Jacksonville
Where Florida Begins.

Debt Affordability Study

for the Fiscal Year Ended September 30, 2014

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City of Jacksonville, Florida

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FINANCE DEPARTMENT

Jacksonville
Where Florida Begins.

July 30, 2015

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

The Finance Department is pleased to present this annual Debt Affordability Study required by City Code Section 110.514. This annual update and the Debt Management Policy adopted by City Council comprise 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.

And so this Study addresses the question "How much debt **should** the City issue?" instead of "How much debt **can** the City issue?" In doing so, the Administration frames debt management discussions of the City in terms of debt affordability rather than debt capacity.

Respectfully submitted,

Michael Weinstein
Acting Director of Finance / Chief Financial Officer

117 W. Duval Street, Suite 300 | Jacksonville, FL 32202 | Phone: 904.630.1640 | Fax: 904.630.3615 | www.coj.net

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I. EXCUTIVE SUMMARY

Debt management is a critical element in the City maintaining and improving its current AA[(1)] or equivalent rating by the national rating agencies as discussed in the Market Perception section of this report. The Debt Affordability Study continues the City's practice of establishing and routinely evaluating appropriate objective guidelines and parameters for debt issuance. Guidelines that are too restrictive do not provide enough debt flexibility and capacity to finance needed infrastructure. Guidelines that are not restrictive enough may result in excessive debt issuance in the near term, which will reduce future budgetary flexibility by creating an excessive debt service demand on the City's resources, contributing to a deteriorating credit 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 in this Study are widely used and accepted within the credit community in assessing a jurisdiction's ability to repay debt. The existence of updated debt analysis is viewed as a strong positive factor in the debt 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, municipal service economic centers, or major highway connections, such as interstates, 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 five debt ratios adopted by the City in Ordinance 2006-829 and later amended by 2007-971, with a discussion of the change in the City's position year over year. The data presented covers the ten year rolling period FY 2005 through FY 2014. Graphical presentations of how these measures have changed over time are included in Section IV, Comparison to Industry Standards. A Glossary of Terms with definitions of each ratio is included as Exhibit B.

Important: The Debt Affordability reports dated September 30, 2015 and later will contain several improvements. New measures will be added and the report will be prepared twice annually. The first report will be prepared as of each May 31 for the purpose of establishing a baseline showing the impact of existing debt and existing authorizations only. The second report will be prepared immediately following the administration's annual CIP proposal to be compared against the baseline report to emphasize the impact of debt related to the newly proposed CIP.

(1) On June 17, 2014, Moody's downgraded the City's Issuer Credit Rating from AA+ to AA, citing high fixed pension costs as the primary driver for the downgrade. On October 27, 2014, Fitch issued a one notch downgrade from AA+ to AA.

Overall Net Debt as % of Full Value. The City's overall ratio fell slightly to 3.66% in FY 2014 reflecting a greater reduction in overall net debt than the decline in market values of property. While this step is a step in the right direction, the Overall Net Debt as % of Full (market) Value ratio exceeded the adopted maximum of 3.50%. Overall Net Debt as % of Full Value is important because it measures the overall debt burden shouldered by the property tax base, which represent the City's primary source of revenue. The recent recovery in residential and commercial property values, as well as renewed development, should result in increased taxable values and continued improvement of this ratio over the next few years.

Debt Service as % of Expenditures. Debt Service as % of Expenditures remained steady, increasing slightly from 9.35% in FY 2013 to 9.37% in FY 2014, remaining lower than both the City's adopted level of 11.50% and maximum of 13.00%. The slight increase reflects a nearly proportionate increase in both general fund debt service and general fund expenditures (inclusive of transfers out). This ratio must also be considered in union with the Ten-year Paydown as efforts to accelerate principal repayments would increase levels of debt service and thereby pressure the ratio of debt service to expenditures.

NOTE: Moody's has removed this measure from their annual reporting of local government medians. Nonetheless, the Finance Department will continue to report this measure as this is the only ratio where policymakers control both variables affecting it. By measuring what portion of the City's budget is consumed by long-term fixed cost, this ratio reflects the City's budgetary flexibility to change spending and respond to economic downturns.

Unassigned General Fund Balance as % of Revenues. The City has showed a continued improvement in the Unassigned General Fund Balance as % of Revenues (including the City Council Emergency Reserve and a one-time contribution due to the repeal and consolidation of the Jacksonville Economic Development Corporation). During FY 2014, a portion of the one-time contribution from the repeal of JEDC was moved to restricted reserves. The reduction to unassigned reserves was partially offset by an increase to fund balance from operations. The net effect was a decrease in this ratio from 15.72% in FY 2013 to 13.79% in FY 2014. The adopted target for unassigned general fund balance is 14% of general revenues.

While the City Council Emergency Reserve (as adopted in Section 106.107 of the City Ordinance Code) is classified as Committed fund balance and not reported as Unassigned fund balance under new accounting guidelines, it would be considered by rating analysts as available for operations in the event of an emergency and is therefore combined with Unassigned General Fund Balance in calculating this ratio.

Ten-Year Paydown. The City's Ten-Year Paydown ratio for FY 2014 improved to 48.24%, but was still lower than the adopted target of 50%. The City has managed significant improvement in its Ten-Year Paydown ratio, increasing from just 30% in FY 2004. A faster paydown is considered a positive credit attribute, although an accelerated paydown adversely impacts the Debt Service as % of Expenditures ratio. Overall, the City views this as a credit positive.

Debt Per Capita. The City's overall Debt Per Capita ratio improved to $2,981 in FY 2014 from $3,084 in FY 2013. The improvement reflects both a recovery in population growth and a modest reduction in overall tax supported debt. The current position falls between the target of $2,600 and adopted maximum of $3,150. It is important to note that the overall tax supported debt is inclusive of the Duval County School Board debt over which the City has no control. The City only portion of this ratio improved to $2,515 in FY 2014 from $2,660 in FY 2013. Although Moody's no longer reports a median for Debt Per Capita, the ratio can be extrapolated from other measurements, which results in approximately $3,240 for the largest Aa cities. Debt Per Capita is generally considered less critical than the other debt measures, but is widely used by analysts as another measure of issuers' ability to repay debt.

II. CURRENT DEBT POSITION

The following table summarizes the City's existing debt position as of September 30, 2014. In order to fully reflect the City's current debt position, the table displays total debt outstanding, as well as debt previously authorized but not yet issued. The City has pledged specific non ad valorem revenue streams to repay certain of these obligations and committed non ad valorem revenues to repay other bond series (covenant). A complete schedule of City debt outstanding is included as Exhibit A.

City of Jacksonville Outstanding Long-Term Debt as of September 30, 2014		
Debt Type (in thousands)	**Amount Outstanding**	**Authorized & Unissued**
Better Jacksonville Program (BJP) Debt:		
Better Jacksonville Sales Tax	$527,970	-
Better Jacksonville Transportation	501,855	-
Special Revenue (Covenant) Bonds **	288,195	-
Total BJP Debt	$1,318,020	-
** *The City authorized the issuance of up to $300 million in Special Revenue Bonds (the "Bridge Financing") to fund a portion of the Better Jacksonville Projects. In order to eliminate duplicate funding, the authorized amount of Better Jacksonville Sales Tax bonds were reduced by the amount of any Special Revenue Bonds issued.*		
State Infrastructure Bank:		
SIB Loan Program	$41,675	-
Total SIB Debt	$41,675	-
General Government Debt:		
Excise Tax Revenue Bonds	$109,164	-
Special Revenue (Covenant) Bonds	438,065	-
Local Government Half-cent Sales Tax	27,810	-
Capital Improvement Revenue Bonds	109,255	-
Capital Projects Revenue Bonds	115,750	-
Total General Government Debt	$800,044	-
Notes Payable from General Revenue:		
Banking Fund, consisting of Commercial Paper (including temporary financing) and Special Revenue (Covenant) Bonds	$311,980	$148,504
U.S. Government Guaranteed Notes	785	-
Total Notes Payable from General Revenue	$312,765	$148,504
Grand Total	**$2,472,504**	**$148,504**

Credit analyst take into account all debt supported by general revenues. Debt incurred by other jurisdictions (included below as Duval County School District) is further included to produce total overlapping debt figures.

The Better Jacksonville Program (BJP), which was approved by referendum in 2000, places the related sales tax in separate Trust 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. While the BJP debt has its unique revenue stream dedicated specifically to debt retirement and a significant portion of the revenues dedicated to repay the debt are generated from non-residents, it is in fact tax supported, and is included with other tax-supported debt in calculating the City's key debt service ratios.

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 infrastructure 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 infrastructure 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 and the City remains confident General Fund resources will not be needed to retire the bridge covenant bonds.

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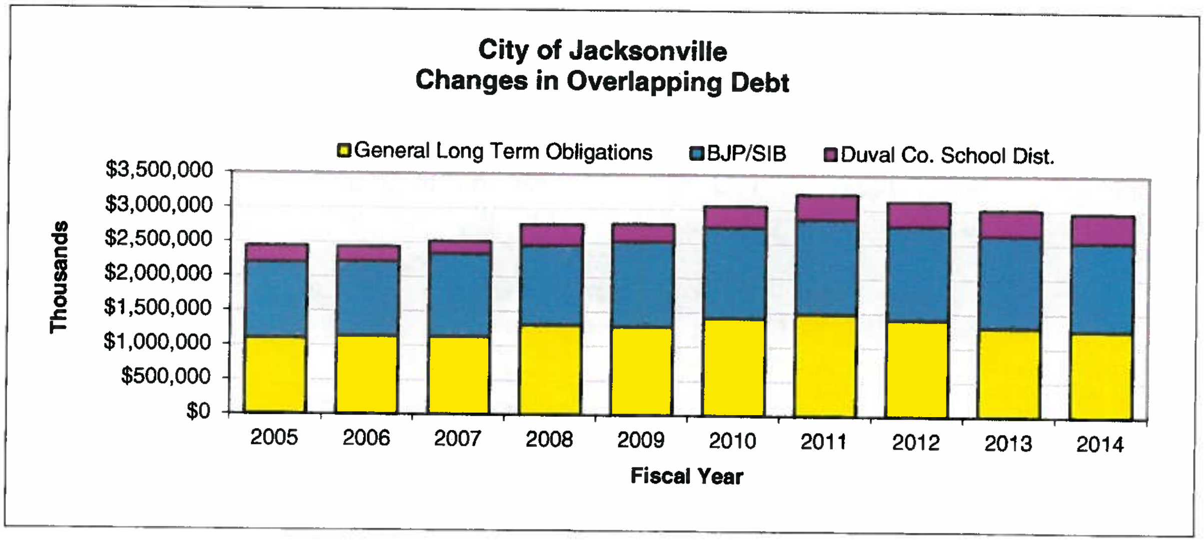
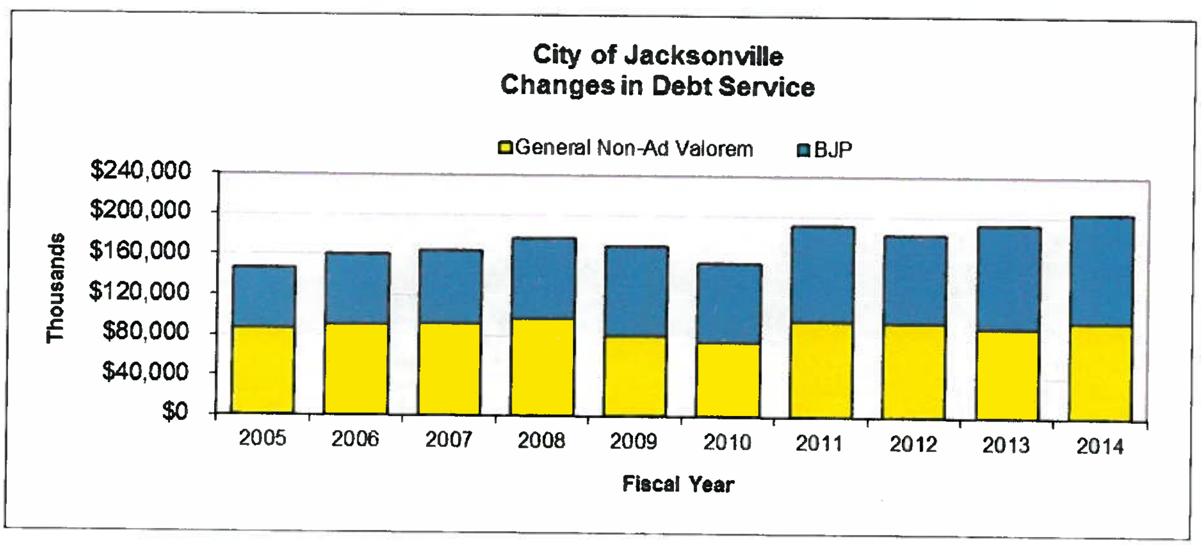
Credit analysts also review how the City's debt position (along with its debt ratios) changes over time. Below is a presentation of the City's total indebtedness, including "overlapping debt" (inclusive of Duval County School Board debt), for the ten year period ending September 30, 2014. Overall, the overlapping debt outstanding increased by $555 million from FY 2004 to FY 2014. The City's general debt has remained relatively level with $450 million of the increase coming from the Better Jacksonville Plan and overlapping debt.



Below is a presentation of the City's debt service for the ten year period ending September 30, 2014. Overall, the City's debt service increased by $77 million from FY 2004 to FY 2014, with nearly all of the increase attributable to the Better Jacksonville Plan. The debt service on Duval County School District debt is not included in this graph.



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. 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[1] 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. The City did not request Issuer Credit Ratings (also referred to as underlying or Implied General Obligation) from 2002, the date of retirement of its last General Obligation Bonds, through 2008.

	2005	2006	2007	2008	2009	2010 [2]	2011	2012	2013	2014
Moody's:										
Issuer Credit Rating [1]				Aa2		Aa1				Aa2
Covenant Bonds				Aa3		Aa2				Aa3
Revenue Bonds				Aa3/A1		Aa2/A1			Aa2/Aa3	
BJP Infrastructure						A1				
BJP Transportation						Aa2		A1 [4]		
Commercial Paper						P1 [5]				[5]
Standard & Poors:										
Issuer Credit Rating [1]				AA						
Covenant Bonds				AA-						
Revenue Bonds	AA-/A						AA+/A			
BJP Infrastructure			AA-				A			
BJP Transportation			AA-							
Commercial Paper	A-1+						[3]			
Fitch:										
Issuer Credit Rating [1]				AA		AA+				
Covenant Bonds				AA-		AA				
Revenue Bonds				AA/A+		AA+/AA-				
BJP Infrastructure					AA-			A+ [4]		
BJP Transportation								AA- [4]		
Commercial Paper										F1 [5]

(1) The agency previously discontinued its underlying rating for the City, but recently re-established an Issuer Credit Rating.

(2) In fiscal year 2010, Moody's and Fitch recalibrated the City's ratings to the Global Rating Scc

(3) 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.

(4) 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.

(5) On December 4, 2013, the notes were remarketed to reflect the replacement of the supporting Letter of Credit. The City elected to replace the Moody's rating with the Fitch for the rating on the remarketed notes.

Ratings Scale:

Moody's -	Aaa	Aa1, Aa2, Aa3	A1, A2, A3
S&P -	AAA	AA+, AA, AA-	A+, A, A-
Fitch -	AAA	AA+, AA, AA-	A+, A, A-

(1) Subsequent to fiscal year end 2014, Fitch downgraded by one notch each the City's primary ratings, citing high fixed pension costs as the primary driver for the downgrade.

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.

2014 Millage Rate Comparison of Ten Largest Cities in Florida

City	Population	Municipal Millage Rate	Countywide Millage Rate	Combined Millage Rate
Fort Lauderdale	176,013	4.1193	5.4584	9.5777
Hialeah	235,563	6.3018	4.6669	10.9687
Orlando	262,372	6.6500	4.4347	11.0847
Jacksonville	**853,382**	**n/a**	**n/a**	**11.4419**
Tampa	358,699	5.7326	5.7339	11.4665
Port St. Lucie	174,110	4.4096	7.1388	11.5484
Cape Coral	169,854	7.7070	4.1506	11.8576
Tallahassee	188,107	3.7000	8.3144	12.0144
St. Petersburg	253,693	6.7700	5.2755	12.0455
Miami	430,332	7.6465	4.6669	12.3134
Average	310,213	5.8930	5.5378	11.4319

Note: Municipal and countywide millage rates exclude school district rates for this comparison.
Source: Millage rates obtained from Florida Property Tax Data Portal.
Population obtained from US Census Bureau; 2010 US Census Bureau (2010 Boundaries).

Tax Burden. Jacksonville's relatively low tax rates and 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. Jacksonville's tax burden relative to other large cities in the country was again among the nations' lowest as reported in the 2012 annual study prepared by The District of Columbia's Office of the Chief Financial Officer entitled *"Tax Rates and Tax Burdens in the District of Columbia- A Nationwide Comparison"*. For the purposes of the District of Columbia study, "tax burden" included individual local income tax, real property tax, sales and use tax, and automobile tax. The study reported on the largest city in each state plus the District of Columbia, with Jacksonville as ranking as having the sixth lowest combined overall tax burden across all income levels for a hypothetical family of three.

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IV. COMPARISON TO INDUSTRY STANDARDS

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. As a result, when appropriate, this study includes the published median for both cities and counties.

In assessing the City's overall creditworthiness, rating analysts use a number of key ratios to assess the financial burden of outstanding debt. Primary among these are i) debt as a percentage of estimated full market valuation and ii) unassigned general fund balance as a percentage of general fund revenues. Overall debt to estimated full market value indicates the burden a locality's debt places on the property tax base, the main source of revenue for most local issuers, including the City. Debt service as a percentage of General Fund expenditures demonstrates the amount of flexibility that the issuer has in its operating budget. Unassigned general fund balance as a percentage of general fund revenues measures the capacity to meet financial obligations, especially debt service payments, in a timely manner in times of economic and fiscal stress. As discussed earlier, for the purposes of this measure the City Council Emergency Reserve, which is reported as "committed" fund balance under the new guidelines, is included with Unassigned General Fund balance. Rating analysts also consider the rapidity with which an entity repays its debt obligations, and to a lesser extent the debt burden per capita.

These ratios, along with total debt outstanding, have a significant impact on bond ratings, which in turn affects 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.

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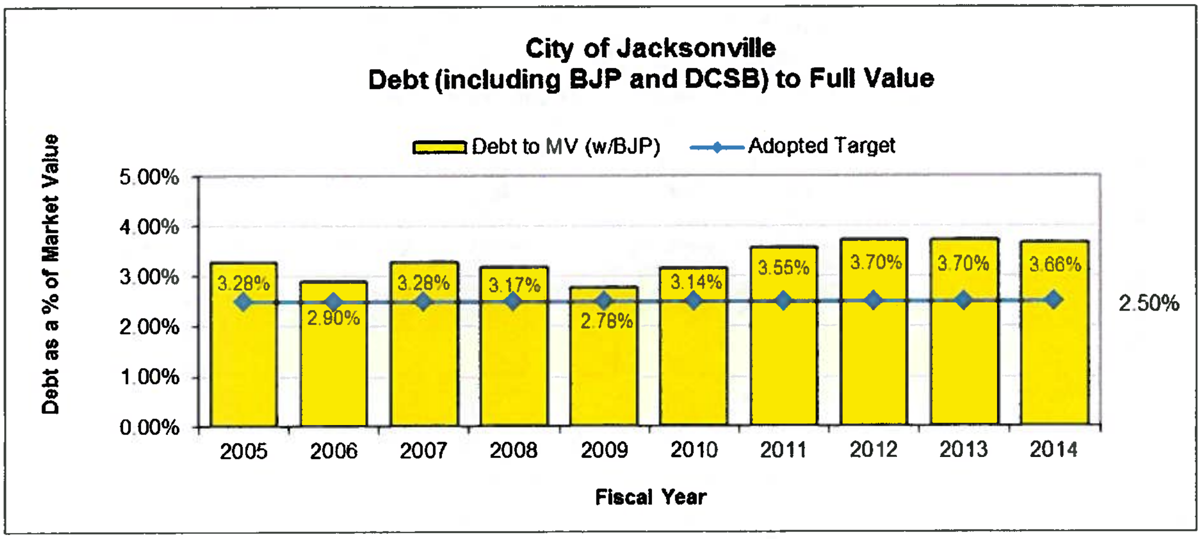
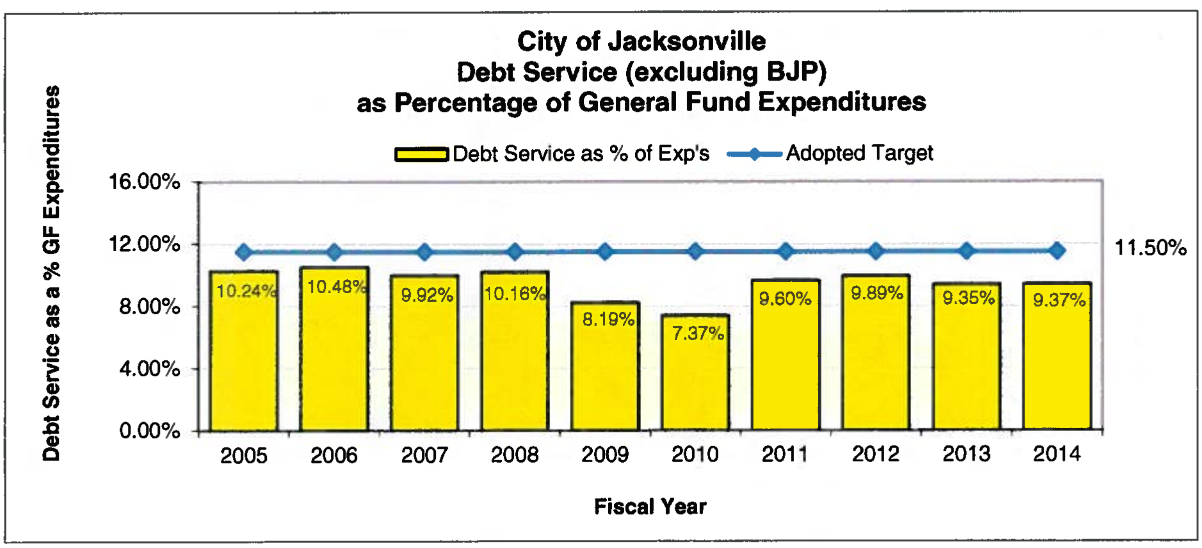
Credit analysts review changes in debt ratios over time. Presentations of the City's five key debt ratios during the ten year period ending September 30, 2014, with the City's adopted target for each key ratio follow.

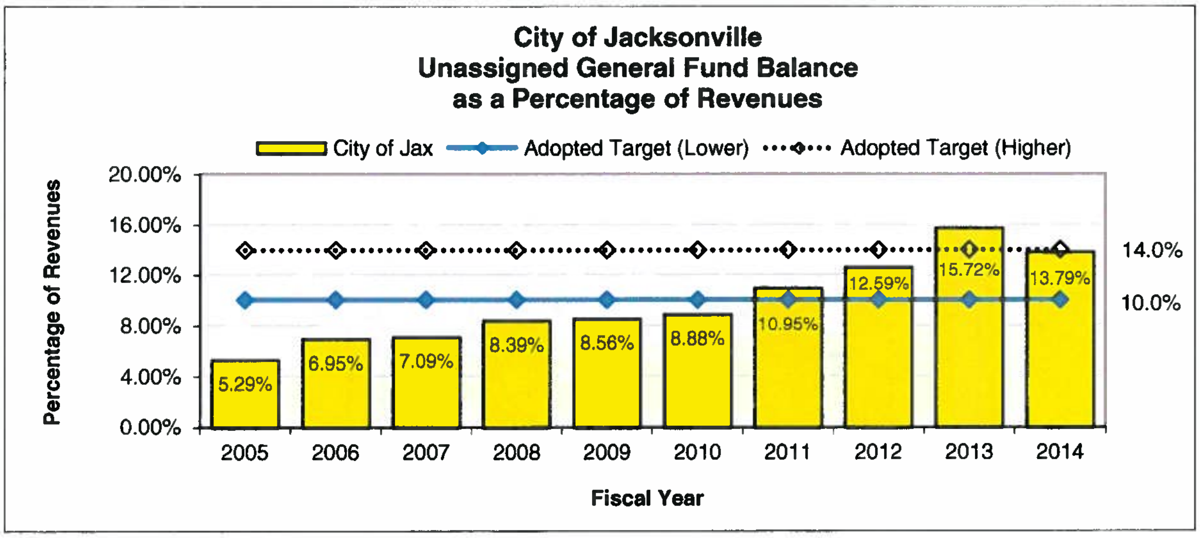
1. <u>Overall Net Debt as % to Full Value.</u> Due to previous deterioration in the City's property base, the City's Overall Net Debt as % to Full (market) Value increased to 3.70% in FY 2012. Despite a general trend towards higher property values, as well as an uptick in new construction, taxable values decreased slightly for FY 2014. This measurement remained steady at 3.66% in FY 2014. This is higher than the City's adopted target of 2.5% and exceeds the adopted maximum of 3.50%. The City's ratio compares favorably to Moody's 2013 medians for the largest Aa cities of 4.14%, but is moderately higher than the largest Aa counties of 2.81%. The ratio includes the overlapping debt of the Duval County School Board. It is anticipated that there will be a gradual improvement in this ration in coming years as price improvements in real estate are taken in to account.



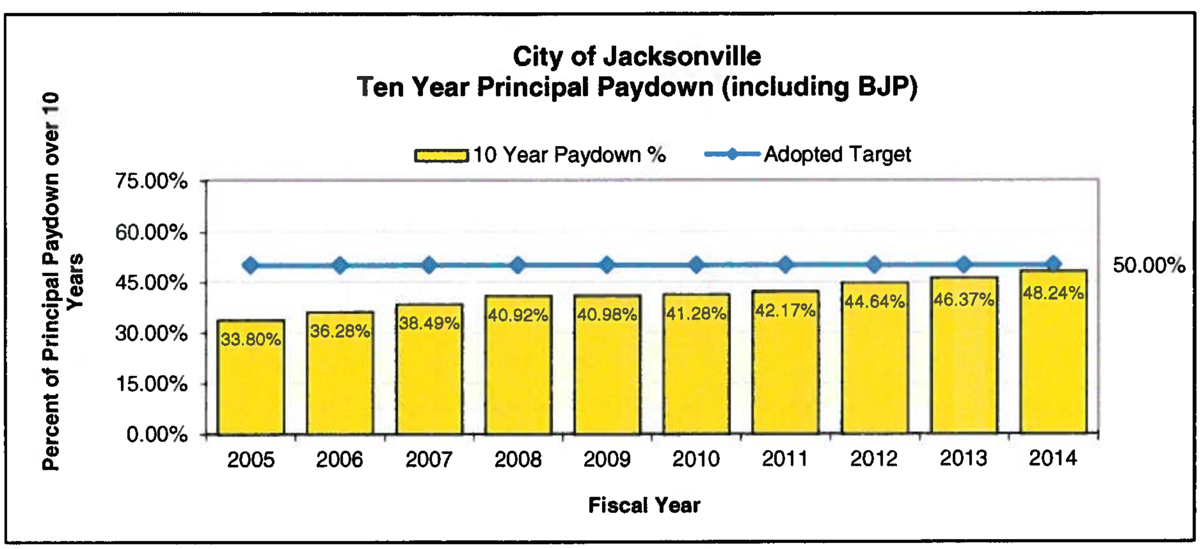
2. Debt Service as % of Expenditures. Debt Service as % of (General Fund) Expenditures increased slightly to 9.37% in FY 2014 from 9.35% in FY 2013. Aside from a one year dip in debt service for FY 2010, this ratio has remained fairly constant since FY 2003 and is less than the City's target of 11.50% and maximum of 13.00%.



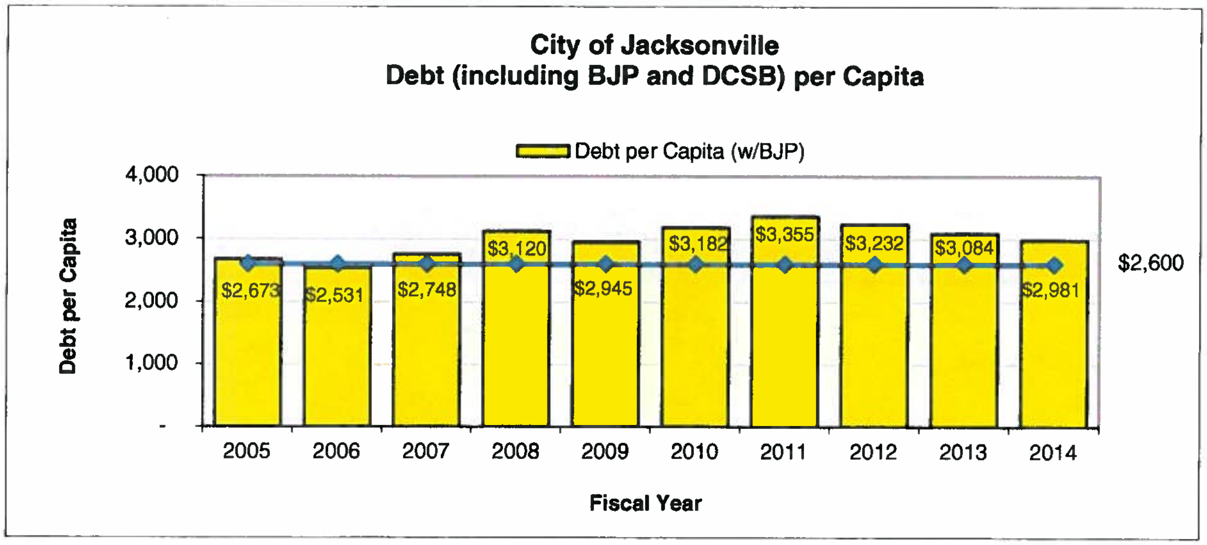
3. Unassigned General Fund Balance as % of Revenues. The City's combined Unassigned General Fund Balance and City Council Emergency Reserve for FY 2014 decreased to $139.7 million, or 13.79% of General Fund revenues. The slight decrease is reflective of a reclassification of prior unassigned reserves to restricted reserves. This was partially offset, however, by an increase to fund balance of $7.1 million from operations during the fiscal year. This ratio has improved 10 of the past 11 years from 4.4% in FY 2003 and is now at the high end of the City's targeted level of 10% to 14%. The City's ratio is consistent with the Moody's 2013 medians for the largest Aa cities of 14.97%, but is considerably lower than the largest Aa counties of 26.98%. 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.



4. Ten-Year Paydown. For FY 2014, the Ten-Year (principal) Paydown ratio was 48.24% for the City's net tax supported debt, indicating that debt is being paid down less quickly than the recommended target of 50%. However, the City has produced significant improvement in its ten-year principal repayments, up from 30.33% in FY 2004. Continued improvements are expected through the five year period ending FY 2020, taking the ratio above 60% as the principal repayments escalate on the Better Jacksonville and Courthouse related debt.



5. Debt Per Capita. Through FY 2011, debt levels increased to fund the Better Jacksonville Plan and Duval County Unified Courthouse. The overall Debt Per Capita increased correspondingly to $3,355 in FY 2011, before steadily improving to $2,981 in FY 2014. The three year improvement primarily reflects a reduction of approximately $250 million in tax supported debt, as well as population gains. The target is $2,600, with a maximum of $3,150.



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V. PROJECTED IMPACT OF FUTURE DEBT ACTIVITY

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:

Rates Assumptions					
	2016	**2017**	**2018**	**2019**	**2020**
Estimated Full Value	4.00%	4.00%	3.00%	3.00%	2.00%
Population	1.00%	1.00%	1.00%	1.00%	1.00%
General Revenues & Expenditures	2.30%	(0.50%)	2.80%	2.80%	2.80%
Bond Yield, 25+ Year Term	4.32%	4.67%	5.08%	5.08%	5.08%
Bond Yield, 10-15 Year Term	3.44%	3.92%	4.41%	4.41%	4.41%
Bond Yield, Variable Rate	Certified Rate as reported in CAFR				

The assumptions used to project Debt Affordability compliance above are consistent with assumptions used to prepare the City's five year operating plan projection. Estimated full value growth projections for FY 2015 have been positively adjusted to reflect a recovering housing market and are more conservative than general estimates provided by the Property Appraiser's office. After several years of negative growth, revenue forecasts now reflect modest growth. Revenue growth projections for the out years were also increased moderately to reflect the positive economic trends and a sustained recovery, but were kept more conservative than recent growth rates experienced during the recovery from the great recession. The one year decrease in revenue growth for FY 2017 reflects the expiration of the current agreement with JEA for the annual "JEA Contribution". The JEA Contribution for periods after FY 2016 are forecasted based upon the previously adopted formula approach.

Another source from which the City obtains debt capacity is the retirement of principal on outstanding debt. As the City retires debt, this amount becomes a resource for new debt issuance, upon further authorization, without adding to the City's existing debt position. Shown below are scheduled retirements on the City's net direct tax-supported debt as of September 30, 2014, indicating that the City will gain $424 million in general fund debt capacity between FY 2015 and FY 2020 from scheduled retirements on existing obligations. While the retirement of $329 million in BJP bonds results in a positive contribution towards improving debt ratios, it does not create additional capacity to the General Fund.

City of Jacksonville
Retirement of Existing Debt
($ thousands)

Fiscal Year	General Non-Ad Valorem	BJP Bonds	Total
2015	$ 67,823	$ 51,640	$ 119,463
2016	69,694	54,800	124,494
2017	76,475	60,202	136,677
2018	74,385	48,271	122,656
2019	74,630	55,372	130,002
2020	61,275	58,591	119,866
	$ 424,282	$ 328,876	$ 753,158

Another potential enhancement to future debt service capacity is a greater use of "pay-as-you-go" ("PAYGO") funding of capital projects thereby reducing future borrowing. While there are competing demands on current year revenues, the City may find it possible to fund capital needs to a greater extent on PAYGO basis as revenues continue to recover. 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.

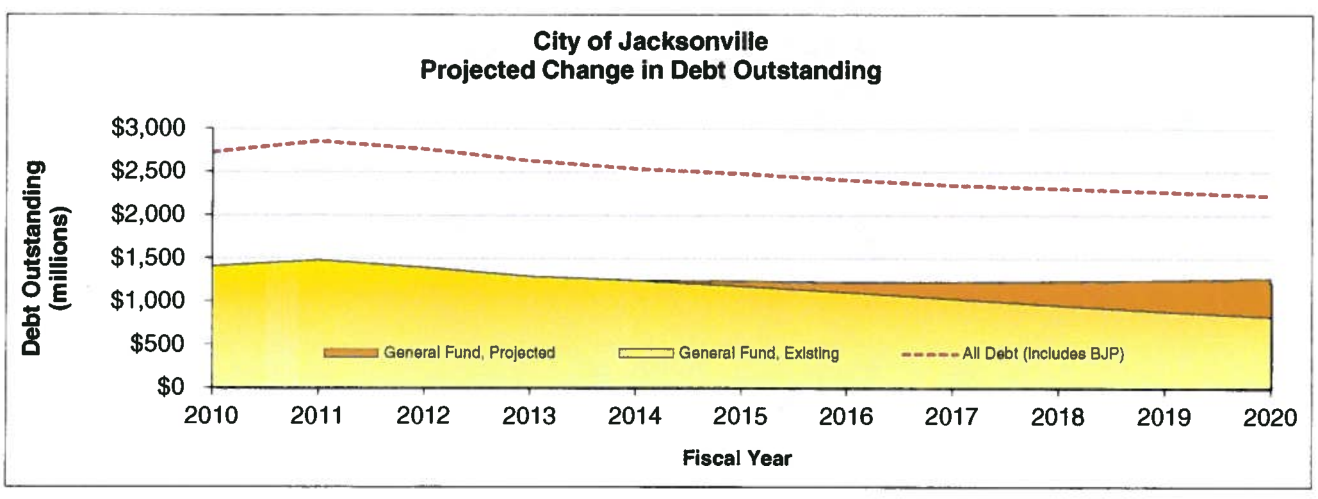
The City formulates the debt projections in coordination with the development of the annual operating budget and 5-year Capital Improvement Plan (CIP). Due to historical patterns in project start dates, projected borrowing in the schedule below may differ from the year it was approved in the CIP. Over the next five fiscal years, it is projected that the City will issue $492 million debt financing and retire $801 million of principal, resulting in a decrease to outstanding debt of $309 million between FYE 2014 and FYE 2020. The table below reflects issuances and retirements for this period:

City of Jacksonville, Florida
Projected Change in Debt Outstanding
General Government Non-Ad Valorem Debt
($ in thousands)

FYE:	2015	2016	2017	2018	2019	2020	Total 2015-2020
Outstanding Debt, Beginning	$2,538,821	$2.479,252	$2,409,117	$2,350,944	$2,312,045	$2,270,872	$2,538,821
Current Authorizations:							
Banking Fund:							
Prior CIP - General Authorizations	25,238	35,508	17,591	10,561	7,043		95,941
Prior CIP - Enterprise Fund Authorizations	34,656	2.550					37,206
Banking Fund - Prior Fleet/ITD Authorizations		2,000					2,000
EverBank Stadium Improvements							
Proposed Authorizations:							
Capital Improvement Plan - General		322	56,103	67,493	80,449	83,151	287,518
Capital Improvement Plan - Enterprise Fund		804	11,130	14,153	14,048	13,368	53,503
Banking Fund - Fleet/ITD		15,903					15,903
Total Additions	59,894	57,087	84,824	92,207	101,540	96,519	492,071
Total Reductions:							
Refundings	24,225						24,225
Refunded	(24,225)						(24,225)
Retirements	(119,463)	(127,222)	(142,997)	(131,106)	(142,713)	(137,147)	(800,648)
Outstanding Debt, Ending	**$2,479,252**	**$2,409,117**	**$2,350,944**	**$2,312,045**	**$2,270,872**	**$2,230,244**	**$2,230,244**

Note: *The amortization of principal was assumed to begin in the year after issuance for future bond issuances.*

A graphical illustration of the projected change in debt outstanding for this period is presented below.



Projected Impact of Capital Needs on Future Debt Ratios

The table below shows the projected impact of issuing approximately $492 million in new debt (but offset with a decrease of $801 million net of retirements) on the adopted debt ratios for fiscal years beginning in 2015 through 2020, as well as the adopted targets and maximums. The highest projected ratio for each measure is shown in bold.

City of Jacksonville, Florida Effect of the New Debt Issuance on Debt Ratios Overall								
	Adopted		Projected End of Fiscal Year					
	Target	Maximum	2015	2016	2017	2018	2019	2020
Overall Debt to Estimated Full Value	2.50%	3.50%	**3.28%**	3.06%	2.86%	2.74%	2.61%	2.52%
Debt Service as a % of General Expenditures	11.50%	13.00%	9.85%	9.93%	10.14%	10.24%	**10.44%**	9.42%
(1) Ten Year Principal Paydown	50%	30% (2)	**50.03%**	53.44%	56.87%	59.86%	64.26%	68.52%
Overall Debt Per Capita	$2,600	$3,150	**$2,868**	$2,755	$2,651	$2,598	$2,516	$2,455

Below is a brief summary of the underlying trend for each of the above ratios.

Overall Net Debt as % of Full Value- After several years of declines, taxable values improved substantially in FY 2015. Expectations are for continued improvement in property values through FY 2020. Due to both the projected improvements in taxable values and moderate reductions to overall net debt outstanding, this ratio is expected to improve appreciably below the adopted maximum of 3.50% and trend towards the adopted target of 2.50% by FY 2020.

Debt Service as % of Expenditures- This ratio is forecasted to rise moderately, continuing an upward trend through FY 2019. Although some of the increase is a natural derivative of an improving Ten-Year (principal) Paydown ratio, the projected increases are mainly a reflection of debt service rising slightly faster than expenditure growth.

Ten-Year Paydown- This ratio projects to surpass our adopted target of 50% in FY 2015 and continued improvement throughout the forecasted period. Future financial flexibility is created as a higher percentage of debt is paid down.

Debt Per Capita- The Debt Per Capita ratio is projected to improve mildly through the forecasted period.

A graphical presentation of the forecasted measures, and a more detailed analysis for each, follow.

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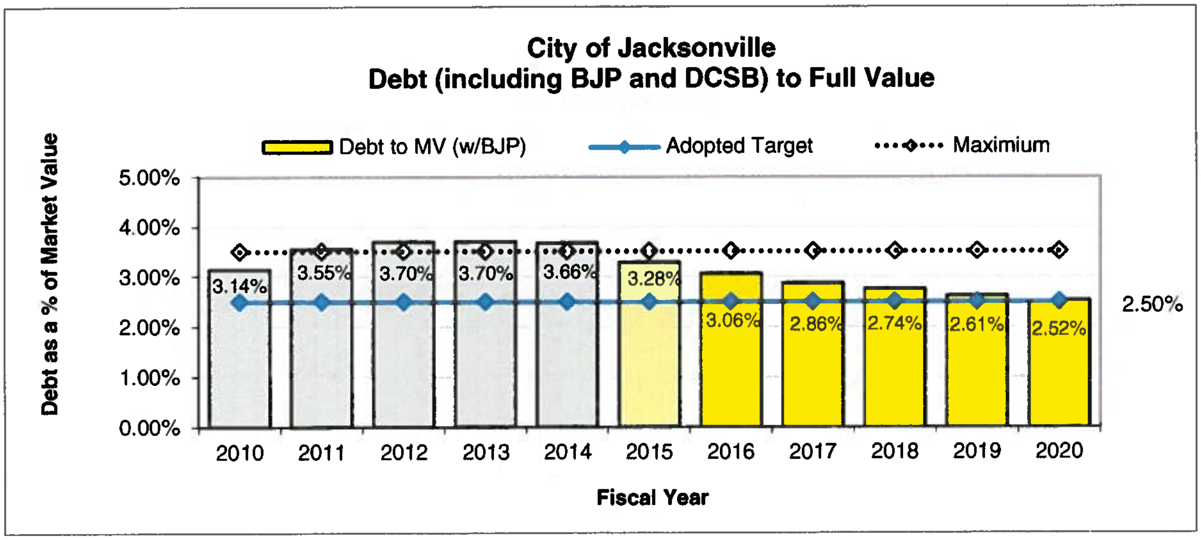
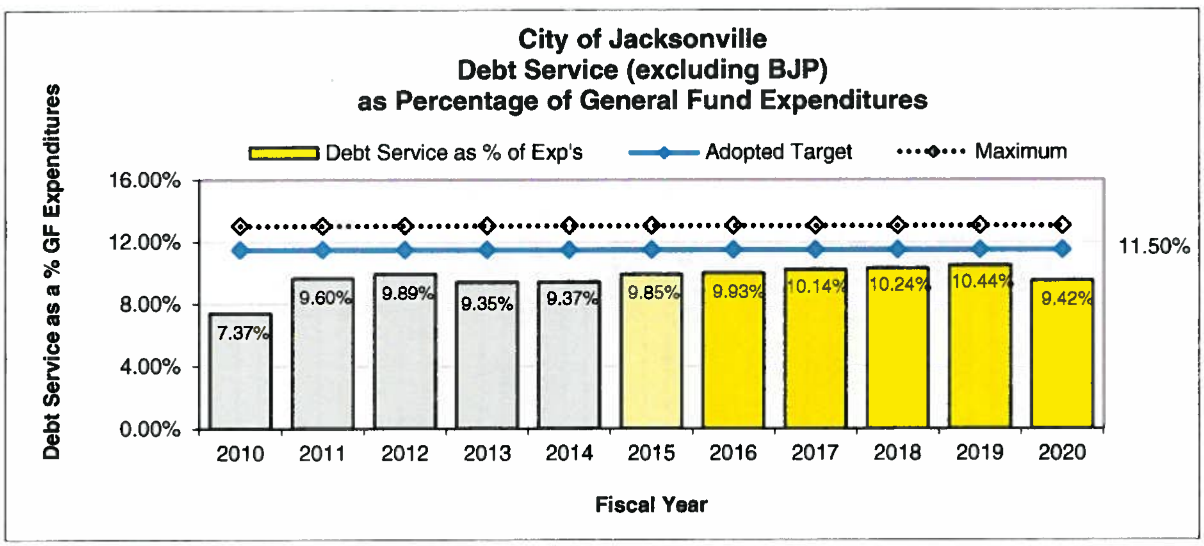
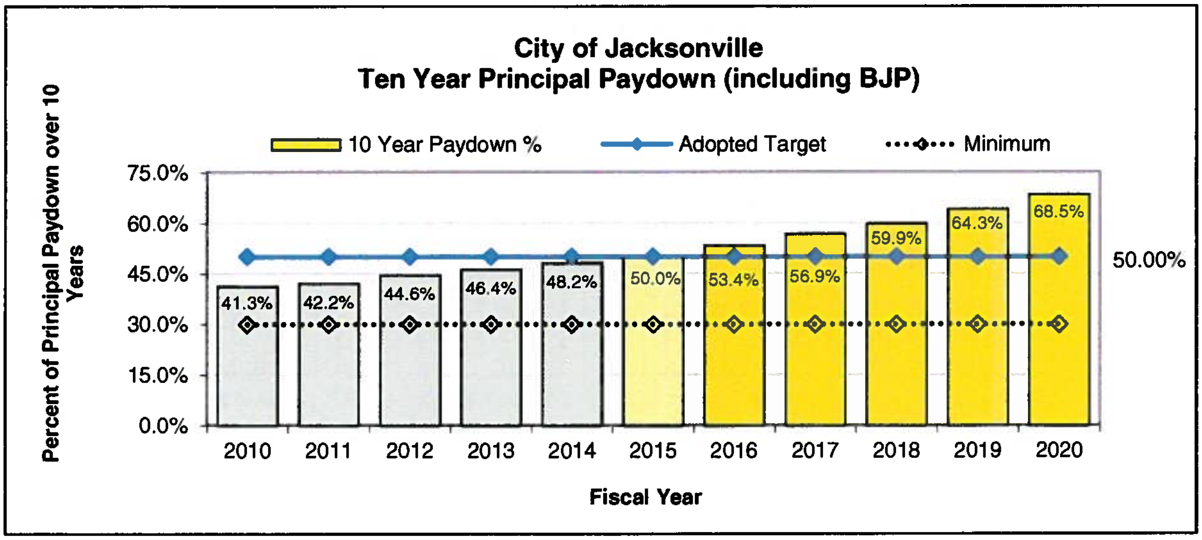


Overall Net Debt as % of Full Value is projected to fall below the adopted maximum as taxable values reverse the downward trend and increase sharply for FY 2015. The steady improvement in market values, and a mild decrease in overall debt, will improve this ratio through the forecasted period.

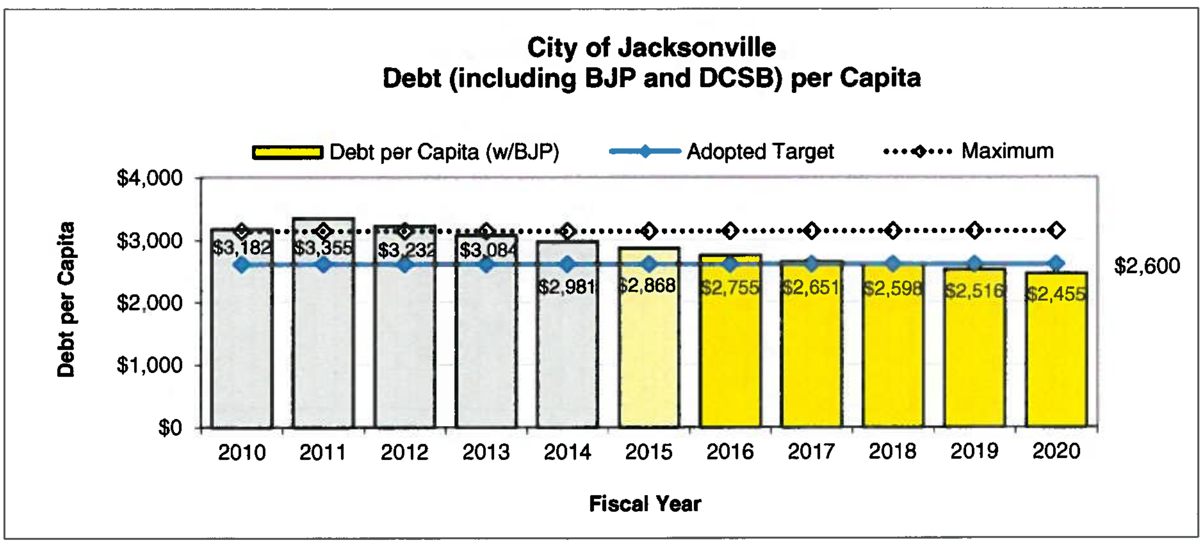


Debt Service as % of Expenditures is forecasted to rise moderately. The impact from rising debt service will outpace expenditure growth during years FY 2015 to FY 2019.

NOTE: Bond documents require the computation of future debt service on variable rate obligations to be computed at a "certified rate" of interest, which amount may differ materially from historical debt service levels.



The Ten-Year Paydown is forecasted to steadily increase (improve) from 50.03% in FY 2015 to 68.52% in FY 2020 as the paydown of BJP and Courthouse related debt accelerates. The ten year paydown is expected to reach the adopted target in FY 2015.



Debt Per Capita is projected to improve steadily through the forecasted period. This ratio is projected to improve steadily throughout the forecasted period, crossing the adopted target of $2,600 in FY 2018. This ratio is aided by both a trending improvement in population gains and continuing decrease in overall debt.

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Exhibit A

Schedule of Outstanding Debt

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF LONG-TERM BONDED INDEBTEDNESS (in thousands)
SEPTEMBER 30, 2014

(continued)

	ISSUE DATE	FINAL MATURITY DATE	ISSUED	RETIRED	OUTSTANDING
GOVERNMENTAL ACTIVITIES:					
Revenue Bonds Supported by General Funds:					
Excise Taxes Revenue Bonds, Series 1993	02/23/93	10/01/15	$ 43,605	$ 41,053	$ 2,551
Local Government Sales Tax Refunding Revenue Bonds, Series 2001	04/24/01	10/01/18	103,725	65,840	37,885
Excise Taxes Revenue Refunding and Improvement Bonds, Series 2002A	07/03/02	10/01/13	56,685	56,685	0
Excise Taxes Revenue Refunding Bonds, Series 2003C (AMT)	07/03/03	10/01/13	34,540	34,540	0
* Excise Taxes Revenue Bonds, Series 2005A	10/10/05	10/01/32	42,820	2,730	40,090
Excise Taxes Revenue Refunding Bonds, Series 2006A	12/29/06	10/01/32	36,540	4,255	32,285
Excise Taxes Revenue Refunding Bonds, Series 2006B (AMT)	12/29/06	10/01/15	9,255	5,215	4,040
Excise Taxes Revenue Bonds, Taxable Series 2006C	12/29/06	10/01/19	23,555	6,725	16,830
Excise Taxes Revenue Bonds, Series 2007	09/19/07	10/01/32	42,245	6,465	35,780
* Capital Project Revenue Bonds, Series 2008A	07/01/08	10/01/34	67,037	7,675	59,362
* Capital Project Revenue Bonds, Series 2008B	07/01/08	10/01/34	67,037	7,675	59,362
Excise Taxes Revenue Bonds, Series 2009A	09/30/09	10/01/34	39,585	4,150	35,435
* Excise Taxes Revenue Refunding Bonds, Series 2009B	09/30/09	10/01/19	18,535	6,505	12,030
* Excise Taxes Revenue Refunding Bonds, Series 2009C (AMT)	09/30/09	10/01/16	2,275	1,565	710
* Special Revenue Bonds, Series 2009C-1	12/15/09	10/01/26	30,170	20,115	10,055
* Special Revenue Bonds, Taxable Series 2009C-2 (Direct Pay Build America Bond	12/15/09	10/01/21	10,995	0	10,995
* Special Revenue Bonds, Series 2010A	09/29/10	10/01/34	48,000	18,518	29,482
* Special Revenue Bonds, Series 2011A	06/10/11	10/01/41	76,500	0	76,500
* Special Revenue Bonds, Series 2012B	09/28/12	10/01/22	2,850	2	2,848
* Special Revenue Refunding Bonds, Series 2012C	12/13/12	10/01/32	183,058	1,525	181,533
Special Revenue Refunding Bonds, Series 2012D	12/13/12	10/01/23	11,840	1,150	10,690
Special Revenue Refunding Bonds, Series 2012E	12/13/12	10/01/20	34,340	0	34,340
* Special Revenue Bonds, Series 2013A	09/16/13	10/01/40	27,175	0	27,175
Total			$ 1,012,367	$ 292,389	$ 719,978
Notes Payable Supported by General Fund:					
U.S. Government Guaranteed Note Payable, Series 1995 (Coach)	02/01/95	08/01/14	$ 3,845	$ 3,845	$ 0
U.S. Government Guaranteed Note Payable, Series 2010-B (Hilton)	11/20/96	08/01/15	2,850	2,550	300
U.S. Government Guaranteed Note Payable, Series 2010 (LaVilla)	02/19/97	08/01/16	1,700	1,440	260
U.S. Government Guaranteed Note Payable, Series 2010 (Armor Holdings)	10/28/97	08/01/16	775	615	160
U.S. Government Guaranteed Note Payable, Series 2010 (Hampton Inns)	10/28/97	08/01/15	550	485	65
Total			$ 9,720	$ 8,935	$ 785

* Indicates individual bond series that were issued in support of multiple operations. The par amount of bonds allocated to the other operations were determined prorata based on the project funding at the time of closing, and must be combined to determine the total amount of bonds outstanding for that bond series.

(a) The above rates represent assumed rates on variable rate debt for coverage analysis or other purposes.
(b) The taxable rates are subsidized under the Build America Bond program.
(c) $148,505 of Banking Fund projects remain authorized, but unfunded (see Note 17).
(d) $19,176 of "interim financing" for stadium improvements at EverBank Field remain authorized, but unfunded (see Note 17).

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF LONG-TERM BONDED INDEBTEDNESS (in thousands) (continued)
SEPTEMBER 30, 2014

(continued)

	ISSUE DATE	FINAL MATURITY DATE	ISSUED	RETIRED	OUTSTANDING
Revenue Bonds Supported by BJP Revenues:					
Better Jacksonville Sales Tax Revenue Bonds, Series 2003	02/19/03	10/01/13	$ 158,416	$ 158,416	$ 0
Transportation Revenue Bonds, Series 2007	09/05/07	10/01/37	100,675	19,195	81,480
Transportation Revenue Bonds, Series 2008A	04/25/08	10/01/32	154,535	4,050	150,485
Transportation Revenue Bonds, Series 2008B	05/14/08	10/01/27	121,740	28,635	93,105
Better Jacksonville Sales Tax Revenue Bonds, Series 2008	09/16/08	10/01/30	105,470	15,340	90,130
Better Jacksonville Sales Tax Revenue Bonds, Series 2011	07/22/11	10/01/23	79,220	10,605	68,615
* Better Jacksonville Sales Tax Revenue Bonds, Series 2012	03/29/12	10/01/30	238,570	5,435	233,135
Transportation Revenue Refunding Bonds, Series 2012A	03/29/12	10/01/31	151,660	0	151,660
Transportation Revenue Refunding Bonds, Series 2012B	03/29/12	10/01/22	57,730	9,675	48,055
* Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2012A	08/30/12	10/01/30	41,095	0	41,095
Total			$ 1,209,111	$ 251,351	$ 957,760
Special Revenue Bonds Supported by BJP Revenues:					
Special Revenue Bonds, Series 2009B-1A	09/30/09	10/01/25	$ 52,090	$ 4,375	$ 47,715
Special Revenue Bonds, Taxable Series 2009B-1B (Direct Pay Build America Bo	09/30/09	10/01/30	55,925	0	55,925
Special Revenue Bonds, Series 2010B	09/16/10	10/01/28	100,205	23,115	77,090
Special Revenue Bonds, Series 2011B	06/17/11	10/01/30	86,600	7,650	78,950
Special Revenue Bonds, Series 2013C	09/16/13	10/01/30	31,565	0	31,565
Total			$ 326,385	$ 35,140	$ 291,245
Notes Payable Supported by BJP Revenues:					
State Infrastructure Bank Loan #1	07/28/05	10/01/23	$ 40,000	$ 18,583	$ 21,417
State Infrastructure Bank Loan #2	03/13/07	10/01/21	48,698	23,061	25,638
Total			$ 88,698	$ 41,643	$ 47,055

* Indicates individual bond series that were issued in support of multiple operations. The par amount of bonds allocated to the other operations were determined prorata based on the project funding at the time of closing, and must be combined to determine the total amount of bonds outstanding for that bond series.

(a) The above rates represent assumed rates on variable rate debt for coverage analysis or other purposes.
(b) The taxable rates are subsidized under the Build America Bond program.
(c) $148,505 of Banking Fund projects remain authorized, but unfunded (see Note 17).
(d) $19,176 of "interim financing" for stadium improvements at EverBank Field remain authorized, but unfunded (see Note 17).

CITY OF JACKSONVILLE, FLORIDA
SCHEDULE OF LONG-TERM BONDED INDEBTEDNESS (in thousands) (continued)
SEPTEMBER 30, 2014

(continued)

	ISSUE DATE	FINAL MATURITY DATE	ISSUED	RETIRED	OUTSTANDING
Special Revenue Bonds Payable from Internal Service Operations:					
Special Revenue Bonds, Series 2008	09/24/08	10/01/33	$ 54,215 (c)	$ 11,470	$ 42,745
* Special Revenue Bonds, Series 2009C-1	12/15/09	10/01/26	40,160 (c)	28,030	12,130
* Special Revenue Bonds, Taxable Series 2009C-2 (Direct Pay Build America Bond	12/15/09	10/01/21	26,315 (c)	0	26,315
* Special Revenue Bonds, Series 2010A	09/29/10	10/01/30	46,945 (c)	4,887	42,058
Special Revenue Bonds, Series 2010C-1	12/21/10	10/01/20	27,205 (c)	2,850	24,355
* Special Revenue Bonds, Series 2011A	06/10/11	10/01/36	32,380 (c)	2,525	29,855
Special Revenue Bonds, Series 2012A	09/28/12	10/01/16	4,040 (c)	995	3,045
* Special Revenue Bonds, Series 2012B	09/28/12	10/01/22	3,470 (c)	3	3,467
* Special Revenue Bonds, Series 2013A	09/16/13	10/01/40	26,860 (c)	0	26,860
Special Revenue Bonds, Taxable Series 2013B	09/16/13	10/01/26	35,145 (c)	0	35,145
Total			$ 296,735	$ 50,760	$ 245,975
Notes Payable from Internal Service Operations:					
* Commercial Paper	11/04/04	12/31/34	$ 137,125	$ 133,225	$ 3,900
Total			$ 137,125	$ 133,225	$ 3,900
TOTAL GOVERNMENTAL ACTIVITIES			$ 3,080,141	$ 813,443	$ 2,266,698
BUSINESS-TYPE ACTIVITIES:					
Revenue Bonds Supported by Business-Type Activities:					
* Excise Taxes Revenue Bonds, Series 2005A	10/10/05	10/01/32	$ 2,000	$ 0	$ 2,000
* Capital Project Revenue Bonds, Series 2008A	07/01/08	10/01/34	248	40	208
* Capital Project Revenue Bonds, Series 2008B	07/01/08	10/01/34	248	40	208
* Excise Taxes Revenue Refunding Bonds, Series 2009B	09/30/09	10/01/16	10,475	5,545	4,930
* Excise Taxes Revenue Refunding Bonds, Series 2009C (AMT)	09/30/09	10/01/16	21,455	11,250	10,205
* Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2012	03/29/12	10/01/30	41,480	0	41,480
* Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2012A	08/30/12	10/01/30	73,795	0	73,795
Capital Improvement Revenue Refunding Bonds, Series 2012	12/13/12	10/01/30	118,005	3,855	114,150
* Special Revenue Refunding Bonds, Series 2012C	12/13/12	10/01/18	922	0	922
* Commercial Paper	07/21/14	10/01/45	24,225 (d)	0	24,225
TOTAL BUSINESS-LIKE ACTIVITIES			$ 292,853	$ 20,730	$ 272,123
TOTAL BONDED INDEBTEDNESS			$ 3,372,994	$ 834,173	$ 2,538,821

* Indicates individual bond series that were issued in support of multiple operations. The par amount of bonds allocated to the other operations were determined prorata based on the project funding at the time of closing, and must be combined to determine the total amount of bonds outstanding for that bond series.

(a) The above rates represent assumed rates on variable rate debt for coverage analysis or other purposes.
(b) The taxable rates are subsidized under the Build America Bond program.
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Exhibit B

Glossary of Terms and Ratios

Debt Ratios:

Debt Per Capita

The amount of Overall Net Debt Outstanding divided by the most recent population within the boundaries of local government, as derived by the US Census.

Debt Service as % of Expenditures

Debt service expenditures for all general fund operations divided by total operating expenditures, including transfers to other funds for use in such operations.

Ten-Year Paydown

Total principal repayment scheduled for the next ten years divided by total debt outstanding.

Overall Net Debt as % of Full Value (Debt Burden)

Overall Net Debt Outstanding divided by the Estimated Full Market Value of taxable property within a local government's jurisdiction.

Unassigned General Fund Balance as % of Revenues

Unassigned general fund balance, plus city council emergency reserve, divided by total general fund operating revenues.

Other Terms:

Estimated Full Market Value

Estimated full market value of all taxable property within the boundaries of the local government. Note: users should be aware of the potential for variation in the methods and quality of these estimates between jurisdictions.

Overall Net Debt Outstanding

Total of the government's gross debt outstanding, inclusive amounts due under capital leases and Overlapping Debt, less amounts accumulated in bond funds.

Overlapping Debt

Total debt outstanding issued by other local entities which is anticipated to be repaid by the same base of taxpayers.

Ratings –

While differing in some respect as to how they display, share similar definitions to those provided by Moody's:

Aaa: This rating demonstrates the strongest creditworthiness relative to other municipal or tax-exempt issuers.

Aa: This rating demonstrates a very strong creditworthiness relative to other municipal or tax-exempt issuers.

A: This rating represents an above average creditworthiness relative to other municipal or tax-exempt issuers.

Average, below average, and weak credit worthiness is demonstrated by ratings from Baa down to C.