

Financial Overview Lake City Florida

NJN Consulting Services, Inc.

Lake City Florida

Purpose is to present:

- *A general financial overview for Lake City*
- *To provide recommendations moving forward.*

Lake City Florida

Background:

- In the **municipal finance** world since **1978** as both a fulltime employee and as a financial consultant
- **Fulltime employee:** Finance Director - Lombard, Oak Park and Villa Park; AVM Hazel Crest, Purchasing Agent Joliet.
- **Financial Operations and Management Consultant** since 1994 twenty (20) municipalities, three (3) private businesses, one (1) county, one (1) park district, and two (2) not-for-profits, (3) different states.

Lake City Florida

Projects:

- Complete budget process
- Capital improvement programming
- Annual audit preparation
- Long term capital
- Debt issuance/ planning
- Long-term financial planning
- Banking/ treasury management
- Purchasing
- Inventory control
- Insurance
- Risk management
- Safety/ loss control
- AR/ AP
- Software and hardware installation
- Accounting and interim reporting
- Strategic budget planning
- Labor negotiations
- Retirement plan administration

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Areas Reviewed:

	<u>Strength</u>	<u>Challenge</u>
• Accounting/ operations	✓	
• Financial software	✓	
• Pension obligations	✓	
• Outstanding debt	✓	
• Fund balances	✓	
• Structural imbalances		✓
• Future project capabilities		✓
• Capital planning		✓

Lake City Florida

						Enterprise Funds						Pension Funds					
						Water/						General					
Airport						Sewer						Police					
Fire						Natural						Firemen's					
Capital						Gas											
Seized						Utility											
Special						Assets											
Force						Police											
CDBG						Grant											
Sales						Housing											
Debt						Tax											
Service						Debt											
Revenue	17,571,650	2,282,400	314,488	3,768,619	2,401,675	185	12,342	16,624	0	7,696	0	17,428,877	5,532,914	2	23,309,799	17,672,466	12,366,618
Expense	15,368,567	2,918,613	283,556	4,105,274	1,909,649	0	0	16,686	0	1,168,677	844,441	14,937,590	5,106,462		21,148,432	18,297,610	10,551,965
	2,203,083	(636,213)	30,932	(336,655)	492,026	185	12,342	(62)	0	(1,160,981)	(844,441)	2,491,287	426,452		2,161,367	(625,144)	1,814,653
Transfers	(471,264)	483,078	0	74,406	(45,278)	0	0	0	(27,611)	0	844,439	68,247	(157,342)		0	0	2
	1,731,819	(153,135)	30,932	(262,249)	446,748	185	12,342	(62)	(27,611)	(1,160,981)	(2)	2,559,534	269,110		2,161,367	(625,144)	1,814,655
10/1/22	26,203,387	167,711	239,735	36,931	616,534	47,509	68,046	(3,915)	27,611	2,825,122	147,400	9,880,806	3,129,041	1	0	1	2
9/30/23	27,935,206	14,576	270,667	(225,318)	1,063,282	47,694	80,388	(3,977)	0	1,664,141	147,398	12,440,340	3,398,151		2,161,367	(625,143)	1,814,657
Target	7,684,284											7,468,795	2,553,231				
Available	20,250,923	14,576	270,667	(225,318)	1,063,282							4,971,545	844,920			6	

Lake City Florida

Available Funds

						Enterprise Funds	
						Water/ Sewer Utility	Natural Gas
	<u>General</u>	<u>Fire</u>	<u>Community Redevelopment Agency</u>	<u>Airport Capital Projects</u>	<u>Airport</u>		
Revenue	17,571,650	2,282,400	314,488	3,768,619	2,401,675	17,428,877	5,532,914
Expense	15,368,567	2,918,613	283,556	4,105,274	1,909,649	14,937,590	5,106,462
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10/1/22	<u>26,203,387</u>	<u>167,711</u>	<u>239,735</u>	<u>36,931</u>	<u>616,534</u>	<u>9,880,806</u>	<u>3,129,041</u>
9/30/2023	<u>27,935,206</u>	<u>14,576</u>	<u>270,667</u>	<u>(225,318)</u>	<u>1,063,282</u>	<u>12,440,340</u>	<u>3,398,151</u>
Target	<u>7,684,284</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,468,795</u>	<u>2,553,231</u>
Available	20,250,923	14,576	270,667	(225,318)	1,063,282	4,971,545	844,920

Lake City Florida

General government structural balance

The structural balance is used to examine the long-term sustainability of public finances. Fiscal balances can be significantly affected by economic cycles and one-off events. Government revenues tend to decline during economic downturns, as incomes fall. At the same time, public spending tends to increase, as more people claim social assistance or unemployment benefits. The general government structural balance is a measure of the fiscal balance which takes the economic cycle into account. The structural balance is the budget balance which a government would have with its current policies if the economy was operating at its full potential (“potential GDP”). This indicates its current tax and spending policies are not sustainable in the long run.

Lake City Florida Fire Fund

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>Budget FY 2024</u>
Beginning Balance	<u>227,007</u>	<u>176,322</u>	<u>147,652</u>	<u>167,711</u>	<u>14,556</u>
Revenue					
Taxes	64,182	69,520	0	0	0
Grants	0	0	0	0	234,510
Intergovernmental	450	0	0	90,557	0
Charges for Services	2,161,738	2,161,871	2,153,992	2,165,694	2,622,022
Investment Income	1,558	1,390	1,061	2,346	1,500
Surplus From Prior Year	0	0	0	0	68,574
Miscellaneous	<u>0</u>	<u>18,484</u>	<u>19,362</u>	<u>23,783</u>	<u>0</u>
Total	<u>2,227,928</u>	<u>2,251,265</u>	<u>2,174,415</u>	<u>2,282,380</u>	<u>2,926,606</u>
Expense					
Public Safety	2,332,412	2,453,429	2,361,403	2,913,671	3,252,160
Capital Outlay	<u>97,730</u>	<u>0</u>	<u>202,406</u>	<u>4,942</u>	<u>0</u>
Total	<u>2,430,142</u>	<u>2,453,429</u>	<u>2,563,809</u>	<u>2,918,613</u>	<u>3,252,160</u>
	(202,214)	(202,164)	(389,394)	(636,233)	(325,554)
Transfers in	289,680	289,680	574,661	638,585	325,554
Transfers out	(138,151)	(165,208)	(165,208)	(165,207)	0
Proceeds from Sale	<u>0</u>	<u>49,022</u>	<u>0</u>	9,700	0
Net	<u>151,529</u>	<u>173,494</u>	<u>409,453</u>	<u>483,078</u>	<u>325,554</u>
Net Change	(50,685)	(28,670)	20,059	(153,155)	0
Ending Balance	<u>176,322</u>	<u>147,652</u>	<u>167,711</u>	<u>14,556</u>	<u>14,556</u>

Defining Principles

- Comprehensive Plan
- Strategic Plan
- Land Use Plans
- Capital Plans
- Long Range Plans
- Bond Rating

Available Balances

- Invest in yourselves
- Attract revenue increasing options
- Advance issues to maintain service levels
- Long Range Plans
- Bond Rating

Revenue Enhancement Opportunities:

- Increase EAV
- Sales Tax Base
- Public Service Tax
- Franchise Tax
- State Revenue Sharing

Lake City Florida

Tax Levy			
	EAV		EAV
Residential	50,000,000		50,000,000
Commercial	50,000,000		50,000,000
Industrial	50,000,000		100,000,000
RR	50,000,000		50,000,000
Total	200,000,000		250,000,000
Per \$100	2,000,000		2,500,000
Municipal Rate	2.00		1.60
Receipts	4,000,000		4,000,000
Homeowner	300,000		300,000
33%	99,000		99,000
Per \$100	990		990
Citizen Tax Bill - Total	<u>\$1,980</u>		<u>\$1,584</u>

Lake City Florida Growth Impacts

City Limits

Traffic

Noise

Job Opportunities

Control Appearance

Regulate Traffic

Contribute Capital Plan

Increase EAV

Public Service Tax

Utility Usage

Nearby City

Traffic

Noise

Job Opportunities

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Growth Opportunities

- Airport
- Industrial Parks
- Commercial
- College
- Housing
- Downtown

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Industrial/ Commercial
Revenue vs Expense Growth

	<u>Revenue</u>	<u>Expense</u>
City	Increase	Minor
Schools	Increase	None
County	Increase	Minor

Lake City Florida Proposed Development Review

Considerations

Defining Principles

Strategic Plan

Comprehensive Plan

Land Use Plan

Financial Plan

Revenue

EAV

Sales Tax

Utility tax

W/S Charges

Gas Charges

Expense

Administration

Police

Fire

PW

Community Devel

Water

Sewer

Gas

Lake City Florida

Importance of Municipal Bond Rating

A municipal bond/ credit rating is the main barometer in the financial markets which calculates the credit risk of investing in the particular entity. Annual financial audits report on the accounting aspects of the financial operation. Ratings demonstrates to residents that their funds are managed in an effective, transparent, efficient manner.

The rating should not be the only consideration in making financial decisions, but should be the “common thread”, considered in any municipal financial analysis. Much like a personal credit rating is considered in making personal financial decisions.

Lake City Florida Bond Rating

<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>	<u>Scale</u>	<u>Personal</u>
Aaa	AAA	AAA	High	850
Aa1	AA+	AA+	High	
Aa2	AA	AA	High	
Aa3	AA-	AA-	High	800
A1	A+	A+	Upper Medium	799
A2	A	A	Upper Medium	
A3	A-	A-	Upper Medium	740
Baa1	BBB+	BBB+	Lower Medium	739
Baa2	BBB	BBB	Lower Medium	
Baa3	BBB-	BBB-	Lower Medium	580
Ba1	BB+	BB+	Speculative	579
Ba2	BB	BB	Speculative	
Ba3	BB-	BB-	Speculative	300

Lake City Florida
Financial Planning

Long Term Financial Plan

Long Term Debt Plan

Capital Improvement Plan

Facility Reserve Plan

Vehicle/ Equipment Replacement Plan

Credit Rating Management Enhancements

Financial Certifications

Lake City Florida

Procedures to Increased Credit Rating

• Financial Management

- Replacement Schedules
- Reserve Studies
- GFOA Budget Award
- GFOA Audit Certification
- Formal Debt Management Plan*
- Long Term Capital Plan
 - Storm Water
 - Water
 - Sewer
 - Gas
 - Roads
- Pay-As-You Go Plan*
- Prioritized Spending Plan*
- Rainy Day Stabilization Plan*
- Long-Term Contingent Reserve Plan*
- RFP Bond Financial Advisor

Economic/ Revenue Enhancement

- Regular Economic Updates*
- Well defined and coordinated economic development strategy*
- Revenue Generating Possibilities
- Economic Development Initiatives*
- Long Term Development Goals
 - Economic Development Strategy*
 - Agency Coordination Plan

Lake City Florida

Conclusion

- Begin to address “structural imbalance”
- Take necessary steps to secure bond rating
- Develop procedure for reviewing potential developments
- Coordinate with plans from other taxing districts
- Conduct “Strategic Plan Process”
- Develop Well Defined “Economic Development Strategy”
- Stay ahead of growth plans for the region