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THANK YOU BUDDY!

Mayor Fletcher and Consul General Yamaguchi
Circa May 2009

Ralph "Buddy" Fletcher
August 20, 1932 — July 25, 2017

Long-Range Planning Overview

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

First, we recap the Strategic Plan of the City for Fiscal Year 2018. The Strategic Plan is developed at the City Commission Retreat and contains the Core Values of the City and Outcomes for each goal.

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

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

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

Core Values

Core Values

Core Values are the guiding principles utilized by the elected officials and staff of the City to carry out our duties and obligations in service to the citizens.

Social Responsibility

We will enhance the quality of life for all our citizens through partnerships and programs that embrace cultural diversity, safety and community involvement.

Leadership

We will lead by example, learn from the past, provide direction for the present and plan for the future.

Integrity

We will conduct ourselves in an honest and ethical manner to earn the trust of employees and citizens.

Commitment to Excellence

We will achieve measurable success and continuous improvement through investment of resources, a focus on efficiency and accountability and high expectations for quality.

Empowered Workforce

We will cultivate a work environment which offers employees the authority to act through supportive leadership, mutual respect, trust, personal responsibility and open communication.

Diversity

We will utilize our ethnic, cultural, gender and experiential differences to encourage participation, opportunity, equality, respect and responsiveness to our community.

Strategies—Quality of Life

Improve citizen participation in setting community priorities

Involve citizens in quality of life issues and in identifying citizen concerns. Promote volunteerism, educational programs such as Citizen's Academy, membership on City operating boards and in Neighborhood Associations. Engage citizens and all stakeholder groups as we work to improve communication.

Provide outstanding municipal services

Provide a high level of citizen/customer satisfaction. Maintain high standards for municipal service delivery through a highly trained staff working toward providing our citizens with an exceptional quality of life.

Provide outstanding public safety response and prevention services

Include police presence at recreational areas, street level, crime prevention through environmental design, safe neighborhoods, safe places for kids and pedestrian safety. Provide fire services with rapid response times from emergency services.

Cultivate public/private partnerships to facilitate a cultural and service-oriented community

These partnerships will help promote aesthetics, the arts, leverage public/private funds to help support direct services in neighborhoods and bolster our local economy.

Promote arts, culture and active, healthy lifestyles

Partner with art/cultural organizations in support of: public art, arts in public schools, historic and new architecture promotion and in celebrating diverse cultural activities.

Continue to work with major medical service providers and encourage city/business wellness programs and incentives. Continue to support affordable housing in safe neighborhoods, the Housing and Urban Development Plan to address homelessness, more accessable/affordable mental healthcare and struggling families.

Swan City Cycles 2016

Strategies—Quality of Life

Enhance mobility options throughout the city

Include traffic controls congruent with new developments and transportation for seniors.

Promote life-long learning

Support Lakeland Vision and Polk Vision in their efforts to elevate our school system, involve parents in education, provide educational opportunities at varying levels, career training and the continuation of city/school board projects.

Provide diverse recreational events, accessible parks, libraries and entertainment venues

Include affordable recreation aimed at cultivating quality events which bring people together and downtown activities which cultivate a vibrant night life. Focus on a place where people can "work, live and play" in one community.

Strategies—Communication

Respond to all customer inquiries in a responsive, efficient, professional and courteous manner

Provide an easy access government, which involves and engages citizens by pushing communications to all segments of our community as we provide more open forums for dialogue.

Provide accurate and timely information through transparent processes

Be accountable to the public by sharing our performance goals and progress, citizens/employees - shared vision, goals and transparency.

Maximize use of social media to increase real-time communication

Include online surveys for public opinion, embrace new forms of technology to communicate with public, one-stop-shop for information (website) for citizens and residents, updated Lakeland Government Network (LGN) programming, improve/upgrade our websites and utilize all available media means to inform the community.

Strategies—Economic Opportunity

Attract and support high-skill, high-wage and high-technology initiatives

Draw new companies to the area. Bridge workforce loss in current economy to meet aging workforce challenge, develop stronger relationships and understanding with workforce resources and maintain employment opportunities for all educational levels. Increase the level of understanding of our economic opportunities to our "hard to reach" and "under-served" community sectors and continue to provide access to City employment. Provide programs to tap into semi-retired "aging boomers" who still want to contribute.

Promote downtown as a regional center with a vibrant mix of high quality residential, retail, professional, civic and entertainment options

Continue to focus on the "core" downtown by acquiring property. Develop land by the RP Funding Center. Encourage mixed use developments and establish green zones downtown. Focus on downtown residential, encourage interesting retail and more mixed-use to support downtown retail and office employment.

Participate with economic partners creating business opportunities and aligning regional interests

Continue our strong partnership with Lakeland Economic Development Council, building partnerships regionally and strengthening our Tampa Bay partnerships. Develop partnerships amongst educational institutions and promote joint projects with Polk County. Focus on public/ private partnerships and support global networking partnerships within aligned regions.

Foster an inclusive and diverse environment that encourages entrepreneurial ventures

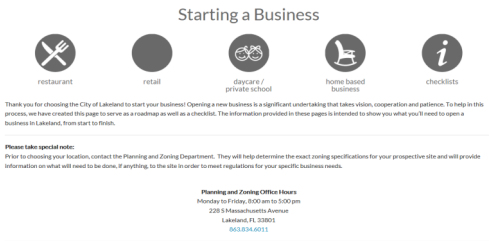
Promote expansion of healthcare/community options for the growing "boomers" segment of the population. Establish strong arts support and related creative class amenities such as the availability of diverse housing, education and lifestyle opportunities.

Collaborate with business and tourism partners to grow and sustain the economic environment

Promote area economic development initiatives by improving the connection between education, training and business recruitment. Establish business development initiatives improving our processes focused on providing more targeted service.

Check out the "starting a business?" button on www.lakelandgov.net

(Community Development/Economic Development)



Strategies—Fiscal Management

Continually monitor and evaluate business practices for cost effectiveness and efficiency

Create core business enhancements with good environment of internal controls and best management practices while meeting/exceeding customer expectations.

Evaluate existing sources of revenues and explore alternative sources

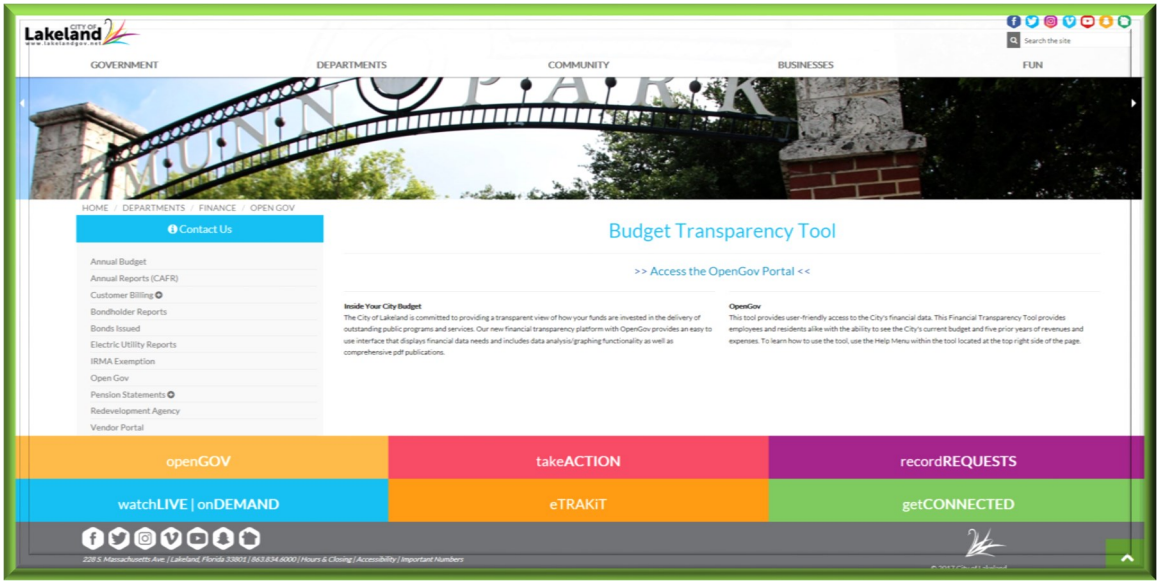
Continually seek opportunities to include and improve upon: alternative sources of revenue, public/private partnerships, strategic alliances, a permit/fee based recovery model and profitable services areas.

Maintain financial stability by aligning resources to both municipal services and regulatory requirements

Align financial resource allocations with priorities, effectively redirect financial resources from ineffective uses to more effective and appropriate ones, maintain a conservative, responsible long-term financial plan and invest/fund critical services of City government.

Maintain transparency in financial and operational reporting

Collect and charge true cost of services, improve productivity per employee and apply technology.



Strategies—Growth Management

Maintain diverse, safe, attractive neighborhoods throughout the city

Set adequate construction codes and equitable enforcement. Encourage a variety of housing types including affordable housing. Ensure that community gathering places are safe and there is safe access to schools and parks for our children.

Plan and direct investment in infrastructure necessary for growth and redevelopment

Establish balance in the control mix of land use, bring neighbors and the City together as partners, use competitive utility service pricing, promote cross jurisdictional cooperation and encourage infill. Plan smart so that growth does not consume reserve capacity or degrade service levels.

Provide reliable and sustainable infrastructure

Support broader collaboration with community stakeholders, conduct a cost benefit analysis on all proposed regulation, treat cost as a prime factor for all new infrastructure and continue to support both short-term and long-term maintenance.

Implement an effective multi-modal transportation plan that considers regional objectives

Create regional networks, including adequate mass transit and efficient road networks which provide more effective connectivity to Tampa/Orlando. Foster greater transit choices, a regional transportation network for goods and people, which includes congestion management. Increase walk-ability of Lakeland's neighborhoods, including sidewalks and bike paths.

Effectively align resources to changing environments including “green initiatives”

Continue to enhance the identity and character of all neighborhoods, supporting a high quality of life in Lakeland. Coordinate services with public/private and other governments that consider citizens’ desires and supports sustainable communities.

Strategies—Governance

Provide desired services based on customer's priority and availability of funding

Be open to new ideas and proactive in looking for those ideas, oversight and support of performance management system, cost-effective business practices; ensure that overhead costs are efficiently managed and are effective in providing support and eliminate service duplications.

Utilize strategic planning and measurements to ensure the City meets defined goals and outcomes

Anticipate challenges and needs in the future with input from appropriate stakeholders.

Foster a work environment that encourages and engages all employees to achieve their individual and collective potential

Ensure that procedures are in place in each department to keep all employees properly informed, provide engagement activities which motivate and encourage employee involvement. Make the best use of technology and make expectations for all associates clear.

Provide services required by Federal, State and Local laws or policies

With focus on policy review committee/process, consistency of services and occupational safety.

Encourage and educate our workforce to integrate City Core Values into all services provided

Practice responsible, citizen-focused, values driven accountability and specify decision-making authority.

Utilize best practices for timely decisions, transparency and fiscally accountable governance

Focus on internal processes to support citizen-facing goals, in-touch with the needs of the public, strategic and long-term planning, great communication of roles and responsibilities.

Environmental Scan—Demographic Trends

Demographic Trends

In 2016, the University of Florida's Bureau of Economic and Business Research (BEBR) estimated the city of Lakeland's population to be 102,507, making Lakeland the 21st largest populated city in Florida. This estimate depicts a nominal, but steady, increase from the 2010 U.S. Census estimate of 97,422. With a healthy job and housing market, Lakeland is consistantly adding 1,000 new residents annually. Despite the inconsistent pattern of residential construction of the past ten years, Lakeland's population has grown by over 30% from the previous decennial census which estimated the city's population to be 78,452 in 2000.

Households and Families

The U.S. Census Bureau American Communities Survey (ACS) for 2015 estimated that there were 39,376 occupied housing units in Lakeland, of which, 55.2% were owner-occupied and 44.8% renter-occupied. There were 8,769 vacant units, with a homeowner vacancy rate of 3.7% and rental vacancy rate of 9.3%. The average Lakeland owner-occupied household size during this period was 2.36 people and the average family size was 3.15. Also in 2015, the median age of residents in Lakeland was estimated to be 40.2.

Cultural Factors

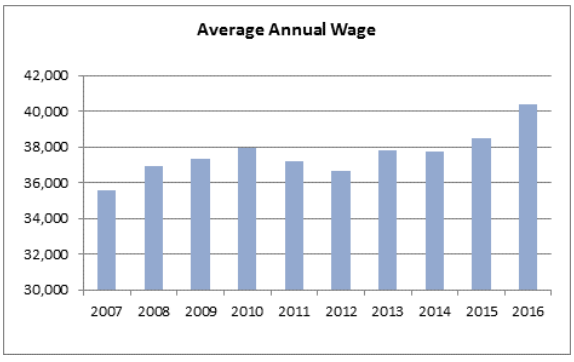
As Lakeland's population continues to grow past the 100,000 mark, so does its diversity. The 2015 ACS data from the U.S. Census shows 97.1% of Lakeland's residents reported themselves as being of one race. Within this one race category, 73.4% were white, 20.6% were black, 0.2% were American Indian or Alaska Native, 1.6% were Asian and 1.3% listed other as a race. As part of the city's total population, the 2015 ACS estimated there were 14,577 Hispanics or Latinos of any race embedded within the total figure. This number represents 14.4% of the city's total population, which is a 189% increase in Lakeland's Hispanic population since the 2000 U.S. Census.

Educational Attainment

With several public and private colleges located within the Lakeland Electric Service Area and the instant accessibility of online learning, Lakeland has seen a marked increase in the educational attainment of its residents. The 2015 ACS showed the percentage of Lakeland residents over the age of 25 that graduated from high school increased by 10.3%, from 79.2% in 2000 to 87.4% in 2015. The 2015 survey also reported that 24.9% of Lakeland's residents over age 25 had a bachelor's degree or higher.

Income

The 2015 ACS estimated Lakeland's median household income at $39,706, while the city's median and mean family incomes were estimated at $47,929 and $65,047 respectfully (*these figures are based upon 2015 inflation-adjusted dollars*).



Environmental Scan—Land Development Trends

Population by Age - Most Current Data			
	1990	2000	2015
Under 5	4,464	4,832	5,901
5 to 14	8,150	9,280	12,114
15 to 24	9,914	10,748	14,741
25 to 34	10,003	9,802	12,330
35 to 44	8,679	9,582	11,310
45 to 54	6,316	8,817	11,447
55 to 64	6,918	7,345	12,603
65 to 74	8,667	8,347	10,714
75 to 84	5,669	7,049	7,318
85+	1,796	2,650	2,824

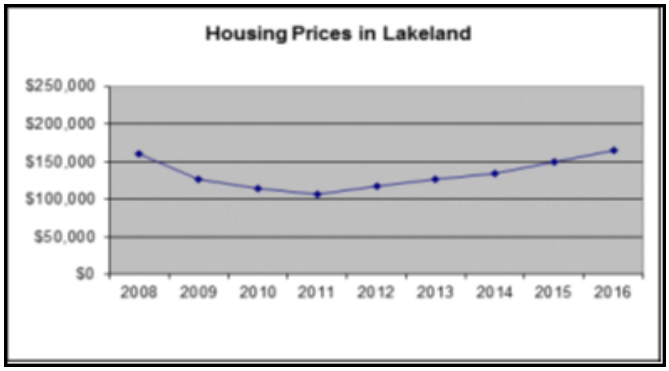
Per Capita Personal Income		
Year	Lakeland	Florida
2005	$30,658	$36,258
2006	$31,386	$38,693
2007	$32,588	$39,819
2008	$32,758	$39,709
2009	$31,307	$37,350
2010	$32,893	$38,473
2011	$34,873	$40,215
2012	$33,647	$41,041
2013	$34,393	$41,497
2014	$32,652	$42,737
2015	$33,723	$44,429

"Lakeland saw a 26% *increase in residents aged* 15 to 34 *from 2000 to 2015"*

Land Development Trends

Single Family Residential

Residential construction in Lakeland continues to gain strength and interest. Lakeland issued 248 single family permits in 2016, marking it the busiest year for new activity since 2008. The 2016 activity shows a 25% increase from the prior year and a 239% increase from 2012. Based on the rise and fall of the single family residential market in Lakeland, it is widely believed that a healthy market in Lakeland could support 150-200 new single family permits per year. Lakeland's recent stabilization and growth demonstrates strength in the core market and signals a resurging pattern for residential development. Prior to the housing crash, Lakeland averaged more than 350 single family permits per year from 2002-2008. Inflated values and accessible financing drove up the volume of housing units as prices rose to a seemingly sudden and unmanageable peak. Understanding the combined cyclical effects of a historic recession and stagnant unemployment, economists are now finally seeing a recovery in Lakeland's residential real estate market that is both consistent and sustainable.



Consistent with new single family construction, the residential resale market in Lakeland had its busiest year in over a decade, with 4,038 residential units sold in 2016. Balancing this growth over the past eight years, the total units sold in 2016 marked a 117% increase from the market's most recent lowest point, which was recorded in 2008. This increase in the number of homes sold has also impacted the price of existing homes. In Lakeland, the average purchase price for a home in 2016 was $164,689, which was a 10% increase from the prior year.

When the real estate bubble burst and the market crash followed, the Lakeland Association of Realtors (LAR) reported in 2008 that the local market had peaked with more than 3,500 existing homes for sale within the current inventory. With a statistically steady number of buyers and a defined amount of homes for sale, it was estimated that Lakeland's real estate market had compiled almost 30 months of built up inventory during that period. Conversely, by the close of the 2016 calendar year, the residential resale market has accelerated to a level that may be

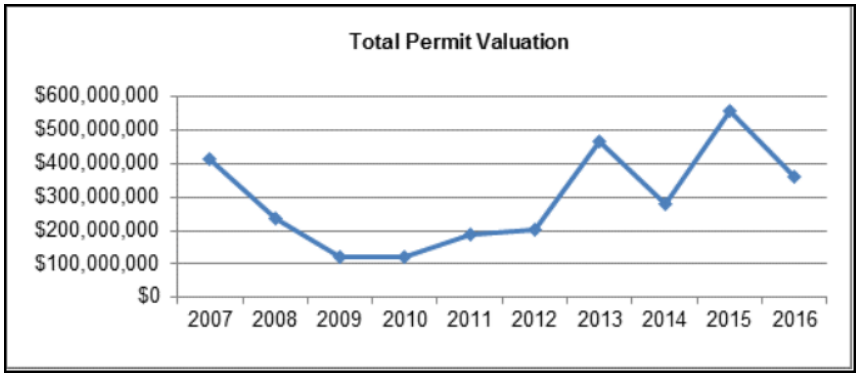
Single Family Residential (continued)

difficult to maintain. With current inventory levels 37% below where they were just three years ago, Lakeland's 1,077 existing units for sale in December of 2016 represents a market inventory that has shrunk to less than 3 months of supply. Demand for existing inventory balanced with new construction has enhanced the local housing market. Steady home sales balanced with increasing market prices have solidified a turn towards a more level foundation that typically promotes a healthy and consistent residential market. With this momentum, most economists agree that the residential real estate market reached its bottom in late 2012 and, that moving forward, stabilization and growth may look to become the new normal. Key statistics outlining real estate valuations, sales transactions and new construction starts all point to local, regional and national improvements. Complimenting these trends, mortgage interest rates remain low, unemployment rates are low and stable and banks continue to loosen restrictions related to lending money. All of these factors look to be positive in repositioning Lakeland's residential market for the future.

Commercial and Industrial Properties

Lakeland's industrial market is heavily reliant upon job growth. As the national and local economy improves and industry expands, demand in Lakeland will continue to grow, thus helping to sustain a positive absorption rate. After several consistent years, leasing activity in Lakeland's industrial market closed out 2016 with a 3.7% vacancy rate which was the lowest in the Tampa Bay region. Industrial market analysts project that Lakeland is positioned quite well, demonstrating strengths in both affordability and absorption. New industrial space is under construction and will be available throughout 2017. This space should help vacancy rates remain stable as new inventory is constructed and demand increases. With that, Lakeland's industrial market is positioned well and will continue to expand in 2017.

Consistent with the previous year, Lakeland's industrial market grew at a solid pace in 2016. Unemployment rates within Lakeland continue to decline, with the year-end rate for 2016 dropping to 5.5%, which is .03% less than the 2015 rate and 1% less than the recorded rate for 2014. Lakeland's industrial market continues to expand as many organizations add jobs and make investments to new and existing facilities. With approximately 4,000 new jobs added in the Lakeland MSA in 2016, the creation of new jobs surpassed any losses experienced. From a percentage standpoint, industry sectors experiencing the biggest employment gains came from the fields of construction, financial activities and government, which accounted for 30% of new jobs over the past twelve months. Growth from all of Lakeland's professional industry sectors is a key indicator that aligns well with the fundamental health and expansion of the industrial market.



After seeing industrial vacancy rates peek in 2009 at around 8%, Lakeland's has experienced a continued drop in vacancy and continues to register one of the lowest overall vacancy rates in the U.S primary industrial market. By the close of the fourth quarter of 2016, Lakeland's industrial vacancy rate was a low 3.7%. Demonstrating the health of this sector, Lakeland has

Commercial and Industrial Properties (continued)
registered 12 straight quarters of positing absorption. Lakeland's consistency and demand can be partially attributed to the area's economical lease rates.

Similar to absorption, lease rates peaked in 2009 and then went on a steady decline over the next several years. As vacancy rates dropped, rental rates began to expand as the amount of available industrial space became harder to find.

Asking rates for 2016 in Lakeland were up a fraction from the prior year as manufacturing, warehouse and distribution averaged a combined $4.92 per square foot (psf). This consistent rate highlights the relative balance in availability and demand shown in Lakeland's existing inventory. With a few recent speculative products just completed and several new ones either under construction or being planned for, rental rates are expected to generally climb slightly in 2017.

NOBAY Apartments, 270 E. Bay

Mixed Use Properties
Lakeland's mixed use market is finally progressing with the completion of NOBAY, North Bay Street development in Downtown. This traditional mixed use residential and retail development features 55 new residential apartment units with onsite parking along with nearly 10,000 square feet of ground floor retail space. Functioning as a successful urban area, Lakeland is set up to offer a variety of mixed use options utilizing the city's various shopping, dining and cultural amenities.

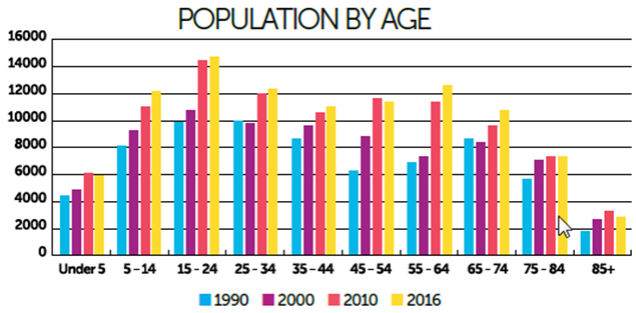
For years, multi-story downtown buildings were utilized as retail and office components, standing as a crucial measure of the city's economic health. With residential and retail growth downtown and in Dixieland, it is anticipated that 2017 will reveal a new wage of mixed used opportunities in Lakeland's urban core.

Other Land Development Trends
With an increase in new residential construction balancing consistent commercial and industrial activities throughout the city's core, Lakeland is positioned well for growth. For nearly a decade all types of construction and development related activities boomed in Lakeland. Projects in north, south and central Lakeland all brought residential elements with retail, commercial and office to support. Though the recent recession and economic turbulence of the past several years brought many projects to a sudden and expected halt, today, development interests and projects are returning as there is great interest in Lakeland.

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

Environmental Scan—Economy

Population



The city of Lakeland's population continues to grow at a consistent pace. In August of 2017, the University of Florida's Bureau of Economic and Business Research (BEBR) estimated Lakeland's population at 104,185 and Polk County's at 655,731. By all accounts, Florida's population is on a similar path and is growing by nearly 1,000 residents per day. Compounding the state's annual growth with a 7.2% average over the past 6-years, the US Census Bureau estimates Florida's 2017 population at 20,612,439. This ranks in as the 3rd most populated state in the US, behind California and Texas.

Though Lakeland's growth has historically not been as rapid as the state or county, it grew at a pace of 1.64% from August of 2016 to August of 2017. Adding to that, Lakeland Electric's service territory population was estimated to be 283,472 for 2017, which represents a 1.48% increase from the prior year. These increases indicate that the residential construction market in both the incorporated and unincorporated Lakeland area are expanding quickly and that job growth needs to keep pace in order to keep unemployment stable and on a decline.

Local Employment

New and existing companies in Lakeland have taken notice of the city's business attractiveness and growing population which has directly benefited the local unemployment rate. The average level of employment during 2016 continued to decline to an annual average of 5.5%. Demonstrating the stability of the job market, Lakeland's monthly unemployment rate for the 12-month annual period never exceed 5.8% nor did it sink below 5.1%. In 2017, these unemployment numbers will continue to decline, despite the external pressures to create more jobs, as shown by Lakeland's steady population growth. Lakeland's available labor force expanded by 1,814 persons from January of 2016 through January of 2017, representing a nearly 4% increase. As new companies locate in Lakeland and existing ones continue to expand and grow their workforces, new jobs are created which further demonstrates the logistics of how the city's unemployment rate continues to decrease. However, with such large increases in net migration and general population growth, Lakeland will need to create even more jobs than their statistical average to keep the unemployment rate at or around 5%. With continued job growth balancing out the City's gains in population, Lakeland's unemployment rate should stabilize at or just below 5% as an annual rate for 2017.

The National Economy

After eight years of consecutive economic expansion, the U.S. continues to grow at just a moderate pace despite positive signals from most of the key indicators measuring the economy. This pattern is closely aligned with the gross domestic product (GDP), which is the broadest of all economic indicators and the standard for the Federal Reserve's interest rate policy. After several consecutive quarters of mediocre post-recession growth, economists seem to be zeroed in on the GDP. The actual GDP recorded for the 2016 year-end was 1.5%, this marked a slight decrease from the 2.3% number recorded for 2015, but showed room for growth which was being forecasted in the 3rd quarter of 2017. The sputtering GDP in 2016 was temporary and was a flection of federal spending, import activity and political uncertainty. GDP predictions moving forward for 2017 and 2018 will likely grow between 2.2% and 2.6% respectfully.

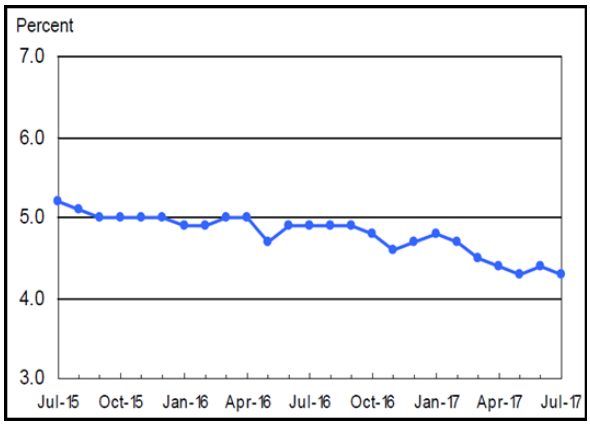
Environmental Scan—Economy

Despite the limited growth, there are more positive factors in the U.S. economy than there are negatives. Consumer spending, which accounts for two-thirds of economic activity, reached a record high in the 1st quarter of 2017, before falling off this high in the 2nd quarter. This spending is being elevated by a strong labor market, higher home values, increased wages and low interest rates. A moderately growing economy, along with a healthy job market and slowing inflation, will likely set a clear path for the Federal Reserve to gradually increase interest rates throughout the course of the year. Though consumer spending cannot continue to outpace the overall economy, it will likely be able to increase at a 2+% rate over the next five years, keeping pace with economic growth. This positive outlook highlights general market strengths balanced with a sharp improvement in personal household finances.

National Employment

Over the past 12 months, the economy has added an average of 180,000 jobs per month, which is nearly double that which is required to keep up with the underlying growth of the labor market. These increases have lead us to a 4.3% unemployment rate for July of 2017, which is the lowest rate since early 2001, over 16 years ago. The abundance of new jobs and a tight labor market have activated wage growth. Nationally, private and government employment have grown, while the largest gains have come from construction and manufacturing. Retail employment is the only sector that has seen drops, losing more than 7,000 jobs from the same period in 2016. This decline is likely related to the increase in online sales which has changed the traditional retail market. The nation's unemployment rate will stabilize and drop slightly throughout 2017, despite being at a point which many consider to be fully employed. Economist are predicting a rate of 4.2% by the end of the 2017 calendar year.

U.S. Unemployment Rate
Seasonally Adjusted July 2015 - July2017



Summary

Though the national economy dropped a bit in the 4th Quarter of 2016, the year-end average remained consistent with the past 7 years showing positive growth. Consumer spending, housing and employment continue to lead the way as wages and incomes are on the rise. A strong labor market has led to a steady decline in the national unemployment rate. Housing starts are steady and despite some summertime drops, the single-family market will remain positive as it is driven by consistent 30-year fixed mortgage rates under 4%.

The U.S. economic outlook is very healthy and will continue to grow through 2018. The GDP will likely hover around 2% to 2.5% for 2017, which is strong and may continue to accelerate beyond that in 2018. Unemployment will remain stable, which will further tighten the labor market, the housing market's strength will put pressure on the Feds, which may cause an increase in the federal fund rate towards the end of 2017. Inflation will continue, but should ultimately be a non-factor with wage growth continuing. The outlook is for price-adjusted GDP to grow similarly in 2016, with growth remaining steady throughout the year. Many economists are predicting the stability of GDP growth in 2017, with many estimates balanced at 2.2%.

Environmental Scan—Technology

As the City Commission and City Management execute the annual budget development process, all City business departments are also planning their annual projects for FY18. Most of these projects contain information technology components. And, in many cases these projects are essentially technology projects. Innovating business processes typically involves using information technology as the means to that end.

The Department of Information Technology (DoIT) must meet the current needs of all City business departments and at the same time be focused on a three to five-year view for the Technology Strategy. The City of Lakeland Strategic Operating Plan developed by the City Commission and the associated goals, values and directional strategies are the reason and purpose for the Technology Strategy. Information Technology is a key enabler to reach our City's Vision.

These are the five essential elements of the Technology Strategy which comprise our Target Scenario. Our goal is to achieve the Target Scenario.

- **Citizen Centric Approach**
  - Ideal municipal services
  - Open communications
  - Customer satisfaction
  - Personalization of IT services directly available to citizens
- **Flexible Infrastructure**
  - Optimal portfolio of integrated secure onsite and cloud services
  - Immediate scaling for capacity and performance
  - Immediate provisioning for priority needs
  - Enabler for the Internet of Things (IoT)
- **Flexible IT Partner**
  - Advocate and implementer of business innovation
  - Enabler and team-support for the business
  - Advisor and promotor of best practices in all IT disciplines
  - Pursues both organization-wide efficiency and single-department effectiveness
- **Web and Mobile First**
  - Key enabler for a citizen centric approach
  - Broad availability of services and information
  - Rapid delivery of new functionality
  - Optimal portfolio of internally developed services and integrated cloud services
- **Data Analytics**
  - Committed to open-data transparency
  - Fact based decision support
  - Assimilate all available data into readily available citizen and employee consumable information (Ad hoc queries, reports, dashboards)
  - Verify added value with time, quality and cost metrics

DoIT is currently focused on these areas to ensure we achieve the Target Scenario defined by the Technology Strategy.

- **City Management and Department Director Business Partnerships**
  - IT Governance that capitalizes on information technology opportunities
  - Understanding citizen needs and desires; citizen centric - Quality of Life
  - Implementing IT for operational efficiency and effectiveness
- **Cloud Readiness and Mastery**
  - Application systems evaluation and remediation
  - Data availability evaluation and remediation
  - Security evaluation and remediation
  - Network evaluation and remediation
- **Web and Mobile Application Delivery**
  - Web and Mobile Development and Integration Standards and Techniques
  - Application systems evaluation and remediation
- **Data Analytics Tools, Skills and Knowledge**
  - Identify business processes for optimization
  - Build IT staff skills and Business user skills
  - Acquire and implement efficient and effective tools
- **IT Best Practice and Skills Development**
  - Business analysis skills and knowledge
  - Cloud integration standards and techniques
  - Project Portfolio Management
  - Code and Configuration Management
  - Security Management
  - Day-to-Day support process and metrics
  - Capacity Planning and Performance Management
  - DevOps technique evaluation
  - Shadow-IT incorporation for advantage

In addition, DoIT will continue to work directly with all City business departments to meet their day-to-day support needs and to gather the requirements necessary to scope, develop and deliver the portfolio of annually planned projects.

Environmental Scan—Legislation

Impact Fees

In the past several years, legislation has been filed that would prohibit cities and counties from applying impact fees for a period of 3 years, unless approved by a 2/3rd commission vote. In addition, proportionate share mitigation for transportation and school concurrency could not be applied during the same period unless also approved by a 2/3rd commission vote. These bills would have effectively prohibited the implementation of impact fees and were a direct assault on home rule authority. If such legislation were to pass, local governments would be unable to properly fund transportation and growth without collecting impact fees. To defer impact fees for 3 years would be to defer the cost to the taxpayers in the community.

Legislation has been filed that would permit local governments to use revenue from existing impact fees for capital projects to meet required levels of service requirements. Capital facilities include, but are not limited to, transportation facilities, utilities, water and wastewater systems, parks and recreational facilities, libraries, educational facilities and health systems.

Position: *Oppose legislation that would prohibit the implementation of impact fees by cities and counties.*

Florida Polytechnic University

Florida Polytechnic University welcomed the first class of students to Florida's 12th university in August 2014. Currently, the 1,316 students are focusing their education on STEM programs, primarily technology and engineering, at the 530 acre campus located at the intersection of I-4 and the Polk Parkway.

Florida Polytechnic University is seeking operational funding from the Legislature in the 2016-17 Budget as well as $25 million for construction of an Applied Research Center and $5 million for the continuation of the Institute for Technology Entrepreneurship. Florida Polytechnic will also be seeking $5M to hire additional faculty to serve the growing student population.

In 2016, Florida Polytechnic University announced SunTrax, a partnership with the Florida Turnpike Authority to create a test track facility to the immediate south of the main campus. The 2016-17 Budget provided $48M to purchase right-of-way, all PD&E studies and construction of the new facility as well as to 4-lane the last section of the Polk Parkway. The SunTrax facility should further the opportunity for Florida Polytechnic University to turn into a catalyst for future development in northeast Lakeland.

Position: *Support Florida Polytechnic University's 2017-18 funding requests, $46 million in base budget as well as PECO projects.*

Polk State College

Polk State College is seeking an increase of $1 million in recurring operating funds to expand services for first-year students. Polk State predominantly serves low-income and first-generation-in-college students that require comprehensive, personalized services to help them succeed.

In addition to the increase in operating dollars, Polk State College is seeking additional PECO funds in the 2017-18 Budget for projects currently underway. $16 million is necessary for the Winter Haven Fine Arts Building maintenance and renovation.

Position: *Support Polk State College's 2017-18 funding requests, $22 million in base budget as well as PECO projects.*

Environmental Scan—Legislation

Public Broadband Access

One of the City of Lakeland's priorities is to create a world class community for its residents and businesses. Affordable high speed internet access is a key component for economic development, growth, opportunity and innovation as well as increased quality of life. Several states have recently considered measures that would severely restrict the ability of municipalities to provide broadband access to their constituents. These restrictions often go beyond the implementation of special taxes on telecommunications services (such as Florida's CST), and instead seek to make it impossible for municipalities to provide telecommunications, cable or broadband services. Such restrictions would only serve to deprive residents and businesses of affordable service.

Position: *Oppose legislation which would restrict the authority of municipalities to provide or partner with internet service providers to provide public broadband to its citizens and business community.*

Communications Services Tax

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

A recently created group, the CST Work Group, reviewed tax policy, historical trends, usage of the revenue source by local governments and fairness of the tax structure. The Group submitted recommendations to the Legislature that included complete elimination of the CST.

During the 2015 Session, the Legislature reduced the State portion of the CST by 1.73%, without reducing the local portion. The tax cut, signed by Governor Scott, saved the average Floridian $20 per year with a total cost to the State of $226 million.

Position: *Oppose legislation which seeks to modify, restrict or eliminate the authority of municipalities to collect or spend the Communications Services Tax.*

Local Business Tax

Cities may impose a Local Business Tax on certain businesses, professions or occupations. Cities have very little flexibility in determining the type and amount of the taxes or when any increases may be considered. Revenues from the Local Business Tax are used to assist in funding general government services critical to business, such as zoning, code enforcement and Police and Fire services. Revenues can also be used to spur economic development programs. Many Cities, such as Lakeland, use the Local Business Tax as general revenue funds and have pledged the revenues to secure debt. In addition, the Local Business Tax is also the most comprehensive way of knowing what businesses are operating within the community, which enables the City to allocate resources appropriately. The Local Business Tax generates more than $120 million annually statewide. In 2013, the Local Business Tax generated $1.5 million for the City of Lakeland.

In 2013, legislation was filed that would have established a uniform classification system for local business taxes, based on square footage of the business. The bill would have retained local administration of the tax, eliminated any overlap in city and county taxes and would have created a transition period for implementation.

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

Environmental Scan—Legislation

Commercial Lease Sales Tax

Legislation has been introduced in recent years that would gradually eliminate Florida's sales tax on commercial leases. Florida is the only state that currently collects the tax, approximately $2 billion per year. Proposals in 2015 would have reduced the tax by 1% per year, until completely eliminated after 6 years. The proposal did not move forward in 2015 or 2016 due to the amount exceeding the funds available for tax cuts in those years. Proposals will be filed again in the upcoming Session.

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

Municipal Election Dates

Legislation was introduced in the House in 2016 that would have preempted to the State the authority to establish municipal election dates. Cities would have two options to choose from for their election dates. Option 1 would be either the general election date or the first Tuesday in November in odd-numbered years. Option 2 would permit an alternative date if one is unanimously agreed upon by all of the cities in a county and the Supervisor of Elections.

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

Public Records / Attorney' Fees

Legislation introduced during the 2016 Session would have allowed a judge to review all the facts of a public records lawsuit to determine whether or not attorney fees should be awarded to a complainant. The bill would have also required the complainant to provide written notice to the city or county at least five business days prior to filing a lawsuit in order to be eligible for attorney fees.

Position: *Support SB 80, by Senator Greg Steube (R, Sarasota), granting discretion to judges when determining attorneys' fees in public records lawsuits.*

Sovereign Immunity

Legislation presented in the House in 2013 attempted to revise the Claims Bill process and increased sovereign immunity limits for local governments. The bill would have increased limits from $200,000 per person and $300,000 per incident to $1,000,000 per person and $1,500,000 per incident. If a local government self-insured against negligence lawsuits, in an amount greater than 3x the cap on damages, then the local government is only responsible for the deductible under the policy. However, increases of this magnitude would result in a dramatic increase in costs for cities and counties.

Position: *Oppose legislation dramatically increasing sovereign immunity limits on local governments.*

Automated Traffic Enforcement Systems

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

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

Cannabis

On November 9, 2016, the Lakeland City Commission held a 5-hour community forum to hear from interested parties on whether the City should pass an ordinance that provides for an alternate adjudication process for possession of small amounts of cannabis. Commissioners heard from experts on both sides of the issue and ultimately decided not to move forward, but recognize that there are issues that may be addressed at the State level, such as ensuring that enforcement procedures at the local level are adjudicated uniformly.

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

Environmental Scan—Legislation

Lakeland Regional Health

Lakeland Regional Health (LRH) is the fifth largest hospital in the State of Florida, and operates the busiest single-site Emergency Room in the State. LRH has provided health care for Lakeland's residents for more than 100 years. As such a large health care provider, legislative decisions, made in both Tallahassee and Washington, DC, have a dramatic impact on their ability to provide services. LRH is actively involved in the legislative process and the City of Lakeland supports their efforts to maintain sufficient funding and stay ahead of the ever-evolving medical landscape.

A major issue that has presented itself in the Legislature relates to the Certificate of Need (CON) process. The CON program, administered by AHCA, requires health care facilities, such as hospitals, nursing homes and hospices, to obtain authorization from the State before offering certain new or expanded services. The health care facilities have to prove actual need before they can construct, expand, offer a new service or purchase equipment exceeding a certain cost. Primary functions of the CON program include ensuring quality of care and to prevent unnecessary duplication of services.

Position: *Oppose legislation that would eliminate the Certificate of Need process.*

Presumptive Disability

In 2007, legislation passed that establishes lower compensability standards and increases workers' compensation benefits for Law Enforcement Officers, Firefighters, Emergency Medical Technicians, Paramedics and Volunteer Firefighters. In addition, the legislation furthers the existing provisions that create a presumption that certain conditions are work-related injuries by extending the presumption to certain mental conditions, without requiring proof of a physical injury. Self-insured local governments, such as Lakeland, have experienced dramatic increases in their workers' compensation rates for conditions that are entitled to the statutory presumptions, and corresponding increases in the cost of claims against the City.

Since 2000, judicial decisions have eroded the ability of local governments to defend cases arising from the medical conditions of Law Enforcement Officers and Firefighters. Presumptive disability decisions create a high standard for the burden of proof for local governments to disprove any injury in cases related to some heart and lung conditions in Law Enforcement Officers and Firefighters.

In 2011, the Legislature created the Presumptive Disability Task Force to review all aspects of how presumptive disability is being applied in Florida and provide recommendations to the Legislature. Consensus issues included health and wellness factors, such as non-use of tobacco products, minimum fitness standards and increased counseling opportunities as well as a legislative actuarial study to determine the funding costs of presumption claims. The Legislature has not yet addressed these recommendations. In 2016, legislation was filed that would have provided that death or disability due to cancer suffered by a firefighter or paramedic is presumed work-related and would qualify them for workers' compensation and disability pension benefits. Faced with opposition, the bill was amended in the Senate to include conditions that would have to be met in order for the presumption to apply. The bills did not pass during the Session.

Position: *Oppose legislation which would expand presumptive disability standards to cancer without taking all factors into consideration first. Support legislation to address the Presumptive Disability Task Force findings.*

Environmental Scan—Legislation

Lakeland Se7en Wetlands

The City of Lakeland's Se7en Wetlands is an existing wastewater treatment facility consisting of 1,640 acres. The wetland is a regional facility that impacts the groundwater of Polk, Hardee, Highlands and Manatee counties and has been in operation since 1987. The City plans to open the wetlands to the public for educational and recreational opportunities, with over 22 miles of pedestrian trails. The proposed facility would connect to three existing Polk County parks – Lake Highland Scrub, Loyce Harpe Park and Mulberry Park. In 2016, the Se7en Wetlands project secured $450,000 in State funding to start the project.

Position: *Support funding of additional $450,000 for the City of Lakeland's Se7en Wetlands project in the 2017-18 Budget.*

FRDAP Funding

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

Position: *Support funding of the Large Project Funding FRDAP Grant Program in the 2017-18 Budget to include $400,000 for the Lake Crago Park projects.*

Lake Mirror Promenade Funding

The Lake Mirror Promenade is on the national list of historical significance. The Florida Chapter of the APA has voted it one of the 'great places', as has the National APA. Significant cracking has occurred over time to various columns on the promenade. The City of Lakeland applied for $50,000 State Historic Resources to fund repairs to the "Dixie Highway Landing" columns. The DHR Grant Review Panel recommended full funding of the project, however, it was ranked low on the list. In order to receive funding, the full $2,687,190 in the Small Matching Historic Preservation Grants list will need to be included in the 2017-18 Budget.

Position: *Support full funding of the Small Matching Historic Preservation Grant list in the Department of State's budget to include the Lake Mirror Promenade.*

Municipal Airport Ground Leases

Under current Statute, municipally-owned airports are restricted to 30-year lease agreements when negotiating the lease of facilities or property to private parties, other municipalities, state or national government departments. This restriction presents a competitive disadvantage for municipal airports when negotiating, as Airport Authorities and county-owned airports can enter into longer agreements.

Position: *Support legislation providing greater flexibility for municipal airports to offer long-term lease agreements to private parties, similar to airport authorities and county airports.*

Environmental Scan—Legislation

Convention Center Ticketing Legislation

An ongoing turf battle between entertainment ticket companies has led to a great deal of confusion for consumers, show promoters and Florida's entertainment facilities. Ticket resell sites, such as StubHub, have made attempts to declare a ticket to an event as personal property, stripping the ability of venues and promoters from placing any conditions or restrictions on the tickets. This activity can lead to fewer tickets available to consumers in the marketplace and dramatic increases in cost on the secondary market.

Legislation has been introduced in previous years that will codify case law stating that a ticket is a license, not personal property, and is subject to terms and conditions. The bill also preserves free market and innovation by allowing event presenters to choose the best ticketing methods for fans, such as electronic tickets, and increases penalties for the sale of counterfeit tickets.

Position: *Support the "Fairness in Ticketing Act".*

State Library Aid Funding

State aid to the Florida Libraries Program is a continuing State grant program authorized by Statute. For forty years, the State Aid to Libraries has been an incentive program, designed to encourage counties to provide library service to the residents. Florida is permitted to grant operating funds to county libraries at a rate of up to $.25 on the dollar. In recent years, State support has dropped perilously low and the fund is providing grants at $.07 on the dollar. This low funding level makes it very difficult for the Library Cooperatives to continue to provide quality services to their residents.

Position: *Support the Florida Library Association in their position to maintain the State Aid Funding of $33.4 million.*

I-4/State Rd 33 Interchange Funding

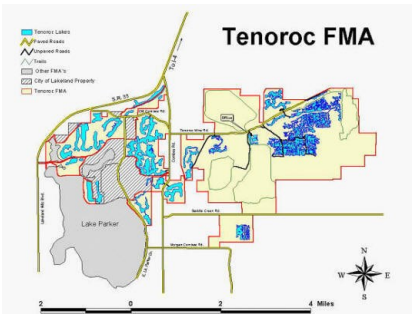
The Polk Transportation Planning Organization (TPO) is currently preparing its "Momentum 2040" long-range transportation plan to address transportation needs through the year 2040. Included in the plan is the reconstruction of the Interstate 4/State Road 33 interchange (Exit 38). The interchange is functionally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

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

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

Environmental Scan—Legislation

Tenoroc Trail Funding



The City is pursuing funding for the Tenoroc Trail between Lake Crago Park in Lakeland and the TECO-Auburndale Trail in Auburndale. Once completed, the trail will directly connect Lakeland's Bikeway Network with the General Van Fleet National Trail and Coast-to-Coast Connector cross-state trail network. Upon submitting funding request to TPO, Lakeland learned that FDOT requires a Project Development and Environment (PD&E) Study to be conducted. Such a study reduces the amount of funds TPO has available for trail construction and is unnecessary due to the environmental and social impacts already being established through stakeholder planning processes such as the Efficient Transportation Decision Making procedure.

Position: *Support funding for Tenoroc Trail Phase 1 through the SUN Trail Program in the amount of $1,196,000.*

Water Permitting Capacity

The City of Lakeland is currently permitted through the Southwest Florida Water Management District to pump 35 million gallons of water per day (MGD) from its wellfields. Current permits exist for the NW (Williams) Wellfield at 28MGD, NE (Combee) Wellfield at 4MGD and the Combee Plant Well at 3MGD. Currently, the permits are 69% utilized, leaving 11 MGD of available water to last for 25 years of growth for the City.

Lakeland will closely watch for any language proposed by the water management districts that would restrict, or eliminate, unused permitted capacity for cities. If such language were to pass, it would negatively impact the City's growth and future economic development opportunities. Future development throughout Lakeland would be severely restricted.

Position: Oppose efforts to reduce the City's permitted capacity for water use.

PSC Regulation of Municipal Utilities

Municipal utilities in the State of Florida collectively serve more than 3 million Floridians, the third largest source of electric power in the State. As community-owned and locally managed organizations, these utilities focus on serving local needs and profits are reinvested into the local community to fund the needs of the community, such as police and fire protection.

As local entities, municipal utilities are governed by the local City elected government, or a panel incorporating the elected government. Municipal utilities are not fully regulated by the Public Service Commission (PSC), an organization tasked with regulating investor-owned utilities. The PSC has jurisdiction over the rate structure municipal utilities use to collect their costs, but has no jurisdiction over the type or level of costs included in rates. The PSC has jurisdiction relating to compliance with the National Electrical Safety Code, territorial agreements and disputes among all utilities and some energy efficiency measures. A municipal utility is better served being governed by local decision-makers rather than a board located in Tallahassee. This would involve an unnecessary cost impact only recoverable from the customers of the utilities.

Bills filed in 2016 would have increased the regulatory compliance costs on the FMPA and it's member cities, such as Lakeland. The legislation directs eligibility for membership to the FMPA governing board, restricts the FMPA's ability to set rates and allows for the state Public Counsel to intervene in local decisions.

Position: *Oppose legislation changing the Florida Municipal Power Agency and member local governments' ability to provide power to their customers.*

Environmental Scan—Legislation

Heartland Headwaters Protection & Sustainability Act

The Polk Regional Water Cooperative (PRWC) is a collaborative effort between Polk County and its 17 municipalities to achieve long-term solutions relating to alternative water supplies. With the recent creation of the 5-county, multi-agency Central Florida Water Initiative (CFWI) to address long-term supply and conservation, it is incumbent upon Lakeland and its fellow communities to ensure that the PRWC receives as much State funding as possible to achieve the necessary goals set forth for our region.

Lakeland, Polk County and other member cities of the PRWC will introduce legislation creating the Heartland Headwaters Protection & Sustainability Act during the 2017 Session. Named for the 5 rivers that have their headwaters in Polk County – Alafia, Hillsborough, Ocklawaha, Peace and Withlacoochee – the statutorily-created entity would prepare a list of water resource projects identified for priority state funding. The goal is to create a dedicated funding source, outside of the volatile, annual water project lists, to address Polk County's needs.

Position: *Support legislation creating the Heartland Headwaters Protection & Sustainability Act.*

Public Records Exemption – Smart Meter Data

Many municipal utilities, including Lakeland, are installing Smart Meters for their customers in order to generate incremental consumption and usage data for more accurate billing and customer service. Once the data is codified into a record, it is subject to disclosure under Florida law.

With the tremendous amount of data that is generated by the smart meters, it is important to protect the consumers from anyone seeking to exploit the consumer's specific data for any purpose. A tightly drawn public records exemption for the data generated from smart meters would prevent disclosure of information derived from Smart Grid systems and further protect individual customer privacy and detailed usage patterns. Consumers should not be subjected to a release of their individual data and metering information for any reason, without their direct consent.

Position: Support consumer protection legislation that restricts public records requests, for utility customers who have smart meters, to no more than is presently available without smart meters.

Support Florida League of Cities Agenda

The Florida League of Cities supports legislation that strengthens municipal self-governing powers. The League believes that key governmental services are best delivered under a system that leaves each community free to exercise its responsibilities in a manner best suited to the needs of its citizens. Home Rule Authority has been under attack by the Legislature for the last several years, resulting in unfunded mandates placed upon local governments and the reduction of the quality of services that can be provided to the citizens of Florida. The Florida League of Cities has outlined a comprehensive list of legislative actions for the 2017 Session, and support of these initiatives will assist the municipalities of the State in the stewardship of their citizens' interests. League of Cities' Priorities for 2017:

Communications Services &	Local Business Tax Protection
Water Quality & Quantity	Stormwater Fee Collection
Enterprise Zone Extension	Residential Group Homes
Transportation Funding	Municipal Election Dates

Position: *Support the initiatives outlined in the Florida League of Cities 2017 Legislative Policy Statement and Legislative Action Agenda.*

Financial Health

A Snapshot of Lakeland's Budget

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

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

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

Financial Health

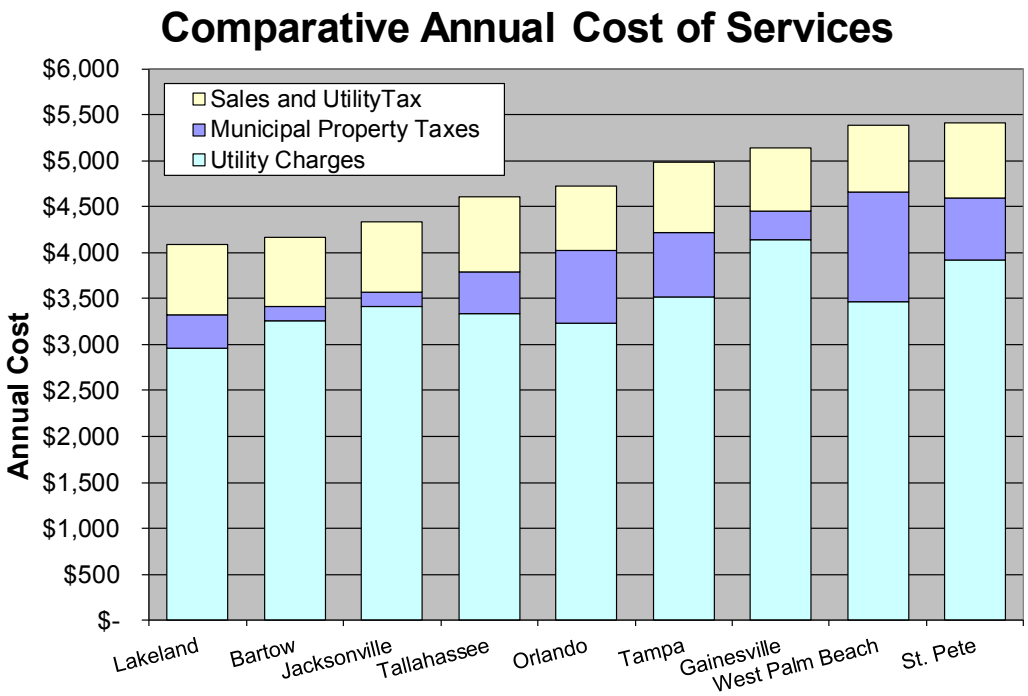
As with any enterprise, a major concern is cost control. The City of Lakeland is committed to providing quality services at a reasonable cost. One of the best measures of whether or not that goal is being attained is a comparison of fees charged by Lakeland, in the form of utility rates and tax rates, compared to other similar municipalities.

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

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

In the aggregate, Lakeland compares favorably to the other cities in this survey. At a property tax millage rate of 5.5644 mills (based on the FY 2016 property tax levy) and an average residential taxable value of approximately $65,439, Lakeland's property tax burden is amongst the lowest in the State of Florida.

In addition, Lakeland's relative cost of electric power has us positioned as one of the lower cost utilities in the state which has been aided by the significant decrease in the cost of natural gas. For the municipalities in this sample, the combined annual cost of services in Lakeland is 14.2% lower than the average for the group.



Financial Health

Three-Year Financial Forecast

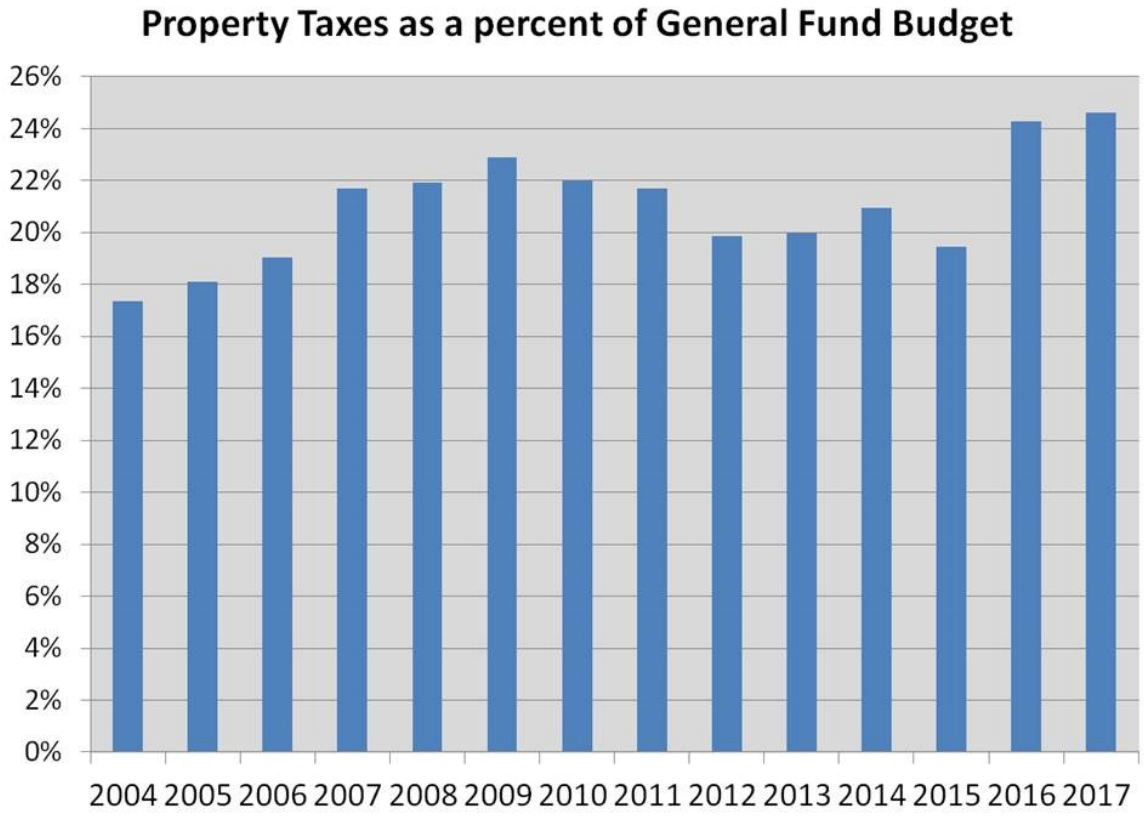
A Three-Year Financial Forecast tool is used to determine what level of risk we face over the next few years in our ability to pay for the services we provide if we take no positive action to increase revenues or decrease cost. Revenues are projected at conservative levels over the period and are compared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

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

Revenue Sources

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

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



Because of the relatively large annual percent increases in taxable values, the significance of this revenue source as a percentage of the General Fund budget had been growing. The impact of property tax reform starting in FY 2008 and the subsequent reduction in property values resulting from the economic conditions has reversed that trend somewhat. Total taxable values within the city limits are increasing in FY 2017 over FY 2016. The proposed millage rate for FY 2017 is 5.5644, the same as FY 2016.

Revenue Sources

Public Service Taxes, Franchise Fees and Communications Services Tax

The City levies:

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

Half-Cent Sales Tax Revenues

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

State Revenue Sharing Revenues

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

Business Tax Revenues

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

Building Permit and Inspection Fees

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

Federal, State and Local Grant Revenues

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

Charges for Service Revenues

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

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

Fines and Forfeits Revenues

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

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

Miscellaneous Revenues

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

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

This category also includes:

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

Gasoline Tax (1 Cent Municipal Fuel Tax) Revenues

The amount of this tax is equal to 1 cent per gallon of gasoline sold within the municipal limits, less an administrative fee (retained by the state) not exceeding 2% of the gross proceeds of the tax.

The proceeds of this tax shall be used for the purchase of transportation facilities, roads and street rights-of-way, construction, reconstruction and maintenance of roads, streets, bicycle paths and pedestrian pathways, adjustment of City-owned utilities as required by road and street construction,

reconstruction, transportation-related public safety activities, maintenance and operation of transportation facilities. Municipalities are authorized to expend the funds received under this section in conjunction with other cities, counties, the state or federal government in joint projects.

Gasoline Tax (9th Cent Fuel Tax) Revenues

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

6 Cents Local Option Fuel Tax Revenues

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

5 Cents Additional Local Option Fuel Tax Revenues

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

Historical Revenues

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

CITY OF LAKELAND, FLORIDA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE (UNAUDITED)

LAST TEN FISCAL YEARS

(accrual basis)

Fiscal Year	Property Tax	Utility & Communication Services Tax	Motor Fuel Tax	Franchise Tax	State Shared Revenues				Total
					Half Cent Sales Tax	State Revenue Sharing	Mobile Home License Fees	Alcoholic Beverage Tax	Firefighters' Compensation Tax	
2016	$ 30,912,106	$ 14,831,215	$ 5,436,168	$ 242,656	$ 6,202,015	$ 2,550,919	$ 217,330	$ 86,116	$ 36,740	$ 60,515,265
2015	23,935,374	14,644,431	5,214,687	225,994	5,656,163	2,443,691	208,150	89,776	58,355	52,476,620
2014	22,577,691	14,534,094	4,903,358	239,500	5,395,592	2,248,500	197,654	80,487	32,895	50,209,771
2013	21,784,397	14,523,106	4,879,101	234,959	5,098,715	2,078,795	188,449	76,919	39,182	48,903,623
2012	20,909,045	14,761,856	4,910,650	233,641	4,817,062	2,060,351	184,560	79,897	44,441	48,001,503
2011	22,641,400	15,057,722	4,943,075	247,092	4,486,691	1,799,097	189,840	71,750	26,410	49,463,077
2010	24,651,942	14,979,375	4,914,311	266,727	4,287,133	1,789,260	190,380	69,789	32,115	51,181,032
2009	25,618,865	15,202,390	4,932,542	251,344	4,478,244	1,801,908	192,284	71,405	46,630	52,595,612
2008	24,497,791	14,720,615	5,243,212	261,713	5,068,350	2,115,087	188,990	68,974	14,251	52,178,983
2007	23,085,031	14,565,661	5,625,406	304,911	5,611,881	2,309,248	197,194	68,439	27,305	51,795,076

Debt Management Overview

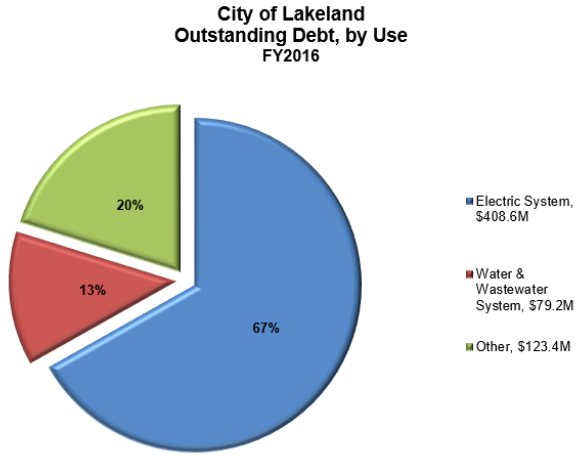
The City of Lakeland (the "City") incurs long-term debt – either in the form of bonds issued directly in the name of the City or other loans obtained from pooled debt programs managed by third parties – for the purpose of funding capital improvements to City facilities and infrastructure. The City also funds a significant amount of capital improvements through "pay-as-you-go" cash financing. Pay-as-you-go financing comes from cash outlays of various revenues including state and federal grants, impact fees, certain lease payments and other operating revenues, particularly those of the City's utilities. As of September 30, 2016, the City had outstanding long-term debt of $611.3 million.

Purpose of Debt

Debt issued by the City was incurred to fund capital improvements to three major categories of assets: the electric system, the water and wastewater system and all other projects. Some 67% of the City's outstanding debt funded electric system improvements. Water and wastewater projects make up another 13%, while all other uses account for the remaining 20% of outstanding debt.

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

As shown, some 80% of the debt incurred by the City is for the provision of basic utilities, e.g., electricity, water and wastewater. The City operates a municipally owned electric system, including power generation as well as transmission and distribution. In many communities, these services are provided through investor-owned (private) utility companies. In those communities, the debt (or equity) used to finance electric utilities would appear in the financial statements of the private corporations, not the city or town. Because the City of Lakeland owns and operates the electric utility, it incurs a much larger amount of debt than most other cities of comparable size.



Debt Management Overview

Types of Debt

The City's long-term debt consists of bonds ($550 million – 90%) along with certain loans ($62 million – 10%). Bonds are formal borrowings issued through Wall Street to investors under trust indentures that specify the security for and source of repayment for the debt. The City has several different types of bond debt, which are detailed on the next page. The City's loans consist of certain bank loans and of monies borrowed through the State Revolving Loan program.

Bonds: The City of Lakeland has three distinct revenue bond programs which are summarized in the table on page below. Revenue debt consists of a promise to repay bonds from a specified revenue stream. In contrast, general obligation debt entails a promise of the "full faith and credit" of a governmental entity and a requirement to repay any such debt from all available revenues, including the use of the entity's taxing power. In Florida, local general obligation debt requires voter approval through a referendum. Florida Statute does not provide any limits on the amount of debt a city may issue. The City's Charter does provide for a limit on the issuance of general obligation debt equal to 17% of the assessed value of the taxable real estate in the City. For FY 2016, that limit would have been approximately $864 million. However, the City has not had any general obligation debt outstanding since 1971. As shown, the overwhelming portion of the City's revenue debt ($488 million - 80%) is utility system related. It is user based debt and issued for utility system improvements and repaid from the fees charged to the users of those utilities.

These forms of debt are not subject to specific legal debt limits but are instead limited by the competitiveness of the rates and charges which must be imposed to repay the debt and rating agency criteria related to such issuance.

Loans: As noted, the City's debt includes certain loans. Some $10.6 million of these loans (which are included in the bond table for comparison purposes) are in lieu of water and wastewater utility bonds. The remaining loans include $32.5 million in loans through the State Revolving Loan Program for wastewater projects. The State Revolving Loans are repaid from excess revenues of the wastewater system and are subsidized by the State at below market rates. The City also has a small amount ($7.8 million) of other miscellaneous loans and long term leases.

City of Lakeland Revenue Bond Programs
9/30/2016

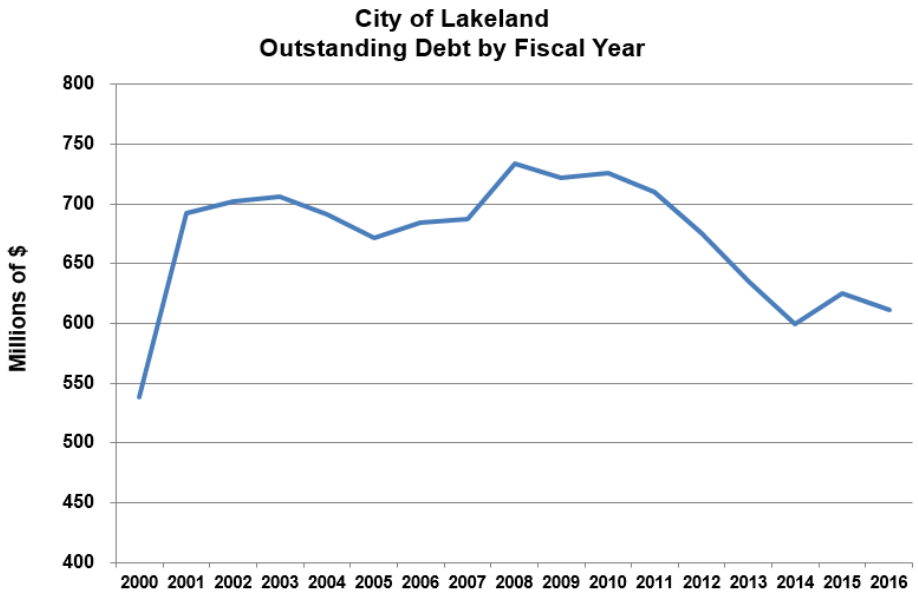
Type	Source of Repayment	Amount Out-standing	Outstanding Through	Interest Rate [b]
Energy System [a]	Rates, fees, charges and other operating revenues of the electric system – primarily payments from electricity customers	$417.8M	2036	2.00% to 5.25%
Water and Wastewater System	Rates, fees, charges (including impact fees) and other operating revenues of the electric system – primarily payments from water and wastewater users	79.2M [c]	2033	0.93% to 5.00%
Capital Improvement	Non-ad valorem revenues from any source legally available (not including ad valorem taxes on real and personal prop-erty), subject to availability and appropria-tion	123.4M [d]	2040	3.00% to 6.03%

[a] Includes $100.0 million of variable rate debt
[b] Coupon rates; effective yields differ due to original issue price and/or federal subsidies
[c] Includes $10.6 million bank loan and $30.2 million of State Revolving Fund loans issued under bond indenture
[d] Includes $5.0 million bank loan

Debt Management Overview

Debt Trends

Overall Debt: Over the last decade the City's outstanding debt has dropped, declining by 11% ($73 million) since FY 2006. The most significant increase in the City's outstanding debt ($144 million) occurred in FY 2001 when the City issued bonds to fund the conversion of one of the Electric Department's major generating assets. Similarly, the City issued $60 million of new debt in FY2008, which was used to fund environmental remediation improvements to the City's coal-fired electric generation plant. City debt peaked in that year at $733 million, and has since declined by some $122 million



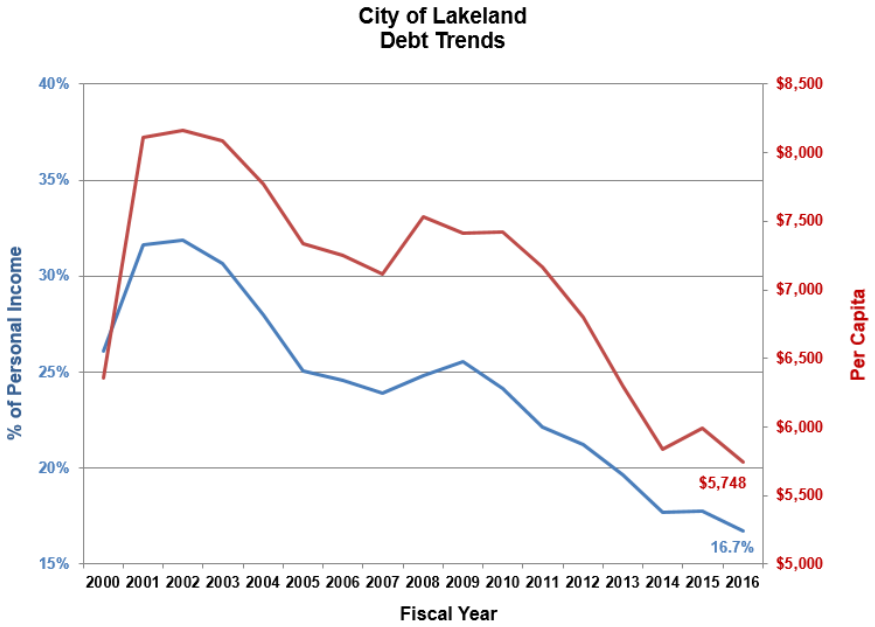
During FY 2016, overall debt decreased by approximately $14 million, as a result of debt refunding and regularly scheduled principal repayments.

During FY 2017, outstanding debt is expected to decrease by about $7 million, as principal repayments slightly outstrip new issuance. Scheduled principal repayments will remain strong at $39 million in FY 2018.

Other Measures of Debt: Over the last decade, the Lakeland area has experienced substantial development and population growth. Although the dollar volume of debt outstanding is important, other normative measures, such as debt per capita (per person) and debt as a percentage of personal income, provide a more accurate gauge of an area's debt burden. Debt per capita measures debt against the size and growth of the population served. Debt as a percentage of personal income measures outstanding debt against an area's ability to pay for projects. As shown on the following page, Lakeland's debt per capita has declined since 2002, reaching $5,748 per person in 2016. Debt as a percentage of the area's annual personal income has also declined, dropping to an estimated 16.7% as of 2016. Both measures experienced a slight uptick during FY 2015, but decreased in FY 2016 and are expected to decline further in FY 2017.

Debt Management Overview

Debt Trends (continued)



As noted, most of the City's debt has been incurred to finance electric system improvements. In other communities, these type of projects are financed through investor-owned utility companies. As such, any debt incurred to finance projects would not appear on that City's books. If Lakeland's electric system debt is excluded from the calculations, debt per capita would drop to $1,908 and debt as a percentage of personal income would be about 4.6%.

Recent Debt Management Activities

During FY2016 the City borrowed $10.6 million for certain water and sewer related projects, in the form of a bank loan.

The City also issued $138.7 million of Electric System Revenue and Refunding Bonds during FY 2016. The bulk of the issue proceeds were used to refund certain higher rate electric debt and certain variable rate electric debt. Using Electric System cash, the City also retired additional fixed rate debt and terminated interest rate swaps associated with the refunded variable rate debt. The net effect of these actions was to significantly simplify the Electric System's debt structure.

During FY 2017, the City also borrowed $97 million in the form of a variable rate bank loan to refund $100 million of maturing variable rate bonds under the electric system's bond indenture, reducing outstanding Electric System debt by $3 million. As part of this transaction , the City also restructured certain associated interest rate swap agreements , better matching the System's outstanding variable rate debt and reducing the net interest rate paid by the System.

During FY 2017, the City also borrowed $32.3 million under its Capital Improvement bond program in the form of a bank loan. Proceeds were used to fund improvements at the Lakeland Linder Regional Airport and at the City's civic center.

Debt Management Overview

Debt Service Requirements

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

City of Lakeland
Debt Service Requirements
(As of 9/30/16)

Year	Principal	Interest	Total
2017	36,209,940	26,906,851	63,116,791
2018	37,000,975	24,137,523	61,138,498
2019	35,713,854	22,497,194	58,211,048
2020	34,764,051	20,930,943	55,694,994
2021	37,002,389	19,541,792	56,544,181
2022-2026	143,771,521	81,010,430	224,781,951
2027-2031	129,561,781	52,557,836	182,119,617
2032-2036	110,269,517	26,157,360	136,426,877
2037-2041	46,990,000	2,412,353	49,402,353
	611,284,028	276,152,282	887,436,310

Debt Management Overview

Ratings & Coverage

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

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

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

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

City of Lakeland
Revenue Bond Ratings

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

Debt Management Overview

Below and on the next page are a historical look at the Ratios of Outstanding Debt by Type and Ratios of General Bonded Debt Outstanding.

CITY OF LAKELAND, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	% of Personal Income	Per Capita
	Loans Payable	Utility Tax Notes	Capital Improvement Bonds	Loans Payable	Revenue Bonds & Notes	Capital Leases			
2016	$ 1,192,854	$ 4,817,594	$ 63,979,671	$ 30,155,243	$ 509,520,735	$ 1,617,931	$ 611,284,028	*	$ 5,963
2015	1,416,818	7,094,564	69,459,298	32,493,561	512,530,138	2,204,057	625,198,436	18%	6,159
2014	1,633,392	10,892,464	28,009,822	33,518,432	522,943,217	2,231,412	599,228,739	18%	5,949
2013	1,841,515	11,023,543	26,743,234	36,132,683	556,304,921	2,839,164	634,885,060	19%	6,430
2012	2,212,164	10,638,779	30,206,393	38,985,249	591,634,793	1,721,004	675,398,382	19%	6,878
2011	1,125,394	12,269,881	35,020,386	41,520,826	619,242,208	805,673	709,984,368	22%	7,268
2010	220,000	13,933,855	41,626,184	44,385,565	624,734,654	745,176	725,645,434	24%	7,718
2009	6,657,426	15,027,658	19,771,827	57,060,761	622,510,924	909,347	721,937,943	25%	7,667
2008	7,898,814	14,969,907	20,126,599	42,592,650	647,368,903	323,336	733,280,209	24%	7,842
2007	7,608,000	15,425,941	17,564,631	32,624,883	612,459,837	395,629	686,078,921	23%	7,343

* Information not available.

CITY OF LAKELAND, FLORIDA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt	Less: Amounts Available in Debt Service Fund	Total	Legally Available & Pledged Revenues	Ratio of Debt to Pledged Revenues	Per Capita [1]
2016	$ 68,797,265	$ –	$ 68,797,265	$ 115,496,620	0.60	671
2015	76,553,862	–	76,553,862	91,900,186	0.83	754
2014	38,902,286	–	38,902,286	89,473,920	0.43	386
2013	37,766,777	–	37,766,777	81,855,337	0.46	385
2012	40,845,172	345,000	40,500,172	84,840,176	0.48	415
2011	47,290,267	325,000	46,965,267	85,053,370	0.55	481
2010	55,560,039	310,000	55,250,039	85,142,699	0.65	588
2009	34,799,485	295,000	34,504,485	81,421,565	0.42	366
2008	35,096,506	280,000	34,816,506	79,187,531	0.44	372
2007	32,990,572	250,000	32,740,572	73,386,493	0.45	350

[1]City of Lakeland, Community Development.

Debt Management Overview

Debt Administration

DEBT ADMINISTRATION

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)

Governmental Unit	Debt Outstanding	Estimated % Applicable[1]	Estimated Share of Overlapping Debt
Tax Supported Ad Valorem Debt:			
District School Board of Polk County Bonds Payable	$ 289,706,717	13.99%	$ 40,529,970
City Direct Debt - Governmental Activities			69,990,119
Total Direct and Overlapping Debt			$ 110,520,089

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

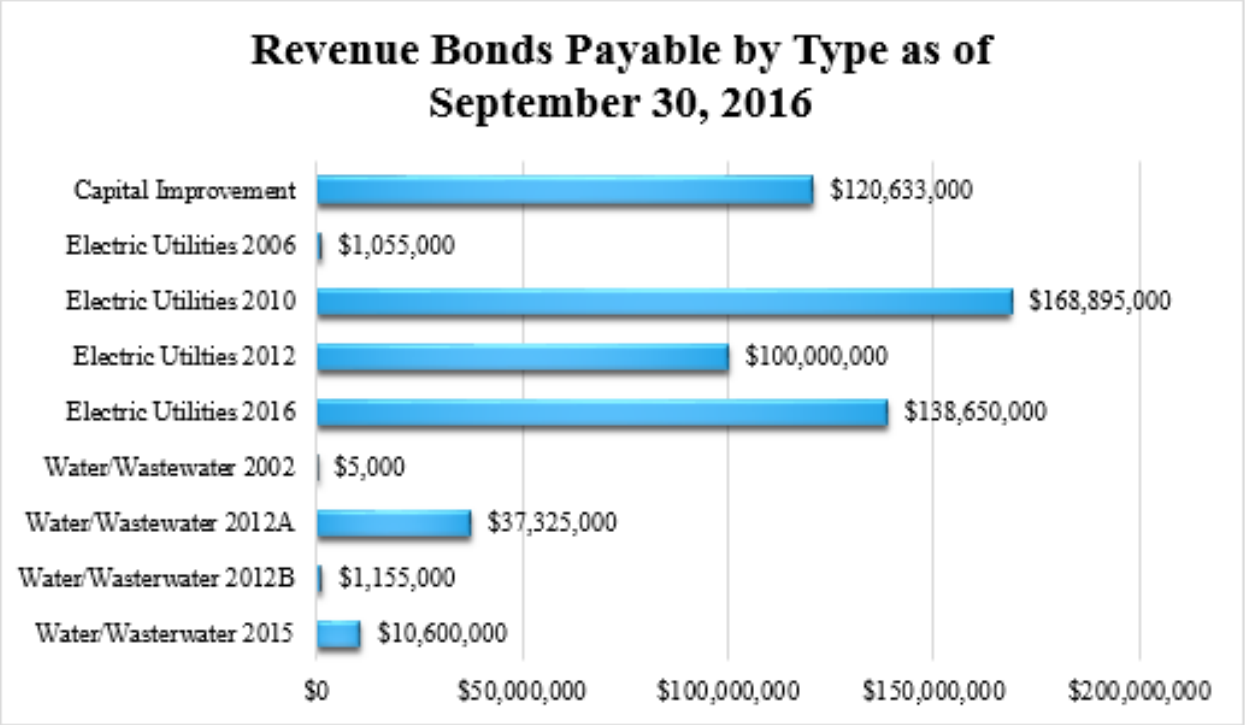
REVENUE BONDS

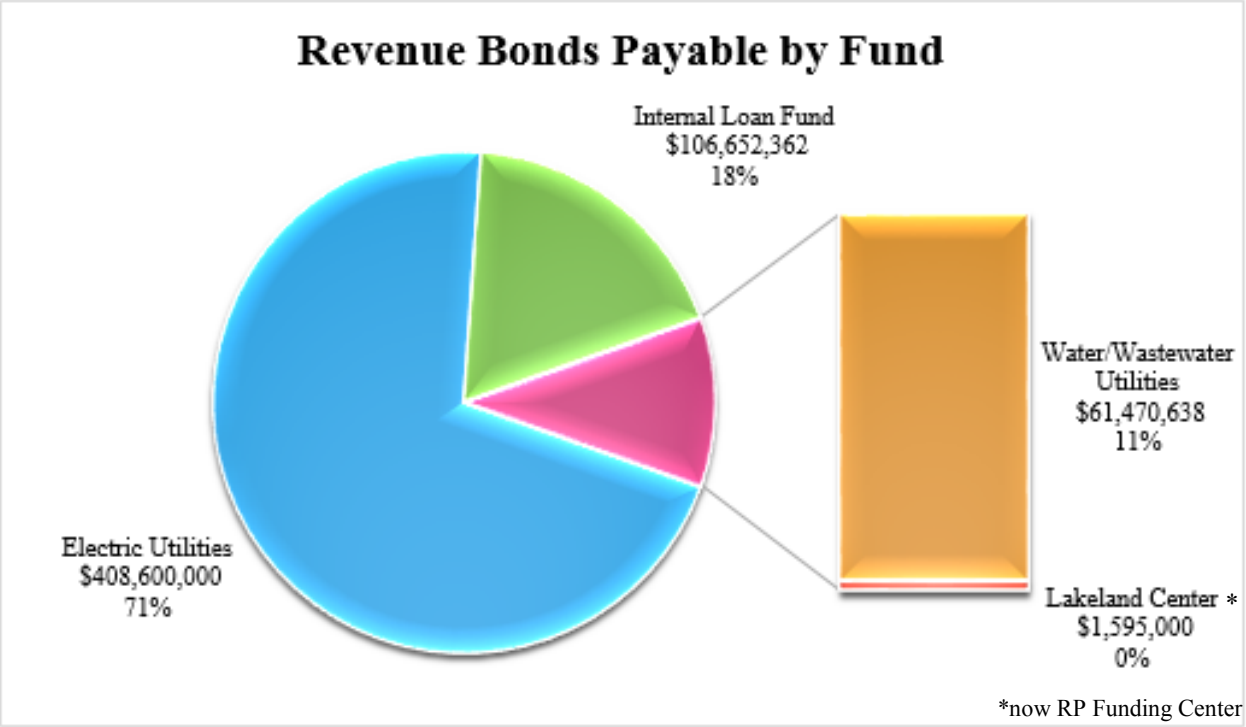
Bond Issue	2015	Issued	Retired	2016
Electric Utilties				
Energy System Revenue and Refunding Bonds, Series 2006	$ 38,385	$ -	$ 37,330	$ 1,055
Energy System Revenue and Refunding Bonds, Series 2010	184,405	-	15,510	168,895
Energy System Refunding Bonds, Series 2012	100,000	-	-	100,000
Energy System Refunding Bonds, Series 2014	95,000	-	95,000	-
Energy System Revenue and Refunding Bonds, Series 2016	-	138,650	-	138,650
Total Electric Bonds	417,790	138,650	147,840	408,600
Water & Wastewater Utilities				
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2002	5	-	-	5
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012A	37,325	-	-	37,325
Water and Wastewater Revenue Refunding Bonds, Series 2012B	2,685	-	1,530	1,155
Water and Wastewater Revenue Note, Series 2015	-	10,600	-	10,600
Total Water and Wastewater Bonds	40,015	10,600	1,530	49,085
Capital Improvedment Revenue Bonds				
Capital Improvement Revenue and Refunding Bonds, Series 2010A	31,535	-	8,185	23,350
Capital Improvement Revenue and Refunding Bonds, Series 2010B	7,435	-	830	6,605
Capital Improvement Revenue and Refunding Bonds, Series 2010C	21,115	-	-	21,115
Capital Improvement Refunding Note, Series 2012A	13,754	-	1,321	12,433
Capital Improvement Refunding Note, Series 2012B	1,035	-	340	695
Capital Improvement Revenue Bonds, Series 2015	51,465	-	30	51,435
Taxable Capital Improvement Refunding Revenue Note, Series 2015	5,000	-	-	5,000
Total Capital Impovement Bonds	131,339	-	10,706	120,633
Total Bond Debt	$ 589,144	$ 149,250	$ 160,076	$ 578,318

The City has not had any outstanding general obligation bond debt since fiscal year 1971. The following revenue bonds are outstanding for fiscal year ended September 30, 2016 (in thousands):

Debt Management Overview

Revenue Bonds





SCHEDULE OF REVENUE BONDS COVERAGE – LAST TEN FIS0CAL YEARS

Energy System Revenue Bonds

Fiscal Year	Gross Revenues[1]	Operating Expenses[2]	Net Operating Revenues Available for Debt Service	Principle	Interest	Total	Coverage Ratio
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
2011	349,649,942	241,985,273	107,664,669	23,632,510	27,423,459	51,055,969	2.11
2010	361,827,646	251,861,002	109,966,644	21,992,218	27,974,283	49,966,501	2.20
2009	354,120,030	247,374,940	106,745,090	28,180,719	28,309,330	56,490,049	1.89
2008	389,033,956	293,782,579	95,251,377	18,760,000	25,832,872	44,592,872	2.14
2007	380,030,084	303,971,797	76,058,287	17,300,000	25,041,849	42,341,849	1.80

Water and Wastewater System Revenue Bonds

Fiscal Year	Gross Revenues[1]	Operating Expenses[2]	Net Operating Revenues Available for Debt Service	Principle	Interest	Total	Coverage Ratio
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
2011	50,495,118	25,248,944	25,246,174	3,165,000	2,604,107	5,769,107	4.38
2010	46,941,005	25,386,062	21,554,943	3,010,000	2,754,607	5,764,607	3.74
2009	46,536,929	24,497,510	22,039,419	2,875,000	2,898,356	5,773,356	3.82
2008	42,434,052	24,713,430	17,720,622	2,705,000	2,982,888	5,687,888	3.12
2007	44,376,123	23,895,936	20,480,187	2,645,000	3,055,625	5,700,625	3.59

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

[2] Excludes depreciation expense.

Debt Management Overview

Loan Programs

LOAN ADMINISTRATION

The City had the following loans outstanding as of September 30, 2016:

Lender	Issue Amount	Maturity Date	Interest Rates	Year-end balance
Governmental Activities:				
Key Government Finance, Inc.	$ 975,000	3/21/2021	4.240	$ 489,809
Nally Property	455,000	1/1/2018	N/A	40,000
US Bancorp Government Leasing and Finance, Inc.	1,280,000	2/10/2022	3.070	663,045
				1,192,854
Business-type Activities:				
Leasing 2, Inc.	1,572,285	2/5/2018	2.360	467,229
PNC Equipment Finance, LLC	413,952	11/24/2018	2.850	1,301,890
US Bancorp Government Leasing and Finance, Inc.	1,166,640	2/10/2022	3.070	698,237
Wastewater Revolving Loan Program	42,734,405	9/30/2028	2.960	28,853,353
Wastewater Revolving Loan Program	1,649,093	10/15/2035	1.690	1,301,890
				32,622,599
				$ 33,815,453

Key Government Finance, Inc.

On March 21, 2011, the City executed a 10-year capital lease with Key Financial in the amount of $975,000. The capital lease finances the purchase of air conditioning chillers for the Lakeland Police Department. The lease carries an interest rate of 4.24% and ownership transfers to the City at the termination of the lease. Lease payments are paid from the Public Improvement Fund.

Nally Property

On December 01, 2002, the City executed a lease-purchase agreement for property appraised at $210,000. The agreement did not state an interest rate. The interest rate is calculated as the difference between the total lease payments of $2,500 per month for 182 months and the appraised value of $210,000. Because the City has the option to purchase the property for $1 at the end of the 182 months, the agreement is being treated as a capital lease. The interest is treated as simple and deducted equally over the life of the lease. Lease payments are paid from the Public Improvement 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 Lakeland Center* fund (*now RP Funding Center).

Leasing 2, Inc.

On November 5, 2012, the City executed a 5-year lease-purchase agreement with Leasing 2, Inc. in the amount of $1,572,285 to purchase a Caterpillar 980K Medium Wheel Loader and GE JMUX SONET Multiplexer Communications Equipment for Lakeland Electric. The interest rate is 2.36% and this agreement has a maturity date of February 2, 2018. Payments are made from the Electric Utilities fund.

PNC Equipment Finance, LLC

On September 2, 2014, the City executed a 48-month lease-purchase with PNC Equipment Finance, LLC to purchase 100 golf carts for $408,126 with an interest rate of 2.85% and a balloon payment of $100,000. On October 6, 2014, the City executed a 48-month lease agreement with PNC Equipment Finance, LLC in the amount of $349,451 to purchase maintenance equipment with an interest rate of 3.08% with an option to purchase the equipment at lease-end for $1. This equipment was purchased for the Cleveland Heights Golf Course and the lease payments are made from the General Fund Parks and Recreation Department.

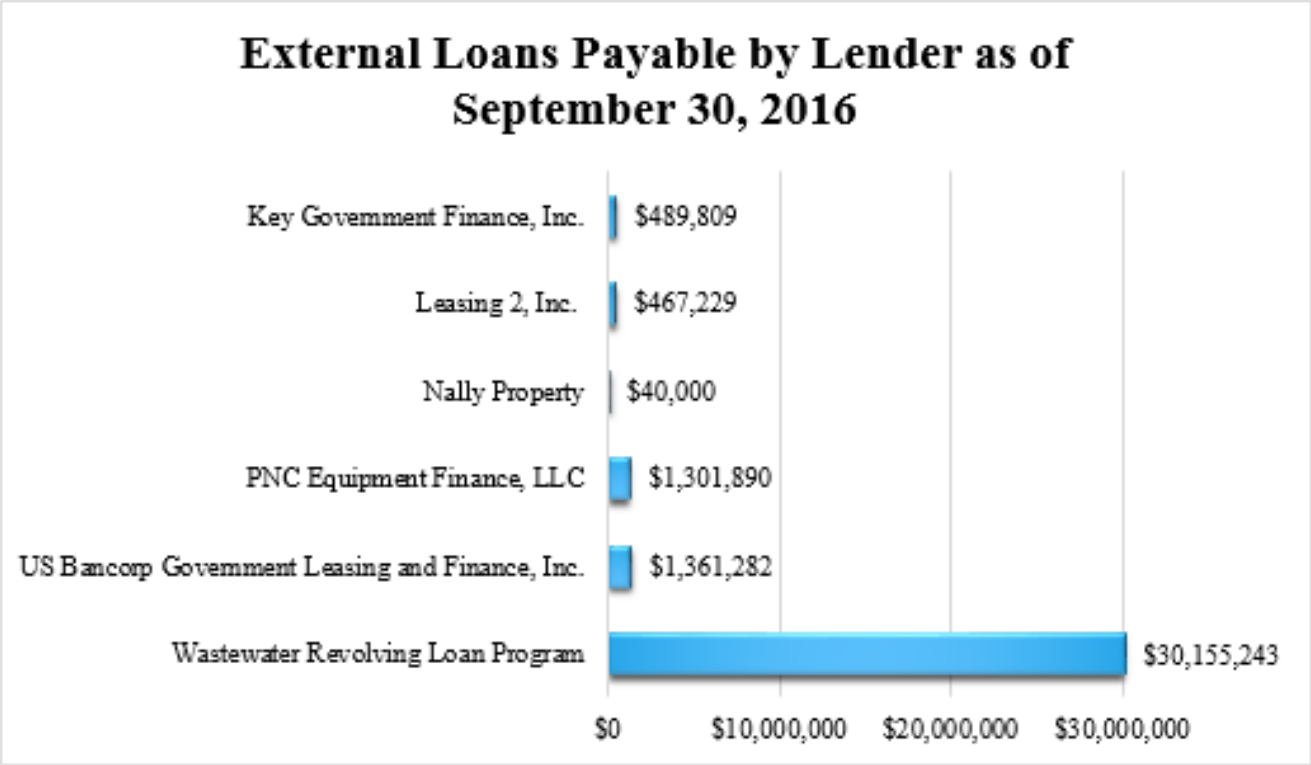
Wastewater Revolving Loan Program

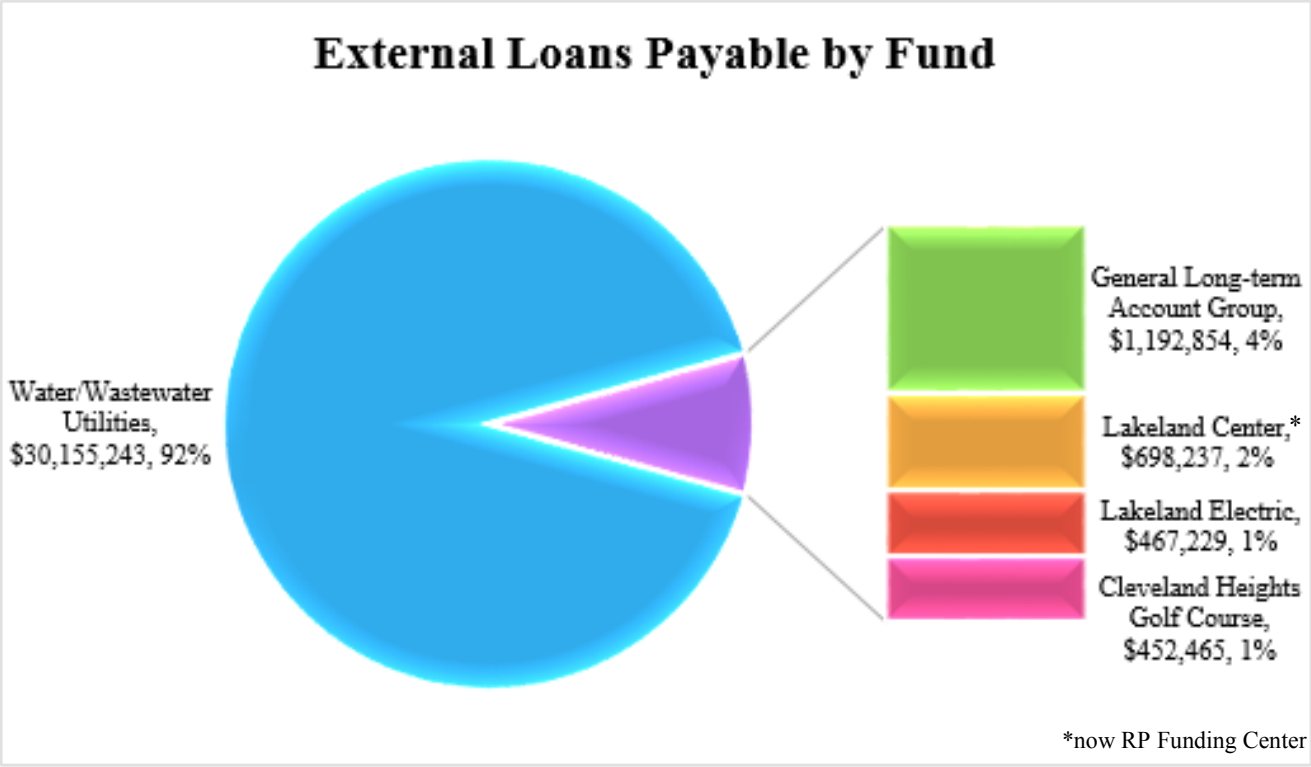
The Florida Department of Environmental Protection (FDEP) provides low-interest loans for investments in water and sanitation infrastructure. On January 31, 2004, the City entered an agreement with FDEP for a $42,734,405 loan with a 2.96% interest rate and a maturity date of September 30, 2028, to finance such improvements. On February 11, 2014, the City entered a separate agreement with FDEP for a $1,649,093 loan with a 1.69% interest rate with a maturity date of October 15, 2035. 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.

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

Debt Management Overview

Loan Programs (continued)

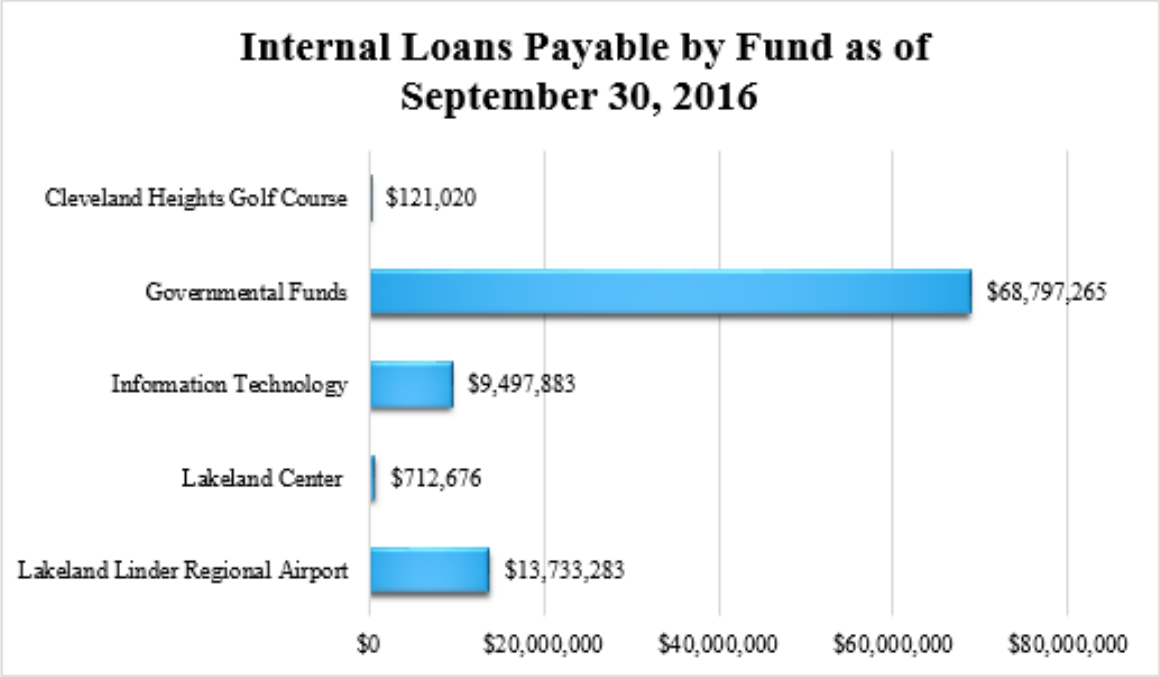


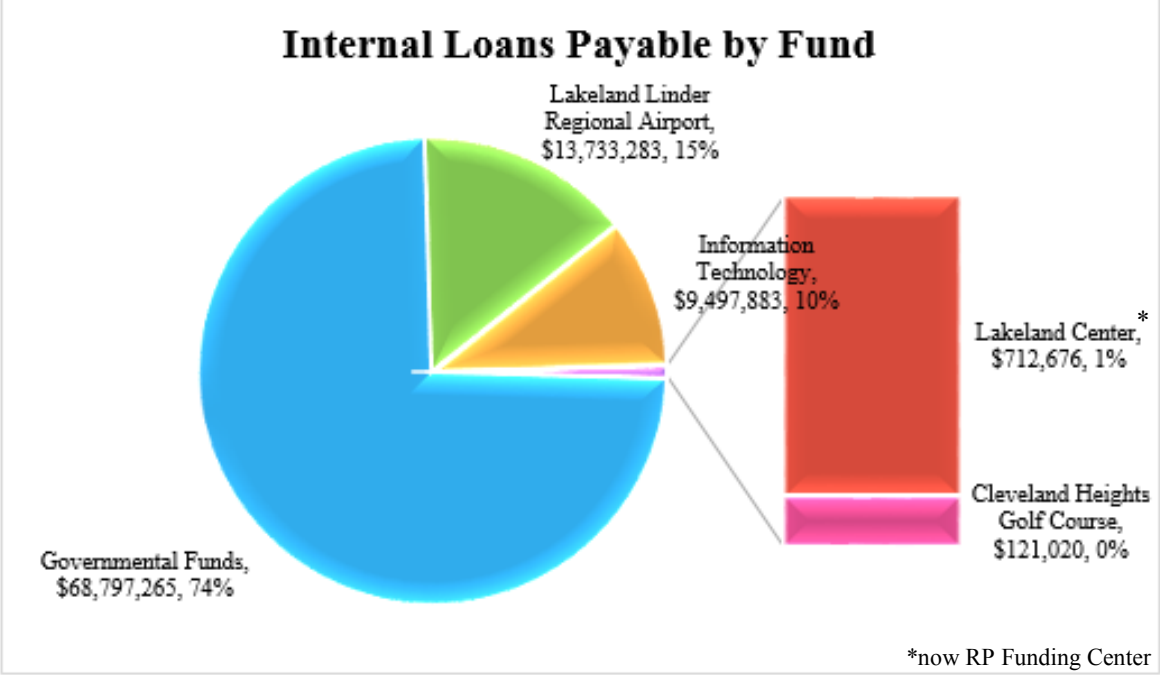


Loan Programs (continued)

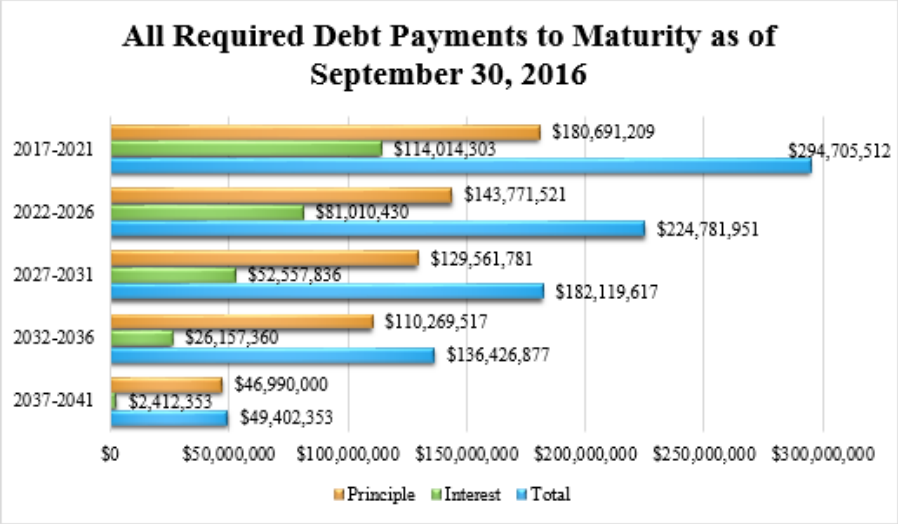
Internal Loan Fund

The City created an Internal Loan Fund during fiscal year 1996 to finance relatively short-term capital projects. The corpus of this fund was established from surplus revenue of the general government. These internal loans provide an alternative financing mechanism to the bond market and the associated costs incurred with the issuance of bonds. The breakdown of internal loans outstanding as of September 30, 2016, are as follows:





Required Debt Payments to Maturity—All Long Term Debt



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 accident. 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 Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2015. To be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized CAFR, with contents conforming 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.

SUBSEQUENT EVENTS

The City intends to issue additional general purpose bonds in the summer of 2017 to fund capital projects at the airport and the renovations at the RP Funding Center. The City will also refund the outstanding Lakeland Electric Series 2012 Bonds.

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

A more detailed explanation of the City's **Debt** and **Debt Management** activities can be found in the City's **Comprehensive Annual Financial Report** and its **Annual Report to Bondholders**, both of which are available on the City's website at www.lakelandgov.net.

THANK YOU BUDDY!

Hollis Garden Groundbreaking
Mark Hollis, Lynn Hollis, Mayor Fletcher, Commissioner Wiggs
Circa 1998

Ralph "Buddy" Fletcher
August 20, 1932 — July 25, 2017