



FY 2026 Budget Workshop

July 15, 2025



Welcome & Introduction

Shawn Sherrouse, City Manager



Water Utilities Revenue Sufficiency Update

David Bayhan, Water Utilities Director

City of Lakeland

Water Utilities Revenue Sufficiency Analysis

Presented on July 15, 2025



Discussion Topics

Rate Study Tasks

Summary of Adopted Rate Plan

Study Observations and Major Assumptions

Proposed Capital Funding Strategy

Preliminary Plan of Finance

Adequacy of Adopted Rates

Rate Study Tasks

- Update the financial forecast to affirm the adopted rate plan
 - › Financial model extended to a 10-year planning horizon
 - Considers long-range financial planning to evaluate changes to the PRWC Member Payments and Water Utilities Capital Plan
- Includes an evaluation of:
 - › Customers, sales, and revenues
 - › Operating and maintenance expenses
 - › Funding for ongoing capital repairs, rehabilitation, and replacements
 - › Funding for utility system upgrades and expansion
- Review adequacy of water and wastewater rates over the study period

Summary of Adopted Rate Plan

| Description | FY25 | FY26 | FY27 |
|-------------------|------|------|------|
| Water System | 2% | 2% | 2% |
| Wastewater System | 5% | 5% | 5% |

- Water Utilities is currently in year 1 of an adopted 3-year rate plan
- No recommended changes to the adopted plan are proposed
- Adopted rate resolution includes water rate structure modifications as shown on the next slide

Adopted Rate Design Parameters FY25-27

- Apply rate increases to all pricing tiers and minimum monthly base charges
- Strengthen conservation pricing through the adjustment of the last water and irrigation tier (usage >19,000 gallons)
- Reduce the Outside City Surcharge for water from 35% to 25% by FY26 (equal to the wastewater outside city surcharge)
- Reset the commercial volume rate to the average system cost

Summary of Adopted Rates – Residential Customers

| Summary of Proposed Residential Rates – Inside City ^[*] | | | |
|--|-----------------|-------------|-------------|
| <u>Description</u> | <u>Existing</u> | <u>FY26</u> | <u>FY27</u> |
| Water Rates | | | |
| Water Monthly Base Charge | \$11.43 | \$11.83 | \$12.06 |
| Water Volume Charges | | | |
| Lifeline Rate (0-7 kgal) | \$2.31 | \$2.35 | \$2.38 |
| Tier 1 (8-12 kgal) | \$3.12 | \$3.17 | \$3.21 |
| Tier 2 (13-19 kgal) | \$4.16 | \$4.23 | \$4.28 |
| Tier 3 (Above 19 kgal) | \$6.35 | \$7.05 | \$7.74 |
| Wastewater Rates | | | |
| Wastewater Monthly Base Charge | \$21.75 | \$22.83 | \$23.97 |
| Wastewater Volume Charges (capped at 12 kgal) | \$4.87 | \$5.12 | \$5.38 |
| ^[*] Outside City rates as well as all multi-family and nonresidential charges included within the adopted rate resolutions. | | | |

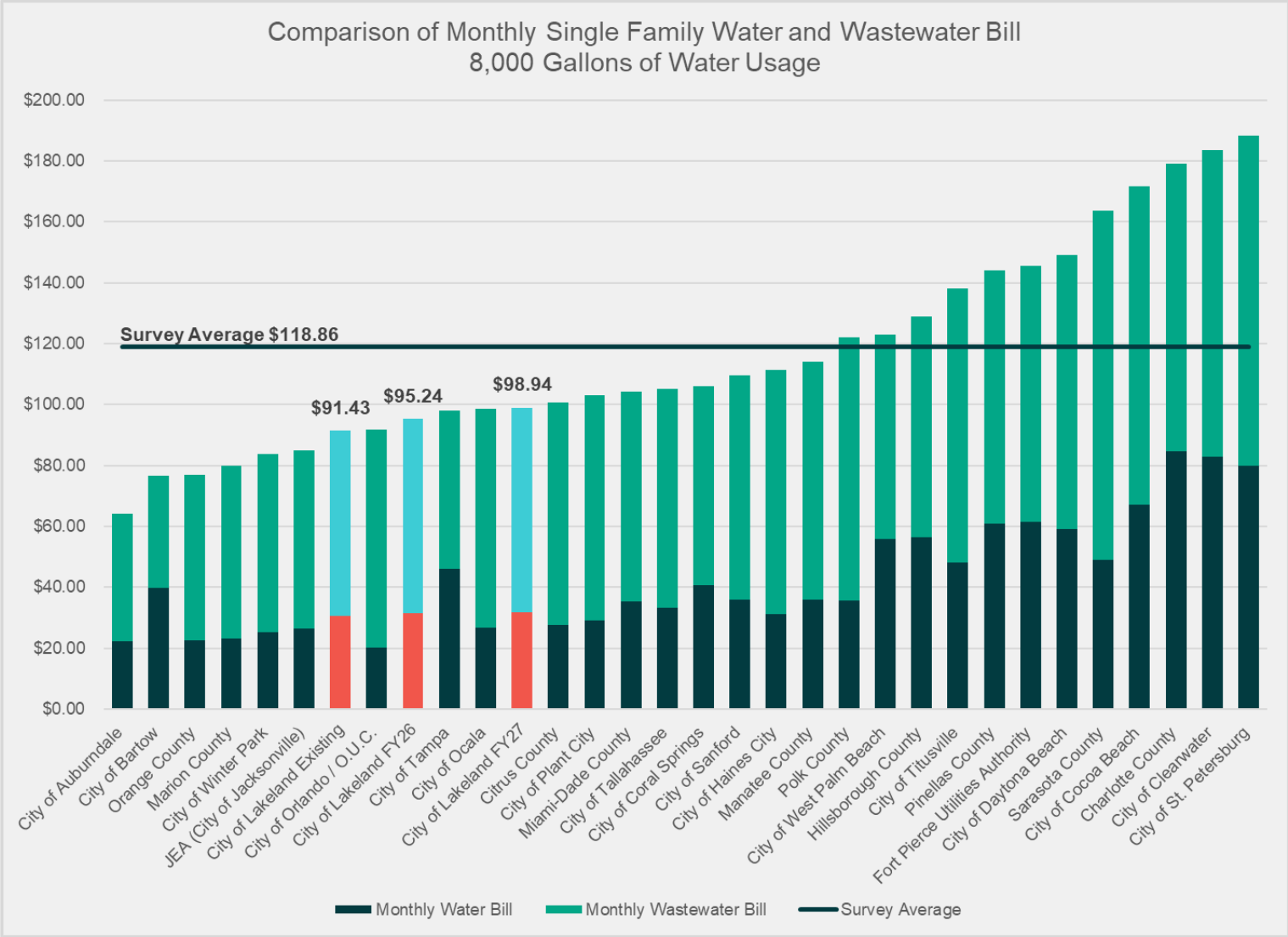
Summary of Adopted Rates – Inside City

| Summary of Adopted Water and Wastewater Bill Changes – Inside City | | | |
|--|-------------------|-------------------|-------------------|
| <u>Description</u> | <u>Existing</u> | <u>FY26</u> | <u>FY27</u> |
| Residential 5/8" – 8 kgal | \$91.43 | \$95.24 | \$98.94 |
| Proposed Increase | | \$3.81 / 4.2% | \$3.70 / 3.9% |
| Residential 5/8" – 30 kgal | \$222.36 | \$235.56 | \$248.40 |
| Proposed Increase | | \$13.20 / 5.9% | \$12.84 / 5.5% |
| Multi-family 2" / 30 Units – 120 kgal | \$1,629.54 | \$1,706.11 | \$1,779.45 |
| Proposed Increase | | \$76.57 / 4.7% | \$73.34 / 4.3% |
| Commercial 5/8" – 5 kgal | \$73.68 | \$77.06 | \$80.18 |
| Proposed Increase | | \$3.38 / 4.6% | \$3.12 / 4.0% |
| Commercial 2" – 72 kgal | \$914.99 | \$957.42 | \$996.91 |
| Proposed Increase | | \$42.43 / 4.6% | \$39.49 / 4.1% |
| Irrigation 5/8" – 15 kgal | \$75.20 | \$78.44 | \$81.29 |
| Proposed Increase | | \$3.24 / 4.3% | \$2.85 / 3.6% |
| Irrigation 5/8" – 20 kgal | \$106.95 | \$113.69 | \$119.99 |
| Proposed Increase | | \$6.74 / 6.3% | \$6.30 / 5.5% |

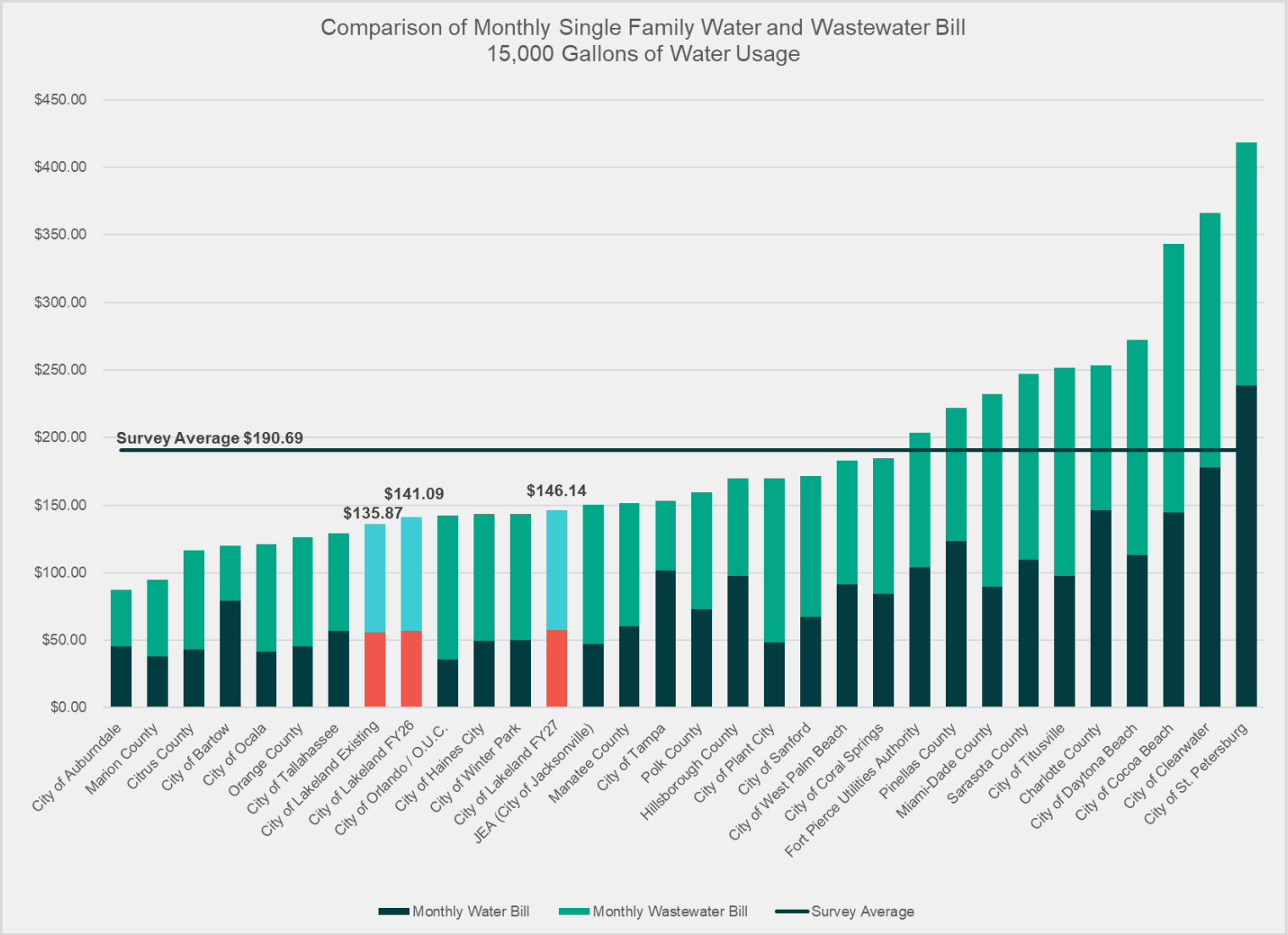
Summary of Adopted Rates – Outside City

| Summary of Adopted Water and Wastewater Bill Changes – Outside City | | | |
|---|-------------------|-------------------|-------------------|
| <u>Description</u> | <u>Existing</u> | <u>FY26</u> | <u>FY27</u> |
| Residential 5/8" – 8 kgal | \$115.82 | \$119.08 | \$123.76 |
| Proposed Increase | | \$3.26 / 2.8% | \$4.68 / 3.9% |
| Residential 5/8" – 30 kgal | \$285.11 | \$294.50 | \$310.65 |
| Proposed Increase | | \$9.39 / 3.3% | \$16.15 / 5.5% |
| Multi-family 2" / 30 Units – 120 kgal | \$2,061.31 | \$2,132.71 | \$2,224.83 |
| Proposed Increase | | \$71.40 / 3.5% | \$92.13 / 4.3% |
| Commercial 5/8" – 5 kgal | \$93.50 | \$96.33 | \$100.24 |
| Proposed Increase | | \$2.83 / 3.0% | \$3.91 / 4.1% |
| Commercial 2" – 72 kgal | \$1,160.43 | \$1,196.77 | \$1,246.30 |
| Proposed Increase | | \$36.34 / 3.1% | \$49.53 / 4.1% |
| Irrigation 5/8" – 15 kgal | \$97.76 | \$98.10 | \$101.71 |
| Proposed Increase | | \$0.34 / 0.3% | \$3.61 / 3.7% |
| Irrigation 5/8" – 20 kgal | \$139.06 | \$142.15 | \$150.06 |
| Proposed Increase | | \$3.09 / 2.2% | \$7.91 / 5.6% |

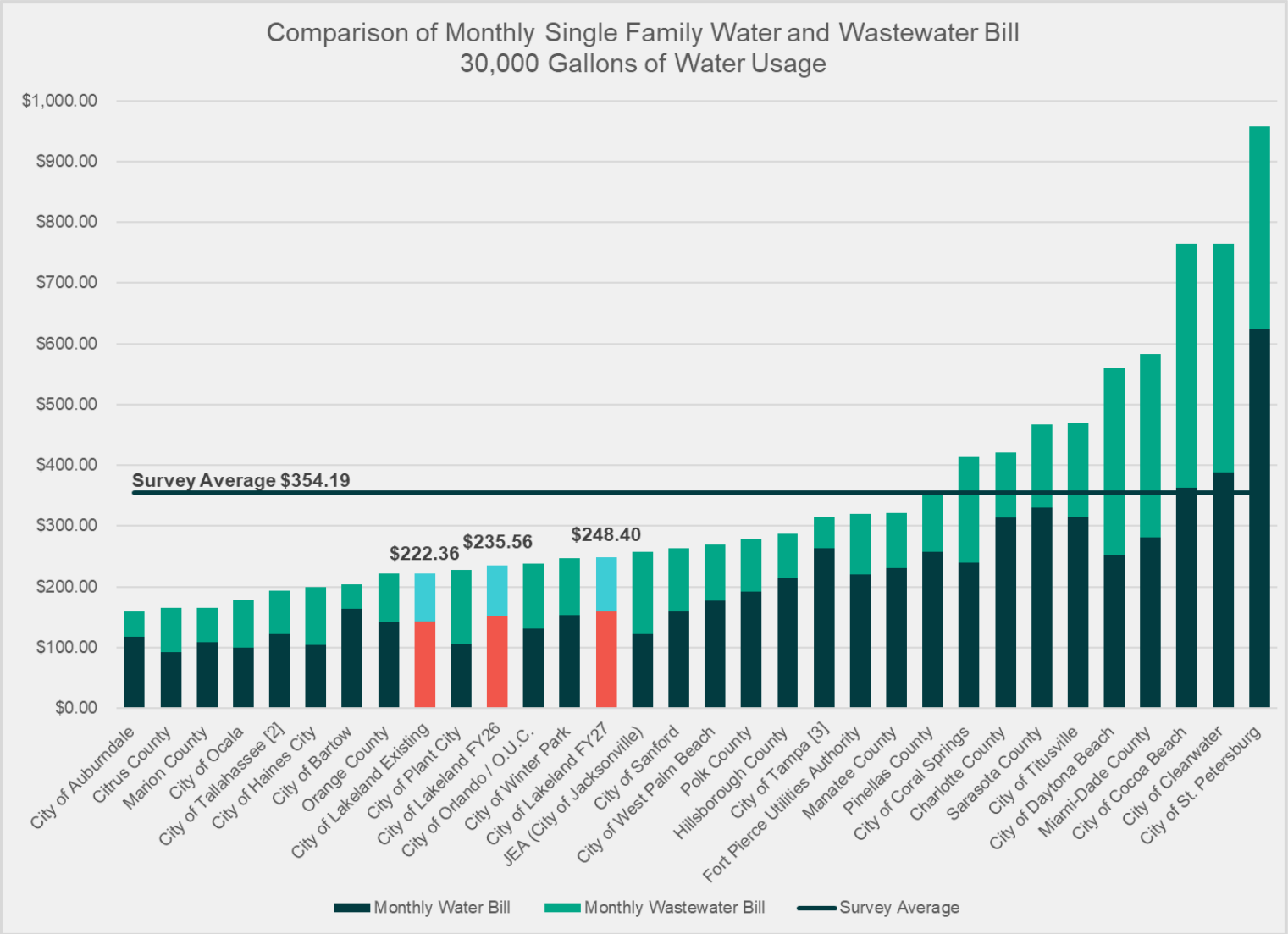
Residential Rate Comparison – 8 kgal



Residential Rate Comparison – 15 kgal



Residential Rate Comparison – 30 kgal



Summary of Major Study Assumptions



Study Observations and Major Assumptions

- FY24 actual revenues slightly above last year's projections
 - › Projected revenues based on historical average water demands per account
 - › After considering estimated customer growth, projected revenues under the current rates estimated to increase approximately 0.7% per year on average
- Operating expenses based on the proposed FY26 operating budget and reduced 7% to account for lower actual operating expenses when compared to the budget
 - › Amounts include Polk Regional Water Cooperative (PRWC) costs
 - › Projections anticipate the addition of new personnel over time to maintain level of service standards and to meet the needs of new customers

Projected PRWC Payments Due ^[1]

| Fiscal Year | Admin & Consv Budget (Estimated) | Debt Service [2] | Other Fixed Costs | Variable Expenses | Total |
|-------------|--|------------------|-------------------|----------------------|-------------|
| FY2026 | \$127,545 | \$1,109,827 | \$16,342 | \$0 | \$1,253,714 |
| FY2027 | 132,063 | 2,095,910 | 16,342 | 0 | 2,244,315 |
| FY2028 | 136,774 | 2,364,028 | 63,899 | 61,096 | 2,625,798 |
| FY2029 | 141,687 | 2,343,510 | 63,688 | 66,461 | 2,615,346 |
| FY2030 | 146,809 | 2,340,145 | 65,974 | 72,468 | 2,625,397 |
| FY2031 | 152,151 | 2,616,620 | 68,427 | 79,208 | 2,916,406 |
| FY2032 | 157,722 | 2,520,451 | 3,377,689 | 2,987,644 | 9,043,506 |
| FY2033 | 163,531 | 5,258,043 | 4,700,936 | 4,273,327 | 14,395,836 |
| FY2034 | 169,588 | 9,079,776 | 4,901,275 | 4,628,135 | 18,778,774 |
| FY2035 | 175,904 | 9,069,604 | 5,113,173 | 5,024,022 | 19,382,703 |
| FY2036 | 182,490 | 9,061,018 | 5,336,758 | 5,466,740 | 20,047,006 |

[1] Amounts based on the current Business Plan published December 2024. The West Polk project was substantially delayed from FY2028 to FY2033. Amounts subject to change.

[2] Raftelis completed a water and wastewater impact fee study October 13, 2023 that recommended increases to the current charges. A portion of the water fee is assumed to be used to pay up to 50% of the PRWC debt service costs.

Significant Changes to the Financial Forecast

- Water System
 - › Most significant impact due to the delay in the PRWC West Polk Project
 - › The projected rate path is still needed to meet the future member payments, but reserve funds will be generated in the short-term
 - › Water Utilities recommends funding an Alternative Water Supply Fund to address future water supply needs and to support water conservation initiatives
 - › Water Utilities may also make funds temporarily available to the wastewater system to help address working capital needs over the study period

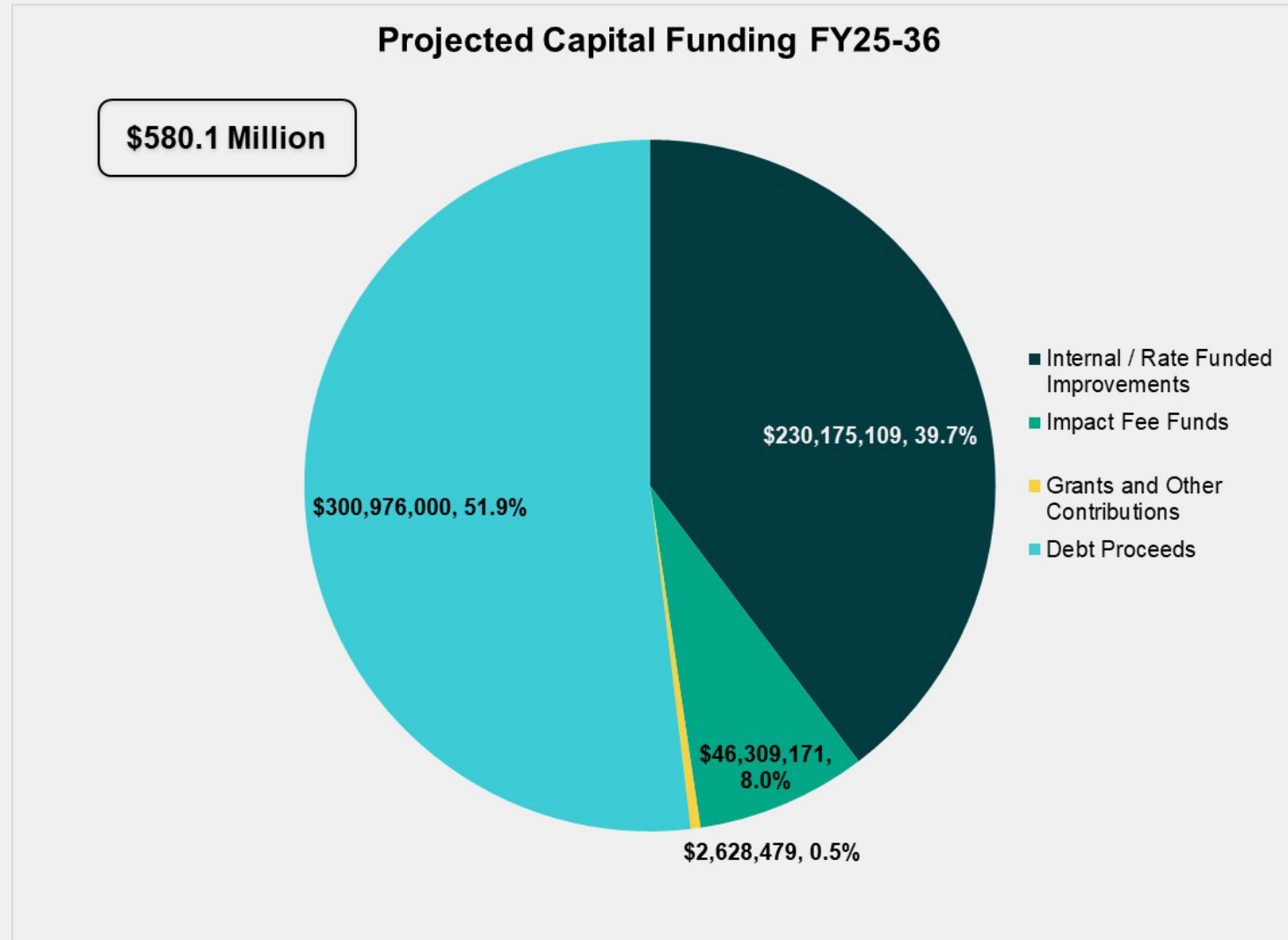
Significant Changes to the Forecast (cont.)

- Wastewater System
 - › Operating expenses are higher than initially planned; approximately \$1.2 million greater per year by FY2029
 - › Capital maintenance costs also increased approximately \$7.6 million
 - › Estimated costs for the Western Trunk Project have increased since last year
 - › Several new projects are now entering the financial forecast period, especially when considering our new 10-year horizon
 - › Due to annual spending caps (maximums) established by SRF, certain planned capital projects may have to make use of higher cost bonds and/or bank loans (*see Preliminary Financing Plan – Slide 19*)

Projected Capital Needs

- Total Projected Capital Improvements FY25-36: \$580.1 million
 - › Major projects assumed to be funded with current and future debt include:
 - Glendale Effluent Pumps
 - Downtown Master Plan Upgrade
 - Digester Improvements
 - Compost Facility
 - Glendale New Digester
 - Northside Dewatering Upgrades
 - Western Trunk San Gully Road
 - Western Trunk Ph2 Lower
 - Eastern Trunk Ph1 Lower Replacement
 - Eastern Trunk Ph2 Northern Replacement
 - West Lakeland Effluent Forcemain
 - Air Bay Improvements
- Since the West Polk PRWC project has been delayed until FY2033, Water Utilities has some flexibility to execute interfund loans between the systems to help offset the use of external debt

Summary of Capital Funding

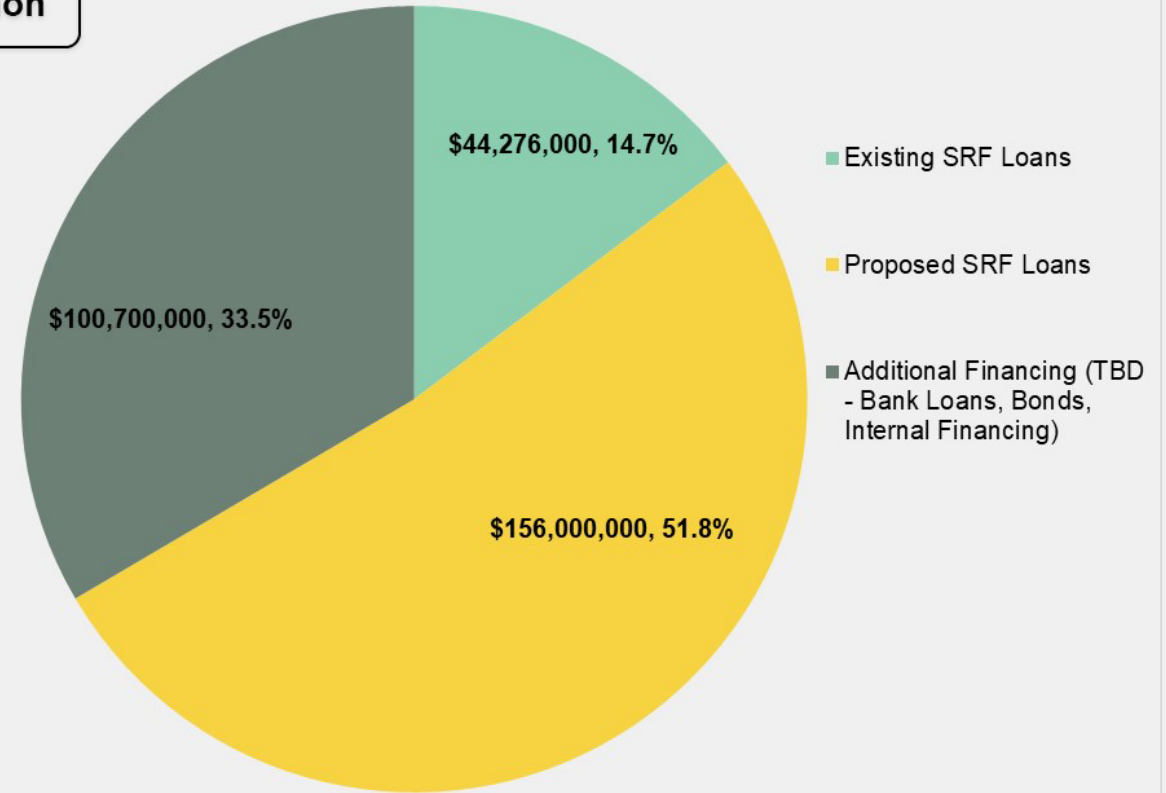


Preliminary Financing Plan

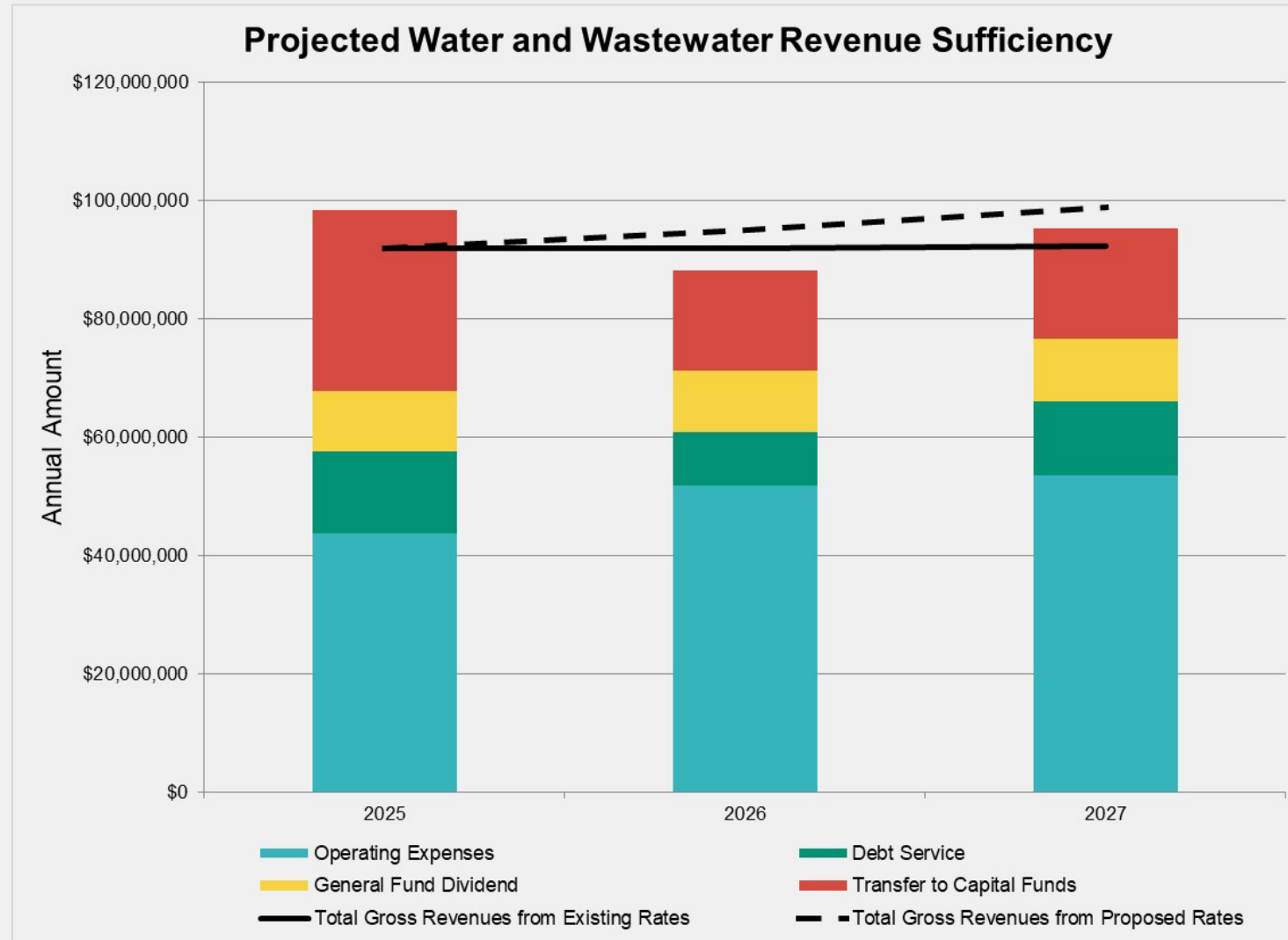
- Water Utilities plans to continue to take advantage of low interest rate SRF Loans
 - › Due to annual segment caps imposed by SRF, alternative financing sources may need to be considered
 - › Initial estimates assume:
 - FY26: Short-term Bank Loan \$9m (15-yrs)
 - FY27: Internal Loan from Water to Wastewater \$25m (20-yrs)
 - FY27: Revenue Bonds \$66.7m (30-yrs)

Projected Financing Assumptions FY25-36

\$300.9 Million



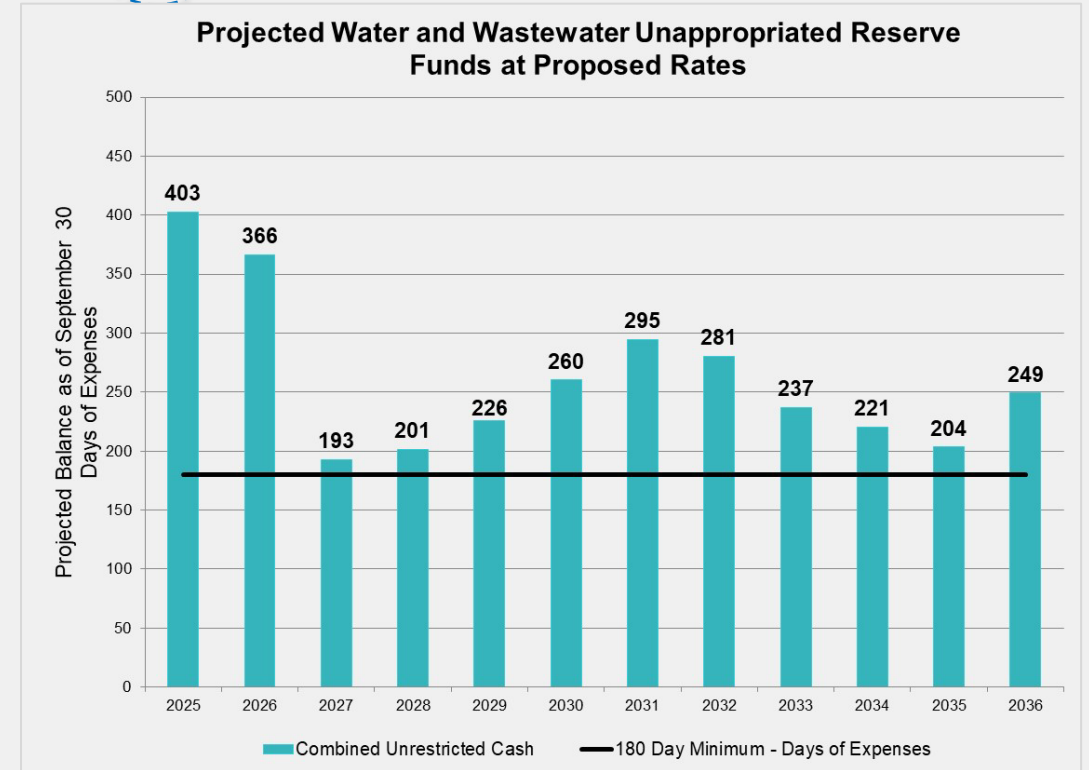
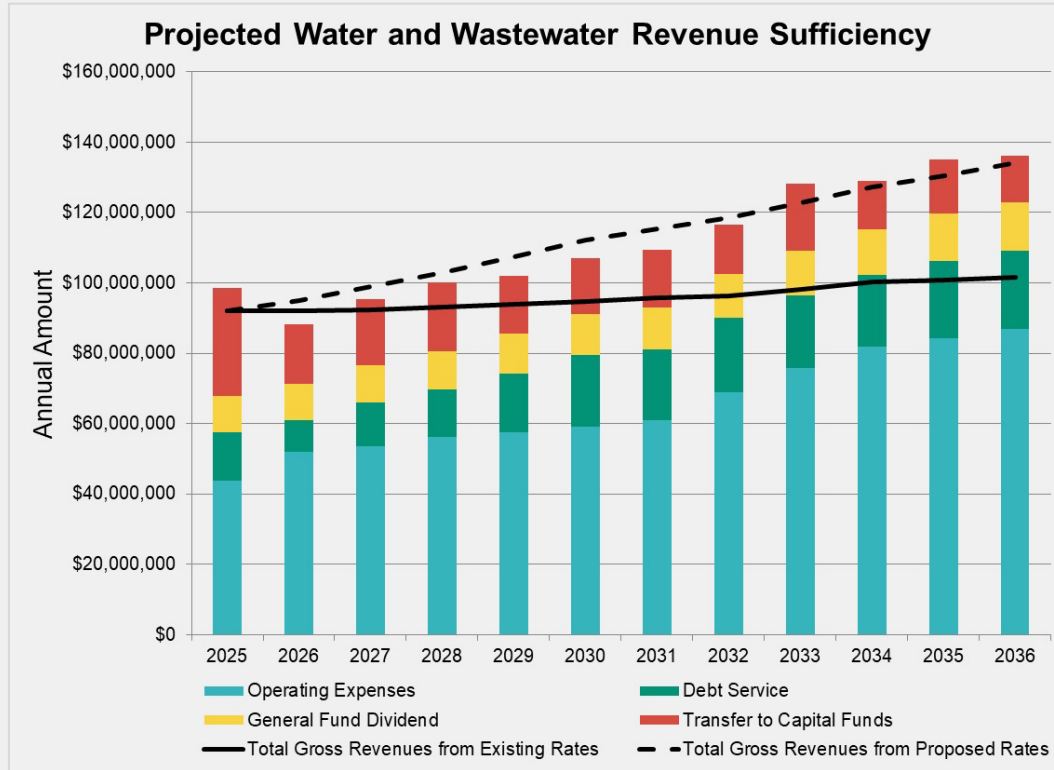
Adequacy of the Adopted Rate Plan



Long-range Financial Plan

Amount previously estimated at 2%

| | Adopted | | | Projected Amounts | | | | | | | | |
|-------------------|---------|------|------|-------------------|------|------|------|------|------|------|------|------|
| Description | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | FY33 | FY34 | FY35 | FY36 |
| Water System | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% |
| Wastewater System | 5% | 5% | 5% | 5% | 5% | 5% | 2% | 2% | 2% | 2% | 2% | 2% |



Conclusions and Recommendations

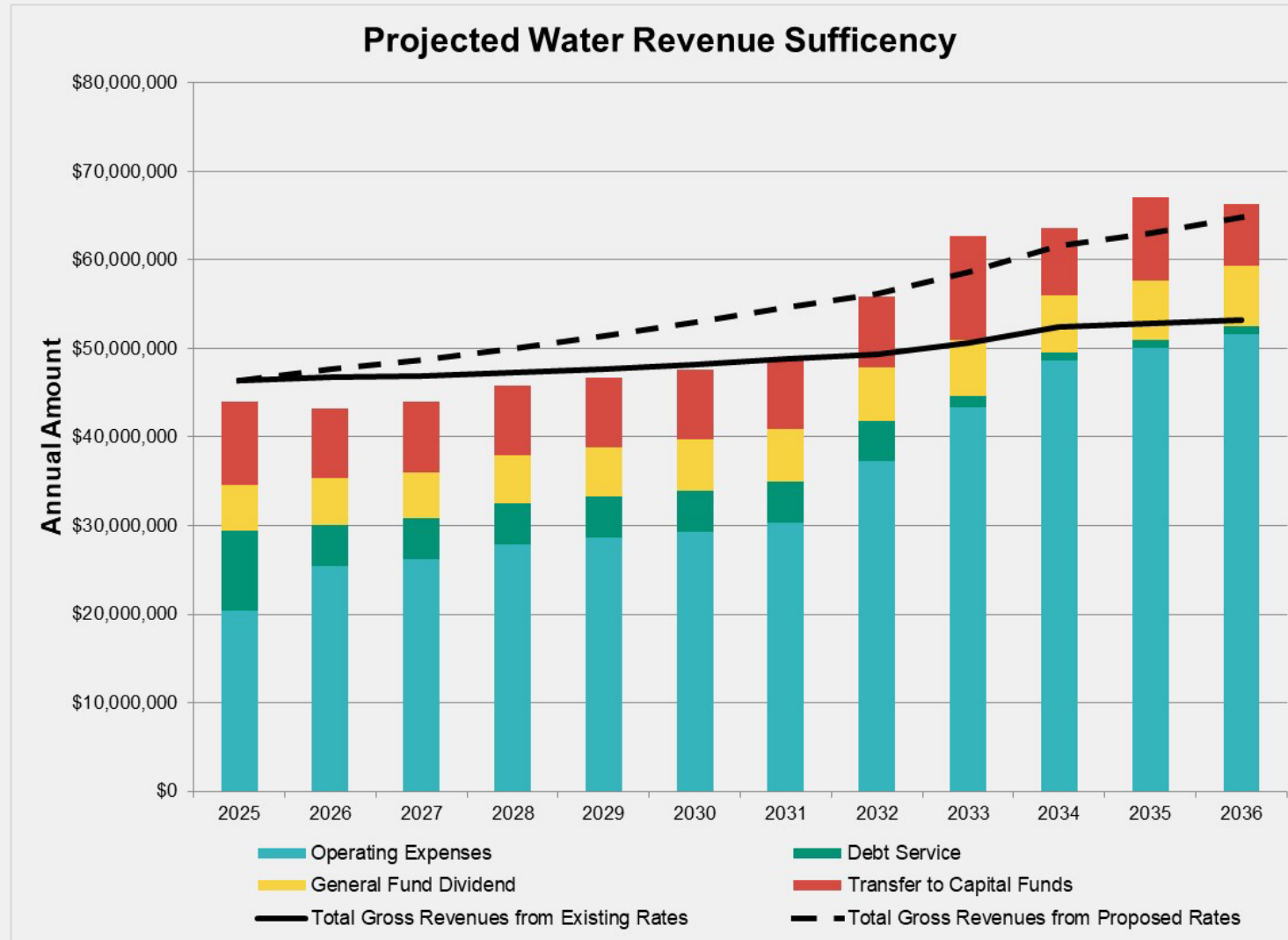
- The City's adopted water and wastewater monthly service rates are adequate to meet the projected operating, capital, and debt service requirements of each utility system through FY27
 - › No changes to the adopted rate plan are proposed
- Water Utilities plans to issue approximately \$257 million in future loans over the next 10-years, and the department retains some flexibility in choosing how to execute those requirements
- Additional rate adjustments are projected beyond FY27
 - › The City should consider updating this study each year to continue to evaluate strategies that address changes to the financial forecast

Supplemental Information

Projected Financial Results By System

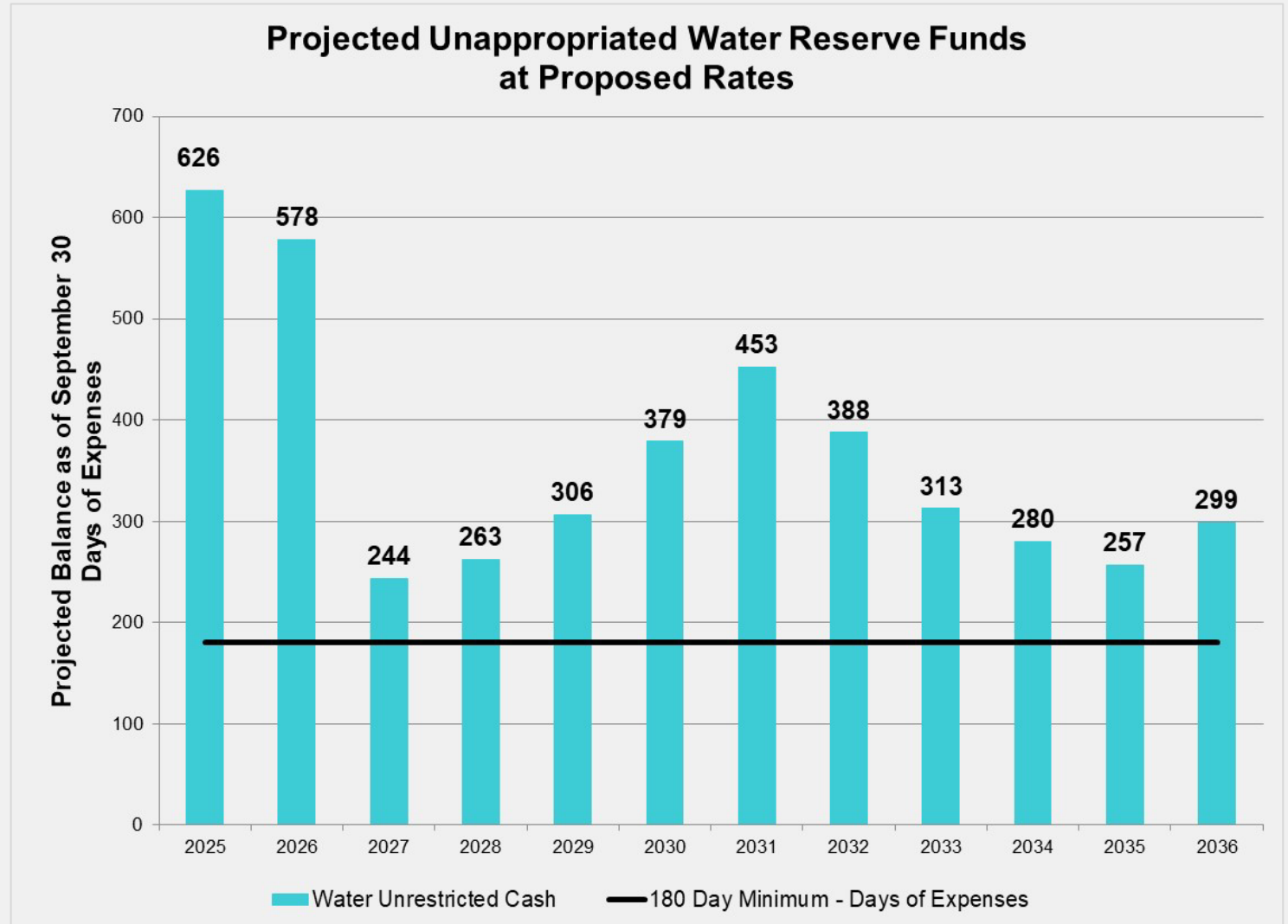


Adequacy of Water Rates

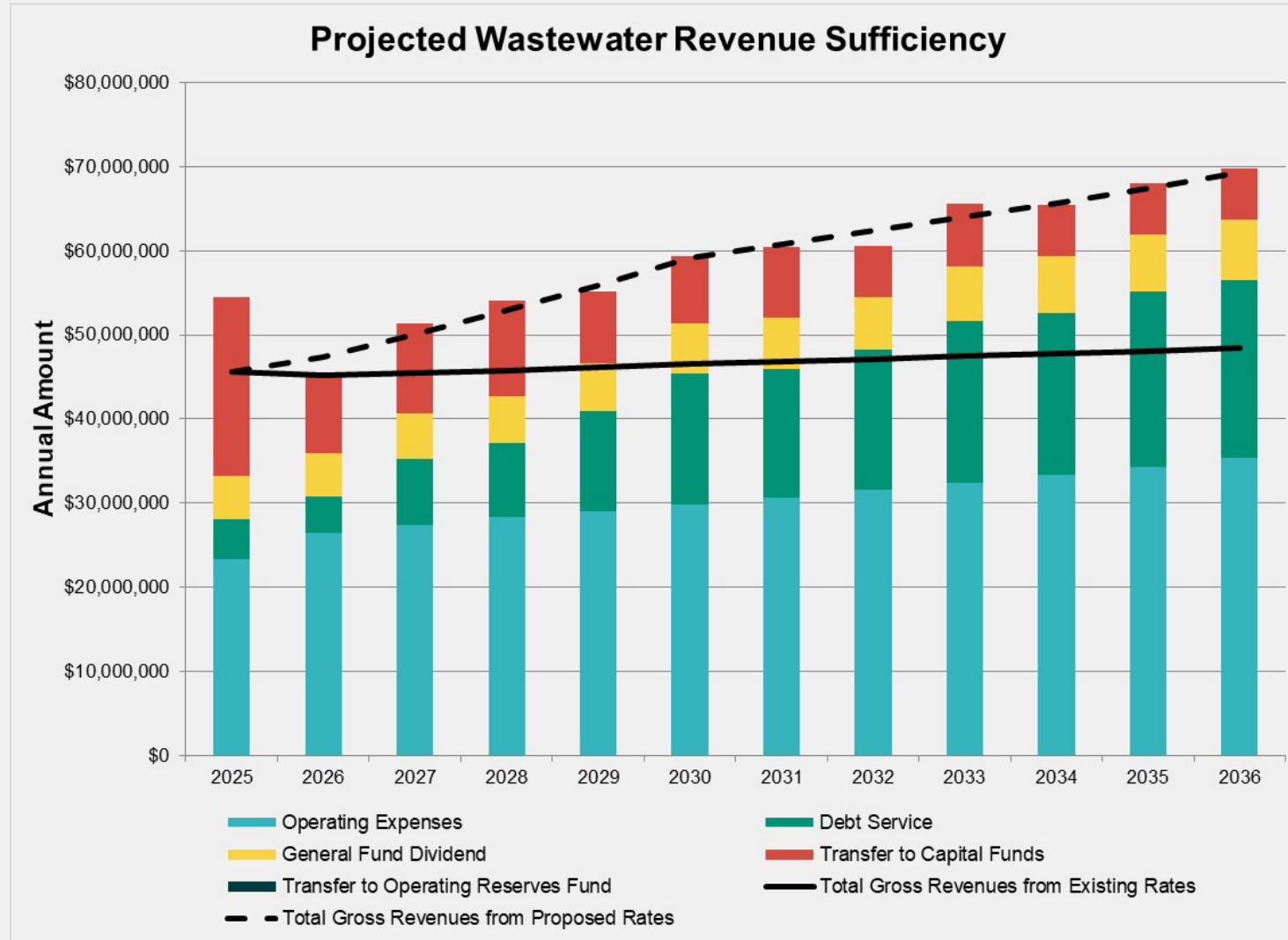


Projected Unappropriated Water Reserves

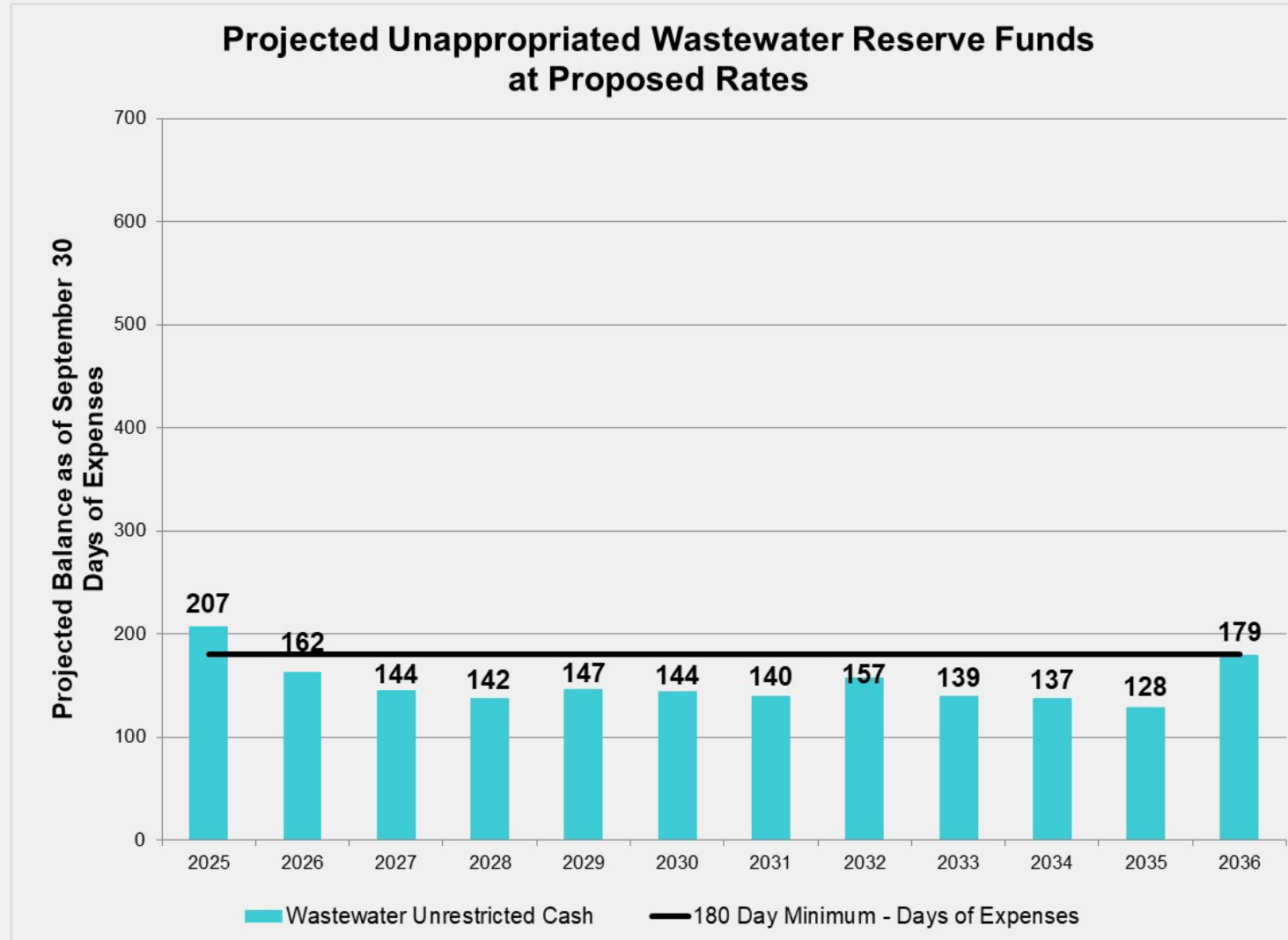
- Results shown after making the following allowances:
 - › Internal Loan from Water to Wastewater \$25m (20-ys)
 - › Providing another \$25m over 10-years to the proposed Alternative Water Supply Fund
 - May help to address the needs of future water supplies, water conservation efforts, or additional PRWC costs



Adequacy of Wastewater Rates



Projected Unappropriated Wastewater Reserves





Thank you!

Prepared by:

Murray Hamilton, Vice President

Trevor McCarthy, Manager



Budget Workshop Overview

Shawn Sherrouse, City Manager



Enterprise and Special Revenue Funds Update

Mike Brossart, Finance Director

FY'26 Enterprise and Special Revenue Funds - Update

Lakeland Electric

- 3.15% base rate increase as of October 1, 2025 (Approved by CC)
- Budgeted load grows by 1.8% for FY'26, reflecting continued customer growth
- McIntosh Reciprocating Engine Plant (MREP) was put into operation during FY'25
- Budgeted operations and maintenance expenses for FY'26 increased by 2.3%
- Days cash for FY'26 forecasted to be 201 days at the end of the fiscal year
- Days cash for an AA rating is between 150 days to 250 days, with not less than 180 days being preferred

FY'26 Enterprise and Special Revenue Funds - Update

Solid Waste

- As you are aware, the tipping fees at the Polk County landfill are increasing significantly beginning October 1, 2025. The impact of these cost increases will result in a significant reduction in our Solid Waste surplus.
- As a result, the City Manager intends to have a proposed rate ordinance at the next City Commission meeting, so the City is prepared for the County's 10/1/25 changes.

FY'26 Enterprise and Special Revenue Funds - Update

Parking

- The \$100 permit rate effective on October 1, 2025, is expected to produce a FY'26 estimated net operating income of approximately \$330,000, before CIP costs. With this change, the Parking Fund will be able to cover the CIP projects for recurring structural/pavement maintenance from the Parking Fund, rather than from the Transportation Fund.

FY'26 Enterprise and Special Revenue Funds - Update

Lakes and Stormwater

- There are currently 9 lakes with state mandated restoration directives, representing an additional 5 lakes under mandate since the last approved stormwater rate increase in 2017.
- A stormwater utility rate study has been completed and discussed with the Commission and will be presented as a rate ordinance later in the year.

FY'26 Enterprise and Special Revenue Funds - Update

Airport

- Occupancy remains at 100%, with tenants and users continuing to grow their operations.
- Due to rapid growth, capital projects are focused on capacity improvements (operations, aircraft storage, and passengers). As a result, the airport is seeking alternative funding sources for those capital projects.

Dixieland, Downtown & Mid-Town CRA's

- All 3 CRA's maintain healthy surplus balances for the projects defined in each area. Both Midtown and Dixieland are scheduled to sunset at the end of FY'32, with Downtown scheduled to sunset in FY'34.



Service-Related Non-Personnel and Personnel Recommendations

Shawn Sherrouse, City Manager



FY'26 Budget Recommendations

Shawn Sherrouse, City Manager

FY'26 Budget Recommendations

- 6.84% Property value growth in FY'26 (final was 5.23% for FY'25)
 - 6.00% in FY'27
 - 6.00% in FY'28
- 13.00% increase in Health Insurance for employees
- 14.50% increase in Health Insurance for the City
- General Employee Wage and Benefit Recommendations
 - 2.00% ATB
 - 2.50% or 3.00% Merit, per the City Pay Structure
- Collective Bargaining Wages and Benefits per each CBA

FY'26 Controllable Expense Growth

Target for Depts - 2.0% Operating expense growth (controllable costs)

General Fund

- There are 30 primary budget divisions within the General Fund
- 27 of them came in at or below their target growth amount of 2.00%
- 3 divisions exceeded their Target
 - Fire - \$44,695 - firefighter protective equipment
 - Police - \$4,742 - increase in various operating costs telephone, subscription services, material & supplies, and equipment rental
 - Risk Management - \$11,932 – increase in contractual price for firefighter physicals

FY'26 Controllable Expense Growth (cont.)

Target for Depts - 2.0% Operating expense growth (controllable costs)

Department of Information Technology Fund - \$1,089,473 – Enterprise-wide software licenses, cloud subscriptions and contractual services

Solid Waste Fund - \$619,134 – Disposal charges

Water Utilities Fund - \$82,999 – System repairs and chemical costs

Lakeland Electric Fund - \$2,186,014 – Contractual services (required regulatory compliance/recovered by rates) and RICE software



FY'26-'28 General Fund Forecast

Mike Brossart, Finance Director

Day's Cash Estimate as of 7/8/2025 (current millage)

GENERAL FUND BUDGET

5.4323 mills

| | FY'25 | FY'26 | FY'27 | FY'28 |
|---|--------------------|--------------------|--------------------|--------------------|
| FY Starting Surplus | 51,585,341 | 44,160,392 | 39,131,985 | 32,971,348 |
| Budgeted revenues | 161,482,779 | 168,566,746 | 174,418,945 | 180,287,040 |
| Budgeted expenses | 175,722,728 | 181,571,153 | 189,310,582 | 197,723,008 |
| <i>Budgeted</i> Surplus Generated / (Used) | (14,239,949) | (13,004,407) | (14,891,637) | (17,435,968) |
| <i>Budgeted</i> Ending Surplus | 37,345,392 | 31,155,985 | 24,240,348 | 15,535,380 |
| Forecasted Revenue Savings | 2,422,000 | 2,529,000 | 3,052,000 | 2,704,000 |
| Forecasted Expense Savings | 4,393,000 | 5,447,000 | 5,679,000 | 5,932,000 |
| <i>NET Budgeted</i> Surplus Generated / (Used) | (7,424,949) | (5,028,407) | (6,160,637) | (8,799,968) |
| Total GF Ending Surplus | 44,160,392 | 39,131,985 | 32,971,348 | 24,171,380 |
| Days Cash | 93 | 80 | 65 | 45 |
| Budget Adoption Projections | 95 | 71 | 42 | |
| Cost per day | 469,397 | 482,532 | 503,100 | 525,455 |
| Millage rate | 5.4323 | 5.4323 | 5.4323 | 5.4323 |
| % increase - property values | 5.23% | 6.84% | 6.00% | 6.00% |
| Additional revenue | 5,970,000 | 4,037,000 | 3,721,000 | 3,945,000 |
| Millage Increase (Decrease) | | - | - | - |



Commission Discussion



FY'26 Maximum Millage Discussion and Authorization

Shawn Sherrouse, City Manager
Mike Brossart, Finance Director

Millage Comparisons

| | Total Millage |
|---------------------------|---------------|
| Electric Utilities | |
| Jacksonville | 11.3169 |
| Orlando | 6.6500 |
| Gainesville | 6.4297 |
| Tampa | 6.2076 |
| Lakeland | 5.4323 |
| Kissimmee | 4.6253 |
| Tallahassee | 4.4200 |

| | Total Millage |
|-------------------|---------------|
| I-4 Cities | |
| Haines City | 7.5895 |
| Sanford | 7.3250 |
| Davenport | 7.2500 |
| Deltona | 7.0000 |
| Orlando | 6.6500 |
| Winter Haven | 6.5900 |
| St. Petersburg | 6.4525 |
| Deland | 6.2841 |
| Tampa | 6.2076 |
| Daytona Beach | 5.9300 |
| Lakeland | 5.4323 |
| Plant City | 5.1757 |
| Kissimmee | 4.6253 |
| Altamonte Springs | 4.0000 |

| | Total Millage |
|--------------------|---------------|
| Polk County | |
| Highland Park | 9.9759 |
| Fort Meade | 8.5000 |
| Lake Hamilton | 8.4276 |
| Dundee | 7.9000 |
| Eagle Lake | 7.6516 |
| Haines City | 7.5895 |
| Davenport | 7.2500 |
| Lake Wales | 7.0462 |
| Lake Alfred | 6.7500 |
| Winter Haven | 6.5900 |
| Frostproof | 6.5530 |
| Mulberry | 6.3900 |
| Bartow | 6.1080 |
| Lakeland | 5.4323 |
| Polk City | 5.2500 |
| Auburndale | 4.2515 |
| Hillcrest Heights | 0.7182 |

| | Total Millage |
|-------------------------|---------------|
| Population Peers | |
| West Palm Beach | 8.1941 |
| Hollywood | 8.0132 |
| Palm Bay | 7.8549 |
| Miami Gardens | 7.4125 |
| Miramar | 7.1172 |
| Gainesville | 6.4297 |
| Coral Springs | 6.2010 |
| Clearwater | 5.8850 |
| Davie | 5.8118 |
| Pompano Beach | 5.7292 |
| Lakeland | 5.4323 |

Taxable Values and Millage

- Gross taxable value is expected to increase 6.84% to \$12b in FY'26, per the 7/1/25 Property Appraiser's report
- This will provide the General Fund approximately \$1.21m in new construction revenues and \$2.97m in increased taxable value revenues at the current millage rate of 5.4323
- The rolled-back rate would be 5.2171 (Adj prior year ad valorem proceeds / adj current year taxable values *1,000)

Millage Adoption

- It is our recommendation that the Commission authorize the Finance Director to advertise the City's maximum millage rate at 5.4323 for Fiscal Year 2026, which is the Fiscal Year 2025 millage rate.
- The Commission could decide to lower the millage prior to budget adoption without a requirement to formally notice the citizens. However, if the Commission chose to adopt a millage increase above what the Property Appraiser sends to our citizens in August, we would be required to re-notice all the citizens prior to adoption of that millage rate.

Millage Adoption – (continued)

- To adopt a 5.4323 millage rate, it will require a *simple majority* vote of the Commission during the budget hearings on September 4th and 18th .

| Rolled-back Millage | Millage Threshold for Simple Majority | Millage Threshold for Super Majority |
|--------------------------|---------------------------------------|--------------------------------------|
| 5.2171 | 5.4523 | 5.9975 |
| Simple Majority Required | Simple Majority Required | Super Majority Required |



Maximum Millage Direction



Budget Adoption Hearings

Thursday, September 4, 2025
Thursday, September 18, 2025

6:00 PM City Commission Chambers