 2.0 |
| 2017 | 0.0 | (6.7) | (2.6) | 0.0 | (6.7) | 4.8 |
| 2016 | 0.6 | (14.8) | (5.9) | (1.3) | (14.8) | (10.7) |
| 2015 | 5.0 | 7.8 | 6.2 | (3.1) | 7.8 | (2.7) |
| 2014 | 0.6 | 0.9 | 0.7 | 0.5 | 0.9 | 4.7 |
| 2013 | (0.2) | (4.1) | (1.9) | (0.2) | (4.1) | (1.0) |
| 2012 | (0.2) | (15.4) | (7.2) | (0.2) | (15.4) | (7.5) |

⁽¹⁾ Base rate includes an environmental rider which is intended to recover environmentally required costs.

Source: Lakeland Electric

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DIVIDEND POLICY

The City has a dividend policy pursuant to which Lakeland Electric transfers monthly amounts to the City's general fund from Lakeland Electric's operating revenues. As of September 30, 2021, the policy provided for a \$9.96 per 1,000 KWh of retail sales. The City Commission may modify the dividend policy at any time and from time to time. The following table shows the general fund dividend transfers for the fiscal years 2012-2021.

Historical Dividend Payments

| Fiscal Year | Dividend (in thousands) | Percent Increase/(Decrease) | % of Operating Revenues |
|-------------|----------------------------|--------------------------------|-------------------------|
| 2021 | \$ 32,439 | 2.66% | 9.9% |
| 2020 | 31,589 | 2.34% | 10.6% |
| 2019 | 30,850 | 3.72% | 9.7% |
| 2018 | 29,701 | 1.64% | 9.4% |
| 2017 | 29,223 | (1.22%) | 9.6% |
| 2016 | 29,584 | 2.18% | 9.9% |
| 2015 | 28,954 | 16.39% | 9.4% |
| 2014 | 24,877 | 5.95% | 8.1% |
| 2013 | 23,481 | 1.20% | 7.8% |
| 2012 | 23,192 | (4.20%) | 8.0% |

Source: Lakeland Electric

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ELECTRIC SYSTEM OPERATING STATISTICS

The following tables presents a history of the operation of the System for the past five Fiscal years:

Historical Operating Statistics - Past Five Fiscal Years

| Description | 2017 | 2018 | 2019 | 2020 | 2021 ⁽¹⁾ |
|--|------------------|------------------|------------------|------------------|---------------------|
| 60 Minute net peak demand (MW) | 643 | 704 | 667 | 678 | 692 |
| Increase/(decrease) from prior year | (0.5%) | 9.5% | (5.3%) | 1.6% | 2.1% |
| <u>Energy Sales (GWh):</u> | | | | | |
| Residential | 1,447 | 1,489 | 1,551 | 1,604 | 1,630 |
| Commercial and industrial | 1,522 | 1,540 | 1,545 | 1,527 | 1,586 |
| Other | 35 | 35 | 35 | 35 | 35 |
| Total | <u>3,004</u> | <u>3,064</u> | <u>3,131</u> | <u>3,166</u> | <u>3,251</u> |
| Increase/(decrease) from prior year | (1.5%) | 2.0% | 2.2% | 1.1% | 2.7% |
| <u>Average customers for period:</u> | | | | | |
| Residential | 107,213 | 108,539 | 109,962 | 112,240 | 114,966 |
| Commercial and industrial | 12,954 | 13,241 | 13,382 | 13,601 | 13,803 |
| Other | 8,368 | 8,403 | 8,449 | 8,520 | 8,526 |
| Total | <u>128,535</u> | <u>130,183</u> | <u>131,793</u> | <u>134,361</u> | <u>137,295</u> |
| <u>Residential service:</u> | | | | | |
| Average kWh sales per customer | 13,496 | 13,721 | 14,110 | 14,290 | 14,178 |
| Average revenue per customer | \$ 1,483 | \$ 1,552 | \$ 1,593 | \$ 1,468 | \$ 1,577 |
| Average revenue per kWh ⁽²⁾ | \$ 0.11 | \$ 0.11 | \$ 0.11 | \$ 0.10 | \$ 0.11 |
| <u>Operating revenue (\$ 000):</u> | | | | | |
| Residential | \$105,597 | \$108,823 | \$115,869 | \$118,892 | \$121,439 |
| Commercial and industrial | 62,532 | 62,818 | 64,845 | 64,259 | 67,606 |
| Other electric sales ⁽³⁾ | 8,843 | 8,985 | 9,189 | 8,937 | 8,573 |
| Sales for resale | 4,643 | 7,952 | 7,168 | 4,866 | 5,746 |
| Subtotal | <u>\$181,615</u> | <u>\$188,578</u> | <u>\$197,071</u> | <u>\$196,954</u> | <u>\$203,364</u> |
| Fuel charge ⁽⁴⁾ | 114,583 | 119,043 | 112,752 | 96,182 | 120,804 |
| Other revenues | 7,286 | 7,421 | 9,321 | 5,509 | 5,544 |
| Total electric operating revenue | <u>\$303,484</u> | <u>\$315,042</u> | <u>\$319,144</u> | <u>\$298,645</u> | <u>\$329,712</u> |

⁽¹⁾ Fiscal Year 2021 based on unaudited actual results through September 30, 2021.

⁽²⁾ Average residential revenue per kWh including fuel.

⁽³⁾ Includes private area lights, streetlights, and municipal uses - excludes sales for resale.

⁽⁴⁾ Fuel charge was reduced in Fiscal Year 2020 in response to the COVID-19 pandemic. Additionally, fuel costs were lower than in previous years as the price of natural gas declined by approximately 30% from Fiscal Year 2019. See table entitled "Historical Fuel Charges and Fuel Reserve Balances" and "Risk Factors" herein.

Source: Lakeland Electric

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Lakeland Electric
Summary of Results of Operations
(in thousands)

| Gross Revenues | 2017 | 2018 | 2019 | 2020⁽⁶⁾ | 2021 |
|---|------------------|------------------|------------------|---------------------------|------------------|
| Electric retail-base rate | \$176,971 | \$180,626 | \$189,903 | \$192,087 | \$197,619 |
| Electric retail-fuel charge | 114,583 | 119,044 | 112,751 | 96,182 | 120,804 |
| Electric wholesale | 4,644 | 7,952 | 7,168 | 4,867 | 5,745 |
| Other electric ⁽¹⁾ | 7,286 | 7,421 | 9,321 | 5,509 | 5,544 |
| Other | 544 | 521 | 631 | 1,090 | 1,622 |
| Investment income | 5,288 | 4,900 | 13,516 | (9,615) | 11,257 |
| Total gross revenues | <u>\$309,316</u> | <u>\$320,464</u> | <u>\$333,290</u> | <u>\$290,121</u> | <u>\$342,591</u> |
| Operating expenses⁽²⁾ | | | | | |
| Electric production | | | | | |
| Fuel ⁽³⁾ | \$120,510 | \$127,076 | \$120,231 | \$101,536 | \$125,551 |
| Energy supply | 29,371 | 30,131 | 29,155 | 29,658 | 27,331 |
| Subtotal | <u>149,881</u> | <u>157,207</u> | <u>149,386</u> | <u>131,194</u> | <u>152,882</u> |
| Energy delivery | 31,752 | 30,398 | 28,202 | 21,151 | 27,540 |
| Customer service | 8,025 | 8,433 | 8,610 | 8,893 | 8,136 |
| Administrative and general ⁽⁴⁾ | 30,076 | 24,872 | 23,175 | 24,815 | 21,902 |
| Total operating expense | <u>\$219,734</u> | <u>\$220,910</u> | <u>\$209,373</u> | <u>\$186,054</u> | <u>\$210,460</u> |
| Net Revenues Available for Debt Service and Other Purposes | <u>\$ 89,582</u> | <u>\$ 99,554</u> | <u>\$123,917</u> | <u>\$104,067</u> | <u>\$132,131</u> |
| Bond Service Requirement | 38,549 | 38,106 | 37,502 | 35,399 | 34,125 |
| Balance Available for Other Obligations, Capital Improvements and Expansion | <u>\$ 51,033</u> | <u>\$ 61,448</u> | <u>\$ 86,415</u> | <u>\$ 68,668</u> | <u>\$ 98,066</u> |
| Debt service coverage ratio from operations ⁽⁵⁾ | 2.32 | 2.61 | 3.30 | 2.94 | 3.87 |

NOTE: Gross revenues, operating expenses, and net revenues available for debt service and other purposes for the 2017 through 2020 Fiscal Years are derived from Lakeland Electric's audited financial statements. Gross revenues, operating expenses, and net revenues available for debt service and other purposes for the 2021 Fiscal Year are derived from unaudited results through September 30, 2021.

(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) Year-over-year variances in administrative and general expenses are primarily a result of adjustments to the pension liability in accordance with GASB Statement No. 68.

(5) Equals net revenues available for debt service and other purposes divided by bond service requirement, as determined in accordance with the Bond Ordinance.

(6) Revenue from fuel charges were down in Fiscal Year 2020 as a result of a reduction in the fuel charge in response to the COVID-19 pandemic. Additionally, fuel costs were lower than in previous years as the price of natural gas declined by approximately 30% from Fiscal Year 2019. Investment income decline was due to mark-to-market investment adjustments.

Source: Lakeland Electric

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The projections in the following two tables assume normal weather, an annual average load growth of 0.8% starting in fiscal year 2022, inflation at 5.0% in 2023, 3.5% in 2024 and 2.0% in 2025 and thereafter. A 3.0% base rate increase is assumed in Fiscal Years 2023 and 2025, although such increases have not yet been adopted. The projections also include the cost of remediating the coal unit's coal combustion residual landfill. Timing and amount of any subsequent rate increase is continually evaluated by management and will depend upon the System's financial requirements. The projected results of operations set forth in the following table were prepared by staff of Lakeland Electric based on revenue forecasts.

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

Lakeland Electric
Projected Results of Operations
(in thousands)

| | Projected | | | | |
|---|--------------------------------|-------------|-------------|-------------|-------------|
| | Fiscal Year Ended September 30 | | | | |
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
| Gross Revenues | | | | | |
| Electric Retail - Base Rate | \$ 197,229 | \$ 200,328 | \$ 199,322 | \$ 206,937 | \$ 208,737 |
| Electric Retail - Fuel Rate | 124,823 | 135,016 | 129,398 | 133,080 | 137,277 |
| Electric Wholesale | 11,024 | 10,570 | 9,855 | 10,151 | 10,456 |
| Other Electric ¹ | 6,324 | 6,640 | 6,839 | 6,976 | 7,116 |
| Other | 347 | 937 | 926 | 736 | 866 |
| Investment Income | 6,560 | 9,604 | 6,863 | 6,712 | 6,620 |
| Total Gross Revenues | \$ 346,307 | \$ 363,095 | \$ 353,203 | \$ 364,592 | \$ 371,071 |
| Operating Expenses ² | | | | | |
| Fuel ³ | \$ 135,847 | \$ 145,586 | \$ 139,253 | \$ 143,430 | \$ 147,733 |
| Energy Supply | 26,311 | 27,670 | 26,324 | 26,939 | 27,557 |
| Subtotal | \$ 162,158 | \$ 173,256 | \$ 165,577 | \$ 170,369 | \$ 175,290 |
| Energy Delivery | 30,142 | 31,275 | 32,287 | 33,073 | 33,853 |
| Customer Service | 9,404 | 9,927 | 10,247 | 10,494 | 10,738 |
| General and Administrative | 31,830 | 32,835 | 33,684 | 34,558 | 35,171 |
| Total Operating Expenses | \$ 233,534 | \$ 247,293 | \$ 241,795 | \$ 248,494 | \$ 255,052 |
| Net Revenues Available for Debt Service and Other Purposes | \$ 112,773 | \$ 115,802 | \$ 111,408 | \$ 116,098 | \$ 116,020 |
| Bond Service Requirement | \$ 39,180 | \$ 39,193 | \$ 39,185 | \$ 39,185 | \$ 39,178 |
| Balance Available for Other Obligations, Capital Improvements and Expansion | \$ 73,593 | \$ 76,609 | \$ 72,223 | \$ 76,913 | \$ 76,842 |
| Debt Service Coverage Ratio ⁴ | 2.88 | 2.95 | 2.84 | 2.96 | 2.96 |

(1) Other Electric Revenues includes customer connection charges and gross receipts revenues.

(2) Operating expenses exclude depreciation expense.

(3) Includes purchased power and fuel handling.

(4) Debt Service Coverage Ratio

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

Source: Lakeland Electric

The table below was prepared by Lakeland Electric and show historical and projected cash balances for Lakeland Electric.

Historical and Projected Cash Balances (in thousands)

| Historical | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------------|------------|------------|------------|------------|------------|
| Undesignated, unrestricted cash | \$ 55,491 | \$44,340 | \$ 52,918 | \$ 50,272 | \$ 78,754 |
| Designated for capital improvements | 70,475 | 79,139 | 85,963 | 72,659 | 66,533 |
| Total | \$ 125,966 | \$ 123,479 | \$ 138,881 | \$ 122,931 | \$ 145,287 |

| Projected | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------------------------------------|------------|------------|------------|------------|------------|
| Undesignated, unrestricted cash | \$ 75,000 | \$ 75,000 | \$ 69,500 | \$ 69,000 | \$ 68,000 |
| Designated for capital improvements | 77,500 | 75,000 | 75,000 | 71,600 | 67,000 |
| Total | \$ 152,500 | \$ 150,000 | \$ 144,500 | \$ 140,600 | \$ 135,000 |

(1) Decline in cash balances principally due to decline in customer revenues, increased capital expenditures and mark-to-market investment adjustment.

Source: Lakeland Electric

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.

CAPITAL IMPROVEMENT PLAN

The following table presents a summary of Lakeland Electric's projected capital improvement requirements through Fiscal year 2026 (in thousands)

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|--------------------|-----------|-----------|----------|----------|----------|
| Energy Supply | \$ 28,254 | \$ 20,300 | \$22,500 | \$22,200 | \$22,900 |
| Energy Delivery | 22,710 | 26,000 | 20,500 | 21,400 | 21,500 |
| Unit 3 Replacement | 61,900 | 70,000 | - | - | - |
| All Other | 4,259 | 3,400 | 1,100 | 1,400 | 1,500 |
| Total | \$117,123 | \$119,700 | \$44,100 | \$45,000 | \$45,900 |

Source: Lakeland Electric

Funding for capital projects included in the above table is expected to be generated from base electric rates, proceeds of the series 2021 bonds will be used to fund installation of unit 3's replacement.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

See Notes N and P in “Appendix C – Audited Financial Statements of the Department of Electric Utilities for the Year Ended September 30, 2021” for information concerning the City’s pension fund and other post-employment benefits as they relate to Lakeland Electric. See also “RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS” in “Appendix A – General Information Regarding the City of Lakeland, Florida” for information concerning the City’s various pension funds and other post-employment benefits as they relate to the entire City.

FACTORS AFFECTING THE INDUSTRY

GENERAL

The electric utility industry is affected by a variety 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. The primary factors currently affecting the electric utility industry include environmental regulations, reliability standards promulgated by the North American Electric Reliability Corporation ("NERC") under the jurisdiction of the Federal Energy Regulatory Commission ("FERC"), and the increasing strategic and price differences among various types of fuels as well as rapidly changing business models, including deregulation. Although no state or federal legislation is pending or proposed at this time for retail competition in Florida, the electric utility industry is adapting to increasing levels of conservation, significant pressures to move to more renewable energy, pressures to be at or close to net zero carbon emissions, and the effects of climate change impacting communities and infrastructure needs while maintaining an affordable utility bill for the consumer.

Other factors that could impact 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 changing regulatory and legislative requirements, (3) changes that might result from a comprehensive national energy policy, (4) uncertain access to low cost capital for replacement of aging fixed assets, (5) increases in operating costs, (6) "self-generation" by certain industrial and commercial customers, (7) issues relating to the ability to issue or maintain tax exempt obligations, (8) the threat and impact of natural disasters such as hurricanes, and (9) changes from projected load requirements. Any of these factors (as well as other factors) could influence the financial condition of any given electric utility, including the System, and likely will affect individual utilities in different ways.

The System and its operations are subject to federal, state and local environmental regulations which include, among other things, control of emissions of particulates, mercury, acid gases, sulfur dioxide ("SO₂") and nitrogen oxide ("NO_x") into the air; discharges of pollutants, including heat, into surface or ground water; the disposal of waste and reuse of products generated by combustion processes; management of hazardous materials; and the nature of waste materials discharged from the System. Environmental regulations generally are becoming more numerous and more stringent and, as a result, may substantially increase the costs of the System's services by requiring changes in the operation of existing facilities as well as changes in the location, design, construction and operation of new facilities (including both facilities that are owned and operated by the System as well as facilities that are owned and operated by others, from which the System purchases output, services, commodities and other materials). There is no assurance that the facilities in operation, under construction or contemplated will always remain subject to the regulations currently in effect or will always be in compliance with future regulations.

Compliance with applicable regulations could result in increases in the costs of construction and/or operation of affected facilities, including associated costs such as transmission and transportation, as well as limitations on the operation of such facilities. Failure to comply with regulatory requirements could result in reduced operating levels or the complete shutdown of those facilities not in compliance as well as the imposition of civil and criminal penalties.

The City cannot determine with certainty what effects any of the foregoing 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 only a brief discussion of some of the existing regulatory matters that impact the System; 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 2021 Bonds should obtain and review such information.

FEDERAL REGULATION

The following is a general overview of certain of the federal regulations affecting the electric utility industry and the System. It is not intended to be an exhaustive discussion of all of the federal legislative and regulatory matters that could affect the System.

Greenhouse Gas Regulation

The Environmental Protection Agency (the "EPA") continues to develop regulations related to carbon dioxide ("CO₂") and greenhouse gas ("GHG") emissions. On June 19, 2019, the EPA issued the final Affordable Clean Energy Rule (the "ACE Rule") and formally repealed the 2015 Clean Power Plan. The ACE Rule proposed to direct states to develop a plan and establish CO₂ emission standards for individual existing coal-fired electric generating units within their respective states. On January 19, 2021, the U.S. Court of Appeals for the District of Columbia Circuit issued its opinion vacating and remanding the ACE Rule while also vacating the EPA's separate action extending compliance timelines for all rules issued under section 111(d) of the Federal Clean Air Act (the "Clean Air Act"). As a result, the EPA will be required to draft new GHG regulations for existing sources under the Clean Air Act. Due to the rulemaking processes of the EPA, it is unclear when, if at all, regulation of CO₂ emissions from existing units may become effective.

On January 27, 2021, President Biden signed executive actions that make climate change both a domestic and foreign policy goal for the United States. The executive actions, among other things, directed the Secretary of Interior to pause on entering new oil and natural gas leases on public lands or offshore waters. The executive actions also describe a plan to achieve a carbon-free electricity sector by 2035 and nationwide net-zero emissions by 2050. There have also been multiple federal legislative proposals to reduce greenhouse gas emissions and to provide for increased usage of alternative and clean energy. It is not known at this time what legislation, if any, will ultimately be adopted or the impact it may have on Lakeland Electric.

Management at Lakeland Electric continues to actively monitor these activities and will participate in such proceedings as necessary. The impact to the System will depend on the development and implementation of applicable regulations and available technologies and cannot be determined at this time.

Acid Rain Program

In 1990, legislation was enacted (the "1990 Amendments") that substantially revised the Clean Air Act. A main feature of the 1990 Amendments is the reduction of SO₂ and NO_x emissions caused by electric utility power plants, particularly those fueled by oil and coal. The SO₂ reduction was to be achieved in two phases. Phase I addressed specific high sulfur emitting generating units named in the 1990 Amendments and became effective on January 1, 1995. Phase II capped total U.S. SO₂ emissions at 8,900,000 tons per year and became effective on January 1, 2000.

Mercury and Air Toxics Standards Rule

The EPA proposed the Mercury and Air Toxics Standards Rule ("MATS Rule") to further regulate mercury and other hazardous air pollutant emissions from electric generating units. The MATS Rule has been subject to substantial challenges and litigation. In April 2016, the EPA finalized its supplemental finding in response to the directives of the Supreme Court of the United States. Coal-fired Unit No. 3 was Lakeland Electric's only generating unit subject to the MATS Rule. This unit was retired in April 2021, and no part of the System is subject to the MATS Rule.

Coal Combustion Residual Regulations

On April 17, 2015, the EPA issued new rules ("CCR Rule") to regulate the disposal and beneficial use of Coal Combustion Residual ("CCR"). The CCR Rule does not require permits and does not require states to adopt or implement any of the requirements of the CCR Rule. Furthermore, the EPA cannot enforce the requirements of the CCR Rule. The CCR Rule requirements were intended to be enforced by states or citizens under the Resource Conservation and Recovery Act's citizen suit authority. On December 10, 2016, Congress passed The Water Infrastructure Improvements for the Nation Act ("WIIN Act"), which fundamentally changed the manner in which the CCR Rule is to be implemented. Under the WIIN Act, the EPA is authorized to review and approve state CCR permit programs, which have to be at least as protective as the federal CCR Rule. The Florida Department of Environmental Protection (the "FDEP") Division of Waste Management's adoption of the Federal CCR Rule requirements into the Florida Administrative Code, including establishing procedures by which CCR permits will be issued to facilities in the State, became final as of November 1, 2021. Lakeland Electric's future costs to comply include obtaining a state CCR permit which includes outside consulting and permit fees. Currently, environmental and industry groups are challenging the CCR Rule in the United States Court of Appeals for the District of Columbia Circuit. Due to the retirement of Unit No. 3, Lakeland Electric will be moving to permanently close the CCR landfill. Closure will include design, construction of an impermeable cap, and general landfill maintenance activities. Costs for these activities are estimated to be approximately \$14 million. This includes maintenance of the landfill for 30 years.

Interstate Transport Rule

Based on current modeling, the State of Florida has been determined not to be significantly contributing to any other state's ozone compliance and as such is meeting its transport-related obligations under the Cross-State Air Pollution Rule ("CSAPR") released by the EPA in July 2011. Therefore, Lakeland Electric's electric generating units are not currently impacted by the Interstate Transport Rule although subsequent modeling could impact such status and require subsequent compliance measures.

Waters of the United States Rule

In 2015, the Waters of the United States Rule (the "WOTUS Rule") expanded the jurisdictional authority of the EPA and the United States Army Corp of Engineers including jurisdiction over compliance related to discharge from a surface water management system such as the McIntosh Plant. On April 21, 2020, the revised WOTUS Rule was published in the Federal Register and became effective in June 2020 (the "Navigable Waters Protection Rule"). The Navigable Waters Protection Rule repeals and replaces the 2015 version of the WOTUS Rule with a rule that more narrowly defines the definition of waters of the United States and reduces the federal jurisdiction that was previously established by the 2015 version of the WOTUS Rule. Multiple lawsuits were filed related to the Navigable Waters Protection Rule, and Lakeland Electric will continue to monitor the regulatory and judicial activities. On January 20, 2021, President Biden announced via an executive order that multiple regulations implemented under the previous administration, including the Navigable Waters Protection Rule, would be under immediate review.

Federal Energy Regulatory Commission and Energy Policy Acts

FERC is an independent federal agency that regulates the interstate transmission of natural gas, oil and electricity including the execution of purchased power agreements. FERC's regulatory jurisdiction does not extend to public power agencies such as Lakeland Electric. Therefore, Lakeland Electric and other public power agencies are considered "non-jurisdictional entities" and their activities, operations and execution of purchased power agreements are exempt from FERC regulation. In respect to retail wheeling, FERC's oversight is specifically excluded under the Energy Policy Act of 1992 although the FERC has determined that it has jurisdiction over the rates, terms and conditions of retail wheeling. While several states have implemented or are in the process of implementing varying degrees of retail wheeling, Lakeland Electric is not aware of any currently pending legislation regarding retail wheeling in the State.

ENERGY POLICY ACT OF 1992

The Energy Policy Act of 1992 (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 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 Florida Public Service Commission adopted an IRP and the City is complying with its own IRP policy.

ENERGY POLICY ACT OF 2005

The Energy Policy Act of 2005 (the "2005 Energy Policy Act") provides tax incentives and loan guarantees for energy production of various types and sets reliability standards for grids. Under the 2005 Energy Policy Act, 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 (1) rates that are comparable to those they charge themselves and (2) terms and conditions that are comparable to those they charged themselves and that are not unduly discriminatory or preferential.

The 2005 Energy Policy Act additionally authorizes FERC to designate an Electric Reliability Organization ("ERO") that would propose reliability standards which 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 such as the City, must comply with the reliability standards. The ERO may delegate to a regional entity the authority to propose reliability standards to the ERO and to enforce the reliability standards.

FERC 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 the Florida Reliability Coordinating Council (the "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. The regulatory framework established by the 2005 Energy Policy Act and the related rules and standards subsequently established result in administrative costs and systematic controls for Lakeland Electric.

Under the 2005 Energy Policy Act, the Public Utility Regulatory Policies Act ("PURPA") of 1978 was also amended. Congress originally passed PURPA to encourage fuel diversity via alternative energy sources and to introduce competition into the electric sector. This competition came in the form of "qualifying facilities" (QFs). A QF is a FERC-approved electric generating facility that falls into one of two categories: (1) small power producers, which are generating facilities of 80 MW or less whose primary energy source is a renewable resource, biomass, waste, or geothermal and (2) cogeneration facilities, which sequentially produce electricity and another form of useful thermal energy. PURPA provides QFs with the right to interconnect with a utility-controlled grid and requires utilities to purchase the QF's energy and capacity (the mandatory purchase obligation) at "avoided cost." Avoided cost is what it would have cost the utility to generate or contract for the energy and capacity in the absence of the QF. Although the mandatory purchase obligation has not been used in the System's territory, the new Congressional focus on renewable energy has prompted growth of QFs and Lakeland Electric expects to see an increase in QF requests.

The City and the System currently are in compliance with the requirements of the 1992 Energy Policy Act, the 2005 Energy Policy Act and all current FERC initiatives. It is possible that new rules, regulations and initiatives will be implemented pursuant to such Acts and 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 rule, regulation or bill may be introduced, or whether any such item will become effective. There can, therefore, be no accurate predictions as to the impact of any such rule, regulation or law on the City and the System but the impact could be substantial.

FLORIDA LEGISLATION

The State of Florida's regulatory framework for electric utilities is principally governed by FEECA, the Florida Energy, Climate Change and Economic Security Act of 2008 (Florida Energy Act of 2008) and the Florida Energy Act of 2012 (Florida Energy Act of 2012), and the rules and regulations promulgated thereunder. Lakeland Electric currently is not subject to FEECA. The System is also subject to various State rules and regulations, some of which are briefly described below. The discussion is also not intended to be exhaustive of all of the State legislative and regulatory matters that could affect the System.

RATE REGULATION

The Florida Public Service Commission ("the "FPSC") has no authority to establish the level of electric rates that are imposed by a municipal electric utility such as Lakeland Electric. Under existing Florida law, the City Commission maintains the exclusive authority to establish the level of electric rates for the System. While FPSC has limited jurisdiction over municipal electric utilities, it does have the authority to (1) prescribe uniform systems and classifications of accounts, (2) require electric power conservation and reliability, (3) approve territorial agreements, (4) settle territorial disputes, (5) approve the need for new steam-electric power plants over 75 MW and transmission lines and (6) approve rate structures excluding the jurisdiction to set rate levels.

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 compliant with current or 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. Over the last few decades, there have been several legislative proposals, many enacted, and executive orders regarding the regulation of air, water and contaminants which affect the electric utility industry. It is likely that additional environmental proposals and orders will be made in the future from time-to-time with respect to the regulation of electric utilities. It is not possible to accurately predict what types of legislation may be proposed or orders may be issued or their impact on Lakeland Electric; however, impacts to Lakeland Electric's operating results and/or capital costs could be significant. Lakeland Electric will continue to monitor the legislative environment and will continue to comply with all of its regulatory requirements in the most cost-effective manner possible.

Florida Energy Act of 2012

The Florida Energy Act of 2012 (1) appropriates funds to evaluate whether the 1980 Florida Energy Efficiency and Conservation Act ("FEECA") remains in the public interest, (2) creates a sales tax exemption for equipment used in the distribution of renewable fuels, (3) 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 (4) creates a renewable energy production credit. While Lakeland Electric is not subject to the FEECA requirements, it has taken a pro-active approach with respect to conservation measures and typically meets or exceeds State requirements.

Nutrient Water Quality Standards

Ponds and water discharge areas at the McIntosh Plant are subject to the "Implementation of Florida's Numeric Nutrient Standards" dated April 2013, submitted by the FDEP. Lakeland Electric has not experienced any additional costs in connection with compliance with such standards.

Environmental Justice

One of President Biden's key initiatives is environmental justice. Environmental Justice is the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income, with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies. Currently, Florida has not adopted any specific environmental justice guidance or specified any environmental justice initiatives. Lakeland Electric is committed to supporting environmental justice in our community and reducing environmental impacts from our operations.

In the opinion of the City, Lakeland Electric is currently in material compliance with all current federal, state and local laws, rules, regulations, orders and initiatives affecting the System. The City cannot predict whether any additional legislation, rules, regulations, orders or initiatives will become effective which will affect the Lakeland Electric's operations or what the additional capital and operating costs, if any, to Lakeland Electric might be as a result of any such action. The financial and operating impact on Lakeland Electric could be substantial.

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SUMMARIZED BOND INFORMATION – DEPARTMENT OF ELECTRIC UTILITIES

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: **AA** Fitch Ratings: **AA**

MANDATORY REDEMPTION

The Bonds maturing on October 1, 2036 are subject to mandatory sinking fund redemption in part, by lot, on October 1, 2030 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, New York, New York
Underwriters' Counsel: Nabors, Giblin, & Nickerson, PA, Tampa, Florida
Insurance: XL Capital Assurance, Inc., New York

Summary of Future Debt Service Requirements Energy System Refunding & Revenue Bonds, Series 2010

| <u>Date</u> | <u>Maturity</u> | <u>Interest</u> | <u>Total</u> |
|-------------|----------------------|----------------------|-----------------------|
| 1-Oct-2021 | 4,925,000 | 2,514,650 | 7,439,650 |
| 1-Apr-2022 | | 2,409,994 | 2,409,994 |
| 1-Oct-2022 | 5,140,000 | 2,409,993 | 7,549,993 |
| 1-Apr-2023 | | 2,300,769 | 2,300,769 |
| 1-Oct-2023 | 5,355,000 | 2,300,769 | 7,655,769 |
| 1-Apr-2024 | | 2,180,281 | 2,180,281 |
| 1-Oct-2024 | 5,595,000 | 2,180,281 | 7,775,281 |
| 1-Apr-2025 | | 2,040,407 | 2,040,407 |
| 1-Oct-2025 | 5,885,000 | 2,040,407 | 7,925,407 |
| 1-Apr-2026 | | 1,893,281 | 1,893,281 |
| 1-Oct-2026 | 6,180,000 | 1,893,281 | 8,073,281 |
| 1-Apr-2027 | | 1,731,057 | 1,731,057 |
| 1-Oct-2027 | 5,180,000 | 1,731,057 | 6,911,057 |
| 1-Apr-2028 | | 1,595,081 | 1,595,081 |
| 1-Oct-2028 | 5,450,000 | 1,595,081 | 7,045,081 |
| 1-Apr-2029 | | 1,452,019 | 1,452,019 |
| 1-Oct-2029 | 5,745,000 | 1,452,018 | 7,197,018 |
| 1-Apr-2030 | | 1,301,213 | 1,301,213 |
| 1-Oct-2030 | 6,040,000 | 1,301,212 | 7,341,212 |
| 1-Apr-2031 | | 1,142,663 | 1,142,663 |
| 1-Oct-2031 | 6,360,000 | 1,142,662 | 7,502,662 |
| 1-Apr-2032 | | 975,713 | 975,713 |
| 1-Oct-2032 | 6,695,000 | 975,712 | 7,670,712 |
| 1-Apr-2033 | | 799,969 | 799,969 |
| 1-Oct-2033 | 7,045,000 | 799,968 | 7,844,968 |
| 1-Apr-2034 | | 615,038 | 615,038 |
| 1-Oct-2034 | 7,415,000 | 615,037 | 8,030,037 |
| 1-Apr-2035 | | 420,394 | 420,394 |
| 1-Oct-2035 | 7,800,000 | 420,394 | 8,220,394 |
| 1-Apr-2036 | | 215,644 | 215,644 |
| 1-Oct-2036 | 8,215,000 | 215,643 | 8,430,643 |
| | <u>\$ 99,025,000</u> | <u>\$ 44,661,688</u> | <u>\$ 143,686,688</u> |

ENERGY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2016

\$138,650,000

REVENUE AND REFUNDING BONDS DATED FEBRUARY 5, 2016

CUSIP NUMBERS

| | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 51166FDM8 | 51166FDN6 | 51166FDP1 | 51166FDQ9 | 51166FDR7 |
| 51166FDS5 | 51166FDT3 | 51166FDU0 | 51166FDV8 | 51166FDW6 |
| 51166FDX4 | 51166FDY2 | 51166FDZ9 | 51166FEA3 | 51166FEB1 |
| 51166FEC9 | 51166FED7 | 51166FEE5 | 51166FEF2 | 51166FEG0 |
| | | 51166FEH8 | | |

PURPOSE

The Series 2016 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, the City's outstanding Energy System Refunding Revenue Bonds, Series 2014 and refunding on an advance basis, a portion of the City's outstanding Energy System Revenue Bonds, Series 2006, and (iii) 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

The City has not purchased bond insurance or any other form of credit enhancement for the 2016 bonds.

RATINGS

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

OPTIONAL REDEMPTION

The Bonds maturing on or after October 1, 2026, 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, 2026 (in such manner of selection of maturities as the City shall determine and by lot within maturities) at a redemption price of 100% of the principal redeemed, plus interest accrued to the date of redemption.

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, New York, New York |
| Underwriters' Counsel: | Nabors, Giblin, & Nickerson, PA, Tampa, Florida |

**Summary of Future Debt Service Requirements
Energy System Refunding and Revenue Bonds, Series 2016**

| Date | Maturity | Interest | Total |
|------------|-----------------------|----------------------|-----------------------|
| 1-Oct-2021 | 9,620,000 | 2,460,084 | 12,080,084 |
| 1-Apr-2022 | | 2,219,585 | 2,219,585 |
| 1-Oct-2022 | 10,020,000 | 2,219,585 | 12,239,585 |
| 1-Apr-2023 | | 1,969,084 | 1,969,084 |
| 1-Oct-2023 | 10,480,000 | 1,969,084 | 12,449,084 |
| 1-Apr-2024 | | 1,707,085 | 1,707,085 |
| 1-Oct-2024 | 10,955,000 | 1,707,085 | 12,662,085 |
| 1-Apr-2025 | | 1,433,209 | 1,433,209 |
| 1-Oct-2025 | 11,480,000 | 1,433,209 | 12,913,209 |
| 1-Apr-2026 | | 1,146,210 | 1,146,210 |
| 1-Oct-2026 | 12,005,000 | 1,146,210 | 13,151,210 |
| 1-Apr-2027 | | 846,084 | 846,084 |
| 1-Oct-2027 | 12,550,000 | 846,084 | 13,396,084 |
| 1-Apr-2028 | | 689,210 | 689,210 |
| 1-Oct-2028 | 12,820,000 | 689,210 | 13,509,210 |
| 1-Apr-2029 | | 512,934 | 512,934 |
| 1-Oct-2029 | 8,820,000 | 512,934 | 9,332,934 |
| 1-Apr-2030 | | 386,147 | 386,147 |
| 1-Oct-2030 | 5,965,000 | 386,147 | 6,351,147 |
| 1-Apr-2031 | | 296,672 | 296,672 |
| 1-Oct-2031 | 1,875,000 | 296,672 | 2,171,672 |
| 1-Apr-2032 | | 267,375 | 267,375 |
| 1-Oct-2032 | 1,935,000 | 267,375 | 2,202,375 |
| 1-Apr-2033 | | 219,000 | 219,000 |
| 1-Oct-2033 | 2,030,000 | 219,000 | 2,249,000 |
| 1-Apr-2034 | | 168,250 | 168,250 |
| 1-Oct-2034 | 2,135,000 | 168,250 | 2,303,250 |
| 1-Apr-2035 | | 114,875 | 114,875 |
| 1-Oct-2035 | 2,240,000 | 114,875 | 2,354,875 |
| 1-Apr-2036 | | 58,875 | 58,875 |
| 1-Oct-2036 | 2,355,000 | 58,875 | 2,413,875 |
| | <u>\$ 117,285,000</u> | <u>\$ 26,529,274</u> | <u>\$ 143,814,274</u> |

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ENERGY SYSTEM REFUNDING BONDS, SERIES 2017

\$97,000,000

REFUNDING BOND DATED AUGUST 29, 2017

CUSIP NUMBER

N/A

PURPOSE

The Series 2017 Bonds were issued for the principal purpose of refunding a portion of the Variable Rate Energy System Refunding Bonds, Series 2012:

SECURITY

The Series 2017 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 2017 Bond was 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 2017 Bond.

MANDATORY REDEMPTION

The bond maturing on October 1, 2022 is subject to mandatory sinking fund redemption in part, by lot, at a price of par, plus accrued interest to the redemption date as follows:

| <u>Date</u> | <u>Principal Amount</u> |
|-----------------|-------------------------|
| October 1, 2019 | \$1,795,000 |
| October 1, 2020 | \$7,000,000 |
| October 1, 2022 | \$88,205,000 |

OPTIONAL REDEMPTION

The 2017 bond is subject to optional prepayment or redemption, in whole or in part on any business day with three business day’s advance written notice, at a redemption price equal to the principal amount being redeemed, plus accrued interest thereon, if any. If the bond is redeemed within 365 days of issuance, an additional prepayment premium will be applied, as specified in the authorizing ordinance.

AGENTS

- Registrar: City of Lakeland, Lakeland, Florida
- Paying Agent: City of Lakeland, Lakeland, Florida
- 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 REQUIREMENTS

Interest on the bond is payable monthly on the first business day of each calendar month commencing October 2, 2017. The bond bears interest equal to the outstanding principle amount of the bond’s times the one-month LIBOR index plus 0.52%, reset monthly.

SWAP AGREEMENTS

To hedge the variable rate risk exposure related to certain variable rate Electric System bonds, the City has entered several interest rate swap agreements. These agreements, which were entered between 2001 and 2008, were related to certain prior variable rate debt, which has been refunded. The City has elected to apply the existing swap agreements to hedge the new variable rate refunding debt. In August 2017, the City issued the variable rate Energy System Refunding Bond, Series 2017 which, among other purposes, refunded the outstanding Series 2012 bonds, which were variable rate obligations. Concurrently, the City modified the terms of several of the outstanding variable rate hedges to bring them into alignment with the outstanding variable rate bonds. No termination payments were made. The existing swap agreements are summarized in the chart below.

Existing Swap Agreements

| Notional 9/30/2021 | Counterparty | Start Date | Maturity Date | City Receives | City Pays | Fair Market Value 9/30/2021* |
|-----------------------|---|--------------|---------------|--------------------|-----------|---------------------------------|
| \$47,860,000 | Citigroup Global Markets Holdings, Inc. | 1/22/2003 | 10/1/2037 | 67% of 1 mo. LIBOR | 3.74% | \$(17,387,352) |
| 14,053,000 | Citigroup Global Markets Holdings, Inc. | 8/29/2017** | 10/1/2035 | 67% of 1 mo. LIBOR | 3.92% | (4,517,290) |
| 24,772,000 | Goldman Sachs Mitsui Marine Derivative Products, LP | 10/2/2017** | 10/1/2035 | 67% of 1 mo. LIBOR | 3.92% | (8,163,809) |
| 1,520,000 | Goldman Sachs Mitsui Marine Derivative Products, LP | 10/2/2017*** | 10/1/2035 | 67% of 1 mo. LIBOR | 3.16% | (341,376) |
| <u>\$88,205,000</u> | | | | | | <u>\$(30,409,827)</u> |

*Modelled on Bloomberg by COL

**Latest modification; original start date of 3/23/2006

***Latest modification; original start date of 6/30/2008

As a result of the swap agreements, the City will receive variable rate payments equal to 67% 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 2017 variable rate bonds. In return, the City will make fixed rate payments of between 3.163% and 3.92% times the notional amount of the swap agreements. These agreements fix the variable rate exposure of the 2017 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 2017 bonds. Over time the variable rates paid and received are expected to 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, 2021, 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.

ENERGY SYSTEM REVENUE BONDS, SERIES 2018

\$43,945,000

REVENUE BONDS DATED SEPTEMBER 13, 2018

CUSIP NUMBERS

| | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 51166FEL9 | 51166FEP0 | 51166FES4 | 51166FEV7 | 51166FEY1 |
| 51166FEM7 | 51166FEQ8 | 51166FET2 | 51166FEW5 | 51166FEZ8 |
| 51166FEN5 | 51166FER6 | 51166FEU9 | 51166FEX3 | 51166FFA2 |
| | | 51166FFB0 | | |

PURPOSE

The Series 2018 Bonds were issued for the principal purposes of (i) financing certain capital improvements to the electric power system of the City of Lakeland, Florida (the "City") and (ii) 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

The City has not purchased bond insurance or any other form of credit enhancement for the 2016 bonds.

RATINGS

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

OPTIONAL REDEMPTION

The Bonds maturing on or after October 1, 2029, 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, 2026 (in such manner of selection of maturities as the City shall determine and by lot within maturities) at a redemption price of 100% of the principal redeemed, plus interest accrued to the date of redemption.

AGENTS

| | |
|------------------------------|---|
| Registrar: | The Bank of New York Mellon, New York, New York |
| Paying Agent: | The Bank of New York Mellon, New York, New York |
| Trustee: | The Bank of New York Mellon, New York, New York |
| Issuer's Bond Counsel: | Holland & Knight LLP, Lakeland, Florida |
| Issuer's Disclosure Counsel: | Nabors, Giblin, & Nickerson, PA, Tampa, Florida |
| Issuer's Financial Advisors: | RBC Capital Markets, Jacksonville, Florida |
| Managing Underwriter: | Wells Fargo Bank, N.A., San Francisco, California |
| Underwriters' Counsel: | Marchena and Graham, PA, Orlando, Florida |

**Summary of Future Debt Service Requirements
Energy System Revenue Bonds, Series 2018**

| Date | Maturity | Interest | Total |
|------------|----------------------|----------------------|----------------------|
| 1-Oct-2021 | 3,995,000 | 910,406 | 4,905,406 |
| 1-Apr-2022 | | 810,532 | 810,532 |
| 1-Oct-2022 | 2,930,000 | 810,531 | 3,740,531 |
| 1-Apr-2023 | | 737,282 | 737,282 |
| 1-Oct-2023 | 1,985,000 | 737,281 | 2,722,281 |
| 1-Apr-2024 | | 687,657 | 687,657 |
| 1-Oct-2024 | 1,520,000 | 687,656 | 2,207,656 |
| 1-Apr-2025 | | 649,657 | 649,657 |
| 1-Oct-2025 | 855,000 | 649,656 | 1,504,656 |
| 1-Apr-2026 | | 628,282 | 628,282 |
| 1-Oct-2026 | 380,000 | 628,281 | 1,008,281 |
| 1-Apr-2027 | | 618,781 | 618,781 |
| 1-Oct-2027 | 1,345,000 | 618,781 | 1,963,781 |
| 1-Apr-2028 | | 585,156 | 585,156 |
| 1-Oct-2028 | 1,025,000 | 585,156 | 1,610,156 |
| 1-Apr-2029 | | 559,531 | 559,531 |
| 1-Oct-2029 | 4,870,000 | 559,530 | 5,429,530 |
| 1-Apr-2030 | | 437,781 | 437,781 |
| 1-Oct-2030 | 4,360,000 | 437,781 | 4,797,781 |
| 1-Apr-2031 | | 328,781 | 328,781 |
| 1-Oct-2031 | 4,875,000 | 328,781 | 5,203,781 |
| 1-Apr-2032 | | 249,563 | 249,563 |
| 1-Oct-2032 | 4,460,000 | 249,562 | 4,709,562 |
| 1-Apr-2033 | | 174,300 | 174,300 |
| 1-Oct-2033 | 4,050,000 | 174,300 | 4,224,300 |
| 1-Apr-2034 | | 93,300 | 93,300 |
| 1-Oct-2034 | - | 93,300 | 93,300 |
| 1-Apr-2035 | | 93,300 | 93,300 |
| 1-Oct-2035 | - | 93,300 | 93,300 |
| 1-Apr-2036 | | 93,300 | 93,300 |
| 1-Oct-2036 | 2,310,000 | 93,300 | 2,403,300 |
| 1-Apr-2037 | | 47,100 | 47,100 |
| 1-Oct 2037 | 2,355,000 | 47,100 | 2,402,100 |
| | <u>\$ 41,315,000</u> | <u>\$ 14,499,005</u> | <u>\$ 55,814,005</u> |

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WATER UTILITIES

On October 1, 2021, the City of Lakeland (City) authorized (Task Authorization CS-22-03(m) Chastain-Skillman, Inc. (CS) to prepare a Water System Evaluation Report for the Fiscal Year 2021 for review by bond holders. The City has requested that CSI conduct an annual independent engineering review and evaluation of its water system. This report summarizes the findings based on previous reports, interviews with City staff, water system data, and financial information provided by the City. The purpose of this review is to assess whether the water utility system is managed in a prudent manner consistent with typical utility practice.

The City's bond covenant requires third party inspections of representative water infrastructure on a biennial basis. The last inspection was completed for the FY 2019 report. Therefore, inspections were conducted of the following facilities for this report. The inspection dates were as follows:

- T.B. Williams Water Treatment Plant and Northwest Wellfield – March 2, 2022
- Water Booster Stations – March 2, 2022
- C.W. Combee Water Treatment Plant – March 2, 2022
- Northeast Wellfield – March 2, 2022
- Water Distribution – March 8, 2022

The purpose of this review is to assess whether the water utility system is managed in a prudent manner consistent with typical utility practice.

ADMINISTRATION AND ORGANIZATION

The Water Utilities Department is headed by the Director of Water Utilities and is responsible for water and wastewater operations. The Water Utilities Department is segregated into the Water Operations Division and Wastewater Operations Division. Additional information about the organizational structure and staffing is available upon request from the City of Lakeland Finance Department. The Water Operations Division is organized under the following functional areas:

- Administration
- Engineering
- Water Distribution
- Water Production

Under Water Administration, the Assistant Director of Water Utilities, Chief Accountant, Water Utilities Compliance Manager, and the Water Utilities Smart Grid Systems Manager report to the Director of Water Utilities. Administration is staffed by 11 full-time positions (including the Director).

The Director of Water Utilities is responsible for Production and Distribution. Water Production is responsible for operation and maintenance of the wellfields, water treatment facilities, and the water booster pump stations. Currently, the Combee WTP has 6 certified operators and the Williams WTP has 14 certified operators. The staff of both treatment facilities report to the Manager of Water Production who is also a certified operator. The total Water Production staff includes 39 budgeted full-time positions.

Water Distribution is responsible for operation and maintenance of the water distribution system, as well as comprehensive meter servicing and backflow preventer programs. A leak detection program performed by this staff includes evaluating all service valves and meters over a time of

three to four years. The Water Distribution staff consists of 60 full-time positions and four contract positions.

The Manager of Water Utilities Engineering is responsible for Engineering and reports directly to the Director of Water Utilities. Engineering responsibilities include designing and permitting construction of new water mains, relocation of mains, inspection of new facilities and distribution components, responses to public queries on utility locations, and coordination of work performed by consultants. The staff includes 26 full-time positions, two part-time co-op student positions and one contract position. The Engineering Division also provides similar support to the Wastewater Operations Division.

SERVICE AREA

The water service area covers approximately 132 square miles and includes most of the City limits (the City limits has a few small areas not served by City water) and portions of unincorporated Polk County through its Chapter 180 Reserve Service Area and user agreements. Service area maps are available upon request from the City of Lakeland Finance Department. Total water distributed in FY 2021 was approximately 7.83 billion gallons.

The table below is excerpted from the City’s Water Use Permit (WUP) application package submitted to the Southwest Florida Water Management District (SWFWMD) and summarizes projected population and water demand. Annual average water demand is based on a per capita demand of 150 gpd and includes residential, commercial/industrial, and institutional use. Peak month demand is based on a peaking factor of 1.2 times average annual use.

Projected Population and Water Demand

| Year | Population | Per Capita Demand (gpd) | Annual Average Use (MGD) | Peak Month Use (MGD) |
|------|------------|-------------------------|--------------------------|----------------------|
| 2021 | 212,733 | 150 | 31.910 | 38.292 |
| 2022 | 215,914 | 150 | 32.387 | 38.865 |
| 2023 | 219,103 | 150 | 32.865 | 39.439 |
| 2024 | 222,305 | 150 | 33.346 | 40.015 |
| 2025 | 225,520 | 150 | 33.828 | 40.594 |
| 2026 | 228,733 | 150 | 34.310 | 41.172 |
| 2027 | 231,957 | 150 | 34.794 | 41.752 |
| 2028 | 235,182 | 150 | 35.277 | 42.333 |
| 2029 | 238,352 | 150 | 35.753 | 42.903 |
| 2030 | 241,885 | 150 | 36,283 | 43,539 |

Source: Water Utilities

Historical water utilities customer base is shown in the following table:

Historical Water Utilities Customer Base

| Fiscal Year | Inside City | Outside City | Total Customers |
|-------------|-------------|--------------|-----------------|
| 2021 | 37,902 | 23,013 | 60,915 |
| 2020 | 36,858 | 22,665 | 59,523 |
| 2019 | 36,269 | 22,505 | 58,774 |
| 2018 | 35,735 | 22,305 | 58,040 |
| 2017 | 34,240 | 22,114 | 56,354 |

Source: Water Utilities

STATUS OF FACILITIES

PERMITS AND REGULATORY STATUS

SWFWMD issued WUP No. 200004912.008 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. On April 14, 2020 the SWFWMD approved an extension (200004912.011) to the City's Water Use permit till December 16, 2038 meeting Special Conditions #23. The City continues to supply effluent water to Tampa Electric Company (TECO) to be used for cooling water TECO's Polk Power Station. The 2021 average to TECO was 4.641 million gallons per day.

The Lakeland water system operates under Public Water System ID No. FL6531014. Unlike wastewater permits, the water system permit does not require periodic renewal. Permitting and compliance monitoring of the Lakeland water system is conducted by the Florida Department of Health in Polk County (FDOH-Polk), which was delegated the drinking water program responsibilities by the Florida Department of Environmental Protection (FDEP).

Due to the outbreak of COVID-19, the Polk County Health Department (PCHD) has not conducted sanitary surveys for calendar years 2020 and 2021. The last sanitary survey of the production wells, the treatment plants, and distribution system was conducted on December 19, 2019. The City received an email copy of the completed Sanitary Survey Report dated January 16, 2020. The report noted two known deficiencies as follows:

- 1) A ground storage tank at the Combee water plant is leaking. A plan of action was discussed with the department prior to the sanitary survey as a result the City is required to submit regular updates. Since that time the ground storage tank was repaired by the manufacturer
- 2) The clearwell at the Williams plant needs to be refurbished. A plan of action was discussed with the department prior to the sanitary survey as a result the City is required to submit regular updates.

A new clearwell and chlorine contact chamber complete with high service and backwash transfer pumps, new electrical building, and continuous sample analyzers were completed in September 2020. The remaining clearwell structure has been evaluated by engineers, a repair design has been developed, and pricing is being obtained from the general contractor. Repair completion of the existing clearwell structure is anticipated to be in the summer of 2022.

WATER SUPPLY

The T.B. Williams WTP is supplied water from 13 wells (Northwest Wellfield). The wellfield is approximately bounded by Interstate 4, West 10th Street, and Providence Road. The wells have an installed capacity of 51 MGD. Normal operation of the supply wells is to rotate the wells on a weekly basis. All wells have telemetry back to the T.B. Williams WTP where each is monitored for flow rate, total volume pumped, run time, and pressure. Remote television monitoring is provided at all wells. The TB Williams WTP has two substation power feeds and standby power generation is supplied to the entire facility plus 10 of the 13 wells. Remote television monitoring is provided at all wells. The Combee WTP is supplied water from one on-site and five off-site wells (Northeast Wellfield). The on-site well is rated for 3 MGD. The 863-acre Northeast Wellfield is near Old Polk City Road and Tomkow Road. The two off-site wells are also provided standby power in addition to bi-directional telemetry and remote television monitoring. The five off-site

wells are typically operated one at a time with each delivering approximately 2,700 gpm (4 MGD). Annual pumpage has averaged 7.8 billion gallons over the past six years.

Well Pumpage (In Million Gallons)

| Fiscal Year | T.B. Williams WTP Wells ¹ | Combee WTP Wells ² | Total |
|-------------|---|----------------------------------|---------|
| 2021 | 7,188.5 | 1,366.9 | 8,555.4 |
| 2020 | 6,913.8 | 1,370.7 | 8,284.5 |
| 2019 | 6,649.1 | 1,361.2 | 8,010.3 |
| 2018 | 6,267.1 | 1,358.7 | 7,625.8 |
| 2017 | 6,578.4 | 1,245.4 | 7,823.8 |
| 2016 | 6,227.6 | 1,369.1 | 7,596.7 |
| 2015 | 6,139.8 | 1,398.0 | 7,537.8 |

¹Northwest Wellfield

²Combee WTP on-side well and Northeast Wellfield

Source: Water Utilities

The water levels in the Floridan Aquifer - the source waters for the City - are expected to support the two water treatment plant facilities. Aquifer level readings have remained consistent since 1998. Additional information is available upon request through the City of Lakeland Finance Department.

WATER TREATMENT FACILITIES

The Williams WTP has a capacity of 51 MGD and consists of the following components: pre-chlorination, split lime softening, stabilization (corrosion control), filtration, fluoridation, and chlorination. Chlorine is added to the raw water to prevent bacteria/algae growth in the subsequent processes. After perchlorinating, approximately 25% to 30% of the influent water passes through the first stage of lime softening. The remaining 70 to 75% is bypassed around the softening and filtration systems. More detailed information is available upon request through the City of Lakeland Finance Department. This split lime softening treatment serves to minimize the quantity of lime and other chemicals used in the softening process which reduces the water hardness. Chemicals are also added in the lime softening stage to minimize the potential corrosiveness of the treated water. After it is softened, water flows to the dual-media filters. There, it percolates (flows downward) through layers of anthracite coal and sand to have suspended particles removed. These filters can process 30 million gallons of water daily. After approximately 72 hours of operation, flow through the filters is restricted by suspended particles they have trapped. A filter is cleaned by backwashing it with treated water and large volumes of compressed air. This cleaning cycle uses 500,000 gallons of water which is allowed to flow into a recovery basin. The clarified water is returned to the head of the treatment plant. Solids are removed weekly from the wash water pond and sent to the sludge thickener. Lime sludge from the process is collected, thickened to 30% solids, and hauled by tanker truck to power plants to reduce sulfur dioxide air emissions from those facilities. Both softened and raw water are blended in a 21,310-gallon mixing chamber where the water is fluoridated. The blended water is then disinfected using a 179,000-gallon chlorine contact chamber.

Variable-speed high-service pumps maintain a stable discharge pressure of 50 psi by pumping water into the distribution system from the chlorine contact chamber through the 48-inch discharge main. Instead of pumping directly to the distribution system, water from the chlorine

contact chamber may be directed to either of two, 5-million-gallon ground storage tanks. The 10 million gallons of ground storage serves to equalize peak demands for the system's operation.

Three diesel-powered generators (two 2250 kW and one 400 kW) provide sufficient auxiliary power for all plant operations, including 10 of the raw water supply wells in the Northwest Wellfield. The 400-kW generator is dedicated to one high service pump so that water can always be pumped from the storage tanks during power outages. In addition to the auxiliary power, the City of Lakeland has installed two power feeds from separate substations into the Williams WTP with an automatic transfer switch that will transfer power loads in the event of a single power feed failure.

The Combee WTP is located on Old Combee Road, east of Lake Parker Drive in the northeast portion of the City service area. The facility can provide an average daily capacity of 8 MGD and a peak daily capacity of 12 MGD. Land is available to expand the plant to 24 MGD in the future. This additional treatment facility enhances the total system reliability. The Combee WTP uses the same treatment processes as the Williams WTP. There is currently 10 million gallons of storage. There are two lime softening units with provisions for addition of another two units of the same size as well as one filtration unit with available space for two additional filters.

Each WTP is equipped with an Emerson DeltaV™ monitoring and control system (SCADA) to assist in management of the water system. SCADA monitors and controls various treatment components (well pumpage/treatment flow rates and ground storage volumes) based on parameters in the distribution system (e.g., water pressures and flow) to optimize water supply. In addition to the plants, the SCADA system monitors and controls both wellfields and the water booster stations. Monitoring and control of all facilities is accessible at either water treatment plant. Record drawings for each water treatment plant are available on-site and at the Water Utilities Administrative offices at 501 East Lemon Street, Lakeland, Florida. Operation and maintenance (O&M) manuals and logs are maintained on-site. The laboratory at T.B. Williams WTP conducts limited compliance testing for both water treatment plants. The laboratory is certified by Florida Department of Health (ID No. E54728). The laboratories at both facilities perform other testing for process control. Additional compliance testing not conducted at T.B. Williams is referred to a state-certified laboratory for testing.

Local utilities using groundwater typically limit water treatment to aeration and disinfection. Additional treatment is limited because of costs. The City consistently provides high quality water for its customers by expanding its treatment process to include lime softening, filtration, and fluoridation. The following table summarizes the average raw and finished water quality data for FY 2021.

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Water Quality Data for FY 2021

| Parameter ² | MCL ¹ | Combee WTP | | Williams WTP | |
|------------------------|------------------|------------|----------------|--------------|----------------|
| | | Raw Water | Finished Water | Raw Water | Finished Water |
| Total Hardness | NA | 218 | 107 | 151 | 126 |
| Calcium Hardness | NA | 164 | 74 | 112 | 92 |
| Magnesium Hardness | NA | 55 | 33 | 39 | 34 |
| Alkalinity | NA | 214 | 101 | 147 | 108 |
| Free Chlorine | 4.0 | - | 2.5 | - | 2.3 |
| Total Chlorine | NA | - | 2.7 | - | 2.5 |
| Chloride | 250 | 18 | 24 | 15 | 22 |
| Ammonia | NA | 0.35 | 0.1 | 0.77 | 0.25 |
| Turbidity, NTU | NA | 0.08 | 0.11 | 0.29 | 0.28 |
| Color, Units | 15 | 15 | 2 | 4 | 3 |
| pH, Units | 6.5-8.5 | 7.38 | 8.01 | 7.77 | 7.79 |
| Sulfide | NA | 1.8 | 0.0 | 2.7 | 0.0 |
| Iron | 0.3 | 0.24 | 0.009 | 0.008 | 0.004 |
| Fluoride | 2 | 0.28 | 0.71 | 0.25 | 0.75 |
| Phosphate | NA | 0.04 | 0.04 | 0.34 | 0.31 |
| Silica | NA | 9 | 11 | 8 | 8 |
| Sulfate | 250 | 0.25 | 0 | 2.8 | 1.9 |
| Total Dissolved Solids | 500 | 214 | 137 | 175 | 158 |
| Nitrate | 10 | 0.01 | 0.01 | 0.01 | 0.01 |

¹Maximum Contaminant Level

²Results in milligrams/Liter (mg/L) except as noted

Source: Water Utilities

Comments: The water treatment facilities appear to be well operated and maintained. Raw and finished water quality is consistent with previous years. Finished water quality produced by both water treatment plants is consistently well within regulatory limits. No areas of concern are noted other than those identified above in the health department report.

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WATER TRANSMISSION/DISTRIBUTION SYSTEM

The water service area encompasses an area of approximately 132 square miles. The distribution system is comprised of 1,035 miles of service piping (from 2 inches or under to 54 inches in diameter) to deliver treated water to customers. Also, 8.74 miles of raw water piping to convey water from the wellfields to the treatment plants. During the 2021 fiscal year, 45,650 feet of distribution piping were installed, and 660 feet were removed from service (see table below). All potable water piping conforms to AWWA standards. The City operates a Geographic Information System (GIS) and uses Global Positioning System (GPS) to verify and map key water system valves and hydrant locations.

Water Lines in System (feet)

| Size (inches) | Existing | Installed 2021 | Abandoned 2021 | Total 2021 | Raw Water |
|---------------|------------------|-------------------|-------------------|------------------|---------------|
| 2 and under | 928,525 | 12 | 0 | 928,537 | 0 |
| 2 ½ and 3 | 900 | 0 | 0 | 900 | 0 |
| 4 | 448,433 | 442 | 0 | 448,875 | 0 |
| 6 | 2,104,661 | 14,119 | 452 | 2,118,328 | 0 |
| 8 | 870,825 | 12,794 | 0 | 883,619 | 0 |
| 10 | 150,550 | 114 | 0 | 150,664 | 0 |
| 12 | 574,834 | 18,169 | 208 | 592,795 | 0 |
| 16 | 125,849 | 0 | 0 | 125,849 | 8,583 |
| 18 | 4,540 | 0 | 0 | 4,540 | 0 |
| 20 | 75,824 | 0 | 0 | 75,824 | 4,532 |
| 24 | 29,018 | 0 | 0 | 29,018 | 6,248 |
| 30 | 58,527 | 0 | 0 | 58,527 | 1,935 |
| 36 | 19,836 | 0 | 0 | 19,836 | 24,852 |
| 42 | 23,109 | 0 | 0 | 23,109 | 0 |
| 48 | 4,162 | 0 | 0 | 4,162 | 0 |
| 54 | 125 | 0 | 0 | 125 | 0 |
| Total | 5,419,718 | 45,650 | 660 | 5,464,708 | 46,150 |

Source: Water Utilities

City of Lakeland code requires individual meters be installed for each structure. Individual meters are required for each unit within a structure such as a condominium or town house. The code provides for exemptions of individual meters within certain buildings. At the end of FY 2021, there were 61,441 meters (38,866 inside City and 23,575 outside City), providing 100% coverage of water consumption. The total number of meters increased 15.0% between 2015 and 2021. The Water Distribution System is supported by the Water Distribution Division which provides facilities and resources to install and maintain water lines, meters, and other appurtenances. Water meters are inspected according to the following schedule:

- ¾ to 6-inch diameter – monitored remotely
- Greater than 6 -inch diameter - annually

The City complies with FDEP regulations and AWWA practices for cross-connection control to protect the water system from contamination. The City requires backflow prevention devices where the potential for backflow exists. The table on the following page summarizes the number of backflow preventers in service for the past five years. Backflow preventers are tested annually.

Historical Number of Backflow Preventers

| | Fiscal Year ended September 30, | | | | |
|---------------------|---------------------------------|-------|-------|-------|-------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Backflow Preventers | 5,195 | 5,298 | 5,571 | 5,822 | 5,733 |

Source: Water Utilities

The table below provides a breakdown of fire hydrants based on water main size. Eighty percent of the hydrants are located on either 6-inch or 8-inch water mains. The number of hydrants in the system has increased 5.05% over the past five years.

Historical Number of Fire Hydrants by Main Size

| Main Size (inches) | Fiscal Year ended September 30, | | | | |
|-----------------------|---------------------------------|-------|-------|-------|-------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| 4 | 64 | 64 | 64 | 63 | 62 |
| 6 | 2,505 | 2,524 | 2,546 | 2,577 | 2,604 |
| 8 | 916 | 929 | 950 | 961 | 978 |
| 10 | 171 | 172 | 172 | 173 | 174 |
| 12 | 424 | 433 | 431 | 445 | 477 |
| 16 | 119 | 118 | 118 | 118 | 118 |
| 18 | 2 | 2 | 2 | 2 | 2 |
| 20 | 23 | 23 | 23 | 24 | 24 |
| 24 | 11 | 11 | 11 | 12 | 12 |
| 30 | 36 | 36 | 36 | 36 | 36 |
| 36 | 6 | 6 | 6 | 6 | 6 |
| 42 | 3 | 3 | 3 | 3 | 3 |
| 48 | 1 | 1 | 1 | 1 | 1 |
| Total | 4,281 | 4,322 | 4,363 | 4,421 | 4,497 |

Source: Water Utilities

During the 2021 fiscal year, 8.56 billion gallons (23.439 mgd average) of water was pumped from the City's wellfields. The City accounted for 7.83 billion gallons (21.460 mgd average) as being placed into distribution or used in the treatment plant processes. Unaccounted-for water was 8.45% of total supplied (see table below). This percentage is below the 10% threshold imposed by SWFWMD requiring water audits. The City works to reduce unaccounted-for water usage by testing meters, eliminating unmetered services, reducing master meters, and detecting leaks. These programs, along with on-going pipeline replacement, have reduced unaccounted-for water by half since 1982.

Historical Unaccounted-for Water

| | Fiscal Year ended September 30, | | | | |
|---------------------------|---------------------------------|---------|---------|---------|---------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Water Produced, MG | 7,823.8 | 7,625.8 | 8,010.0 | 8,284.5 | 8,555.4 |
| Accounted-for Water, MG | 7,368.8 | 7,193.5 | 7,278.0 | 7,638.5 | 7,832.8 |
| Unaccounted-for Water, MG | 455.0 | 432.3 | 732.3 | 646.0 | 722.6 |
| Unaccounted-for Water, % | 5.82% | 5.67% | 9.14% | 7.8% | 8.45% |

Source: Water Utilities

The distribution system also includes four pump stations:

- Southwest Booster Station – Provides water to the high-pressure zone distribution system.
- Highlands Booster Station and Ground Storage Reservoir – Provides water to the high-pressure zone distribution system.
- Southeast Booster Station – Pumps water from the low-pressure zone to the Highlands Ground Storage Reservoir.
- Northwest Booster Station – Circulates water in the west Lakeland service area.

The existing water treatment plants deliver water at a hydraulic grade elevation of approximately 350 feet. Additional pressure must be added to the system to accommodate the need to overcome pressure losses in the system, serve higher elevations, and maintain adequate pressure to provide water for fire protection. The Southwest and Highlands booster stations provide service for the high-pressure zone located in the southeast portion of the City's service area. The Highlands Booster Station also includes a 3 MG ground storage reservoir and chlorination facilities. These two pump stations are secured with locks, fence with razor wire, cameras, and motion detectors that transmit intrusion alarms to the Williams Plant. There are two smaller booster stations, one located at the Hillsborough/Polk County line and the other at Lakeland Highlands Boulevard north of Lake Miriam Drive. The Northwest Booster Station serves to move water from the northwest portion of the service area to the southwest portion. It can also provide additional chlorination of the water for the southwest portion of the City. The Southeast Booster Station was originally installed in 2003 to provide more efficient filling of the Highlands ground storage reservoir to cope with high water demand periods.

The Southeast Booster Station consists of three can vertical turbine pumps operating on variable frequency drives. This station can operate in two modes: (1) to fill the Highlands ground storage reservoir and (2) to bypass the reservoir and pump directly into the Highlands high service pump suction. This second mode will allow the ground storage reservoir to be removed from service for maintenance.

All four booster stations are monitored and can be controlled from either WTP via the DeltaV™ system.

IMPROVEMENTS

The following water production projects were recently completed or are currently underway:

- Williams WTP Clearwell Project: Includes the construction of a new clearwell structure complete with new high service backwash-transfer pumps and new electrical building along with structural repairs of the existing clearwell. The new clearwell construction was completed in November 2021. Repair of the existing clearwell awaiting approval by city commission.
- Williams WTP Filter Rehabilitation Project: Involves the removal and replacement of existing anthracite and silica sand filter media and restoration of existing coating. Project will begin once the repairs to the existing clearwell are complete.
- Williams Ground Storage Tank Cleaning and Repairs: Scope of project is to drain, clean, recoat interior and metal equipment, and replace entrance hatches on both half million-gallon ground storage tanks. Tank inspections are complete. Final report to be issued.

- Williams WTP Chemical Feed Equipment Replacement: Project includes the replacement of starch and polymer chemical mixing and feed equipment. Acquisition of dry chemical feeders is in progress and new systems are in design.

The following water production projects and water transmission and distribution projects were recently completed or are currently underway:

- North Wabash Extension: New water mains are being installed along the roadway extension of Wabash Av. From 10th St. to Fairbanks St. Project is planned to be completed May 2022.
- CWD5230 SmartGrid Installation: This is an ongoing project where existing legacy water meters are being replaced with new “smart” meters. Project is about 30% complete and anticipated to be finished in 2027.
- Scott Lake Manor 6” Fire Improvement (Martha St., Donald St., and Jay St.): The existing water system that is neither reliable nor adequate for fire protection is being replaced. Project has remained stagnant for 1-1/2 years, but work has started back up. Water mains have been installed. Customer service connections need to be complete. Project is approximately 70% complete.
- Repair of Damaged Shed Area: The existing water distribution shed area was repaired and painted. Project is 100% complete.
- W. Pipkin Road Widening: Polk County is widening the segment of W. Pipkin Road from Medulla to Harden. Water and utility lines have to be relocated. Project construction has started and is planned to be completed in September 2023.
- SW Water Expansion – County Line Road: This project consists of the installation of new water lines in this area of high growth. Project is 100% complete.
- SW Water Expansion – Medulla Road: New water lines are to be installed in this high growth area. Project is currently in progress with required acquisition of easements which is expected to take 12-24 months.
- W. Lk Parker AC W.L. Replace (Valencia to Bonaire): Project is in design phase.
- Replacement of Water Utilities Facility: Project is complete.

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WATER RATES

Operation and maintenance expenses are funded primarily by user charges. Ordinance No. 5636 provides for the establishment of water fees, rates, and charges, including miscellaneous service charges, water system capacity fees, and other conditions related to water service. The City Commission has the sole authority to set and revise water fees and charges for the Lakeland system. The City assesses a meter connection and impact fees based on meter size and account classification (see tables below).

Meter Connection Fees**

| Meter Size (inches) | Inside City | Outside City |
|---------------------|-------------|--------------|
| ¾ | \$632.15 | \$745.19 |
| 1 | \$689.92 | \$817.40 |
| 1 ½ | \$947.61 | \$1,139.51 |
| 2 | \$1,129.59 | \$1,366.99 |

**Add-on for Electronic Read Meter-Smart Grid-Bill @ Actual Cost \$180.00

Source: Water Utilities

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 |

*Fee calculated based on the average gpd capacity approved by the Capacity review committee

Water rates consist of a monthly base rate plus consumption charge. The City has adopted an inverted rate structure to comply with SWFWMD recommendations for water conservation. Under this tiered structure, increasing water usage results in higher unit rate charges. The following table summarizes the monthly base rate for residential, commercial, and irrigation accounts effective October 1, 2021.

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Monthly Base Rate for Residential, Commercial, and Irrigation Accounts

| Meter Size (inches) | Inside City | Outside City |
|------------------------|-------------|--------------|
| 5/8 to 3/4 | \$10.40 | \$14.06 |
| 1 | \$28.05 | \$37.86 |
| 1 1/2 | \$50.68 | \$68.41 |
| 2 | \$87.57 | \$118.23 |
| 3 | \$190.37 | \$257.01 |
| 4 | \$368.69 | \$497.73 |
| 6 | \$777.45 | \$1,049.56 |
| 8 and above | \$1,316.45 | \$1,777.20 |

Source: Water Utilities

Consumption Charges for Residential Accounts

| Meter Size in inches | Consumption in 1000 gals | Price per 1000 Gallons | |
|-------------------------|-----------------------------|------------------------|--------------|
| | | Inside City | Outside City |
| 5/8 to 3/4 | 0-7 | \$2.29 | \$3.06 |
| | 8-12 | \$2.80 | \$3.78 |
| | 13-19 | \$3.50 | \$4.73 |
| | Above 19 | \$4.55 | \$6.15 |
| 1 | 0-19 | \$2.29 | \$3.06 |
| | 20-32 | \$2.80 | \$3.78 |
| | 33-51 | \$3.50 | \$4.73 |
| | Above 51 | \$4.55 | \$6.15 |
| 1 1/2 | 0-34 | \$2.29 | \$3.06 |
| | 35-58 | \$2.80 | \$3.78 |
| | 59-93 | \$3.50 | \$4.73 |
| | Above 93 | \$4.55 | \$6.15 |
| 2 | 0-59 | \$2.29 | \$3.06 |
| | 60-101 | \$2.80 | \$3.78 |
| | 102-160 | \$3.50 | \$4.73 |
| | Above 160 | \$4.55 | \$6.15 |
| 3 | 0-128 | \$2.29 | \$3.06 |
| | 129-220 | \$2.80 | \$3.78 |
| | 221-348 | \$3.50 | \$4.73 |
| | Above 348 | \$4.55 | \$6.15 |
| 4 | 0-248 | \$2.29 | \$3.06 |
| | 249-425 | \$2.80 | \$3.78 |
| | 426-673 | \$3.50 | \$4.73 |
| | Above 673 | \$4.55 | \$6.15 |
| 6 | 0-523 | \$2.29 | \$3.06 |
| | 524-897 | \$2.80 | \$3.78 |
| | 898-1,420 | \$3.50 | \$4.73 |
| | Above 1,420 | \$4.55 | \$6.15 |
| 8 and above | 0-886 | \$2.29 | \$3.06 |
| | 887-1,519 | \$2.80 | \$3.78 |
| | 1,520-2,404 | \$3.50 | \$4.73 |
| | Above 2,404 | \$4.55 | \$6.15 |

Consumption Charges for Commercial Accounts

| Meter Size in inches | Consumption in 1000 gals | Price per 1000 Gallons | |
|-------------------------|-----------------------------|------------------------|--------------|
| | | Inside City | Outside City |
| All Sizes | Not Applicable | \$2.61 | \$3.53 |

Consumption Charges for Irrigation Accounts

| Meter Size in inches | Consumption in 1000 gals | Price per 1000 Gallons | |
|-------------------------|-----------------------------|------------------------|--------------|
| | | Inside City | Outside City |
| 5/8 to 3/4 | 0-5 | \$2.80 | \$3.78 |
| | 6-12 | \$3.50 | \$4.73 |
| | Above 12 | \$4.55 | \$6.15 |
| 1 | 0-13 | \$2.80 | \$3.78 |
| | 14-32 | \$3.50 | \$4.73 |
| | Above 32 | \$4.55 | \$6.15 |
| 1 1/2 | 0-24 | \$2.80 | \$3.78 |
| | 25-59 | \$3.50 | \$4.73 |
| | Above 59 | \$4.55 | \$6.15 |
| 2 | 0-42 | \$2.80 | \$3.78 |
| | 43-101 | \$3.50 | \$4.73 |
| | Above 101 | \$4.55 | \$6.15 |
| 3 | All Usage | \$2.61 | \$3.53 |
| 4 | All Usage | \$2.61 | \$3.53 |
| 6 | All Usage | \$2.61 | \$3.53 |
| 8 and above | All Usage | \$2.61 | \$3.53 |

Source: Water Utilities

A comparative water rate study for FY 2020-2021 was conducted by Raftelis Financial Consultants, Inc. The study evaluated the City's wastewater rates throughout future fiscal years up to September 30, 2024. The results were presented to the City Commission on July 15, 2021 and completed on August 10, 2021. This study also compared City rates to representative utilities throughout the State and included comparisons of both base and consumption rates for various customer classes. The City's existing rates compare favorably to other utilities. Surveyed residential rates from Florida utilities for 10,000 gallons ranged from \$21.32 to \$94.96. The median rate surveyed was \$37.81. The City of Lakeland rate was \$34.83. However, Lakeland's monthly water service rates were determined to be inadequate to meet projected costs for fiscal years 2022 to 2024. It was recommended that the City apply a 2% annual increase to monthly water base charges and hydrant and fire protection fees.

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. A detailed breakdown of the CIP is available upon request through the City of Lakeland Finance Department. Revenues are identified and expenditures are subdivided into four categories:

- Production
- Transmission and Distribution
- Engineering
- Miscellaneous

Summary of Capital Improvement Plan for FY 2021

| Expenses | FY 2021 |
|-----------------------------|---------------|
| Production | \$ 16,873,316 |
| Transmission & Distribution | 14,309,014 |
| Engineering | 7,596,774 |
| Miscellaneous | 8,453,003 |
| Total Expense | \$ 47,232,107 |

Source: Water Utilities

OPERATING STATISTICS

A 5-year history of select water system operating statistics is shown in the table below. The quantity of water sold between Fiscal Years 2017 and 2021 has fluctuated between a low of 7.195 billion gallons in FY 2017 and a high of 7.83 billion gallons in FY 2021. In FY 2021, water sales increased by approximately 194.3 million gallons compared to FY 2020. Gross revenues increased in FY 2021 by \$1.875 million over FY 2020, while operating expenses increased by \$0.066 million over the same period. The water utility revenues were sufficient to transfer \$4,753,961 to the general fund in FY 2021.

Historical Water Utility Operating Statistics

| | For Fiscal Year Ended September 30, | | | | |
|---|-------------------------------------|----------|----------|----------|----------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Water Produced ¹ | 7,823.8 | 7,625.8 | 8,010.3 | 8,284.5 | 8,555.4 |
| Unaccounted-for Water ¹ | (455.0) | (432.3) | (732.4) | (646.0) | (722.6) |
| Water Sold ¹ | 7,368.8 | 7,193.5 | 7,277.9 | 7,638.5 | 7,832.8 |
| Customers | 56,334 | 58,040 | 58,774 | 59,523 | 60,915 |
| Gross Revenues ² | \$30.611 | \$30.754 | \$33.281 | \$35.865 | \$37.740 |
| Gross Revenues per 1,000 Gallons Water Produced | \$3.91 | \$4.03 | \$4.15 | \$4.33 | \$4.41 |
| Operating Expenses ² | \$21,197 | \$21,199 | \$22,266 | \$22,890 | \$22,956 |
| Operating Expenses per 1,000 Gallons Water Produced | \$2.71 | \$2.78 | \$2.78 | \$2.76 | \$2.68 |

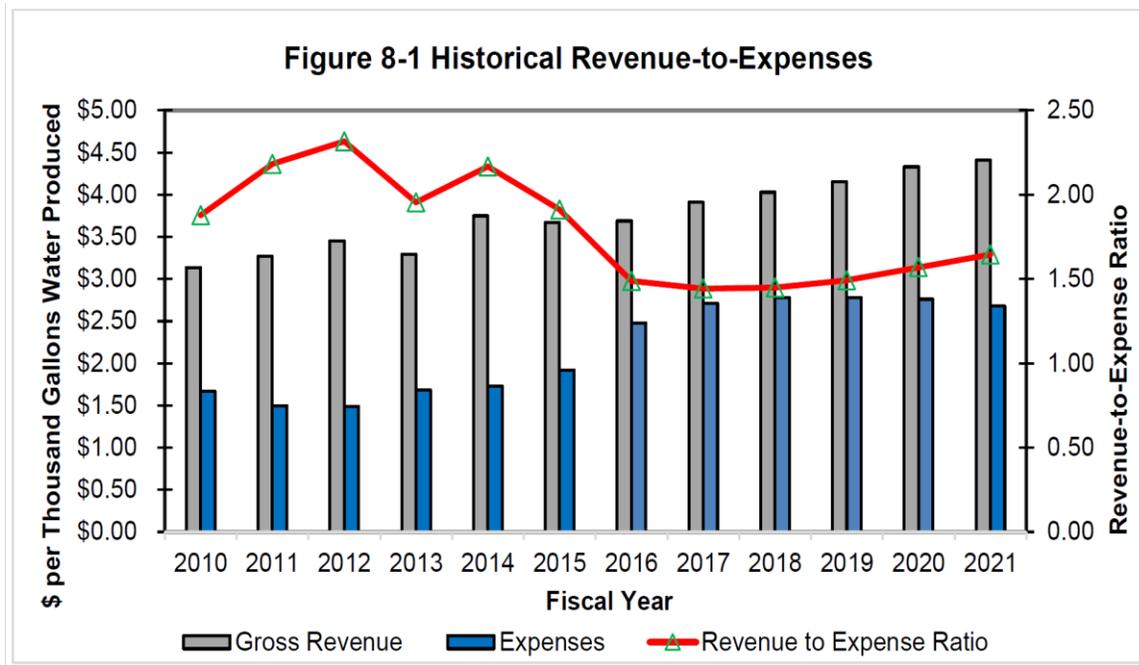
¹In Million Gallons

²In Million Dollars

Source: Water Utilities

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The graph below shows historical gross revenues and operating expenses since 2010. Revenue-to-expense ratio slightly increased between FY 2020 and FY 2021. The revenue-to-expenses remain favorable.



The top ten City water customers comprised 10.7% of total water distributed in FY 2021 as shown in the table below.

Top 10 Water Customers for FY 2021

| Customer | Total Gallons ¹ |
|---|----------------------------|
| City of Lakeland | 232,849 |
| Lakeland Regional Medical Center | 125,446 |
| City of Plan City | 112,533 |
| Board of County Commissioners – Utilities | 81,027 |
| Florida Southern College | 67,294 |
| Tampa Maid Foods LLC | 60,257 |
| Carlton Arms of North Lakeland | 50,873 |
| Publix Super Markets, Inc. | 39,917 |
| Owens Corning Sales LLC | 38,189 |
| Pepperidge Farm, Inc. | 36,233 |
| Total Water Sales for Top 10 Customers | 844,618 |

¹In Thousand Gallons

Source: Water Utilities

A comparison of debt coverage for the past ten fiscal years is shown in the table on the following page. The comparison through the years determines the adequacy of rates and charges to meet bond covenants and coverage. The City of Lakeland's primary means of financial expenditures for improvements to the water system is through user charges and impact fees supplemented by revenue bonds and State loans.

**Historical Debt Service Coverage
Combined Water and Wastewater Utility**

| Fiscal Year | Test 1 ¹ | Test 2 ² |
|-------------|---------------------|---------------------|
| 2021 | 4.79 | 5.34 |
| 2020 | 5.56 | 6.27 |
| 2019 | 5.76 | 6.24 |
| 2018 | 4.75 | 5.15 |
| 2017 | 4.03 | 4.37 |
| 2016 | 5.39 | 5.81 |
| 2015 | 4.76 | 5.09 |
| 2014 | 8.28 | 8.71 |
| 2013 | 5.51 | 5.92 |
| 2012 | 4.62 | 4.81 |

¹100% based on Net Operating Revenues

²120% Based on Net Operating Revenues Plus Available Connection Charges

Source: Water Utilities

The coverage by net operating revenues available for debt service is favorable in FY 2021 at 4.79 for the combined water and wastewater utility compared to the required coverage of 1.0. The coverage by net operating revenues plus available connection charges is 5.34 compared to the required coverage of 1.2.

SUMMARY AND CONCLUSIONS

The CSI report concludes that the Water Utility is managed in a manner consistent with typical utility practices. The City maintains a continuous renewal and maintenance program to ensure reliable service. The water treatment facilities consistently comply with State and Federal regulatory requirements. The Water Utility appears to be in general conformance with the following American Water Works Association Standards:

- ANSI/AWWA G100-05 – Water Treatment Plant Operation and Management
- ANSI/AWWA G200-09 – Distribution Systems Operation and Management
- ANSI/AWWA G300-07 – Source Water Protection
- ANSI/AWWA G400-09 – Utility Management System
- ANSI/AWWA G410-09 – Business Practices for Operation and Management
- ANSI/AWWA G430-09 – Security Practices for Operation and Management

Revenue to Expenses ratios have consistently exceeded 1.5 the past 15 years. The ability of the City to meet debt service coverage on outstanding bonds is favorable, with net revenue to debt ratio of 4.79 for the combined water and wastewater utility. Further, the revenues have sustained on-going operation and maintenance of the water system as well as capital improvements and made contributions to the City’s general fund of \$4,753,961 in FY 2021. In addition, the City’s ability to raise additional revenue through user charges remains favorable as its rate schedule continues to compare well to other utilities in Florida.

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WASTEWATER UTILITIES

On December 19, 2021, the City of Lakeland (City) authorized (Task Authorization CS-22-04(m)) Chastain-Skillman, Inc. (CSI) to prepare the Wastewater System Evaluation Report for FY 2021. The City has requested that CSI conduct an annual independent engineering review and evaluation of its wastewater system. This report summarizes the findings based on previous reports, interviews with City staff, wastewater system data, and financial information provided by the City. The purpose of this review is to assess whether the wastewater utility system is managed in a prudent manner consistent with typical utility practice.

The City's bond covenant requires third party inspections of representative water infrastructure on a biennial basis. The last inspection was completed for the FY 2019 report. Therefore, inspections were conducted of the following facilities for this report. The inspection dates were as follows:

- T.B. Williams Water Treatment Plant and Northwest Wellfield – March 2, 2022
- Water Booster Stations – March 2, 2022
- C.W. Combee Water Treatment Plant – March 2, 2022
- Northeast Wellfield – March 2, 2022
- Water Distribution – March 8, 2022

The purpose of this review is to assess whether the water utility system is managed in a prudent manner consistent with typical utility practice.

ADMINISTRATION AND ORGANIZATION

The Water Utilities Department is headed by the Director of Water Utilities and is responsible for water and wastewater operations. The Water Utilities Department is segregated into the Water Operations Division and Wastewater Operations Division. Wastewater Operations is organized under (1) Administration, (2) Wastewater Collection, (3) Wastewater Treatment, and (4) Wetlands. Additional information about the organizational structure and staffing is available from the City of Lakeland Finance Department upon request.

The Director of Water Utilities is responsible for Wastewater Collection, Wastewater Treatment, and Wetlands. Wastewater Collection has responsibility for operation and maintenance of the collection and transmission system as well as electrical and mechanical maintenance of the Wastewater Treatment Plants. Collection is divided into (1) Administration, (2) Sewer Maintenance, (3) Pump Stations, (4) Instrumentation/Electrical, and (5) Pretreatment. All positions in Collection report to the Manager of Wastewater Collection who reports to the Director of Water Utilities. Collection had 51 full-time positions and three contract positions in FY 2021.

The Manager of Wastewater Treatment is responsible for operation and maintenance of the West Lakeland Wasteload Reduction Facility, the Glendale Water Reclamation Facility (WRF), and the Northside Wastewater Treatment Plant (WWTP). The Manager reports directly to the Director of Water Utilities. Wastewater Treatment had 33 full-time positions in FY 2021.

The Laboratory Division is located at the Glendale WRF and consists of one full-time wastewater chemist, and four full-time laboratory technicians. The chemist reports directly to the Director of Water Utilities.

The Wetlands Group is responsible for operation and maintenance of the Constructed Wetlands Treatment System. There are eight full-time positions and one part-time college intern position at the Wetlands. An environmental scientist is responsible for operation and maintenance of the system and reports directly to the Director of Water Utilities.

SERVICE AREA

The wastewater service area covers approximately 149 square miles and includes most of the City limits (the City limits has a few small areas not served by City wastewater) plus portions of unincorporated Polk County, through its Chapter 180 Reserve Service Area and user agreements. Total wastewater treated in FY 2021 was approximately 4.20 billion gallons.

The latest population and wastewater flow projections for the service area were reported in the Updated Capacity Analysis Reports for the Northside WWTP (2018) and the Glendale WRF (2020). The population projections were based on Southwest Florida Water Management District (SWFWMD) parcel-based permanent and seasonal resident projections. The projections were then adjusted to reflect only those areas currently or planned to be served by sewer. Projected wastewater flows were then estimated based on a per capita flow rate of 153 gallons per capita per day (gpcd) for the Northside WWTP service area and 118 gpcd for the Glendale WRF service area.

The population and flow projections from the Capacity Analysis Reports are shown in the table below.

Projected Population and Wastewater Flows

| <u>Year</u> | <u>Projected Population Served</u> | <u>Projected Wastewater Flows (MGD)</u> |
|-------------|--|---|
| 2021 | 106,106 | 13.588 |
| 2022 | 106,713 | 13.667 |
| 2023 | 108,358 | 13.747 |
| 2024 | 107,924 | 13.832 |
| 2025 | 108,371 | 13.907 |
| 2026 | 108,819 | 13.968 |
| 2027 | 109,195 | 14.018 |
| 2028 | 109,572 | 14.069 |

Source: Wastewater Utilities

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The 5-year historical wastewater utilities customer base is shown in the table below.

Historical Wastewater Customer Base

| End of FY | Inside City | Outside City | Total Customers |
|-----------|-------------|--------------|-----------------|
| 2021 | 49,711 | 2,222 | 51,933 |
| 2020 | 47,682 | 2,186 | 49,868 |
| 2019 | 46,648 | 1,852 | 48,500 |
| 2018 | 46,041 | 1,826 | 47,867 |
| 2017 | 45,335 | 1,786 | 47,121 |

Source: Wastewater Utilities

STATUS OF FACILITIES

PERMITS AND REGULATORY STATUS

The Glendale WRF is operating under the provisions of Florida Department of Environmental Protection (FDEP) Permit No. FL0039772. The operating permit was recently renewed issued on January 29, 2021 and will expire on January 28, 2026. The Glendale WRF, West Lakeland Wasteload Reduction Facility, and the Constructed Wetlands System operate under this permit. The current permit includes industrial reuse to the City of Lakeland McIntosh Power Generating Plant (McIntosh), Tampa Electric Company (TECO) Polk Power Station, and the Matheson Tri-Gas Facility. The permitted effluent limitations for the Glendale WRF are summarized in the table below.

Glendale WRF Permit Limits

| Parameter | Limit | |
|---|------------------|----------------------|
| Influent Flow, MGD | 12-Month Average | 13.7 |
| Effluent Carbonaceous Biochemical Oxygen Demand (CBOD5), mg/L | Annual Average | 20 |
| | Monthly Average | 30 |
| | Weekly Average | 45 |
| | Single Sample | 60 |
| Effluent Total Suspended Solids (TSS), mg/L | Annual Average | 20 |
| | Monthly Average | 30 |
| | Weekly Average | 45 |
| | Single Sample | 60 |
| Effluent pH, SU | 6.0 – 8.5 | |
| Effluent Fecal Coliform, #/100 mL | Annual Average | 200 |
| | Monthly Average | 200 (Geometric Mean) |
| | Single Sample | 800 |
| Effluent Chlorine Residual, mg/L | Single Sample | 0.5 |

Source: Wastewater Utility

Effluent from the Glendale WRF is pumped to the Wetlands System or reused as non-contact cooling water at McIntosh. There is no permit limit on the volume of effluent routed to McIntosh. Effluent is also routed to the Tri-Gas facility as non-contact cooling water. Water returned from McIntosh or the Tri-Gas facility is routed to the Wetlands System for final treatment before discharging to an unnamed ditch leading to the North Prong of the Alafia River or pumped by TECO to its Polk Power Station.

The Northside WWTP is operating under the provisions of FDEP Permit No. FLA012985. The permit was issued on February 25, 2019 and expires February 24, 2024. The facility is permitted for a capacity of 8.0 MGD with industrial reuse to the McIntosh Power Generating Plant for non-contact cooling water. Water returned from McIntosh is routed to the Glendale facility where it is pumped to the Wetlands System for final treatment. Northside WWTP permitted effluent limits are summarized in the table on the following page.

Northside WRF Permit Limits

| Parameter | Limit | |
|---|-----------------|----------------------|
| Influent Flow, MGD | Annual Average | 8.0 |
| Effluent Carbonaceous Biochemical Oxygen Demand (CBOD5), mg/L | Annual Average | 20 |
| | Monthly Average | 30 |
| | Weekly Average | 45 |
| | Single Sample | 60 |
| Effluent Total Suspended Solids (TSS), mg/L | Annual Average | 20 |
| | Monthly Average | 30 |
| | Weekly Average | 45 |
| | Single Sample | 60 |
| Effluent pH, SU | 6.0 – 8.5 | |
| Effluent Fecal Coliform, #/100 mL | Annual Average | 200 |
| | Monthly Average | 200 (Geometric Mean) |
| | Single Sample | 800 |
| Effluent Chlorine Residual, mg/L | Single Sample | 0.5 |

Source: Wastewater Utility

Permitted effluent limitations for the Wetlands are summarized in the table below. The permit has a limit for Total Maximum Daily Load (TMDL) for total nitrogen. The total nitrogen loading limit is 30.3 tons per year based on a 12-month rolling total and 20.2 tons per year as a 5-year average of the yearly averages.

Wetland Effluent Limits

| Parameter | Limit | |
|--|-------------------------------|------------|
| Flow, MGD | Annual Average | 20.0 |
| Carbonaceous Biochemical Oxygen Demand (CBOD5), mg/L | Annual Average | 5 |
| | Monthly Average | 6.25 |
| | Weekly Average | 7.5 |
| | Single Sample | 10 |
| Total Suspended Solids (TSS), mg/L | Annual Average | 5 |
| | Monthly Average | 6.25 |
| | Weekly Average | 7.5 |
| | Single Sample | 10 |
| Total Nitrogen, mg/L | Annual Average | 3 |
| | Monthly Average | 3.75 |
| | Weekly Average | 4.5 |
| | Single Sample | 6 |
| pH, SU | 6.0 – 8.5 | |
| Dissolved Oxygen, mg/L | Single Sample | 5.0 |
| Specific Conductance, umhos/cm | 1275- or 1.5-Times Background | |
| Total Nitrogen, tons/yr. | Annual Total | 30.3 |
| | 5-Year Average | 20.2 |
| Chronic Whole Effluent Toxicity | Quarterly Monitoring | NOEC: 100% |

Source: Wastewater Utility

COLLECTION AND TRANSMISSION SYSTEM

The Lakeland wastewater collection and transmission system includes approximately 340 miles of 4-inch to 48-inch diameter gravity sewer, 135 miles of less than 2-inch to 36-inch diameter force main, and 180 pump stations. Most of the City’s pump stations are equipped with telemetry, allowing City personnel to monitor their status and collect data from each pump station. This data is accessible from a central location at the Glendale facility. All pump stations are equipped with high wetwell level alarms. All pump stations are equipped with standby power generators or portable generator receptacles. All pump stations are protected from intrusion by locking hatch covers and electrical panels. Larger stations are equipped with additional security features such as fencing, building enclosures, intrusion alarms, and video cameras. The smaller pump stations are inspected twice per month. The master pump stations are inspected daily by Collection System personnel. The City annually funds pump, panel, and generator replacement at its pump stations. An adequate supply of replacement parts and materials are maintained at the utility’s warehouse.

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. The table below summarizes the maintenance activities performed on the collection and transmission system from FY 2017 through FY 2021. Approximately 23% of the collection system lines were cleaned and 2.2% televised in FY 2021. The City reports no increase in public complaints of odor or other issues.

Comments: The collection system appears to be well maintained. No areas of concern are noted.

Collection System Maintenance (FY 2017– FY 2021)

| Activity | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------|---------|---------|---------|---------|---------|
| Work Orders Processed | 30,223 | 30,223 | 22,816 | 24,940 | 24,940 |
| Lines Televised (feet) | 24,817 | 24,817 | 32,482 | 15,187 | 15,187 |
| Lines Cleaned (feet) | 275,989 | 275,989 | 328,010 | 328,010 | 328,010 |
| Liners Installed (feet) | 28,367 | 28,367 | 10,420 | 13,663 | 13,663 |

Source: Wastewater Utilities

WASTEWATER TREATMENT FACILITIES

The City operates one pretreatment facility and two wastewater treatment facilities. To reduce the organic load on the Glendale facility, the City constructed the West Lakeland Wasteload Reduction Facility. Authority to operate the Wasteload Reduction Facility is included in the Glendale WRF operating permit. The pretreatment facility was designed to treat 1.5 MGD of high strength wastewater and reduce the organic loads, as measured by biochemical oxygen demand (CBOD5) from a concentration of 1,800 mg/L to approximately 100 mg/L. The pretreated wastewater is then discharged to the City’s sanitary sewer system and flows to the Glendale WRF for additional treatment.

The Glendale WRF is an activated sludge, biological treatment facility with a permitted treatment capacity of 13.7 MGD (12-month average daily basis). At the Glendale facility, wastewater enters the plant via gravity and flows through the influent screens. These include two automatic self-cleaning bar screens and a manually-cleaned bar screen in a bypass channel as a standby unit. The screened influent is then pumped to two vortex-type grit chambers. From the grit chambers,

influent flows to a splitter box and then to one of three primary clarifiers. The clarified primary effluent flows by gravity to an intermediate lift station, where it is pumped to a splitter box and mixed with return activated sludge and then pumped to one of three aeration tanks. The aeration tanks operate in a Modified Ludzack-Ettinger process with fine bubble diffused aeration. Mixed liquor flows from the tanks to another flow splitter box prior to entering four secondary clarifiers. Effluent is disinfected and reused for plant operations, pumped to the power plant for cooling water, or mixed with blowdown water from the power plant, prior to discharge to the Wetlands treatment system.

A portion of the treated effluent is pumped to ground storage reservoirs near the City's McIntosh Power Generation Plant where it is co-mingled with effluent from the Northside WWTP. The co-mingled effluent is utilized as non-contact cooling water at the power plant and the Matheson Tri-gas Facility. The blowdown water and other process waters are returned to the Glendale WRF, mixed with effluent from the Glendale facility, and pumped to the 1,600-acre Constructed Wetlands System for advanced treatment. The effluent is then discharged to a drainage ditch leading to the North Prong of the Alafia River or pumped to the TECO Polk Power Station. The surface water discharge from both treatment plants and the power plant is authorized under the Glendale WRF operating permit. Additional information including process flow diagrams of the treatment facilities are available through the City of Lakeland Finance Department if necessary.

The Glendale WRF is currently producing Class AA sludge as a result of the installation of an anaerobic digestion system completed in 2008. The upgraded biosolids handling system includes gravity belt thickeners, a feed sequencing tank (FST), and anaerobic digesters (one thermophilic and two mesophilic). Sludge collected from the primary clarifiers is wasted directly to the FST. Waste-activated sludge is thickened on the gravity belt thickeners, sent to the FST, and then to the anaerobic digesters. The digested sludge is dewatered by centrifuges.

Class AA residuals generated at the Glendale facility are transported and applied as fertilizer to sites in north Lakeland. Class AA residuals differ from Class B in that more stringent pathogen reduction limits and constituent concentrations are met. Under current FDEP rules, land application of Class AA residuals has essentially no restrictions and may occur in areas accessible to the public. Class AA residuals may possess a market value and be sold as fertilizer. Land application is conducted by the City.

The Glendale facility includes a certified wastewater analysis laboratory which is well-equipped, and properly staffed and maintained (Department of Health ID No. E54180). Most of the testing needed to optimize wastewater treatment operations at the facility and demonstrate compliance with established permit limits is performed at the Glendale laboratory. The laboratory also supports some of the testing needs of the Northside WWTP and the Wetlands treatment system. Priority pollutants, oil and grease, biological assays, and some metals, are the only parameters sent to outside facilities for analysis.

The Glendale facility operated well within its permit limits in 2021. The current Updated Capacity Analysis Report (2020) for the facility projected an average influent flow of 8.83 mgd in 2021 and increasing to 9.46 mgd by 2030. The table on the next page shows the influent flow at the Glendale facility in recent years. Population and flow projections suggest the hydraulic capacity of the facility will not be reached in the near future. In addition, a re-rating study completed in January 2008 indicated the Glendale facility could be expanded to provide 15 MGD of treatment capacity with relatively minor operational changes and limited equipment procurement.

Influent Flow at Glendale WRF

| Fiscal Year | Influent Flow (MGD) |
|-------------|---------------------|
| 2021 | 7.46 |
| 2020 | 7.63 |
| 2019 | 7.77 |
| 2018 | 8.19 |
| 2017 | 8.40 |

Source: Wastewater Utilities

The table below summarizes key effluent water quality results at Glendale WRF for FY 2021. Based on a review of effluent analyses, the facility consistently meets the discharge requirements of its operating permit.

Glendale WRF Effluent Quality Results for FY 2021

| Month – Year | Average Daily Flow ¹ MGD | CBOD ₅ mg/L | TSS mg/L | pH SU | Fecal Coliform #/100 mL |
|--------------|-------------------------------------|------------------------|----------|-------|-------------------------|
| Oct – 2020 | 8.95 | 2 | 2 | 7.0 | 1.00 |
| Nov – 2020 | 8.12 | 2 | 2 | 7.0 | 1.00 |
| Dec – 2020 | 7.34 | 2 | 2 | 7.0 | 1.00 |
| Jan – 2021 | 6.68 | 1 | 2 | 7.0 | 1.00 |
| Feb – 2021 | 7.03 | 2 | 3 | 7.0 | 1.00 |
| Mar – 2021 | 6.77 | 2 | 3 | 7.0 | 1.00 |
| Apr – 2021 | 5.86 | 1 | 2 | 7.1 | 1.00 |
| May – 2021 | 6.36 | 2 | 2 | 7.2 | 1.00 |
| Jun – 2021 | 6.95 | 3 | 2 | 7.1 | 1.00 |
| Jul – 2021 | 8.97 | 3 | 2 | 7.1 | 1.00 |
| Aug – 2021 | 7.99 | 2 | 2 | 7.1 | 1.00 |
| Sep – 2021 | 8.46 | 3 | 3 | 7.1 | 1.00 |
| Minimum | 5.86 | 1 | 2 | 7.0 | 1.00 |
| Maximum | 8.97 | 3 | 3 | 7.2 | 1.00 |
| Average | 7.46 | 2.08 | 2.25 | 7.1 | 1.00 |

¹Influent Flow

Source: Wastewater Utilities

The Northside WWTP is located adjacent to the McIntosh Power Generating Plant and treats wastewater generated predominantly within the northeast portion of the City service area. Figures are available from the City of Lakeland Finance Department upon request.

Force mains from the wastewater collection system discharge directly into the plant's headworks structure (process flow diagram is available through the City of Lakeland Finance Department). The headworks consist of two perforated plate screens, a manually-cleaned bar screen in a bypass channel, and basic grit removal. Screened and dewatered wastewater leaving the headworks flows to two splitter boxes which route water to one of four oxidation ditches. Each ditch includes an anoxic first stage and aerobic second stage. The first stage operates at a low dissolved oxygen concentration to help biologically remove nitrogen. This first stage discharges directly to the second stage. The second stage is aerated with mechanical surface aerators. Within the basin, an internal mixed liquor recycle carries nitrogen-rich solids back to the anoxic zone. The two-stage configuration, with the internal recycle, allows the plant to nitrify in the aerated zone where oxygen is present and denitrify in the anoxic tank where oxygen is limited.

The mixed liquor from the oxidation ditch flows by gravity to four secondary clarifiers. Solids in the mixed liquor entering the clarifiers settle to the bottom where they are withdrawn to the return activated sludge (RAS) sumps. The withdrawal rate is controlled by telescoping valves in the sumps. Sludge collected in the sumps is withdrawn by the sludge pumps and most of the sludge

is recycled to the pretreatment structure. A portion of the sludge is wasted to the sludge holding tanks directly from the RAS line.

Scum and other floatable materials on the clarifier surface are collected by a skimming arm and discharged to scum hoppers. The scum hoppers discharge 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 three chlorine contact chambers. From there, the disinfected effluent is then pumped to two 1.5-million-gallon effluent storage reservoirs. The effluent storage reservoirs receive all the chlorinated effluent from the Northside facility along with chlorinated effluent pumped from the Glendale facility. The effluent in the storage reservoirs is reused as make-up water at cooling towers in the McIntosh Power Plant. The system is designed to provide a constant supply for reuse. If the flow from the Northside WWTP is not sufficient to maintain the level needed in the tanks, effluent from the Glendale facility is pumped into the tanks. If the flow from the Northside WWTP exceeds the amount required to maintain the storage volume, the excess flow is bypassed to the Glendale facility's effluent holding basins.

The sludge handling system includes two aerated sludge holding tanks, a polymer feed system, two gravity belt thickeners, four autothermal thermophilic aerobic digestion reactors (ATAD), and one holding tank for digested sludge. The ATAD process is permitted for Class AA treatment of the biosolids. Class AA stabilized solids generated at the Northside WWTP are disposed of by land application and is conducted by commercial haulers under contract with the City.

The Operations Building on the Northside facility site houses administrative offices, maintenance storage space, locker rooms, rest rooms, lunchroom, and training room. The building serves as facility operations and for storage of operating records, equipment manuals, and maintenance data.

The Northside facility operated well within its permit limits in 2021. The 2018 Updated Capacity Analysis Report for the facility projected an average influent flow of 5.32 mgd in 2021 and increasing to 6.21 mgd by 2028. The table below shows the influent flow at the Northside facility in recent years. Population and flow projections suggest the hydraulic capacity of the facility will not be reached in the near future.

Influent Flow at Northside WRF

| <u>Fiscal Year</u> | <u>Influent Flow (MGD)</u> |
|--------------------|----------------------------|
| 2021 | 4.04 |
| 2020 | 4.06 |
| 2019 | 4.09 |
| 2018 | 4.07 |
| 2017 | 3.92 |

Source: Wastewater Utilities

The table below summarizes key effluent water quality results at Northside WRF for FY 2021.

Northside WRF Effluent Quality Results for FY 2021

| Month – Year | Average Daily Flow ¹ MGD | CBOD ₅ mg/L | TSS mg/L | pH SU | Fecal Coliform #/100 mL |
|--------------|-------------------------------------|------------------------|----------|-------|-------------------------|
| Oct – 2020 | 4.33 | 3 | 4 | 6.7 | 1.00 |
| Nov – 2020 | 4.13 | 1 | 4 | 6.6 | 1.19 |
| Dec – 2020 | 3.84 | 2 | 3 | 6.7 | 1.30 |
| Jan – 2021 | 3.73 | 1 | 2 | 6.7 | 1.00 |
| Feb – 2021 | 3.94 | 2 | 3 | 6.6 | 1.00 |
| Mar – 2021 | 3.83 | 2 | 4 | 6.9 | 1.00 |
| Apr – 2021 | 3.76 | 2 | 2 | 6.9 | 1.00 |
| May – 2021 | 3.71 | 2 | 3 | 6.8 | 1.00 |
| Jun – 2021 | 3.86 | 3 | 10 | 6.7 | 1.00 |
| Jul – 2021 | 4.70 | 17 | 93 | 6.5 | 432.82 |
| Aug – 2021 | 4.22 | 5 | 12 | 6.7 | 5.36 |
| Sep – 2021 | 4.43 | 6 | 8 | 6.6 | 1.45 |
| Minimum | 3.71 | 1 | 2 | 6.5 | 1.00 |
| Maximum | 4.70 | 17 | 93 | 6.9 | 432.82 |
| Average | 4.04 | 4 | 12 | 6.7 | 37.43 |

¹Influent Flow

Source: Wastewater Utilities

Record drawings for the wastewater plants are available on-site and at the Water Utilities Administrative offices at 501 East Lemon Street, Lakeland, Florida. Operation and maintenance manuals and logs are maintained on-site.

Comments: Both treatment facilities appear to be well maintained. Both plants are operating within permitted capacity. Effluent water quality is consistently within regulatory limits. No areas of concern are noted.

CONSTRUCTED WETLANDS SYSTEM AND EFFLUENT DISPOSAL

Final effluent disposal for the City’s two treatment facilities occurs at a Constructed Wetlands System located six miles south of the Glendale facility. Excess effluent from the Northside WWTP, blowdown from the power plant, and non-contact cooling water returned from the Matheson Tri-Gas Facility are discharged to the holding basins at the Glendale WRF for pumping to the Wetlands System. Effluent flow from Polk County’s Southwest Regional WWTP is also pumped to the Wetlands System for additional treatment. The County’s flow is metered separately.

The Wetlands Pump Station includes five vertical turbine pumps pumping from Glendale’s holding basin through 4.3 miles of 36-inch and 2.1 miles of 42-inch force main to the Constructed Wetlands System. The Wetlands System covers approximately 1,600 acres of former phosphate clay settling areas. The Wetlands System is divided into seven 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, a Class III surface water designated for “recreation, propagation and maintenance of a healthy, well-balanced population of fish and wildlife”. The flow enters the Wetlands 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 which 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, flows to a ditch connected to control structures, and passes into Cell 3.

This general collection and pass-through scheme is repeated through the remaining cells (additional information is available through the City of Lakeland Finance Department upon request).

At the south end of the final cell, an outlet structure measures the total flow via an H flume. The water then travels through an outfall ditch to the North Prong of the Alafia River. The system is providing treatment beyond secondary levels and the effluent from this system often meets tertiary treatment levels. Blowers are provided for re-aeration of the effluent before discharging to the outfall ditch.

The Wetlands System discharged approximately 8.61 tons of total nitrogen to the Alafia River during the 2021 fiscal year. In FY 2021, TECO pumped approximately 1.7 billion gallons from the Wetlands to its Polk Power Station for use as cooling water. This provided additional beneficial reuse and decreased pollutant loading to the Alafia River. The table below summarizes key effluent water quality results for FY 2021.

Wetlands Treatment System Effluent Quality Results for FY 2021

| Mon – Year | Average Daily Flow MGD | CBOD ₅ mg/L | TSS mg/L | Total Nitrogen mg/L | Total Phosphorus mg/L | Dissolved Oxygen mg/L | pH SU | Conductivity umhos/cm | Fecal Coliform #/100 mL | Rain inches |
|------------|------------------------|------------------------|----------|---------------------|-----------------------|-----------------------|-------|-----------------------|-------------------------|-------------|
| Oct – 2020 | 10.41 | 1.6 | 3.6 | 1.3 | 2.8 | 6.89 | 7.19 | 1014 | 24 | 3.17 |
| Nov – 2020 | - | - | - | - | - | - | - | - | - | 4.50 |
| Dec – 2020 | - | - | - | - | - | - | - | - | - | 3.32 |
| Jan – 2021 | - | - | - | - | - | - | - | - | - | 0.57 |
| Feb – 2021 | - | - | - | - | - | - | - | - | - | 5.11 |
| Mar – 2021 | - | - | - | - | - | - | - | - | - | 0.23 |
| Apr – 2021 | - | - | - | - | - | - | - | - | - | 3.07 |
| May – 2021 | - | - | - | - | - | - | - | - | - | 0.05 |
| Jun – 2021 | - | - | - | - | - | - | - | - | - | 5.76 |
| Jul – 2021 | 12.49 | 2.6 | 3.1 | 1.1 | 3.2 | 6.67 | 7.38 | 1197 | 28 | 11.85 |
| Aug – 2021 | 18.94 | 5.3 | 3.3 | 1.2 | 3.2 | 6.79 | 7.40 | 1056 | 31 | 4.11 |
| Sep – 2021 | 13.23 | 5.4 | 2.9 | 1.4 | 3.0 | 6.60 | 7.40 | 1069 | 53 | 7.41 |
| Minimum | 10.41 | 1.6 | 2.9 | 1.1 | 2.8 | 6.60 | 7.19 | 1014 | 24 | 0.05 |
| Maximum | 18.94 | 5.4 | 3.6 | 1.4 | 3.2 | 6.89 | 7.40 | 1197 | 53 | 11.85 |
| Average | 13.77 | 3.7 | 3.2 | 1.3 | 3.1 | 6.74 | 7.34 | 1084 | 34 | 4.10 |

Source: Wastewater Utility

A new pipeline bringing reclaimed water from Polk County Utilities (PCU) to Cell 3 has been constructed to replace the former pipeline. It has been operational since February 2018. Based on a review of effluent analyses, the Wetlands System consistently meets the discharge requirements of its operating permit.

The wetlands are now open to the public as Se7en Wetlands Park. The park features 8.5 miles of trails around two of the wetland's cells, and ultimately will be expanded to 22 miles of trail when complete. The trails offer views of a diverse community of plant and animal species. The park opened in April 2018.

Comments: The constructed wetlands system appears to be well maintained. No areas of concern are noted.

IMPROVEMENTS

In addition to routine preventive maintenance, the City continues to improve the wastewater system. The following projects were recently completed or are currently underway:

- Northside Sewage Treatment Plant Repair of Headworks Splitter Box – This project involves rehabbing the concrete at the headworks and replacing the screening equipment. Three major components were installed including a grit classifier and two new perforated plate screens. The new grit classifier and new perforated plate screens are currently in operation.
- South Florida Ave. Gravity Line Repair – In June 2021, approximately 1,000 linear feet of 10-inch ductile iron pipe along S. Florida Ave. between Highlands Dr. and Alamo Dr. was replaced. An additional 1,500 feet of gravity line is left to be evaluated to determine if they can be rehabbed using CIPP or need replacing. This work is tentatively scheduled in fiscal years 2022 and 2023.
- Utility Relocation SR 33 at I-4 – Tomkow to Old Combee – In coordination with FDOT, this is the relocation of wastewater mains for the road/drainage project at SR33 and I-4. Project is currently on hold and awaiting the next set of 90% plans from FDOT.
- Northside Pump Station Construction – In a previous study, the construction of a new pump station instead of rehabbing the old structure and equipment was identified to be the most cost-effective solution to addressing the deficiencies of the Northside facility. The project is in the design phase awaiting 30% drawings.
- Lakeland Wastewater Master Plan – This project is the overall evaluation of the wastewater system to assess facilities for new growth or maintenance concerns. The project is currently in progress but has experienced difficulties. The assessment and correction of deficiencies in the hydraulic model are required before proceeding with the rest of the work.
- Western Trunk Line Relocation Along San Gully Rd. – A portion of the Western Trunk sewer line is currently in bad condition and will be replaced. An RFQ has been issued to select a contractor with a proposal opening on February 16th. This project is anticipated to take 3 more years.
- FDEP – Se7en Wetlands Phase III Trail – This project is the construction of a trail around wetlands 3 through 7 and to the Mulberry Park entrance. Trail includes markers, benches, signs, maps, and three bridges. Task 1A is 90% complete and completion of the project is anticipated to occur in May 2023.
- Wetlands Dredging and Sediment Management – The function and water quality of the Se7en Wetlands will be improved by removing 35 years of accumulated organic sediments from priority control structures. 30% design of the project is complete and estimated to finish around May 2023.

- South Florida Ave Manhole Replacement – Phase II – Phase II of the project involved replacing 3 old flush tank manholes with traditional manholes on S. Florida Ave. The Downtown project involved 3 flush tanks as well. The Downtown project involved partially closing 3 different roads to perform the installation. This work was done during the COVID-19 pandemic shut down. The project was moved forward to take advantage of the decrease population in the downtown area due to the shutdown period. Project has been completed.
- Southwest Lakeland Sewer Upgrade – This project is to increase the sewer capacity in SW Lakeland in the Pipkin Rd. and Medulla Rd. area. Phase 1 of the project is to upgrade the lift station while Phase 2 is to install a second forcemain leaving from the new station. Phase 1 has reached substantial completion and working on punch list items. Phase 2 is in progress but coordination issues with the project were encountered. 30% plans will be issued soon.
- Griffin Road 24" Sanitary Sewer - Project to replace segments of an existing gravity sewer line that is severely corroded. Project currently in design phase. English Oaks Phase III Construction – This major project involves the completion of the English Oaks forcemain sections 1, 2A, 2B, and 2C from the Airport to the Glendale WWTF. All construction is complete. Sections 1, 2A, and 2B are closed out. Working on final pay items for Section 2C.
- English Oaks Phase IV Construction – This major project is the construction of Sections 3 and 4 of the English Oaks forcemain from the Airport to the Glendale WWTF. Construction is in progress for Section 3. A notice to proceed has been issued for Section 4 and material has been ordered. Section 3 is predicted to be completed December 2022 and Section 4 April 2023.
- Skyview Forcemain Upsizing – This project is currently waiting for the contractor to start, notice to proceed was issued in December 2021 with completion scheduled by November 2022. Annual Rehabilitation Projects – Annual rehabilitation projects including work on older sewer lines by inserting a CIPP liner, rehabilitation and repair of manhole structures, and inspection of the City’s sanitary sewer system through televising lines and conducting smoke tests.

WASTEWATER RATES

Operation and maintenance expenses are funded primarily by user charges. Ordinance No. 5636 provides for the establishment of wastewater fees, rates, and charges, including miscellaneous service charges, system capacity fees, and other conditions related to wastewater service. The City Commission has the sole authority to set and revise wastewater fees and charges for the Lakeland system.

Water pollution control charges (impact fees) are one-time charges for wastewater capacity. The impact fee for FY 2020 was \$1,916 per equivalent inside City residential connection. The tables below summarize impact fees and the rate schedule for FY 2021.

Pollution Control/Sanitary Sewer Impact Fees for FY 2021

| Description | Inside City | Outside City |
|---|-------------|--------------|
| Detached Single Family – 260 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 |

Source: Wastewater Utilities

*Fee calculated based on the average gpd capacity approved by the Capacity review committee

Wastewater Rate Schedule for FY 2021

| Classification | Fixed Charge | | Volume Charge per 1000 gals | |
|---|--------------|--------------|-----------------------------|--------------|
| | Inside City | Outside City | Inside City | Outside City |
| Residential – Individually Metered ¹ | \$19.51 | \$24.38 | \$4.37 | \$5.47 |
| Residential – Master Metered ¹ | \$16.77 | \$20.95 | \$4.37 | \$5.47 |
| Commercial/Industrial Meter Size (inches) | | | | |
| 5/8' to 3/4" | \$19.51 | \$24.38 | \$4.37 | \$5.47 |
| 1" | \$52.62 | \$65.79 | \$4.37 | \$5.47 |
| 1 1/2" | \$94.94 | \$118.65 | \$4.37 | \$5.47 |
| 2" | \$211.20 | \$263.93 | \$4.37 | \$5.47 |
| 3" | \$528.90 | \$661.11 | \$4.37 | \$5.47 |
| 4" | \$787.88 | \$984.82 | \$4.37 | \$5.47 |
| 6" | \$1,456.91 | \$1,821.14 | \$4.37 | \$5.47 |
| 8" and Above | \$2,466.86 | \$3,083.59 | \$4.37 | \$5.47 |

¹Volume charges capped at 12,000 gallons per month per unit

Source: Wastewater Utilities

A comparative wastewater rate study for FY 2020-2021 was conducted by Raftelis Financial Consultants Inc. The study evaluated the City's wastewater rates throughout future fiscal years up to September 30, 2024. The results were presented to the City Commission on July 15, 2021 and completed on August 10, 2021. This study also compared City rates to representative utilities throughout the State and included comparisons of both base (fixed) and volume rates. The City's rates compare favorably to other utilities. Surveyed residential rates (inside) for 10,000 gallons ranged from \$39.12 to \$110.60. The median rate surveyed was \$71.96. The City of Lakeland rate was \$63.21. However, Lakeland's monthly wastewater service rates were determined to be inadequate to meet projected costs for fiscal years 2022 to 2024. It was recommended that the City apply a 2% annual increase to all wastewater charges and industrial surcharge and monitoring fees.

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. The 10-year CIP is available upon request from the City of Lakeland Finance Department. Revenues are identified and expenditures are subdivided into six categories as shown in the table below.

Summary of Capital Improvement Plan for FY 2021

| Expenses | FY 2021 |
|-------------------|---------------|
| Collection System | \$ 25,996,216 |
| Pump Stations | 5,677,796 |
| Treatment Plants | 18,100,338 |
| Wetlands | 3,107,793 |
| Engineering | 6,338,447 |
| Miscellaneous | 2,293,419 |
| Total Expense | \$ 61,514,009 |

Source: Water Utilities

OPERATING STATISTICS

A 5-year history of select wastewater operating statistics is shown in the following table. The quantity of wastewater treated in FY 2021 was approximately 29 million gallons less than in FY 2020. Gross revenues increased in FY 2021 by \$2.18 million compared to FY 2020. Operating expenses increased by \$1.03 million over the same period.

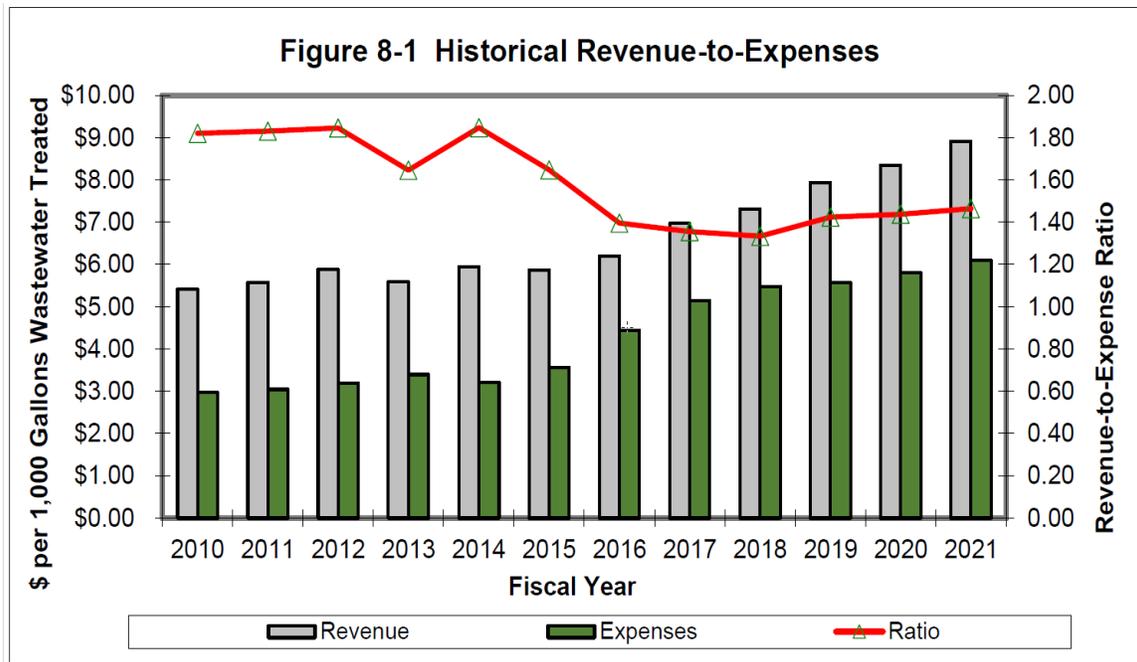
Historical Wastewater Utility Operating Statistics

| | For Fiscal Year Ended September 30, | | | | |
|-------------------------------------|-------------------------------------|----------|----------|----------|----------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Wastewater Treated, Million Gallons | 4,496 | 4,474 | 4,331 | 4,227 | 4,098 |
| Customers | 46,253 | 47,867 | 48,500 | 49,868 | 51,933 |
| Gross Revenues, in Millions | \$31.328 | \$32.702 | \$34.362 | \$35.262 | \$37,443 |
| Gross Revenues per 1000 Gallons | \$6.97 | \$7.31 | \$7.93 | \$8.34 | \$8.92 |
| Operating Expenses, in Millions | \$23.129 | \$24.508 | \$24.144 | \$24.537 | \$25,566 |
| Operating Expenses per 1000 Gallons | \$5.14 | \$5.48 | \$5.57 | \$5.80 | \$6.09 |

Source: Wastewater Utilities

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The chart below shows historical operating revenues and operating expenses since 2010. The revenue-to-expense ratio peaked in FY 2014 and FY 2021 at 1.85. The ratios have ranged from 1.33 to 1.85 during the last ten years.



Ten City wastewater customers comprised 17.7% of total wastewater treated in FY 2021 as shown in the table below.

Top 10 Wastewater Customers for FY 2021

| Customer | Total Gallons ¹ |
|--|----------------------------|
| Publix Super Markets, Inc. | 325,670,000 |
| Refresco Florida, Inc. | 122,623,000 |
| Lakeland Regional Health Systems Inc | 55,680,000 |
| Aqua Clean Environmental, Inc. | 54,025,000 |
| Tampa Maid Foods, LLC | 49,554,000 |
| Polk County School Board (PCSB). | 32,088,000 |
| Florida Southern College | 28,166,000 |
| City of Lakeland | 27,767,000 |
| Southeastern University | 25,728,000 |
| Crown Health Care Laundry Service LLC | 21,026,000 |
| Total Wastewater Sales for Top 10 Customers | 742,327,000 |

¹In Thousand Gallons

Source: Wastewater Utilities

A comparison of debt coverage for the past ten fiscal years is shown in the table on the following page. The comparison through the years determines the adequacy of rates and charges to meet bond covenants and coverage. The City of Lakeland’s primary means of financial expenditures for improvements to the wastewater system is through user charges and impact fees supplemented by revenue bonds and State loans.

Historical Debt Service Coverage Combined Water and Wastewater Utility

| Fiscal Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2019 | 2019 | 2020 | 2021 |
|--|------|------|------|------|------|------|------|------|------|------|
| Test 1 (100% based on Net Operating Revenues) | 4.53 | 6.25 | 8.06 | 4.79 | 4.94 | 4.95 | 4.77 | 5.76 | 5.56 | 4.79 |
| Test 2 (120% based on Net Operating Revenues plus Available Connection Charges) | 4.71 | 6.70 | 8.50 | 5.12 | 5.32 | 5.31 | 5.18 | 6.24 | 6.27 | 5.34 |

The coverage by net operating revenues available for debt service is favorable in FY 2021 at 4.79 for the combined water and wastewater utility compared to the required coverage of 1.0. The coverage by net operating revenues plus available connection charges is 5.34 compared to the required coverage of 1.2. The wastewater contribution to the general fund in FY 2021 was \$4,735,509.

SUMMARY AND CONCLUSIONS

The CSI report concludes that the wastewater utility is managed in a manner consistent with typical utility practices. The City maintains a continuous renewal and maintenance program to ensure reliable service. The wastewater treatment facilities consistently comply with State and Federal regulatory requirements. The wastewater utility appears to be in general conformance with the following American Water Works Association Standards:

- ANSI/AWWA G400-09 - Utility Management System
- ANSI/AWWA G410-09 - Business Practices for Operation and Management
- ANSI/AWWA G430-09 - Security Practices for Operation and Management

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**SUMMARIZED BOND INFORMATION – WATER AND WASTEWATER
 WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS,
 SERIES 2012A
 \$37,325,000**

SERIAL AND TERM BONDS DATED AUGUST 29, 2012

CUSIP NUMBERS

| | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 511773BE2 | 511773BH5 | 511773BL6 | 511773BP7 | 511773BS1 |
| 511773BF9 | 511773BJ1 | 511773BM4 | 511773BQ5 | 511773BT9 |
| 511773BG7 | 511773BK8 | 511773BN2 | 511773BR3 | 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.

INSURANCE

The City has not purchased bond insurance or any other form of credit enhancement for the 2002 bonds.

RATINGS

Moody’s Investor Service: **Aa2** Standard & Poor’s Ratings: **AA** Fitch Ratings: **AA+**

In October 2019, the City of Lakeland entered into a forward delivery agreement with Bank of America, N.A. for the issuance and delivery of the Water and Wastewater Refunding Bond, Series 2021 in the amount of \$28,220,000. The bond, which will take the form of a fixed rate bank loan with Bank of America ,N.A , will be issued to refund the outstanding Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012A maturing on and after October 1, 2022 and pay the issuance costs of the 2021 Bonds. The bonds were issued on October 1, 2021, and the 2012A bonds were redeemed.

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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>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-------------------------|-----------------|-------------------------|
| October 1, 2030 | \$2,945,000 | October 1, 2031 | \$3,065,000 |
| October 1, 2032* | 3,185,000 | | |

* Final 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, LLC, Jacksonville, Florida
Managing Underwriter: Citigroup
Underwriters' Counsel: Nabors, Giblin, & Nickerson, PA, Tampa, Florida

**Summary of Future Debt Service Requirements
Water and Wastewater Revenue Refunding
and Improvement Bonds, Series 2012A**

The 2012A Bonds were redeemed on October 1, 2021.

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**WATER AND WASTEWATER CAPITAL IMPROVEMENT REVENUE NOTE,
SERIES 2015**

\$10,600,000

NOTE DATED NOVEMBER 12, 2015

CUSIP NUMBERS

NA

PURPOSE

The Series 2015 Note was issued to (i) finance certain cost of acquiring, constructing and equipping certain water and wastewater capital projects; and (ii) pay the cost of issuance of the 2015 Note. The Note takes the form of a bank loan with Bank of America, N.A.

SECURITY

The Series 2015 Note is 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.

INSURANCE

The City has not purchased bond insurance or any other form of credit enhancement for the 2015 Note.

RATINGS

NA

OPTIONAL REDEMPTION

The series 2015 Note may be optionally redeemed or prepaid, in whole or in part, on any day prior to its maturity upon ten days' prior written notice, at the amount of principal being prepaid, plus interest accrued thereon, plus a prepayment fee, as defined in the authorizing resolution.

MANDATORY REDEMPTION

The Series 2015 Note is subject to mandatory redemption in the amounts and on the dates shown below:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|-----------------|-------------------------|------------------|-------------------------|
| October 1, 2016 | \$ 598,757 | October 1, 2017 | \$ 613,247 |
| October 1, 2018 | 628,087 | October 1, 2019 | 643,287 |
| October 1, 2020 | 658,854 | October 1, 2021 | 674,799 |
| October 1, 2022 | 691,129 | October 1, 2023 | 707,854 |
| October 1, 2024 | 724,984 | October 1, 2025* | 4,659,002 |

AGENTS

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

**Summary of Future Debt Service Requirements
Water and Wastewater Capital Improvement
Revenue Note, Series 2015**

| <u>Date</u> | <u>Maturity</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|-------------------|---------------------|
| 1-Oct-2021 | 674,799 | 90,239 | 765,038 |
| 1-Apr-2022 | | 82,074 | 82,074 |
| 1-Oct-2022 | 691,129 | 82,074 | 773,203 |
| 1-Apr-2023 | | 73,711 | 73,711 |
| 1-Oct-2023 | 707,854 | 73,711 | 781,565 |
| 1-Apr-2024 | | 65,146 | 65,146 |
| 1-Oct-2024 | 724,984 | 65,146 | 790,130 |
| 1-Apr-2025 | | 56,374 | 56,374 |
| 1-Oct-2025 | 4,659,002 | 56,374 | 4,715,376 |
| | <u>\$ 7,457,768</u> | <u>\$ 644,849</u> | <u>\$ 8,102,617</u> |

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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 the various Capital Improvement Revenue Bonds) 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 whatsoever, other than ad valorem taxation on real and personal property, which are legally available for payment by the City of debt service on the Capital Improvement Revenue Bonds and Non-Ad Valorem Revenue Obligations. “Non-Ad Valorem Revenue Obligations” means obligations evidencing indebtedness for borrowed money, including the Capital Improvement Revenue Bonds, the primary security for which is 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.

In certain circumstances, the City may also pledge an additional source of revenue to the Capital Improvement Revenue Bonds. The City has pledged certain Tourist Tax Development Tax revenues which are collected by Polk County, Florida and provided to the City through an interlocal agreement.

COVENANT TO BUDGET AND APPROPRIATE

Until the Capital Improvement Revenue Bonds 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, 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 budgeted, 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 more than 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.

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NON-AD VALOREM REVENUES

The following table summarizes the available Non-Ad Valorem Revenues for the past five fiscal years.

Non-Ad-Valorem Revenues

| | Fiscal Year Ended September 30, | | | | |
|--|---------------------------------|-----------------------------|------------------------------|-----------------------------|------------------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| General Fund Revenues: | | | | | |
| Utility taxes | \$ 14,735,018 | \$ 14,758,072 | \$ 15,436,866 | \$ 15,814,492 | \$ 16,080,526 |
| Franchise fees | 234,659 | 247,128 | 265,961 | 221,492 | 296,954 |
| State shared revenues | | | | | |
| Half-cent sales tax | 6,292,201 | 6,586,865 | 6,997,382 | 6,894,873 | 8,110,355 |
| Cigarette taxes | 2,699,611 | 2,805,371 | 2,943,228 | 2,764,644 | 3,358,557 |
| Mobile home license fees | 232,445 | 246,617 | 260,395 | 267,367 | 273,521 |
| Alcoholic beverage licenses | 93,563 | 88,162 | 92,373 | 111,735 | 117,189 |
| Firefighter training | 69,520 | 64,346 | 70,124 | 74,119 | 65,512 |
| Charges for services | 5,752,946 | 7,043,577 | 6,695,201 | 6,454,467 | 7,105,308 |
| Licenses & permits | 3,886,903 | 4,843,389 | 5,040,190 | 1,769,820 | 2,176,718 |
| Miscellaneous | | | | | |
| Interest & change in market value | 918,353 | 784,240 | 3,132,055 | (2,534,685) | 2,459,655 |
| Rents | 159,257 | 157,137 | 175,958 | 180,585 | 168,407 |
| Sales of fixed assets | 234,131 | 300,000 | 24,096 | - | 164,228 |
| Other | 1,817,470 | 1,513,743 | 1,741,993 | 1,695,658 | 1,950,901 |
| Transfers from select funds ¹ | 39,108,076 | 39,633,409 | 41,239,804 | 42,184,867 | 43,306,724 |
| Sub-total | <u>\$ 76,234,153</u> | <u>\$ 79,072,183</u> | <u>\$ 84,115,626</u> | <u>\$ 75,899,434</u> | <u>\$ 85,634,555</u> |
| Public Improvement Fund: | | | | | |
| Charges for services | \$ 494,509 | \$ 514,948 | \$ 542,185 | \$ 615,844 | \$ 615,588 |
| Sale of fixed assets | 589,957 | 365,357 | - | 2,473,425 | - |
| Interest & change in market value | 1,615,180 | 829,548 | 1,491,807 | (745,352) | 3,288,510 |
| Hospital lease payments | 13,619,256 | 13,993,785 | 14,378,614 | 14,378,614 | 14,378,614 |
| Other | 4,375,256 | 2,232,060 | 2,158,494 | 2,216,932 | 2,150,662 |
| Sub-total | <u>\$ 20,694,158</u> | <u>\$ 17,935,698</u> | <u>\$ 18,571,100</u> | <u>\$ 18,939,463</u> | <u>\$ 20,433,374</u> |
| Transportation Fund: | | | | | |
| Interest & change in market value | \$ (73,586) | \$ 74,592 | \$ 446,771 | \$ (1,008,219) | \$ 634,211 |
| Other | 4,855,590 | 1,394,213 | 41,085 | 69,950 | 775,712 |
| Sub-total | <u>\$ 4,782,004</u> | <u>\$ 1,468,805</u> | <u>\$ 487,856</u> | <u>\$ (938,269)</u> | <u>\$ 1,409,923</u> |
| Total non-ad valorem revenues | <u><u>\$ 101,710,315</u></u> | <u><u>\$ 98,476,561</u></u> | <u><u>\$ 103,174,582</u></u> | <u><u>\$ 93,900,628</u></u> | <u><u>\$ 107,477,852</u></u> |

¹Includes transfers in from the Electric Utilities Fund, Water & Wastewater Utility Funds, and Solid Waste Management Fund.

Source: City of Lakeland Annual Comprehensive Financial Report for Fiscal Years 2017-2021.

On March 1, 2021 the City Commission adopted the 9th lease amendment wherein the City received a prepayment of \$215,000,000 on September 16, 2021 to satisfy all rent and other payments owed by Lakeland Regional Medical Center for fiscal years 2022 through 2040; thereafter, total rent payments to the City will be \$10 per fiscal year. The amount of the prepayment will be recognized through 2040 as liabilities payable from apportioned assets in the Statement of Net Position through the original terms of the lease.

Notwithstanding the deferred and recognition of the prepayment in future years, the \$215 million received during fiscal year 2021 constitutes non ad-valorem revenues, which is not included in the table above.

The following table summarizes the total historical governmental revenues and expenses including restricted Non-Ad Valorem Revenues and other financing sources.

Historical Governmental Revenues and Expenditures

| | Fiscal Year Ended September 30, | | | | |
|---|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| <u>Governmental Sources of Revenue</u> | | | | | |
| Ad-valorem taxes | \$ 29,275,040 | \$ 32,089,014 | \$ 34,147,251 | \$ 36,362,876 | \$ 39,050,918 |
| Plus, legally available non-ad valorem revenues | 101,710,315 | 98,476,561 | 103,174,582 | 93,900,628 | 107,477,852 |
| Plus, restricted non-ad valorem revenues | | | | | |
| Federal grants & assistance ¹ | 898,350 | 426,055 | 2,883,298 | 4,418,346 | 802,416 |
| State grants & assistance ¹ | 3,486,171 | 3,004,913 | 2,424,199 | 2,529,786 | 3,642,896 |
| Local grants & assistance ¹ | 2,907,888 | 2,367,769 | 2,542,592 | 3,562,661 | 10,278,156 |
| Local option gasoline tax ² | 5,584,212 | 5,828,014 | 6,060,873 | 5,802,331 | 6,112,157 |
| Fines & forfeits ³ | 2,444,708 | 2,436,143 | 2,557,311 | 2,408,213 | 2,526,377 |
| Other governmental funds ⁴ | 14,931,249 | 18,238,607 | 24,417,582 | 30,348,934 | 36,225,137 |
| Total revenues | <u>161,237,933</u> | <u>162,867,076</u> | <u>178,207,688</u> | <u>179,333,775</u> | <u>206,115,909</u> |
| Plus, other revenue sources | | | | | |
| Proceeds from debt | 3,302,556 | 1,901,613 | 16,181,890 | 47,029,530 | 3,671,882 |
| Operating transfers in | 10,299,237 | 7,528,381 | 9,981,607 | 20,935,203 | 12,265,475 |
| Operating transfers out | (13,393,423) | (12,526,295) | (15,226,610) | (25,404,881) | (17,679,622) |
| Total other financing sources | <u>208,370</u> | <u>(3,096,301)</u> | <u>10,936,887</u> | <u>42,559,852</u> | <u>(1,742,265)</u> |
| Total revenues and other sources | <u>\$ 161,446,303</u> | <u>\$ 159,770,775</u> | <u>\$ 189,144,575</u> | <u>\$ 221,893,627</u> | <u>\$ 204,373,644</u> |
| <u>General Government Expenditures</u> | | | | | |
| General government | 14,148,310 | 16,046,396 | 15,494,226 | 36,210,677 | 15,567,704 |
| Public safety | 61,224,273 | 64,305,992 | 66,269,747 | 89,142,036 | 68,115,208 |
| Physical environment | 8,372,184 | 11,753,636 | 7,856,165 | 7,923,798 | 8,160,539 |
| Transportation | 11,483,530 | 13,433,261 | 13,957,845 | 15,279,588 | 13,842,561 |
| Economic environment | 4,842,624 | 10,681,175 | 10,537,611 | 10,289,452 | 9,120,459 |
| Human services | 201,972 | 292,272 | 373,920 | 573,643 | 362,718 |
| Culture/recreation | 23,667,143 | 23,677,487 | 24,280,528 | 23,407,104 | 23,461,644 |
| Capital outlay | 34,608,536 | 9,997,104 | 18,854,989 | 15,799,434 | 17,898,550 |
| Debt service | 14,668,894 | 9,671,962 | 8,387,159 | 17,427,184 | 15,859,055 |
| Total general expenditures | <u>\$ 173,217,466</u> | <u>\$ 159,859,285</u> | <u>\$ 166,012,190</u> | <u>\$ 216,052,916</u> | <u>\$ 172,388,438</u> |
| Fund balance, beginning of year ⁵ | \$ 95,403,382 | \$ 83,632,219 | \$ 83,543,709 | \$ 106,676,094 | \$ 112,516,805 |
| Net change in fund balances | (11,771,163) | (88,510) | 23,132,385 | 5,840,711 | 31,985,206 |
| Fund balance, end of year ⁵ | <u>\$ 83,632,219</u> | <u>\$ 83,543,709</u> | <u>\$ 106,676,094</u> | <u>\$ 112,516,805</u> | <u>\$ 144,502,011</u> |

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

²Local option gasoline tax revenues are restricted for transportation related expenditures.

³Fines and forfeits revenues may only be used to pay court related fees and costs.

⁴Represents all other restricted non-ad valorem revenues in Special Revenue and Trust funds (other than enterprise).

⁵Fund balance consists of aggregate balance in General Fund, Public Improvement Fund, and all other governmental funds.

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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). Similarly, the County also collects a “fifth cent” of the tourist development tax.

INTERLOCAL AGREEMENT

The Fourth Cent Tourist Development Tax is levied pursuant to the Tourist Development Tax Act and the County Ordinance and may be used for paying debt service on certain bonds issued for the expansion, renovation, and construction of certain city improvements. 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 certain bonds as follows:

- Approximately \$20.9 million, payable in annual installments from September 30, 2017 through September 30, 2036, pledged to pay a portion of the debt service on the City’s Capital Improvement Bonds, Series 2015, to fund renovations and improvements to Joker Marchant Stadium; and
- Approximately \$8.1 million, payable in annual installments through April 1, 2033, pledged to pay a portion of the debt service on the City’s Capital Improvement Bonds, Series 2017A, to fund renovations and improvements to the City’s Civic Center.

In addition, in the case of the City’s 2017A bonds, the County has also pledged a portion of the “fifth cent” of the Tourist Development Tax.

If the fourth and fifth cents of the Tourist Development Tax are insufficient to pay the amounts pledged by the County in any fiscal year, the County has agreed to carry any shortfall forward so that it is due and payable with the next annual payment. If full payment has not been made by the end of the financing period(s), the County will continue to make annual payments until the full amount has been paid.

The City and the County have also agreed that any surplus revenues generated by the fourth and fifth cents of the Tourist Development Tax, in excess of the amounts due and payable in any fiscal

year (including carried over amounts), may be used by the County for any purpose authorized by the relevant Florida Statutes.

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 ten fiscal years ended September 30.

Tourist Development Tax Revenues

| Year | Incorporated Area cent | Unincorporated Area half-cent | Total "fourth-cent" | Total "fifth-cent" |
|------|---------------------------|----------------------------------|------------------------|-----------------------|
| 2021 | 324,574 | 2,865,975 | 3,190,550 | 3,190,550 |
| 2020 | 341,531 | 1,757,614 | 2,099,145 | 2,099,145 |
| 2019 | 485,336 | 2,331,182 | 2,816,519 | 2,816,519 |
| 2018 | 540,998 | 2,161,101 | 2,702,100 | 2,702,099 |
| 2017 | 478,121 | 1,754,102 | 2,232,223 | 2,232,223 |
| 2016 | 418,355 | 1,661,853 | 2,080,208 | 2,080,208 |
| 2015 | 400,202 | 1,437,025 | 1,837,227 | 1,837,227 |
| 2014 | 361,867 | 1,214,301 | 1,576,168 | 1,576,168 |
| 2013 | 348,277 | 1,081,378 | 1,429,655 | 1,429,655 |
| 2012 | 225,841 | 1,111,062 | 1,336,903 | 1,336,903 |
| 2011 | 223,236 | 1,069,336 | 1,292,572 | 1,292,572 |

Source: Polk County

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

- Legislative changes resulting in an increase or decrease in the rate at which the tourist development tax is imposed;
- 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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**SUMMARIZED BOND INFORMATION – CAPITAL IMPROVEMENT
CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010A
\$48,490,000**

SERIAL BONDS DATED SEPTEMBER 30, 2010

CUSIP NUMBERS

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

PURPOSE

The Series 2010A Bonds were issued to provide funds: (i) to currently refund certain loans (“the Sunshine State Loans”) entered 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 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, including certain Tourist Development Tax revenues, pursuant to an interlocal agreement.

INSURANCE

The City has not purchased bond insurance or any other form of credit enhancement for the 2010A bonds.

RATINGS

Moody’s Investor Service: **Aa3** Standard & Poor’s Ratings: **N/A** Fitch Ratings: **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.

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 Advisors: RBC Capital Markets, Jacksonville, Florida
Managing Underwriter: Goldman, Sachs and Company, New York, New York
Underwriters' Counsel: Nabors, Giblin, & Nickerson, PA, Tampa, Florida

**Summary of Future Debt Service Requirements
Capital Improvement Revenue and Refunding Bonds
Series 2010A**

The 2010A bonds were redeemed and paid in full on October 1, 2021.

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**TAXABLE CAPITAL IMPROVEMENT REVENUE AND REFUNDING
BONDS, SERIES 2010B**

\$10,140,000

TERM BONDS DATED SEPTEMBER 30, 2010

CUSIP NUMBERS

511662AS7

PURPOSE

The Series 2010B Bonds were issued to provide 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

The City has not purchased bond insurance or any other form of credit enhancement for the 2010B bonds.

RATINGS

Moody’s Investor Service: **Aa3** Standard & Poor’s Ratings: **N/A** Fitch Ratings: **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>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|-----------------|-------------------------|------------------|-------------------------|
| October 1, 2011 | \$590,000 | October 1, 2012 | \$645,000 |
| October 1, 2013 | 705,000 | October 1, 2014 | 765,000 |
| October 1, 2015 | 830,000 | October 1, 2016 | 2,115,000 |
| October 1, 2017 | 1,065,000 | October 1, 2018 | 1,105,000 |
| October 1, 2019 | 1,140,000 | October 1, 2020* | 1,118,000 |

* Final maturity

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: (i) 100% of the principal amount of the Series 2010B Bonds to be redeemed; or (ii) 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 Advisors: | RBC Capital Markets, Jacksonville, Florida |
| Managing Underwriter: | Goldman, Sachs and Company, New York, New York |
| Underwriters' Counsel: | Nabors, Giblin, & Nickerson, PA, Tampa, Florida |

**Summary of Future Debt Service Requirements
Capital Improvement Revenue and Refunding Bonds
Series 2010B**

The 2010B Bonds were paid in full on October 1, 2020.

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**TAXABLE CAPITAL IMPROVEMENT REVENUE AND REFUNDING
BONDS, SERIES 2010C**

\$21,115,000

TERM BONDS DATED SEPTEMBER 30, 2010

CUSIP NUMBERS

511662AT5

511662AU2

PURPOSE

The Series 2010C Bonds were issued to provide 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

The City has not purchased bond insurance or any other form of credit enhancement for the 2010C bonds.

RATINGS

Moody's Investor Service: **Aa3** Standard & Poor's Ratings: **N/A** Fitch Ratings: **AA-**

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

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 on the following page.

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|-----------------|-------------------------|-----------------|-------------------------|
| October 1, 2031 | \$1,445,000 | October 1, 2032 | \$1,500,000 |
| October 1, 2033 | 1,190,000 | October 1, 2034 | 930,000 |
| October 1, 2035 | 965,000 | October 1, 2036 | 1,000,000 |
| October 1, 2037 | 1,040,000 | October 1, 2038 | 1,080,000 |
| October 1, 2039 | 1,120,000 | October 1, 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: (i) 100% of the principal amount of the Series 2010C Bonds to be redeemed; or (ii) 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.

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 Advisors: RBC Capital Markets, Jacksonville, Florida

Managing Underwriter: Goldman, Sachs and Company, New York, New York

Underwriters' Counsel: Nabors, Giblin, & Nickerson, PA, Tampa, Florida

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**Summary of Future Debt Service Requirements
Taxable Capital Improvement Revenue Bonds, Series 2010C**

| Date | Maturity | Interest* | Total |
|------------|----------------------|---------------------|----------------------|
| 1-Oct-2021 | | 410,589 | 410,589 |
| 1-Apr-2022 | | 410,588 | 410,588 |
| 1-Oct-2022 | | 410,588 | 410,588 |
| 1-Apr-2023 | | 410,588 | 410,588 |
| 1-Oct-2023 | | 410,588 | 410,588 |
| 1-Apr-2024 | | 410,588 | 410,588 |
| 1-Oct-2024 | 1,250,000 | 410,589 | 1,660,589 |
| 1-Apr-2025 | | 386,501 | 386,501 |
| 1-Oct-2025 | 1,305,000 | 386,502 | 1,691,502 |
| 1-Apr-2026 | | 361,355 | 361,355 |
| 1-Oct-2026 | 1,320,000 | 361,355 | 1,681,355 |
| 1-Apr-2027 | | 335,920 | 335,920 |
| 1-Oct-2027 | 1,370,000 | 335,920 | 1,705,920 |
| 1-Apr-2028 | | 309,521 | 309,521 |
| 1-Oct-2028 | 1,425,000 | 309,522 | 1,734,522 |
| 1-Apr-2029 | | 282,062 | 282,062 |
| 1-Oct-2029 | 1,480,000 | 282,062 | 1,762,062 |
| 1-Apr-2030 | | 253,544 | 253,544 |
| 1-Oct-2030 | 1,525,000 | 253,544 | 1,778,544 |
| 1-Apr-2031 | | 224,158 | 224,158 |
| 1-Oct-2031 | 1,445,000 | 224,158 | 1,669,158 |
| 1-Apr-2032 | | 195,845 | 195,845 |
| 1-Oct-2032 | 1,500,000 | 195,845 | 1,695,845 |
| 1-Apr-2033 | | 166,453 | 166,453 |
| 1-Oct-2033 | 1,190,000 | 166,453 | 1,356,453 |
| 1-Apr-2034 | | 143,136 | 143,136 |
| 1-Oct-2034 | 930,000 | 143,136 | 1,073,136 |
| 1-Apr-2035 | | 124,913 | 124,913 |
| 1-Oct-2035 | 965,000 | 124,913 | 1,089,913 |
| 1-Apr-2036 | | 106,005 | 106,005 |
| 1-Oct-2036 | 1,000,000 | 106,005 | 1,106,005 |
| 1-Apr-2037 | | 86,411 | 86,411 |
| 1-Oct-2037 | 1,040,000 | 86,410 | 1,126,410 |
| 1-Apr-2038 | | 66,033 | 66,033 |
| 1-Oct-2038 | 1,080,000 | 66,032 | 1,146,032 |
| 1-Apr-2039 | | 44,871 | 44,871 |
| 1-Oct-2039 | 1,120,000 | 44,871 | 1,164,871 |
| 1-Apr-2040 | | 22,925 | 22,925 |
| 1-Oct-2040 | 1,170,000 | 22,920 | 1,192,920 |
| | <u>\$ 21,115,000</u> | <u>\$ 9,093,419</u> | <u>\$ 30,208,419</u> |

*After receipt and application of related federal Build America Bond interest subsidy.

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CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2012A
\$15,983,000

TERM NOTE DATED DECEMBER 20, 2012

CUSIP NUMBERS

N/A

PURPOSE

The Series 2012A Note was issued to provide 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 issued as a private placement and purchased by PNC Bank, NA.

INSURANCE

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

RATINGS

N/A

MANDATORY REDEMPTION

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

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|-----------------|-------------------------|-----------------|-------------------------|
| October 1, 2013 | \$933,000 | October 1, 2014 | \$1,296,000 |
| October 1, 2015 | 1,321,000 | October 1, 2016 | 1,347,000 |
| October 1, 2017 | 1,370,000 | October 1, 2018 | 1,875,000 |
| October 1, 2019 | 1,908,000 | October 1, 2020 | 1,943,000 |
| October 1, 2021 | 1,977,000 | October 1, 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 Advisors: RBC Capital Markets, Jacksonville, Florida
Managing Underwriter: PNC Bank, National Association
Underwriters' Counsel: Bryant Miller Olive, P.A.

**Summary of Future Debt Service Requirements
Capital Improvement Refunding Revenue Note, Series 2012A**

| <u>Date</u> | <u>Maturity</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|------------------|---------------------|
| 1-Oct-2021 | 1,977,000 | 34,912 | 2,011,912 |
| 1-Apr-2022 | | 17,614 | 17,614 |
| 1-Oct-2022 | 2,013,000 | 17,613 | 2,030,613 |
| | <u>\$ 3,990,000</u> | <u>\$ 70,139</u> | <u>\$ 4,060,139</u> |

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CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2015

\$51,465,000

SERIAL BONDS DATED MAY 20, 2015

CUSIP NUMBERS

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

PURPOSE

The Series 2015 Bonds were issued to provide 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, including certain Tourist Development Tax revenues pursuant to an interlocal agreement.

INSURANCE

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

RATINGS

Moody's Investor Service: **Aa3** Standard & Poor's Ratings: **N/A** Fitch Ratings: **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>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|-----------------|-------------------------|------------------|-------------------------|
| October 1, 2032 | \$2,685,000 | October 1, 2033* | \$2,800,000 |

* Final 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>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-------------------------|-----------------|-------------------------|
| October 1, 2034 | \$2,895,000 | October 1, 2035 | \$3,010,000 |
| October 1, 2036* | 2,320,000 | | |

* Final 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 Advisors: RBC Capital Markets, Jacksonville, Florida

Managing Underwriter: Goldman, Sachs and Company, New York, New York

Underwriters’ Counsel: Nabors, Giblin, & Nickerson, PA, Tampa, Florida

**Summary of Future Debt Service Requirements
 Capital Improvement Revenue Bonds, Series 2015**

| Date | Maturity | Interest | Total |
|------------|----------------------|----------------------|----------------------|
| 1-Oct-2021 | 1,785,000 | 855,469 | 2,640,469 |
| 1-Apr-2022 | | 810,844 | 810,844 |
| 1-Oct-2022 | 1,870,000 | 810,844 | 2,680,844 |
| 1-Apr-2023 | | 764,094 | 764,094 |
| 1-Oct-2023 | 1,965,000 | 764,094 | 2,729,094 |
| 1-Apr-2024 | | 714,969 | 714,969 |
| 1-Oct-2024 | 2,060,000 | 714,969 | 2,774,969 |
| 1-Apr-2025 | | 663,469 | 663,469 |
| 1-Oct-2025 | 2,035,000 | 663,469 | 2,698,469 |
| 1-Apr-2026 | | 612,594 | 612,594 |
| 1-Oct-2026 | 2,075,000 | 612,594 | 2,687,594 |
| 1-Apr-2027 | | 560,719 | 560,719 |
| 1-Oct-2027 | 2,180,000 | 560,719 | 2,740,719 |
| 1-Apr-2028 | | 506,219 | 506,219 |
| 1-Oct-2028 | 2,215,000 | 506,219 | 2,721,219 |
| 1-Apr-2029 | | 450,844 | 450,844 |
| 1-Oct-2029 | 2,325,000 | 450,844 | 2,775,844 |
| 1-Apr-2030 | | 392,719 | 392,719 |
| 1-Oct-2030 | 2,445,000 | 392,719 | 2,837,719 |
| 1-Apr-2031 | | 331,594 | 331,594 |
| 1-Oct-2031 | 2,570,000 | 331,594 | 2,901,594 |
| 1-Apr-2032 | | 267,344 | 267,344 |
| 1-Oct-2032 | 2,685,000 | 267,344 | 2,952,344 |
| 1-Apr-2033 | | 217,000 | 217,000 |
| 1-Oct-2033 | 2,800,000 | 217,000 | 3,017,000 |
| 1-Apr-2034 | | 164,500 | 164,500 |
| 1-Oct-2034 | 2,895,000 | 164,500 | 3,059,500 |
| 1-Apr-2035 | | 106,600 | 106,600 |
| 1-Oct-2035 | 3,010,000 | 106,600 | 3,116,600 |
| 1-Apr-2036 | | 46,400 | 46,400 |
| 1-Oct-2036 | 2,320,000 | 46,400 | 2,366,400 |
| | <u>\$ 37,235,000</u> | <u>\$ 14,075,287</u> | <u>\$ 51,310,287</u> |

TAXABLE CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2015
\$5,000,000

NOTE DATED SEPTEMBER 29, 2015

CUSIP NUMBERS

N/A

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 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 note.

RATINGS

N/A

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.

AGENTS

Registrar: City of Lakeland, Lakeland, Florida
Paying Agent: City of Lakeland, Lakeland, Florida
Trustee: N/A
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: N/A
Purchasers' Counsel: Mark E. Raymond

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENTS

The Series 2015 taxable bonds were paid in full on October 1, 2020.

Capital Improvement Revenue Note, Series 2017A

\$16,370,569

NOTE DATED

CUSIP NUMBERS

N/A

PURPOSE

The Series 2017A Note was issued for the purpose of (i) paying or reimbursing the costs of acquiring, constructing, extending, improving, or enlarging the City's civic center and financing certain airport facilities; and (ii) paying the costs of issuance of the 2017A Note.

SECURITY

The Series 2017 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, including certain Tourist Development Tax revenues pursuant to an inter-local agreement. The Series 2017A Notes were issued through a direct placement and purchased by TD Bank, N.A.

INSURANCE

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

RATINGS

N/A

OPTIONAL REDEMPTION

The Series 2017A Note is subject to redemption, in whole or in part, upon thirty days' written notice, subject to a fixed rate prepayment charge as specified in the Note.

MANDATORY REDEMPTION

The Series 2017A Note is subject to mandatory redemption in the amounts and on the dates shown below.

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|----------------|-------------------------|---------------|-------------------------|
| April 1, 2018 | \$983,237.43 | April 1, 2019 | \$1,006,736.81 |
| April 1, 2020 | 1,030,797.81 | April 1, 2021 | 1,055,433.88 |
| April 1, 2022 | 1,080,658.75 | April 1, 2023 | 1,106,486.50 |
| April 1, 2024 | 1,132,931.52 | April 1, 2025 | 1,160,008.59 |
| April 1, 2026 | 1,187,732.79 | April 1, 2027 | 1,216,119.90 |
| April 1, 2028 | 1,031,582.70 | April 1, 2029 | 1,056,237.53 |
| April 1, 2030 | 1,081,481.60 | April 1, 2031 | 1,107,329.01 |
| April 1, 2032* | 1,133,794.18 | | |

* Final maturity

AGENTS

Registrar: City of Lakeland, Lakeland, Florida
Paying Agent: City of Lakeland, Lakeland, Florida
Trustee: NA
Calculation Agent: NA
Issuer's Bond Counsel: Holland & Knight, LLP, Lakeland, Florida
Issuer's Financial Advisors: RBC Capital Markets, Jacksonville, Florida
Managing Underwriter: NA
Bank Counsel: Bryant Miller Olive, P.A.

**Summary of Future Debt Service Requirements
Capital Improvement Revenue Note, Series 2017A**

| <u>Date</u> | <u>Maturity</u> | <u>Interest</u> | <u>Total</u> |
|-------------|----------------------|---------------------|----------------------|
| 1-Oct-2021 | | 149,031 | 149,031 |
| 1-Apr-2022 | 1,080,659 | 149,031 | 1,229,690 |
| 1-Oct-2022 | | 135,997 | 135,997 |
| 1-Apr-2023 | 1,106,486 | 135,997 | 1,242,483 |
| 1-Oct-2023 | | 122,653 | 122,653 |
| 1-Apr-2024 | 1,132,932 | 122,652 | 1,255,584 |
| 1-Oct-2024 | | 108,989 | 108,989 |
| 1-Apr-2025 | 1,160,009 | 108,989 | 1,268,998 |
| 1-Oct-2025 | | 94,999 | 94,999 |
| 1-Apr-2026 | 1,187,733 | 94,999 | 1,282,732 |
| 1-Oct-2026 | | 80,675 | 80,675 |
| 1-Apr-2027 | 1,216,120 | 80,674 | 1,296,794 |
| 1-Oct-2027 | | 66,007 | 66,007 |
| 1-Apr-2028 | 1,031,583 | 66,007 | 1,097,590 |
| 1-Oct-2028 | | 53,422 | 53,422 |
| 1-Apr-2029 | 1,056,238 | 53,422 | 1,109,660 |
| 1-Oct-2029 | | 40,536 | 40,536 |
| 1-Apr-2030 | 1,081,482 | 40,536 | 1,122,018 |
| 1-Oct-2030 | | 27,342 | 27,342 |
| 1-Apr-2031 | 1,107,329 | 27,341 | 1,134,670 |
| 1-Oct-2031 | | 13,833 | 13,833 |
| 1-Apr-2032 | 1,133,793 | 13,832 | 1,147,625 |
| | <u>\$ 12,294,364</u> | <u>\$ 1,786,964</u> | <u>\$ 14,081,328</u> |

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CAPITAL IMPROVEMENT REVENUE NOTE, SERIES 2017B

\$15,879,855

NOTE DATED MAY 23, 2017

CUSIP NUMBERS

N/A

PURPOSE

The Series 2017B Note was issued for the purpose of (i) paying or reimbursing the costs of financing certain airport facilities at the Lakeland Linder International Airport; and (ii) paying the costs of issuance of the 2017B Note.

SECURITY

The Series 2017B Note and the interest thereon are payable from, and secured by a pledge of 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 2017B Notes were issued through a direct placement and purchased by TD Bank, N.A.

INSURANCE

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

RATINGS

N/A

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OPTIONAL REDEMPTION

The Series 2017B Note may be prepaid on any Business Day in whole or in part upon thirty days' written notice, subject to a fixed rate prepayment charge, as specified in the Note.

MANDATORY REDEMPTION

The Series 2017B Note is subject to mandatory redemption in the amounts and on the dates shown below.

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|----------------|-------------------------|---------------|-------------------------|
| April 1, 2018 | \$795,480.36 | April 1, 2019 | \$1,159,332.60 |
| April 1, 2020 | 1,187,040.65 | April 1, 2021 | 6,292,701.04 |
| April 1, 2022 | 1,929,534.48 | April 1, 2023 | 1,239,262.72 |
| April 1, 2024 | 1,064,103.50 | April 1, 2025 | 1,089,535.65 |
| April 1, 2026* | 1,122,864.00 | | |

* Final maturity

AGENTS

Registrar: City of Lakeland, Lakeland, Florida
Paying Agent: City of Lakeland, Lakeland, Florida
Trustee: NA
Calculation Agent: NA
Issuer's Bond Counsel: Holland & Knight, LLP, Lakeland, Florida
Issuer's Financial Advisors: RBC Capital Markets, Jacksonville, Florida
Managing Underwriter: NA
Underwriters' Counsel: Bryant Miller Olive, P.A.

Summary of Future Debt Service Requirements Capital Improvement Revenue Note, Series 2017B

| <u>Date</u> | <u>Maturity</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|-------------------|---------------------|
| 1-Oct-2021 | | 67,676 | 67,676 |
| 1-Apr-2022 | 1,929,534 | 67,676 | 1,997,210 |
| 1-Oct-2022 | | 47,416 | 47,416 |
| 1-Apr-2023 | 1,239,263 | 47,415 | 1,286,678 |
| 1-Oct-2023 | | 34,403 | 34,403 |
| 1-Apr-2024 | 1,064,104 | 34,403 | 1,098,507 |
| 1-Oct-2024 | | 23,230 | 23,230 |
| 1-Apr-2025 | 1,089,536 | 23,230 | 1,112,766 |
| 1-Oct-2025 | | 11,791 | 11,791 |
| 1-Apr-2026 | 1,122,863 | 11,790 | 1,134,652 |
| | <u>\$ 6,445,300</u> | <u>\$ 369,030</u> | <u>\$ 6,814,330</u> |

FLORIDA REVENUE NOTE, SERIES 2019 (AMT)

\$32,000,000

DATED NOVEMBER 20, 2019

CUSIP NUMBERS

511728AA5

PURPOSE

The Series 2019 Note was issued for the principal purposes of: (i) temporarily funding a portion of certain capital improvement projects at the City's Lakeland Linder International Airport, and (ii) paying certain costs and expenses related to the issuance of the Notes.

SECURITY

The Note and the interest thereon is payable from, and secured by a pledge of 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 monies deposited in the funds and accounts established pursuant to the Ordinance. The Series 2019 Note takes the form of a line of credit with Wells Fargo Bank, N.A.

INSURANCE

The City has not purchased bond insurance or any other form of credit enhancement for the 2019 bonds.

RATINGS

N/A

OPTIONAL REDEMPTION

The Series 2019 Note may be prepaid on the first Business Day of any month without any prepayment charge.

AGENTS

| | |
|------------------------------|---|
| Registrar: | City of Lakeland, Lakeland, Florida |
| Paying Agent: | City of Lakeland, Lakeland, Florida |
| Trustee: | NA |
| Issuer's Bond Counsel: | Holland & Knight LLP, Lakeland, Florida |
| Issuer's Disclosure Counsel: | Nabors, Giblin, & Nickerson, PA, Tampa, Florida |
| Issuer's Financial Advisors: | RBC Capital Markets, Jacksonville, Florida |
| Managing Underwriter: | NA |
| Bank Counsel: | Kutak Rock LLP, Kansas City, Missouri |

**Summary of Future Debt Service Requirements
Florida Revenue Note, Series 2019 (AMT)**

The 2019 Note was paid in full and redeemed on July 29, 2021.

TAXABLE PENSION LIABILITY REDUCTION NOTE, SERIES 2020

\$81,000,000

DATED MARCH 6, 2020

CUSIP NUMBERS

N/A

PURPOSE

The Series 2020 Note was issued for the principal purposes of: (i) funding a portion of the unfunded pension obligations of the City's pension plans, and (ii) paying certain costs and expenses related to the issuance of the Notes.

SECURITY

The Note and the interest thereon is payable from, and secured by a pledge of 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 monies deposited in the funds and accounts established pursuant to the Ordinance. The Series 2020 Note was issued through a direct placement and purchased by TD Bank, N.A.

INSURANCE

The City has not purchased bond insurance or any other form of credit enhancement for the 2020 bonds.

RATINGS

N/A

OPTIONAL REDEMPTION

The Series 2020 Note may be prepaid on any Business Day in whole or in part upon ten days written notice subject to the greater of: (i) one percent times the remaining term of the Note in years, or (ii) a Fixed Rate Prepayment charge, as specified in the Note.

AGENTS

| | |
|------------------------------|---|
| Registrar: | City of Lakeland, Lakeland, Florida |
| Paying Agent: | City of Lakeland, Lakeland, Florida |
| Trustee: | NA |
| Issuer's Bond Counsel: | Holland & Knight LLP, Lakeland, Florida |
| Issuer's Disclosure Counsel: | Nabors, Giblin, & Nickerson, PA, Tampa, Florida |
| Issuer's Financial Advisors: | RBC Capital Markets, Jacksonville, Florida |
| Managing Underwriter: | NA |
| Bank Counsel: | Bryant Miller Olive PA, Tampa, Florida |

**Summary of Future Debt Service Requirements
Taxable Pension Liability Reduction Note, Series 2020**

| Date | Maturity | Interest | Total |
|------------|----------------------|----------------------|----------------------|
| 1-Oct-2021 | 4,455,000.00 | 918,148.00 | 5,373,148.00 |
| 1-Apr-2022 | | 864,242.50 | 864,242.50 |
| 1-Oct-2022 | 4,640,000.00 | 864,242.50 | 5,504,242.50 |
| 1-Apr-2023 | | 808,098.50 | 808,098.50 |
| 1-Oct-2023 | 4,825,000.00 | 808,098.50 | 5,633,098.50 |
| 1-Apr-2024 | | 749,716.00 | 749,716.00 |
| 1-Oct-2024 | 5,020,000.00 | 749,716.00 | 5,769,716.00 |
| 1-Apr-2025 | | 688,974.00 | 688,974.00 |
| 1-Oct-2025 | 5,215,000.00 | 688,974.00 | 5,903,974.00 |
| 1-Apr-2026 | | 625,872.50 | 625,872.50 |
| 1-Oct-2026 | 5,420,000.00 | 625,872.50 | 6,045,872.50 |
| 1-Apr-2027 | | 560,290.50 | 560,290.50 |
| 1-Oct-2027 | 5,630,000.00 | 560,290.50 | 6,190,290.50 |
| 1-Apr-2028 | | 492,167.50 | 492,167.50 |
| 1-Oct-2028 | 5,845,000.00 | 492,167.50 | 6,337,167.50 |
| 1-Apr-2029 | | 421,443.00 | 421,443.00 |
| 1-Oct-2029 | 6,065,000.00 | 421,443.00 | 6,486,443.00 |
| 1-Apr-2030 | | 348,056.50 | 348,056.50 |
| 1-Oct-2030 | 6,295,000.00 | 348,056.50 | 6,643,056.50 |
| 1-Apr-2031 | | 271,887.00 | 271,887.00 |
| 1-Oct-2031 | 3,445,000.00 | 271,887.00 | 3,716,887.00 |
| 1-Apr-2032 | | 230,202.50 | 230,202.50 |
| 1-Oct-2032 | 4,245,000.00 | 230,202.50 | 4,475,202.50 |
| 1-Apr-2033 | | 178,838.00 | 178,838.00 |
| 1-Oct-2033 | 3,255,000.00 | 178,838.00 | 3,433,838.00 |
| 1-Apr-2034 | | 139,452.50 | 139,452.50 |
| 1-Oct-2034 | 3,615,000.00 | 139,452.50 | 3,754,452.50 |
| 1-Apr-2035 | | 95,711.00 | 95,711.00 |
| 1-Oct-2035 | 2,355,000.00 | 95,711.00 | 2,450,711.00 |
| 1-Apr-2036 | | 67,215.50 | 67,215.50 |
| 1-Oct-2036 | 1,995,000.00 | 67,215.50 | 2,062,215.50 |
| 1-Apr-2037 | | 43,076.00 | 43,076.00 |
| 1-Oct 2037 | 1,455,000.00 | 43,076.00 | 1,498,076.00 |
| 1-Apr-2038 | | 25,470.50 | 25,470.50 |
| 1-Oct 2038 | 1,455,000.00 | 25,470.50 | 1,480,470.50 |
| 1-Apr-2039 | | 7,865.00 | 7,865.00 |
| 1-Oct 2039 | 315,000.00 | 7,865.00 | 322,865.00 |
| 1-Apr-2040 | | 4,053.50 | 4,053.50 |
| 1-Oct 2040 | 335,000.00 | 4,053.50 | 339,053.50 |
| | <u>\$ 75,880,000</u> | <u>\$ 14,163,413</u> | <u>\$ 90,043,413</u> |

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**CAPITAL IMPROVEMENT REVENUE AND REVENUE REFUNDING BONDS,
SERIES 2021A (NON-AMT)**

\$26,195,000

SERIAL BONDS DATED JULY 29, 2021

CUSIP NUMBERS

| | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 511662CF3 | 511662CG1 | 511662CH9 | 511662CJ5 | 511662CK2 |
| 511662CLO | 511662CM8 | 511662CN6 | 511662CP1 | 511662CQ9 |
| 511662CR7 | 511662CS5 | 511662CT3 | 511662CU0 | 511662CV8 |
| 511662CW6 | 511662CX4 | 511662CY2 | 511662CZ9 | 511662DA3 |

PURPOSE

The Series 2021A Bonds were issued to provide funds: (i) to currently refund a loan entered into by the City with the State of Florida Department of Transportation, which financed various capital improvements at the City's Airport; (ii) to currently refund a portion of the Series 2010A Capital Improvement bonds; (iii) to currently refund the City's 2019 Notes related to a line of credit, which funded various capital projects at the City's Airport; (iv) to fund certain capital projects of the City, including additional projects at the City's Airport; and (v) to pay costs related to the issuance of the Series 2021A Bonds.

SECURITY

The Series 2021A 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

The City has not purchased bond insurance or any other form of credit enhancement for the 2021A bonds.

RATINGS

Moody's Investor Service: **Aa3** Standard & Poor's Ratings: **N/A** Fitch Ratings: **AA-**

MANDATORY REDEMPTION

The Series 2021A Bonds are not subject to mandatory redemption.

OPTIONAL REDEMPTION

The Series 2021A Bonds are not subject to optional 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 Disclosure Counsel: Nabors, Giblin, & Nickerson, PA, Tampa, Florida
 Issuer’s Financial Advisors: RBC Capital Markets, Jacksonville, Florida
 Managing Underwriter: Wells Fargo Securities
 Underwriters’ Counsel: Greenberg, Traurig, P.A.

**Summary of Future Debt Service Requirements
 Capital Improvement Revenue and Refunding Bonds
 Series 2021A (Non-AMT)**

| Date | Maturity | Interest | Total |
|------------|----------------------|----------------------|----------------------|
| 1-Oct-2021 | \$ 0 | \$ 210,619 | \$ 210,619 |
| 1-Apr-2022 | | 611,475 | 611,475 |
| 1-Oct-2022 | 1,870,000 | 611,475 | 2,481,475 |
| 1-Apr-2023 | | 574,075 | 574,075 |
| 1-Oct-2023 | 1,585,000 | 574,075 | 2,159,075 |
| 1-Apr-2024 | | 542,375 | 542,375 |
| 1-Oct-2024 | 2,485,000 | 542,375 | 3,027,375 |
| 1-Apr-2025 | | 492,675 | 492,675 |
| 1-Oct-2025 | 2,740,000 | 492,675 | 3,232,675 |
| 1-Apr-2026 | | 437,875 | 437,875 |
| 1-Oct-2026 | 4,350,000 | 437,875 | 4,787,875 |
| 1-Apr-2027 | | 329,125 | 329,125 |
| 1-Oct-2027 | 1,450,000 | 329,125 | 1,779,125 |
| 1-Apr-2028 | | 292,875 | 292,875 |
| 1-Oct-2028 | 1,260,000 | 292,875 | 1,552,875 |
| 1-Apr-2029 | | 261,375 | 261,375 |
| 1-Oct-2029 | 995,000 | 261,375 | 1,256,375 |
| 1-Apr-2030 | | 236,500 | 236,500 |
| 1-Oct-2030 | 1,050,000 | 236,500 | 1,286,500 |
| 1-Apr-2031 | | 210,250 | 210,250 |
| 1-Oct-2031 | 830,000 | 210,250 | 1,040,250 |
| 1-Apr-2032 | | 189,500 | 189,500 |
| 1-Oct-2032 | 875,000 | 189,500 | 1,064,500 |
| 1-Apr-2033 | | 167,625 | 167,625 |
| 1-Oct-2033 | 910,000 | 167,625 | 1,077,625 |
| 1-Apr-2034 | | 144,875 | 144,875 |
| 1-Oct-2034 | 960,000 | 144,875 | 1,104,875 |
| 1-Apr-2035 | | 120,875 | 120,875 |
| 1-Oct-2035 | 1,010,000 | 120,875 | 1,130,875 |
| 1-Apr-2036 | | 95,625 | 95,625 |
| 1-Oct-2036 | 1,055,000 | 95,625 | 1,150,625 |
| 1-Apr-2037 | | 69,250 | 69,250 |
| 1-Oct 2037 | 500,000 | 69,250 | 569,250 |
| 1-Apr-2038 | | 56,750 | 56,750 |
| 1-Oct 2038 | 525,000 | 56,750 | 581,750 |
| 1-Apr-2039 | | 43,625 | 43,625 |
| 1-Oct 2039 | 555,000 | 43,625 | 598,625 |
| 1-Apr-2040 | | 29,750 | 29,750 |
| 1-Oct 2040 | 580,000 | 29,750 | 609,750 |
| 1-Apr-2041 | | 15,250 | 15,250 |
| 1-Oct 2041 | 610,000 | 15,250 | 625,250 |
| | <u>\$ 26,195,000</u> | <u>\$ 10,054,069</u> | <u>\$ 36,249,069</u> |

**CAPITAL IMPROVEMENT REVENUE AND REVENUE REFUNDING BONDS,
SERIES 2021B (AMT)
\$15,050,000**

SERIAL BONDS DATED JULY 29, 2021

CUSIP NUMBERS

| | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 511662DB1 | 511662DC9 | 511662DD7 | 511662DE5 | 511662DF2 |
| 511662DG0 | 511662DH8 | 511662DJ4 | 511662DK1 | 511662DL9 |
| 511662DM7 | 511662DN5 | 511662DP0 | 511662DQ8 | 511662DR6 |
| 511662DS4 | 511662DT2 | 511662DU9 | 511662DV7 | 511662DW5 |

PURPOSE

The Series 2021B Bonds were issued to provide funds: (i) to fund various capital projects at the City's Airport; and (ii) to pay costs related to the issuance of the Series 2021B Bonds.

SECURITY

The Series 2021B 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

The City has not purchased bond insurance or any other form of credit enhancement for the 2021B Bonds.

RATINGS

Moody's Investor Service: **Aa3** Standard & Poor's Ratings: **N/A** Fitch Ratings: **AA-**

MANDATORY REDEMPTION

The Series 2021B Bonds are not subject to mandatory redemption.

OPTIONAL REDEMPTION

The Series 2021B Bonds maturing on or before October 1, 2031, are not redeemable prior to their stated dates of maturity. The Series 2010B Bonds maturing on or after October 1, 2032, 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, 2031 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 Disclosure Counsel: Nabors, Giblin, & Nickerson, PA, Tampa, Florida
 Issuer’s Financial Advisors: RBC Capital Markets, Jacksonville, Florida
 Managing Underwriter: Wells Fargo Securities
 Underwriters’ Counsel: Greenberg, Traurig, P.A.

**Summary of Future Debt Service Requirements
 Capital Improvement Revenue and Refunding Bonds
 Series 2021B**

| Date | Maturity | Interest | Total |
|------------|----------------------|---------------------|----------------------|
| 1-Oct-2021 | \$ 0 | \$ 110,222 | \$ 110,222 |
| 1-Apr-2022 | | 320,000 | 320,000 |
| 1-Oct-2022 | 250,000 | 320,000 | 570,000 |
| 1-Apr-2023 | | 315,000 | 315,000 |
| 1-Oct-2023 | 260,000 | 315,000 | 575,000 |
| 1-Apr-2024 | | 309,800 | 309,800 |
| 1-Oct-2024 | 395,000 | 309,800 | 704,800 |
| 1-Apr-2025 | | 301,900 | 301,900 |
| 1-Oct-2025 | 255,000 | 301,900 | 556,900 |
| 1-Apr-2026 | | 296,800 | 296,800 |
| 1-Oct-2026 | 265,000 | 296,800 | 561,800 |
| 1-Apr-2027 | | 290,175 | 290,175 |
| 1-Oct-2027 | 285,000 | 290,175 | 575,175 |
| 1-Apr-2028 | | 283,050 | 283,050 |
| 1-Oct-2028 | 565,000 | 283,050 | 848,050 |
| 1-Apr-2029 | | 268,925 | 268,925 |
| 1-Oct-2029 | 905,000 | 268,925 | 1,173,925 |
| 1-Apr-2030 | | 246,300 | 246,300 |
| 1-Oct-2030 | 955,000 | 246,300 | 1,201,300 |
| 1-Apr-2031 | | 222,425 | 222,425 |
| 1-Oct-2031 | 1,005,000 | 222,425 | 1,227,425 |
| 1-Apr-2032 | | 197,300 | 197,300 |
| 1-Oct-2032 | 1,050,000 | 197,300 | 1,247,300 |
| 1-Apr-2033 | | 176,300 | 176,300 |
| 1-Oct-2033 | 1,095,000 | 176,300 | 1,271,300 |
| 1-Apr-2034 | | 154,400 | 154,400 |
| 1-Oct-2034 | 1,140,000 | 154,400 | 1,294,400 |
| 1-Apr-2035 | | 131,600 | 131,600 |
| 1-Oct-2035 | 1,185,000 | 131,600 | 1,316,600 |
| 1-Apr-2036 | | 107,900 | 107,900 |
| 1-Oct-2036 | 815,000 | 107,900 | 922,900 |
| 1-Apr-2037 | | 91,600 | 91,600 |
| 1-Oct 2037 | 845,000 | 91,600 | 936,600 |
| 1-Apr-2038 | | 74,700 | 74,700 |
| 1-Oct 2038 | 880,000 | 74,700 | 954,700 |
| 1-Apr-2039 | | 57,100 | 57,100 |
| 1-Oct 2039 | 915,000 | 57,100 | 972,100 |
| 1-Apr-2040 | | 38,800 | 38,800 |
| 1-Oct 2040 | 950,000 | 38,800 | 988,800 |
| 1-Apr-2041 | | 19,800 | 19,800 |
| 1-Oct 2041 | 990,000 | 19,800 | 1,009,800 |
| | <u>\$ 15,005,000</u> | <u>\$ 7,917,972</u> | <u>\$ 22,922,972</u> |

**CAPITAL IMPROVEMENT REVENUE BONDS,
SERIES 2021C (FEDERALLY TAXABLE)
\$4,290,000**

SERIAL BONDS DATED JULY 29, 2021

CUSIP NUMBERS

511662DX3

511662DY1

PURPOSE

The Series 2021C Bonds were issued to provide funds: (i) to fund various capital projects at the City's Airport; and (ii) to pay costs related to the issuance of the Series 2021C Bonds.

SECURITY

The Series 2021C 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

The City has not purchased bond insurance or any other form of credit enhancement for the 2021C Bonds.

RATINGS

Moody's Investor Service: **Aa3** Standard & Poor's Ratings: **N/A** Fitch Ratings: **AA-**

MANDATORY REDEMPTION

The Series 2021C Bonds are not subject to mandatory redemption.

MAKE WHOLE OPTIONAL REDEMPTION

The Series 2010C 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: (i) 100% of the principal amount of the Series 2010C Bonds to be redeemed; or (ii) 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 (as defined in the Ordinance), plus 5 basis points; plus, in each case, accrued and unpaid interest on the Series 2010C 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 Disclosure Counsel: Nabors, Giblin, & Nickerson, PA, Tampa, Florida
Issuer's Financial Advisors: RBC Capital Markets, Jacksonville, Florida
Managing Underwriter: Wells Fargo Securities
Underwriters' Counsel: Greenberg, Traurig, P.A.

**Summary of Future Debt Service Requirements
Capital Improvement Revenue and Refunding Bonds
Series 2021C**

| Date | Maturity | Interest | Total |
|-----------|---------------------|------------------|---------------------|
| 10/1/2021 | \$ | \$ 3,652 | \$ 3,652 |
| 4/1/2022 | | 10,603 | 10,603 |
| 10/1/2022 | 2,390,000 | 10,602 | 2,400,602 |
| 4/1/2023 | | 5,225 | 5,225 |
| 10/1/2023 | 1,900,000 | 5,225 | 1,905,225 |
| | <u>\$ 4,290,000</u> | <u>\$ 35,307</u> | <u>\$ 4,325,307</u> |

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SUBSEQUENT EVENTS

2021 WATER & WASTEWATER REFUNDING BONDS

In October 2019, the City of Lakeland entered into a forward delivery agreement with Bank of America, N.A. for the issuance and delivery of the Water and Wastewater Refunding Bond, Series 2021 in the amount of \$28,220,000. The bonds are secured by a pledge of the revenues of the City's water and wastewater systems. The 2021 bonds, which were issued on October 1, 2021, take the form of a fixed rate bank loan with Bank of America, N.A., and refund the outstanding Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012A maturing on and after October 1, 2022 and pay the issuance costs of the 2021 Bonds. The 2021 bonds pay interest on April 1 and October 1 of each year. The bonds pay principal on October 1 of each year, with a final maturity of October 1, 2032. The 2021 refunding bonds have an all-in true interest cost of 2.20% and generated present value savings of \$3.7 million.

2021 ENERGY SYSTEM REVENUE BONDS

In December 2021, the City of Lakeland issued Energy System Revenue Bonds, Series 2021 in the amount of \$123,295,000. The bonds are secured by a pledge of the revenues of the City's electric system. The 2021 bonds were sold at a premium, generating \$165 million in proceeds to fund various capital projects for the City's electric system, including 120 MW of new generating capacity. The 2021 bonds pay interest on April 1 and October 1 of each year. The bonds pay principal on October 1 of each year, with a final maturity of October 1, 2048. The 2021 bonds have an all-in true interest cost of 2.09%.

CURRENT EVENTS

NOVEL CORONAVIRUS (COVID-19)

During December 2019, the Novel Coronavirus (COVID-19) was discovered on the continent of Asia. The COVID-19 was subsequently declared a world-wide pandemic by the World Health Organization. On March 13, 2020, the President declared a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak. Although multiple vaccines have been granted authorization for emergency use by the US Food and Drug Administration, the outbreak of COVID-19 has affected travel, commerce and financial markets both domestic and globally, and is widely expected to have a significant impact on economies worldwide.

The City requested and received reimbursement from Polk County for COVID-19 related purchases through September 30, 2020. Charges were tracked through December 31, 2020. At the end of fiscal year 2021, \$222,581 is due from the Federal Government for COVID related expenses.

On February 24, 2022, Russia began an invasion of the nation of Ukraine, which is ongoing at this time. Much of the international community, particularly the United States and most Western European nations, have condemned Russia for its actions, accusing it of breaking international law and violating Ukrainian sovereignty. As a result, many countries have implemented economic sanctions against Russia, Russian individuals, or Russian companies. The ongoing war and the economic sanctions have resulted in added volatility in equity and commodity markets and will likely have significant implications for economic growth and inflation going forward. The full impact of the war is unknown at this time, but could have negative implications for the City's investments, particularly those of the City's pension funds and its Public Improvement Endowment Fund.

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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 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 SROs and with any state where 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 a 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 associated with the sale of a security, including printing, legal fees, cost of ratings, and other items.

COVENANTS

Pledges made by an issuer regarding 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.

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 firm, or an individual who acts as a principal and charges the customers 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, 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.

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 that assists issuers and other market participants with the required disclosures in accordance with SEC Rule 15c2-12, as amended.

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 of (1) the time the issuer of the municipal securities delivers the securities to the Participating Underwriters or (2) 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 exempted 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 person's 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 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 SEC – 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 bonds 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 that 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 that are designated for the repayment of debt obligations.

PREMIUM

The amount that 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 that are either (1) accompanied by a change in the authorized denomination of such securities from \$100,000 or more to less than \$100,000, or (2) 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 that 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 AND POOR'S CORPORATION (S&P)

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

SUBORDINATED DEBT FINANCING

A form of long-term capitalization used by broker dealers where 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 (1) authorizing and securitizing the bonds, (2) containing the issuer's covenants and obligations with respect to the project and payment of debt service, (3) specifying the events of default, and (4) 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 interest of the underwriters in 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 that pays no interest that is purchased or traded at a deep discount with the full face-value redeemed at maturity.