Debt Affordability Study

Baseline

May 31, 2018

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ONE CITY. ONE JACKSONVILLE.

City of Jacksonville, Florida

Lenny Curry, Mayor

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May 31, 2018

Honorable Mayor Lenny Curry
Members of City Council
Citizens of the City of Jacksonville

The Department of Finance & Administration is pleased to present the Debt Affordability Study required by Municipal Code Section 110.514. This annual update, along with the Debt Management Policy adopted by City Council, comprises the cornerstone of the City's ongoing efforts to manage the City's debt program within an adopted framework providing for debt limitations, restrictions, and best practices. A well-conceived and properly implemented debt policy does not just impose limits on debt, but also helps manage the impact of repaying that debt on current and future budgets.

Each year, we produce two versions of this study. This version – the Baseline report – provides a snapshot of the City's projected debt outstanding and a review of where we expect to stand with regard to our debt policy targets as of the end of FY18. The second version of the study will accompany the Administration's submission of the Proposed FY19 Budget. It will illustrate the impact on the City's Debt Affordability ratios of borrowing contemplated by the Proposed FY19 Budget, as well as forecasted borrowing indicated by the 5-Year Capital Improvement Plan.

The annual Debt Affordability Study serves as a tool to begin addressing the question "How much debt **should** the City issue?" It is important to note that this point of view differs from the question "How much debt **can** the City issue?" By approaching our management of debt from this perspective, the Administration frames debt management discussions of the City in terms of debt affordability rather than debt capacity.

Respectfully submitted,

Mike Weinstein
Director of Finance & Administration
Chief Financial Officer

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SECTION ONE: BASELINE

This section represents the City's Baseline version of its Debt Affordability Study. In addition to projected debt outstanding at the end of FY18, this section assumes future borrowing only for unfunded projects that were previously authorized by City Council for funding with debt. These unfunded projects have yet to be funded due generally to project spending that takes time and that has not yet occurred.

Section Two, which will be added along with the FY19 Budget submission, will include borrowing for debt as submitted in the budget as well as scenarios showing the impact of that borrowing on the City's debt ratios.

I. EXECUTIVE SUMMARY

Properly managing the City's debt is a critical element of the City's overall financial health. By making smart borrowing, refinancing, and debt portfolio structuring decisions, the City is exercising fiscal responsibility that should maintain and improve its credit rating over time. The annual Debt Affordability Study continues the City's practice of establishing and routinely evaluating appropriate, objective guidelines and measures for the debt program. The guidelines should be balanced in a way that ensures the City is responsible to both citizens and investors. Guidelines that are too restrictive may not provide enough debt flexibility and capacity to finance needed infrastructure. Guidelines that are not restrictive enough may result in excessive debt issuance, which would result in reduced future budgetary flexibility and more pressure on the City's credit ratings and financial position.

The City continues to frame its debt management policy discussions in the context of "How much debt should the City issue?" which is a debt affordability focus, rather than "How much debt can the City issue?" which is a debt capacity focus. Debt capacity measures whether an identified revenue source, such as sales taxes, is available in sufficient amounts to service contemplated future debt issues without regard to other possible uses of the same revenue. Debt affordability measures the City's ability to repay debt while continuing to provide other services supported by those same revenues.

The debt issuance guidelines and measures advocated for in this Study are widely-used and accepted within the credit community in assessing a jurisdiction's ability to repay debt. The existence of an updated debt analysis is viewed as a positive factor in the financial management element of the overall rating process. Objective guidelines typically take the form of debt ratios. In interpreting what the guidelines and measures tell us, it can be helpful to look past the absolute measures and discuss certain underlying demographic realities and potential limitations. For instance, per capita calculations used to measure individual tax burdens only account for resident populations. However, communities with destination attractions, professional sports franchises, municipal service economic centers, or major highway connections will have transient contributors (tourists/non-residents) to pledged revenues, such as sales and/or gas taxes. If the contribution to debt repayment by non-residents could be factored, the reported debt burden on the residents would be favorably impacted. Likewise, debt to market value ratios as a measure of debt burden do not account for variances in personal incomes between communities. Two communities with similar market values and debt outstanding, but widely varying incomes will have different stress levels relative to debt repayment.

Below are the seven debt measures adopted by the City in Ordinance 2006-829 and later amended by 2007-971 and 2015-450 and a description of each:

- **Overall Net Debt as % of Full Market Value** – This measure describes debt levels against the property tax base, which is the City's largest source of revenue. It is computed as an aggregation of City-issued debt and "overlapping" debt (debt issued by other jurisdictions within the boundaries of the local government that is repaid from the same tax base, namely the Duval County School Board), which is then divided by the market value of the tax base. A higher measure indicates that the tax base is carrying a heavier debt burden. The City's established target for this measure is 2.5%, with a maximum of 3.5%.

- **GSD Debt Service as % of GSD Revenues** – Certain portions of outstanding debt (like debt related to the Better Jacksonville Plan and debt that supports business-like activities) have dedicated revenue sources. This measure isolates only debt service related to the General Services District (GSD) and compares it only to the revenues that are available to pay it. A higher measure indicates that annual debt service is taking up a greater portion of available revenues, which may indicate stress on the City's operations or less flexibility to issue new debt. The City's established target for this measure is 11.5%, with a maximum of 13.0%.

- **Unassigned GSD Balance plus Emergency Reserves as % of GSD Revenues**– This measure is an indication of the City's ability to handle unforeseen events that might occur during the normal course of business. Ratings agencies and investors consider reserves important, because they provide confidence that the City will be able to continue making debt service payments during times of stress. This measure is calculated by dividing the Unassigned General Fund balance (i.e., the amount of GF balance that is not dedicated to some other purpose in a given year) plus the City Council Emergency Reserve by the City's non-designated revenues. While the City Council Emergency Reserve is classified as "committed" fund balance and not "unassigned" fund balance under new accounting guidelines, ratings agencies consider it as available for operations in the event of an emergency and is therefore combined with Unassigned General Fund Balance in this calculation. A higher measure indicates that the City is more capable of sustaining a period of financial stress. The City's established target for this measure is 14.0%, with a minimum of 10.0%.

- **Unassigned GSD Balance as % of GSD Revenues (excl. Emergency Reserves)** – This measure mirrors the prior measure, but excludes the City Council Emergency Reserve. The City's established target for this measure is 10.0%, with a minimum of 5.0%.

- **Ten Year Principal Paydown – All City Debt** – It is important that the City continue to pay down debt in a responsible manner over time, so that taxpayers decades from now are not still paying for things that have outlived their useful lives. This measure is calculated as the total principal repayment scheduled for the next ten years divided by the total debt outstanding, regardless of pledged revenue source. From a credit rating standpoint, paying down debt sooner is a positive. A higher measure indicates that more debt is being paid down over the next 10 years, which frees up revenues for operations or capital sooner and provides additional comfort for existing bondholders. The City's established target for this measure is 50.0%, with a minimum of 30.0%.

- **Ten-Year Principal Pay-down – GSD Debt** – This measure mirrors the prior measure, but excludes debt with a dedicated revenue source. The City's established target for this measure is also 50.0%, with a minimum of 30.0%.

- **Debt Per Capita** – Another way of assessing the debt burden on taxpayers, this measure is calculated using overall tax-supported debt (which includes "overlapping" debt, as described earlier) divided by the City's population. A higher amount indicates a higher debt burden placed on each citizen. The City's established target for this measure is $2,600, with and maximum of $3,250.

The graphic below summarizes each measure and shows the projected level for each at the end of FY18 based on anticipated debt outstanding and assumptions for future borrowing that has already been authorized by City Council.

Measure	FYE18	Target	Maximum	Minimum	Direction
Overall Net Debt as % of Full Market Value	2.34%	2.5%	3.5%	N/A	Lower is better
GSD Debt Service as % of GSD Revenues	9.71%	11.5%	13.0%	N/A	Lower is better
Unassigned GF Balance as % of GSD Revenues (incl. Emergency Reserves)[1]	13.02%	14.0%	N/A	10.0%	Higher is better
Unassigned GF Balance as % of GSD Revenues (excl. Emergency Reserves)[1]	8.02%	10.0%	N/A	5.0%	Higher is better
Ten Year Principal Paydown – All City Debt	61.51%	50.0%	N/A	30.0%	Higher is better
Ten Year Principal Paydown – GSD Debt	53.07%	50.0%	N/A	30.0%	Higher is better
Debt Per Capita	$2,467	$2,600	$3,150	N/A	Lower is better

[1] *Since reserve balances will not be known until FY End, the FY17 values are provided for these measures*

Through recent strong financial management, as recognized by the ratings agencies, a strong economy, low interest rates, and a consistent trend in reducing our debt outstanding, these metrics have continued to improve. A more detailed analysis of the Baseline Version results for each measure is included later in this study.

II. DEBT POSITION

The following table summarizes the City's projected debt outstanding as of the end of FY18. As such, the table includes currently outstanding debt as well as expected borrowing prior to the end of the fiscal year to reimburse the City for expenditures related to previously authorized projects. The City has pledged specific non ad valorem revenue streams to some of these obligations and committed a basket of non ad-valorem revenues to repay others. A complete schedule of City debt outstanding is included as Exhibit A.

Projected Debt Outstanding at 9/30/18

Debt Type		Outstanding
Better Jacksonville Program Debt:		
Better Jacksonville Sales Tax	$	457,820
Better Jacksonville Transportation		434,570
Special Revenue Bonds		259,765
State Infrastructure Bank Loan Program		24,788
Total Better Jacksonville Program Debt	**$**	**1,176,943**
General Government & Enterprise Fund Debt:		
Excise Tax Revenue Bonds	$	41,350
Special Revenue Bonds[1]		818,788
Local Government Half-cent Sales Tax		7,520
Capital Improvement Revenue Bonds		93,540
Capital Projects Revenue Bonds		104,120
Short Term Debt (Commercial Paper & Line of Credit)[1]		32,908
Total General Government & Enterprise Fund Debt	**$**	**1,098,226**
Total Projected Debt Outstanding	**$**	**2,275,169**

[1] These debt types contain assumptions related to expected borrowing prior to the end of FY18

The Better Jacksonville Plan (BJP), which was approved by referendum in 2000, placed related sales tax revenues in separate funds to address a pre-approved list of $1.5 billion of Transportation, and $750 million in buildings, facilities, and other projects and related debt service. By FY 2009, the City faced remaining capital needs, a negative trend on both of its Better Jacksonville Sales Tax revenues, and had received a change from stable to negative outlook on the programs' ratings.

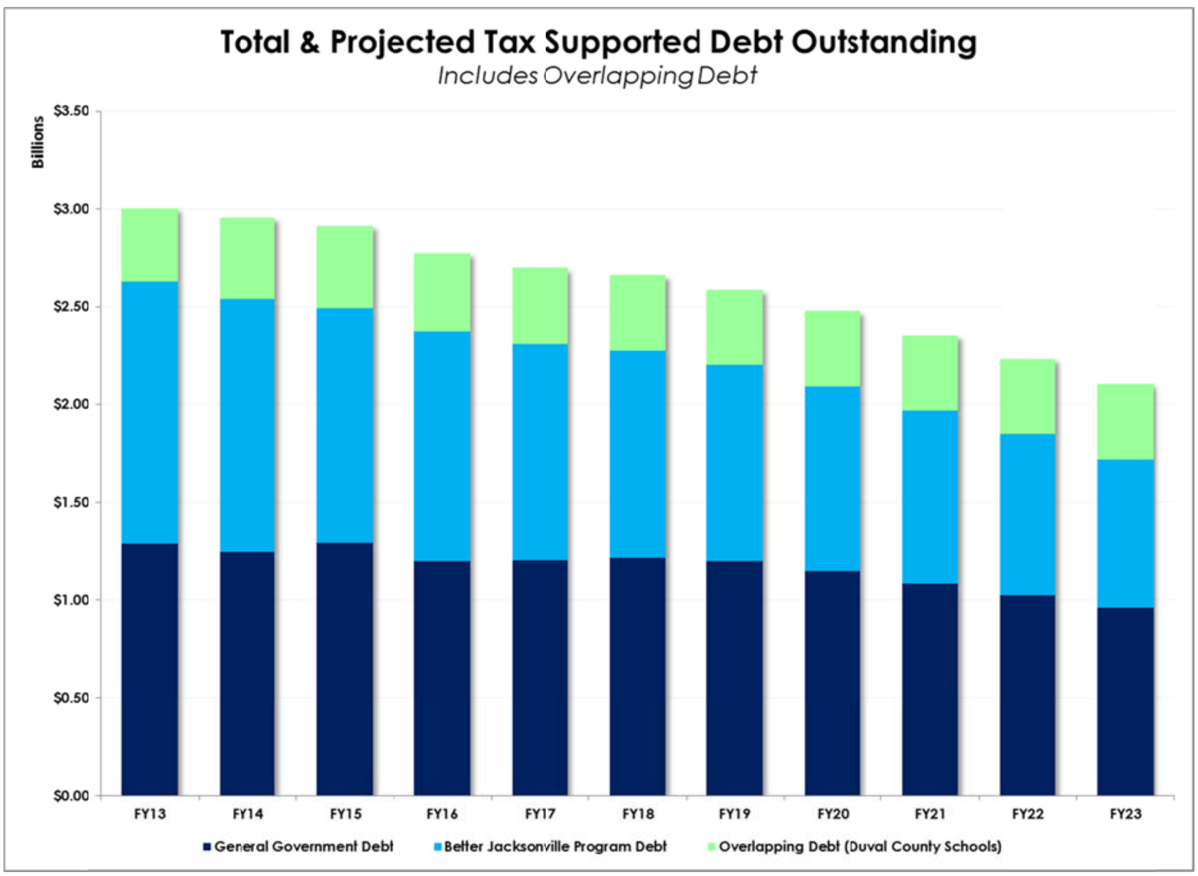
In an effort to protect the BJP ratings, the City developed and implemented a "bridge financing" strategy to substitute a General Fund covenant pledge to support up to $300 million in planned project borrowing. The plan called for use of available junior lien BJP sales tax revenues to pay the debt service on the covenant bonds. The BJP "bridge financing" was initially well-received by the rating agencies and the negative outlook attached to the infrastructure pledge was removed in FY 2008. Subsequent declines of program revenues eventually resulted in the downgrade of the Better Jacksonville sales tax pledge in March 2012 from Aa2 to A1 (Moody's). The final bridge financing was issued during FY 2011.
The City remains confident that General Fund resources will not be needed to retire the bridge covenant bonds. In fact, sales tax revenues have rebounded to the extent that Standard & Poor's upgraded their rating of the Better Jacksonville Sales Tax Revenue bonds to 'A+' from 'A' in February 2016. Current

projections indicate that the BJP program revenues will be sufficient to complete all pay-go projects remaining in addition to covering all debt service payments.

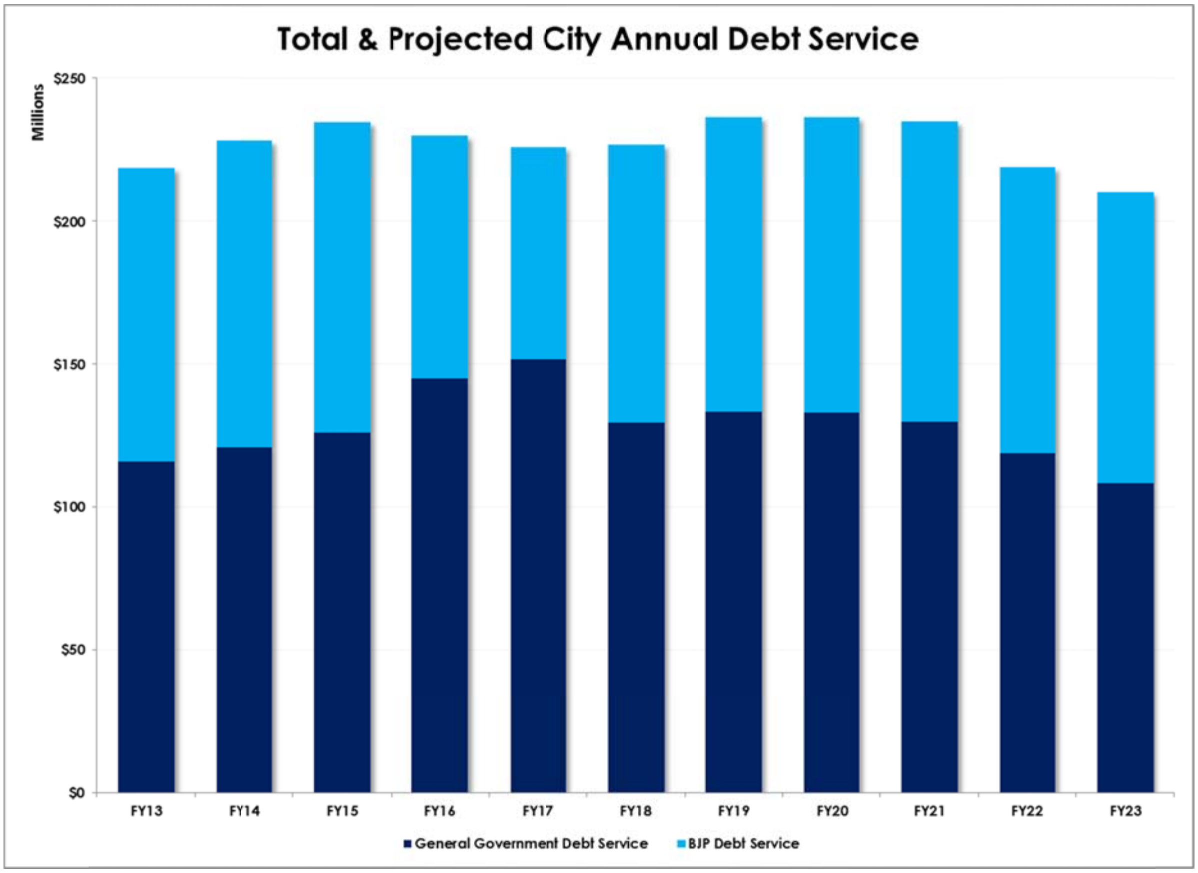
Even though the BJP debt has a dedicated revenue stream and a significant portion of the revenues dedicated to repay the debt are generated from non-residents, it is still considered “tax-supported” debt and is included with other tax-supported debt by rating agencies when calculating some of the City’s key debt metrics.

In addition to BJP debt and the City’s general debt, credit rating agencies also take into consideration all debt incurred by other jurisdictions which are supported by the same tax base. This “overlapping debt” (in the City’s case, debt issued by the Duval County School Board) is included in some of the key metrics during their reviews.

Credit rating agencies also look at how the City’s debt position (along with its debt metrics) change over time. Below is a presentation of the City's total and projected debt outstanding, including “overlapping debt” (inclusive of Duval County School Board debt) over time. By the end of FY18, the City will have paid down and reduced its debt by over $354 million of outstanding debt since FY13. Overlapping debt has increased over the same period by $14 million, bringing the total tax-supported debt reduction to $340 million. The City’s continued focus on paying down more debt each year than it authorizes to borrow is evidenced by this downward slope of debt outstanding that is expected to continue into the future.



Below is a presentation of total and projected City-related debt service over time (which excludes overlapping debt). While debt service may vary some from year to year based on useful lives of projects financed and structuring decisions made at the time of bond issuance, it is important to maintain a relatively consistent level of debt service. This helps ensure that the City is being responsible about paying down debt over time, and allows the City to budget and plan effectively for the future. The City's annual debt service has stayed in a relatively tight range over the last few years and is expected to continue that path into the near future. As City revenues increase as expected (and detailed later in this report), the percentage of revenues dedicated to debt service will improve over time.



III. MARKET PERCEPTION

The credit market's perception of the City's ability to repay is the result of extensive, ongoing evaluations by credit professionals who take into account a variety of factors, trends, and parameters/measures. Rating agencies evaluate indicators of the City's economic base as it relates to the ability to access revenues sources (tax rates) and the capacity of the citizens to support the operations of the City (tax burden), each of which is discussed in more detail below.

The most objective indicator of how the market perceives the City's debt are the published ratings of the national services; Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Ratings ("S&P"). The table below shows the City's ratings for uninsured debt for the last ten years, which demonstrates the rating agencies' stable view of the City's debt over that period.

In February 2018, S&P upgraded the City's credit rating on Covenant Bonds from AA- to AA as a result of a change in their methodology, which now views non-ad valorem and general fund pledges as equal since both are dependent on the successful operation of the City

	2009	2010 [1]	2011	2012	2013	2014	2015	2016	2017	2017	2018
Moody's:											
Issuer Credit Rating	Aa2	Aa1				Aa2 [6]					
Covenant Bonds	Aa3	Aa2				Aa3 [6]					
Revenue Bonds	Aa3/A1	Aa2/A1			Aa2/Aa3 [4]						
BJP Infrastructure		A1									
BJP Transportation		Aa2		A1 [3]							
Commercial Paper		P1 [2]			[5]						
Standard & Poors:											
Issuer Credit Rating	AA										
Covenant Bonds	AA-										AA [10]
Revenue Bonds	AA-/A		AA+/A		AA+/AA- [4]			AA [9]			
BJP Infrastructure	AA-		A					A+ [8]			
BJP Transportation	AA-										
Commercial Paper	A-1+		[2]			A-1 [5]					
Fitch:											
Issuer Credit Rating	AA	AA+				AA [7]					
Covenant Bonds	AA-	AA				AA- [7]					
Revenue Bonds	AA/A+	AA+/AA-				AA/AA- [7]					
BJP Infrastructure	AA-			A+ [3]							
BJP Transportation				AA- [3]							
Commercial Paper						F1 [5]					

[1]In fiscal year 2010, Moody's and Fitch recalibrated the City's ratings to the Global Rating Scale.

[2]S&P withdrew the rating of the liquidity provider at the request of the liquidity provider. S&P subsequently removed the rating for the related City commercial paper. The City sucessfully replaced the S&P rating with the Moody's rating.

[3]On March 7, 2012, Moody's issued a two notch downgrade to the City's Better Jacksonville Transportation program. Fitch issued a one notch downgrade to both the Infrastructure and Transporation programs.

[4]The A1 rating from Moody's and the A rating from S&P for the Guaranteed Entitelement bonds were removed for illustration purposes upon final redemption on December 13, 2013.

[5]On December 4, 2013, the City replaced Letter of Credit supporting the commercial paper program, which was necessitated by the withdrawal of the prior liquidity provider. The replacement liquidity agreement required a remarketing of the commercial paper notes and a new security rating. The City elected to replace the Moody's rating with a new S&P and Fitch rating.

[6]On June 17, 2014, Moody's issued a one notch downgrade to the City's ICR rating and Special Revenue program.

[7]On October 27, 2014, Fitch issued a one notch downgrade to the City's ICR rating, Special Revenue program, Excise Tax Revenue program, and Local Government Sales Tax Revenue program.

[8]On February 19, 2016, Standard & Poor's upgraded the BJP Infrastructure Sales Tax bonds one notch.

[9]On March 3, 2016, Standard & Poor's upgraded the Excise Tax Revenue bonds one notch.

[10]On February 23, 2018, Standard & Poor's upgraded the Covenant Bonds (Special Revenue) one notch.

Tax Rates

Jacksonville's tax rates are about average as compared to other large cities in Florida. It is important to note that Jacksonville is unique in Florida as it is both a city and county, with the respective service responsibilities and available resources of a city and county combined. This makes comparisons more difficult, but Jacksonville continues to enjoy strong budgetary flexibility to meet any future fiscal challenge. This flexibility is considered a credit positive by the rating agencies.

2018 Millage Rate Comparison of Ten Largest Cities in Florida

City	Population	Municipal Millage Rate	Countywide Millage Rate	Combined Millage Rate
Port St. Lucie	181,284	5.1807	4.1077	9.2884
Fort Lauderdale	179,063	4.1193	5.4474	9.5667
Cape Coral	175,063	6.7500	4.0506	10.8006
Hialeah	236,114	6.3018	4.6669	10.9687
Orlando	279,789	6.6500	4.4347	11.0847
Jacksonville	**891,207**	**n/a**	**n/a**	**11.4419**
Tampa	373,058	6.2076	5.7309	11.9385
St. Petersburg	263,768	6.7550	5.2755	12.0305
Miami	467,872	7.4365	4.6669	12.1034
Tallahassee	189,625	4.1000	8.3144	12.4144

Note: Municipal and countywide millage rates exclude school district rates for this comparison.
Source: Millage rates obtained from Florida Property Tax Data Portal.
Population estimate obtained from UF Bureau of Economic and Business Research

Tax Burden

Jacksonville's modest tax rates and average tax burden form the foundation for the City's financial flexibility while maintaining its desired service levels. This revenue capacity and flexibility underpin the market's positive view of the City's debt.

IV. PROJECTED IMPACT OF ALREADY AUTHORIZED BORROWING

The City's ability to meet its future debt obligations will largely depend on the growth of financial resources including sales tax receipts, as well as other indirect variables, such as estimated full value of property, personal income and population.

Debt capacity is increased by demographic and economic growth to the extent that new resources can be captured through higher revenues. Because any projection is uncertain, it is important while planning for future debt capacity to make prudent and conservative assumptions about future growth in resources and to develop sensitivity analyses about other assumptions to ensure that an excessive level of obligations is not created. This study assumes the following:

Growth Rate & Borrowing Assumptions

	2019	2020	2021	2022	2023
Estimated Full Value	2.00%	2.00%	2.00%	2.00%	2.00%
Population	1.52%	1.52%	1.28%	1.28%	1.28%
General Revenues	2.00%	2.00%	2.00%	2.00%	2.00%
Bond Yield, 25+ Year Term	5.00%	5.00%	5.00%	5.00%	5.00%
Bond Yield, 20 Year Term	4.00%	4.00%	4.00%	4.00%	4.00%
Bond Yield, 10-15 Year Term	3.50%	3.50%	3.50%	3.50%	3.50%
Bond Yield, Variable Rate Bonds		Certified Rate as reported in CAFR			

Another source from which the City obtains debt capacity is the retirement of outstanding debt. As the City retires debt, this amount becomes a potential resource for new debt issuance, upon further authorization, without adding to the City's existing debt position. Shown below is how much debt the City paid down in FY18, as well as the scheduled retirements of debt through FY23. This table shows the City will pay down approximately $400 million of general fund debt over this period due to retirements of existing obligations. While the retirement of $287 million of BJP debt results in a positive contribution towards improving debt ratios, it does not create additional capacity to the General Fund.

Retirement of Existing Debt

Fiscal Year	General Debt	BJP Debt	Total Debt
2018	80,655	48,661	129,316
2019	83,378	55,767	139,145
2020	82,882	58,706	141,588
2021	81,041	63,102	144,143
2022	72,344	60,658	133,002
2023	64,140	65,414	129,554
	$ 400,300	$ 286,894	$ 687,194

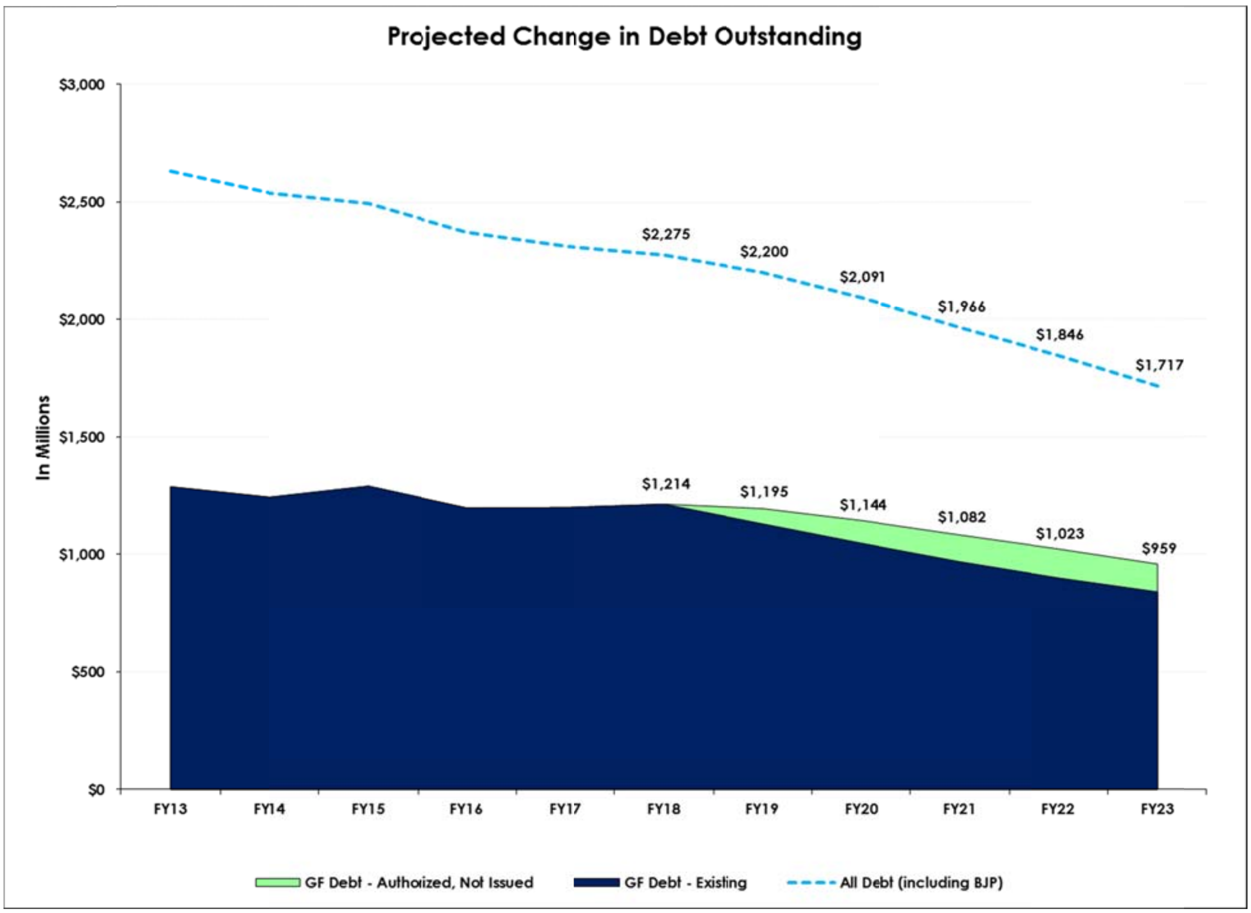
Another potential enhancement to future debt service capacity is a greater use of "pay-as-you-go" ("PAYGO") funding of capital projects, which reduces borrowing for capital. While it was tough during challenging times, the City has more recently been able to increaseits usage of PAYGO, thanks in part to pension reform. Although rating agencies do not set specific guidelines for determining an acceptable level of PAYGO, the use of PAYGO reduces future debt obligations and is therefore considered to be a credit positive.

While the city's debt burden is forecast to improve and otherwise create availability for new debt, it must be cautioned that other rising costs and other demands on city resources may offset some or all of this benefit. It is also important to note that these forward-looking ratios are dependent upon assumed rates of growth, which, while intentionally conservative, cannot be guaranteed.

Without the further authorization of new borrowing, the City is projected to issue $129 million of new debt (which has already been authorized in previous budgets) and retire $687 million of debt over the next five years. This would result in a decrease in outstanding debt of $558 million from Projected FYE18 to FY23. The table below reflects issuances and retirements for this period (inclusive of BJP):

Projected Change in Debt Outstanding

FISCAL YEAR END	2018	2019	2020	2021	2022	2023
Outstanding Debt, Beginning		**$2,275,169**	**$2,200,474**	**$2,091,111**	**$1,966,302**	**$1,846,190**
Already Authorized - Prior CIP		64,450	32,225	19,335	12,890	-
Proposed Authorizations - FY19 CIP		-	-	-	-	-
Debt Paydown		(139,145)	(141,588)	(144,144)	(133,002)	(129,554)
Outstanding Debt, Ending	**$2,275,169**	**$2,200,474**	**$2,091,111**	**$1,966,302**	**$1,846,190**	**$1,716,636**



The scenario of no future authorization of new borrowing, of course, is not likely as the City generally authorizes capital improvements in each year's budget. However, this illustration serves as a good foundation from which to help make decisions.

V. COMPARISON TO INDUSTRY STANDARDS

In assessing the City's overall creditworthiness, rating agencies use a number of ratios to assess the financial burden of outstanding debt. As a consolidated city and county government, Jacksonville faces unique obstacles in comparing its debt position to other jurisdictions since published industry medians report cities and counties separately. With that in mind, the City Council adopted seven measures discussed in Section I that are important to rating agencies and can help guide the City when making decisions that might include borrowing.

These ratios, along with total debt outstanding, have a significant impact on bond ratings which, in turn, affect the cost of borrowing. Establishing and regularly evaluating acceptable ranges for the selected ratios will allow the City to continually monitor its financial and debt positions and provide a framework for calculating theoretical debt affordability, assisting in the capital budgeting process, prioritizing capital spending and evaluating the impact of each debt issue.

Below is a table comparing some of the City's ratios (or modified versions of them) with other cities and counties in Florida and elsewhere in the United States. In general, the comparison shows that the City of Jacksonville has a higher than average debt burden and a slightly below average level of reserves. As will be seen later on in this study, the City has been improving in both areas over the last five years. Continuing the trend of paying down debt and increasing reserves will be viewed favorably by the rating agencies.

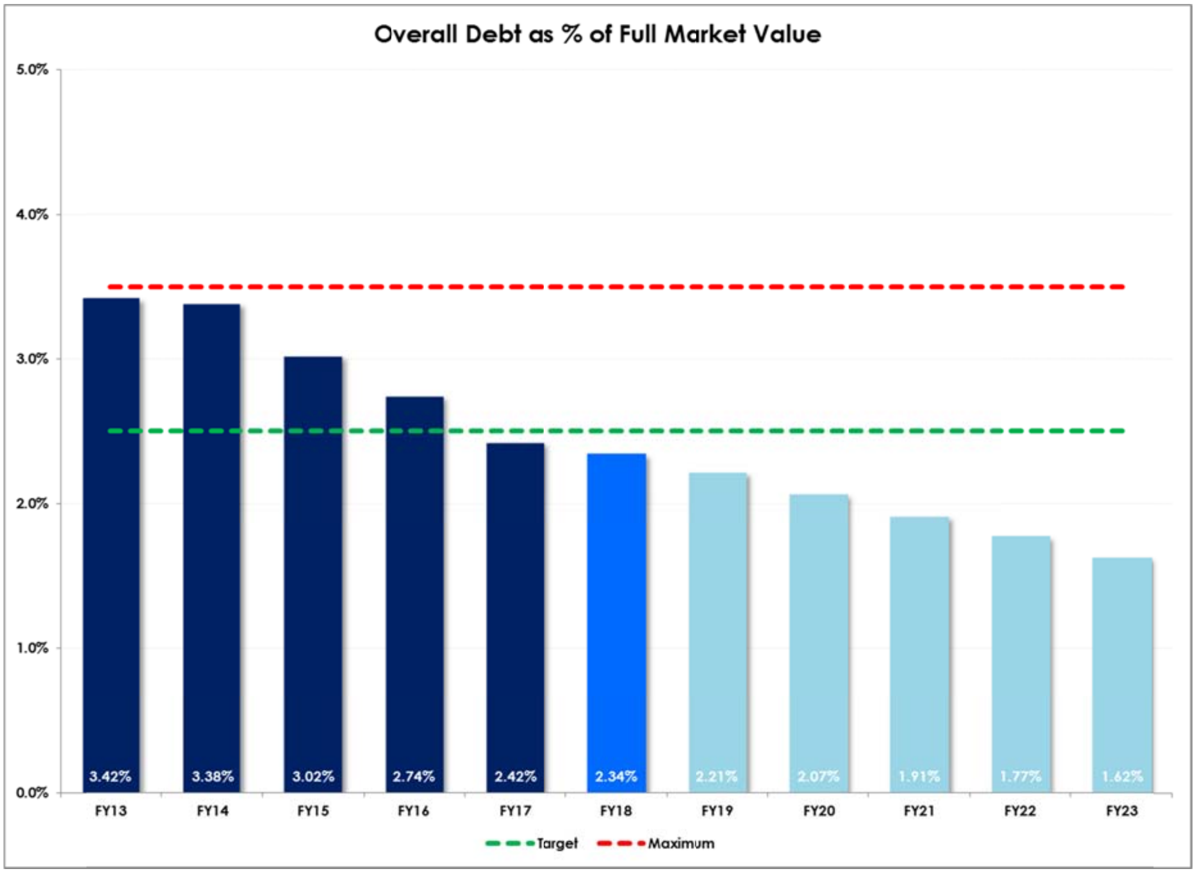
City/County	Current Rating	Overall Net Debt as % of Full Mkt Val.	GSD Debt Service as % of GSD Exp.[1]	Ten Year Principal Paydown – All Debt	Debt Per Capita	GF Balance as % of Revenues[2]
Jacksonville, FL	**Aa2**	**2.3%**	**11.3%**	**61.5%**	**2,467**	**19.0%**
Broward County, FL	Aaa	1.6%	4.4%	71.5%	2,036	37.5%
Hillsborough County, FL	Aaa	0.6%	5.1%	71.9%	493	22.8%
Miami-Dade County, FL	Aa2	2.1%	8.3%	37.8%	2,919	16.1%
Orange County, FL	Aaa	0.5%	3.0%	65.7%	658	17.7%
Austin, TX	Aaa	3.3%	12.8%	68.1%	4,420	17.2%
Dallas County, TX	Aaa	6.1%	5.8%	80.5%	4,650	9.8%
Dallas, TX	A1	5.2%	18.3%	81.1%	1,509	19.3%
Charlotte, NC	Aaa	2.5%	20.5%	64.9%	2,805	28.0%
Hempstead Town, NY	Aa3	3.1%	9.8%	93.6%	3,754	10.3%
Portland, OR	Aaa	1.5%	3.2%	79.1%	2,811	15.4%
San Jose, CA	Aa1	3.1%	7.8%	44.8%	4,788	33.9%
Seattle, WA	Aaa	0.8%	6.2%	63.5%	2,358	32.1%

Note: For general comparison only. Jacksonville data is provided by the City of Jacksonville. All other data is sourced from Moody's Investors Service. The accuracy of data provided, as well as direct comparability to Jacksonville data, cannot be guaranteed as there can be a lack of uniformity among ratio composition and accounting methods. Certain Jacksonville metrics are not shown due to availability of comparable data.

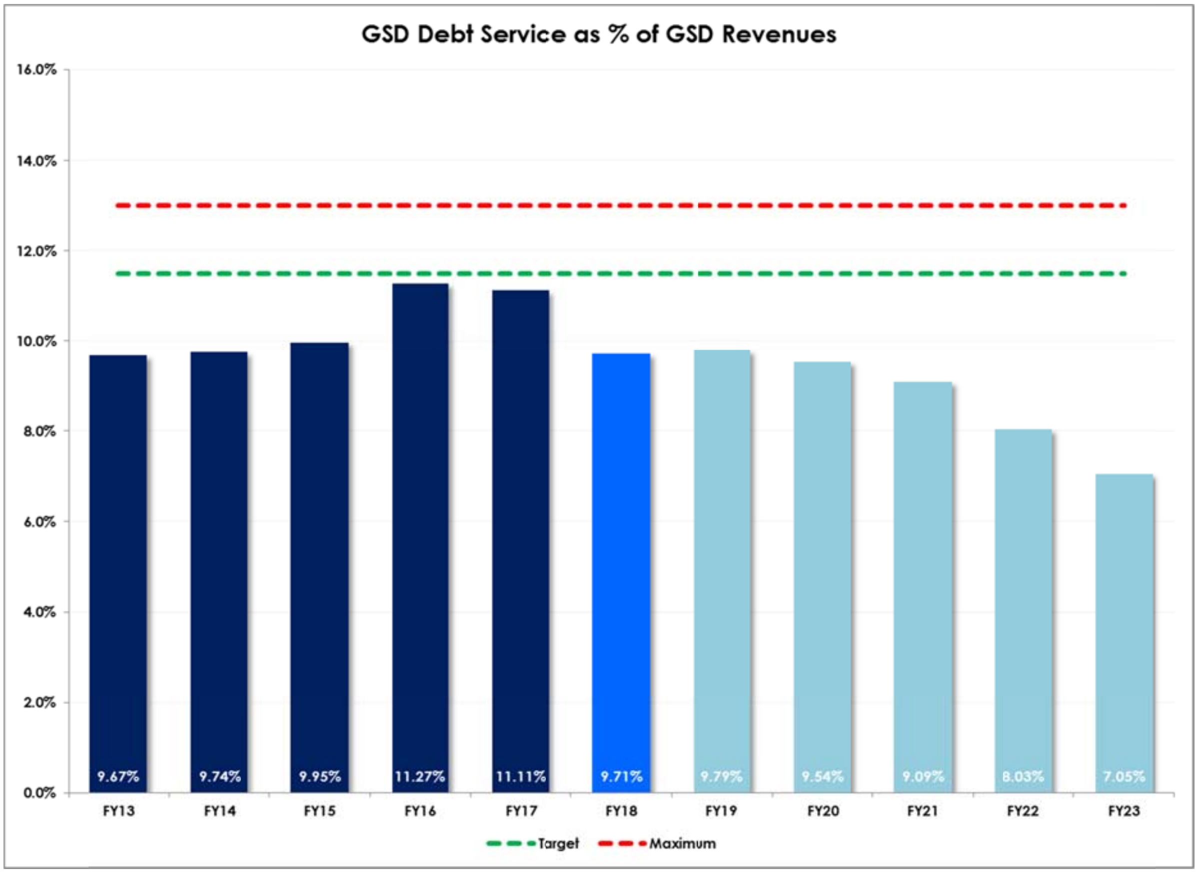
[1]Data available from Moody's is Debt Service as % of Operating Expenses, so the Jacksonville metric was modified for a more appropriate comparison.

[2]Data available from Moody's is GF Balance as % of Revenues, so the Jacksonville metric was modified for a more appropriate comparison.

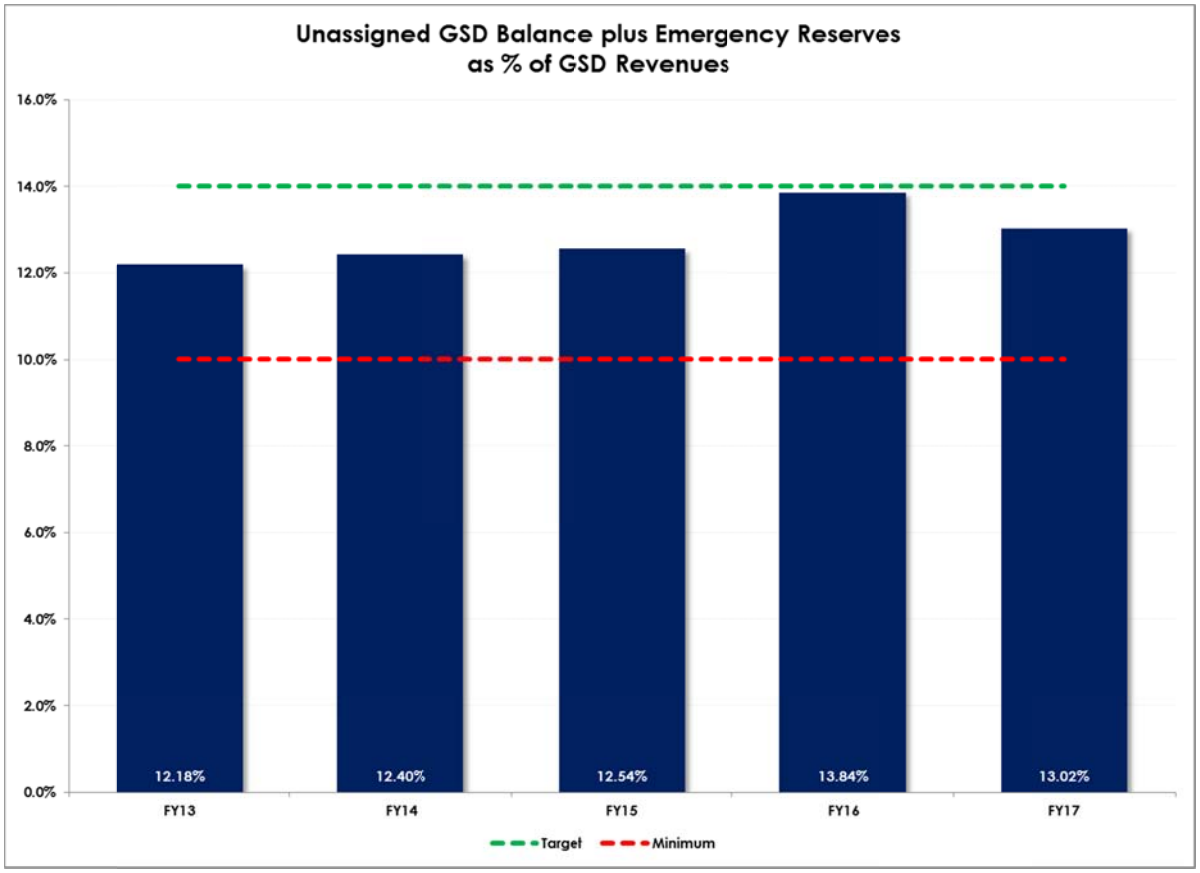
Credit rating agencies review changes in debt ratios over time. Presentations of the City's key debt ratios for the past five years as well as projected ratios for the next five years are shown in the following pages. These ratios only include projected debt outstanding at the end of FY18, as well as an assumption for borrowing related to projects that have already been authorized by prior City budgets. No impact of the FY19 budget or beyond is included in this analysis as such will be illustrated in the second version of this report each year.



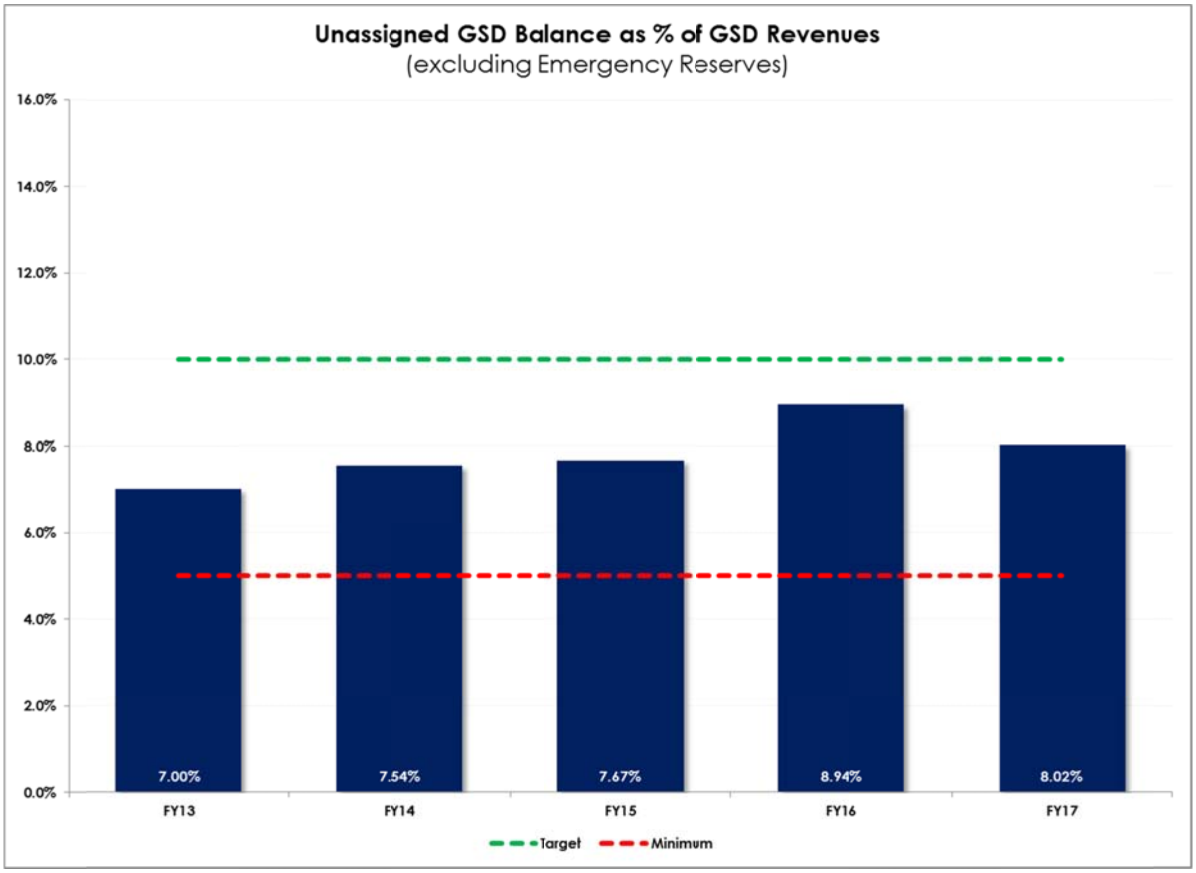
Due to previous deterioration in the City's property base, the City's Overall Net Debt as % to Full Market Value had increased to 3.4% in FY13. Rising market values and reduced debt outstanding have helped this ratio move towards the adopted target of 2.5% -- with FY17 coming in below the target at 2.4%. As the City continues to generally pay off more debt each year than it borrows, this measure should continue to improve.



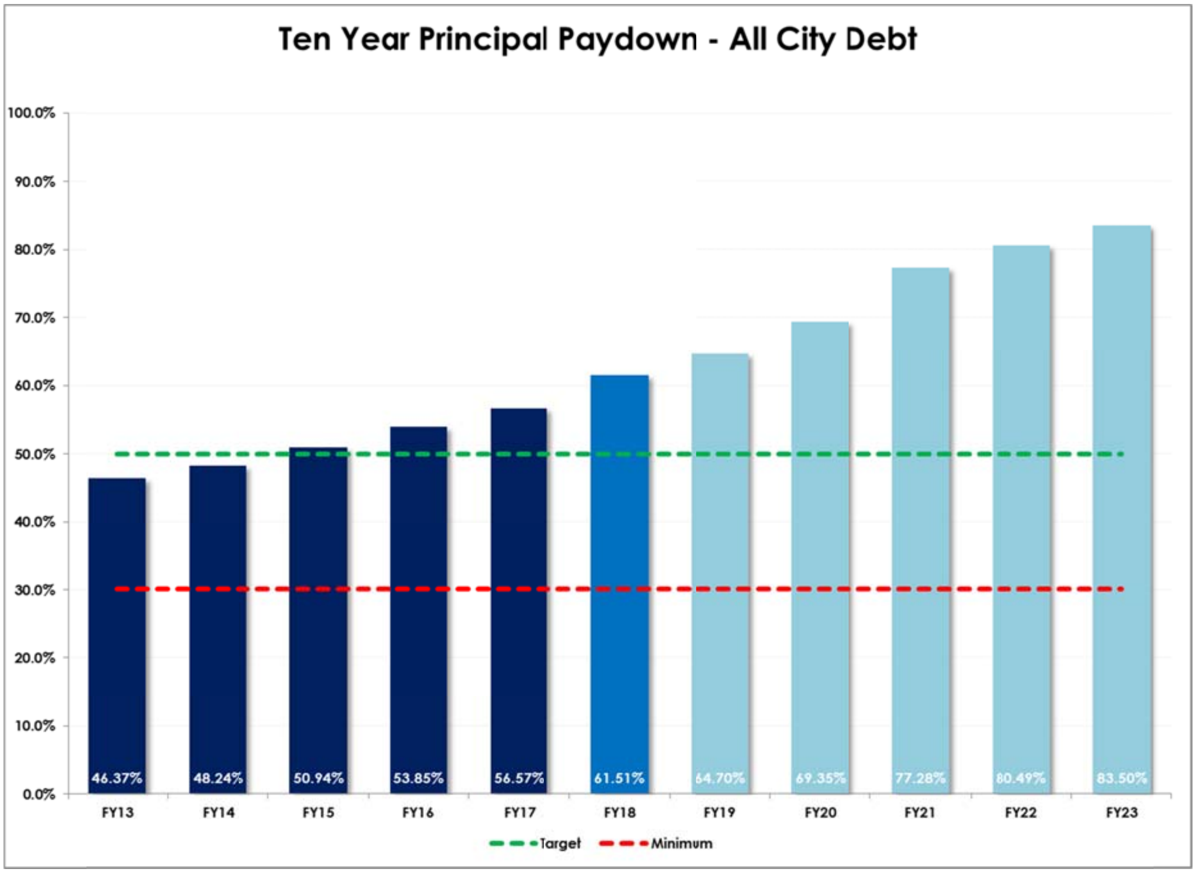
After seeing slight increases in FY16 and FY17 as a result of higher paydown of general fund debt, GSD Debt Service as % of GSD Revenues is expected to moderate and trend downward over the next few years. This trend is based on more level debt service going forward and improving GSD Revenues. The structure of individual bond pay-downs sometimes introduces "lumpiness" into an issuer's annual debt service – meaning some years might be higher than others, and vice versa. This analysis shows that, while there is some variability over time, the City is well below both the target and maximum levels that were established by City Council.



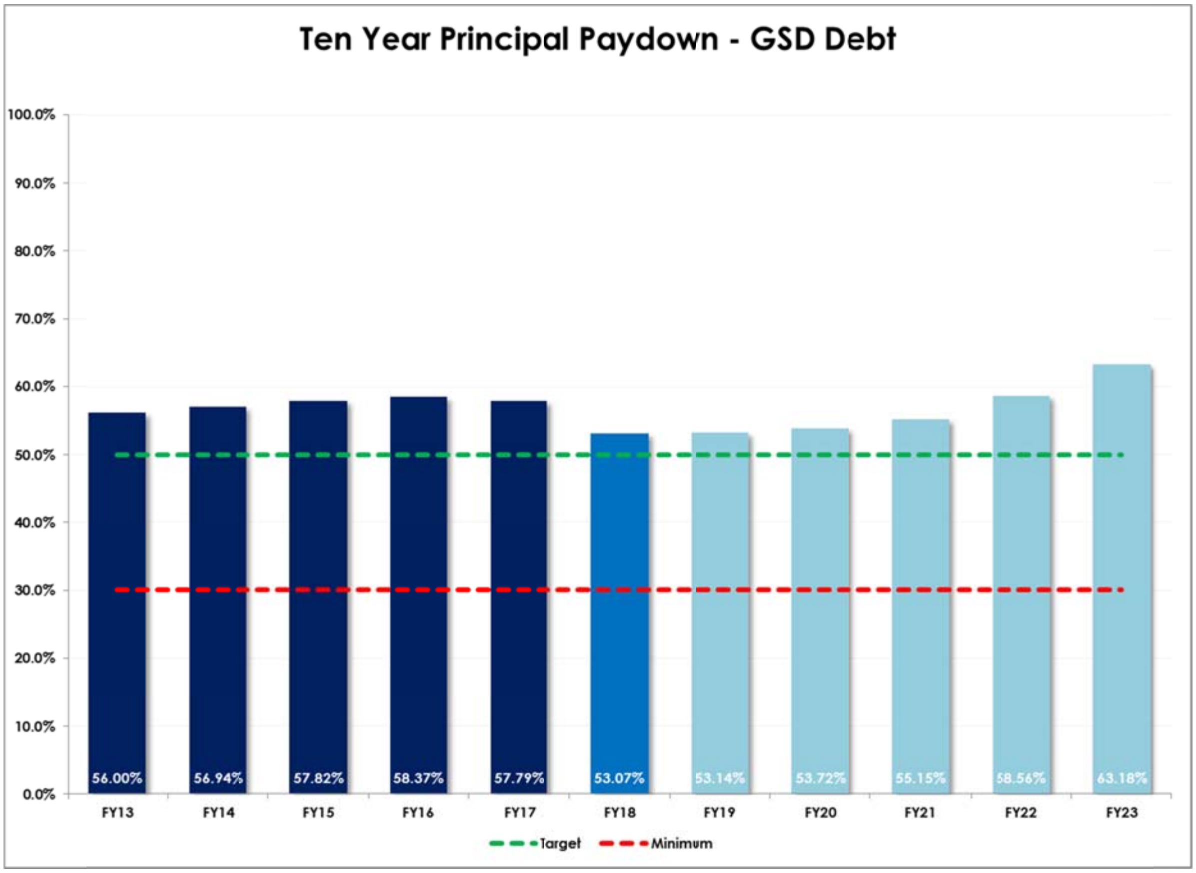
Because it is difficult to predict what Fund Balance will be at the end of FY18, the City looks at the combined Unassigned GSD Balance including the City Council Emergency Reserve as a % of GSD Revenues on an actual basis. For FY17, Unassigned GSD Fund Balance including the City Council Emergency Reserve decreased slightly to $146 million, or just over 13.0% of GSD Revenues. This slight pullback from FY16 is a result of certain amounts of fund balance being assigned for various purposes. The City is still near its target balance of 14%, and is expected to increase in FY18 as a result of the $60 million that was set aside as a result of the recent pension reform. This ratio is a critical ratings consideration addressing the stability of financial operations as these funds serve as a source of flexibility in times of economic and fiscal stress. It is important to remember that this range was set in the early 2000's when the city had less than 5% in reserves. There is no one "correct" level of reserves as this figure is taken into account with the remainder of the City's financial profile.



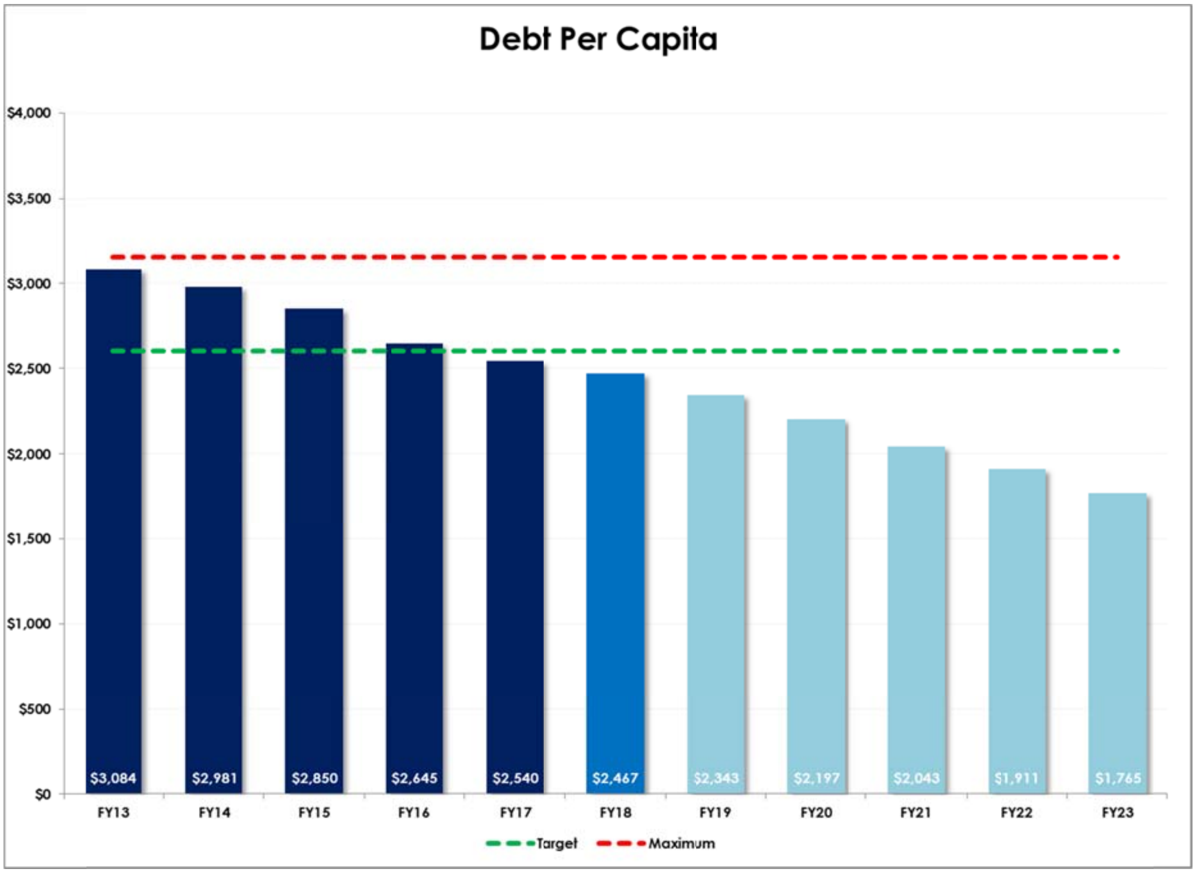
Like the previous measure, the City also looks at FY17 data here since it is difficult to predict what Fund Balance will be at the end of FY18. Unassigned GSD Fund Balance excluding City Council Emergency Reserve for FY17 decreased to $90.0 million, or 8.0% of GSD revenues. As discussed with the previous ratio, certain amounts of fund balance were assigned during the fiscal year for various purposes. Over time, this analysis shows the City has done a better job of setting aside reserves that can be used in times of financial stress. Again, this ratio will improve in FY18 when the $60 million that was set aside as part of pension reform. It is important that the City continue striving towards meeting and exceeding the established target as natural disasters or other financial emergencies may arise periodically, which require at least a temporary draw-down of these funds.



For FY18, the Ten Year Principal Pay-down – All City Debt ratio is expected to be 61.5%, indicating that debt is being paid down more quickly than the adopted target of 50%. The City has produced significant improvement in its ten-year principal repayments over the years. Continued improvements are expected through the five-year period ending FY23, taking the ratio well above the target as principal repayments escalate on the Better Jacksonville Plan debt. Please see the next page for a similar analysis, shown without the influence of BJP.



For FY18, the Ten Year Principal Pay-down ratio on GSD Debt will be 53.1%, which is above the adopted target of 50%. This analysis, coupled with the prior chart showing all City debt, illustrates the impact of significant pay-downs on BJP debt without any new BJP issuance. Historical paydown ratios are static and do not incorporate expected future borrowing. The drop off from FY17 to FY18 is a result of this. The ratio's improvement over the next few years is moderate in comparison to the All City Debt analysis because, in addition to paying down debt, the City plans for issuance of some new debt for already authorized projects. However, the City is expected to remain significantly above the adopted target.



Debt Per Capita is expected to be approximately $2,467 as of the end of FY18. This is below the adopted target, and a significant improvement over five years ago when Debt Per Capita was near the established maximum. This continued improvement is a testament to Jacksonville's growing population and the City's disciplined strategy of paying down debt over time.

Exhibit A
Schedule of Outstanding Debt

CITY OF JACKSONVILLE, FLORIDA
PROJECTED DEBT OUTSTANDING
SEPTEMBER 30, 2018

	PRINCIPAL OUTSTANDING
GOVERNMENTAL ACTIVITIES:	
Revenue Bonds Supported by General Funds:	
Local Government Sales Tax Refunding Revenue Bonds, Series 2001	7,520
Excise Taxes Revenue Bonds, Taxable Series 2006C	6,180
Excise Taxes Revenue Bonds, Taxable Series 2007	-
Capital Project Revenue Refunding Bonds, Series 2008A	51,880
Capital Project Revenue Refunding Bonds, Series 2008B	51,880
Excise Taxes Revenue Bonds, Series 2009A	30,785
Excise Taxes Revenue Refunding Bonds, Series 2009B	4,385
Special Revenue Bonds, Taxable Series 2009C-2 (Build America Bonds)	5,840
Special Revenue Bonds, Series 2010A	4,231
Special Revenue Bonds, Series 2011A	72,735
Special Revenue Refunding Bonds, Series 2012C	137,918
Special Revenue Refunding Bonds, Series 2012D	6,640
Special Revenue Refunding Bonds, Series 2012E	22,395
Special Revenue Bonds, Series 2013A	27,175
Special Revenue Refunding Bonds, Series 2014	61,401
Special Revenue Bonds, Series 2016A	48,134
Special Revenue and Refunding Bonds, Series 2017A	10,600
Total Revenue Bonds Supported by General Funds	**549,698**
Special Revenue Bonds Payable from Internal Service Operations:	
Special Revenue Bonds, Series 2008	3,480
Special Revenue Bonds, Taxable Series 2009C-2 (Build America Bonds)	15,290
Special Revenue Bonds, Series 2010A	28,029
Special Revenue Bonds, Series 2010C-1	11,460
Special Revenue Bonds, Series 2011A	24,015
Special Revenue Bonds, Series 2013A	23,785
Special Revenue Bonds, Taxable Series 2013B	22,030
Special Revenue and Refunding Bonds, Series 2014	36,110
Special Revenue Bonds, Series 2016A	43,206
Special Revenue and Refunding Bonds, Series 2017A	80,330
Special Revenue Bonds, Series 2018A (Projected)	30,717
Special Revenue Bonds, Series 2018B (Projected)	79,261
Amortizing Short Term Debt	7,933
Interim Short Term Debt	8,600
Total Special Revenue Bonds Payable from Internal Service Operations	**414,246**

CITY OF JACKSONVILLE, FLORIDA **CONTINUED**
PROJECTED DEBT OUTSTANDING
SEPTEMBER 30, 2018

	PRINCIPAL OUTSTANDING
Revenue Bonds Supported by BJP Revenues:	
Transportation Revenue Bonds, Series 2008B	63,550
Better Jacksonville Sales Tax Revenue Bonds, Series 2008	4,245
Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2011	45,015
Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2012	185,120
Transportation Revenue Refunding Bonds, Series 2012A	151,660
Transportation Revenue Refunding Bonds, Series 2012B	36,740
Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2012A	41,095
Transportation Revenue Refunding Bonds, Series 2015	182,620
Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2016	67,070
Total Revenue Bonds Supported by BJP Revenues	**777,115**
Special Revenue Bonds Supported by BJP Revenues:	
Special Revenue Bonds, Series 2009B-1A	4,725
Special Revenue Bonds, Taxable Series 2009B-1B (Build America Bonds)	55,925
Special Revenue Bonds, Series 2010B	46,250
Special Revenue Bonds, Series 2011B	31,200
Special Revenue Refunding Bonds, Series 2013C	31,565
Special Revenue Refunding Bonds, Series 2016B	58,645
Special Revenue Refunding Bonds, Series 2017B	31,455
Total Special Revenue Bonds Supported by BJP Revenues	**259,765**
Notes Payable Supported by BJP Revenues:	
State Infrastructure Bank Loan #1	13,099
State Infrastructure Bank Loan #2	11,689
Total Notes Payable Supported by BJP Revenues	**24,788**
TOTAL GOVERNMENTAL ACTIVITIES	**2,025,613**
BUSINESS-TYPE ACTIVITIES:	
Revenue Bonds Supported by Business-Type Activities:	
Capital Project Revenue Bonds, Series 2008A	180
Capital Project Revenue Bonds, Series 2008B	180
Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2012	41,480
Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2012A	73,795
Capital Improvement Revenue Refunding Bonds, Series 2012	93,540
Special Revenue Refunding Bonds, Series 2012C	287
Special Revenue and Refunding Bonds, Series 2014	1,784
Special Revenue and Refunding Bonds, Series 2017A	21,935
Amortizing Short Term Debt	16,375
TOTAL BUSINESS-TYPE ACTIVITIES	**249,557**
TOTAL BONDED INDEBTEDNESS	**2,275,169**

Exhibit B
Bond Ratings Scale

Bond Ratings Scale

Moody's		S&P		Fitch		Definition
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime
Aa1		AA+		AA+		High grade
Aa2		AA		AA		
Aa3		AA-		AA-		
A1		A+	A-1	A+	F1	Upper medium grade
A2		A		A		
A3	P-2	A-	A-2	A-	F2	
Baa1		BBB+		BBB+		Medium grade
Baa2	P-3	BBB	A-3	BBB	F3	
Baa3		BBB-		BBB-		
Ba1	Not Prime (NP)	BB+	B	BB+	B	Non-investment grade speculative
Ba2		BB		BB		
Ba3		BB-		BB-		
B1		B+		B+		Highly speculative
B2		B		B		
B3		B-		B-		
Caa1		CCC+	C	CCC	C	Speculative, poor standing
Caa2		CCC				
Caa3		CCC-		CC		
Ca		CC		C		Speculative, in or near default
		C				
C		D	D	RD/D	RD/D	In default, little prospect of recovery
/						
/						