

City of Lakeland, Florida

Annual Budget

Fiscal Year 2022

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Long-Range Planning Overview

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

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

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

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

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



Environmental Scan – Demographic Trends

Demographic Trends

In 2020, the University of Florida's Bureau of Economic and Business Research (BEBR) estimated the City of Lakeland's population to be 109,238, keeping Lakeland the 21st most populated city in Florida. This estimate depicts a steady 12% increase from the 2010 U.S. Census estimate of 97,422. Looking back 20 years to the 2000 decennial census, the City's population was estimated to be 78,452. In that period, Lakeland's population has expanded by just over 39%, as the City added 30,786 new residents. Supporting a healthy job and housing market, Lakeland's population continues to grow at an average annual pace of more than 1.2% per year.

Households and Families

The U.S. Census Bureau QuickFacts for 2019 estimated that there were 41,276 occupied housing units in Lakeland, of which, 55.6% were owner-occupied and 44.4% renter-occupied. There were 8,338 vacant units, with a homeowner vacancy rate of 4.2% and a rental vacancy rate of 7.01%. The average Lakeland owner-occupied household size during this period was 2.5 people per household while the average family size was 3.15. Also, in 2019, the percentage of families that have occupied the same house for more than one year is 78.9%.

Income

The 2019 QuickFacts estimated Lakeland's median household income at \$47,511 while the personal per capita income for Lakeland was estimated by the Bureau of Economic Analysis at \$36,649 (*these figures are based upon 2019 inflation-adjusted dollars*).

Per Capita Personal Income

Year	Lakeland	Florida
2010	\$32,893	\$38,473
2011	\$34,873	\$40,215
2012	\$33,647	\$41,041
2013	\$34,393	\$41,497
2014	\$32,652	\$42,737
2015	\$33,723	\$44,429
2016	\$34,199	\$45,953
2017	\$34,213	\$47,648
2018	\$35,463	\$50,070
2019	\$36,649	\$52,426

Figure C-1: Per Capita Income

Environmental Scan – Demographic Trends

Cultural Factors

As Lakeland’s population approaches 110,000, the city continues to see a shift in diversity. The 2019 QuickFacts data from the U.S. Census shows, 98.2% of Lakeland’s residents reported themselves as being of one race. Within this single race category, 72.3% were white, 20.5% were African American, 0.4% were American Indian or Alaska Native, 0.1% Native Hawaiian or Pacific Islander, 2.2% were Asian, and 2.7% listed other as a race. As part of the city’s total population, the 2019 QuickFacts estimates there are 18,390 Hispanics or Latinos of any race embedded within the total figure. This number represents 16.4% of the city’s total population, which is a 39.91% increase in Lakeland’s Hispanic population since the 2010 U.S. Census.

Educational Attainment

With several colleges and universities located within the Lakeland Electric Service Area and the accessibility and growth of online learning, Lakeland has seen a marked increase in the educational attainment of its residents. The 2019 Census QuickFacts shows that 88% of Lakeland residents over the age of 25 had graduated from high school, which marked an 8.8% increase from the 2000 Census estimate. The 2019 survey also reported that 25.9% of Lakeland’s residents over age 25 had a bachelor’s degree or higher.

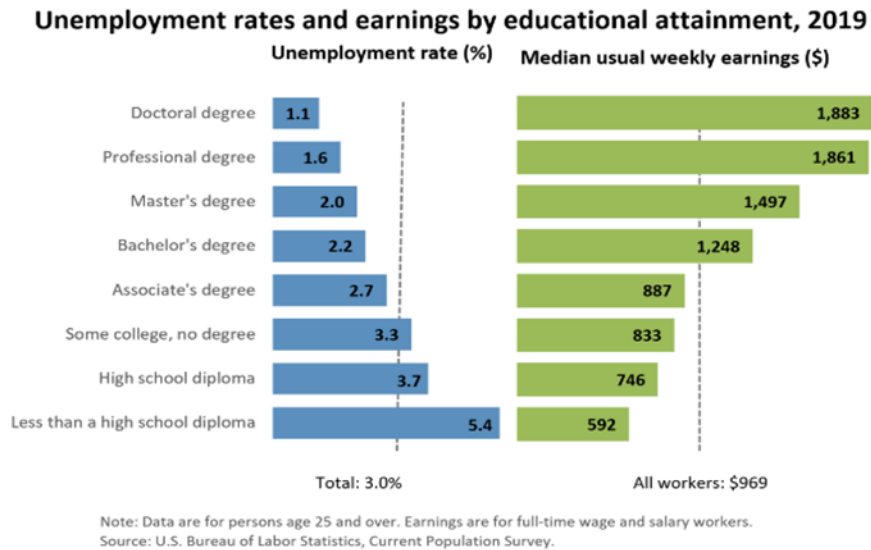


Figure C-2: Unemployment by Education

Environmental Scan – Land Development

Land Development Trends

Single-Family Residential

Single-Family Residential Construction

Residential construction activity in Lakeland continues to accelerate at a blistering pace. Lakeland issued 735 new single-family permits and 403 multi-family permits in 2020. This marked a sharp 103% year-over-year increase from 2019 for single-family permits and a slight decrease for multi-family permits. Single-family permitting in Lakeland has averaged over 400 new permits annually for the past five years, while multi-family has averaged approximately 260 annually during the same period. 2020 marked the most active year on record for new single-family permits in Lakeland.

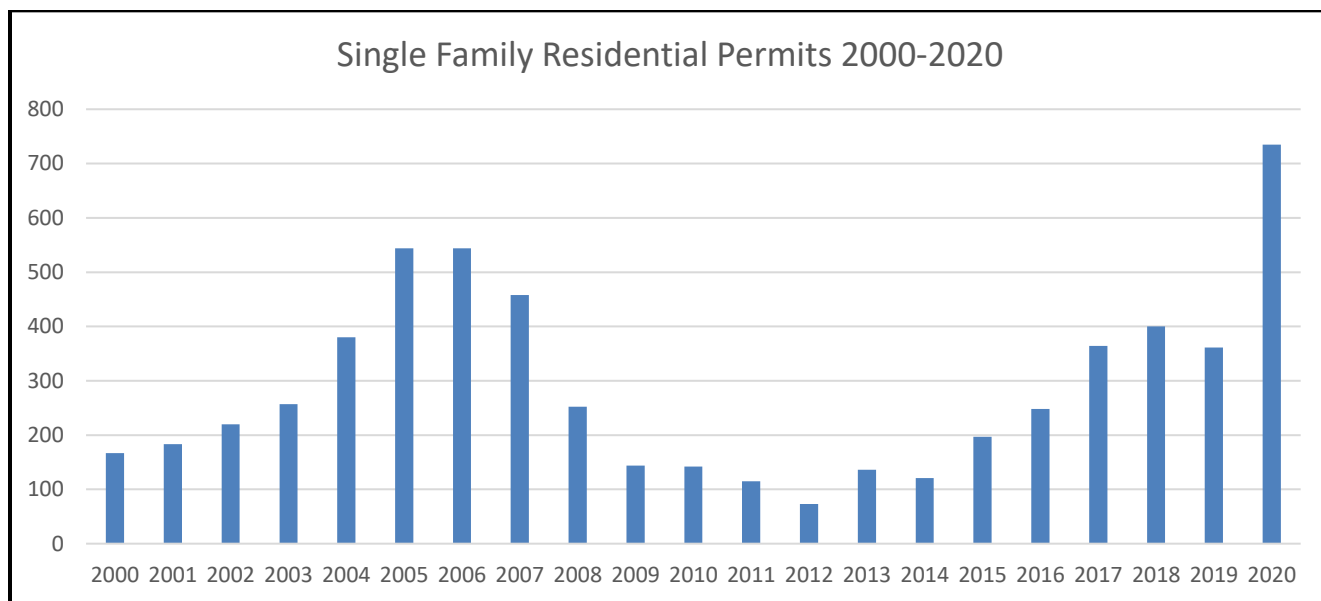


Figure C-3: Chart of Single Family Residential Permits Issued

Lakeland is demonstrating a great deal of core strength as the real estate market signals an expanding pattern for residential development. The right balance of a growing population, new buyers, and shifting demographics have Lakeland positioned for growth. Historically low interest rates will continue to push single-family activity with great purchasing power, while more affordable multi-family units in lower-density areas will help balance Lakeland’s residential market. **Understanding that the normalization of the economy may be prolonged post-pandemic, many economists recognize that the biggest concerns for new residential construction in 2021 will be the supply of housing and its affordability.**

Single-Family Residential Resale

Consistent with new single-family construction, the residential resale market in Lakeland was extremely busy. 2020 marked one of the most active years for single-family real estate resale, with 4,702 residential units being sold. Balancing this growth, the total units sold in 2020 marked a 94% increase from the post-recession mark established in 2010. This increase in the number of homes sold also impacted the price of existing homes. In Lakeland, the average purchase

Environmental Scan – Land Development

price for a home in 2020 was \$234,688, which was a 4.1% year-over-year increase from the prior year and a dramatic net increase of 103% since 2010 when the average purchase price was \$115,075. The Lakeland Association of Realtors (LAR) reported that Lakeland’s local real estate market had only 1.1 months of inventory closing out 2020, which represents approximately 400 units available.

Compare that number to 1,250 units for sale representing 4.3 months of available inventory in Lakeland at the start of 2017 and the market’s competitiveness is evident. With a statistically steady number of buyers, and a defined number of homes for sale, Lakeland’s residential resale market today can be categorized as a strong seller’s market.

Price Range	Sold Units	Market Share	Average List Price	Average Sale Price	% List to Sell	Avg DOM	Inventory on Market	Months Supply
\$ 1 - 49,999	36	0.77%	106,430	29,802	28.00%	41	0	0.0
\$ 50,000 - 59,999	31	0.66%	61,761	54,724	89.00%	29	0	0.0
\$ 60,000 - 69,999	45	0.96%	70,155	64,524	92.00%	64	2	0.5
\$ 70,000 - 79,999	50	1.06%	79,659	74,725	94.00%	51	2	0.5
\$ 80,000 - 89,999	62	1.32%	86,715	84,294	97.00%	52	4	0.8
\$ 90,000 - 99,999	66	1.40%	97,526	93,486	96.00%	49	4	0.7
\$ 100,000 - 119,999	135	2.87%	113,929	109,869	96.00%	53	22	2.0
\$ 120,000 - 139,999	240	5.10%	132,067	129,762	98.00%	51	23	1.2
\$ 140,000 - 159,999	293	6.23%	152,745	150,215	98.00%	41	23	0.9
\$ 160,000 - 179,999	409	8.70%	172,231	169,554	98.00%	36	16	0.5
\$ 180,000 - 199,999	469	9.97%	192,514	190,621	99.00%	41	32	0.8
\$ 200,000 - 249,999	1,284	27.31%	227,110	224,483	99.00%	46	62	0.6
\$ 250,000 - 299,999	786	16.72%	274,928	271,901	99.00%	47	82	1.3
\$ 300,000 - 349,999	337	7.17%	329,077	323,651	98.00%	55	35	1.3
\$ 350,000 - 399,999	194	4.13%	375,423	370,373	99.00%	46	35	2.2
\$ 400,000 - 499,999	146	3.11%	454,013	442,097	97.00%	68	23	1.9
\$ 500,000 - 599,999	60	1.28%	565,617	546,308	97.00%	111	11	2.2
\$ 600,000 - 699,999	19	0.40%	670,131	647,263	97.00%	80	14	8.8
\$ 700,000 - 799,999	14	0.30%	768,500	741,207	96.00%	152	5	4.3
\$ 800,000 - 899,999	12	0.26%	886,008	842,242	95.00%	138	4	4.0
\$ 900,000 - 999,999	3	0.06%	1,019,800	928,967	91.00%	336	1	4.0
\$ 1,000,000 - and over	11	0.23%	2,043,991	1,654,091	81.00%	216	16	17.5
Totals	4,702	100.00%	240,022	234,688	98.00%	49	416	1.1

Figure C-4: Average Home Prices and Units Sold

With this continued momentum, most economists agree that Lakeland’s residential real estate market has not peaked and will continue to grow in 2021. Key statistics outlining real estate valuations, sales transactions, and new construction starts all point to continued local and regional growth in the single-family and multi-family residential market.

Commercial and Industrial Properties

Lakeland’s industrial real estate market is heavily reliant on job growth. Leasing activity in Lakeland’s industrial market remained steady throughout 2020, despite the impacts of the COVID-19 pandemic. Ecommerce activities accelerated over the past year as demand outpaced the supply of inventory. With that, Lakeland has added more than 7 million square feet of new industrial space over the past five years, of which, three-quarters of this space was speculative.

That spike in inventory has caused vacancy rates to surge to 9.1% which is a 10-year high. Analysts project that Lakeland’s industrial market is positioned quite well, demonstrating strengths in both affordability and absorption. Last year, users leased 2.4 million square feet of

Environmental Scan – Land Development

new space, making 2020 the most active leasing year on record. With many new industrial projects under construction and planned, 2021 should be another very active year. Strong demand balanced with the influx of new space should help drop vacancy rates as new inventory is constructed and leased. With all of the new inventory being added, I-4 continues to be a primary attractor for tenants locating to and expanding within the region.

Commercial and Industrial Properties

In 2020, industrial vacancy rates in Lakeland rose above 9% for the first time in a decade. This increase follows a recent trend that previously marked the end of an extended period which identified Lakeland as an area that was consistently regarded as an area with one of the lowest overall vacancy rates in the U.S. primary market. Despite the year-over-year increase in vacancy from 7.0% in 2019 to 9.1% in 2020, Lakeland's industrial market is still very healthy as this vacancy rate is tied to the net volume in new industrial space being permitted and constructed. By the start of the fourth quarter of 2020, Lakeland saw 2.2 million square feet of new industrial space completed and another 1.8 million still under construction. Lakeland's consistent demand can be partially attributed to its attractive lease rates. After several years of steady activity, lease rates continue to be steady with 2020 seeing an average asking rate of \$5.31 per square foot, which is a year-over-year increase of just 3.1%. This rate highlights a fair balance in availability, though new space is expected to keep up with the demand shown in the market. Industrial developers continue to have a defined interest in Lakeland and have several large speculative projects currently under construction and new ones being planned in 2021.

Downtown Activity

Lakeland's downtown is going through a meaningful period of transitional growth. After a long wait without any significant new construction, Lakeland is seeing new projects that support, office, residential, retail, and entertainment which will add value for the citizens and downtown. From a residential standpoint, the Mirrorton Development located just north of Lake Mirror is under construction and on track to be completed in the spring of 2021. This market-rate project will consist of 305 apartments and townhomes throughout 28 separate buildings and will feature many amenities that will attract new residents to downtown. Within the Garden District, an additional 90 one-bedroom apartments are under construction on the south side of Lake Mirror and are expected to be complete by the end of 2021. Multi-family interest in Oak Street, between Tennessee and Kentucky Avenues continues as developers explore options for more residential units to accommodate the increase in demand.

Functioning as a successful urban area, Lakeland's downtown growth is hitting every major economic segment. Supporting this growth, the City of Lakeland partnered with Aspyre Properties, Mid Florida Credit Union, and Lakeland Regional Health Systems to construct a new 836 space parking garage in downtown area on the Heritage lot, south of Lemon Street and between Kentucky and Tennessee Avenues. The garage, which officially opened in February of 2020, also features 40,000 square feet of office and retail space which has been built out and partially leased. Lakeland's growing office market will be supported by an additional 18,000 square foot newly constructed office which will be occupied in early 2021 on the east side of Lake Mirror, just west of The Joinery. Adding to the excitement of Lake Mirror, Catapult 3.0 was

Environmental Scan – Land Development

completed and occupied in the spring of 2020. This state-of-the-art facility features a 24,000-square foot co-working and private office space, a 5,000 square foot commissary kitchen, and a 9,000 square foot makers space. Catapult 3.0 will further infuse a culture of small business and entrepreneurialism downtown. Most visibly under construction is the nine story 135,000 square foot Summit Consulting office building which is located on the western edge of Lake Mirror and will bring 500 employees to downtown upon its completion in early 2022. Finally, adding to the central city excitement is Bonnet Springs Park. A private 180-acre park being constructed on a former CSX railyard that is located just ½ mile outside of downtown which will feature nine unique buildings complimented by a variety of trails, paths, water amenities, and open space.

Lakeland's downtown 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 buildings were utilized as retail and office components, standing as a crucial measure of the city's economic health. With both residential and office growth occurring downtown and several historic buildings entering the market it is anticipated that this growth will reveal a new wave of development and redevelopment opportunities that will continue to inspire Lakeland's growing urban core. Recognizing the community's interest in redevelopment activities and the resurgence of neighborhoods, Lakeland continues to do well within a number of specifically targeted areas. Property acquisitions throughout the city's central core have begun to bring a pattern of change. Residential demolition and infill opportunities have brought new businesses, owners, and families into previously established neighborhoods while commercial, office, and retail activities are bringing about new jobs and industry. This rise and success of redevelopment activities is a trend that will endure. With well-designed neighborhoods and geographically significant areas with character and charm, redevelopment offers a number of opportunities that are certain to preserve and enhance certain targeted commercial corridors and residential neighborhoods by providing additional economic stability from within.

Environmental Scan – Population and Employment

Population

Lakeland’s population continues to grow at a steady pace despite global conditions. In 2020, the University of Florida’s Bureau of Economic and Business Research (BEBR) estimated Lakeland’s population at 109,238 and Polk County’s at 715,090. By all accounts, Florida’s population is growing by more than 1,000 residents per day. BEBR estimates that Florida’s 2020 population of 21,596,068, grew by 387,479 from 2019, ranking the state as the third most populated in the U.S. Though Lakeland’s growth is not as rapid as the state, the city has been growing at an annual pace of approximately 1.12% annually since 2010. With regards to Lakeland Electric’s service territory, for 2020, the population is estimated at 296,398 which represents a 1.49% increase from 2019. The increase indicates that the residential construction market in the unincorporated area is expanding at a greater pace than the in-city market.

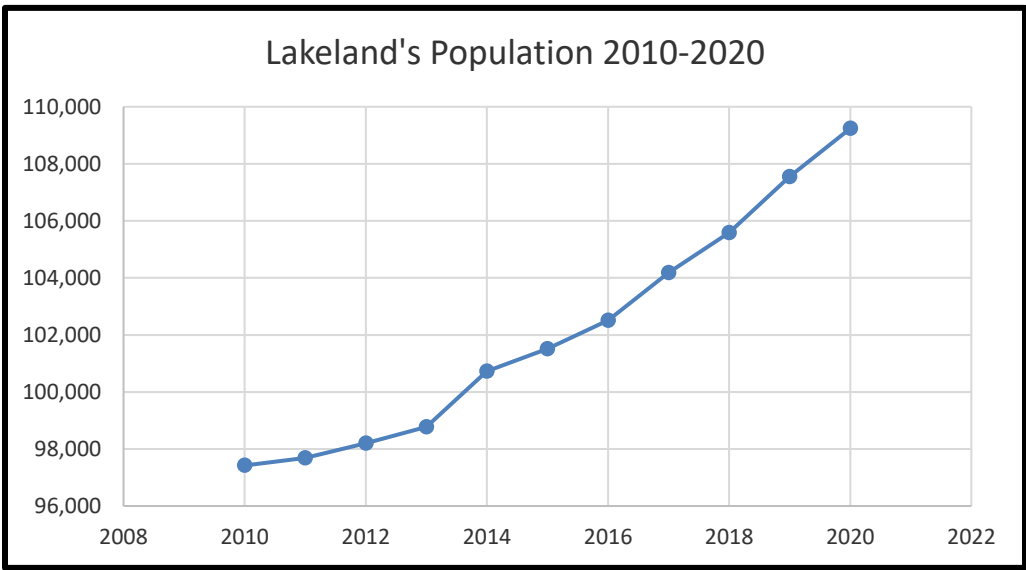


Figure C-5: Lakeland’s Population Growth

Local Employment

Existing and new companies in Lakeland are helping to fuel the city’s growing population which has a direct correlation with to the local unemployment rate. The impacts of the global pandemic have caused unemployment rates to fluctuate throughout 2020. Monthly unemployment rates in Lakeland last year began at 3.8% in January before spiking to 12% in May. Since that period, the city has experienced a gradual decrease in month-over-month rates over the final six months of 2020, ending with a monthly rate of 7.2% for November. This spike in unemployment marks the highest annual average for Lakeland since 2011 when double-digit unemployment rates peaked at 11.1% as a result of the slow rebound from the 2007-2009 Great Recession. The increase also marked the end of a nine-year run of decreases in Lakeland’s year-over-year unemployment rate.

Environmental Scan – Population and Employment

Even with Lakeland's expanding population, the month-over-month labor force for 2020 has essentially remained unchanged, starting the year at 47,649 and ending at 47,719. This is better illustrated by tracking the actual number of unemployed persons within the workforce. 2020 began the year with a 3.8% unemployment rate and 1,827 individuals within the local workforce seeking work. The year closed with an unemployment rate above 7% and more than 3,400 individuals unemployed and actively seeking work. Lakeland's economic health relies on job growth. As new companies locate and existing ones expand and grow their workforces, new jobs are required. These new jobs help balance available opportunities with new residents, thus allowing the city's overall unemployment rate to remain stable and low. For 2021, Lakeland's unemployment will continue to decrease in 2021, though even with strong economic performance, we will likely not see unemployment rates in the 4% range until 2022 and beyond.

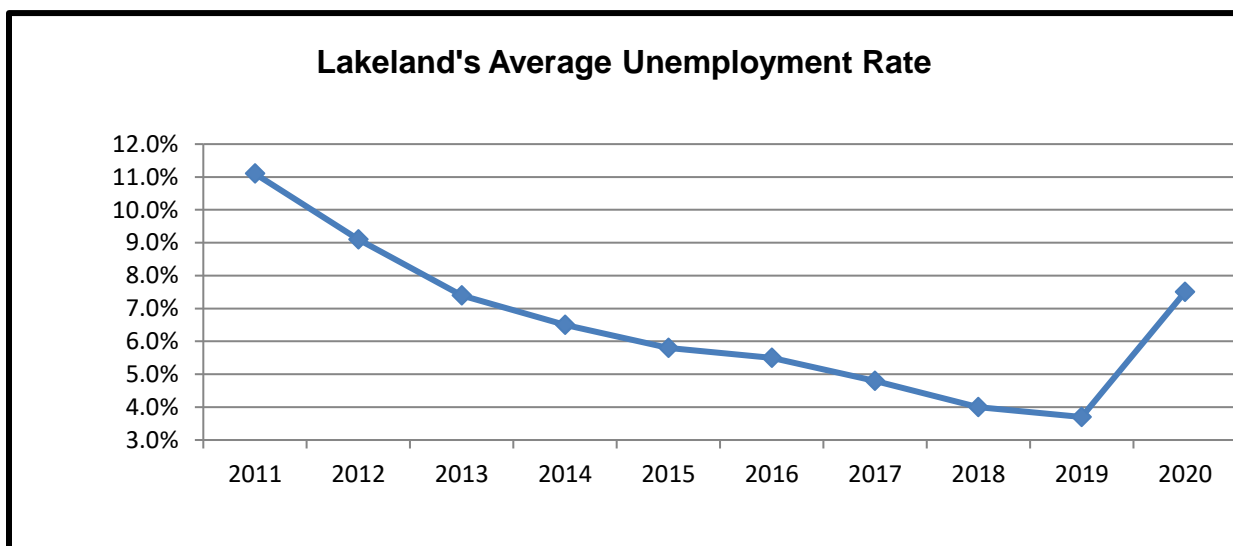


Figure C-6: Unemployment Rate Lakeland 2011-2020

The National Economy

After an unpredictable 2020, the US economy should be on the mend in 2021. The most essential measurement for this is the gross domestic product (GDP), which is the broadest of all economic indicators and is the standard for the Federal Reserve's interest rate policy.

After registering a positive 2.1% GDP in the final quarter of 2019, GDP then went negative in the first and second quarters of 2020, bottoming out with a 31.4% decrease, before sharply rebounding by 33% in the third quarter of 2020. Much of this dramatic drop and gain can be associated with the financial and employment stresses that the COVID-19 pandemic placed on small businesses. This fluctuation put an end to the 10-year streak of expanded GDP.

While the negative effects of COVID-19 are still lingering, there is much hope that the wild ride of 2020 will come to an end by the middle of 2021. As demonstrated in the most recent GDP report, businesses are reopening and activities that were previously postponed or restricted are now becoming more available. Though much of the initial positive growth was associated with the government's \$3 trillion in pandemic relief, this momentum has given way to a positive belief

Environmental Scan – Population and Employment

that consistent growth, spending, hiring, economic confidence, and a strong housing market will help the U.S. achieve a normal level as vaccination rollouts accelerate. Consumer spending, which accounts for two-thirds of economic activity, grew at a solid pace in the 3rd Quarter of 2020 based on the huge influx of new money. It is hoped that these relief efforts will have a lasting effect on consumer spending which should be activated once a feeling of virus safety is established.

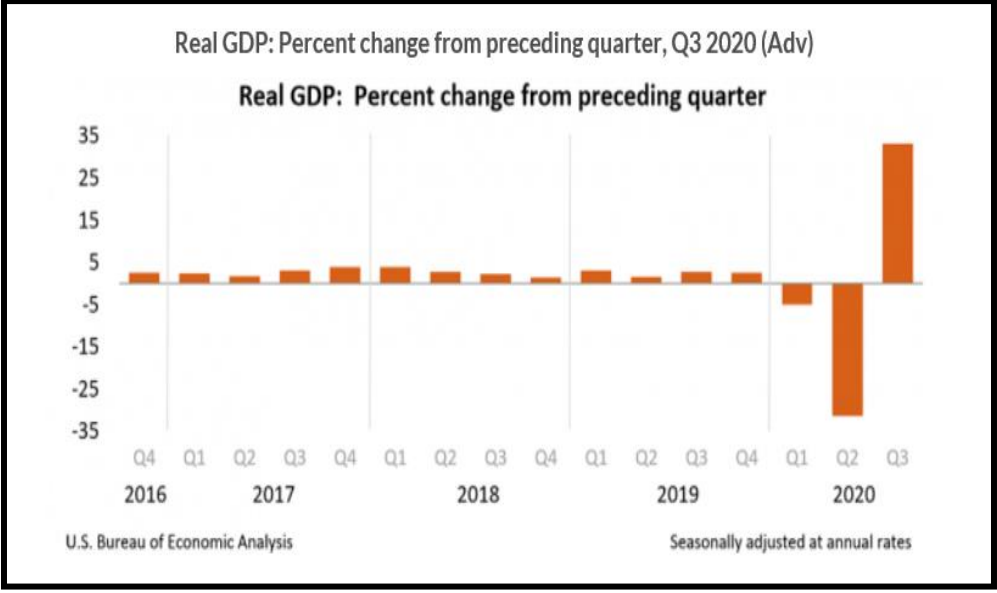


Figure C-7: Lakeland’s Population by Year

After reaching an all-time high in February of 2020, the Stock Market has experienced a brief sell-off that resulted in a 40%+ decline in value in just under two weeks in early March. This sudden and turbulent market has pushed the Federal Reserve to reduce interest rates to 0% in order to help stabilize the financial market. Despite the social and political impacts of the pandemic and the presidential election, the stock market has been able to rebound. Wall Street closed out 2020 on a record high with much optimism related to the COVID-19 vaccine along with the return of the U.S. economy and corporate profits.

Environmental Scan - Economy

Economy

National Employment

The U.S. unemployment rate ended 2020 on a decline after a spike in May that elevated it to a record high of 14.7%. Since that point, the month-over-month rate has decreased dramatically to close out the year with a monthly rate of 6.7% which equates to an annual average of 7.6% for 2020. This rebound in the unemployment rate was attributed to the number of jobs being created and reopened in the U.S. With an estimated 25 million individuals unemployed and out of work, it will take a flexible labor market to create more new jobs while filling existing ones so that the unemployment rate can continue with its downward slide. Forecasters believed early in 2020 that the labor market would tighten with increased job growth, however much of that has been delayed by the pandemic.

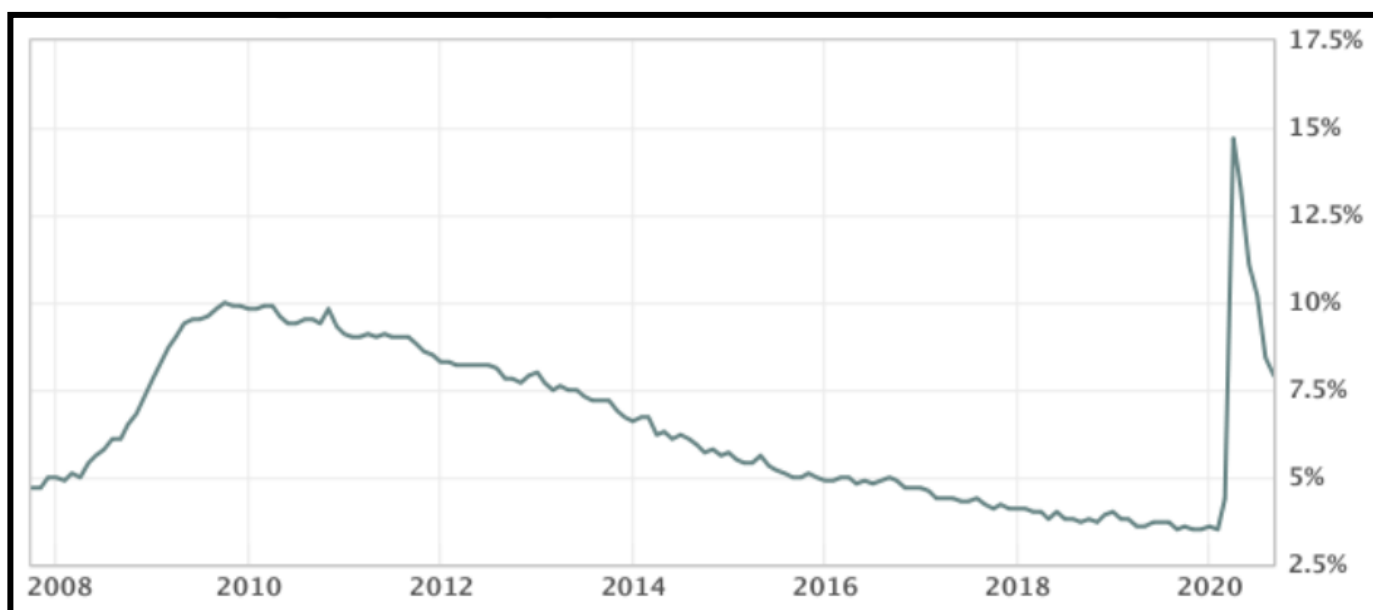


Figure C-8: National Unemployment Rate 2008-2020

Summary

After a solid start to the year, 2020 was overtaken by COVID-19. As the US economy continues to improve, economists are hopeful with the existing indicators and the outlook for 2021. Forecasters believe that U.S. GDP will continue to rebound in the upcoming year, exceeding 4% in 2021 and 3.2% in 2022. Ahead of what seems to be a very fluid and unpredictable time, economists are optimistic about the economic progress made over the past five months despite the unfavorable conditions. Hiring will pick up in 2021 with new jobs being added and tourism and travel returning to a more normal level. With that, the unemployment rate will continue to decline into the 5% range for 2021 and will continue to drop into 2022. To help with the momentum, the Feds will keep long-term interest rates at their historic lows which will encourage spending as it will make borrowing money cheaper, which should help to keep inflation at a nominal rate of less than 2%. With global vaccine rollouts accelerating in January of 2021, the path of recovery will depend on the virus. With a controlled launch, all indicators point to an enthusiastic recovery that will be supported by positive GDP and job growth in 2021.

Environmental Scan - Technology

Technology

COVID-19 has impacted the world in ways we could have never imagined or predicted. Organizations across the globe, including the public sector have had to pivot and strategize to adapt to new ways of doing things. Organizations that are postured to pivot and adapt will be more resilient to all types of disruptions. As we continue to respond to the COVID-19 landscape and explore new ways of providing services and support, we stand ready to support the business units throughout the City. According to Gartner, the top industry technology trends for 2021 are centered around people, location independence, and resilient delivery.

People

People are the greatest asset to an organization and are at the center of all business. Changing how people work and interact through digitalized workflows will be essential in 2021 and beyond.

Location Independence

COVID-19 has disrupted the physical workforce ecosystem. This drives the dependency of technology to support an enterprise virtual workforce ecosystem. This shift is interdependently supported by distributed cloud, anywhere operations and cyber security.

Resilient Delivery

Many processes were not resilient to the COVID-19 disruption. Evaluate and rebuild processes that enables better access, which can augment the information with new insights and can adapt quickly to enhance the decision-making process. The use of AI engineering and hyper automation will play key roles in delivering resilient processes across organizations.

The COVID-19 crisis has accelerated the pace of digitalization across the government sector. The Department of Information Technology stands ready to work with our City partners in driving business capabilities through technology investments to accelerate the pace of digital innovation, service delivery and adaptive operations.



Environmental Scan - Legislation

Coronavirus Pandemic

The Coronavirus Pandemic of 2020 is a public health emergency and economic crisis, unprecedented in the disruption of daily life. Since the middle of March, nearly every American has had to adjust the way they work, learn, visit loved ones, shop for groceries and meals, and conduct their day-to-day routines. For many, losses were more severe as the nation experienced the greatest job loss and unemployment since the 1930's, while the death toll has now surpassed 300,000 in the United States.

Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27th, providing \$2 trillion in aid to hospitals, small businesses and state and local governments, as well as direct payments to individuals. Florida received \$5.9 billion in CARES funding (\$4.6B for State, \$1.3B for local governments <500,000 population). The CARES funds are to be used to pay for eligible expenses (not fill in budget holes) and are set to expire on December 31st. Polk County received a direct appropriation from the U.S. Treasury of approximately \$125 million, however, those funds did not flow down to the 17 municipalities located in Polk. On March 9th, Governor Ron DeSantis declared a State of Emergency for Florida. On March 20th, the Governor issued an Executive Order suspending Florida Statutes and allowing local governments to conduct their meetings virtually. From March through November 1st, cities and counties were able to conduct their regular meetings on a virtual platform. However, following multiple extensions, the Executive Order expired on November 1st.

On April 1st, Governor DeSantis issued the "Safer at Home" Executive Order, which lasted until April 29th, when he introduced his phased Reopening plan. Despite the partial statewide lockdown, the Governor did not issue any mandates relating to the wearing of masks. Due to the lack of statewide order, many cities and counties throughout the State began adopting their own mask ordinances and penalty structures, beginning in April. On July 2nd, the City of Lakeland adopted a resolution requiring the use of facemasks in indoor locations (other than one's residence). The resolution was effective for 30 days and was extended twice. However, on September 25th, the Governor issued an Executive Order suspending the collection of any fines by local governments on individuals for failing to wear a mask. The Order only applied to individuals, not businesses. The 2021 Legislative Session will be dominated by the State's response to the pandemic and its effects on the economy, businesses and residents. The issues that will need to be addressed by the Legislature are massive in scope and importance. Everything from unemployment compensation to health care facilities and funding to liability protection for businesses and local governments that continue to operate in person. The 2021 Session will be like no other in recent memory.

Position: Support increased funding to State and Local Governments to help offset costs associated with the Coronavirus Pandemic. Ensure distribution of funds to cities within counties that receive direct appropriation from the Treasury. Support flexibility for the continued use of virtual meeting platforms by local governments when conditions merit such action. Support the ability of local governments to enact, and enforce measures to reduce the spread of Coronavirus, and future epidemics, such as the wearing of masks. Monitor legislation relating to liability for businesses and make sure that cities are included in recommendations.

Affordable Housing – SHIP & SAIL

The two primary state housing assistance programs are the State Housing Initiatives Partnership (SHIP) and the State Apartment Incentive Loan (SAIL) programs. The SHIP program provides funds to eligible local governments, using a population-based formula, to address local housing needs as identified in the Local Housing Assistance Plan, for single-family units. The SAIL program provides low-interest loans on a competitive basis for multifamily affordable housing developments. Funding for these programs is provided by the Legislature through the Local Government Housing Trust Fund (SHIP) and the State Housing Trust Fund (SAIL). Estimates from the Revenue Estimating Conference show that the Trust Funds should collect more than \$328M from documentary stamp taxes on real estate transactions for 2019-20. In addition, Governor DeSantis vetoed \$225M in SHIP funds in June of 2020. Those funds remain in the Trust Fund, bringing total available revenues to more than \$500M.



SHIP and SAIL funding are critical components of Lakeland’s affordable housing and neighborhood stabilization efforts. The City uses these funds to leverage additional Federal dollars through CDBG and HOME grants to assist low-income families. However, since the recession in 2009, funding levels for cities through SHIP have been erratic as the funds have been diverted during the State Budget process, making it difficult to properly plan projects. Lakeland is approximately 500-700 housing units short of the need in our community.

Position: Support full funding of the State’s SHIP and SAIL programs in the 2021-22 Budget, including the addition of the \$225 million vetoed in 2020.

Impact Fees

In 2019, the Legislature passed HB 207 which requires a ‘rational nexus’ for the use of funds realized from impact fees at the local level. The bill also delayed the collection of impact fees until the issuance of a building permit. Additional legislation was passed in 2020 prohibiting new or increased impact fees from applying to current or pending applications.

Despite the new law, legislation is routinely introduced that would provide further restrictions and requirements on local governments implementing impact fees, such as one recent proposal that would have required the appointing of a committee that would be tasked with reviewing all proposed impact fees on new development and submit recommendations to the governing board.

Position: Oppose legislation which would place further restrictions on the implementation of impact fees by cities and counties.

Environmental Scan - Legislation

Florida Polytechnic University

Florida Polytechnic University welcomed the first class of students to Florida's 12th University in August 2014. Currently, the 1,424 students are focusing their education on STEM programs, primarily technology and engineering, at the 530- acre campus located at the intersection of I-4 and the Polk Parkway. Florida Polytechnic University is seeking a \$3 million operational funding increase from the Legislature in the 2021-22 Budget, as well as \$15 million to finalize construction of an Applied Research Center.

Position: Support Florida Polytechnic University's 2021-22 operational funding requests, as well as the \$15 million Applied Research Center PECO project.



Polk State College

Polk State College is seeking an increase of \$2 million in recurring operating funds to lessen the academic advisor to student ratio. Polk State predominantly serves low-income and first-generation-in-college students that require comprehensive, personalized services to help them succeed. In addition to the increase in operating dollars, Polk State College is seeking additional PECO funds in the 2021-22 Budget for projects currently underway. \$16 million is necessary for the Winter Haven Building 4 maintenance and renovation.

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



Communications Services Tax

In 2001, the Legislature restructured taxes on telecommunications, cable, home satellite, and related services. The changes replaced and consolidated seven different state and local taxes and fees into a single tax with two centrally administered parts – the state Communications Services Tax and the local Communications Services Tax (CST). The local CST is one of the main sources of general revenue for Cities, generating more than \$400 million annually statewide. Last year, the CST generated \$4.5 million for the City of Lakeland. The revenue may be used for any public purpose, including public safety, and to secure bonds. In recent years, the Legislature has reduced the State portion of the CST by 1.73%, without reducing the local portion.

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

Environmental Scan - Legislation

Local Business Tax

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

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

Commercial Lease Sales Tax

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

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

Florida Sports Development Program

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

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

Position: Oppose HB 6011 which would repeal Florida's Sports Development Program.

Environmental Scan - Legislation

Building Inspector Certifications

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

A major contributing factor to the shortage is an interpretation by the Florida Building Code Administrators and Inspectors Board of those individuals qualified to sit for the exams. To be eligible to sit for the exam, a candidate must provide evidence of five (5) years of combined experience in the field of construction, building code inspection or plans review. In order to qualify as a single-family dwelling inspector, the candidate must show experience in building, mechanical, plumbing, and electrical. Instead of interpreting this as 5 years of work, the Inspectors Board interprets it as 5 years in each field, for a total of 20 years of experience before candidate is eligible. Once eligible, the candidate must still sit for 5 exams in each of the specific trades in a one-year period, an arduous task for someone working full-time, with a family.

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

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



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.

Environmental Scan - Legislation

Sovereign Immunity

Legislation introduced in 2020 attempted to significantly increase sovereign immunity limits for State and local governments. The bill would have eliminated the \$200,000 per person limit and increased the limit on per incident claims from \$300,000 to \$1,000,000. The bill would have further allowed governmental entities to settle claims in any amount, without a Claims Bill approved by the Legislature. Increases of this magnitude would result in a dramatic increase in costs for cities and counties.

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

Traffic and Pedestrian Safety

F.S. 316.130(7)(b) requires motorists to come to a complete stop for a pedestrian in a crosswalk. Marked crosswalks at mid-block locations are accompanied by signs, both in advance of and at the crosswalk location, to further emphasize the presence of the crosswalk to the driver. Unfortunately, too many drivers ignore both the markings and signs, endangering the pedestrians attempting to use the crosswalk. The Rectangular Rapid Flashing Beacon (RRFB) was intended to increase the visibility of the existing crosswalk markings and signs. Pedestrians activating the RRFBs alert the driver to their presence in the crosswalk. However, the RRFBs were never intended to serve as a traffic control device by itself. The RRFB concept went through extensive testing in the field and was found to have a much higher rate of driver stopping compliance than markings and signs by themselves.

Its simple design, capability of being solar powered, and minimal structural mounting requirements, keeps the cost low. In these days of limited resources, the lower cost allowed these proven devices to be used at many more locations while enhancing pedestrian safety. In 2020, legislation was introduced that would have required the removal of RRFBs from pedestrian crosswalks. The RRFBs would either be replaced by red, rectangular rapid flashing beacon traffic control devices, at a much greater cost, or removed entirely. By eliminating the availability of the RRFB as a crosswalk enhancing tool, the concern is that many crosswalks will need to be removed, thus having a negative effect on pedestrian safety.

Position: Oppose legislation that would eliminate the ability to use Rectangular Rapid Flashing Beacons (RRFB) at midblock pedestrian crossings.

Automated Traffic Enforcement Systems

Automated traffic enforcement programs (Red Light Cameras) 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 HB 6009 which seeks to repeal the Mark Wandall Traffic Safety Statute.

Environmental Scan - Legislation

Law Enforcement Body Cameras

Following the national unrest that arose in 2020 as a result of deadly interactions involving law enforcement, the issue of policy body-worn cameras has become a central debate in communities throughout the country. Police body-worn cameras are small cameras worn on a law enforcement officer's chest or head to record interactions between the officer and the public. The cameras capture sound and have internal data storage to save video footage for later review.

While Florida has already enacted laws allowing for the use and data storage of body-worn cameras, the State has not mandated their use, so the purchase and implementation of camera program is up to each individual police department and sheriff's office. Costs, privacy concerns, transparency issues, and public sentiment are all taken into consideration by cities and counties to determine if a body-worn camera program is appropriate for their community.

Position: Monitor legislation that would mandate the use of body-worn cameras for law enforcement officers, and any potential funding opportunities.

Lakeland Se7en Wetlands

The City of Lakeland's Se7en Wetlands is an existing waste water treatment facility consisting of 1,640 acres. The wetland is a regional facility that impacts the groundwater of Polk, Hardee, Highlands, and Manatee counties and has been in operation since 1987. In 2018, Lakeland opened the wetlands to the public for educational and recreational opportunities, with over 22 miles of pedestrian trails. The facility connects three existing Polk County parks – Lake Highland Scrub, Loyce Harpe Park, and Mulberry Park. The Se7en Wetlands project secured initial State funding in 2019 for an Education Center for visitors. Funding in 2020 was vetoed during budget cuts.

Position: Support additional funding, if possible, for the City of Lakeland's Se7en Wetlands Educational Center project in the 2021-22 Budget.

FRDAP Funding

Lakeland has submitted a grant application for Large Project Funding Florida Recreation Developmental Assistance Program (FRDAP) for \$200,000 for Lake Crago Park. The application provides \$200,000 in CIP City of Lakeland matching funds to construct a restroom, three lighted soccer fields, parking, and landscaping to the existing park facilities. The project is necessary to keep up with community needs recreational program demands for our growing city.



Position: Support funding of the Large Project Funding FRDAP Grant Program in the 2021-22 Budget to include \$200,000 for the Lake Crago Park project.

Environmental Scan - Legislation

State Library Aid Funding

State aid to the Florida Libraries Program is a continuing State grant program authorized by Statute. For more than forty years, the State Aid to Libraries has been an incentive program, designed to encourage counties to provide library service to the residents. Currently, local communities invest approximately \$559 million, statewide, to public libraries. Grant funding from the State goes directly to day-to-day operating expenses to ensure libraries can remain open to the public. Locally, the State Aid grant program represents approximately \$250,000 of the Polk County Library Cooperative budget.

Another resource for local libraries is the Library Cooperative Grant Program. This program reduces costs for libraries by facilitating resource sharing between libraries, such as record enhancement, statewide delivery service support, union catalog support and Development, reciprocal borrowing, digitization, and implementation of or support for innovation in the use of technologies, as well as providing training for 16,000 library staff annually. Lakeland belongs to the Tampa Bay Library Consortium.



Position: Support the Florida Library Association in their position to increase the State Aid Funding to the \$23 million. Support continued funding of the Library Cooperative Grant Program at \$2 million.

I-4/State Road 33 Interchange Funding

The Polk Transportation Planning Organization (TPO) recently approved its 2045 Long-Range Transportation Plan to address transportation needs through the year 2040. The top overall priority project for the TPO is the reconstruction of the Interstate 4/State Road 33 interchange (Exit 38). The interchange is functionally obsolete and requires a full reconstruction. For nearly a decade, Florida Department of Transportation (FDOT) has been funding and performing the PD&E Study, Design, Right-of-Way, and Utility Relocation phases of this reconstruction project, but has not programmed construction funding. Exit 38 is the only interchange in the FDOT District.

One (inclusive of I-4 and I-75) to not have been improved, or received funding to be significantly improved, in 50 years. The City of Lakeland has committed \$2,000,000 to FDOT to expedite improvements.

The SR 33 interchange is a critical component for freight movement for existing and future providers in central Florida. During the COVID pandemic, e-commerce activity has increased around the U.S. and new logistics complexes are under development in the vicinity of this interchange in Lakeland, Polk City and unincorporated Polk County. A new modern interchange, built with current design standards and capacity to accommodate this growth, is critical to the short and long-term economic viability of this area and the nearby innovation District adjacent to Florida Polytechnic University.

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

Environmental Scan - Legislation

Municipal Airport Construction Engineering Inspection

Following the tragic bridge collapse next to the Florida International University campus in 2018, the Legislature passed a bill last year requiring that projects partially funded by DOT, and administered by a local government, may not allow the same company to perform both design services and construction engineering and inspection services. Requiring a separate Construction Engineering Inspection company (CEI), possibly a company that lost the original design services contract, leads to increased costs and potential delays in projects. The majority of funding for large projects at Lakeland Linder International Airport are Federal funds, through the FAA and USDOT.

The Federal agencies, which provide oversight on the expenditure of funds and progress of the construction project, do not require separate companies used for design services and CEI. The Florida Airports Council is seeking legislation this year to exempt airports from the requirements of the 2019 bill, the same exemption that seaports received during the bill process.

Position: Support HB 57 exempting airports from duplicative construction engineering inspection requirements.

Municipal Electric Utilities

Municipal electric utilities in the State of Florida collectively serve more than three million Floridians, the third largest source of electric power in the State. As community-owned and locally managed organizations, these utilities focus on serving local needs and profits are reinvested into the local community to fund the needs of the community, such as police and fire protection. In recent years, legislation has been filed which would prohibit municipal electric utilities from returning profits to the local government to pay for city services. On an annual basis, Lakeland Electric returns approximately \$30 million to the City to fund governmental services. If these funds were to be removed, the millage rate would need to be increased substantially to replace the funds. In 2017, HB 687 passed which allowed wireless providers to place small, wireless facilities on utility poles and support structures within the public right-of-way. The bill further capped the rate for collocation that could be charged by the local government. The bill exempted utility poles owned by municipal electric utilities and electric cooperatives.

In addition, SB 208 relating to renewable energy, has been filed. A provision in the initial draft authorizes third parties to sell electricity generated from a renewable energy device to other businesses, regardless of whether the device is located within a utility's service territory. Currently, private entities are not allowed to put power on the grid to directly service other businesses.

Finally, SB 136 relating to Energy 2040 Task Force, has been filed. The bill creates a Task Force within the Public Service Commission to make recommendations for future energy policy. Lakeland will monitor the legislation to ensure the bill does not substantially affect municipal electric utilities.

Position: Oppose legislation which prohibits municipal electric utilities from returning profits to their local government for city services. Oppose legislation that would remove the municipal electric exemption relating to pole attachments. Monitor SB 208 relating to renewable energy and oppose provision relating to third party electricity generation and sales. Monitor SB 136 relating to the Energy 2040 Task Force.

Environmental Scan - Legislation

Central Florida Water Initiative Proposed Rulemaking

The Central Florida Water Initiative (CFWI) is a collaborative water supply planning effort among the SJRWMD, SFWMD, SWFWMD, FDEP, FDACS, and other stakeholders and is designed to identify the sustainable quantities of traditional groundwater sources available without causing unacceptable harm to those resources. As the result of the latest CFWI planning effort, proposed rulemaking would mandate a reduction of previously permitted withdrawals for Lakeland's Consumptive Use Water Permit, with the proposed reduction being from our current 35.03 MGD to 23.84 MGD by 2025. If adopted, Lakeland and others would have to seek alternative water supplies much sooner than anticipated at a significant cost to our ratepayers.

Position: Oppose any rulemaking, or legislative proposal, that reduces Lakeland's current permitted quantities from the Upper Floridan Aquifer.

Heartland Headwaters Protection and Sustainability Act

In 2017, the Heartland Headwaters Protection and Sustainability Act was enacted to provide for the protection and sustainability of water resources in Polk County; recognize the Green Swamp Area as of critical state concern; and recognize the area is the headwaters of six major river systems in the State, including the Alafia, Hillsborough, Kissimmee, Ocklawaha, Peace and Withlacoochee. The act also recognizes the importance of partnering with the Polk Regional Water Cooperative and local governments to protect water resources.

Position: Support continued funding for PRWC priorities.



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 2021 Session, and support of these initiatives will assist the municipalities of the State in the stewardship of their citizens' interests.

Environmental Scan - Legislation

League of Cities' Priorities for 2021:

- Affordable Housing Full Funding
- Discharges to Surface Waters
- Sales Tax Fairness
- Cybersecurity
- Transportation Funding
- Vacation Rentals
- Annexation

Position: Support the initiatives outlined in the Florida League of Cities 2021 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 accommodates recovery of the operating and capital costs associated with those services, in the form of a user charge levied against the users based on actual consumption. Examples of these are electric, water, wastewater, and solid waste management services, stormwater management, a parking system, and a public golf course. These are referred to as “enterprise” services. The revenues and expenditures associated with providing each of these services, including any capital costs associated with constructing the facilities needed to support those services, are budgeted in separate “funds” – one Enterprise Fund for each type of service.

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

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

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

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

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

Financial Health

Overall, Lakeland compares favorably to the other cities in this survey. At a property tax millage rate of 5.4323 mills, Lakeland’s property tax burden is among the lowest in the State of Florida.

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

Comparative Annual Cost of Services

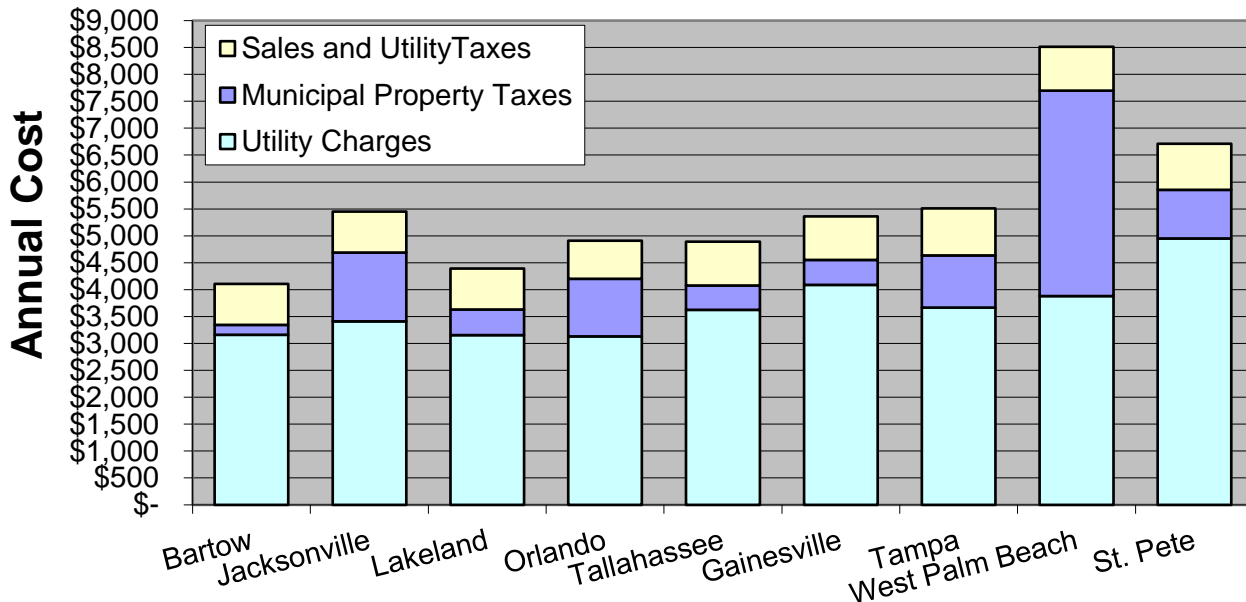


Figure C-9: Comparative Cost of Services

Three-Year Financial Forecast

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

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

Revenue Sources

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

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

Because of the relatively large annual percentage increases in taxable values, the significance of this revenue source as a percentage of the General Fund budget had been growing. The impact of property tax reform starting in FY 2008 and the subsequent reduction in property values, resulting from the economic conditions, has reversed that trend somewhat. The proposed millage rate for FY 2022 is 5.4323 a decrease from FY 2021.

Public Service Taxes, Franchise Fees, and Communications Services Tax

The City levies:

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

Half-Cent Sales Tax Revenues

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

Revenue Sources

State Revenue Sharing Revenues

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

Business Tax Revenues

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

Building Permit and Inspection Fees

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

Federal, State, and Local Grant Revenues

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

Charges for Service Revenues

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

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

Revenue Sources

Fines and Forfeits Revenues

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

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

Miscellaneous Revenues

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

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

This category also includes:

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

Gasoline Tax (1 Cent Municipal Fuel Tax) Revenues

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

Gasoline Tax (9th Cent Fuel Tax) Revenues

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

6 Cents Local Option Fuel Tax Revenues

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

Revenue Sources

5 Cents Additional Local Option Fuel Tax Revenues

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

Historical Revenues

Historical Revenues

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

CITY OF LAKELAND, FLORIDA

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

Fiscal Year	Property Tax	Utility & Communication Service Tax	Motor Fuel Tax	Franchise Tax	Half Cent Sales Tax	State Shared Revenues				Total
						State Revenue Sharing	Mobile Home License Fees	Alcoholic Beverage Tax	FF Comp Tax*	
2020	\$43,066,426	\$15,814,492	\$5,802,331	\$221,492	\$6,894,873	\$2,764,644	\$267,367	\$111,735	\$74,119	\$75,017,479
2019	40,355,438	15,436,866	6,060,873	265,961	6,997,382	2,943,228	260,395	92,373	70,124	72,482,640
2018	37,045,511	14,758,072	5,828,014	247,128	6,586,865	2,805,371	246,617	88,162	64,346	67,670,086
2017	33,362,591	14,735,018	5,584,212	234,659	6,292,201	2,699,611	232,445	93,563	69,520	63,303,820
2016	30,912,106	14,831,215	5,436,168	242,656	6,202,015	2,550,919	217,330	86,116	36,740	60,515,265
2015	23,935,374	14,644,431	5,214,687	225,994	5,656,163	2,443,691	208,150	89,776	58,355	52,476,621
2014	22,577,691	14,534,094	4,903,358	239,500	5,395,592	2,248,500	197,654	80,487	32,895	50,209,771
2013	21,784,397	14,523,106	4,879,101	234,959	5,098,715	2,078,795	188,449	76,919	39,182	48,903,623
2012	20,909,045	14,761,856	4,910,650	233,641	4,817,062	2,060,351	184,560	79,897	44,441	48,001,503
2011	22,641,400	15,057,722	4,943,075	247,092	4,486,691	1,799,097	189,840	71,750	26,410	49,463,077

*Firefighters' Compensation Tax

Figures C-10: Governmental Activities Tax Revenues by Source

Debt Management Overview

Debt Management Overview

For the purpose of funding capital improvements to City facilities and infrastructure, the City of Lakeland (the “City”) incurs long-term debt either in the form of bonds or notes issued directly in the name of the City, direct loans from banks, or other loans obtained from pooled debt programs managed by third parties. The City also funds a significant amount of capital improvements through “pay-as-you-go” cash financing. Pay-as-you-go financing comes from cash outlays of various revenues including state and federal grants, impact fees, certain lease payments, and other operating revenues, particularly those of the City’s utilities. As of September 30, 2020, the City had outstanding long-term debt of \$671.4 million.

Purpose of Debt

Debt issued by the City is incurred to fund capital improvements to three major categories of assets: the electric system, the water and wastewater system, and all other projects. Some 57% of the City’s outstanding debt funded electric system improvements. Water and wastewater projects make up another 15%, while all other uses account for the remaining 28% of outstanding debt.

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

As shown, some 72% of the debt incurred by the City is for the provision of basic utilities, e.g., electricity, water, and wastewater. The City operates a municipally owned electric system, including power generation as well as transmission and distribution. In many communities, these services are provided through private investor-owned utility companies. In those communities, the debt used to finance electric utilities would appear in the financial statements of the private corporations, not those of the city or town. Because the City of Lakeland owns and operates the electric utility, it incurs a much larger amount of debt than most other cities of comparable size.

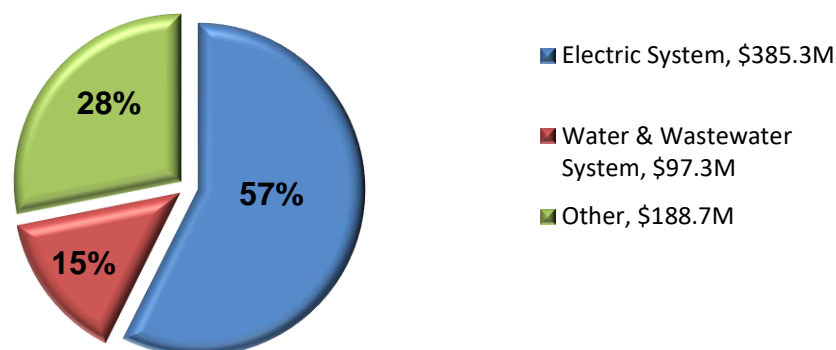


Figure C-11: Outstanding Debt by Use
Fiscal Year 2021 Annual Budget

Debt Management Overview

Types of Debt

The City's long-term debt consists primarily of revenue debt. Revenue debt is issued under trust indentures that specify the security for and specific source of repayment for the debt. City debt is issued in one of two forms, bonds or loans. Bonds are formal borrowings issued publicly through Wall Street to investors. The City's loans consist of certain bank loans which are negotiated directly with lenders and monies borrowed through the State Revolving Loan program. As of September 30, 2020, the City had \$466.7 million of bonds outstanding (67%) along with \$204.7 million of loans or leases (33%).

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

In contrast, general obligation debt entails a promise of the "full faith and credit" of a governmental entity and a requirement to repay any such debt from all available revenues, including the use of the entity's taxing power. In Florida, local general obligation debt requires voter approval through a referendum. Florida Statute does not provide any limits on the amount of general obligation debt a city may issue. The City's Charter does provide for a limit on the issuance of general obligation debt equal to 17% of the assessed value of the taxable real estate in the City. For FY 2020, that limit would have been approximately \$1.173 billion. However, the City has not had any general obligation debt outstanding since 1971.

City of Lakeland Revenue Bond Programs 9/30/2020				
Type	Source of Repayment	Amount Outstanding	Outstanding Through	Interest Rate [b]
Energy System [a]	Rates, fees, charges and other operating revenues of the electric system – primarily payments from electricity customers	\$364.9M	2037	2.00% to 5.25%
Water and Wastewater System	Rates, fees, charges (including impact fees) and other operating revenues of the electric system – primarily payments from water and wastewater users	90.1 [c]	2041	0.00% to 5.00%
Capital Improvement	Non-ad valorem revenues from any source legally available (not including ad valorem taxes on real and personal property), subject to availability and appropriation	211.7M [d]	2040	1.75% to 6.03%
[a] Includes \$97.0 million of variable rate debt in the form of bank loan. [b] Coupon rates; effective yields differ due to original issue price and/or federal subsidies. [c] Includes \$8.1 million bank loan and \$50.1 million of State Revolving Fund loans issued under bond indenture [d] Includes \$137.9 million of bank loans				

Figure C-12: Revenue Bond Programs
Fiscal Year 2021 Annual Budget

Debt Management Overview

Debt Trends

Overall Debt: The City's outstanding debt has dropped, declining by 8% (\$62 million) since FY 2008. The most significant increase in the City's outstanding debt (\$144 million) occurred in FY 2001 when the City issued bonds to fund the conversion of one of the Electric Department's major generating assets. Similarly, the City issued \$60 million of new debt in FY 2008, which was used to fund environmental remediation improvements to the City's coal-fired electric generation plant. City debt peaked in FY 2008 at \$733 million.

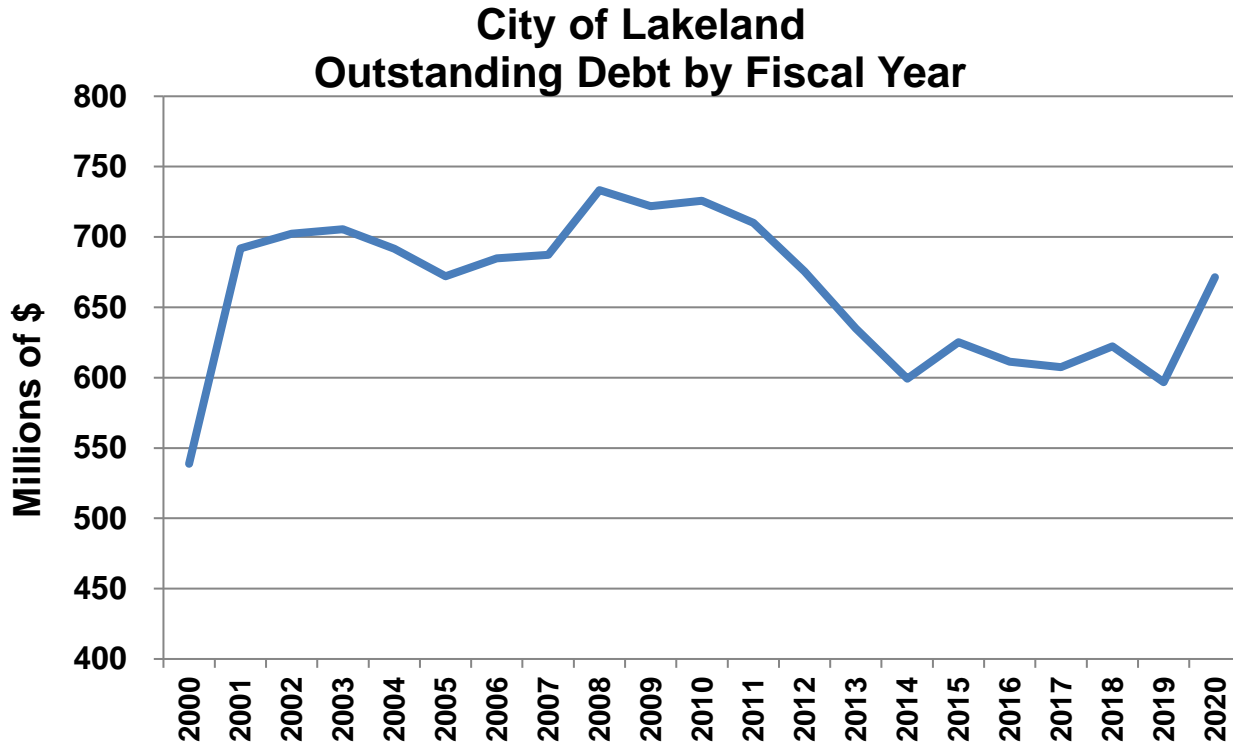


Figure C-13: Outstanding Debt by Fiscal Year

During FY 2020, overall debt increased by approximately \$62 million, primarily due to the issuance of \$81 million of Pension Liability Reduction Notes. During FY 2021, outstanding debt is expected to decrease by about \$35 million due to new issuance of some \$45 million less scheduled principal repayments of \$80 million.

Other Measures of Debt: Over the last decade, the Lakeland area has experienced substantial development and population growth. Although the dollar volume of debt outstanding is important, other normative measures, such as debt per capita (per person) and debt as a percentage of personal income, provide a more accurate gauge of an area's debt burden. Debt per capita measures debt against the size and growth of the population served. Debt as a percentage of personal income measures outstanding debt against an area's ability to pay for projects. As shown on the following page, Lakeland's debt per capita has declined by 29% since peaking in 2002, reaching an estimated \$5,824 per person in 2020. Debt as a percentage of the area's annual personal income declined by 54% over the same period, dropping to an estimated 14.6% as of 2020. Both measures experienced a significant increase during FY 2020 as the result of the City issuing Pension Liability Reduction Notes (See "Recent Debt Management Activities").

Debt Management Overview

Debt Trends (continued)

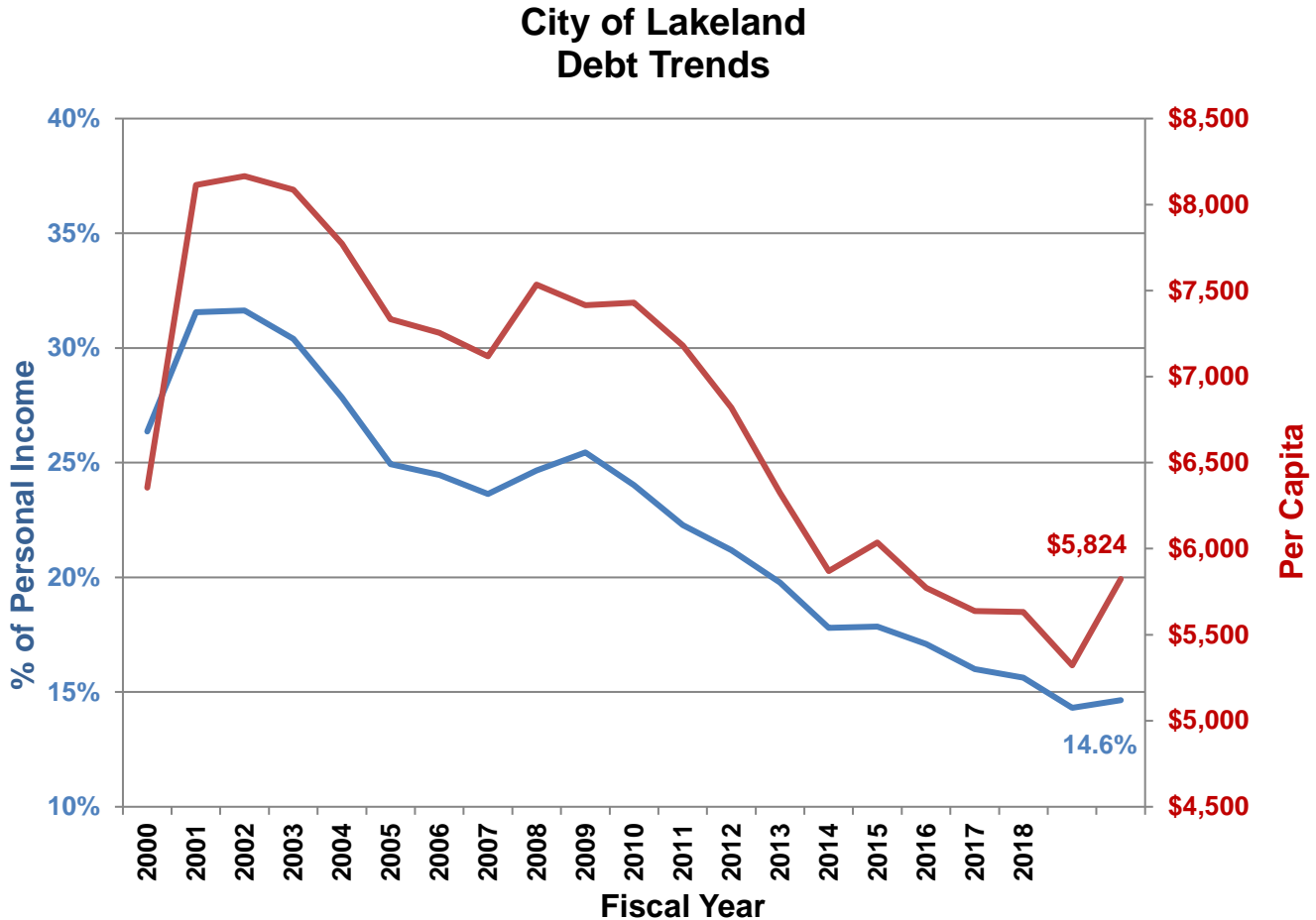


Figure C-14: Debt Trends Graph

As noted, most of the City’s debt has been incurred to finance electric system improvements. In other communities, these types of projects are financed through investor-owned utility companies. As such, any debt incurred to finance projects would not appear on that city’s books. Similarly, few communities have issued notes to reduce their unfunded pension liability. Instead they carry that obligation as a liability but not as formal debt. If Lakeland’s electric system debt and the City’s pension notes are excluded from the calculations, debt per capita would drop to \$1,779 and debt as a percentage of personal income would be about 4.5%.

Recent Debt Management Activities

During FY2020, the City executed three significant debt transactions.

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

Debt Management Overview

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

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

During FY2021, the City issued \$45.5 million of Capital Improvement Revenue and Refunding Bonds, in three series. The proceeds of the issuance were used to permanently finance a number of development and rehabilitation projects at the Lakeland Linder International Airport, as well as several other smaller projects in the City. The issue also refunded certain bonds and loans for savings.

Debt Service Requirements

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

City of Lakeland Debt Service Requirements (FY 2022 CAFR)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	70,997,590	21,556,540	92,554,130
2022	36,811,912	19,600,111	56,412,023
2023	36,641,841	18,217,997	54,859,838
2024	34,995,152	16,835,723	51,830,875
2025	35,885,287	15,434,983	51,320,270
2026-2030	183,082,029	56,130,480	239,212,509
2031-2035	168,333,475	25,789,554	194,123,029
2036-2040	97,190,530	3,879,550	101,070,080
2041-2045	3,324,392	32,919	3,357,311
	<u>667,262,208</u>	<u>177,477,857</u>	<u>884,740,065</u>

Figure C-15: Debt Service Requirements

Debt Management Overview

Ratings & Coverage

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

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

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

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

City of Lakeland Revenue Bond Ratings

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

Figure C-16: Revenue Bond Ratings