LAKELAND CITY COMMISSION

Budget Workshop
August 12, 2024

The Lakeland City Commission met for the Budget Workshop in the Lakeland Electric Conference Rooms 1A and 1B. Mayor Bill Mutz and Commissioners Chad McLeod, Bill Read, Stephanie Madden, Sara Roberts McCarley, Mike Musick, and Guy LaLonde were present. City Manager Shawn Sherrouse, City Attorney Palmer Davis, Deputy City Manager Emily Colon, Assistant City Manager Rob Hernandez, Finance Director Mike Brossart, and City Clerk Kelly Koos were present along with department heads and the media.

Mayor Bill Mutz called the meeting to order at 1 p.m.

Introduction & Overview

Shawn Sherrouse reviewed the agenda.

- Days Cash on Hand (DCoH) Projections vs. DCoH Actuals.
- Two scenarios to show the Commission.
    - #1 Related to public safety and collective bargaining.
    - #2 Police personnel additions.
- Benchmarking and how Lakeland compares to its peers.
- Day's Cash File live.

Day’s Cash Assumptions

Mike Brossart gave the presentation, a copy of which is on file in the agenda packet. He explained where the figures were pulled for the projected and actuals. Projected came from the last budget hearing of each fiscal year. The Actual comes from the audited financials of the year. He then reviewed each year’s figures and explained any variables.

Day's Cash Assumptions vs Actuals FY'19-FY'23
This initial chart showed the over/(under) on the far right.

Day's Cash Assumptions vs Actuals FY19 Reconciliation
Projected Revenues were off because of the State’s projected revenue.

Day's Cash Assumptions vs Actuals FY'20 Reconciliation
In FY20, the start of the COVID-19 pandemic, staff asked the Commission to de-appropriate both revenue and expense budgets based upon departmental estimates as the economy was presumed to slow. General Fund revenues and expenses actually came in slightly higher than departmental estimates in FY’20.

Day's Cash Assumptions vs Actuals FY'21 Reconciliation

- Revenues were $9 Million. They were 7% off.

- The Lakeland Electric Payment in Lieu of Taxes (PILOT) came in $2.4 Million higher than anticipated by Electric staff due to higher usage due primarily to citizens being at home longer during 2021.
- There was also a big difference between the projected and actual sales tax revenue.
- More people were playing golf than anticipated, which led to greater than expected golf revenues in the General Fund.
- $2 Million on the expense side was due to unforeseen vacancies as people left the workforce. Also, we began reflecting the pension obligation bonds.

Day's Cash Assumptions vs Actuals FY'22 Reconciliation

- They were a little high in revenue projections because of a grant that was received in FY22 but not recognized until FY23 and the State's shared revenues were less than forecast by $2.6 Million.
- On the expense side there were some savings, $3.5Million, because of position vacancies.

Day's Cash Assumptions vs Actuals FY'23 Reconciliation
Staff tries to be within 1% of budget. State shared revenues were lower. Investment income was lower. The utility taxes were less than forecasted. There were vacancies which generated a savings in expenses.

Days Cash File
Except for the Starting Surplus, these figures are harder to predict. In FY24, staff projected a 4% increase in property values. It came it at 12.07% growth, primarily in values. When property values come in higher than projected, DCoH goes up. FY25 is valued by the Polk County Property Appraiser's Office at 5.48%, based upon current known values.

Commissioner Sara Roberts McCarley: We understand it is a moving target every year. The days cash projected is the prior year's actuals. She felt the General Fund surplus should not be allocated out. It should be our savings account so we are prepared in case of an emergency. She was hesitant gaming out DCoH. Should we pick a number that we stick to? We seem to be allocating not saving.

Mike Brossart: It is all one lump of money that we use as savings and for expenses. As long as we aim for between 40-60 DCoH by year three of each year's forecast, we will always have proper DCoH.

Commissioner Sara Roberts McCarley: So, 75 DCoH would be good?

Mike Brossart: DCoH is the operating and a savings account. An unappropriated surplus is a savings. The city has been living off increasing property values. The goal was 45-60 DCoH by the end of year 3 by prior Commissions. Mike believes that the 45-60-day range by year 3 is adequate rather than raising it to 75 days.

Commissioner Sara Roberts McCarley: It makes her nervous to see the 28 DCoH yet we know that there will be revenue coming in that we cannot control. She wanted to see the actual DCoH level out.

Mayor Bill Mutz asked Commissioner Sara Roberts McCarley what she wanted to change.

Commissioner Sara Roberts McCarley wanted to lock into a DCoH number and work from there. It never gets to be as bad as we project. She wondered if there was a better way to do this. Do we need to tighten up and see if there are sacred cows in the budget. She felt like there is a fear tactic involved pressuring for a tax increase.

Commissioner Stephanie Madden: It is important to remember that increased property values benefited the budget. At her company, she does not have a surplus to work with. Budgeting for government is different from budgeting for business. It is our responsibility to ask the hard questions so we know how to explain it. Do we always work from a deficit-based budget?

Mike Brossart: There have been a number of years that the City recognized substantial revenue increases because of increasing property values.

Commissioner Stephanie Madden: So FY24 is like FY15? She agreed there has been the feeling of "the sky is falling." Could we change the form so that we close vacancies and not reflect them in our budget.

Mike Brossart: We budget for all positions in the Table of Organization. We have a savings in expenses when the positions are vacant.

How do we make the budget look more like 0 cost expense budget? If its raise taxes or decrease expenses, she knows the City Manager has already made cuts. Are there things the City Manager said yes to that the Commission does not want to do. There is an aptitude to make cuts when required.

Shawn Sherrouse: The wage increase was a 5% across the board and then did a targeted study of positions. The 12-13% increase was over two years. The adjustments from the wage study were not across the board. They were job by job.

Mike Brossart: Just over 7% was the average increase of the wage study, according to HR's Cindy Marsh.

Commissioner Stephanie Madden: We know the wage study and the body cams were added expenses. She asked Mike Brossart if he were saying we were at a deficit-based budget.

Mike Brossart: We must balance every year. We use our unappropriated surplus to balance the budget. That is the way we have always done it. We can change if you want. We must solve for the difference between revenue and expenses.

Shawn Sherrouse clarified that we have done a lot to reduce the number of positions. They do not allow positions to sit empty year after year. Savings from position vacancies are not from vacancies from a full year. We could roll up Forecasted Expense Savings into the Budgeted Expenses line. There is some risk in doing that but it could be done.

Mayor Bill Mutz wanted to zoom out. This process is not broken. Lakeland had lower millage rates than almost anyone around us. We have a higher quality of life than almost any city around us. Nobody with a comparable millage rate has a comparable quality of life. Departments need budgets. We as a City should track what does not get spent within those budgets. We need to see our expense savings compared to budget. If our methodology works, it is not that the sky is falling 3-years out, it is just a way to measure. This commission has never done a tax increase while we have added $9 Million in expenses. We have had the opportunity to do these things because of good fiscal management. I am a little mystified as to why this is an issue. We are not talking about anything but protecting an A rating and providing a line of DCoH. That number can be whatever we want it to be. When we are recapping surpluses because people spent more money on electricity or we got more sales tax revenue, that is wonderful. He encouraged the Commission to use the methodology that they have in place that has worked very well.

Commissioner Chad McLeod: This is a great discussion. We make assumptions for property values but we are also making assumptions on expenses. We can look at things to cut in expenses in FY26 and FY27. He wanted to keep the millage rate static. Citizens expect us to examine expenses and scrutinize those. I think we have. There is always opportunity to reduce expenses. Before we ask people to pay more, we need to make sure we have thoroughly examined expenses.

Mike Brossart: Our biggest expense in the general fund is personnel. In the out years we only mirrored what police/fire would receive in ATB and Merit for our assumptions. Other costs such as vehicles have gone up and we are trying to extend those vehicle lives. They have tried to limit growth in expenses. Expenses in the General Fund are easy to predict except unexpected new costs for new projects.

Commissioner Sara Roberts McCarley: To affirm everyone in the process, we need to wrestle through this and get our hands dirty as the commission. We are responsible to our constituents for everything. Starting with the surplus screams that it is a savings account that we are not allowed to spend. Are we supposed to continually pull from our surplus to balance the budget?

Mike Brossart: 45-60 days is what we aim for so that we can pay for emergencies such as a hurricane. The LE Payment in Lieu of Taxes (PILOT) is included in budgeted revenues.

Commissioner Mike Musick wanted to move forward. We, as a Commission, have said yes, a lot. He would like to go over the budget with the departments to better understand their budgets.

Commissioner Chad McLeod: Have we ever had a time where the DCoH under performed?

Commissioner Mike Musick: We have averaged 9% increase in values.

Mike Brossart: We can change the projected property value increase if that is what the Commission wants to do.

Commissioner Bill Read: Costs are through the roof. He is just listening. He wanted departments to have what they need but believed 4% to 4.5% growth in FY'26 and '27, as Mike Brossart had recommended, is more appropriate.

Commissioner Guy LaLonde: Interest rates are dropping. There has only been a 2.5% increase in expenses, controllable expenses. That needs to be considered as part of the discussion. That is a low and conservative number. We need to keep that in mind. Consider that staff was already very conservative with their budget needs. I could not run my business if I could only absorb 2.5% cost increases. Staff has done a lot to work within the 2.5%.

Commissioner Stephanie Madden: Even if we have record growth these still are concerning numbers. We have not raised the millage in 8 years. We have lowered the millage. If we are going to consider raising millage, we must make sure the public knows we are grappling with the numbers. Staff is experiencing increases in everything. We need to continue to be in the lowest quartile. What is the cumulative effect on our businesses, which are our employers. Are they going to have layoffs?

Day's Cash Estimate as of 8/5/2024 Advertised Millage of 6.0529 +5 Additional Police Officers in FY'26 & FY'27. The forecast does assume no empty positions.

Shawn Sherrouse: The current budget process was the more precise way for budgeting and to be transparent.

City of Lakeland Property Values

Mayor Bill Mutz: The increases on this slide are not onerous even if we go with the maximum millage rate.

Shawn Sherrouse: New construction has a different impact than homesteads of existing homes.

Polk County Millage Comparison

Statewide Millage Comparison

Shawn Sherrouse: This is just more benchmarking.

Mike Brossart: They can include this slide going forward.

Mayor Bill Mutz asked Commissioner Bill Read what he would put for the estimate property value increase for FY26 and FY27.

Commissioner Bill Read thought 4.5% was a good number.

Mayor Bill Mutz: Doing the millage rate at 5.4323 took DCoH to 30 in Year 3.

Commissioner Sara Roberts McCarley: On the budgeted revenue, how much was utility?

Mike Brossart: The pilot was approximately $32 Million.

Commissioner Sara Roberts McCarley: Since Winter Haven and Lakeland has a lower Area Median Income (AMI), how does that impact our tax base? Are we serving more people than are contributing to the tax base? Taxes are different for everyone based on when you bought and what you paid for the home.

Commissioner Mike Musick: What if we predict 6% in property values and what is in the budget that we have not approved? He would pause $1 Million on low-income housing. That bring us within the 45-60 DCoH. That allows us to continue with our obligations for safety, meet the goal, and not raise the millage rate.

Mayor Bill Mutz asked about thoughts on Senior Center.

Commissioner Sara Roberts McCarley had meetings with the Senior Center coming up. She was a big believer that the community should come alongside. Government funding is not appropriate when there is no community support. She was not prepared to approve that funding for the Senior Center or PAL at this time.

Commissioner Bill Read would give the Senior Center and PAL $250,000 each.

Mayor Bill Mutz thought that money would require deliverables to continue to allocate.

Commissioner Sara Roberts McCarley would support that at a smaller amount.

Commissioner Guy LaLonde agreed with Commissioner Sara Roberts McCarley. They are not ready quite yet. PAL's primary concern is the city's support. They could use a letter of support while working to garner private dollars. The Commission support will go a long way in securing private support.

Commissioner Chad McLeod appreciated the vision of the Senior Center but did not know what that looked like this budget year.

Mayor Bill Mutz: Assuming no increase in millage, what are other projects the Commission wanted to consider? He also asked about Mayor's Council on the Arts request. It was already budgeted at $275,000. He wanted to see it at $475,000 on an ongoing basis.

Commissioner Bill Read cautioned against removing the $1 Million and adding it back in another way.

Commissioner Guy LaLonde suggested just removing $500,000. He received a lot of input in support for the Senior Center. Let us just say we are cutting $500,000 and reappropriating $500,000, and require a match for the Senior Center.

Commissioner Mike Musick would add funds for the Senior Center before he would add to the arts. The struggle with PAL and the Senior Center is they are preparing to run the race but they are not at the same point right now. He would want to give to the Senior Center at least $100,000 to show the City's support.

Commissioner Sara Roberts McCarley wanted to pause on both. Neither has presented a strategic plan. They have a dream and an idea and that is it. A strategic plan is like a business plan. It would be required for either of them to gain United Way funding. Their request for money is premature. We can send a letter of support.

Mayor Bill Mutz: Perhaps we should ask them to show us a strategic plan during the next fiscal year and make the city's contribution matching.

Commissioner Mike Musick did not understand giving the arts an additional $200,000. He would not want it to be greater than $100,000.

Mayor Bill Mutz: Raising the millage to 5.5 would take Year 3 to 45 days.

Commissioner Guy LaLonde would like to see DCoH a little higher than 45 days. They looked at various millage rates.

Shawn Sherrouse reminded the Commission that they are basing the property value increase on a rate that is higher than they are getting for this year. The 2 largest construction projects going are both non-profits.

The City Commission asked to see the adjusted property values at 5.48% in FY26 and FY27.

Commissioner Sara Roberts McCarley: Do we have some blind spots? Are there things we could cut?

Commissioner Bill Read wanted to see more than 47 days in Year 3 but he did not know what else we could do except raise the millage rate.

Mike Brossart: Department heads scrutinize their budgets. The biggest increases in expenses has been public safety. The Commission cutting $1 Million out of the budget for recurring Affordable Housing has just made a tremendous difference in this DCoH file. We would need to have the same kind of interactive discussion next year.

The 5.56 was very close to the millage rate in 2016.

Shawn Sherrouse: Looking at permitting statistics, the slowdown has hit.

Mike Brossart: The majority of property value jumps were not residential. They were commercial and industrial.

Commissioner Mike Musick: The goal is 45. We are at 47. Let us take the millage down to raise as little as possible.

Commissioner Sara Roberts McCarley: When we are talking about bringing our new officers online if we can fill the vacancies, what does that number look like?

The Commission just discovered the 5 positions were not included in the figures right now.

Mike Brossart added the 5 positions in FY26 and FY27 and that took Year 3 to 42 DCoH.

Mayor Bill Mutz: We could do no increase at all but that will likely require a larger millage rate increase in FY27. It is prudent to do the smaller increases rather than a large increase all at once. It will be hard to raise taxes next year. It would be better to do it this year if you are going to do it.

Commissioner Sara Roberts McCarley asked about budgeting increases. Mike Brossart: The increases depend on the type. They set controllable costs at a set rate.

Commissioner Stephanie Madden: It is important to have cuts to expenses if we are increasing revenue via a millage increase.

Commissioner Bill Read thought the property value should be lower and the millage rate should be higher.

Commissioner Mike Musick wanted to know that the Commission has evaluated this methodology of the budget. The Commission seemed to want to go through the entire budget by each department. Did we have to change the policy if Year 3 will be less than 45 days?

Mike Brossart did not know for sure how he would respond to the rating agencies regarding the City Commission's preference to accept less than 45 DCoH by year 3. The City did have a policy to aim for 45-60 DCoH.

Commissioner Sara Roberts McCarley liked the idea of a deep dive with departments to see the entire process. We must have hard conversations.

5.62 would be the highest millage rate in Lakeland's history.

The Commission continued to discuss DCoH in Year 3.

Commissioner Mike Musick: Maybe police do not need 5 more officers in FY27.

Shawn Sherrouse: Staff could benefit from a thumbs up scenario.

Mike Brossart: A millage rate of 5.5644 would require a super majority. That was the same as 2016. It appeared there were 5 in support of 5.5644.

The Commission discussed the 5 police officers in FY27. Shawn Sherrouse: We can leave them in but it is unlikely that we will need them or could fill them.

Commissioner Sara Roberts McCarley: Why do we always have to decide about public safety?

Mayor Bill Mutz did not think it was posturing. Public safety is proportionately more expensive.

Commissioner Mike Musick: Individually public safety employees are expensive.

Mike Brossart recommended the Commission to accept 42 DCoH rather than manipulate the projected property values to solve for 45 days. Property values should be what the City Commission and staff think are reasonably achievable rather than an arbitrary number to achieve a year 3 45-day cash.

Shawn Sherrouse: We can bring both rates to the Commission at the 1st public hearing. When talking about the General Fund, public safety is the largest expense in the General Fund. We also have a history of not being able to fill the total headcount. He wanted the community to know we have the best of the best at the police department.

The Senior Center and PAL are $100,000 if matched and Arts was $100,000.

The Commission adjourned the workshop at 4:45 p.m.

Kelly S. Koos, City Clerk

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