LAKELAND CITY COMMISSION

FY 2025 Budget Workshop
July 11, 2024

The Lakeland City Commission met for the FY 2025 Budget Workshop in the Lakeland Electric (LE) Conference Rooms 1A and 1B. Mayor Bill Mutz and Commissioners Bill Read, Stephanie Madden, Sara Roberts McCarley, Mike Musick, and Guy Lalonde were present. Commissioner Chad McLeod arrived at 10:46 a.m. City Manager Shawn Sherrouse, Finance Director Mike Brossart, City Attorney Palmer Davis, and Deputy City Clerk Heather Bradman were present.

Mayor Bill Mutz called the meeting to order at 8:30 a.m.

Shawn Sherrouse welcomed everyone to the budget workshop. A copy of the FY 2025 Budget Workshop presentation is on file in the agenda packet.

Water Utilities Revenue Sufficiency Update - Water Utilities Director David Bayhan, Raftelis Vice President Murray Hamilton, Raftelis Senior Consultant Trevor McCarthy.

Raftelis ensures rates are appropriate to cover the CIP and utility plans. This is an extension of a 15-year cycle where they come back annually to revisit and update the financial forecast in support of the water and wastewater system. Also, to provide the City Commission with rate strategies for the next few years. Today's discussion will be limited in scope to the next 3 years on the operating and capital conditions of the utility system. The City's rates are comparatively low amongst its peers and any adjustments made in the next few years would keep the City in that competitive framework.

The Commission discussed:

- Water is stronger in terms of cash flow and days of cash. The wastewater system is being given time to recover.
- Usage profiles vary for different commercial customers; however, there is a single volumetric rate on the commercial side.
- For a single-family home, the rate is about $88.00.
- Accounts with high irrigation bills get flagged and sent letters. When the smart grid system is implemented, notifications should go out quicker so the City can respond quicker.
- Staff are still researching why the original water surcharge was at 35%. It has been this way for decades.
- It is common practice to charge more outside city limits because it costs more to deliver water to those boundaries.
- As the population has increased, production has remained flat, indicating conservation.
- The City has not implemented fines if customers irrigate on the wrong day.

- They have reached out to some of the highest commercial users to let them know what is being proposed.
- Smart meter implementation: meter sets are prioritized by routes being read manually, not individual usage. However, if a customer calls about a high bill, they will investigate.
- When smart meters are implemented, investigations will be much easier and more precise. The customer will also be able to set up usage on an app.
- The City can examine prioritizing low-income neighborhoods for the smart meters, but their focus is on whole routes which might include low-income areas. The goal is to take the manual readers offline, so they are not sending manual readers out in addition to having smart meters.
- A balance of prioritizing both low-income and massive users would be ideal.

Recess/Reconvene: The commission recessed at 9:36 a.m. and reconvened at 9:45 a.m.

Budget Workshop Overview – Shawn Sherrouse, City Manager

Shawn Sherrouse reviewed the agenda for the remainder of the day:
- Enterprise and Special Revenue Funds Update
- Operating Expenses Assumptions (non-personnel)
- Service-Related Personnel Assumptions
- FY’25 Budget Assumptions
- FY’25 Operating Budget Overview Budget Discussion
- Commission Discussion
- FY’25 Maximum Millage Discussion and Authorization
- Maximum Millage Direction

Staff can schedule additional budget workshops if needed. The max millage advertisement/requirement can be advertised as the max and then reduced as the Commission goes through the budget process. This can be decided today or at Agenda Study tomorrow. Otherwise, the Commission will not have another opportunity where everyone is together until August.

Enterprise and Special Revenue Funds Update – Mike Brossart, Finance Director

Mike Brossart reviewed Lakeland Electric, Solid Waste, Parking, Stormwater, Airport, and the Dixieland, Downtown & Mid-Town CRA’s.

The Commission discussed the CRA sunset dates. They are established by state law. There is a small option to extend, but that would also require county consent. A significant portion of CRA monies come from county ad valorem taxes. Staff will research when the Commission can take this on.

Operating Expense Assumptions – Shawn Sherrouse, City Manager.

The target set for departments on controllable operating expenses for this proposed budget is 2%. The Consumer Price Index (CPI) is 3.3% so the City has tried to keep expenses below that in order to offset increased costs. There are 30 primary budget divisions within the General Fund. There are 27 divisions that came in at or below the target growth amount. Of these, 3 divisions exceeded their target (Parks, Risk Management, Fire). Additionally, Information Technology, Solid Waste, and Wastewater Utilities recognized increases above their 2% target due to inflation. The listed expenses under New Budget Initiatives are inclusive of the expectation of revenue increases.

The Commission discussed:

- Viewing photos of the Water Utilities industrial vacuum truck.
- The permit center renovation from the building inspection fund will expand the plans review station capacity in the current plans room. It will also repurpose the cubicle space currently dedicated to field inspectors who spend very little time in the office. The space is better utilized by permit tech staff.
- The IBM Maximo Upgrade and Migration to MAS 8 is driven by the need for features and capabilities found in the newer version which will improve operations and security.
- Information Security is a robust, complex system. There are a lot of threat actors out there and organizations must do their best to mitigate risks and vulnerabilities. The City must comply with system upgrades because there are so many risks with information loss.

Service-Related Personnel Assumptions – Shawn Sherrouse, City Manager

Service-related personnel assumptions are tied to services provided like delivery and support. When contracted positions are no longer needed, it ends up being cheaper in the long run.

Commissioner Chad McLeod arrived at 10:46 a.m.

The Commission discussed:

- The Computer Application Specialist for Parks & Rec will be responsible for more than16 computer programs used throughout the department. They will administer and teach each program to appropriate department personnel. Further, they will act as a liaison between the department and IT.
- If a position gets approved but is not filled within the year, the unused budgeted money goes to the bottom line of the general fund.
- Chief of Police Sammy Taylor estimates the need for 35 more police officers in the next 5 years. He feels comfortable asking for 5 for FY’25 because he knows he can hire that many to maintain the current level of service.
- LPD can go through 200-300 applicants before they narrow it down to 5 potential police officers. LPD is part of a pool of organizations that sponsor recruits to attend the police academy.

- Technology is being implemented within the police department to include body cams and AI to help officers write their reports. It would be foolish if the City did not examine these efficiencies.
- There were many retirements from LPD 5 years ago. Now the department is comprised of 60-70% of officers who have served 5 or less years. It would be ideal for the department to have a good mix between veterans and rookies.
- Extending the DROP program from 5 to 8 years was a good marketing tool but has not influenced the composition of the department.
- The two positions in Traffic Control should handle most of the contractor's work.
- Based on the total cost of the initial request for service-related personnel, the PMF team was able to find other means to provide for departmental needs. This reduced the request by $1,000,042.00.
- Property owners pay $9.62 to keep lakes clean. This will be discussed more after a study is conducted and will be presented to the Commission in the Fall.

FY'25 Budget Assumptions - Mike Brossart, Finance Director

Staff remains confident in staying with the 5.48% property value growth in FY'25. The growth over the next couple of years is unknown so they will remain conservative with an estimated growth of 4%.

FY'25 Operating Budget Overview Budget Discussion – Mike Brossart, Finance Director

- Employees are eligible for the ATB increase unless they are above their range. When ATB is applied, the pay range moves up a percentage. For the employees who are above their pay range, ATB will eventually catch up with the overpay.
- Vacancies are historically accounted for in forecasted expense savings.
- A bonding agency requires municipalities to have 45-60 Days Cash on Hand (DCoH) by the end of the third year to maintain the bond rating which helps with things like insurance.
- It is wise to build in the public safety collective bargaining agreement options into the operating budget.

Recess/Reconvene: The commission recessed for lunch at 12:00 p.m. and reconvened at 1:00 p.m.

The Commission continued to discuss:

- About $28 Million is earmarked for affordable housing between FY'24 – FY'34.
- This might be a good year to pass on using the $1 Million in the General Fund for Proposed FY'25 for Affordable Housing.
- Affordable housing has been able to be prioritized in years' past so this amount could be reallocated elsewhere.
- At the end of FY'25 there would still be enough funds (even without the $1 Million) to address Affordable Housing opportunities depending on location and project eligibility.

- The CRA is committed to providing down payment assistance/purchase assistance to single family homeownership through the Affordable Housing Land Bank Program.
- The $1 Million can be a way to offset some of the incurred costs or be a way to approach the Senior Center or PAL building.

Deidra Joseph compiled all the previous years' days cash files. Every year they analyze what was projected versus where they ended. She will calculate the DCoH for previous years and email it to the City Commission.

The Commission continued to discuss:

- The importance of having enough DCoH so the City is operationally healthy and has the appropriate bond rating. It is also important not to take away that money from the citizens just because we want to remain cautious. It is difficult to find that balance because there has been a marked increase in the level of expenses that have been added to the budget simply because the City has seen so much growth.
- Due to this marked increase, the DCoH has dropped faster between years than what was recognized before. Therefore, the City has a surplus in different enterprises because they do not always know what to expect. We do not budget to break even; we budget to be fiscally responsible.

FY'25 Maximum Millage Discussion and Authorization

Mayor Bill Mutz: There is value to advertise at the max millage (6.0529) because that does not have to be the final number. This does not mean they are approving the max because they can always decide to lower the millage prior to budget adoption. However, if the Commission chose to adopt a millage increase above what is advertised in the TRIM notice, that would require a re-notice to all citizens prior to the adoption of the millage rate.

Mike Brossart explained the max they could go up with a two-thirds vote for an increase is 6.0529. The Commission can go above that number with a unanimous vote to approve that millage.

Commissioner Chad McLeod: It is too big a jump to go from 5.4323 to 6.0529 unless there were no other options. He suggests leaving the rate where it is this year because property owners are experiencing increases due to an increase in property value. They may have to evaluate this next year. When citizens see the advertised millage in the TRIM notice, many will perceive this to be the millage rate the commission already decided. If they advertise at the max, they must be prepared to answer those questions. While the TRIM notice on average is going to be a $95 difference, that is still too much for some citizens to spare.

Commissioner Mike Musick: The TRIM notice is meant to show the potential of what the millage could be. The rate has not been voted on yet. However, the maximum amount gives the Commission the max amount of flexibility that may end up not needing.

Commissioner Sara Roberts McCarley: Affordable Housing is higher on her priority list to be protected. She would like to see strategic plans on sustainability from the PAL and Senior Centers before she is comfortable with adding those into the budget.

Commissioner Bill Read: He endorses advertisement of the max millage at 6.0529 list. It is apparent we will need it in the future. However, he is not willing to go above that number, but he is willing to go below.

Commissioner Stephanie Madden: She would not be opposed to saving the $1 Million from the general fund for proposed FY'25 for PAL or the Senior Center as a matching grant opportunity. The millage rate has not been raised since she has served on the Commission. However, she absolutely recognizes the need for increased services.

Commissioner Mike Musick: If they keep the $1 Million, he will want it applied either towards PAL or the Senior Center. Although he would prefer to take the $1 Million out to keep the millage rate as low as possible or look at incremental increases. He asked Mike Brossart how the Finance team would feel if this played out.

Mike Brossart: That would be putting off a crucial decision for whoever is on the City Commission in 2027. If the next years are like this year (5.48%) that decision would guarantee a significant rise in millage in 2027. Right now, the Commission can take ownership of the amounts added for all the right reasons. An increase of 6.0529 puts Lakeland just above Polk City, with an annual recognized millage cost increase of $95 for an average-valued residence in Lakeland. The adopted policy is 45-60 days cash by the commission in year 3 to maintain a prudent long term look at the general fund. If we take the $1 Million out in FY'25, FY'26, FY'27, then we are at 36 days. We need to pay for what we knowingly added to the bottom line in services to the citizens. It is time to pay for those things we were able to cover the last couple of years through the windfalls.

Commissioner Sara Roberts McCarley: Everyone can agree on the importance of public safety. She is glad those dollars are configured into the budget. Everyone on the Commission is not in the business of worrying about elections, they are in the business of governing. They are here at the will of the community and being of service to them. Public safety and infrastructure will always be at the top of her list when talking about the City budget. If we are not meeting those needs, then we must recalibrate how we manage things that would hinder the citizens' quality of life. She is glad staff explained the PMF process because it is a rigorous process to get the City to this point of budget discussions. She does not see herself voting for 6.0529. She thinks the incremental suggestion is better. However, she also wants flexibility. They must balance unprecedent growth with not raising taxes, so she is looking at the 5.75.

Mayor Bill Mutz: He agrees this Commission is not political. Decisions are made at the best value of the community to enhance or preserve what we have. Staff is incredibly fiscally responsible. The $1 Million does not have to be allocated. It can be a smaller number. For example, another $200,000 could be added to the Mayor's Council on the Arts. Having the 6.0529 to work under is a wise thing to do for Lakeland's future. He recommends a motion to make 6.0529 as the millage to adopt.

Mike Brossart reminded the Commission that if property values come in at 4% growth and if no additional large costs get added in FY'26 and FY'27, we are guaranteed a millage increase in FY'28. This estimate does not include any other anticipated costs that go with a city that is rapidly growing.

Maximum Millage Direction

Action: Commissioner Mike Musick moved to authorize the Finance Director to advertise the City's maximum millage rate at 6.0529 for Fiscal Year 2025. Commissioner Guy LaLonde seconded, and the motion carried 6-1. Commissioner Chad McLeod voted nay.

Commissioner Stephanie Madden: Sister Cities is like the Mayor's Council on the Arts where it gets a small allocation from the City. They are having trouble sending students to Japan because of costs. The new board members asked her if there is a way to pay for or defray those costs so students can go.

Shawn Sherrouse: Now they know what they can advertise for the max millage by August 4th. There will hopefully be another workshop in the first half of August to revisit discussions to formalize the proposed budget that will come before them in September.

Commissioner Stephanie Madden: There was concern at the last Utility Committee about the rate currently published at 2.25. Three years ago, they had a rate case study and decided to spread it out at 2.25 over a three-year period. Last year, the committee voted to raise the 2.25 to 3.5 to help us cover extra costs. Where does this fall in our budget discussions? Should this be decided sooner rather than later? She wanted to make sure everyone on the Commission was aware of that discussion.

Shawn Sherrouse: LE Staff has worked on that presentation. There will not be a Utility Committee meeting on August 1st because of the FMEA conference. However, Willem Strauss will be able to make his presentation at the August 30th Utility Committee meeting. Although they will not have a full consultant base case study, they do have LE's projections related to the surplus and DCoH. How that is projected out has a lot to do with our bond ratings. Palmer Davis has investigated that, and they believe that is enough justification, based on those projections, for the Commission to consider a base rate at the August 30th presentation.

In closing, Shawn Sherrouse feels blessed to work with a conscientious Commission and the best staff of any city government in the country. He thanked all the department heads and staff who did the work to get us to this point.

The Budget Adoption Hearings will be held on Thursday, September 5, 2024, and Thursday September 19, 2024. Both hearings will be at 6:00 p.m. in the City Commission Chambers.

The workshop adjourned at 2:46 p.m.

Heather L. Bradman

Heather L. Bradman, Deputy City Clerk

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