CITY OF LAKELAND, FLORIDA
ANNUAL REPORT
TO BONDHOLDERS

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017

Annual Report to Bondholders

of the

City of Lakeland, Florida

for the

Fiscal Year Ended September 30th, 2017

Michael C. Brossart, CPA
Finance Director

Deidra M. Joseph
Assistant Finance Director

Jeffrey S. Stearns
Treasurer

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City of Lakeland

Elected Officials

(as of September 30, 2017)

R. Howard Wiggs
Mayor

Jim Malless
Commissioner

Edie Yates
Mayor Pro Tem – Commissioner

Bill Read
Commissioner

Don Selvage
Commissioner

Justin Troller
Commissioner

Phillip Walker
Commissioner

City Administration

Tony Delgado
City Manager

Brad Johnson
Deputy City Manager

Shawn Sherrouse
Assistant City Manager

Michael Brossart
Finance Director

Tim McCausland
City Attorney

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MAYOR'S LETTER

April 30, 2018

On behalf of the members of the City Commission, I am pleased to present the 2017 Annual Report to Bondholders. This report provides information to you, the investor, relating to the City's finances and outstanding bond indebtedness. We, in the City of Lakeland, are proud of our accomplishments during the last year. It is our goal to continue to provide a high level of service to our community at a fair price.

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

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

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

Sincerely,

H. William Mutz
Mayor

PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The Annual Report to Bondholders has been prepared by the City of Lakeland, Florida to provide information concerning the City, its financial operations, and its indebtedness.

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

The City of Lakeland has covenanted for the benefit of bondholders to provide certain financial information and operating data relating to the City each year, and to provide notices of the occurrence of certain enumerated material events. The City has agreed to file annual financial information, operating data, and the audited financial statements with each NRMSIR approved by the SEC and any State Information Depository (SID) that is established in the state. Currently, there are no SIDs. The City has agreed to file notices of certain enumerated material events when and if they occur with the NRMSIRs or the Municipal Securities Rulemaking Board and the SIDs if any. In conjunction with the continuing disclosure requirement, the City entered an agreement with Digital Assurance Certification, LLC (DAC) in October 2002, providing for DAC to act as a dissemination agent for the City.

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INTRODUCTION

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

Included in the Annual Report to Bondholders is background information about the City and its services, key staff, and demographics. Financial information related to revenues that have been pledged to support debt service requirements on outstanding bonds is also included. Additionally, the Annual Report to Bondholders includes detailed information about each bond issue for which the City has a legal obligation. All the information is presented as of the fiscal year ended September 30, 2017 unless otherwise stated.

The City is also filing separately its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2017. The CAFR is transmitted as a separate document to preserve the conciseness of the Annual Report to Bondholders and to make pertinent financial information available that may be of interest to the reader. The Annual Report to Bondholders is a supplementary document and should be reviewed in conjunction with, and not in lieu of the CAFR to gain an understanding of the financial condition of the City.

The Annual Report to Bondholders together with the CAFR represent a complete picture of the City's finances. Anyone requesting financial information about the City will be referred to these documents. Copies of the Annual Report to Bondholders are being furnishing to current or potential bondholders upon request, rating agencies, insurers of municipal debt, and NRMSIRs. Anyone interested in receiving this report should make a request in writing to the address provided below. If it is determined that any future requested information is not included in this document or the CAFR, but should be disclosed to the "market" a response will be provided through a filing with the NRMSIRs and the requestor will be notified accordingly.

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

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

To the extent that certain portions of the Annual Report to Bondholders constitutes summaries of documents, reports, resolutions, or other agreements relating to the operations or outstanding debt of the City, this report is qualified by reference to each such document. Copies of which may be obtained from the Finance Director. The Annual Report to Bondholders contains certain capitalized terms that are not defined within this report. Such terms are defined in the ordinances or resolutions of the City authorizing the issuance of the respective bonds.

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GENERAL & STATISTICAL INFORMATION

The City of Lakeland was incorporated in 1885 as a political subdivision of the State of Florida. The City is operated using a commission-manager form of government. This system provides a centralized professional administration and a seven-member City Commission. The commissioners and mayor serve four-year terms of service with elections held in odd numbered years. The mayor is elected by popular vote and is recognized as the head of City government for all ceremonial occasions. Four commissioners are elected from single member districts. The remaining two members are elected at large. The commission appoints and the City employs a full-time manager as the chief executive and administrative officer of the City.

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

PRINCIPAL OFFICIALS

The legislative power of Lakeland is vested in a commission of seven members. The City Commission typically meets on the first and third Monday of each month in the commission chambers on the 3rd floor of City Hall at 228 South Massachusetts Avenue. The following table lists the elected officials and their service history with the City of Lakeland as of September 30, 2017.

District	Elected Official	Term Inception	Term Expiration
At large – Mayor	R. Howard Wiggs	January 1993	December 2017
Northwest District	Phillip Walker	January 2010	December 2019
Northeast District	Bill Read	January 2016	December 2019
Southwest District	Don Selvage	January 2010	December 2017
Southeast District	Edie Yates	January 2006	December 2017
At large – Commissioner	Jim Malless	January 2014	December 2017
At large – Commissioner	Justin Troller	January 2008	December 2019

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SENIOR MANAGEMENT

CITY

Anthony J. Delgado – City Manager

Tony accepted the role of City Manager on January 4, 2016. He began work with the City of Lakeland in January 1997 as Assistant Director for The Lakeland Center and later became the Assistant City Manager in November 2000. He has a Bachelor of Science degree in Parks & Community/Commercial Recreation from Southern Illinois University.

Tony is active in numerous community service boards throughout Lakeland. He currently serves the community as a board member for Lakeland Vision, Polk Vision and The Polk Museum of Art and in the past sat on the boards of the Central Florida Speech and Hearing Center, United Way, VISTE and the InnerAct Alliance.

Tony is a Certified Public Manager from Florida State University. He is a graduate of Leadership Lakeland XVIII and Leadership Polk Class II, and has been the Chairman of Leadership Lakeland Class XXIV and Chairman of Leadership Polk Class VII.

Brad Johnson – Deputy City Manager

On March 28, 2016 Brad was appointed as the Deputy City Manager. Brad began work for the City of Lakeland as the Assistant City Manager in March 2012. Prior to this he served in various governmental roles with the City of Palm Bay, FL, most recently as the Budget Administrator. In addition, he has held leadership positions with the City of Holly Hill, FL.

Brad is a graduate of the Harry S. Truman School of Public Affairs at the University of Missouri where he received his Masters of Public Administration with a focus in public management. Additionally, he received his Bachelor of Science degree from the University of Maryland and is a graduate of the American Public Works Association's Emerging Leaders Academy. Brad serves on the Board of Directors for the United Way of Central Florida and the Achievement Academy. Additionally, he is a graduate of Leadership Lakeland Class XXXI and Leadership Polk Class X.

Shawn Sherrouse – Assistant City Manager

On September 12, 2016, Shawn became the Assistant City Manager for the City of Lakeland. Previously, Shawn was the Assistant City Manager for the City of Auburndale for 4 years and served as their Community Development Director for 6 years.

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

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

Shawn is a resident of Lakeland and is a graduate of Leadership Polk Class IV. He is also a member of the Florida City/County Management Association (FCCMA) and the International City/County Management Association (ICMA).

Michael C. Brossart – Finance Director

Mike Brossart started with the City in 1996. He was appointed Assistant Finance Director in 2003 and Finance Director in 2013. Mike is a Certified Public Accountant (CPA) and holds Bachelor of Science degrees in both Accounting and Marketing from Florida Southern College. Mike is a member of the Government Finance Officers' Association (GFOA) and a Certified Public Manager (CPM).

Deidra Joseph – Assistant Finance Director

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

ELECTRIC UTILITIES

Joel Ivy – General Manager, Electric Utilities

Joel Ivy assumed the General Manager's position with Lakeland Electric on July 30, 2012. Prior to joining Lakeland Electric, Mr. Ivy oversaw the Energy Department for Imperial Irrigation District, a vertically integrated public utility located in El Centro, California. Mr. Ivy has over 30 years of experience in the power industry that includes climbing utility poles to managing multi-hundred million dollar operations with start-ups, investor owned and public power utilities. Mr. Ivy holds a Bachelor's degree in electrical engineering from the University of Texas.

Mike Beckham – Assistant General Manager, Production

Michael (Mike) Beckham is responsible for the operation and maintenance of Lakeland Electric's power generating facilities. Prior to working for Lakeland Electric, Beckham worked at First Energy in Ohio where he served as Plant Manager. He also held the position of Director of Consolidated Coal Plants for First Energy where he was responsible for the business aspects of over 2000 Megawatts of coal generation. Beckham holds a Bachelor of Science degree in Electrical Engineering from Georgia Institute of Technology and is a Registered Professional Engineer**.**

David Kus – Assistant General Manager, Customer Service

David Kus is responsible for Customer Contact, Phone Center, Field Services, Products Management, and Revenue Management. Kus came to the City from Chelsea, MI and has over 30 years of experience leading Customer Service Operations in both investor-owned and municipal utilities. He started as a meter reader and worked his way up through leadership positions in meter reading, field services, credit and collections, call centers, billing remittance, payment offices, and project management. Kus holds a bachelor's degree from the University of Michigan and attended the University of Detroit Law School.

Joey Curry – Assistant General Manager, Energy Delivery

Joey Curry is the Assistant General Manager responsible for Energy Delivery. He has worked at Lakeland Electric in Energy Delivery for his entire 30-year career. He began in the Line Department and has worked his way through several areas within the Delivery division, including Lineman, Troubleman, System Operator, and Supervisor. His role previous to his appointment as Assistant General Manager, was that of Manager of System Control. This role taught him about the demands of real time operations. He also gained invaluable insight into the challenges that front-line employees face daily.

Joey has maintained industry certifications, including Electric System Operator, North American Electric Reliability Corporation (NERC) Certified Trainer, and Continuing Education Review Panel (CERP) CEH Auditor. He holds a degree in Electric Transmission System Technology from Bismarck State College and is presently working on an advanced degree in Energy Management.

Gina Jacobi – Assistant General Manager, Fiscal Operations

Gina Jacobi has more than thirty years of professional experience in finance, twenty of which were in the utility and energy sectors. Prior to joining Lakeland Electric, she spent eight years at PNM Resources, an investor-owned utility with 745,000 customers, where she last served as Director of Investor Relations. Her experience also includes her tenure as Director of Finance for TNP Enterprises, a utility holding company in Texas. She was also a Director of Financial Planning and Analysis for Union Pacific Corporation, a Fortune 500 company. Jacobi holds a Master's in Business Administration from Northwestern University and a Bachelor's degree in Management from Rice University.

WATER/WASTEWATER UTILITIES

Robert Conner – Director of Water Utilities

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

PUBLIC WORKS DEPARTMENT

Christopher (Heath) Frederick – Public Works Director

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

ECONOMIC CONDITION AND OUTLOOK FOR POLK COUNTY

The City of Lakeland is in Polk County Florida at the geographical center of the Sunshine State along the I-4 corridor between the major cities of Tampa and Orlando. Lakeland is the largest city in Polk County with an estimated population of 104,185 as of April 1, 2017[1] and covers an area of approximately 75 square miles.

The City of Lakeland continues to be the wholesale and retail trade center for the surrounding area which is supported by primarily by Trade 17.5% (Retail 12.8% & Wholesale 4.7%), Education and Health Services 14.7%, Professional and Business Services 13.7%, Government 13.2%, Leisure and Hospitality services 10.9%, and manufacturing 7.7%[2].

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

POPULATION

The population continues to grow in Polk County with an estimated population of 661,645 as of April 2017 – a 14,656 increase from the 646,989 estimated in April 2016 and an increase of 59,550 from the April 1, 2010 census[4].

EMPLOYMENT

Employment data continues to show increases in total labor force and employment with unemployment and unemployment rates decreasing in 2017. In December 2017, the total civilian workforce was 292,941 with 281,011 employed, 11,930 unemployed, and an unemployment rate of 4.1%; for comparison purposes, as of December 2016 the total civilian workforce was 287,843 with 272,302 employed, 15,541 unemployed, and an unemployment rate of 5.4%[5].

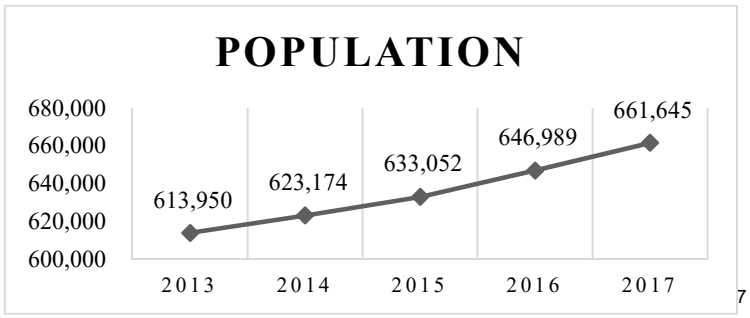
HOUSING STARTS

There were 2,162 single-residential building permits issued in Polk County during fiscal year 2017. This represents an increase of 26% compared to the 1,722 such permits issued in fiscal year 2016[6].

[1] https://www.bebr.ufl.edu/sites/default/files/Research%20Reports/estimates_2017.pdf
[2] http://www.lakelandedc.com/wp-content/uploads/2017/05/Demo-Guide-2017.pdf
[3] http://www.lakelandedc.com/wp-content/uploads/2017/01/Major-Employers-Jan-2017.pdf
[4] https://www.bebr.ufl.edu/sites/default/files/Research%20Reports/estimates_2017.pdf
[5] https://www.bls.gov/eag/eag.fl_lakeland_msa.htm
[6] http://www.polkcountyclerk.net/CAFR-PAFR/

POLK COUNTY STATISTICAL AREA ECONOMIC TRENDS

	2013	2014	2015	2016	2017
Population[7]	613,950	623,174	633,052	646,989	661,645
Population Change	7,062	9,224	9,878	13,937	14,656
Employment[8]	256,827	259,773	265,688	269,866	281,011
Employment Change	4,225	2,946	5,915	4,178	11,145
Unemployment[8]	19,744	17,788	15,167	15,409	11,930
Unemployment Change	(4,773)	(1,956)	(2,621)	242	(3,479)
Unemployment Rate[8]	7.1%	6.4%	5.4%	5.4%	4.1%
Unemployment Rate Change	-1.7%	-0.7%	-1.0%	0.0%	-1.3%
Total Housing Starts[9]	1,105	1,317	1,524	1,722	2,162



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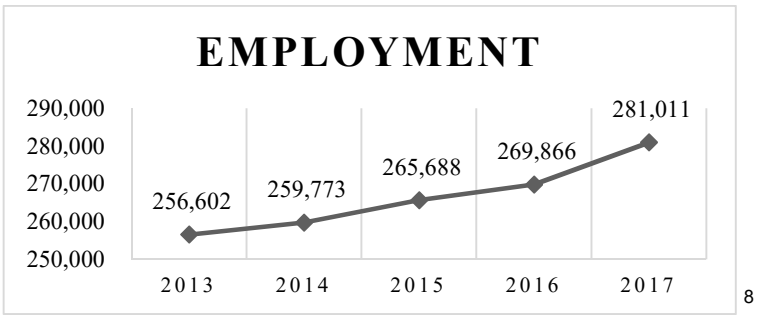

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[7] https://www.bebr.ufl.edu/sites/default/files/Research%20Reports/estimates_2017.pdf
[8] https://data.bls.gov/timeseries
[9] http://www.polkcountyclerk.net/CAFR-PAFR/

EDUCATION

Public schools are administered by the School Board of Polk County. The school district is the eighth largest in Florida and thirtieth largest in the United States and includes more than 150 schools that educate over 100,000 students[10]. Within the district are 66 elementary schools, 4 elementary/middle schools, 10 elementary/middle/high schools, 21 middle schools, 4 middle/high schools, 16 high schools, 10 conversion charter schools, 17 charter schools, 2 head start centers, 3 career centers, 2 adult schools, 5 alternative education schools, 3 department of juvenile justice centers, 2 private department of juvenile justice centers, an adult jail center, and 2 residential programs[11].

There are five colleges and universities based in Polk County. Polk State College is a public institution with an enrollment of over 20,000 students attending campuses in Winter Haven, Lakeland, Bartow, and Lake Wales[12]. Southeastern University is a private institution located in Lakeland with an enrollment of just over 7,000 students[13]. Florida Southern College is another private institution located in Lakeland with just over 2,800 students enrolled[14]. Florida Polytechnic University is a public university located in Lakeland with an enrollment of just over 1,200 students[15]. Warner University is a private institution located in Lake Wales with an enrollment of just over 1,100 students[16].

Lakeland Regional Health (LRH) is a private not-for-profit health care system and is the fifth largest hospital in Florida[17]. Its assets are owned by the City of Lakeland and operated by LRH through a lease agreement. LRH became affiliated with Orlando Health in October 2017 in part to foster the development of an academic graduate medical education program at LRH[18]. Once developed, LRH will become one of the largest teaching hospitals in Florida.

TRANSPORTATION

Public transit in Polk County is provided by the Lakeland Area Mass Transit District operating under the name Citrus Connection[19]. Key transportation facilities in Polk County include Strategic Intermodal System (SIS) Corridors that serve as the primary means for moving people and freight through Florida to other states and regions[20]. Interstate Highway 4 (I-4), Polk County Parkway, other Federal and State primary highways, and the CSX Central Florida Intermodal Logistics Center are all considered primary SIS facilities with Lakeland Linder Regional Airport continuing to see an increased role[21].

[10] http://www.polk-fl.net/districtinfo/default.htm
[11] http://www.polk-fl.net/schools/documents/2017-2018SchoolType.pdf
[12] https://www.polk.edu/about/
[13] http://www.theledger.com/news/20170829/southeastern-breaks-enrollment-records-again
[14] http://www.flsouthern.edu/about.aspx
[15] https://floridapolytechnic.org/florida-polytechnic-university-fact-sheet/
[16] http://warner.edu/wp-content/uploads/2017/02/JUST-THE-FACTSfinalRev.pdf
[17] https://mylrh.org/fast-facts/
[18] https://mylrh.org/news/lrhtojoinorlandohealth/
[19] http://www.ridecitrus.com/about-us/
[20] http://freightmovesflorida.com
[21] http://freightmovesflorida.com

STATISTICAL DATA

GENERAL FUND – REVENUES AND OTHER FINANCING SOURCES

Fiscal Year	Taxes	Licenses & Permits	Inter-Governmental	Charges for Service	Fines & Forfeits	Misc.	Other Financing Sources	Total
2017	$44,244,717	$3,886,903	$11,632,815	$5,752,946	$ 244,708	$3,129,211	$41,670,003	$110,561,303
2016	42,424,066	4,289,098	11,289,776	4,247,190	2,525,373	2,800,108	40,006,635	107,582,246
2015	36,061,177	3,962,233	10,713,905	4,373,111	1,718,661	1,896,595	39,465,483	98,191,165
2014	34,712,809	3,563,220	10,382,342	3,993,673	1,859,682	3,204,992	34,887,171	92,603,889
2013	33,931,698	3,146,388	9,878,305	4,018,057	1,303,805	1,213,097	33,981,060	87,472,410
2012	32,993,511	2,809,143	9,531,871	3,781,446	1,350,597	2,993,292	34,246,552	87,706,412
2011	34,522,669	2,820,389	8,901,436	3,617,805	1,771,411	2,905,511	34,680,146	89,219,367
2010	34,832,408	2,837,757	8,950,662	3,423,517	3,357,338	3,359,734	35,678,442	92,439,858
2009	35,157,710	2,561,889	8,527,834	3,684,745	1,638,939	2,898,665	34,034,322	88,504,104
2008	33,875,629	3,300,692	9,709,731	3,982,580	963,902	1,660,613	32,685,093	86,178,240

SCHEDULE OF PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS[22]

Mills ($1 per $1,000 valuation)

	City of Lakeland				Other				
Fiscal Year	Municipal	Lakeland Area Mass Transit District	Lakeland Downtown Development District	Total	Polk County	Southwest Florida Water Management District	Polk County School Board	Peace River Water Basin	Total Direct Overlapping Rates
2017	5.5644	0.5000	2.0000	8.0644	6.7815	0.3131	6.5140		21.6730
2016	5.5644	0.5000	2.0000	8.0644	6.7815	0.3490	7.1490		22.3439
2015	4.6644	0.5000	2.0000	7.1644	6.8670	0.3660	7.2080		21.6054
2014	4.6644	0.5000	2.0000	7.1644	6.8670	0.3820	7.5470		21.9604
2013	4.6644	0.5000	1.9950	7.1594	6.8670	0.3930	7.4920		21.9114
2012	4.1644	0.5000	2.0000	6.6644	6.8670	0.3930	7.6700		21.5944
2011	4.1644	0.5000	1.8740	6.5384	6.8670	0.3770	7.7920	0.1830	21.7574
2010	3.6538	0.5000	1.8740	6.0278	6.8670	0.3870	7.5860	0.1830	21.0508
2009	3.4031	0.5000	1.8740	5.7771	6.8670	0.3870	7.6340	0.1830	20.8481
2008	3.2296	0.4880	1.9370	5.6546	6.8670	0.3870	7.5120	0.1830	20.6036

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[22] http://www.polkpa.org/Downloads/Files/finalmillage.pdf

SOCIOECONOMIC DATA[23]

Employer	Type of Business	2017 Employees	2017 Rank	2017 Percentage	2008 Employees	2008 Rank	2008 Percentage
Publix Supermarkets, Inc.	grocery/distribution	8,200	1	32.3%	8,063	1	35.6%
Lakeland Regional Health	healthcare	5,500	2	21.7%	4,540	2	20.1%
GEICO	insurance	2,800	3	11.0%	1,850	4	8.2%
City of Lakeland	government	2,600	4	10.3%	2,600	3	11.4%
Watson Clinic	healthcare	1,600	5	6.3%	1,500	5	6.6%
Sykes	call center	1,150	6	4.5%			
GC Services	call center	1,000	7	3.9%	1,000	6	4.4%
Amazon	retail	900	8	3.6%			
Rooms to Go	furniture	900	8	3.6%	900	7	4.0%
Styker	medical device	700	10	2.8%			
Saddle Creek Logistics	trucking & logistics				680	9	3.0%
FedEx	trucking & logistics				850	8	3.8%
Summitt Consulting	insurance				654	10	2.9%
	Total	25,350		100.0%	22,637		100.0%

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[23] http://www.lakelandedc.com/wp-content/uploads/2017/01/Major-Employers-Jan-2017.pdf

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FINANCIAL INFORMATION

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

CONTROLS

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

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

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

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

MILLAGE

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

	2013	2014	2015	2016	2017
Millage rate	4.6644	4.6644	4.6644	5.5644	5.5644
Gross taxable property	6,397,512,828	6,736,031,708	7,237,817,467	7,827,881,295	8,326,608,377
Less tax exempt real property	2,135,322,232	2,318,246,201	2,529,644,082	2,742,795,786	2,869,022,296
Total taxable assessed value	4,262,190,596	4,417,785,507	4,708,173,385	5,085,085,509	5,457,586,081

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

UNDERLYING BASIS OF ACCOUNTING

The Governmental Accounting Standards Board (GASB) is the independent, private-sector organization based in Norwalk, Connecticut, that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP)[24].

The GASB standards are recognized as authoritative by state and local governments, state Boards of Accountancy, and the American Institute of CPAs (AICPA). The GASB develops and issues accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to taxpayers, public officials, investors, and others who use financial reports[25].

The GASB does not have enforcement authority to require governments to comply with its standards[25]. However, compliance with the GASB's standards is enforced through the audit process, when auditors render opinions on the fairness of presentations in conformity with GAAP, and through the laws of individual states, many of which require local governments to prepare GAAP basis financial statements[26]. In addition, the municipal bond industry prefers that governments issuing debt prepare their financial statements on a GAAP basis[26].

The City's financial statements are prepared in accordance with GAAP as prescribed by the GASB and are audited by an independent external audit firm. In June 1999, the GASB issued Statement 34 – *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* which established financial reporting standards for state and local governments[26]. The City implemented the standards established by GASB 34 in the fiscal year ended September 30, 2002 and the basic financial statements now consist of the following sections:

- **Management's discussion and analysis (MD&A)** – MD&A is presented prior to, and introduces the basic financial statements to provide an analytical overview of the City's financial activities[27].
- **Basic financial statements** that include the following:
  - ***Government-wide financial statements*** – consists of a statement of net position and a statement of activities prepared using the economic resources measurement focus and the accrual basis of accounting to report all assets, liabilities, revenues, expenses, and gains and losses[27]. Each statement also distinguishes between the governmental and business-type activities of the City and its one discretely presented component unit by reporting each in separate columns[27]. Fiduciary activities, whose resources are not available to finance City programs are excluded from the government-wide financial statements[26].
  - ***Fund financial statements*** – consist of a series of statements that focus on information about the City's major governmental and enterprise funds, including its blended component unit[27]. Fund financial statements also report information about the City's fiduciary funds and component units that are fiduciary in nature[27].

[24] http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176168081485
[25] http://www.gasb.org/jsp/GASB/Document_C/GASBDocumentPage&cid=1176156714895
[26] http://www.gasb.org/jsp/GASB/Document_C/GASBDocumentPage?cid=1176160029121

Governmental fund financial statements (general fund, special revenue, capital projects, debt service, and permanent) are prepared using the current financial resources measurement focus and the modified accrual basis of accounting[27]. Proprietary (enterprise and internal service) and fiduciary (pension plan) fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting[27].

- ***Notes to the financial statements*** – consist of notes that provide information essential to a user's understanding of the basic financial statements[27].

- **Required supplementary information (RSI) –** In addition to MD&A, GASB 34 requires budgetary comparison schedules to be presented as RSI along with other types of data as required by previous GASB pronouncements[28].

Government-wide and fund financial statements categorize activities as governmental or business-type based on their nature and funding practices. The City's planning and zoning, police and fire protection, parks and recreation, public works, and general governmental functions are classified as governmental activities as the full cost of providing those services is not readily passed to users. The electric, water, wastewater, solid waste, sanitation, parking, airport, golf course, and civic center are classified as business- type activities because they assess user fees intended to satisfy most, if not all, annual operating costs.

The City's Comprehensive Annual Financial Report (CAFR) is published separately. The financial information contained within the CAFR is comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. A summation of the more significant information contained within the CAFR appear on the following pages.

MANAGEMENT'S DISCUSSION & ANALYSIS

The MD&A provides an objective and easily readable analysis of the City's financial activities based on currently known facts, decisions, or conditions and includes comparisons of the current year to the prior year based on government-wide information[28]. It provides an analysis of the City's overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated because of the year's activities. It provides an analysis of significant changes that have occurred in funds and significant budget variances. Capital asset and long-term debt activity that occurred during the year is also described. The MD&A concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on the City's financial position or results of operations.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE STATEMENTS

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

[27] http://www.gasb.org/jsp/GASB/Document_C/GASBDocumentPage?cid=1176160029121

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

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

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

A condensed statement of net position and statement of activities for the City of Lakeland’s fiscal year ended September 30, 2017 are presented in the following table.

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CITY OF LAKELAND, FLORIDA
CONDENSED STATEMENT OF NET POSITION (in thousands)
September 30, 2017

	Primary Government		
	Governmental	Business-type Activities	Total
ASSETS			
Current assets	$ 90,674	$ 250,078	$ 340,752
Asset apportionments	8,961	166,930	175,891
Restricted assets	38,513	40,919	79,432
Capital assets	301,640	1,117,381	1,419,021
Other noncurrent assets	-	1,204	1,204
Total assets	439,788	1,576,512	2,016,300
DEFFERED OUTFLOWS OF RESOURCES			
Deffered ouflows of resources related to pensions	30,800	23,156	53,956
Decrease in fair value of interest rate swaps	-	26,073	26,073
Unamortized loss(gain) on refunding	32	33,620	33,652
Total deferred outflows of resources	30,832	82,849	113,681
LIABILITIES			
Current liabilities	16,148	90,285	106,433
Liabilities payble from apportioned assets	-	13,951	13,951
Restricted liabilities	-	18,393	18,393
Deferred credits	-	31,661	31,661
Accrued liabilities, less current portion	122,754	132,727	255,481
Long term debt payable, less current portion	55,165	553,573	608,738
Total liabilities	194,067	840,590	1,034,657
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	3,025	1,066	4,091
Over-recovery of fuel	-	18,001	18,001
Gain on hedges	-	929	929
Unearned revenue	22	26	48
Contributions in aid of construction	-	44,980	44,980
Total deferred inflows of resources	3,047	65,002	68,049
NET POSITION			
Net investment in capital assets	239,980	580,366	820,346
Restricted	38,513	22,527	61,040
Unrestricted	(4,986)	150,878	145,892
Total net position	$ 273,507	$ 753,771	$ 1,027,278

CITY OF LAKELAND, FLORIDA
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue(Expense) and Changes in Net Position: Primary Government: Governmental Activities	Net Revenue(Expense) and Changes in Net Position: Primary Government: Business-type Activities	Net Revenue(Expense) and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities							
General government	$ 15,803,840	$ 1,888,223	$ 28,352	$ -	$ (13,887,265)	$ -	$ (13,887,265)
Public safety	67,759,386	6,778,946	2,435,393	-	(58,545,047)	-	(58,545,047)
Physical environment	10,026,332	5,869,182	-	-	(4,157,150)	-	(4,157,150)
Transportation	17,587,164	1,543,805	391,146	2,655,784	(12,996,429)	-	(12,996,429)
Economic environment	5,379,589	-	1,510,823	-	(3,868,766)	-	(3,868,766)
Human services	201,972	-	-	-	(201,972)	-	(201,972)
Culture/recreation	30,923,273	4,190,440	1,436,476	4,886,643	(20,409,714)	-	(20,409,714)
Interest on long-term debt	2,501,490	-	-	-	(2,501,490)	-	(2,501,490)
Total governmental activities	150,183,046	20,270,596	5,802,190	7,542,427	(116,567,833)	-	(116,567,833)
Business-type activities:							
Electric	273,135,947	303,483,541	-	-	-	30,347,594	30,347,594
Water and Wastew ater	47,965,952	61,939,546	-	5,013,606	-	18,987,200	18,987,200
Parking	1,424,789	800,453	-	-	-	(624,336)	(624,336)
RP Funding Center	9,924,255	5,097,975	143,924	-	-	(4,682,356)	(4,682,356)
Lakeland Linder Regional Airport	9,049,549	5,194,038	37,200	14,329,934	-	10,511,623	10,511,623
Solid Waste	13,598,326	15,940,869	-	-	-	2,342,543	2,342,543
Cleveland Heights Golf Course	20,181	-	-	-	-	(20,181)	(20,181)
Total business-type activities	355,118,999	392,456,422	181,124	19,343,540	-	56,862,087	56,862,087
Total primary government	$ 505,302,045	$ 412,727,018	$ 5,983,314	$ 26,885,967	$ (116,567,833)	$ 56,862,087	$ (59,705,746)
General revenues:							
Property taxes					33,362,591	-	33,362,591
Franchise taxes					234,659	-	234,659
Motor fuel taxes					5,584,212	-	5,584,212
Utility taxes					14,735,018	-	14,735,018
Tourism taxes					-	1,379,040	1,379,040
State shared revenues (unrestricted)					9,387,340	-	9,387,340
Payments from Lakeland Regional Health					13,619,256	-	13,619,256
Investment earnings					4,757,400	8,013,419	12,770,819
Miscellaneous					9,390,690	1,342,832	10,733,522
Transfers from(to) other funds					38,477,203	(38,477,203)	-
Total general revenues and transfers					129,548,369	(27,741,912)	101,806,457
Change in net position					12,980,536	29,120,175	42,100,711
Net position, beginning of year					260,526,726	724,649,823	985,176,549
Net position, end of year					$ 273,507,262	$ 753,769,998	$ 1,027,277,260

FUND FINANCIAL STATEMENTS

The fund financial statements report information in greater detail focusing on separate reporting for individual major funds, unlike the government-wide financial statements that consolidate financial data broadly into either governmental or business-type activities. Funds that are considered non-major are aggregated into a single column.

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

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

GOVERNMENTAL FUNDS

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

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

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

Condensed Governmental Funds financial statements for the fiscal year ended September 30, 2017 are presented in the following tables.

CITY OF LAKELAND, FLORIDA
CONDENSED BALANCE SHEET
GOVERNMENT FUNDS
SEPTEMBER 30, 2017

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS	$ 56,576,893	$ 21,033,015	$ 40,761,870	$ 118,371,778
LIABILITIES, DEFERRED INLFOWS OF RESOURCES, AND FUND BALANCES				
Liabilities	6,981,612	558,176	2,152,622	9,692,410
Deferred inflow s of resources	24,073,733	-	973,416	25,047,149
Fund Balances				
Nonspendible	10,966	-	4,924,480	4,935,446
Restricted	1,618,870	1,932,441	29,038,985	32,590,296
Committed	-	3,909,623	3,696,602	7,606,225
Assigned	8,227,224	14,632,775	-	22,859,999
Unassigned	15,664,488	-	(24,235)	15,640,253
Total fund balances	25,521,548	20,474,839	37,635,832	83,632,219
Total liabilities, deferred inflow s of resources, and fund balances	$ 56,576,893	$ 21,033,015	$ 40,761,870	$ 118,371,778

CITY OF LAKELAND, FLORIDA
CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 44,244,717	$ -	$ 9,671,763	$ 53,916,480
Licenses and permits	3,886,903	-	-	3,886,903
Intergovernmental	11,632,815	2,437,201	4,120,556	18,190,572
Charges for services	5,752,946	494,509	7,677,532	13,924,987
Fines and forfeits	2,444,708	-	13,998	2,458,706
Miscellaneous	3,129,211	20,199,649	6,423,349	29,752,209
Total revenues	71,091,300	23,131,359	27,907,198	122,129,857
EXPENDITURES				
Current	110,136,304	2,772,589	11,031,143	123,940,036
Capital outlay	940,681	25,900,287	7,767,568	34,608,536
Debt service	597,897	8,585,440	5,485,557	14,668,894
Total expenditures	111,674,882	37,258,316	24,284,268	173,217,466
Excess(deficiency) of revenues over(under) expenditures	(40,583,582)	(14,126,957)	3,622,930	(51,087,609)
OTHER FINANCING SOURCES(USES)				
Issuance of long-term debt	800,556	2,250,000	252,000	3,302,556
Transfers from other funds	46,313,970	2,159,040	934,303	49,407,313
Transfers to other funds	(5,444,523)	(5,875,000)	(2,073,900)	(13,393,423)
Total other financing sources(uses)	41,670,003	(1,465,960)	(887,597)	39,316,446
Net change in fund balances	1,086,421	(15,592,917)	2,735,333	(11,771,163)
FUND BALANCE, beginning of year	24,435,127	36,067,756	34,900,499	95,403,382
FUND BALANCE, end of year	$ 25,521,548	$ 20,474,839	$ 37,635,832	$ 83,632,219

PROPRIETARY FUNDS

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

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

Condensed Proprietary Funds financial statements for the fiscal year ended September 30, 2017 are presented in the following tables.

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CITY OF LAKELAND, FLORIDA
CONDENSED STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Department of Electric Utilties	Water and Wastewater Utilties	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets	$ 167,326,003	$ 37,561,211	$ 15,794,554	$ 220,681,768	$ 54,511,603
Noncurrent assets:					
Asset apportionment	88,980,478	48,876,387	17,135,167	154,992,032	52,453,472
Restricted assets:				-	
Capital assets	649,739,711	290,300,626	134,909,369	1,074,949,706	42,431,419
Other noncurrent assets	1,202,916	-	1,445	1,204,361	18,804,882
Total assets	907,249,108	376,738,224	167,840,535	1,451,827,867	168,201,376
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	13,296,993	3,700,064	2,143,984	19,141,041	4,014,909
Unamortized loss(gain) on refunding	31,020,673	1,771,651	190,314	32,982,638	637,799
Hedge derivative outflows	26,073,175	-	-	26,073,175	-
Total deferred outflows of resources	70,390,841	5,471,715	2,334,298	78,196,854	4,652,708
LIABILITIES					
Current liabilities	56,990,484	9,981,525	9,606,173	76,578,182	18,592,533
Noncurrent liabilities					
Liabilities from apportioned assets	-	-	183,228	183,228	13,768,000
Restricted liabilities	15,314,251	2,673,399	404,993	18,392,643	-
Other noncurrent liabilities	501,936,298	106,850,380	54,873,478	663,660,156	73,106,374
Total liabilities	574,241,033	119,505,304	65,067,872	758,814,209	105,466,907
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources related to pensions	624,849	160,383	99,362	884,594	181,114
Over-recovery of fuel	18,001,167	-	-	18,001,167	-
Unearned revenue	-	-	25,769	25,769	-
Contributions in aid of construction	44,979,842	-	-	44,979,842	-
Unrealized gain on hedges	929,482	-	-	929,482	-
Total deferred inflows of resources	64,535,340	160,383	125,131	64,820,854	181,114
NET POSITION					
Net investment in capital assets	222,754,725	200,297,162	114,882,288	537,934,175	42,431,419
Restricted, capital improvement	5,318	11,904,061	10,617,406	22,526,785	-
Unrestricted	116,103,533	50,343,029	(20,517,864)	145,928,698	24,774,644
Total net assets	$ 338,863,576	$ 262,544,252	$ 104,981,830	$ 706,389,658	$ 67,206,063

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CITY OF LAKELAND, FLORIDA
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities				
	Enterprise Funds				
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	Internal Sevice Funds
OPERATING REVENUES					
Charges for services	$ 303,483,541	$ 61,939,546	$ 27,033,335	$ 392,456,422	$ 79,086,200
OPERATING EXPENSES					
Personal services	46,557,783	14,447,617	9,771,230	70,776,630	16,771,715
Other operating expenses	173,176,494	20,260,382	16,525,969	209,962,845	54,723,656
Depreciation	38,267,289	8,403,800	5,677,687	52,348,776	9,796,022
Total operating expenses	258,001,566	43,111,799	31,974,886	333,088,251	81,291,393
Operating income(loss)	45,481,975	18,827,747	(4,941,551)	59,368,171	(2,205,193)
NONOPERATING REVENUES(EXPENSES)					
Total nonoperating revenues(expenses)	(11,828,198)	(260,927)	668,052	(11,421,073)	2,661,922
Income(loss) before contributions and transfers	33,653,777	18,566,820	(4,273,499)	47,947,098	456,729
Capital grants and contributions	-	5,013,606	14,329,934	19,343,540	-
Transfers from other funds	1,231,000	593,000	4,571,410	6,395,410	2,196,510
Transfers to other funds	(29,678,818)	(8,631,879)	(5,444,094)	(43,754,791)	(3,819,445)
Total contributions and transfers	(28,447,818)	(3,025,273)	13,457,250	(18,015,841)	(1,622,935)
Change in net position	5,205,959	15,541,547	9,183,751	29,931,257	(1,166,206)
NET POSITION, beginning of year	333,657,617	247,002,705	95,798,079	676,458,401	68,372,269
NET POSITION, end of year	$ 338,863,576	$ 262,544,252	$ 104,981,830	$ 706,389,658	$ 67,206,063

FIDUCIARY FUNDS

Within the fund financial statements, fiduciary fund types are used to report assets that are held in trust or in an agency capacity by the City on behalf of designated beneficiaries. These consist of pension and other post-employment benefit funds maintained on behalf of retired City employees; and an agency fund use to accumulate impact fee revenues collected on behalf of Polk County, Florida. The same financial focus applied to proprietary funds types is applied to fiduciary funds. Fiduciary fund financial statements for the fiscal year ended September 30, 2017 are presented in the following table.

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CITY OF LAKELAND
CONDENSED STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	Pension and Other Employee Benefit Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	$ 9,148,522	$ 8,653,325
Investments	790,735,475	-
Prepaid expenses	2,356	-
Receivables	646,089	-
Contributions	1,312,803	
Due from other governmental units	726,182	
Total assets	802,571,427	8,653,325
LIABILITIES		
Accounts payable	630,311	-
Unsettled investment purchases	391,795	-
Due to other governmental units	-	8,653,325
Due to other funds	616,301	-
Total liabilities	1,638,407	$ 8,653,325
NET POSITION		
Net position restricted for DROP benefits	25,085,803	
Net position restricted for OPEB benefits	7,524,723	
Restricted for pension benefits and other purposes	768,322,494	
Total net position	$ 800,933,020	

CITY OF LAKELAND
CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Pension and Other Employee Benefit Trust Funds
ADDITIONS	
Contributions	39,180,289
Net investment income	90,914,321
Miscellaneous income	145,598
Total additions, net	130,240,208
DEDUCTIONS	
Benefits paid	62,577,540
Refunds, former plan members	1,152,530
Administrative expenses	431,902
Other	118,005
Transfers to other funds	614,077
Total deductions	64,894,054
Net increase(decrease) in restricted net position	65,346,154
NET POSITION, beginning of year	735,586,866
NET POSITION, end of year	$ 800,933,020

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide information that is *essential* to a user's understanding of the basic financial statements[28]. The notes are an integral part of the basic financial statements and focus on the primary government—specifically, its governmental activities, business-type activities, major funds, and nonmajor funds in the aggregate[29]. The City has one blended component unit, Lakeland Community Redevelopment Agency (CRA), that is blended in the financial statements of the City and is disclosed in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

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

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

COMBINING STATEMENTS

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

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[28] http://www.gasb.org/st/summary/gstsm34.html

CASH MANAGEMENT

The City has defined cash and cash equivalents as currency, or short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates[29]. Examples of cash and cash equivalents include: currency on hand, demand deposits, cash with paying agents, Treasury bills, commercial paper, certificates of deposit, and money market funds, and cash management pools[30].

Several forms of legal and contractual provisions govern the types of investments in which the City may directly invest. The City has adopted an investment policy for its pooled funds pursuant to Section 218.415 of the Florida Statutes, which governs the investments of local government units in the State of Florida[30]. The allowable investments authorized through the adopted investment policy include direct obligations of the Federal Government, interest bearing time deposits, obligations of the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank or obligations guaranteed by the Government National Mortgage Association or the Federal National Mortgage Association, investment grade bonds and notes issued by corporations and municipalities, repurchase agreements and the Florida State Board of Administration Investment Pool (SBA).

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

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement 72 - *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset where Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs,

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[29] http://www.gasb.org/jsp/GASB/Document_C/GASBDocumentPage?cid=1176160030344&acceptedDisclaimer

[30] http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0200-0299/0218/Sections/0218.415.html

and Level 3 inputs are significant unobservable inputs[31]. Investment values are measured consistent with the market approach to valuation using prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

The following investments held by the various funds of the City as of September 30, 2017 are collateralized by registered securities held by the City or its agents in the City's name:

	Reported Amount Fair Value	Investment Maturities (in years)			
Investment Type	Primary Government	Less than 1	1-5	6-10	More than 10
US Treasury Notes	$ 755,333	$ -	$ 399,014	$ 356,319	$ -
US Treasury Bonds	11,018,431	-	1,096,497	1,102,545	8,819,389
US Government Backed Bonds	1,823,098	-	-	928,051	895,047
Federal Farm Credit Bank	40,114,837	5,030,928	7,105,540	5,298,550	22,679,819
Federal Home Loan Bank	1,114,752	1,114,752	-	-	-
Federal Home Loan Mortgage Corporation	45,296,219	579,745	3,469,683	1,171,670	40,075,121
Federal National Mortgage Association	70,296,706	-	565,895	771,428	68,959,383
Federal Agencies Mortgage Backed	42,410,926	-	655,313	9,849,464	31,906,149
Corporate Bonds	153,630,690	1,997,537	46,582,519	23,173,873	81,876,761
Corporate Mortgage Backed Securities	51,750,473	-	-	2,314,374	49,436,099
Foreign Corporate Bonds	19,596,249	-	6,503,657	5,837,267	7,255,325
Municipal Bonds	42,480,230	97,750	15,657,839	9,483,984	17,240,657
Corporate Stocks	224,798,022	224,798,022	-	-	-
Foreign Corporate Stocks	12,825,068	12,825,068	-	-	-
Sub-total	$ 717,911,034	$ 246,443,802	$ 82,035,957	$ 60,287,525	$ 329,143,750

Other investments are evidenced by securities that exist in physical or book entry form and thus cannot be held in the City's name or are invested in external investment pools. The breakdown of these investments held as of September 30, 2017 is as follows:

	Reported Amount Fair Value	Investment Maturities (in years)			
Investment Type	Primary Government	Less than 1	1-5	6-10	More than 10
Accrued Interest Receivable (1)	$ 3,388,237	$ 3,388,237			
State Board of Administration (2)					
LGIP (Fund A)	8	8	-	-	-
Money Market Account (2)	10,143,870	10,143,870	-	-	-
Exchange Traded Funds (2)	1,882,049	1,882,049	-	-	-
Foreign Exchange Traded Funds (2)	809,157	809,157	-	-	-
Mutual Funds (2)	285,317,264	285,317,264	-	-	-
Foreign Mutual Funds (2)	170,311,242	170,311,242	-	-	-
Sub-total	$ 471,851,827	$ 471,851,827	$ -	$ -	$ -
Total Investments:	$ 1,189,762,861	$ 718,295,629	$ 82,035,957	$ 60,287,525	$ 329,143,750

(1) Represents accrued interest accounted for within the internally managed investment pool. This asset is allocated to participating funds on a pro-rate basis and is included within the investment caption.

(2) The rate of return on money market funds, exchange traded funds, and mutual funds fluctuates during the year based on market conditions. Also, there is no stated maturity date for this type of investment. These funds may be invested, withdrawn, or reinvested at the discretion of the City.

31 http://gasb.org/jsp/GASB/Document_C/GASBDocumentPage?cid=1176165840291&acceptedDisclaimer=true

DEBT ADMINISTRATION

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)

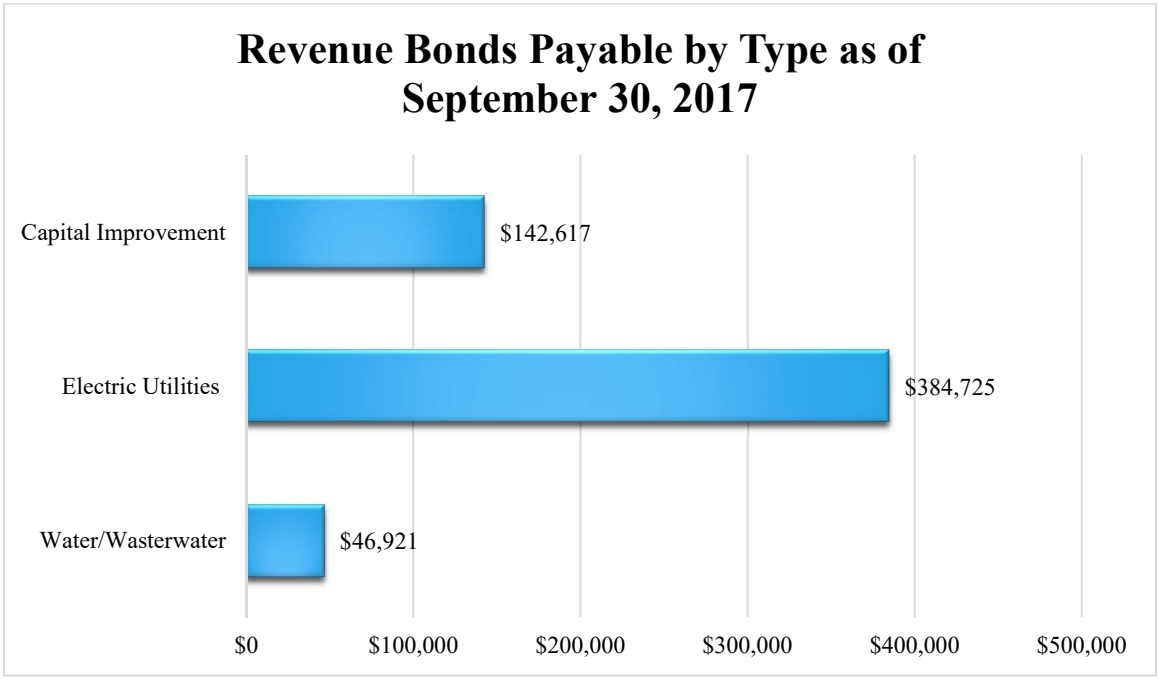
Governmental Unit	Debt Outstanding	Estimated % Applicable[1]	Estimated Share of Overlapping Debt
Tax Supported Ad Valorem Debt:			
District School Board of Polk County Bonds Payable	$ 257,069,441	13.28%	$ 34,138,822
City Direct Debt - Governmental Activities			61,692,375
Total Direct and Overlapping Debt			$ 95,831,197

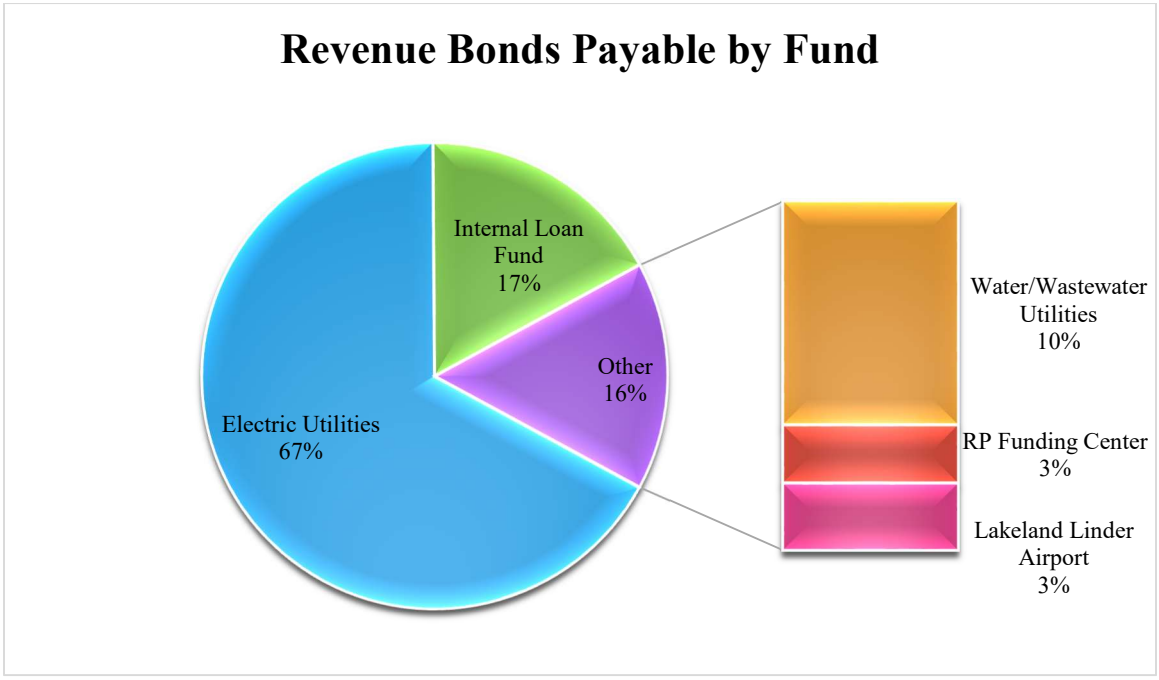
[1] The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages w ere estimated by dividing the City's taxable assessed values by the County's total taxable assessed value.

REVENUE BONDS

The City has not had any outstanding general obligation bond debt since fiscal year 1971. The following revenue bonds are outstanding for fiscal year ended September 30, 2017 (in thousands):

Bond Issue	2016	Issued	Retired	2017
Electric Utilties				
Energy System Revenue and Refunding Bonds, Series 2006	$ 1,055	$ -	$ 1,055	$ -
Energy System Revenue and Refunding Bonds, Series 2010	168,895	-	16,280	152,615
Energy System Refunding Bonds, Series 2012	100,000	-	100,000	-
Energy System Revenue and Refunding Bonds, Series 2016	138,650	-	3,540	135,110
Energy System Refunding Bonds, Series 2017	-	97,000	-	97,000
Total Electric Bonds	408,600	97,000	120,875	384,725
Water & Wastew ater Utilities				
Water and Wastew ater Revenue Refunding and Improvement Bonds, Series 2002	5	-	5	-
Water and Wastew ater Revenue Refunding and Improvement Bonds, Series 2012A	37,325	-	405	36,920
Water and Wastew ater Revenue Refunding Bonds, Series 2012B	1,155	-	1,155	-
Water and Wastew ater Revenue Note, Series 2015	10,600	-	599	10,001
Total Water and Wastew ater Bonds	49,085	-	2,164	46,921
Capital Improvedment Revenue Bonds				
Capital Improvement Revenue and Refunding Bonds, Series 2010A	23,350	-	5,645	17,705
Capital Improvement Revenue and Refunding Bonds, Series 2010B	6,605	-	2,115	4,490
Capital Improvement Revenue and Refunding Bonds, Series 2010C	21,115	-	-	21,115
Capital Improvement Refunding Note, Series 2012A	12,433	-	1,347	11,086
Capital Improvement Refunding Note, Series 2012B	695	-	345	350
Capital Improvement Revenue Bonds, Series 2015	51,435	-	815	50,620
Taxable Capital Improvement Refunding Revenue Note, Series 2015	5,000	-	-	5,000
Capital Improvement Revenue Note, Series 2017A	-	16,371		16,371
Capital Improvement Revenue Note, Series 2017B	-	15,880	-	15,880
Total Capital Impovement Bonds	120,633	32,251	10,267	142,617
Total Bond Debt	$ 578,318	$ 129,251	$ 133,306	$ 574,263


Revenue Bonds Payable by Type as of September 30, 2017
Capital Improvement
$142,617
Electric Utilities
$384,725
Water/Wasterwater
$46,921
$0
$100,000
$200,000
$300,000
$400,000
$500,000


Revenue Bonds Payable by Fund
Internal Loan Fund 17%
Other 16%
Electric Utilities 67%
Water/Wastewater Utilities 10%
RP Funding Center 3%
Lakeland Linder Airport 3%

SCHEDULE OF REVENUE BONDS COVERAGE – LAST TEN FISCAL 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
2017	$ 309,315,618	$ 219,734,277	$ 89,581,341	$ 21,250,000	$ 17,299,223	$ 38,549,223	2.32
2016	303,347,574	192,829,916	110,517,658	20,875,000	17,567,094	38,442,094	2.87
2015	313,729,994	215,211,535	98,518,459	16,530,000	18,575,791	35,105,791	2.81
2014	321,886,606	216,676,686	105,209,920	20,775,503	25,469,790	46,245,293	2.28
2013	302,803,530	212,530,976	90,272,554	20,313,195	26,313,189	46,626,384	1.94
2012	298,933,627	201,280,148	97,653,479	24,456,267	25,040,946	49,497,213	1.97
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

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
2017	$ 63,720,012	$ 34,707,999	$ 29,012,013	$ 3,488,247	$ 2,368,078	$ 5,856,325	4.95
2016	60,567,604	31,598,007	28,969,597	3,373,757	2,490,070	5,863,827	4.94
2015	55,530,104	31,237,468	24,292,636	2,690,000	2,377,209	5,067,209	4.79
2014	54,769,116	27,976,557	26,792,559	1,510,000	1,813,722	3,323,722	8.06
2013	48,878,811	28,161,365	20,717,446	1,490,000	1,823,257	3,313,257	6.25
2012	52,702,160	26,117,153	26,585,007	4,390,000	1,485,113	5,875,113	4.53
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

[1] Contractual net revenues available for debt service per the bond covenant includes net revenues from operating

[2] Excludes depreciation expense.

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LOAN AND LEASE ADMINISTRATION

The City had the following loans and leases outstanding as of September 30, 2017:

Lender	Issue Amount	Maturity Date	Interest Rates	Year-end Balance
Governmental Activities:				
Canon Financial Services	$ 7,275	11/1/2020	12.947	$ 6,052
Key Government Finance, Inc.	975,000	3/21/2021	4.24	388,851
Konica Minolta Business Solutions	9,175	4/1/2020	3.269	7,954
Leasing 2, Inc.	784,107	11/15/2023	5.75	710,719
Nally Property	455,000	1/1/2018	N/A	10,000
PNC Equipment Finance, LLC	756,653	11/24/2018	2.850 to 5.700	286,128
Santander Leasing LLC	252,000	11/15/2021	2.68	213,727
US Bancorp Government Leasing and Finance, Inc.	1,280,000	2/10/2022	3.07	562,350
				2,185,781
Business-type Activities:				
Leasing 2, Inc.	1,572,285	2/5/2018	2.60	139,046
US Bancorp Government Leasing and Finance, Inc.	1,166,640	2/10/2022	3.07	590,481
Wastew ater Revolving Loan Program	42,734,405	9/30/2028	2.96	26,817,953
Wastew ater Revolving Loan Program	1,649,093	10/15/2035	1.69	1,270,036
Wastew ater Revolving Loan Program[1]	1,000,000	5/15/2038	1.16	252,077
Wastew ater Revolving Loan Program[2]	12,284,141	1/15/2040	0.44	1,996,896
				31,066,489
				$ 33,252,270

[1] $252,077 of $1,000,000 issued as of 9/30/2017

CANON FINANCIAL SERVICES, INC.

December 1, 2016 the City executed a lease agreement with Canon Financial Services, Inc. in the amount of $7,275 to finance the purchase of a copier. The lease carries an interest rate of 12.947% with a maturity date of November 1, 2020. Ownership transfers to the City at the termination of the lease. Lease payments are made from the general fund.

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.

KONICA MINOLTA BUSINESS SOLUTIONS

April 5, 2017 the City executed a lease agreement with Konica Minolta in the amount of $9,175 to finance the purchase of a Bizhub. The lease carries an interest rate of 3.269% with a maturity date of April 1, 2020 at which time ownership will transfer to the City. Lease payments are made from the general 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.

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. August 3, 2016 the City executed a lease-purchase agreement in the amount of $784,107 for the purchase of two excavators for the construction and maintenance department. The interest rate is 5.75% with a maturity date of November 15, 2023. Payments are made by the general 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. October 6, 2014, the City executed 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 by the general fund parks and recreation department.

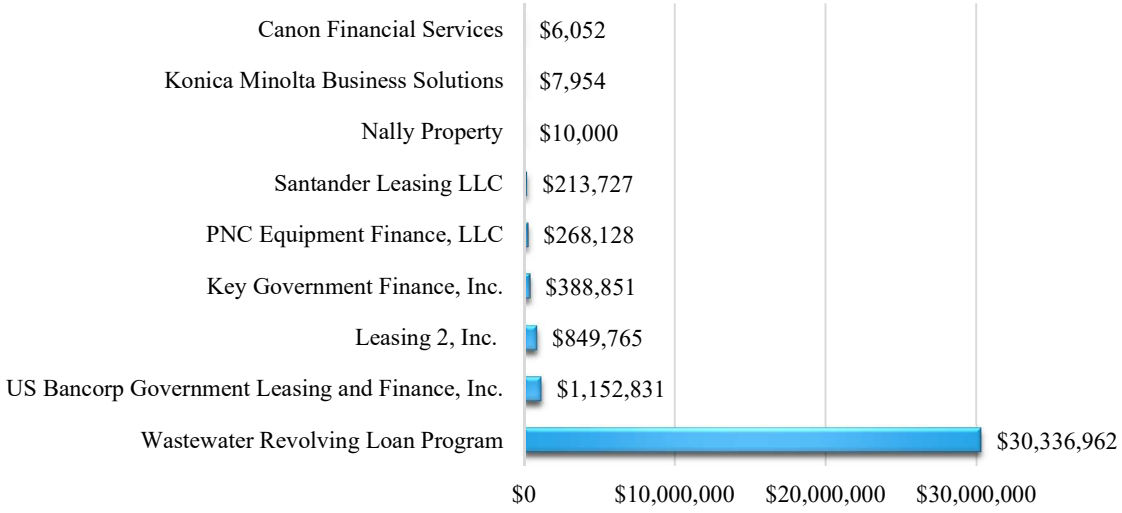
WASTEWATER REVOLVING LOAN PROGRAM
The Florida Department of Environmental Protection (FDEP) provides low-interest loans for investments in water and sanitation infrastructure[32].

- January 31, 2004 the City entered an agreement with FDEP for a $42,734,405 loan with a 2.96% interest rate and a maturity date of September 30, 2028 to finance such improvements.
- February 11, 2014 the City entered a separate agreement with FDEP for a $1,649,093 loan with a 1.69% interest rate with a maturity date of October 15, 2035.
- October 24, 2016 the City entered into an agreement with FDEP for a $12,284,141 loan with an interest rate of 0.440% and a maturity date of January 15, 2040.
- March 3, 2017 the City entered into an agreement with FDEP for a $1,000,000 loan with a 1.16% interest rate and a maturity date of May 15, 2038.

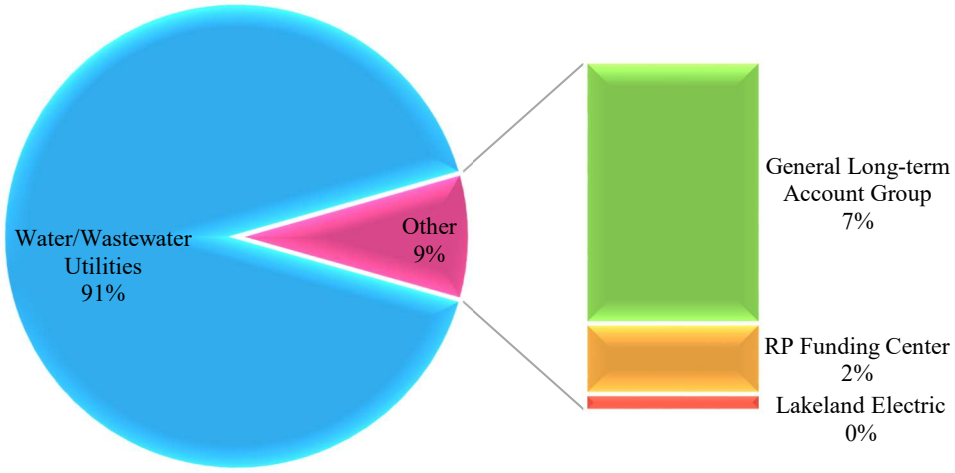
These loans are secured by a pledge of excess revenues of the wastewater system and by a pledge of certain amounts deposited into a loan amortization account and reserve established by the City to fund the future debt service on these loans. Amounts required for deposit are classified as a restricted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

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

External Loans & Leases Payable by Lender as of September 30, 2017

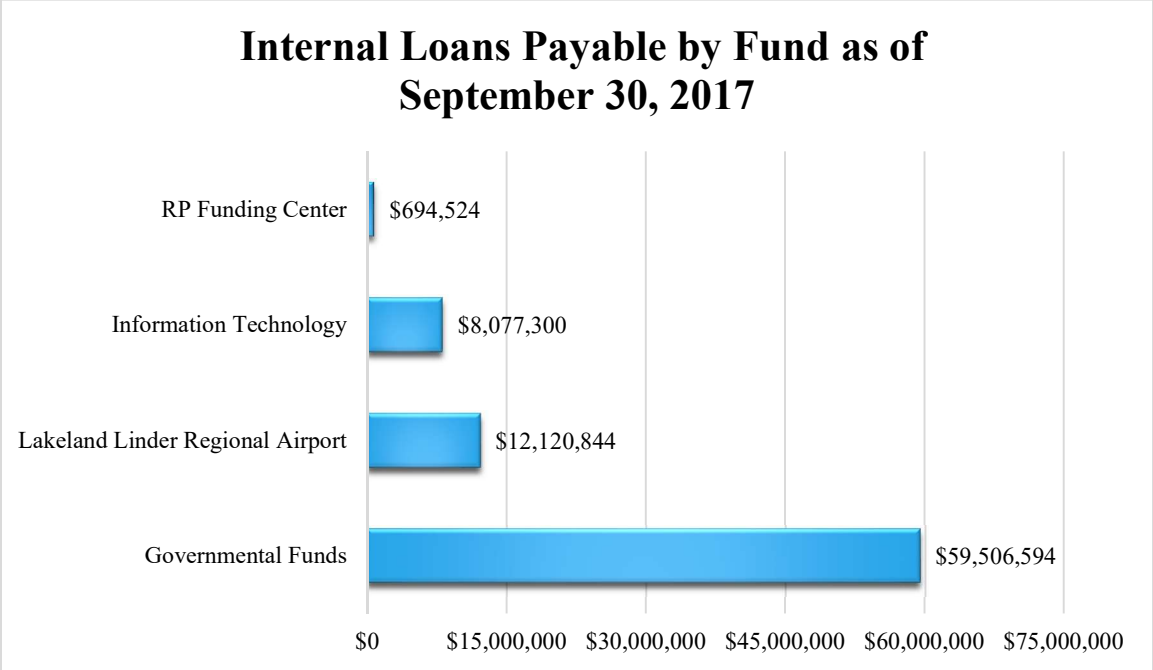


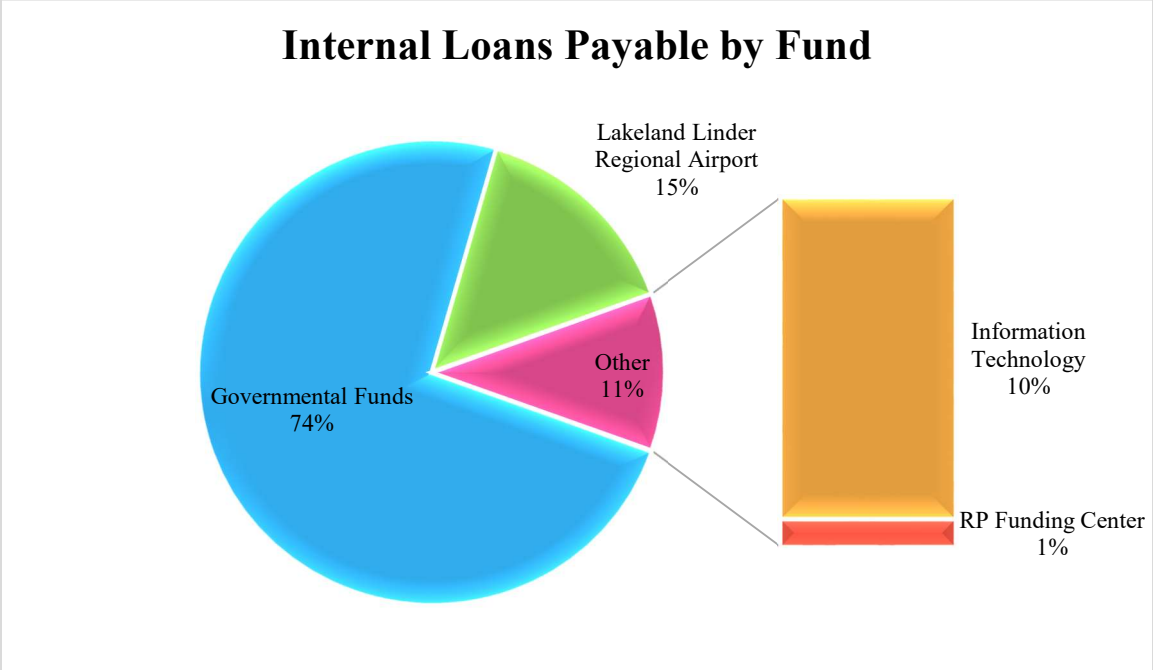
External Loans & Leases Payable by Fund



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, 2017 are as follows:





All Required Debt Payments to Maturity

as of September 30, 2017

Year	Principle	Interest	Total
2018-2022	$ 186,558,181	$ 93,072,163	$ 279,630,344
2023-2027	142,992,791	62,053,488	205,046,279
2028-2032	124,171,995	34,146,037	158,318,032
2033-2037	129,306,588	12,790,426	142,097,014
2038-2042	24,485,382	493,640	24,979,022
	$ 607,514,937	$ 202,555,754	$ 810,070,691

Source: City of Lakeland CAFR

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[33]. 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, 2016. To be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized CAFR, which contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. We believe our current report continues to conform to Certificate of Achievement for Excellence in Financial Reporting Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

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DEPARTMENT OF ELECTRIC UTILITIES

GENERAL

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

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

As of September 30, 2017, Lakeland Electric had a staff of 522 (510 full-time, 12 part-time), including professional employees with degrees in engineering, business and other related fields.

Approximately 280 Lakeland Electric employees are covered by a collective bargaining agreement (CBA) with the Utility Workers Union of America, Local 604 that was entered on September 8, 2015 and expires September 30, 2017. Currently, the CBA has expired and both parties are under a “status quo” period where the governing articles and sections remain in effect until a new mutual agreement is ratified.

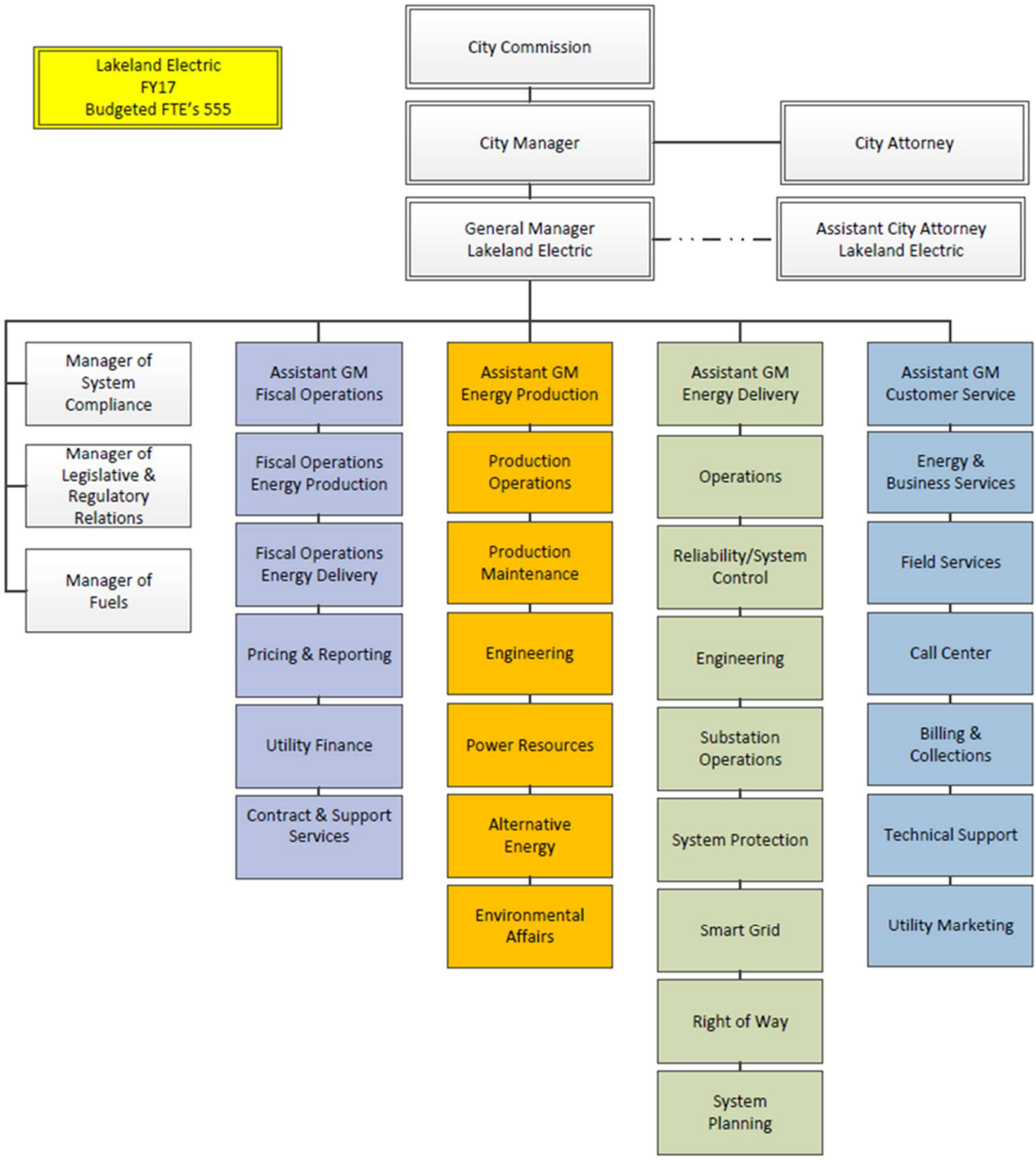
Annual financial statements covering the operations of Lakeland Electric are prepared by the Department's Fiscal Operations Division in accordance with Generally Accepted Accounting Principles in the United States of America, as required by the Governmental Accounting Standards Board (GASB). Lakeland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

ADMINISTRATION

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

Lakeland Electric's organizational structure is intended to create accountability and responsibility. The organization is structured along functional business lines. The functional business lines are referred to as Divisions and include Production, Delivery, Customer Service, and Fiscal Operations.

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


Lakeland Electric
FY17
Budgeted FTE's 555
City Commission
City Manager
City Attorney
General Manager
Lakeland Electric
Assistant City Attorney
Lakeland Electric
Manager of System Compliance
Manager of Legislative & Regulatory Relations
Manager of Fuels
Assistant GM Fiscal Operations
Fiscal Operations Energy Production
Fiscal Operations Energy Delivery
Pricing & Reporting
Utility Finance
Contract & Support Services
Assistant GM Energy Production
Production Operations
Production Maintenance
Engineering
Power Resources
Alternative Energy
Environmental Affairs
Assistant GM Energy Delivery
Operations
Reliability/System Control
Engineering
Substation Operations
System Protection
Smart Grid
Right of Way
System Planning
Assistant GM Customer Service
Energy & Business Services
Field Services
Call Center
Billing & Collections
Technical Support
Utility Marketing

SERVICE AREA

The System service territory consists of approximately 246.25 square miles including the incorporated area of the City and several unincorporated communities lying within a 15-mile radius of the City. The City is bisected by Interstate 4 connecting Tampa and Orlando and is located approximately halfway between the two cities. The System's service area is bordered on the north by Withlacoochee Rural Electric Cooperative, Inc., on the south by the City of Bartow, and on the east and west by Tampa Electric Company. The City has existing territorial agreements with each of these utilities. During fiscal year 2017, an average of 128,535 electric accounts was served and the system experienced retail customer growth of 1.4%.

GENERATION

The System's existing electric generating facilities are located on three sites, two bordering Lake Parker in the City and one site near the Lakeland airport. The Larsen Memorial Plant is located on the southeast shore of the lake and the McIntosh Plant is located on the north shore. The Winston Plant is in the southwestern part of the service territory near the Lakeland airport. As of September 30, 2017, the System had a net dependable capacity of 890 Megawatts (MW) and a nameplate generator winter capacity of 920 MW (nameplate capacities are used throughout this section). For generator capacity of each facility see the table entitled "Existing Generation Facilities" on page 42.

LARSEN PLANT

The Larsen Plant provides 124 MW (winter) of combined cycle intermediate load capacity and 27 MW of peaking capacity (Unit Nos. 2 and 3). The peaking capacity is provided by gas turbines and are designed to be placed into service rapidly, since the System's peak demands have normally occurred in the winter and have been of relatively short duration. They also have system restoration capability. The Larsen Plant site has limited growth options with the existing infrastructure

MCINTOSH PLANT

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

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

much lower capacity factor in recent years as a favorable natural gas market has led to a decrease in the use of coal-fired units.

Pursuant to a 50-year Participation Agreement between the City and the Orlando Utilities Commission ("OUC") dated April 4, 1978 (the "Participation Agreement"), the City owns a 60% undivided interest in Unit No. 3, while OUC owns the remaining 40% share. The City's share (219-megawatt output), provides very economical base load power. Pursuant to the Participation Agreement, the City is responsible for the operation, fueling and maintenance of the unit and bills OUC for 40% of these costs.

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

WINSTON PLANT

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

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

The following table outlines the percentage of the gross generation requirements of Lakeland Electric provided by each resource (to serve both native load and wholesale sales obligations). Year-to-year changes are principally due to outages, both scheduled and forced, for various plants and the utilization of the most cost-effective fuel sources. Unit 3 generation was significantly lower during 2014 because of an extended outage which began in February 2014 and lasted through the remainder of the fiscal year. Unit 5 generation was lower during 2017 due to an extended outage when it's CT Generator Step-Up Transformer failed (October through the middle of December) and two shorter outages- a 33-day bearing repair outage caused by the failure of the unit's station service system (beginning the first week of January) and a 23-day, CT row-4 blade failure (began the end of February into March).

Unit Specific Gross Generation (%, FY)

	2012	2013	2014	2015	2016	2017
Unit No. 3 (McIntosh)	20%	32%	13%	21%	24%	29%
Unit No. 5 (McIntosh)	72%	58%	56%	60%	58%	46%
Other Lakeland Electric Units	1%	0%	1%	2%	4%	5%
Purchases[1]	7%	10%	30%	17%	14%	20%
Total	100%	100%	100%	100%	100%	100%

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

The following table sets forth historical capacity factors of each of Lakeland Electric's own generating resources. "Capacity factor" represents the percentage of a generating resource's actual utilization versus its service capacity.

Capacity Factors of Lakeland Electric Generating Resources by Fiscal Year

	2012	2013	2014	2015	2016	2017
Unit No. 3 (McIntosh)	44%	43%	24%	38%	56%	50%
Unit No. 5 (McIntosh)	75%	69%	55%	63%	61%	47%
Other Lakeland Electric Units	2%	1%	1%	2%	3%	5%

Source: Lakeland Electric

The following table shows certain information regarding the City's existing generation facilities, as of September 30, 2017.

Existing Generation Facilities

	Fuel Type			Net Dependab	Equivalent	Remaining
	Primary	Alternate	Installed	(MW)	Availability[1]	Useful Life[2]
Larsen Plant Total:						
Combustion Turbines:						
Unit 2	FO_2	NG	1962	14	0.00%	0
Unit 3	FO_2	NG	1962	13	97.39%	0
Unit 8	NG	FO_2	1992	93	97.44%	0
Steam Condensing Turbines:						
Unit 9	WW	FO_2	1992	31	97.66%	0
Larsen Plant Total:				151		
McIntosh Plant						
Diesels:						
Unit 1	FO_2	-	1970	2	99.71%	0
Unit 2	FO_2	-	1970	3	100.00%	0
Combustion Turbines:						
Unit 1	FO_2	NG	1973	19	97.52%	0
Unit 5[3]	NG/WW	-	2001	354	61.22%	20
Steam Condensing Turbines:						
Unit 2	NG/WW	FO_6	1976	106	47.66%	0
Unit 3[4]	CO	NG	1982	205	82.34%	1
McIntosh Plant Total:				689		
Winston Plant Diesel Units 1-20[5]	FO_2	-	2001	50	93.91%	15
Total: All Plants				890	73.08%	

Legend: CO - Coal, NG - Natural Gas, FO2 - Light Oil, FO6 - Fuel Oil, WW - Wasted Heat Recovery

[1] Represents the percentage of capacity that was available for generation
[2] The remaining useful life for accounting purposes - fully depreciated units remain in service until retired
[3] Commercial operation commenced May 2001, it was converted to combined cycle in May 2002
[4] Reflects City's 60% share - pollution control equipment installed in 2009 was a assigned a 20-year life
[5] Each peaking unit is 2.5 MW, but are combinted and treated as one dispatchable unit of 50 MW capacity
Source: Lakeland Electric

SYSTEM CAPACITY AND LOAD

During fiscal year 2017, the System had a net dependable capacity of 890 megawatts (MW). During fiscal year 2017, the System's net integrated winter peak load reached 539 MW on January 9, 2017, and its net integrated summer peak load was 643 MW on July 26, 2017. Except for incidental power purchases, Lakeland Electric has historically generated the System's total energy requirements.

The following table shows certain information regarding the City's existing generation facilities and historical electrical system demand and energy sales as of September 30, 2017.

Historical System Demand and Energy Load

Fiscal Year Ended September 30	Winter Peak (MW)	Percent Increase (Decrease)	Summer Peak (MW)	Percent Increase (Decrease)	NEL (GWh)[1]	Percent Increase (Decrease)
2017	539	(8.5%)	643	(0.5%)	3072	3.1%
2016	589	(10.2%)	646	2.5%	3170	1.8%
2015	656	13.3%	630	0.5%	3113	3.3%
2014	579	4.7%	627	4.2%	3014	3.5%
2013	553	(9.6%)	602	2.4%	2911	1.6%
2012	612	(8.0%)	588	(3.8%)	2865	(3.3%)
2011	665	(17.3%)	611	(4.2%)	3012	(3.3%)
2010	804	13.2%	638	2.1%	3116	4.8%
2009	710	3.8%	625	1.6%	2973	(1.1%)
2008	684	5.6%	615	3.2%	3005	(0.9%)

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

TRANSMISSION AND DISTRIBUTION SYSTEM

230 and 69 kilovolt (kV) systems make up the primary transmission network for the System. There are currently 128 miles of 69 kV single and double circuit construction and all 69/12-kV substations have a minimum of two transmission sources. At present, there are a total of 24 distribution substations (three 230/69/12 kV, one 230/12 kV, one 230/13.8 kV, and nineteen 69/12 kV) feeding 118 12.47 kV circuits and one 13.8 kV circuit. Publix Super Market's privately owned 69/12 kV substation and its three 12.47 kV circuits are not included in the foregoing figures. There are 1,275 miles of overhead and 653.5 miles of underground distribution lines in service. The System currently has 28 miles of 230 kV transmission lines connecting the West Substation to the McIntosh Plant, the McIntosh Plant to the Eaton Park Substation and the Eaton Park Substation to the Crews Lake Substation.

INTERCONNECTIONS AND INTERCHANGE AGREEMENTS

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

The City currently has interchange agreements with the following utilities:

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

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

FUELS

OIL AND NATURAL GAS

The City has a storage capacity of 97,885 barrels for No. 6 residual oil, and 51,995 barrels for No. 2 distillate. This storage capacity affords the System a 50-day reserve for No. 6 residual oil and a 10-day reserve for No. 2 distillate at normal burn rates.

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

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

(64%) is under FTS-2. The two contracts under FTS-1 expire in 2020 and the two contracts under FTS-2 expire in 2025 and 2027.

In June 2002, the Gulfstream Pipeline became operational. This pipeline crosses the Gulf of Mexico starting from the Mobile Bay region and making landfall just south of Tampa, Florida near Port Manatee. Until 2008, most of the supply sources for the Gulfstream pipeline were offshore, but new pipeline interconnects by Gulfstream have increased the supply of on-shore originating gas supply. Lakeland Electric is also connected to and has purchased firm transportation rights in this pipeline which provides a second source of natural gas and gives it access to additional gas suppliers. Also, this second pipeline reduces the risk of interruption of the gas supply. Gulfstream transportation rates are under the jurisdiction of the Federal Energy Regulatory Commission and the City has three contracts for fixed volumes each month. These contracts are in effect through May 2022 and December 2027, and May 2037.

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

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

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

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

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

The commodity swap transactions require that Lakeland Electric post collateral to the extent the mark-to-market value of outstanding contracts exceeds $25,000,000 to the benefit of its counterparties. As of September 30, 2017, Lakeland Electric's portfolio of hedge transactions consisted of commodity swap and option contracts for approximately 25.1 million dekatherms of natural gas which represents a 30-month period of hedges with a cost value of approximately $17,123,220. To date, Lakeland Electric has not been required to post any collateral.

COAL

The City estimates that McIntosh Unit No. 3 will burn approximately 500,000 to 600,000 tons of coal per year. Normally a 40 to75-day coal supply reserve (100,000-150,000 tons) is maintained at the McIntosh Plant. Coal prices remain relatively flat to those of 2017 and are expected to

remain favorable for calendar year 2018. January 3, 2017 the City entered into a three-year contract with Illinois Basin for 455,000 tons annually. Following an RFP process in late 2017, the City also entered into two one-year contracts totaling 150,000 tons of low-sulfur coal for blending purposes with the coals being sourced from Indiana (Illinois Basin) and Eastern Kentucky (Central Appalachian).

Primary coal sources are in southwestern Indiana, western and eastern Kentucky, southern Illinois, Pennsylvania, West Virginia, Tennessee, Alabama and North & South Carolina which affords the City multiple transportation options by water or single rail line via CSX Transportation (CSX). The plant typically burns 80% Illinois Basin and 20% Columbian coal to meet the Mercury and Air Toxics Standards emission compliance standards. All contracts contain competitive pricing.

The City entered a two-year coal transportation contract effective October 1, 2014 with CSX but this contract was extended by a 3rd amended to expire December 31, 2019. Under the terms of the contract with CSX, the City pays a monthly capacity charge to eliminate any minimum tonnage requirements. The City agreed to increase the weight-carrying capacity of its rail cars to the state of the industry standard of 286,000 pounds, and train lengths to 110 cars. This results in the ability to achieve larger volumes of deliveries. Each train movement cycle can deliver approximately 15% more coal. The City renewed its railcar leases agreement effective September 30, 2017 for another year. The City also leased a third train from another utility effective September 5, 2017 to September 30, 2023. This train may be subleased to other shippers when not being utilized by Lakeland Electric.

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

FUEL UTILIZATION

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

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

Fiscal Year Ended September 30	Coal	Oil	Natural Gas
2017	56%	0%	44%
2016	37%	0%	63%
2015	28%	0%	72%
2014	19%	0%	81%
2013	25%	0%	75%
2012	21%	0%	79%
2011	35%	0%	65%
2010	35%	0%	65%
2009	59%	1%	40%
2008	59%	0%	41%

Source: Lakeland Electric

CONSERVATION

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

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

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

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INDUSTRY ORGANIZATIONS

WHOLESALE POWER EXCHANGE

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

FLORIDA MUNICIPAL POWER POOL (FMPP)

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

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

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

FLORIDA RELIABILITY COORDINATING COUNCIL

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

GENERATION MUTUAL AID AGREEMENT

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

CUSTOMERS

Customers of the System are predominantly residential in number (83.4% in fiscal year 2017). Of the 128,535 average accounts in fiscal year 2017, 12,954 were commercial and industrial accounts providing approximately 42.3% of retail sales revenue. All City-owned facilities are metered and pay Lakeland Electric for services rendered on a current basis. The following table lists the ten largest users of electrical energy as of September 30, 2017, which in total represent approximately 18.4% of electric retail sales volume.

Ten Largest Electric Customers as of September 30, 2017

Customer	MWh used in Fiscal Year 2017	MWh used in Fiscal Year 2016	Percent Change from 2016	Percent of Total MWh Sold in 2017	YTD Max Demand in 2017 (kW)
Publix[1]	195,792	196,533	(0.38%)	4.41%	19,123
City of Lakeland	70,841	72,246	(1.95%)	2.01%	2,331
Lakeland Regional Health	62,170	59,631	4.26%	1.62%	1,535
Matheson Tri Gas	55,238	54,555	1.25%	1.15%	8,252
Polk County School Board	45,578	45,857	(0.61%)	1.64%	1,214
Owens Corning Sales	41,083	43,546	(5.66%)	0.84%	6,206
Florida Southern College	26,703	26,633	0.26%	0.71%	3,962
Pepperidge Farms	19,267	19,118	0.78%	0.42%	3,206
Key Safety Systems, Inc.	17,755	24,026	(26.10%)	0.39%	3,139
Keymark Corp	17,518	17,907	(2.17%)	0.39%	2,626
Totals	551,945	560,052	(30.32%)	13.58%	51,594

Consists of nine supermarkets, corporate office, warehousing, production, and distribution facilities.
Source: Lakeland Electric

ELECTRIC RATES

GENERAL

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

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

RATE FORMULA

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

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

FUEL CHARGE

During 2015, the Lakeland City Commission approved an ordinance which provides for a fuel reserve balance of up to 15% of annual budgeted fuel costs ($18.0 million in FY2017) to offset costs associated with fuel inventories and prepaid fuel hedging. A regulatory liability exists to the extent that the cumulative over-recovered fuel charges exceeds the 15% fuel reserve. No less than quarterly, Lakeland Electric prepares a fuel cost forecast for the next twelve months. This forecast considers projected system average fuel costs, energy generation, power purchases and an amount sufficient to establish the fuel reserve.

The fuel charge of $43.85/1000 kWh was reduced to $34.25/1000 kWh on a bills-rendered basis as of July 1, 2016. As of October 1, 2016, the cumulative over-recovered fuel balance was $26.7 million. Lakeland Electric's average cost of fuel increased during fiscal year 2017 primarily due to a 28 percent annual increase in Lakeland Electric's average cost of natural gas, and is primarily a result of a market rebound from an 18 percent annual decrease in fiscal year 2016. The fuel charge was increased to $37.75/1000 kWh as of January 1, 2017 when the cumulative over-recovered fuel balance was $23.6 million. The fuel rate was increased to $38.75/1000 kWh effective July 1, 2017, when the cumulative over-recovered balance was $20.3 million. As of September 30, 2017, the over-recovered fuel balance was $22.0 million. The fuel rate remained $38.75/1000 kWh during the remainder of fiscal year 2017 and through the first four months of fiscal year 2018. Due to planned maintenance outages, the over-recovered fuel balance continued to decline as projected in the early months of fiscal year 2018 with an upward trend expected. The cumulative over-recovered fuel balance was $16.5 million as of January 31, 2018.

COMPARISON OF RATES

A comparison of electric rates in effect as of September 30, 2017 based on the average monthly consumption levels for customers within Lakeland Electric's service territory are as follows. The charges listed in the following table include basic rates plus a fuel adjustment charge.

Rate Comparison as of September 30, 2017

Florida Utilities	Residential 1,000 KWh	GS[1] 1,500 kWh	GSD[2] 60,000 kWh 150 kW	GSLD[3] 200,000 kWh 500kW
City of Lakeland	$ 101.77	$ 148.74	$ 4,866.97	$ 16,318.58
Orlando Utilities Commission	106.00	165.22	5,119.20	16,661.00
Florida Power and Light[4]	106.05	158.88	5,132.94	17,204.86
Tampa Electric Company[4]	108.18	166.97	5,071.40	16,327.19
Jacksonville Electric Authority	108.50	155.64	5,345.20	17,951.00
City of Tallahassee	108.88	141.54	5,281.90	17,296.00
Duke Energy[4]	122.38	186.66	5,660.28	18,625.93
Gainesville Regional Utility	130.40	238.00	7,975.00	25,800.00
City of Bartow	131.25	214.33	7,185.50	23,472.50
Average	$ 113.71	$ 175.11	$ 5,737.60	$ 18,850.78

[1] Small commercial
[2] Large commercial
[3] Industrial
[4] Investor-owned utility; includes an additional customer fee related to the electric franchises granted to such investor-owned utilities

Source: Lakeland Electric

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

Rate Comparison Breakdown by Energy and Fuel Components

Florida Utilities	Residential 1,000 kWh	GS 1,500 kWh	GSD 60,000 kWh 150 kW	GSLD 200,000 kWh 500kW
City of Lakeland - Energy	$ 63.02	$ 90.62	$ 2,541.97	$ 8,568.58
City of Lakeland - Fuel	38.75	58.13	2,325.00	7,750.00
City of Lakeland - Total	$ 101.77	$ 148.75	$ 4,866.97	$ 16,318.58
Average - Energy	$ 72.08	$ 110.58	$ 3,156.63	$ 10,263.08
Average - Fuel	41.64	64.52	2,580.97	8,587.70
Average - Total	$ 113.72	$ 175.10	$ 5,737.60	$ 18,850.78
Lakeland % of Average - Energy	87.4%	81.9%	80.5%	83.5%
Lakeland % of Average - Fuel	93.1%	90.1%	90.1%	90.2%
Lakeland % of Average - Total	89.5%	85.0%	84.8%	86.6%

Source: Lakeland Electric

Lakeland Electric's aggregate rates are lower than many other Florida utilities included in the rate comparison, even though Lakeland is one of the smaller utilities listed. Lakeland Electric's residential base and fuel rates are approximately 12.6% and 9.1% lower than the average for the Florida utilities in this comparison, respectively. This competitive advantage with respect to rates is a direct result of efficiency and effectiveness efforts conducted by Lakeland Electric over the course of the past five years.

HISTORICAL RATE CHANGES

The City has put into effect the following rate changes in recent years:

Historical Rate Changes - Last Ten Years

	Residential			General Service		
Fiscal Year	% Increase (Decrease) in Base Rate	% Increase (Decrease) in Fuel Charge	% Increase (Decrease) in Total Rate	% Increase (Decrease) in Base Rate	% Increase (Decrease) in Fuel Charge	% Increase (Decrease) in Total Rate
2017	0.0%	13.1%	4.6%	0.0%	13.1%	4.8%
2016	(1.3%)	(23.6%)	(10.5%)	(1.3%)	(23.6%)	(10.7%)
2015	5.9%	(2.2%)	2.4%	(3.1%)	(2.2%)	(2.7%)
2014	0.6%	10.9%	4.8%	0.5%	10.9%	4.7%
2013	(0.2%)	(2.2%)	(1.0%)	(0.2%)	(2.3%)	(1.0%)
2012	(0.2%)	(16.5%)	(7.7%)	(0.2%)	(16.5%)	(7.5%)
2011	0.0%	(1.2%)	(0.6%)	0.0%	(1.2%)	(0.6%)
2010	1.8%	(6.4%)	(2.2%)	4.4%	(6.4%)	(0.8%)
2009	0.5%	(24.7%)	(13.6%)	0.4%	(24.7%)	(13.5%)
2008	0.7%	17.3%	9.3%	0.7%	17.3%	9.3%

Source: Lakeland Electric

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ELECTRIC SYSTEM OPERATING STATISTICS

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

History of Electric System Operating - Past Five Years

Description	Fiscal Year Ended September 30, 2013	2014	2015	2016	2017
60 minute net peak demand (MW)	602	627	656	646	643
Increase (decrease) from prior year	(1.7%)	4.2%	4.6%	1.5%	(0.5%)
Energy Sales (GWh):					
Residential	1,353	1,398	1,452	1,483	1,447
Commercial and Industrial	1,405	1,465	1,504	1,532	1,522
Other[1]	34	33	35	35	35
Total Energy Sales	2,792	2,896	2,991	3,050	3,004
Increase (decrease) from prior year	1.1%	3.7%	3.3%	2.0%	(1.5%)
Average customers for period:					
Residential	101,692	102,747	103,964	105,613	107,213
Commercial and Industrial	12,438	12,622	12,764	12,861	12,954
Other[1]	8,330	8,248	8,237	8,301	8,368
Total Average Customers	122,460	123,617	124,965	126,775	128,535
Residential service:					
Average kWh sales per customer	13,308	13,609	13,966	14,042	14,042
Average revenue per customer	$ 1,506	$ 1,558	$ 1,677	$ 1,597	$ 1,597
Average revenue per kWh[2]	$ 0.1132	$ 0.1145	$ 0.1201	$ 0.1137	$ 0.1137
Operating revenue (in thousands):					
Residential	$ 94,055	$ 96,895	$ 107,753	$ 110,895	$ 105,597
Commercial and industrial	58,123	59,977	60,360	60,749	62,532
Other electric sales[2]	7,796	7,856	8,809	8,870	8,843
Sales for resale	13,372	3,840	5,521	5,789	4,643
Subtotal	$ 173,346	$ 168,568	$ 182,443	$ 186,303	$ 181,615
Fuel charge	121,823	130,899	120,033	102,788	114,583
Other revenues	6,886	6,871	7,026	7,462	7,286
Total electric operating revenue	$ 302,055	$ 306,338	$ 309,502	$ 296,553	$ 303,484

[1] Average residential revenue per kWh including fuel

[2] Includes private area lights, street lights, and municipal uses - excludes sales for resale.

Source: Lakeland Electric

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

Historical and Projected Cash Balances

	Fiscal Year Ended September 30,				
Historical	2013	2014	2015	2016	2017
Undesignated, unrestricted cash	$ 68,147	$ 59,836	$ 70,792	$ 72,532	$ 53,859
Designated for capital improvements	37,586	38,620	36,560	57,953	70,475
Total	$ 105,733	$ 98,456	$ 107,352	$ 130,485	$ 124,334

	Fiscal Year Ending September 30,				
Projected	2018	2019	2020	2021	2022
Undesignated, unrestricted cash	$ 39,231	$ 40,475	$ 40,437	$ 43,373	$ 46,369
Designated for capital improvements	71,816	70,049	72,150	74,315	76,544
Total	$ 111,047	$ 110,524	$ 112,587	$ 117,688	$ 122,913

Source: Lakeland Electric

Liquidity requirements are mitigated by the City's ordinance requiring that fuel costs be recovered on a dollar-for-dollar basis based on quarterly projections of cost and mandated fuel rate changes. On September 21, 2015, the City Commission approved an ordinance that established a fuel reserve equal to 15% of annual fuel costs.

Retail sales (MWh) volume for fiscal year 2012 was 2% under budget because of unusually mild weather. The weather during fiscal year 2013 was also milder than normal, however there was 2% increase in retail sales. Retail sales increased by 4% in fiscal year 2014, but were still 3% lower than budget because of continued mild weather. Wholesale sales decreased, and purchased power increased, significantly in 2014 due to the unscheduled outage of Lakeland Electric's coal-fired unit, McIntosh 3, for more than half of the fiscal year.

Retail sales increased by 3% during fiscal year 2015, and were slightly better than forecast, led by a very strong third quarter. An independent study of electric rates, performed during the previous year, had indicated the need to address cost of service issues between customer classes, as well as provide additional revenue requirements. The Lakeland City Commission approved a base rate increase which was effective, on a bills-rendered basis, March 1, 2015. The base rate increase was Lakeland Electric’s first since 2007. The impact of the increase varied among customer classes however the overall result was an average increase of 5% on base rates only. During fiscal year 2016, which was the warmest in over a decade, retail MWh sales increased by 2%, and were 1% better than the budget.

On September 10, 2017, Hurricane Irma inflicted widespread damage to the City of Lakeland's electric system. Fiscal year 2017 operating and maintenance expenses include $10.4 million of restoration costs related to Hurricane.

Sales projections for fiscal year 2018, and beyond, assume normal weather and minimal customer growth (approximately 1% each year). The projections also assume a 3% increase in base rates effective at the beginning of fiscal years 2019 and 2021, although the exact timing and amount of the next rate increases is still being evaluated by Management. The Projected Results of Operations set forth in the following table were prepared by staff of Lakeland Electric based on revenue forecasts.

Lakeland Electric Summary of Results of Operations (in thousands)

	Fiscal Year Ended September 30,				
	2013	2014	2015	2016	2017
Gross revenues					
Electric retail-base rate	$ 160,703	$ 164,729	$ 176,897	$ 180,514	$ 176,971
Electric retail-fuel charge	121,095	130,899	120,058	102,788	114,583
Electric wholesale	13,372	3,840	5,521	5,789	4,644
Other electric[1]	6,886	6,870	7,027	7,462	7,286
Other	663	6,813	772	514	544
Investment income	84	8,736	3,455	6,281	5,288
Total gross revenues	$ 302,803	$ 321,887	$ 313,730	$ 303,348	$ 309,316
Operating expenses[2]					
Electric production:					
Fuel[3]	$ 135,104	$ 134,396	$ 124,528	$ 109,466	$ 120,510
Energy supply[4]	22,045	23,568	27,859	26,370	29,371
Subtotal	157,149	157,964	152,387	135,836	149,881
Energy delivery	20,959	22,349	23,405	23,860	31,752
Customer service	6,713	6,726	6,583	7,041	8,025
Adminstrative and general[5]	27,710	22,856	31,604	26,093	30,076
Total operating expense	$ 212,531	$ 209,895	$ 213,979	$ 192,830	$ 219,734
Net revenues available for debt service and other purposes	$ 90,272	$ 111,992	$ 99,751	$ 110,518	$ 89,582
Bond service requirement	46,626	46,245	35,123	38,442	38,549
Balance available for other obligations, capital improvements and expansion	$ 43,646	$ 65,747	$ 64,628	$ 72,076	$ 51,033
Debt service coverage ratio from operations[6]	1.94	2.42	2.84	2.87	2.32

NOTE: Gross revenues, operating expenses, and net revenues available for debt service and other purposes for the 2013 through 2017 fiscal years are derived from Lakeland Electric's audited financial statements

[1] Other electric includes customer connection charges but excludes impact fees
[2] Does not include depreciation expense
[3] Includes purchased power and fuel handling
[4] McIntosh Unit 1, which was unavailable for service as of September 30, 2015 was officially retired during fiscal year 2016 due to obsolescence and reliability issues resulting in an impairment loss of $3.6 million consisting of $2.7 million for remaining undepreciated cost of improvements and $0.9 million write-down in the value of replacement parts. The impact of the impairment loss is reflected in the 2015 results of operations as part of energy supply expense.
[5] Administrative and general expenses in fiscal year 2016 were $5.1 million lower than the prior year primarily as a result of a reduction in the pension liability recognized in accordance with GASB 68.
[6] Equals net revenues available for debt service and other purposes divided by bond service requirement.

Source: Lakeland Electric

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Lakeland Electric Projected Results of Operations (in thousands)

	Fiscal Year Ending September 30,				
	2018	2019	2020	2021	2022
Gross revenues					
Electric retail-base rate[1]	$ 166,713	$ 173,779	$ 174,787	$ 176,113	$ 178,099
Electric retail-fuel charge	121,895	120,334	105,737	106,398	108,006
Electric w holesale	7,476	13,494	17,041	16,024	15,225
Other electric[2]	7,521	8,121	8,177	10,553	10,581
Other[3]	14,535	21,750	15,181	15,390	15,629
Investment income	6,516	5,907	5,625	5,370	5,283
Total gross revenues	$ 324,656	$ 343,385	$ 326,548	$ 329,848	$ 332,823
Operating expenses[4]					
Electric production:					
Fuel[5]	$ 128,460	$ 131,781	$ 122,778	$ 122,423	$ 123,230
Energy supply	29,806	30,546	31,649	32,733	33,846
Subtotal	158,266	162,327	154,427	155,156	157,076
Energy delivery	29,467	29,840	30,210	31,054	31,922
Customer service	9,099	9,325	9,363	9,620	9,884
Adminstrative and general	28,628	29,487	30,132	30,805	31,520
Total operating expense	$ 225,460	$ 230,979	$ 224,132	$ 226,635	$ 230,402
Net revenues available for debt service and other purposes	$ 99,196	$ 112,406	$ 102,416	$ 103,213	$ 102,421
Bond service requirement[6]	38,353	37,263	35,461	34,213	32,887
Balance available for other obligations, capital improvements and expansion	$ 60,843	$ 75,143	$ 66,955	$ 69,000	$ 69,534
Debt service coverage ratio from operations[7]	2.59	3.02	2.89	3.02	3.11

NOTE: Gross revenues, operating expenses, and net revenues available for debt service and other purposes for the 2012 through 2016 fiscal years are derived from Lakeland Electric's audited financial statements

[1] Assumes base rate increases of 3% in 2019.
[2] Other Electric Revenues includes customer connection charges but excludes impact fees and gross receipts revenues.
[3] Other Revenues assumes reimbursement of 65% of Irma-related restoration costs in 2019.
[4] Operating expenses exclude depreciation expense.
[5] Includes purchased pow er and fuel handling.
[6] Includes purchase of 125-megaw att hour Calpine combustion turbine unit through future bond issuances of $50 million.
[7] Equals "Net Revenues Available for Debt Service and Other Purposes" divided by "Bond Service Requirement."

Source: Lakeland Electric

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CAPITAL IMPROVEMENT PLAN

The following table presents a summary of Lakeland Electric's projected capital improvement requirements through fiscal year 2022 (in thousands):

	Fiscal Year Ending September 30,				
	2018	2019	2020	2021	2022
Energy Supply	$ 34,960	$ 40,500	$ 19,900	$ 19,600	$ 19,900
Energy Delivery	18,733	17,300	17,600	18,000	18,400
All Other	2,584	2,200	1,600	2,000	1,500
Total Funding	$ 56,277	$ 60,000	$ 39,100	$ 39,600	$ 39,800

Source: Lakeland Electric

Funding for capital projects included in the above table is expected to be generated from base electric rates and a bond issuance of $50 million in late 2018 to fund the purchase of a 125-megawatt hour Calpine combustion turbine unit. Total cost of the Calpine Project is approximately $36.1 million. The remaining bond proceeds will be used to fund other energy supply and delivery projects. The budgeted capital for fiscal year 2018 includes $5.4 million of carry-overs from the previous fiscal year.

FACTORS AFFECTING THE INDUSTRY

GENERAL

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

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

The City cannot determine with certainty what effects such factors will have on its business operations and financial condition, including that of the System, but any effect(s) could be

significant. The following is a brief discussion of some of these factors.; however, this discussion is not intended to be comprehensive or definitive, and these matters are subject to change. Any such changes could be significant. Extensive information on the electric utility industry is, and will be, available from sources in the public domain, and potential purchasers of City bonds should obtain and review such information.

ENERGY POLICY ACT OF 1992

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

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

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

ENERGY POLICY ACT OF 2005

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

The 2005 Energy Policy Act introduced a new Section 211A of the Federal Power Act (the FPA) entitled "Open Access by Unregulated Transmitting Utilities." Under Section 211A, FERC has the authority to require an otherwise non-jurisdictional owner, such as the City, owning or operating transmission facilities to provide transmission services at (1) rates that are comparable to those they charge themselves and (2) terms and conditions that are comparable to those they charged themselves and that are not unduly discriminatory or preferential.

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

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

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

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

The regulatory framework established by the Energy Policy Act of 2005 and the related rules and standards subsequently established result in additional administrative costs and systematic controls for Lakeland Electric. This is particularly true of the NERC compliance requirements. Critical Infrastructure Protection (CIP) affects all aspects of utility operations. In fact, a personnel

cost of more than $1 million per year is being incurred to meet these requirements, including cyber security. Possible additional regulation from the Department of Homeland Security will likely increase these costs.

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

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

RECENT FLORIDA LEGISLATIVE DEVELOPMENTS

The Florida Energy, Climate Change and Economic Security Act of 2008 (the Florida Energy Act of 2008), which was approved by the Governor of Florida on June 25, 2008, gives legislative authority to some of the Governor's Executive Orders. Among other things, the Florida Energy Act of 2008: (1) expands the air quality, energy and land use goals of the State Comprehensive Plan to include the development of low carbon emitting electric power plants, the reduction of atmospheric carbon dioxide, the promotion of the use and development of renewable energy resources and provides for the siting of low carbon emitting electric power plants, including nuclear plants; (2) revises provisions relating to innovation incentive awards to include “alternative and renewable energy” products and specifies eligibility requirements for such products; (3) authorizes the Florida Energy and Climate Commission (the FECC) to allow an investor-owned utility to earn an additional return on equity for exceeding energy efficiency and conservation goals; (4) requires each public utility, and each municipal electric utility and rural electric utility cooperative that sells electricity at retail to develop a standardized interconnection and net metering program for customer-owned renewable generation; (5) requires eligible systems under the Solar Energy System Incentives Program to comply with the Florida Building Code; (6) establishes the “Florida Green Government Grants Act,” providing for grants to be awarded to local governments in the development of programs that achieve green standards; (7) exempts an electric utility from obtaining certification under the Florida Electrical Power Plant Siting Act before constructing facilities for a power plant using nuclear materials as fuel; (8) requires the Department of Environmental Protection to address at a certification hearing the issue of compliance with land use plans and zoning ordinances for a proposed substation located in or along an alternate corridor; (9) requires that the Florida Building Commission select the most recent International Energy Conservation Code as a foundation code, and provides for modification of that code by the commission under certain circumstances; (10) requires the Department of Environmental Protection to adopt rules relating to the placement of and access to aerial and underground electric transmission lines; (11) requires the FPSC to adopt goals

encouraging the development of demand-side renewable energy systems; (12) requires the FPSC to establish rules relating to cost recovery of new, expanded or relocated transmission lines for a nuclear power plant; and (13) repeals the statute that required the FPSC to report to the Governor and the Legislature on utility revenue decoupling.

During the 2012 legislative session, the Florida Legislature adopted the Florida Energy Act of 2012. Among other things, this act: (1) appropriates funds to evaluate whether the 1980 Florida Energy Efficiency and Conservation Act remains in the public interest, (2) creates a sales tax exemption for equipment used in the distribution of renewable fuels, (3) provides a renewable energy technology investment tax credit against the corporate income tax based on investment in equipment to be used in production, storage, and distribution of renewable fuels, and (4) creates a renewable energy production credit.

There also have been two solar-related ballot initiatives seeking to amend the Florida Constitution to expand solar generation in Florida. The first amendment, “Floridians for Solar Choice”, failed to collect the required number of petition signatures to be placed on the November 2016 ballot. The second amendment, “Consumers for Smart Solar”, brought in sufficient signatures to be placed on the November ballot but was not approved by the electorate.

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

RATE REGULATION

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

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

ENVIRONMENTAL

Electric utilities (including the System) are subject to continuing environmental, conservation and other regulation and permitting requirements by federal, state and local authorities. Changes to these regulations may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the City's facilities will

remain subject to the regulations currently in effect, will always be compliant with future regulations or will always be able to obtain or maintain all required permits. An inability to comply with environmental standards or deadlines could result in fines and/or legal action as well as reduced operating levels or complete shutdown of individual electric generating units or water plant facilities that are not in compliance. Furthermore, clean air laws, compliance with environmental standards or deadlines may substantially increase capital and operating costs.

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

In mid-2005, EPA issued the final Clean Air Interstate Rule (CAIR) and the Clean Air Mercury Rule (CAMR). CAIR required reductions in the emissions of nitrogen oxides (NOx) and sulfur dioxide (SO_2) from electric generating units (EGUs). However, CAIR was ultimately vacated and remanded to the agency by the D.C. Circuit Court of Appeals in 2008 after certain portions of the regulation were found to be unlawful. Additionally, on February 8, 2008, the D.C. Circuit Court of Appeals vacated CAMR.

After the vacatur of CAMR, the EPA finalized the Mercury Air Toxics Standards (MATS) for power plants on December 21, 2011. MATS was designed to reduce emissions of heavy metals, including mercury (Hg), arsenic (As), chromium (Cr), and nickel (Ni); and acid gases, including hydrochloric acid (HCl) and hydrofluoric acid (HF). Under MATS, EPA had to set emission standards for existing power plants that are at least as stringent as the emission reductions achieved by the average of the top 12% best controlled power plants. Existing power plants regulated by MATS generally had three years to comply. EPA also set industry-specific “new source performance standards” (NSPS) for those plants that are modified after the date of the rule or any new power plants that are covered by MATS. The compliance date for this rule was April 16, 2015. MATS primarily affect Lakeland Electric’s coal-fired unit, while its other oil/gas-fired unit will remain exempt if it does not fire oil for more than 10% of the average annual heat input during any three consecutive calendar years or for more than 15% of the annual heat input during any calendar year. In addition to the new, more stringent particulate matter (PM) and SO_2 emission limits, utility’s coal-fired unit is now also required to comply with a new Hg limit. To comply with these new limitations, upgrades to the existing coal-fired unit scrubber were necessary and were performed in early 2015. To demonstrate compliance with the PM and Hg standards, new continuous emission monitors for these pollutants have been installed.

On July 6, 2011, EPA signed its final Cross-State Air Pollution Rule (CSAPR), a new rule slated to replace CAIR, which established an emissions allowance trading program intended to reduce the interstate transport of NOx and SO_2 that is inhibiting downwind states' abilities to attain and maintain compliance with the particulate matter (PM2.5) and ozone national ambient air quality standards (NAAQS). CSAPR had three basic components: annual trading programs for both SO_2 and NOx, and an ozone-season (May 1 – September 30) NOx trading program. The rule eventually went into effect on January 1, 2015 and Florida was subject only to the ozone-season NOx trading program. On December 3, 2015, EPA proposed a new transport rule ("CSAPR Update Rule") addressing the 2008 ozone NAAQS, which included EPA's latest modeling results showing that Florida does not significantly contribute to another state's air quality issues, and thus would not be subject to the rule after 2016. On September 13, 2016, EPA issued the final rule, and Florida is no longer affected. However, EPA is expected to conduct additional modeling in 2017 based on the more stringent 2015 ozone standard, and there is a potential that Florida could be pulled back again into the successor of CSAPR Update Rule sometime in the future.

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

In 2010, EPA proposed rules regulating the disposal of coal ash via the Coal Combustion Residual Rule. Previously, coal combustion residuals (CCR) were exempt wastes under an amendment to Resource Conservation and Recovery Act. The two options that were being considered by EPA were to regulate the ash as a Subtitle C, hazardous waste, or to regulate ash as a Subtitle D, non-hazardous waste. This rule could have impacted the beneficial use of Coal Ash as a non-hazardous waste by-product, which could have required it to be disposed of by the System in a permitted landfill rather than sold for beneficial use. Various groups filed suit in April 2012, to force EPA to move forward with regulation of coal ash. On April 17, 2015, EPA published the rule in the Federal Register under the solid waste provisions (Subtitle D) of the Resource Conservation and Recovery Act, which became effective on October 4, 2016. In late 2016, Congress passed the Water Infrastructure Improvements for the Nation Act (WIIN Act) which fundamentally changed the way the CCR Rule is to be implemented. Under the WIIN Act, EPA is authorized to review and approve state CCR permit programs that are at least as protective as the federal CCR Rule. Currently, Florida has not been authorized to implement a CCR permit program. The ultimate impact of the CCR rule will depend on the results of initial and ongoing minimum criteria assessments and the implementation of state or federal permit programs. The intent of Lakeland Electric is to sell all CCR material for beneficial use. However, because of historical accumulation of CCR materials, Lakeland Electric is subject to the rule.

The EPA published a final 316(b) rule in August 2014 that became effective on October 14, 2014. The rule establishes standards for cooling water intake structures at existing power plants to reduce the effects on aquatic life. The also addresses cooling water intakes for new units at existing facilities. Compliance with the rule may require changes to existing cooling water intake structures. However, the final impact of this rule will depend on the results of additional studies and how the rule is implemented by state regulators based on site-specific factors. During the next permit renewal cycle, the impacts will be fully known.

On March 27, 2012, EPA proposed a rule regulating GHG emissions from new power plants that would limit CO2 emissions. The rule was modified and re-proposed on September 20, 2013. Emissions limits from the proposed rule for new units suggested that CO2 emissions control, such as carbon capture and storage, would be needed for new coal-fired units. The rule for new units was finalized on August 3, 2015 with minor changes. Additionally, President Obama ordered in June 2013 that CO2 emissions guidelines for existing units be developed. In June 2014, EPA proposed the CO2 emissions guidelines for existing power plants, commonly known as the Clean Power Plan (CPP). The guidelines were finalized on August 3, 2015. According to these guidelines, Florida would have been required to meet the final CO2 emissions goal of 919 pounds per net MWh starting in 2030. EPA calculated CO2 emission goals for each state using three "building blocks": heat rate improvements from existing coal units, increased utilization of natural gas combined cycle (NGCC) generation, and increased generation from renewable energy. However, on February 9, 2016, the Supreme Court stayed implementation of the rule, effective until all litigation is resolved. Furthermore, on April 4, 2017, pursuant to President Trump's Executive Order, EPA announced that it was reviewing the CPP. On October 10, 2017, EPA Administrator Pruitt signed a proposed rule that would repeal it, and on December 18, 2017, EPA took a first step toward potentially replacing the CPP by releasing an advance notice of proposed rulemaking. This notice asked the public for comments on what a CPP replacement rule should include. It is unknown at this point what the new GHG rule would look like and how it would affect Lakeland Electric's generating units.

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

In 2010, EPA promulgated a new 1-hour NAAQS for SO_2 of 75 ppb. Florida was required to use atmospheric modeling (to predict ambient impacts), in addition to the normal ambient monitoring (which provides actual impacts), to show whether the state is meeting the standard. In early 2016,

FDEP concluded the SO_2 modeling of Lakeland Electric's McIntosh Power Plant. The modeling indicated that the plant would be complaint with the 2010 SO_2 NAAQS.

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

On November 3, 2015, EPA published the Steam Electric Power Generating Effluent Limitation Guidelines final rule (ELG). ELG regulates direct discharges to surface water from power plants under the National Pollutant Discharge Elimination System (NPDES) and establishes pretreatment standards for existing sources for discharge to publicly owned treatment works (POTW). The waste streams generated at Lakeland Electric are ultimately commingled on site before being conveyed to the City of Lakeland Marsh Treatment System, which is considered a POTW. Specific waste streams regulated under ELG that apply to Lakeland Electric include bottom ash transport water and flue gas desulfurization wastewaters. Per the rule, the date for compliance with ELG was originally November 1, 2018. EPA subsequently postponed the compliance dates until November 1, 2020 to give them time to put in place a new ELG rule. A draft of the reconsidered rule has yet to be released, so the impact of the rule on Lakeland's operations is currently uncertain.

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

CERTAIN FERC INITIATIVES

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

Order No. 888 requires (1) the provision of open access transmission services on a non-discriminatory basis by all jurisdictional utilities by requiring all such utilities to file open access transmission tariffs that offer other entities seeking to effect wholesale power transactions the same transmission services they provide themselves, under comparable terms and conditions and (2) non-jurisdictional utilities (including municipal and consumer-owned utilities) that purchase transmission service from FERC jurisdictional utilities under open access transmission tariffs and which own or control transmission facilities to, in turn, provide open access service to the transmitting utility under terms that are comparable to the service that the non-jurisdictional utility provides itself. Order No. 888 also includes provisions which effectively would permit utilities to recover so-called "stranded costs" for generating and other facilities from wholesale customers of a utility who opt to purchase from other power suppliers. The City has developed an open access transmission rate and tariff that conforms to Order No. 888 requirements.

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

In February 2007, FERC issued Order No. 890 reforming portions of Orders No. 888 and 889. Order No. 890 reforms include: (1) greater consistency and transparency in available transmission capacity calculations; (2) open, coordinated, and transparent planning; (3) reforms of energy imbalance penalties; (4) reform of rollover rights policy; (5) clarification of tariff ambiguities; and (6) increased transparency and customer access to information. FERC reaffirmed several of the core elements of Order No. 888 in Order No. 890 including: (1) the comparability requirement wherein third-party users of the transmission system must receive service in a manner comparable to the transmission owner's use of the system; (2) the continuance of protections for native load customer's transmission service rights; and (3) FERC's approach to reciprocity for non-jurisdictional transmission owners which includes Lakeland Electric.

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

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

(NOPR) for a standard market design (SMD) to accompany formation of RTOs. However, as described below, the Energy Policy Act of 2005 defused the impact of the NOPR by making the SMD non-mandatory.

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

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SUMMARIZED BOND INFORMATION – DEPARTMENT OF ELECTRIC UTILITIES

ENERGY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2010

$199,300,000

REVENUE AND REFUNDING BONDS DATED OCTOBER 20, 2010

CUSIP NUMBERS

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

PURPOSE

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

SECURITY

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

INSURANCE

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

RATINGS

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

MANDATORY REDEMPTION

The Bonds maturing on October 1, 2036 are subject to mandatory sinking fund redemption in part, by lot, on October 1, 2030 and on each October 1, thereafter at a price of par, plus accrued interest to the date of redemption as follows:

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

* Final maturity

OPTIONAL REDEMPTION

The Bonds are not subject to optional redemption prior to maturity

AGENTS

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

2004 BASIS SWAP

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

Under the swap agreement, the City pays Citi Group Financial Products Inc. (the counterparty) a payment equal to $134.580 million (the unmortising remaining notional amount as of September 30, 2017) times an interest rate equal to the SIFMA Municipal Bond index. In return, the counterparty pays the City an amount equal to the notional amount times an interest rate equal to 67 percent of the three-month USD-LIBOR-BBA index, plus a spread of .046%. To the extent the relationship between SIFMA and LIBOR approximates a marginal tax rate of more than 33 percent; the net borrowing costs on the underlying debt will be reduced. During fiscal year 2016 the counterparty paid the City about $0.6 million under the agreement, reducing the City's net borrowing cost by that amount. Since inception, the counterparty has paid the City approximately $10.7 million, reducing the City's net borrowing cost since 2004, by that amount. Settlement payments to the City have been positive in each fiscal year since inception.

The notional amount of the swap amortizes, approximating the amount of the outstanding bonds. Settlement payments are made semi-annually. The City is exposed to counterparty credit risk because the swap had a positive fair value. The City is exposed to basis risk to the extent the relationship of SIFMA to LIBOR increases to greater than 33 percent. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, bankruptcy, or a rating downgrade by Moody's or S&P issued to either the City or the counterparty.

As of September 30, 2017, the swap had a fair market value of $2,383,945.

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

Date	Maturity	Interest	Total
1-Oct-17	17,105,000	3,854,400	20,959,400
1-Apr-18		3,426,775	3,426,775
1-Oct-18	17,950,000	3,426,775	21,376,775
1-Apr-19		2,978,025	2,978,025
1-Oct-19	13,840,000	2,978,025	16,818,025
1-Apr-20		2,632,025	2,632,025
1-Oct-20	4,695,000	2,632,025	7,327,025
1-Apr-21		2,514,650	2,514,650
1-Oct-21	4,925,000	2,514,650	7,439,650
1-Apr-22		2,409,994	2,409,994
1-Oct-22	5,140,000	2,409,993	7,549,993
1-Apr-23		2,300,769	2,300,769
1-Oct-23	5,355,000	2,300,769	7,655,769
1-Apr-24		2,180,281	2,180,281
1-Oct-24	5,595,000	2,180,281	7,775,281
1-Apr-25		2,040,407	2,040,407
1-Oct-25	5,885,000	2,040,407	7,925,407
1-Apr-26		1,893,281	1,893,281
1-Oct-26	6,180,000	1,893,281	8,073,281
1-Apr-27		1,731,057	1,731,057
1-Oct-27	5,180,000	1,731,057	6,911,057
1-Apr-28		1,595,081	1,595,081
1-Oct-28	5,450,000	1,595,081	7,045,081
1-Apr-29		1,452,019	1,452,019
1-Oct-29	5,745,000	1,452,018	7,197,018
1-Apr-30		1,301,213	1,301,213
1-Oct-30	6,040,000	1,301,212	7,341,212
1-Apr-31		1,142,663	1,142,663
1-Oct-31	6,360,000	1,142,662	7,502,662
1-Apr-32		975,713	975,713
1-Oct-32	6,695,000	975,712	7,670,712
1-Apr-33		799,969	799,969
1-Oct-33	7,045,000	799,968	7,844,968
1-Apr-34		615,038	615,038
1-Oct-34	7,415,000	615,037	8,030,037
1-Apr-35		420,394	420,394
1-Oct-35	7,800,000	420,394	8,220,394
1-Apr-36		215,644	215,644
1-Oct-36	8,215,000	215,643	8,430,643
	$ 152,615,000	$ 69,104,388	$ 221,719,388

VARIABLE RATE ENERGY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2012

$100,000,000

REVENUE AND REFUNDING BONDS DATED AUGUST 23, 2012

CUSIP NUMBER

51166FCN9

PURPOSE

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

SECURITY

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

INSURANCE

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

RATINGS

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

OPTIONAL REDEMPTION

The series 2012 Bonds were redeemed on August 29,2017.

AGENTS

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

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENTS

The Series 2012 Bonds pay a variable rate of interest that is equal to the SIFMA index plus a fixed rate spread, as shown below. Interest is calculated and paid monthly.

Maturity Date	Amount	Interest Rate
October 1, 2017	$100,000,000	SIFMA rate + 0.75%

ENERGY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2016

$138,650,000

REVENUE AND REFUNDING BONDS DATED FEBRUARY 5, 2016

CUSIP NUMBERS

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

PURPOSE

The Series 2016 Bonds were issued for the principal purposes of (i) financing certain capital improvements for the electric power system of the City of Lakeland, Florida (the "City"), (ii) refunding, on a current basis, the City's outstanding Energy System Refunding Revenue Bonds, Series 2014 and refunding on an advance basis, a portion of the City's outstanding Energy System Revenue Bonds, Series 2006, and (iii) paying certain costs and expenses related to the issuance of the Bonds.

SECURITY

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

INSURANCE

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

RATINGS

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

OPTIONAL REDEMPTION

The Bonds maturing on or after October 1, 2026, are subject to redemption prior to their stated dates of maturity, at the option of the City, in whole or in part on any date on or after April 1, 2026 (in such manner of selection of maturities as the City shall determine and by lot within maturities) at a redemption price of 100% of the principal redeemed, plus interest accrued to the date of redemption.

AGENTS

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

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

Date	Maturity	Interest	Total
1-Oct-17	4,145,000	2,905,709	7,050,709
1-Apr-18		2,802,085	2,802,085
1-Oct-18	4,350,000	2,802,085	7,152,085
1-Apr-19		2,693,334	2,693,334
1-Oct-19	4,560,000	2,693,334	7,253,334
1-Apr-20		2,579,335	2,579,335
1-Oct-20	4,770,000	2,579,335	7,349,335
1-Apr-21		2,460,084	2,460,084
1-Oct-21	9,620,000	2,460,084	12,080,084
1-Apr-22		2,219,585	2,219,585
1-Oct-22	10,020,000	2,219,585	12,239,585
1-Apr-23		1,969,084	1,969,084
1-Oct-23	10,480,000	1,969,084	12,449,084
1-Apr-24		1,707,085	1,707,085
1-Oct-24	10,955,000	1,707,085	12,662,085
1-Apr-25		1,433,209	1,433,209
1-Oct-25	11,480,000	1,433,209	12,913,209
1-Apr-26		1,146,210	1,146,210
1-Oct-26	12,005,000	1,146,210	13,151,210
1-Apr-27		846,084	846,084
1-Oct-27	12,550,000	846,084	13,396,084
1-Apr-28		689,210	689,210
1-Oct-28	12,820,000	689,210	13,509,210
1-Apr-29		512,934	512,934
1-Oct-29	8,820,000	512,934	9,332,934
1-Apr-30		386,147	386,147
1-Oct-30	5,965,000	386,147	6,351,147
1-Apr-31		296,672	296,672
1-Oct-31	1,875,000	296,672	2,171,672
1-Apr-32		267,375	267,375
1-Oct-32	1,935,000	267,375	2,202,375
1-Apr-33		219,000	219,000
1-Oct-33	2,030,000	219,000	2,249,000
1-Apr-34		168,250	168,250
1-Oct-34	2,135,000	168,250	2,303,250
1-Apr-35		114,875	114,875
1-Oct-35	2,240,000	114,875	2,354,875
1-Apr-36		58,875	58,875
1-Oct-36	2,355,000	58,875	2,413,875
	$ 135,110,000	$ 48,044,575	$ 183,154,575

ENERGY SYSTEM REFUNDING BONDS, SERIES 2017

$97,000,000

REFUNDING BOND DATED AUGUST 29, 2017

CUSIP NUMBER

N/A

PURPOSE

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

SECURITY

The Series 2017 Bonds and the interest thereon are payable from certain revenues derived by the City from the operations of its electric power system on parity as to the lien thereon and pledge thereof granted with respect to the City's hereinafter defined Parity Obligations. The Series 2017 Bond was issued through a direct placement and were purchased by the Bank of America, N.A.

INSURANCE

The City has not purchased bond insurance or any other form of credit enhancement for the 2017 Bond.

MANDATORY REDEMPTION

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

Date	Principal Amount
October 1, 2019	$1,795,000
October 1, 2020	$7,000,000
October 1, 2022	$88,205,000

OPTIONAL REDEMPTION

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

AGENTS

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

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENTS

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

SWAP AGREEMENTS

To hedge the variable rate risk exposure related to certain variable rate Electric System bonds, the City has entered several interest rate swap agreements. These agreements, which were entered between 2001 and 2008, were related to certain prior variable rate debt, which has been refunded. The City has elected to apply the existing swap agreements to hedge the new variable rate refunding debt. In August 2017, the City issued the variable rate Energy System Refunding Bond, Series 2017 which, among other purposes, refunded the outstanding Series 2012 bonds, which were variable rate obligations. In conjunction with the issuance of the 2017 bond, the City negotiated changes to several of the existing swap agreements, converting them from SIFMA based to 67% of Libor, and reducing the fixed rate paid by the City. These changes did not result in any payments between the counterparties. The existing swap agreements are summarized in the chart below.

Notional 9/30/2017	Counterparty	Start Date	Maturity Date	City Receives	City Pays	Fair Market Value 9/30/201
24,772,000	Goldman Sachs Mitsui Marine Derivative Products, LP	03/23/16	10/1/2017*	SIFMA	4.28%	$ (211,725)
24,772,000	Goldman Sachs Mitsui Marine Derivative Products, LP	10/02/17	10/01/35	67% of 1 mo. LIBOR	3.92%	(7,814,970)
14,053,000	Citigroup Global Markets Holdings, Inc.	08/29/17	10/01/35	67% of 1 mo. LIBOR	3.92%	(4,393,847)
90,000,000	Citigroup Global Markets Holdings, Inc.	06/14/01	05/01/21	74.125% of 1 mo. LIBOR	SIFMA	(95,112)
47,860,000	Citigroup Global Markets Holdings, Inc.	01/22/03	10/01/37	67% of 1 mo. LIBOR	3.74%	(15,632,105)
1,520,000	Goldman Sachs Mitsui Marine Derivative Products, LP	10/02/17	10/01/35	67% of 1 mo. LIBOR	3.16%	(309,361)
						$ (28,457,120)

*Termination

Because of the swap agreements, the City will receive (on a combined basis) variable rate payments equal to between 67% and 74.125% of LIBOR times the notional amount of the swap agreements. The notional amount of the swap agreements roughly corresponds to the outstanding amount of the Series 2017 variable rate bonds. In return, the City will make fixed rate payments of between 3.163% and 3.926% times the notional amount of the swap agreements. These agreements fix the variable rate exposure of the 2017 bonds at the fixed rates noted above (plus the fixed rate spread paid on the bonds) to the extent that the variable rate payments received by the City under the swap agreements are equal to the variable rates paid by the City on the 2017 bonds.

The swap agreements use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, bankruptcy, or rating downgrades to either counterparty. As of September 30, 2017, the City was not subject to credit risk with its counterparties because the fair market values of the swap agreements were negative.

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

WATER UTILITIES

On December 19, 2017, the City of Lakeland (City) authorized (Task Authorization CS-18-01(m)) Chastain-Skillman, Inc. (CS) to prepare a Water System Evaluation Report for the Fiscal Year 2017 for review by bond holders. The City has requested that CS conduct an annual independent engineering review and evaluation of its water system. This report summarizes the findings based on previous reports, interviews with City staff, water system data, and financial information provided by the City.

The City's bond covenant requires third party inspections of representative water infrastructure on a biennial basis. The last inspection was completed for the FY 2015 report. Therefore, inspections were not conducted for this current report. The inspection dates were as follows:

- T.B. Williams Water Treatment Plant and Northwest Wellfield – January 24, 2018
- Water Booster Stations – January 24, 2018
- C.W. Combee Water Treatment Plant – January 24, 2018
- Northeast Wellfield – January 24, 2018.

ADMINSTRATION AND ORGANIZATION

The Water Utilities Department is headed by the Director of Water Utilities and is responsible for water and wastewater operations. The Water Utilities Department is segregated into the Water Operations Division and Wastewater Operations Division. The Water Operations Division includes the following functional areas:

- Administration
- Water Distribution
- Engineering
- Water Production

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

The Director of Water Utilities is responsible for Production and Distribution. Water Production is responsible for operation and maintenance of the wellfields, water treatment facilities, and the water booster pump stations. Currently, the Combee WTP has 10 certified operators and the Williams WTP has 16 certified operators. The staff of both treatment facilities report to the Manager of Water Production who is also a certified operator. The total Water Production staff includes 39 budgeted full-time positions.

Water Distribution is responsible for operation and maintenance of the water distribution system, as well as comprehensive meter servicing and backflow preventer program. A leak detection program performed by this staff includes evaluating all service valves and meters over a period of three to four years. The Water Distribution staff consists of 57 full-time positions and six contract positions.

The Manager of Water Utilities Engineering is responsible for Engineering and reports directly to the Director of Water Utilities. Engineering responsibilities include designing and permitting

construction of new water mains, relocation of mains, inspection of new facilities and distribution components, responses to public queries on utility locations, and coordination of work performed by consultants. The staff includes 23 full-time positions and two part-time co-op student positions. The Engineering Division also provides similar support to the Wastewater Operations Division.

SERVICE AREA

The water service area covers approximately 132 square miles and includes most of the City limits (the City limits has a few small areas not served by City water), plus portions of unincorporated Polk County, through its Chapter 180 Reserve Service Area and user agreements. Total water distributed in FY 2017 was approximately 7.82 billion gallons.

Table 3-1 is excerpted from the City's Water Use Permit (WUP) application package submitted to the Southwest Florida Water Management District (SWFWMD) and summarizes projected population and water demand. Annual average water demand is based on a per capita demand of 150 gpd and includes residential, commercial/industrial, and institutional use. Peak month demand is based on a peaking factor of 1.2 times average annual use.

Projected Population and Water Demand

Year	Population	Per Capita Demand (gpd)	Annual Average Use (MGD)	Peak Month Use (MGD)
2018	203,247	150	30.487	36.584
2019	206,391	150	30.959	37.150
2020	209,560	150	31.434	37.721
2021	212,733	150	31.910	38.292
2022	215,914	150	32.387	38.865
2023	219,103	150	32.865	39.439
2024	222,305	150	33.346	40.015
2025	225,520	150	33.828	40.594
2026	228,733	150	34.310	41.172
2027	231,957	150	34.794	41.752
2028	235,182	150	35.277	42.333

Source: Water Utilities

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

Historical Water Utilities Customer Base

For Fiscal Year Ended September 30	Customers		
	Within City	Outside City	Total
2017	34,240	22,114	56,354
2016	34,711	22,039	56,750
2015	33,324	20,998	54,322
2014	32,827	20,573	53,400
2013			53,490
2012			52,603
2011			52,424

Source: Water Utilities

STATUS OF FACILITIES

PERMITS AND REGULATORY STATUS

The SWFWMD issued WUP No. 200004912.009 to the City for 35.03 MGD for public supply needs on December 16, 2008. This permit is for a 20-year period and provides source water for the City's projected demands through that period. Meeting a special condition of this permit, an agreement dated March 31, 2009 was executed between the City and the Tampa Electric Company (TECO) for the City to provide TECO treated wastewater from the City's Wetlands treatment facility to TECO's Polk Power Station. The pipeline transfers the City's treated wastewater for use as cooling water at the TECO facility. The TECO project transferred an average of 5.76 million gallons per day of treated wastewater. When the pipeline is fully operational, the City will be able to claim a 100% beneficial reuse of treated wastewater effluent.

The Lakeland water system operates under Public Water System ID No. FL6531014. Permitting and compliance monitoring of the Lakeland water system is conducted by the Polk County Health Department, which was delegated the drinking water program responsibilities by the Florida Department of Environmental Protection.

The Polk County Health Department conducted the annual sanitary survey of the wells, treatment plants, and distribution system on December 12, 2017. On January 17, 2018 the City received an email copy of the completed Sanitary Survey Report which noted two minor deficiencies as follows:

1) The Combee Plant Ground Storage Tank is leaking. A plan of action was discussed with the department prior to the sanitary survey as a result the City is required to submit regular updates.

2) The Williams Plant Clear Well needs to be refurbished. A plan of action was discussed with the department prior to the sanitary survey as a result the City is required to submit regular updates.

Water Production will submit regular updates to the Polk County Health Department as the repairs progress.

WATER SUPPLY

The T.B. Williams WTP is supplied water from 13 wells (Northwest Wellfield). The wellfield is approximately bounded by Interstate 4, West 10th Street, and Providence Road. The wells have an installed capacity of 51 MGD. Normal operation of the supply wells is to rotate the wells on a weekly basis. All wells have telemetry back to the T.B. Williams WTP where each can be monitored for flow rate, total volume pumped, run time, and pressure. Remote television monitoring is provided at all wells.

The Combee WTP is supplied water from one on-site well and five off-site wells (Northeast Wellfield). The on-site well is rated for 3 MGD. The 863-acre Northeast Wellfield is near Old Polk City Road and Tomkow Road. Standby power generation is provided for two wells, and bi-directional telemetry and remote television monitoring is provided at all wells. The five wells are typically operated one at a time with each delivering approximately 2,700 gpm (4 MGD). Annual pumpage has averaged 7,600.5 million gallons over the past five years.

Well Pumpage (in Millions of Gallons)

Fiscal Year	T.B. Williams WTP Wells[1]	Combee WTP Wells[2]	Total
2017	6,578.4	1,245.4	7,823.8
2016	6,227.6	1,369.1	7,596.7
2015	6,139.8	1,398.0	7,537.8
2014	6,122.2	1,369.1	7,491.3
2013	6,211.2	1,341.7	7,552.9

[1] Northwest Wellfield
[2] Combee WTP on-site well and Northeast Wellfield
Source: Water Utilities

The water levels in the Floridan Aquifer which are the source waters for the City are expected to continue to be adequate to support the two water treatment plant facilities. Aquifer level readings have remained consistent since 1998.

The City's production wells were visited by CSI personnel. Wellheads were found to be in good to excellent condition. At the time of the visit, Well #7 of the Northwest Wellfield was off-line for maintenance.

WATER TREATMENT FACILITIES

The Williams WTP has a capacity of 51 MGD and consists of the following components: pre-chlorination, split lime softening, stabilization (corrosion control), filtration, fluoridation and chlorination. Chlorine is added to the raw water to prevent bacteria/algae growth in the subsequent processes. After pre-chlorination, approximately 25% to 30% of the influent water passes through the first stage of lime softening. The remaining 70 to 75% is bypassed around the softening and filtration systems. This split lime softening treatment serves to minimize the quantity of lime and other chemicals used in the softening process to reduce the water hardness. Chemicals are also added in the lime softening stage to minimize the potential corrosiveness of the treated water. After it is softened, the softened water flow is sent to the dual-media filters to have suspended particles removed. The water can percolate (flow downward) through layers of anthracite coal and sand. These filters can process 30 million gallons of water daily. After approximately 72 hours of operation, the filters get "dirty" from suspended particles they have trapped. A filter is cleaned by backwashing it with treated water and large volumes of compressed air. A cleaning cycle uses 500,000 gallons of water which can flow into a recovery basin. The clarified water is returned to the headworks of the treatment plant. The solids are removed weekly from the wash water pond and sent to the sludge thickener. Lime sludge from the process is collected, thickened to 30% solids, and hauled by tanker truck to power plants to reduce sulfur dioxide air emissions from those facilities. Both softened and raw water are fluoridated and chlorinated prior to blending in the clearwell.

After blending, the mixed stream is aerated to vent any trapped gases prior to entering the 538,000-gallon clearwell. Variable speed high-service pumps maintain a stable discharge pressure of 56 psi by pumping water into the distribution system from the clearwell through the 54-inch discharge main. Instead of pumping directly to the distribution system, water from the clearwell may be directed to either of two, 5-million-gallon ground storage tanks. The 10 million gallons of ground storage serves to help equalize peak demands for the system's operation.

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

The Combee WTP is located east of Lake Parker Drive and west of Old Combee Road in the northeast portion of the City service area. The WTP can provide an average daily capacity of 8 MGD and a peak daily capacity of 12 MGD. The facility has sufficient available space to be expanded to 24 MGD in the future. This additional treatment facility enhances the total system reliability. The Combee WTP (Appendix A, Figure 4-3) is configured to include the same treatment processes used at the Williams WTP. The water treatment plant includes a 5-million-gallon ground storage tank with provisions for a future 5-million-gallon tank; two lime softening units with provisions for addition of another two units of the same size; and one filtration unit with available space for two additional filters.

Both WTPs are equipped with a monitoring and control system (Emerson DeltaV™) to assist in management of the water system. The system components monitor and control various parameters in the distribution system (e.g., pressures and water flow demand) with the treatment components (well pumpage/treatment flow rates and ground storage volumes) to optimize water supply. This includes controlling well pumps and high-service pumps, as well as specific internal treatment processes. The system allows monitoring and control of the water treatment plants, Northwest Wellfield, Northeast Wellfield, and water booster stations. Monitoring and control of all the facilities can be performed at either water treatment plant.

Record drawings for each water treatment plant are available on-site and at the Water Utilities Administrative offices at 501 East Lemon Street, Lakeland, Florida. Operation and maintenance manuals and logs are maintained on-site. The laboratory at T.B. Williams WTP conducts limited compliance testing for both water treatment plants. The laboratory is certified by the Department of Health (DOH ID No. E54728). The laboratories at both facilities perform other testing for process control. Additional compliance testing not conducted at T.B. Williams is referred to a DOH-certified laboratory for testing.

Local utilities with groundwater typically limit water treatment to aeration and disinfection. Additional treatment is limited because of costs. The City consistently provides high quality water for its customers by expanding its treatment process to include lime softening, filtration, and fluoridation. The table below summarizes the average raw and finished water quality data for FY 2017.

Water Quality Data for FY 2017

Parameter[1]	MCL[2]	Combee WTP		Williams WTP	
		Raw Water	Finished Water	Raw Water	Finished Water
Total Hardness	NA	211	112	153	123
Calcium Hardness	NA	155	78	111	88
Magnesium Hardness	NA	57	34	43	35
Alkalinity	NA	214	105	149	106
Chloride	250	19.5	24	15	22
Ammonia	NA	0.19	0.03	0.47	0.04
Turbidity, NTU	NA	0.96	0.12	0.18	0.16
Color, Units	15	13	2	4	2
pH, Units	6.5-8.5	7.56	8.00	7.80	7.94
Sulfide	NA	1.10	0.00	1.40	0.00
Iron	0.3	0.26	0.006	0.009	0.007
Floride	2	0.28	0.74	0.24	0.70
Phosphate	NA	0.13	0.11	0.13	0.13
Silica	NA	17.5	18.4	17	16
Sulfate	250	0.50	0.71	3.10	1.80
Total Dissolved Solids	500	219	121	157	133
Nitrate	10	0.05	0.03	0.04	0.03

[1] Results in milligrams/Liter (mg/L) except as noted
[2] Maximum Contaminant Level
Source: Water Utilities

WATER TRANSMISSION/DISTRIBUTION SYSTEM

The water service area encompasses an area of approximately 132 square miles. The distribution system is comprised of approximately 1,002 miles of service piping to deliver treated water to customers (from 2 inches or under to 54 inches in diameter) and 8.74 miles of raw water piping to convey water from the wellfields to the treatment plants. During FY 2017, 37,061 feet of distribution piping were installed and 12,876 feet were removed from service (Table 4-3). All new or replacement potable water piping conforms to standards of the American Water Works Association. The City operates a Geographic Information System (GIS) and uses Global Positioning System (GPS) to verify and map key water system valves and hydrant locations.

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Water Lines in System (feet)

Size (inches)	Existing 2016	Installed 2017	Abandoned 2017	Total System 2017	Raw Water Lines
2 and under	930,035	804	3,866	926,973	0
2 1/2 and 3	900	0	0	900	0
4	440,683	3,917	56	444,544	0
6	2,036,671	13,509	6,180	2,044,000	0
8	826,663	11,344	810	837,197	0
10	139,015	1,659	0	140,674	0
12	553,785	5,801	1,964	557,622	0
16	125,822	27	0	125,849	8,583
18	4,540	0	0	4,540	0
20	75,824	0	0	75,824	4,532
24	29,018	0	0	29,018	6,248
30	58,827	0	0	58,827	1,935
36	19,836	0	0	19,836	24,852
42	23,109	0	0	23,109	0
48	4,162	0	0	4,162	0
54	125	0	0	125	0
Total	5,269,015	37,061	12,876	5,293,200	46,150

Source: Water Utilities

The City of Lakeland code requires individual meters be installed for each structure for billing. Individual meters are required for each unit within a structure such as a condominium or town house. The code provides for exemptions of individual meters within certain buildings. As of September 30, 2017, there were 56,354 meters (34,240 inside City and 22,114 outside City), providing 100% coverage of water consumption. The total number of meters increased 5.4% between 2013 and 2017 (Table 4-4). The Water Distribution System is supported by the Water Distribution Division which provides facilities and resources to install and maintain water lines, meters, and other appurtenances. Water meters are checked and changed out on the following schedule:

- ¾ to 1-inch diameter meters – 15 years
- 1½ to 2-inch diameter – 5 years
- Greater than 2-inch diameter – annually

The City complies with Florida Department of Environmental Protection (FDEP) regulations and American Water Works Association practices for cross-connection control to protect the water system from contamination. The City requires backflow prevention devices where the potential for backflow exists. The table below summarizes the number of backflow preventers in service for the past five years. Backflow preventers are tested annually.

	Fiscal Year Ended September 30,				
	2013	2014	2015	2016	2017
Meters	53,490	53,587	54,322	56,750	56,354
Backflow Preventers	4,947	5,025	5,119	5,203	5,195

Source: Water Utilities

The table below provides a breakdown of fire hydrants based on water main size. Eighty percent of the hydrants are located on either 6-inch or 8-inch water mains. The number of hydrants in the system has increased 2.6% over the past five years.

Historical Number of Fire Hydrants by Main Size

Main Size (Inches)	For Fiscal Year Ended September 30, 2013	2014	2015	2016	2017
4	62	62	62	64	64
6	2,454	2,465	2,483	2,494	2,505
8	888	889	896	912	916
10	166	166	166	168	171
12	415	410	412	423	424
16	105	117	118	118	119
18	2	2	2	2	2
20	23	23	23	23	23
24	11	11	11	11	11
30	36	36	36	36	36
36	6	6	6	6	6
42	3	3	3	3	3
48	1	1	1	1	1
Total Fire Hydrants	4,172	4,191	4,219	4,261	4,281

Source: Water Utilities

In FY 2017, 7,823.8 million gallons (MG) (21.435 mgd average) of water was pumped from the City's wellfields. The City accounted for 7,368.8 million gallons (20.189 mgd average) as being placed into distribution or used in the treatment plant processes. Unaccounted-for water for FY 2017 was 5.82% of total supplied. This percentage is below the 10% threshold imposed by SWFWMD requiring water audits. The City works to reduce unaccounted-for water usage by testing meters, eliminating unmetered services, reducing master meters, and detecting leaks. These programs, along with on-going pipeline replacement, have reduced unaccounted-for water by half since 1982.

Historical Unaccounted-for Water

	For Fiscal Year Ended September 30, 2013	2014	2015	2016	2017
Water Produced, MG	7,552.9	7,491.3	7,537.8	7,646.7	7,823.8
Accounted-for Water, MG	6,867.6	6,809.9	6,910.4	6,949.2	7,368.8
Unaccounted-for Water, MG	685.2	681.4	627.4	697.5	455.0
Unaccounted-for Water, %	9.07%	9.10%	8.32%	9.12%	5.82%

Source: Water Utilities

The distribution system also includes four pump stations:

- Southwest Booster Station – Provides water to the high-pressure zone distribution system.
- Highlands Booster Station and Ground Storage Reservoir – Provides water to the high-pressure zone distribution system.
- Southeast Booster Station – Pumps water from the low-pressure zone to the Highlands Ground Storage Reservoir.

- County Line Road Booster Station – This station is utilized to circulate water to the west Lakeland service area.

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

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

The Southwest, Highlands, County Line, and Southeast Booster Stations are monitored and can be controlled from either WTP via the new DeltaV™ system.

IMPROVEMENTS

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

- Softening Basin Recoating: Status: Project has bid and awarded. Notice to proceed to contractor is currently scheduled for February 5, 2018.
- Combee WTP Filter Rehabilitation: Budget: $850,000 - Status: Project has been bid and awaiting consultant recommendation to award bid.
- Combee Dry Scrubber: Budget: $200,000 - Status: Purchase Order has been issued to order material. Final submittals are in for review.
- Williams WTP Entrance Relocation: Status: Meeting with Facilities Maintenance on February 5, 2018 to start design.
- Williams WTP Clearwell Reliability Study: Status: Inspection found deficiencies which will require repair. RFQ is being issued for consultant design services.
- Williams WTP Storage Building: Status: Meeting with Facilities Maintenance on February 5, 2018 to start design.
- Water Production Well 8 & 9 Property Acquisition: Status: Property purchased and recorded, fencing and entrance to Providence Road is complete.
- Lower Floridan Well: Status: Currently in design phase.
- Combee GST # 2: Status: Funds are being moved forward to construct an additional ground storage tank at the Combee WTP.

WATER RATES

Operation and maintenance expenses are funded primarily by user charges. Ordinance No. 5204 provides for the establishment of water fees, rates, and charges, including miscellaneous service charges, water system capacity fees, and other conditions related to water service. The City Commission has the sole authority to set and revise water fees and charges for the Lakeland system. The City assesses a meter connection and impact fees based on meter size and account classification (see tables below). The City adopted a multi-year rate plan for Fiscal Years 2015-2017 to help stabilize water revenues.

Meter Connection Fees

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

Source: Water Utilities

Add-on for Electronic Read Meter – (Smart Grid) billed at actual cost $180

Impact Fees

Account Classification	Inside City	Outside City
Detached Single-family - 325 gpd per unit	$ 1,050.00	$ 1,313.00
Multi-family/Attached Single-family/Mobile Homes - 244 gpd per unit	$ 788.00	$ 985.00
Commercial/Industrial - per gallon per day	$ 3.23	$ 4.04
3/4" meter for dedicatedc w ash dow n to lift station (or drinking fountain) - 10 gpd	$ 32.00	$ 40.00

Source: Water Utilities

Water rates consist of a monthly base rate plus consumption charge. The City has adopted an inverted rate structure to comply with SWFWMD recommendations for water conservation. Under this tiered structure, increasing water usage results in higher unit rate charges. The table below summarizes the monthly base rate for residential, commercial, and irrigation accounts effective October 1, 2016.

Monthly Base Rate
Residential, Commercial, and Irrigation Accounts

Meter Size	Inside City	Outside City
5/8" to 3/4"	$ 8.81	$ 11.90
1"	$ 23.75	$ 32.07
1 1/2"	$ 42.91	$ 57.93
2"	$ 74.15	$ 100.11
3"	$ 161.21	$ 217.63
4"	$ 312.21	$ 421.48
6"	$ 658.35	$ 888.77
8" and Above	$ 1,114.76	$ 1,504.93

Source: Water Utilities

Consumption Charges for Residential Accounts

Meter Size	Consumption (in 1,000's)	Price per 1,000 Gallons: Inside City	Outside City
5/8" to 3/4"	0-7	$ 1.97	$ 2.65
	8-12	$ 2.42	$ 3.27
	13-19	$ 3.02	$ 4.09
	Above 19	$ 3.93	$ 5.31
1"	0-19	$ 1.97	$ 2.65
	20-32	$ 2.42	$ 3.27
	33-51	$ 3.02	$ 4.09
	Above 51	$ 3.93	$ 5.31
1 1/2"	0-34	$ 1.97	$ 2.65
	35-58	$ 2.42	$ 3.27
	59-93	$ 3.02	$ 4.09
	Above 93	$ 3.93	$ 5.31
2"	0-59	$ 1.97	$ 2.65
	60-101	$ 2.42	$ 3.27
	102-160	$ 3.02	$ 4.09
	Above 160	$ 3.93	$ 5.31
3"	0-128	$ 1.97	$ 2.65
	129-220	$ 2.42	$ 3.27
	221-348	$ 3.02	$ 4.09
	Above 348	$ 3.93	$ 5.31
4"	0-248	$ 1.97	$ 2.65
	249-425	$ 2.42	$ 3.27
	426-673	$ 3.02	$ 4.09
	Above 673	$ 3.93	$ 5.31
6"	0-523	$ 1.97	$ 2.65
	524-897	$ 2.42	$ 3.27
	898-1,420	$ 3.02	$ 4.09
	Above 1,420	$ 3.93	$ 5.31
8" and Above	0-886	$ 1.97	$ 2.65
	887-1,519	$ 2.42	$ 3.27
	1,520-2,404	$ 3.02	$ 4.09
	Above 2,404	$ 3.93	$ 5.31

Source: Water Utilities

Consumption Charges for Irrigation Accounts

Meter Size	Consumption (in 1,000's)	Price per 1,000 Gallons: Inside City	Outside City
5/8" to 3/4"	0-5	$ 2.42	$ 3.27
	6-12	$ 3.02	$ 4.09
	Above 12	$ 3.93	$ 5.31
1"	0-13	$ 2.42	$ 3.27
	14-32	$ 3.02	$ 4.09
	Above 32	$ 3.93	$ 5.31
1 1/2"	0-24	$ 2.42	$ 3.27
	25-59	$ 3.02	$ 4.09
	Above 59	$ 3.93	$ 5.31
2"	0-42	$ 2.42	$ 3.27
	43-101	$ 3.02	$ 4.09
	Above 101	$ 3.93	$ 5.31
3"	All Metered Use	$ 2.26	$ 3.04
4"	All Metered Use	$ 2.26	$ 3.04
6"	All Metered Use	$ 2.26	$ 3.04
8" and Above	All Metered Use	$ 2.26	$ 3.04

Source: Water Utilities

Consumption Charges for Commercial Accounts

Meter Size	Consumption (in 1,000's)	Price per 1,000 Gallons: Inside City	Outside City
All Meter Sizes	All Metered Use	$ 2.26	$ 3.04

Source: Water Utilities

The latest comparative water and wastewater rate study was conducted by R.J. Conner, Director of Lakeland Water Utilities in January 2018. This study compared City rates to representative utilities throughout the State and included comparisons of both base and consumption rates for various customer classes. The City's rates compare favorable to other utilities. Surveyed residential rates (inside) for 10,000 gallons ranged from $18.48 to $86.02. The median rate surveyed was $36.39. The City of Lakeland rate was $31.03. See table below.

Residential Water - Inside Rate
5/8" x 3/4 Meter - 10,000 Gallons FY 2017-2018

Orlando Utility Commission (OUC; City of Orlando)	$	18.48
City of Haines City	$	19.14
City of Ocala	$	19.60
Orange County	$	21.44
City of Auburndale	$	22.70
City of Tallahassee	$	24.81
Citrus County	$	25.14
City of Winter Park	$	25.52
Marion County	$	26.29
City of Tampa	$	27.02
City of Plant City	$	27.73
City of Lakeland	**$**	**31.03**
City of Sanford	$	31.99
Jacksonville Electric Authority (JEA)	$	32.28
Manatee County	$	33.18
Miami-Dade Water & Sewer Department	$	35.30
Polk County	$	36.17
Emerald Coast Water Authority	$	36.34
City of Deltona	$	36.37
Volusia County - West	$	36.41
City of Coral Springs	$	37.11
City of Winter Haven	$	37.31
Gainesville Regional Utilities (GRU)	$	41.75
City of Bartow	$	41.76
City of Bradenton	$	46.75
City of Titusville	$	48.00
Fort Pierce Utility Authority	$	49.38
City of Fort Lauderdale	$	50.43
Hillsborough County	$	55.21
City of Cocoa	$	56.70
Pinellas County	$	57.08
City of West Palm Beach	$	60.07
City of St. Petersburg	$	64.33
City of Daytona Beach	$	64.88
Charlotte County	$	73.53
City of Fort Myers	$	80.74
City of Clearwater	$	84.44
Florida Keys Aqueduct Authority	$	86.02

Source: Water Utilities

CAPITAL IMPROVEMENT PLAN

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

- Production
- Transmission and Distribution
- Engineering
- Miscellaneous

The capital improvements budgeted for FY 2017 was $17,794,935. Budgeted CIP expenses for FY 2017 consisted of the following:

Summary of Capital Improvement Plan

Expenses	FY 2017 Budgeted
Production	$ 2,903,469
Transmission & Distribution	$ 8,414,762
Engineering	$ 1,052,284
Miscellaneous	$ 5,424,420
Total Expenses	$ 17,794,935

Source: Water Utilities

OPERATING STATISTICS

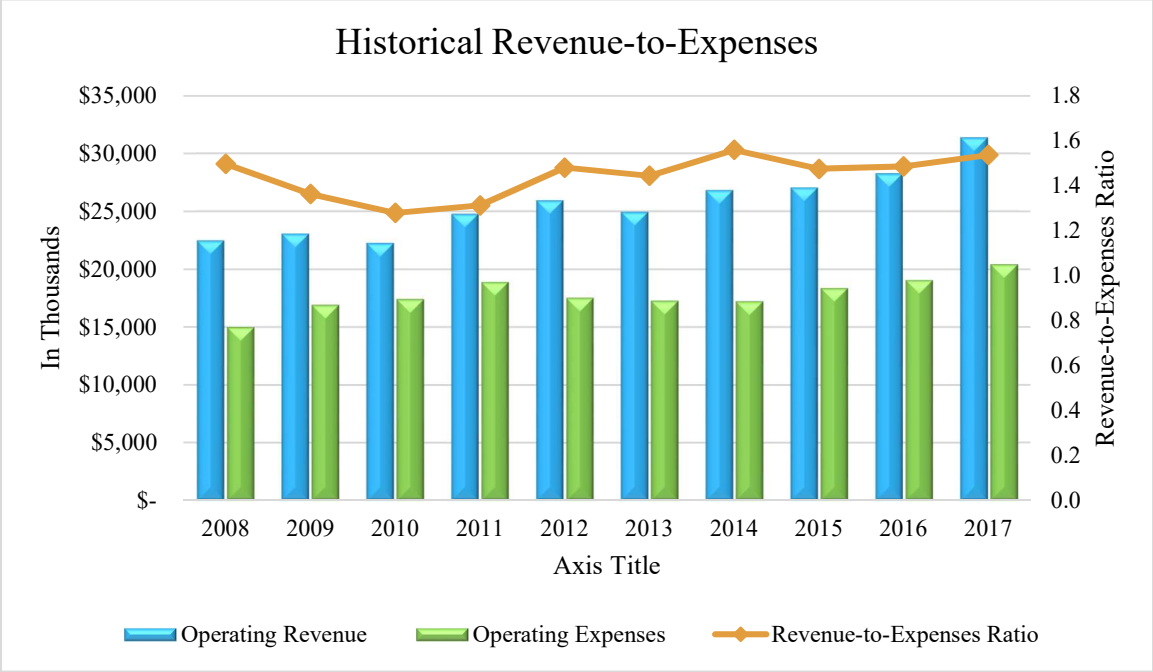
A 5-year history of select water system operating statistics is shown in Table 8-1. The quantity of water sold between Fiscal Years 2013 and 2017 has fluctuated between 6,867.7 million gallons and 7,368.8 million gallons. In FY 2017, water sales increased by approximately 420 million gallons compared to FY 2016. Gross revenues increased in FY 2017 by $2.11 million over FY 2016, while operating expenses increased by $0.04 million over the same period. The water utility revenues were sufficient to transfer $5,331,530 to the general fund in FY 2017.

Historical Water Utility Operating Statistics

	For Fiscal Year Ended September 30,				
	2013	2014	2015	2016	2017
Water Produced[1]	7,552.9	7,491.2	7,537.9	7,646.7	7,828.8
Unaccounted-for Water[1]	(685.2)	(681.4)	(627.5)	(697.6)	(455.0)
Water Sold[1]	6,867.7	6,809.9	6,910.4	6,949.2	7,368.8
Customers	53,490	53,587	54,322	56,750	56,334
Gross Revenues[2]	$ 24.855	$ 28.061	$ 27.674	$ 29.419	$ 31.533
Operating Expenses[2]	$ 12.724	$ 12.986	$ 14.483	$ 16.911	$ 16.955
Operating Expenses per 1,000 gallons Water Produced	$ 1.680	$ 1.730	$ 1.920	$ 2.210	$ 2.170

[1] In millions of gallons
[2] In millions of dollars
Source: Water Utilities

The graph below shows historical operating revenues and operating expenses since 2008. Revenue-to-expense ratios increased from 1.49 in FY 2016 to 1.54 in FY 2017. The revenue-to-expenses remain favorable.



The top ten City water customers comprised 10.7% of total water distributed in FY 2017 as shown in the table below.

Top Ten Water Customers FY 2017

Customer	Total Gallons[1]
City of Lakeland	251,637
Lakeland Regional Health	134,056
Florida Southern College	83,679
Board of County Commissioners	77,884
Carlton Arms of North Lakeland	47,725
Tampa Maid Foods	45,049
Publix Supermarkets, Inc.	43,195
Crothall Laundry Services, Inc.	42,013
Southeastern University	32,039
Florida Governmental Utility Authority	27,886
Total Water Sales	785,163

[1] In thousand gallons
Source: Water Utilities

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

Historical Debt Service Coverage
Combined Water and Wastewater Utility

Fiscal Year	Test 1 (100% based on Net Operating Revenues)	Test 2 (120% based on Net Operating Revenues plus Available Connection Charges)
2017	4.03	4.37
2016	5.39	5.81
2015	4.76	5.09
2014	8.28	8.71
2013	5.51	5.92
2012	4.62	4.81
2011	4.38	4.69
2010	3.74	3.97
2009	3.82	4.05
2008	3.27	3.76
2007	3.59	4.18

The coverage by net operating revenues available for debt service is favorable in FY 2017 at 4.03 for the combined water and wastewater utility compared to the required coverage of 1.0. The coverage by net operating revenues plus available connection charges is 4.37 compared to the required coverage of 1.2.

SUMMARY AND CONCLUSIONS

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

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

Revenue to Expenses ratios have consistently exceeded 1.5 the past 14 years. The ability of the City to meet debt service coverage on outstanding bonds is favorable, with net revenue to debt ratio of 4.03 for the combined water and wastewater utility. Further, the revenues have sustained on-going operation and maintenance of the water system as well as capital improvements, and made contributions to the City's general fund of $5,331,530 in FY 2017. In addition, the City's ability to raise additional revenue through user charges remains favorable as its rate schedule continues to compare well to other utilities in Florida

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WASTEWATER UTILITIES

On December 19, 2017, the City of Lakeland (City) authorized (Task Authorization CS-18-02(m)) Chastain-Skillman, Inc. (CSI) to prepare the Wastewater System Evaluation Report for Fiscal Year (FY) 2017. The City has requested that CSI conduct an annual independent engineering review and evaluation of its wastewater system. This report summarizes the findings based on previous reports, interviews with City staff, wastewater system data, and financial information provided by the City. The purpose of this review is to assess whether the wastewater utility system is managed in a prudent manner consistent with typical utility practice. The City's bond covenant requires third party inspections of representative wastewater infrastructure on a biennial basis. The last inspection was completed for the FY 2015 report. Therefore, infrastructure inspections were conducted for this current report.

ADMINISTRATION AND ORGANIZATION

The Water Utilities Department is headed by the Director of Water Utilities and is responsible for water and wastewater operations. The Water Utilities Department is segregated into the Water Operations Division and Wastewater Operations Division. Wastewater Operations is organized under (1) Administration, (2) Wastewater Collection, (3) Wastewater Treatment, and (4) Wetlands (Appendix B). Under Wastewater Administration, the Assistant Director of Water Utilities reports directly to the Director of Water Utilities.

The Director of Water Utilities is responsible for Wastewater Collection, Wastewater Treatment, and Wetlands. Wastewater Collection has responsibility for operation and maintenance of the collection and transmission system as well as electrical and mechanical maintenance of the Wastewater Treatment Plants. Collection is divided into (1) Administration, (2) Sewer Maintenance, (3) Pump Stations, (4) Instrumentation/Electrical, and (5) Pretreatment. All positions in Collection report to the Manager of Wastewater Collection who reports to the Assistant Director of Water Utilities. Collection had 49 full-time positions and three contract positions in FY 2017.

The Manager of Wastewater Treatment is responsible for operation and maintenance of the West Lakeland Wasteload Reduction Facility, the Glendale Water Reclamation Facility (WRF), and the Northside Wastewater Treatment Plant (WWTP). The Manager reports directly to the Assistant Director of Water Utilities. Wastewater Treatment had 31 full-time positions in FY 2017.

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

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

SERVICE AREA

The wastewater service area covers approximately 149 square miles and includes most of the City limits (the City limits has a few small areas not served by City wastewater) plus portions of unincorporated Polk County, through its Chapter 180 Reserve Service Area and user agreements. Total wastewater treated in FY 2017 was approximately 4.50 billion gallons.

The latest population and wastewater flow projections for the service area were reported in the Updated Capacity Analysis Reports for the Northside WWTP (2013) and the Glendale WRF (2015). The population projections were based on Southwest Florida Water Management District (SWFWMD) parcel-based permanent and seasonal resident projections. The projections were then adjusted to reflect only those areas currently or planned to be served by sewer. Projected wastewater flows were then estimated based on a per capita flow rate of 163 gallons per capita per day (gpcd) for the Northside WWTP service area and 126 gpcd for the Glendale WRF service area.

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

Projected Population and Wastewater Flows

Fiscal Year	Projected Population Served	Projected Wastewater Flows (MGD)[1]
2017	95,307	13.870
2018	96,145	14.075
2019	96,992	14.232
2020	97,846	14.390
2021	98,318	14.495
2022	98,793	14.599
2023	99,269	14.704
2024	99,748	14.771
2025	100,230	14.839

[1] City began accepting flow from Skyview in 2016
Source: Wastewater Utilities

The 5-year historical wastewater utilities customer base is shown in the table below. The large increase in customers from FY 2015 and FY 2016 is partially the result of Skyview meters being changed to the City of Lakeland.

Historical Wastewater Utilities Customer Base

For Fiscal Year Ended September 30	Customers		
	Within City	Outside City	Total
2017	45,335	1,786	47,121
2016	46,127	1,963	48,090
2015	43,744	856	44,600
2014	46,127	1,963	48,090
2013			43,554
2012			42,983

Source: Wastewater Utilities

STATUS OF FACILITIES

CSI personnel conducted field visits to the major wastewater facilities on the following dates:

- West Lakeland Wasteload Reduction Facility – January 29, 2018
- Glendale WRF – January 26, 2018
- Wetlands Treatment System – January 26, 2018
- Northside WWTP – January 30, 2018
- Northeast Lift Station – January 30, 2018
- 15 Wastewater Pump Stations – January 30, 2018

PERMITS AND REGULATORY STATUS

The Glendale WRF is operating under the provisions of Florida Department of Environmental Protection (FDEP) Permit No. FL0039772. The operating permit was issued on September 30, 2015 and expires on December 2, 2020. The Glendale WRF, West Lakeland Wasteload Reduction Facility, and the Artificial Wetlands System operate under this permit. The current permit includes industrial reuse to the City of Lakeland McIntosh Power Generating Plant (McIntosh), Tampa Electric Company (TECO) Polk Power Station, and the Matheson Tri-Gas Facility. The permitted effluent limitations for the Glendale WRF are summarized in the table below.

Glendale WRF Effluent Limitations

Parameter	Effluent Limitation
Flow , MGD[1]	13.7 12-Month Average
Carbonaceous Biochemical Oxygen Demand ($CBOD_5$), mg/L	20 Annual Average 30 Monthly Average 45 Weekly Average 60 Single Sample
Total Suspended Solids (TSS), mg/L	20 Annual Average 30 Monthly Average 45 Weekly Average 60 Single Sample
pH, SU	6.0 - 8.5
Fecal Coliform, #/100 mL	200 Annual Average 200 (Geometric Mean) Monthly Average 800 Single Sample
Chorine Residual, mg/L	0.5 Single Sample

[1] Influent flow limit

Source: Wastewater Utilities

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

The Northside WWTP is operating under the provisions of FDEP Permit No. FLA012985. The permit was issued on February 25, 2014 and expires February 24, 2019. The facility is permitted for a capacity of 8.0 MGD with industrial reuse to the McIntosh Power Generating Plant for non-contact cooling water. Water returned from McIntosh is routed to the Glendale facility where it is

pumped to the Wetlands System for final treatment. Permitted effluent limits for the Northside WWTP are summarized in the table below.

Northside WWTP Effluent Limitations

Parameter	Effluent Limitation
Flow , MGD[1]	8.0 Annual Average
Carbonaceous Biochemical Oxygen Demand ($CBOD_5$), mg/L	20 Annual Average 30 Monthly Average 45 Weekly Average 60 Single Sample
Total Suspended Solids (TSS), mg/L	20 Annual Average 30 Monthly Average 45 Weekly Average 60 Single Sample
pH, SU	6.0 - 8.5
Fecal Coliform, #/100 mL	200 Annual Average 200 (Geometric Mean) Monthly Average 800 Single Sample
Chlorine Residual, mg/L	0.5 Single Sample

[1] Influent flow limit
Source: Wastewater Utilities

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

Wetland Effluent Limitations

Parameter	Effluent Limitation
Flow , MGD[1]	20.0 Annual Average
Carbonaceous Biochemical Oxygen Demand ($CBOD_5$), mg/L	5 Annual Average 6.25 Monthly Average 7.5 Weekly Average 10 Single Sample
Total Suspended Solids (TSS), mg/L	5 Annual Average 6.25 Monthly Average 7.5 Weekly Average 10 Single Sample
Total Nitrogen, mg/L	3 Annual Average 3.75 Monthly Average 4.5 Weekly Average 6 Single Sample
pH, SU	6.0 - 8.5
Dissolved Oxygen, mg/L	5.0 Single Sample
Specific Conductance, umhos/cm	1275 or 1.5 Times Background
Total Nitrogen, tons/year	30.3 Annual Total 20.2 5-Year Average
Chronic Whole Effluent Toxicity	NOEC: 100%, Quarterly Monitoring

[1] Influent flow limit
Source: Wastewater Utilities

COLLECTION AND TRANSMISSION SYSTEM

The Lakeland wastewater collection and transmission system includes approximately 331 miles of 6-inch to 48-inch diameter gravity sewer, 141 miles of 4-inch to 24-inch diameter force main, and 182 pump stations. Most of the City's pump stations are equipped with telemetry, allowing City personnel to monitor their status and collect data from each pump station. This data is accessible from a central location at the Glendale facility. All pump stations are equipped with high wetwell level alarms. All pump stations are equipped with standby power generators or portable generator receptacles. All pump stations are protected from intrusion by locking hatch covers and electrical panels. Larger stations are equipped with additional security features such as fencing, building enclosures, intrusion alarms, and video cameras. The smaller pump stations are inspected twice per month. The master pump stations are inspected daily by Collection System personnel. The City annually funds pump, panel, and generator replacement at its pump stations. An adequate supply of replacement parts and materials are maintained at the utility's warehouse.

The City maintains a continuous renewal and maintenance program to ensure reliable service. This program includes cleaning, video inspection, smoke testing, and lining and point repairs of sewers and manholes. The City schedules inspection and cleaning such that the entire collection system is covered in approximately 10-year cycles. The table below summarizes the maintenance activities performed on the collection and transmission system from FY 2013 through FY 2017. Approximately 16% of the collection system lines were cleaned and 1% televised in FY 2017. The City reports no increase in public complaints of odor or other issues.

Collection System Maintenance

	For Fiscal Year Ended September 30,				
Activity	2013	2014	2015	2016	2017
Work Orders Processed	34,841	30,249	29,540	30,555	30,223
Lines Televised (feet)	60,846	88,447	40,795	13,145	24,817
Lines Cleaned (feet)	336,513	303,198	309,770	256,314	275,989
Liners Installed (feet)	5,301	23,034	21,958	21,342	28,367

Source: Wastew ater Utilities

WASTEWATER TREATMENT FACILITIES

The City operates one pretreatment facility and two wastewater treatment facilities. To reduce the organic load on the Glendale facility, the City constructed the West Lakeland Wasteload Reduction Facility. Authority to operate the Wasteload Reduction Facility is included in the Glendale WRF operating permit. The pretreatment facility was designed to treat 1.5 MGD of high strength wastewater and reduce the organic loads, as measured by biochemical oxygen demand ($CBOD_5$) from a concentration of 1,800 mg/L to approximately 100 mg/L. The pretreated wastewater is then discharged to the City's sanitary sewer system, and flows to the Glendale WRF for additional treatment.

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

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

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

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

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

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

The Glendale facility operated well within its permit limits in 2017. The current Updated Capacity Analysis Report (2015) for the facility projects an average influent flow of 9.47 mgd in 2017 and increasing to 10.08 mgd by 2024. The table below shows the influent flow at the Glendale facility in recent years. Population and flow projections suggest the hydraulic capacity of the facility will not be reached soon. In addition, a re-rating study completed in January 2008 indicated the Glendale facility could be expanded to provide 15 MGD of treatment capacity with relatively minor operational changes and limited equipment procurement.

Influent Flow at Glendale WRF

Fiscal Year	Influent Flow (MGD)
2017	8.40
2016	8.87
2015	9.06
2014	8.66
2013	8.27

Source: Wastewater Utilities

The table below summarizes key effluent water quality results for FY 2017. Based on a review of effluent analyses, the facility consistently meets the discharge requirements of its operating permit.

Glendale WRF Effluent Quality Results for Fiscal Year 2017

Month - Year	Average Daily Flow [1] MGD	$CBOD_5$ mg/L	TSS mg/L	pH SU	Fecal Coliform #/100 mL
Oct - 2016	14.33	3	2	6.9	1.00
Nov - 2016	7.49	4	4	7.0	1.00
Dec - 2016	7.17	2	2	6.9	1.00
Jan - 2017	7.09	2	3	6.9	1.00
Feb - 2017	7.05	3	4	6.8	1.00
Mar - 2017	7.17	4	3	6.9	1.00
Apr - 2017	6.52	4	4	7.0	1.00
May - 2017	5.60	3	3	7.0	1.00
Jun - 2017	7.66	3	3	6.9	1.00
Jul - 2017	8.34	2	3	6.9	1.00
Aug - 2017	10.16	2	3	6.9	1.00
Sep - 2017	12.17	3	9	6.8	1.00
Average	8.40	2.92	3.58	6.9	1.00
Maximum	14.33	4	9	7.0	1.00
Minimum	5.60	2	2	6.8	1.00

[1] Influent flow
Source: Wastewater Utilities

The Northside WWTP is located adjacent to the McIntosh Power Generating Plant and treats wastewater generated predominantly within the northeast portion of the City service area.

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

The mixed liquor from the oxidation ditch flows by gravity to four secondary clarifiers. Solids in the mixed liquor entering the clarifiers settle to the bottom where they are withdrawn to the return

activated sludge (RAS) sumps. The withdrawal rate is controlled by telescoping valves in the sumps. Sludge collected in the sumps is withdrawn by the sludge pumps and most of the sludge is recycled to the pretreatment structure. A portion of the sludge is wasted to the sludge holding tanks directly from the RAS line.

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

Treated effluent leaving the clarifiers is combined and discharged to three chlorine contact chambers. From there, the disinfected effluent is then pumped to two 1.5-million-gallon effluent storage reservoirs. The effluent storage reservoirs receive all the chlorinated effluent from the Northside facility along with chlorinated effluent pumped from the Glendale facility. The effluent in the storage reservoirs is reused as make-up water at cooling towers in the McIntosh Power Plant. The system is designed to provide a constant supply for reuse. If the flow from the Northside WWTP is not sufficient to maintain the level needed in the tanks, effluent from the Glendale facility is pumped into the tanks. If the flow from the Northside WWTP exceeds the amount required to maintain the storage volume, the excess flow is bypassed to the Glendale facility's effluent holding basins.

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

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

The Northside facility operated well within its permit limits in 2017. The 2013 Updated Capacity Analysis Report for the facility projected an average influent flow of 4.59 mgd in 2017 and increasing to 5.12 mgd by 2024. The table below shows the influent flow at the Northside facility in recent years. Population and flow projections suggest the hydraulic capacity of the facility will not be reached soon.

Influent Flow at Northside WRF

Fiscal Year	Influent Flow (MGD)
2017	3.50
2016	3.97
2015	3.95
2014	3.66
2013	3.50

Source: Wastewater Utilities

Northside WWTP Effluent Quality Results for Fiscal Year 2017

Month - Year	Average Daily Flow [1] MGD	$CBOD_5$ mg/L	TSS mg/L	pH SU	Fecal Coliform #/100 mL
Oct - 2016	4.42	4	2	6.8	1.00
Nov - 2016	3.56	3	2	6.9	1.00
Dec - 2016	3.52	4	2	6.9	1.00
Jan - 2017	3.40	4	2	6.8	1.00
Feb - 2017	3.54	3	2	7.0	1.00
Mar - 2017	3.46	5	4	7.1	1.00
Apr - 2017	3.33	5	3	7.1	1.00
May - 2017	3.31	5	8	7.7	3.00
Jun - 2017	4.28	3	2	7.7	1.00
Jul - 2017	4.23	4	5	7.6	1.00
Aug - 2017	4.77	5	18	7.5	1.00
Sep - 2017	5.26	7	18	7.7	1.00
Average	3.92	4.33	5.67	7.2	1.17
Maximum	5.26	7	18	7.7	3.00
Minimum	3.31	3	2	6.8	1.00

[1] Influent flow
Source: Wastewater Utilities

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

Artificial Wetlands System and Effluent Disposal

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

The Wetlands Pump Station includes five vertical turbine pumps pumping from Glendale's holding basin through 4.3 miles of 36-inch force main and 2.1 miles of 42-inch force main to the artificial Wetlands System. The Wetlands System covers approximately 1,600 acres of former phosphate clay settling areas.

The Wetlands System is divided into seven cells through a series of earthen berms. The Wetlands System uses a combination of biological and physical methods to remove pollutants from the treated effluent prior to discharge to the Alafia River, a Class III surface water designated for "recreation, propagation and maintenance of a healthy, well-balanced population of fish and wildlife".

The flow enters the Wetlands System via a cascade inlet structure which adds dissolved oxygen to the water through the turbulent fall down the structure's 13 steps.

The aerated water passes out of the inlet structure by overflowing weirs on either side of the inlet distribution box. From this structure, the water enters two long ditches which have overflow structures at 100-foot centers. The distribution ditches provide an even distribution of water to the first wetland cell. Water meanders through the first cell and is treated by the wetland grasses and plants. The water then collects in a ditch on the western side of the cell. This ditch delivers

the water to control structures. The control structures allow the water to pass through the berm to a second distribution ditch, like the ditch adjacent to the inlet structure. Water passes through Cell 2, flows to a ditch connected to control structures, and passes into Cell 3.

This general collection and pass-through scheme is repeated through the remaining cells.

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

The Wetlands System discharged approximately 5.08 tons of total nitrogen to the Alafia River during the 2017 fiscal year. This was a decrease of 1.5 tons when compared to FY 2016 due to the increase use by TECO. In FY 2017, TECO pumped approximately 2.1 billion gallons from the Wetlands to its Polk Power Station for use as cooling water. This provided additional beneficial reuse and decreased pollutant loading to the Alafia River. The following table summarizes key effluent water quality results for FY 2017.

Wetlands Treatment System Effluent Quality Results for Fiscal Year 2017

Month - Year	Average Daily Flow [1] MGD	$CBOD_5$ mg/L	TSS mg/L	Total Nitrogen mg/L	Total Phosphorus mg/L	Dissolved Oxygen mg/L	Conductivity umhos/cm	pH SU	Fecal Coliform #/100 mL
Oct - 2016	14.13	2.32	3.18	1.14	3.2	6.56	1183	7.30	18
Nov - 2016	6.88	1.68	1.91	1.13	3.5	7.15	1246	7.26	3
Dec - 2016		2.17	2.57	1.30	3.6	7.05	1233	7.34	4
Jan - 2017									
Feb - 2017									
Mar - 2017									
Apr - 2017									
May - 2017									
Jun - 2017									
Jul - 2017									
Aug - 2017									
Sep - 2017	12.46	2.00	2.77	1.07	3.0	6.79	1183	7.4	20.00
Average	11.16	2.04	2.61	1.16	3.33	6.89	1211.25	7.3	11.25
Daily Maximum	27.28	5.00	7.00	2.41	3.7	8.51	1272	8.2	25
Daily Minimum	0.00	1.00	1.00	0.61	2.8	5.12	1104	6.9	1

[1] Influent flow
Source: Wastewater Utilities

A new pipeline bringing reclaimed water from Polk County Utilities (PCU) to Cell 3 has been constructed to replace the former pipeline that connected to the force main. It has been operational since February 2018.

Based on a review of effluent analyses, the Wetlands System consistently meets the discharge requirements of its operating permit.

IMPROVEMENTS

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

- Glendale WRF Flow Splitter Box #2 – Scope: Evaluate the condition of the existing flow splitter box that distributes flow to the primary clarifiers and provide recommendations regarding rehabilitation of the existing structure versus constructing a new structure. Status: Design to begin February 2018.
- Northeast Pump Station Upgrade – Scope: Renovation and upgrades to the pump station. This included major upgrades to the Programmable Logic Controller, Grinders, HVAC, Piping and Valves, Wet Well Rehab, and structural work on the building. Status: Work was substantially completed in June 2017. The City is currently working on access control and camera installations to finish out the project.
- Upgrade to the Northside Pump Station – Scope: The station is the second largest pump station and has not been upgraded in 25 years. Pumps, controls, piping, and wet well work will be done to ensure proper operation and continued service in the future. Status: Preliminary work is underway on the upgrades to our Northside Pump Station located on US 98 North. Work may involve replacement of pumps and panels, piping and valves, and HVAC along with some other work on the building itself. This is a multi-year project that will run until FY19.
- Citrus Woods Gravity and Forcemain Relocation – Work on relocating approximately 800 feet from gravity and forcemain within the Citrus Woods Mobile Home Park located off Reynolds Rd. In October 2015, a county ditch failure caused a section of our forcemain to break and exposed 100' – 200' of our lines in the ditch bank. This project will involve abandoning the existing pipes in place behind several units and installing new gravity and forcemain in the street to serve them better and allow for maintenance these lines. Status: Completion is scheduled for March 2018.

WASTEWATER RATES

Operation and maintenance expenses are funded primarily by user charges. Ordinance No. 5204 provides for the establishment of wastewater fees, rates, and charges, including miscellaneous service charges, system capacity fees, and other conditions related to wastewater service. The City Commission has the sole authority to set and revise wastewater fees and charges for the Lakeland system.

Water pollution control charges (impact fees) are one-time charges for wastewater capacity. The impact fee for FY 2017 was $1,916 per equivalent inside City residential connection. The table below summarizes impact fees for FY 2017.

Pollution Control/Sanitary Sewer Impact Fees for FY 2017

Account Classification	Inside City	Outside City
Detached Single Family - 250 gpd per unit	$ 1,916.00	$ 2,395.00
Multi-family/Attached Single-family/Mobile Homes - 244 gpd per unit	$ 1,798.00	$ 2,248.00
Commercial/Industrial - per gallon per day	$ 7.37	$ 9.22
BOD - per lb. per day	$ 389.00	$ 486.00
TSS - per lb. per day	$ 90.00	$ 113.00
Total N - per lb. per day	$ 590.00	$ 738.00

Source: Wastew ater Utilities

The following table summarizes the wastewater rates for FY 2017. The volume charge for inside City residential customers is capped at 12,000 gallons per month.

Wastewater Rate Schedule for FY 2017

Classification	Fixed Charge		Volume Charge per 1,000 gallons	
	Inside City	Outside City	Inside City	Outside City
Residential - Individually Metered[1]	$ 17.76	$ 22.20	$ 3.98	$ 4.98
Residential - Master Metered[1]	$ 15.26	$ 19.07	$ 3.98	$ 4.98
Commercial/Industrial Meter Size (inches)				
5/8" to 3/4"	$ 17.76	$ 22.20	$ 3.98	$ 4.98
1"	$ 47.91	$ 59.89	$ 3.98	$ 4.98
1 1/2"	$ 86.43	$ 108.03	$ 3.98	$ 4.98
2"	$ 192.21	$ 240.27	$ 3.98	$ 4.98
3"	$ 481.50	$ 601.87	$ 3.98	$ 4.98
4"	$ 717.27	$ 896.58	$ 3.98	$ 4.98
6"	$ 1,326.36	$ 1,657.95	$ 3.98	$ 4.98
8"	$ 2,245.80	$ 2,807.26	$ 3.98	$ 4.98

[1] Volume charges capped at 12,000 gallons per month per unit on Lakeland Water; fixed at 12,000 when not.
Source: Wastewater Utilities

The latest comparative water and wastewater rate study was conducted by R.J. Conner, Director of Lakeland Water Utilities in 2018. This study compared City rates to representative utilities throughout the State and included comparisons of both base (fixed) and volume rates (see table below). The City's rates compare favorably to other utilities. Surveyed residential rates (inside) for 12,000 gallons ranged from $38.46 to $187.99. The median rate surveyed was $74.66. The City of Lakeland rate was $66.84.

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Residential Sewer - Inside Rate
5/8" x 3/4 Meter - 12,000 Gallons

City of Auburndale	$	38.46
City of Bartow	$	39.12
Hillsborough County	$	44.15
City of Ocala	$	52.68
Marion County	$	56.97
Orange County	$	62.15
Citrus County	$	62.50
Pinellas County	$	62.92
City of Bradenton	$	65.98
City of Winter Park	$	66.23
City of Lakeland	**$**	**66.84**
City of West Palm Beach	$	67.59
City of Haines City	$	68.04
City of Winter Haven	$	68.07
Manatee County	$	70.07
Fort Pierce Utility Authority	$	70.20
City of Coral Springs	$	70.59
Orlando Utility Commission (OUC, City of Orlando)	$	72.97
Volusia County - West	$	73.76
City of Tampa	$	75.56
City of Sanford	$	78.56
Charlotte County	$	78.99
Miami-Dade Water & Sewer Department	$	79.79
Polk County	$	81.50
City of Plant City	$	63.61
Jacksonville Electric Authority (JEA)	$	84.30
Gainesville Regional Utilities (GRU)	$	84.70
City of Tallahassee	$	85.03
City of St. Petersburg	$	93.19
City of Cocoa	$	96.37
Emerald Coast Water Authority	$	97.69
City of Fort Lauderdale	$	99.93
City of Titusville	$	101.80
City of Daytona Beach	$	115.55
City of Clearwater	$	117.96
Florida Keys Aqueduct Authority	$	117.96
City of Fort Myers	$	179.15
City of Deltona	$	187.99

Source: Wastewater Utilities

CAPITAL IMPROVEMENT PLAN

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

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

The capital improvements budgeted for FY 2017 was $36,143,364. Budgeted CIP expenses for FY 2017 consisted of the following:

Summary of Capital Improvement Plan

Expenses	FY 2017 Budgeted
Collection System	$ 10,405,896
Pump Stations	$ 2,099,345
Treatment Plants	$ 16,912,410
Wetlands	$ 1,031,449
Engineering	$ 1,235,790
Miscellaneous	$ 4,458,474
Total Expenses	$ 36,143,364

Source: Wastew ater Utilities

OPERATING STATISTICS

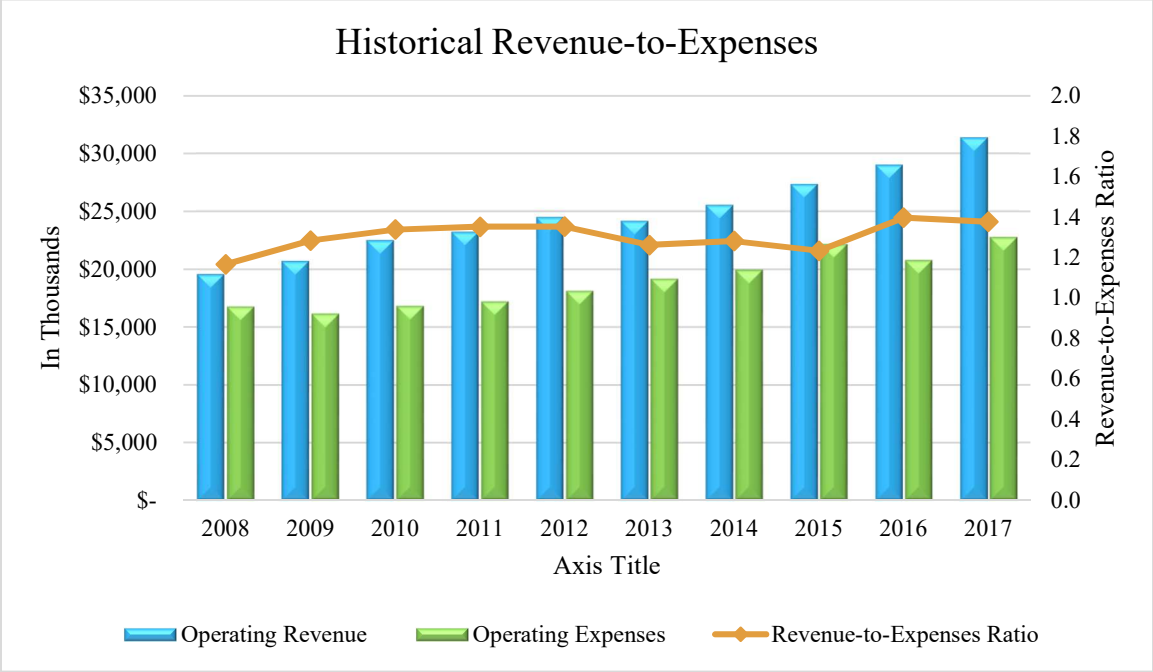
A 5-year history of select wastewater operating statistics is shown in Table 8-1. The quantity of wastewater treated in FY 2017 was approximately 183 million gallons less than in FY 2016. Gross revenues increased in FY 2017 by $1.62 million compared to FY 2016, while operating expenses increased by $3.11 million over the same period.

Historical Wastewater Utility Operating Statistics

	For Fiscal Year Ended September 30,				
	2013	2014	2015	2016	2017
Wastew ater Treated[1]	4,298	4,498	4,749	4,679	4,496
Customers	43,554	44,058	44,600	48,090	46,253
Gross Revenues[2]	24.020	26.726	27.857	30.562	32.187
Gross Revenues per 1,000 gallons	$ 5.59	$ 5.94	$ 5.87	$ 6.53	$ 7.16
Operating Expenses[2]	$ 14.595	$ 14.466	$ 16.913	$ 15.758	$ 18.869
Operating Expenses per 1,000 gallons Water Produced	$ 3.40	$ 3.22	$ 3.56	$ 3.37	$ 4.19

[1] In millions of gallons
[2] In millions of dollars
Source: Wastew ater Utilities

The chart below shows historical operating revenues and operating expenses since 2008. The revenue-to-expense ratio peaked in FY 2016 at 1.39. The ratios have remained stable during the last ten years, ranging from 1.16 to 1.39.



Ten City wastewater customers comprised 16.2% of total wastewater treated in FY 2017 as shown in the table below.

Top Ten Wastewater Customers FY 2017

Customer	Total Gallons[1]
Publix Supermarkets, Inc.	300,619
Refresco Florida, Inc.	101,164
Lakeland Regional Health	83,615
Crothall Laundry Services, Inc.	42,013
Florida Southern College	39,719
Tampa Maid Foods	36,435
Aqua Clean Environmental, Inc.	36,399
Polk County School Board	33,215
City of Lakeland	28,324
Southeastern University	27,413
Total Water Sales	728,916

[1] In thousand gallons
Source: Wastew ater Utilities

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

Historical Debt Service Coverage
Combined Water and Wastewater Utility

Fiscal Year	Test 1 (100% based on Net Operating Revenues)	Test 2 (120% based on Net Operating Revenues plus Available Connection Charges)
2017	4.03	4.37
2016	5.39	5.81
2015	4.76	5.09
2014	8.28	8.71
2013	5.51	5.92
2012	4.62	4.81
2011	4.38	4.69
2010	3.74	3.97
2009	3.82	4.05
2008	3.27	3.76
2007	3.59	4.18

The coverage by net operating revenues available for debt service is favorable in FY 2017 at 4.03 for the combined water and wastewater utility compared to the required coverage of 1.0. The coverage by net operating revenues plus available connection charges is 4.37 compared to the required coverage of 1.2. The wastewater contribution to the general fund in FY 2017 was $2,953,333.

SUMMARY AND CONCLUSIONS

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

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

The ability of the City to meet debt service coverage on outstanding bonds is favorable, with Net Revenue to Debt Ratio of 4.03 for the combined water and wastewater utility. Further, the revenues have sustained on-going operation and maintenance of the wastewater system as well as capital improvements, and made contributions to the City's general revenue fund of $2,953,333 in FY 2017. The City's ability to raise additional revenue through user charges remains favorable as its rate schedule continues to compare well to other utilities in Florida.

SUMMARIZED BOND INFORMATION – WATER AND WASTEWATER

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2012A

$37,325,000

SERIAL AND TERM BONDS DATED AUGUST 29, 2012

CUSIP NUMBERS

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

PURPOSE

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

SECURITY

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

INSURANCE

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

RATINGS

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

OPTIONAL REDEMPTION

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

MANDATORY REDEMPTION

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

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

* Final maturity

AGENTS

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

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

Date	Maturity	Interest	Total
1-Oct-17	1,600,000	856,375	2,456,375
1-Apr-18		824,375	824,375
1-Oct-18	1,665,000	824,375	2,489,375
1-Apr-19		791,075	791,075
1-Oct-19	1,730,000	791,075	2,521,075
1-Apr-20		752,150	752,150
1-Oct-20	1,805,000	752,150	2,557,150
1-Apr-21		707,025	707,025
1-Oct-21	1,900,000	707,025	2,607,025
1-Apr-22		659,525	659,525
1-Oct-22	1,995,000	659,525	2,654,525
1-Apr-23		609,650	609,650
1-Oct-23	2,090,000	609,650	2,699,650
1-Apr-24		557,400	557,400
1-Oct-24	2,195,000	557,400	2,752,400
1-Apr-25		502,525	502,525
1-Oct-25	2,305,000	502,525	2,807,525
1-Apr-26		444,900	444,900
1-Oct-26	2,420,000	444,900	2,864,900
1-Apr-27		384,400	384,400
1-Oct-27	2,545,000	384,400	2,929,400
1-Apr-28		320,775	320,775
1-Oct-28	2,670,000	320,775	2,990,775
1-Apr-29		254,025	254,025
1-Oct-29	2,805,000	254,025	3,059,025
1-Apr-30		183,900	183,900
1-Oct-30	2,945,000	183,900	3,128,900
1-Apr-31		125,000	125,000
1-Oct-31	3,065,000	125,000	3,190,000
1-Apr-32		63,700	63,700
1-Oct-32	3,185,000	63,700	3,248,700
	$ 36,920,000	$ 15,217,225	$ 52,137,225

WATER AND WASTEWATER CAPITAL IMPROVEMENT REVENUE NOTE, SERIES 2015

$10,600,000

NOTE DATED NOVEMBER 12, 2015

CUSIP NUMBERS

NA

PURPOSE

The Series 2015 Note was issued to (i) finance certain cost of acquiring, constructing and equipping certain water and wastewater capital projects; and (ii) pay the cost of issuance of the 2015 Note.

SECURITY

The Series 2015 Note is secured by an irrevocable, valid, and binding lien on and security interest in the Gross Revenues derived from the operation of the Water and Wastewater systems, certain connection charges, moneys deposited into certain funds and accounts created by the Bond Ordinance and the earnings thereon, all in the manner and to the extent provided in the Bond Ordinance.

INSURANCE

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

RATINGS

NA

OPTIONAL REDEMPTION

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

MANDATORY REDEMPTION

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

Date	Principal Amount	Date	Principal Amount
October 1, 2016	$598,757	October 1, 2017	$613,247
October 1, 2018	628.087	October 1, 2019	643,287
October 1, 2020	658,854	October 1, 2021	674,799
October 1, 2022	691,129	October 1, 2023	707,854
October 1, 2024	724,984	October 1, 2025*	4,659,002

*Final Maturity

AGENTS

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

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

Date	Maturity	Interest	Total
1-Oct-17	613,247	121,015	734,262
1-Apr-18		113,595	113,595
1-Oct-18	628,087	113,595	741,682
1-Apr-19		105,995	105,995
1-Oct-19	643,287	105,995	749,282
1-Apr-20		98,211	98,211
1-Oct-20	658,854	98,211	757,065
1-Apr-21		90,239	90,239
1-Oct-21	674,799	90,239	765,038
1-Apr-22		82,074	82,074
1-Oct-22	691,129	82,074	773,203
1-Apr-23		73,711	73,711
1-Oct-23	707,854	73,711	781,565
1-Apr-24		65,146	65,146
1-Oct-24	724,984	65,146	790,130
1-Apr-25		56,374	56,374
1-Oct-25	4,659,002	56,374	4,715,376
	$ 10,001,243	$ 1,491,705	$ 11,492,948

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UTILITIES TAX

This section is no longer applicable for bond debt service.

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TOURIST DEVELOPMENT TAX

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CAPITAL IMPROVEMENT REVENUE BONDS

PLEDGED REVENUES

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

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

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

COVENANT TO BUDGET AND APPROPRIATE

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

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

All obligations of the City under the Ordinance shall be secured only by the Non-Ad Valorem Revenues budgeted, appropriated, and deposited into the funds and accounts created under the Ordinance as provided therein. Law prohibits the City from expending moneys not appropriated

or more than its current budgeted revenues and surpluses. The obligation of the City to budget, appropriate, and make payments under the Ordinance from its Non-Ad Valorem Revenues is subject to the availability of the Non-Ad Valorem Revenues after satisfying funding requirements for obligations having an express lien on or pledge of such revenues and after satisfying funding requirements for essential government services of the City. The City has not covenanted to maintain any service or program now provided or maintained by the City, which generates Non-Ad Valorem Revenues.

NON-AD VALOREM REVENUES

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

Non-Ad Valorem Revenues

	For Fiscal Year Ended September 30,				
	2013	2014	2015	2016	2017
General Fund Revenues					
Utility taxes	$ 14,523,106	$ 14,534,094	$ 14,644,431	$ 14,831,216	$ 14,735,018
Franchise fees	234,959	239,500	225,994	242,656	234,659
State shared revenues					
Half-cent sales tax	5,098,715	5,395,592	5,656,163	6,202,015	6,292,201
Cigarette taxes	2,078,795	2,248,500	2,443,691	2,550,919	2,699,611
Mobile home license fees	188,449	197,654	208,150	217,330	232,445
Alcoholic beverage licenses	76,919	80,487	89,776	86,116	93,563
Firefighter training	39,182	32,895	58,355	36,739	69,520
Charges for services	4,018,057	3,993,673	4,373,111	4,247,190	5,752,946
Licenses & permits	3,146,388	3,563,220	3,962,233	4,289,098	3,886,903
Miscellaneous					
Interest & change in market value	40,521	1,794,072	842,814	1,264,937	918,353
Rents	74,999	75,344	59,598	57,265	159,257
Sale of fixed assets	202	-	4,000	263,487	234,131
Other	1,097,375	1,335,506	990,183	1,214,419	1,817,470
Transfers from select funds[1]	32,142,207	33,758,837	38,254,920	38,087,177	39,108,076
Sub-total	$ 62,759,874	$ 67,249,374	$ 71,813,419	$ 73,590,564	$ 76,234,153
Public Improvement Fund					
Charges for services	415,831	423,223	426,932	479,625	494,509
Sale of fixed assets	-	-	13,915	1,003,333	589,957
Interest & change in market value	56,550	619,372	222,885	2,857,560	1,615,180
Hospital lease payments	12,100,000	12,100,000	12,100,000	39,154,750	13,619,256
Other	638,858	433,230	(2,096,884)	2,728,926	4,375,256
Sub-total	$ 13,211,239	$ 13,575,825	$ 10,666,848	$ 46,224,194	$ 20,694,158
Transportation Fund					
Interest & change in market value	(92,520)	121,159	80,058	123,620	(73,586)
Other	2,565,659	1,813,472	2,586,285	2,010,362	4,855,590
Sub-total	$ 2,473,139	$ 1,934,631	$ 2,666,343	$ 2,133,982	$ 4,782,004
Total	$ 78,444,252	$ 82,759,830	$ 85,146,610	$ 121,948,740	$ 101,710,315

[1] Includes transfers in from the Electric Utilities Fund, Water & Wastew ater Utility Funds, and Solid Waste Management Fund.

Source: City of Lakeland Comprehenive Annual Financial Report (CAFR) for Fiscal Years 2013-2017.

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

Historical Governmental Revenues and Expenditures

	For Fiscal Year Ended September 30,				
	2013	2014	2015	2016	2017
Governmental Sources of Revenue					
Ad-valorem taxes	$ 19,173,633	$ 19,939,215	$ 21,190,752	$ 27,350,195	$ 29,275,040
Plus legally available non-ad valorem revenues	78,444,252	82,759,830	85,146,610	121,948,740	101,710,315
Plus restricted non-ad valorem revenues					
Federal grants & assistance[1]	1,035,152	880,400	55,765	1,081,515	898,350
State grants & assistance[1]	2,360,633	3,343,363	2,484,890	1,154,467	3,486,171
Local grants & assistance[1]	2,913,431	1,915,460	1,793,825	1,895,481	2,907,888
Local option gasoline tax[2]	4,879,101	4,903,358	5,214,687	5,436,168	5,584,212
Fines & foreits[3]	1,303,805	1,859,682	1,718,661	2,525,373	2,444,708
Other governmental funds[4]	12,982,146	13,292,687	13,511,428	15,198,004	14,931,249
Total revenues	123,092,153	128,893,995	131,116,618	176,589,943	161,237,933
Plus other financing sources					
Proceeds from debt	3,329,339	6,540,041	46,824,935	7,470	3,302,556
Operating transfers in	8,757,254	9,186,118	6,350,019	7,197,240	10,299,237
Operating transfers out	(14,155,193)	(14,613,622)	(13,511,571)	(12,210,614)	(13,393,423)
Total other financing sources	(2,068,600)	1,112,537	39,663,383	(5,005,904)	208,370
Total revenues and other sources	$ 121,023,553	$ 130,006,532	$ 170,780,001	$ 171,584,039	$ 161,446,303
General Government Expenditures					
General government	11,346,768	12,332,196	12,580,992	28,769,624	14,148,310
Public safety	53,480,901	54,826,981	56,737,346	58,731,548	61,224,273
Physical environment	5,562,590	5,757,799	6,546,813	6,803,399	8,372,184
Transportation	10,594,039	10,359,390	11,047,810	12,320,329	11,483,530
Economic environment	3,277,658	3,639,445	2,766,183	4,113,926	4,842,624
Human services	152,255	156,787	164,557	162,184	201,972
Culture & recreation	17,744,340	18,215,386	18,736,157	19,490,098	23,667,143
Capital outlay	13,857,972	12,584,688	12,119,034	36,598,813	34,608,536
Debt service	8,676,162	7,664,818	10,890,788	9,337,158	14,668,894
Total general expenditures	$ 124,692,685	$ 125,537,490	$ 131,589,680	$ 176,327,079	$ 173,217,466
Fund balance, beginning of year[5]	$ 60,156,191	$ 56,487,059	$ 60,956,101	$ 100,146,422	$ 95,403,382
Excess of revenues and other sources over(under) expenditures and other uses	(3,669,132)	4,469,042	39,190,321	(4,743,040)	(11,771,163)
Fund balance, end of year[5]	$ 56,487,059	$ 60,956,101	$ 100,146,422	$ 95,403,382	$ 83,632,219

[1] The use of such moneys is restricted as provided in the provisions of the respective grants and assistance.
[2] Local option gasoline tax revenues are restricted for transportation related expenditures.
[3] Fines and forfeits revenues may only be used to pay court related fees and costs.
[4] Represents all other restricted non-ad valorem revenues in Special Revenue and Trust funds (other than enterprise).
[5] Fund balance consists of aggregate balance in General Fund, Public Improvement Fund, and all other governmental funds.

Source: City of Lakeland finance department; derived from audited financial statements for fiscal years 2012-2016.

TOURIST DEVELOPMENT TAX

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

POLK COUNTY ORDINANCE

Polk County Ordinance 93-45 along with subsequent amendments (Ordinance), established the Lakeland Subdistrict, which includes the greater urban area surrounding the City of Lakeland. The County Subdistrict comprises the remainder of Polk County (County). The County currently levies the tourist development tax at a rate of four percent in all areas of the County. The City is designated to receive the fourth cent of the tourist development tax collected in the Lakeland Subdistrict and one-half of the fourth cent of the tourist development tax collected within the County Subdistrict (collectively referred to as the Fourth Cent Tourist Development Tax). Similarly, the County also collects a “fifth cent” of the tourist development tax.

INTERLOCAL AGREEMENT

The Fourth Cent Tourist Development Tax is levied pursuant to the Tourist Development Tax Act and the County Ordinance and may be used for paying debt service on certain bonds issued for the expansion, renovation, and construction of certain city improvements. Pursuant to the Interlocal Agreement between the City and the County, the Fourth Cent Tourist Development Tax (as described above) has been pledged by the County for payment of debt service on certain bonds as follows:

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

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

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

The City and the County have also agreed that any surplus revenues generated by the fourth and fifth cents of the Tourist Development Tax, in excess of the amounts due and payable in any fiscal year (including carried over amounts), may be used by the County for any purpose authorized by the relevant Florida Statutes.

REVENUES GENERATED

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

Tourist Development Tax Revenues

Year	Incorporated Area 1¢	Unincorporated Area 1/2¢	Total "Fourth Cent"	Total "Fifth Cent"
2017	$ 478,121	$ 1,754,102	$ 2,232,223	$ 2,232,223
2016	418,355	1,661,853	2,080,208	2,080,208
2015	400,202	1,437,025	1,837,227	1,837,227
2014	361,867	1,214,301	1,576,168	1,576,168
2013	348,277	1,081,378	1,429,655	1,429,655
2012	225,841	1,111,062	1,336,903	1,336,903
2011	223,236	1,069,336	1,292,572	1,292,572
2010	192,665	1,004,643	1,197,308	1,197,308
2009	247,278	976,097	1,223,375	1,223,375
2008	324,321	1,492,153	1,816,474	1,816,474

Source: Polk County

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

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

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SUMMARIZED BOND INFORMATION – CAPITAL IMPROVEMENT

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010A

$48,490,000

SERIAL BONDS DATED SEPTEMBER 30, 2010

CUSIP NUMBERS

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

PURPOSE

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

SECURITY

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

INSURANCE

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

RATINGS

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

MANDATORY REDEMPTION

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

OPTIONAL REDEMPTION

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

AGENTS

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

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

Date	Maturity	Interest	Total
1-Oct-17	5,925,000	399,931	6,324,931
1-Apr-18		251,806	251,806
1-Oct-18	2,855,000	251,806	3,106,806
1-Apr-19		194,706	194,706
1-Oct-19	2,970,000	194,706	3,164,706
1-Apr-20		120,456	120,456
1-Oct-20	2,015,000	120,456	2,135,456
1-Apr-21		90,231	90,231
1-Oct-21	1,350,000	90,231	1,440,231
1-Apr-22		56,481	56,481
1-Oct-22	945,000	56,481	1,001,481
1-Apr-23		28,625	28,625
1-Oct-23	1,145,000	28,625	1,173,625
	$ 17,205,000	$ 1,884,541	$ 19,089,541

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TAXABLE CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010B

$10,140,000

TERM BONDS DATED SEPTEMBER 30, 2010

CUSIP NUMBERS

511662AS7

PURPOSE

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

SECURITY

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

INSURANCE

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

RATINGS

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

MANDATORY REDEMPTION

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

Date	Principal Amount	Date	Principal Amount
October 1, 2011	$590,000	October 1, 2012	$645,000
October 1, 2013	705,000	October 1, 2014	765,000
October 1, 2015	830,000	October 1, 2016	2,115,000
October 1, 2017	1,065,000	October 1, 2018	1,105,000
October 1, 2019	1,140,000	October 1, 2020*	1,118,000

* Final maturity

MAKE WHOLE OPTIONAL REDEMPTION

The Series 2010B Bonds are subject to redemption prior to their maturity at the option of the City, in whole or in part at any time (in such manner of selection of maturities as the City shall determine), at a redemption price equal to the greater of: (i) 100% of the principal amount of the Series 2010B Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B Bonds are to be redeemed, discounted to the date on which the Series 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, At the Treasury Rate, plus 25 basis points; plus, in each case, accrued and unpaid interest on the Series 2010B Bonds to be redeemed to the redemption date.

AGENTS

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

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

Date	Maturity	Interest	Total
1-Oct-17	1,065,000	98,937	1,163,937
1-Apr-18		75,470	75,470
1-Oct-18	1,105,000	75,470	1,180,470
1-Apr-19		51,121	51,121
1-Oct-19	1,140,000	51,121	1,191,121
1-Apr-20		26,002	26,002
1-Oct-20	1,180,000	26,001	1,206,001
	$ 4,490,000	$ 404,122	$ 4,894,122

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TAXABLE CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010C

$21,115,000

TERM BONDS DATED SEPTEMBER 30, 2010

CUSIP NUMBERS

511662AT5 511662AU2

PURPOSE

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

SECURITY

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

INSURANCE

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

RATINGS

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

MANDATORY REDEMPTION

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

Date	Principal Amount	Date	Principal Amount
October 1, 2024	$1,250,000	October 1, 2025	$1,305,000
October 1, 2026	1,320,000	October 1, 2027	1,370,000
October 1, 2028	1,425,000	October 1, 2029	1,480,000
October 1, 2030	1,525,000		

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

Date	Principal Amount	Date	Principal Amount
October 1, 2031	$1,445,000	October 1, 2032	$1,500,000
October 1, 2033	1,190,000	October 1, 2034	930,000
October 1, 2035	965,000	October 1, 2036	1,000,000
October 1, 2037	1,040,000	October 1, 2038	1,080,000
October 1, 2039	1,120,000	October 1, 2040	1,170,000

EXTRAORDINARY MAKE-WHOLE OPTIONAL REDEMPTION

The Series 2010C Bonds are subject to extraordinary optional redemption on any business day prior to their maturity at the option of the City, in whole or in part at any time (in such manner of selection of maturities as the City shall determine), upon the occurrence of an Extraordinary Event at a redemption price equal to the greater of: (i) 100% of the principal amount of the Series 2010C Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010C Bonds are to be redeemed, discounted to the date on which the Series 2010C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, At the Treasury Rate, plus 25 basis points; plus, in each case, accrued and unpaid interest on the Series 2010C Bonds to be redeemed to the redemption date.

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

AGENTS

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

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

Date	Maturity	Interest	Total
1-Oct-17		410,589	410,589
1-Apr-18		410,588	410,588
1-Oct-18		410,589	410,589
1-Apr-19		410,588	410,588
1-Oct-19		410,589	410,589
1-Apr-20		410,588	410,588
1-Oct-20		410,589	410,589
1-Apr-21		410,588	410,588
1-Oct-21		410,589	410,589
1-Apr-22		410,588	410,588
1-Oct-22		410,588	410,588
1-Apr-23		410,588	410,588
1-Oct-23		410,588	410,588
1-Apr-24		410,588	410,588
1-Oct-24	1,250,000	410,588	1,660,588
1-Apr-25		386,502	386,502
1-Oct-25	1,305,000	386,502	1,691,502
1-Apr-26		361,355	361,355
1-Oct-26	1,320,000	361,355	1,681,355
1-Apr-27		335,920	335,920
1-Oct-27	1,370,000	335,920	1,705,920
1-Apr-28		309,521	309,521
1-Oct-28	1,425,000	309,521	1,734,521
1-Apr-29		282,063	282,063
1-Oct-29	1,480,000	282,062	1,762,062
1-Apr-30		253,544	253,544
1-Oct-30	1,525,000	253,544	1,778,544
1-Apr-31		224,158	224,158
1-Oct-31	1,445,000	224,158	1,669,158
1-Apr-32		195,845	195,845
1-Oct-32	1,500,000	195,845	1,695,845
1-Apr-33		166,453	166,453
1-Oct-33	1,190,000	166,453	1,356,453
1-Apr-34		143,136	143,136
1-Oct-34	930,000	143,136	1,073,136
1-Apr-35		124,913	124,913
1-Oct-35	965,000	124,913	1,089,913
1-Apr-36		106,005	106,005
1-Oct-36	1,000,000	106,005	1,106,005
1-Apr-37		86,411	86,411
1-Oct-37	1,040,000	86,411	1,126,411
1-Apr-38		66,032	66,032
1-Oct-38	1,080,000	66,032	1,146,032
1-Apr-39		44,871	44,871
1-Oct-39	1,120,000	44,871	1,164,871
1-Apr-40		22,925	22,925
1-Oct-40	1,170,000	22,920	1,192,920
	$ 21,115,000	$ 12,378,127	$ 33,493,127

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

CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2012A

$15,983,000

TERM NOTE DATED DECEMBER 20, 2012

CUSIP NUMBERS

N/A

PURPOSE

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

SECURITY

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

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

INSURANCE

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

RATINGS

N/A

MANDATORY REDEMPTION

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

Date	Principal Amount	Date	Principal Amount
October 1, 2013	$933,000	October 1, 2014	$1,296,000
October 1, 2015	1,321,000	October 1, 2016	1,347,000
October 1, 2017	1,370,000	October 1, 2018	1,875,000
October 1, 2019	1,908,000	October 1, 2020	1,943,000
October 1, 2021	1,977,000	October 1, 2022	2,013,000

OPTIONAL REDEMPTION

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

AGENTS

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

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

Date	Maturity	Interest	Total
1-Oct-17	1,370,000	97,003	1,467,003
1-Apr-18		85,015	85,015
1-Oct-18	1,875,000	85,015	1,960,015
1-Apr-19		68,609	68,609
1-Oct-19	1,908,000	68,609	1,976,609
1-Apr-20		51,914	51,914
1-Oct-20	1,943,000	51,914	1,994,914
1-Apr-21		34,912	34,912
1-Oct-21	1,977,000	34,912	2,011,912
1-Apr-22		17,614	17,614
1-Oct-22	2,013,000	17,613	2,030,613
	$ 11,086,000	$ 613,130	$ 11,699,130

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CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2012B

$1,625,000

NOTE DATED DECEMBER 20, 2012

CUSIP NUMBERS

N/A

PURPOSE

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

SECURITY

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

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

INSURANCE

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

RATINGS

N/A

MANDATORY REDEMPTION

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

Date	Principal Amount	Date	Principal Amount
October 1, 2013	$250,000	October 1, 2014	$340,000
October 1, 2015	340,000	October 1, 2016	345,000
October 1, 2017	350,000		

OPTIONAL REDEMPTION

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

AGENTS

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

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

Date	Maturity	Interest	Total
1-Oct-17	350,000	1,802	351,802
	$ 350,000	$ 1,802	$ 351,802

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CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2015
$51,465,000

SERIAL BONDS DATED MAY 20, 2015

CUSIP NUMBERS

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

PURPOSE

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

SECURITY

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

INSURANCE

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

RATINGS

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

MANDATORY REDEMPTION

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

Date	Principal Amount	Date	Principal Amount
October 1, 2032	$2,685,000	October 1, 2033*	$2,800,000

* Final maturity

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

Date	Principal Amount	Date	Principal Amount
October 1, 2034	$2,895,000	October 1, 2035	$3,010,000
October 1, 2036*	2,320,000		

* Final maturity

OPTIONAL REDEMPTION

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

AGENTS

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

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

Date	Maturity	Interest	Total
1-Oct-17	2,040,000	1,190,094	3,230,094
1-Apr-18		1,139,094	1,139,094
1-Oct-18	2,640,000	1,139,094	3,779,094
1-Apr-19		1,073,094	1,073,094
1-Oct-19	4,375,000	1,073,094	5,448,094
1-Apr-20		963,719	963,719
1-Oct-20	4,330,000	963,719	5,293,719
1-Apr-21		855,469	855,469
1-Oct-21	1,785,000	855,469	2,640,469
1-Apr-22		810,844	810,844
1-Oct-22	1,870,000	810,844	2,680,844
1-Apr-23		764,094	764,094
1-Oct-23	1,965,000	764,094	2,729,094
1-Apr-24		714,969	714,969
1-Oct-24	2,060,000	714,969	2,774,969
1-Apr-25		663,469	663,469
1-Oct-25	2,035,000	663,469	2,698,469
1-Apr-26		612,594	612,594
1-Oct-26	2,075,000	612,594	2,687,594
1-Apr-27		560,719	560,719
1-Oct-27	2,180,000	560,719	2,740,719
1-Apr-28		506,219	506,219
1-Oct-28	2,215,000	506,219	2,721,219
1-Apr-29		450,844	450,844
1-Oct-29	2,325,000	450,844	2,775,844
1-Apr-30		392,719	392,719
1-Oct-30	2,445,000	392,719	2,837,719
1-Apr-31		331,594	331,594
1-Oct-31	2,570,000	331,594	2,901,594
1-Apr-32		267,344	267,344
1-Oct-32	2,685,000	267,344	2,952,344
1-Apr-33		217,000	217,000
1-Oct-33	2,800,000	217,000	3,017,000
1-Apr-34		164,500	164,500
1-Oct-34	2,895,000	164,500	3,059,500
1-Apr-35		106,600	106,600
1-Oct-35	3,010,000	106,600	3,116,600
1-Apr-36		46,400	46,400
1-Oct-36	2,320,000	46,400	2,366,400
	$ 50,620,000	$ 22,472,664	$ 73,092,664

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

NOTE DATED SEPTEMBER 29, 2015

CUSIP NUMBERS

N/A

PURPOSE

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

SECURITY

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

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

INSURANCE

The City has <u>not</u> purchased bond insurance or any other form of credit enhancement for the 2015 note.

RATINGS

N/A

OPTIONAL REDEMPTION

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

AGENTS

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

SUMMARY OF FUTURE DEBT SERVICE REQUIREMENTS

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

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

CAPITAL IMPROVEMENT REVENUE NOTE, SERIES 2017A

$16,370,569

NOTE DATED

CUSIP NUMBERS

N/A

PURPOSE

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

SECURITY

The Series 2017 Notes and the interest thereon are payable from and secured by a pledge of Pledged Revenues, consisting of Non-Ad Valorem Revenues Budgeted and appropriated by the City on an annual basis and deposited into the Sinking Fund Account, as well as income received from the investment of moneys deposited in the funds and accounts established pursuant to the Ordinance, including certain Tourist Development Tax revenues pursuant to an interlocal agreement.

INSURANCE

The City has not purchased bond insurance or any other form of credit enhancement for the 2017A note.

RATINGS

N/A

OPTIONAL REDEMPTION

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

MANDATORY REDEMPTION

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

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

* Final maturity

AGENTS

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

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

Date	Maturity	Interest	Total
1-Oct-17	-	142,024	142,024
1-Apr-18	983,237	199,721	1,182,958
1-Oct-18		187,726	187,726
1-Apr-19	1,006,737	187,725	1,194,462
1-Oct-19		175,443	175,443
1-Apr-20	1,030,798	175,443	1,206,241
1-Oct-20		162,868	162,868
1-Apr-21	1,055,434	162,867	1,218,301
1-Oct-21		149,991	149,991
1-Apr-22	1,080,659	149,991	1,230,650
1-Oct-22		136,807	136,807
1-Apr-23	1,106,487	136,807	1,243,294
1-Oct-23		123,309	123,309
1-Apr-24	1,132,931	123,308	1,256,239
1-Oct-24		109,487	109,487
1-Apr-25	1,160,008	109,486	1,269,494
1-Oct-25		95,334	95,334
1-Apr-26	1,187,733	95,334	1,283,067
1-Oct-26		80,844	80,844
1-Apr-27	1,216,120	80,843	1,296,963
1-Oct-27		66,007	66,007
1-Apr-28	1,031,583	66,007	1,097,590
1-Oct-28		53,422	53,422
1-Apr-29	1,056,237	53,422	1,109,659
1-Oct-29		40,536	40,536
1-Apr-30	1,081,482	40,535	1,122,017
1-Oct-30		27,342	27,342
1-Apr-31	1,107,329	27,341	1,134,670
1-Oct-31		13,833	13,833
1-Apr-32	1,133,794	13,832	1,147,626
	$ 16,370,569	$ 3,187,635	$ 19,558,204

CAPITAL IMPROVEMENT REVENUE NOTE, SERIES 2017B (AMT)

$15,879,855

NOTE DATED MAY 23, 2017

CUSIP NUMBERS

N/A

PURPOSE

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

SECURITY

The Series 2017B Note and the interest thereon are payable from and secured by a pledge of Pledged Revenues, consisting of Non-Ad Valorem Revenues Budgeted and appropriated by the City on an annual basis and deposited into the Sinking Fund Account, as well as income received from the investment of moneys deposited in the funds and accounts established pursuant to the Ordinance.

INSURANCE

The City has not purchased bond insurance or any other form of credit enhancement for the 2017A note.

RATINGS

N/A

OPTIONAL REDEMPTION

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

MANDATORY REDEMPTION

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

Date	Principal Amount	Date	Principal Amount
April 1, 2018	$795,480,36	April 1, 2019	$1,159,332.60
April 1, 2020	1,187,040.65	April 1, 2021	6,292,701.04
April 1, 2022	1,929,534.48	April 1, 2023	1,239,262.72
April 1, 2024	1,064,103.50	April 1, 2025	1,089,535.65
April 1, 2026*	1,122,864.00		

* Final maturity

AGENTS

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

Underwriters' Counsel: Bryant Miller Olive, P.A.

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

Date	Maturity	Interest	Total
1-Oct-17	-	118,569	118,569
1-Apr-18	795,480	166,739	962,219
1-Oct-18		158,386	158,386
1-Apr-19	1,159,332	158,386	1,317,718
1-Oct-19		146,213	146,213
1-Apr-20	1,187,041	146,213	1,333,254
1-Oct-20		133,749	133,749
1-Apr-21	6,292,701	133,749	6,426,450
1-Oct-21		67,676	67,676
1-Apr-22	1,929,534	67,676	1,997,210
1-Oct-22		47,416	47,416
1-Apr-23	1,239,263	47,415	1,286,678
1-Oct-23		34,403	34,403
1-Apr-24	1,064,104	34,403	1,098,507
1-Oct-24		23,230	23,230
1-Apr-25	1,089,536	23,230	1,112,766
1-Oct-25		11,790	11,790
1-Apr-26	1,122,864	11,790	1,134,654
	$ 15,879,855	$ 1,531,033	$ 17,410,888

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GLOSSARY OF TERMINOLOGY

ACCRUED INTEREST

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

ADVANCE REFUNDING

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

AMBAC INDEMNITY CORPORATION (AMBAC)

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

BOND

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

BOND COUNSEL

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

BOND PURCHASE AGREEMENT

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

BOND RATINGS

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

BONDHOLDER

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

BROKER-DEALER (BD)

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

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

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

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

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

Committee on Uniform Securities Identification Procedures (CUSIP)
A committee that assigns identification numbers and codes to all securities, to be used when recording all buy or sell orders.

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

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

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

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

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

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

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

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

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

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

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

Denomination
The face or dollar amount for bonds which are issued.

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

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

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

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

End of Underwriting Period
The of (1) the time the issuer of the municipal securities delivers the securities to the Participating Underwriters or (2) the Participating Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the securities for sale to the public.

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

Face Value
The dollar amount the issuer promises to pay the bondholder at maturity; also, called the par value.

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

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

FINANCIAL GUARANTY INSURANCE CORPORATION (FGIC)
An insurance company that offers insurance on the timely payment of interest and principal on municipal issues and unit investment trusts.

FINANCIAL SECURITY ASSURANCE, INC (FSA)
An insurance company that offers insurance on the timely payment of interest and principal on municipal issues and unit investment trusts.

FITCH INVESTORS SERVICE, INC
A rating service for corporate bonds, municipal bonds, commercial paper, and other debt obligations.

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

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

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

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

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

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

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

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

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

MOODY'S INVESTORS SERVICES
A rating service for corporate bonds, municipal bonds, commercial paper, and other debt obligations.

MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION (MBIA)
A corporation that offers insurance on the timely payment of principal and interest obligations of municipal securities. Bonds insured by MBIA usually receive AAA rating from rating services.

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

MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB)
A self-regulatory organization that regulates the issuance and trading of municipal securities. The board functions under the supervision of the SEC – it has no enforcement powers.

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

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

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

PARITY BONDS
Municipal bonds that enjoy the same lien position as previously outstanding bonds.

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

PLEDGED REVENUES
Those revenues of an entity that are designated for the repayment of debt obligations.

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

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

PRIMARY OFFERING
An offering of municipal securities directly or indirectly by, or on behalf of, an issuer of such securities. Including any remarketing of municipal securities that are either (1) accompanied by a change in the authorized denomination of such securities from $100,000 or more to less than $100,000, or (2) accompanied by a change in the period during which such securities may be tendered to an issuer of such securities or its designated agent for redemption or purchase from a period of nine months or less to a period of more than nine months.

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

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

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

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

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

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

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

REVENUE BOND
A bond secured by a pledged source of revenue.

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

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

STANDARD AND POOR'S CORPORATION (S&P)
An independent company that rates stock, corporate, and municipal bonds based on risk profiles, and produces and tracks the S&P indexes.

SUBORDINATED DEBT FINANCING
A form of long-term capitalization used by broker dealers where claims of lenders are subordinated to the claims of other creditors.

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

TAX-EXEMPT BOND
A municipal bond, the interest on which is exempt from federal income tax.

TERM BOND
A municipal bond issue that has a single maturity.

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

TRUST AGREEMENT
An agreement between an issuer and a trustee acting on behalf of bondholders (1) authorizing and security the bonds, (2) containing the issuer's covenants and obligations with respect to the project and payment of debt service, (3) specifying the events of default, and (4) outlining the trustee's fiduciary responsibilities and bondholders' rights.

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

UNDERWRITERS' COUNSEL
A law firm engaged to represent the interest of the underwriters in a security issue.

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

YIELD

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

ZERO COUPON BOND/CAPITAL APPRECIATION BOND

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

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