Debt Affordability Study

Baseline

May 31, 2020

Table of Contents

Letter of Transmittal 2

SECTION ONE: BASELINE

I. Executive Summary 4

II. Current Debt Position 6

III. Market Perception 9

IV. Projected Impact of Already Authorized Borrowing 12

V. Comparison to Industry Standards 14

EXHIBITS

Exhibit A – Schedule of Outstanding Debt 22-23

Exhibit B – Bond Ratings Scale 24

City of Jacksonville, Florida

Lenny Curry, Mayor

ONE CITY. ONE JACKSONVILLE.

City Hall at St. James
117 W. Duval St.
Jacksonville, FL 32202
(904) 630-CITY
www.coj.net

May 31, 2020

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 regards to our debt policy targets as of the end of FY20. The second version of the study will accompany the Administration's submission of the Proposed FY21 Budget. It will illustrate the impact on the City's Debt Affordability ratios of borrowing contemplated by the Proposed FY21 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 of "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,

Patrick "Joey" Greive, CFA, CFP
Director of Finance & Administration
Chief Financial Officer

117 W. Duval Street, Suite 300 | Jacksonville, FL 32202 | Phone: 904.255.5355 | Fax: 904.255.5366 | www.coj.net

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 FY20, this section includes future debt borrowing for unfunded projects that were previously authorized by City Council. These projects have yet to be funded, generally because of the gradual nature of project spending over time. As such, this section of the study incorporates the portion of this spending that has yet to occur.

Section Two, which will accompany the FY21 Budget submission, will include borrowing for debt as submitted, along with various scenarios showing the expected impact on the City's debt ratios as a result of that borrowing.

I. EXECUTIVE SUMMARY

Properly managing the City's debt is a critical element of the City's overall financial health. By making smart decisions on borrowing, refinancing, and debt portfolio structuring, the City is exercising fiscal responsibility that is imperative to maintaining and improving 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. These guidelines and measures should be balanced in a way that ensures the City continues on the path of acting in a responsible manner with regards to both citizens and investors. Guidelines that are too restrictive may not provide enough debt flexibility and capacity to finance needed infrastructure, while those that are not restrictive enough may lead to excessive debt issuance that could reduce future budgetary flexibility and put downward 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 meet its repayment obligations. The existence of a regularly 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 is 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 into the analysis, 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, as later amended by 2007-971 and 2015-450, along with a description of each:

- **Overall Net Debt as % of Full Market Value** – This measure compares 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%.

- **<u>Unassigned GSD Balance as % of GSD Revenues (excl. Emergency Reserves)</u>** – 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%.

- **<u>Ten Year Principal Paydown – All City Debt</u>** – It is important that the City continue to pay down debt in a responsible manner over time, so that decades from now taxpayers 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%.

- **<u>Ten-Year Principal Pay-down – GSD Debt</u>** – 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%.

- **<u>Debt Per Capita</u>** – 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 FY20 based on anticipated debt outstanding and assumptions for future borrowing that has already been authorized by City Council.

Measure	FYE20	Target	Maximum	Minimum	Direction
Overall Net Debt as % of Full Market Value	1.98%	2.5%	3.5%	N/A	Lower is better
GSD Debt Service as % of GSD Revenues	8.04%	11.5%	13.0%	N/A	Lower is better
Unassigned GF Balance as % of GSD Revenues (incl. Emergency Reserves)[1]	20.03%	14.0%	N/A	10.0%	Higher is better
Unassigned GF Balance as % of GSD Revenues (excl. Emergency Reserves)[1]	14.97%	10.0%	N/A	5.0%	Higher is better
Ten Year Principal Paydown – All City Debt	67.82%	50.0%	N/A	30.0%	Higher is better
Ten Year Principal Paydown – GSD Debt	56.93%	50.0%	N/A	30.0%	Higher is better
Debt Per Capita	$2,247	$2,600	$3,150	N/A	Lower is better

[1] *Since reserve balances will not be known until FY End, the FY19 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. CURRENT DEBT POSITION

The following table summarizes the City's projected debt outstanding as of the end of FY20. 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 9/30/20

Debt Type		Outstanding (In Thousands)
Better Jacksonville Program Debt:		
Better Jacksonville Sales Tax	$	408,175
Better Jacksonville Transportation		402,790
Special Revenue Bonds		227,640
State Infrastructure Bank Loan Program		12,870
Total Better Jacksonville Program Debt	**$**	**1,051,475**
General Government & Enterprise Fund Debt:		
Excise Tax Revenue Bonds	$	-
Special Revenue Bonds[1]		935,320
Local Government Half-cent Sales Tax		-
Capital Improvement Revenue Bonds		81,890
Capital Projects Revenue Bonds		-
Short Term Debt (Commercial Paper & Line of Credit)		81,900
Total General Government & Enterprise Fund Debt	**$**	**1,099,110**
Total Projected Debt Outstanding	**$**	**2,150,585**

[1] *The Special Revenue bonds contain assumptions related to expected borrowing prior to the end of FY20*

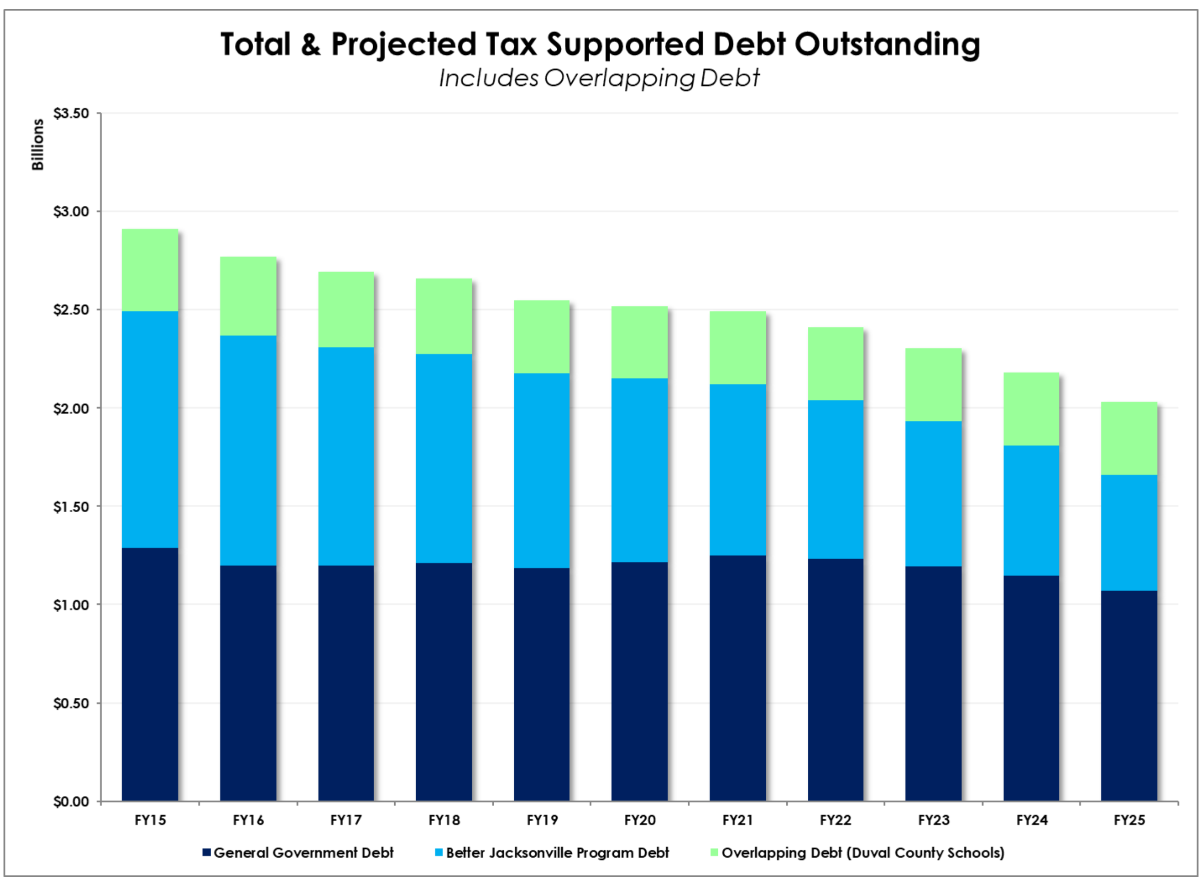
The Better Jacksonville Plan (BJP), which was approved by referendum in 2000, placed related sales tax revenues in separate funds to address a pre-approved list of $1.5 billion of Transportation, and $750 million in buildings, facilities, and other projects and related debt service. By FY 2009, the City 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 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.

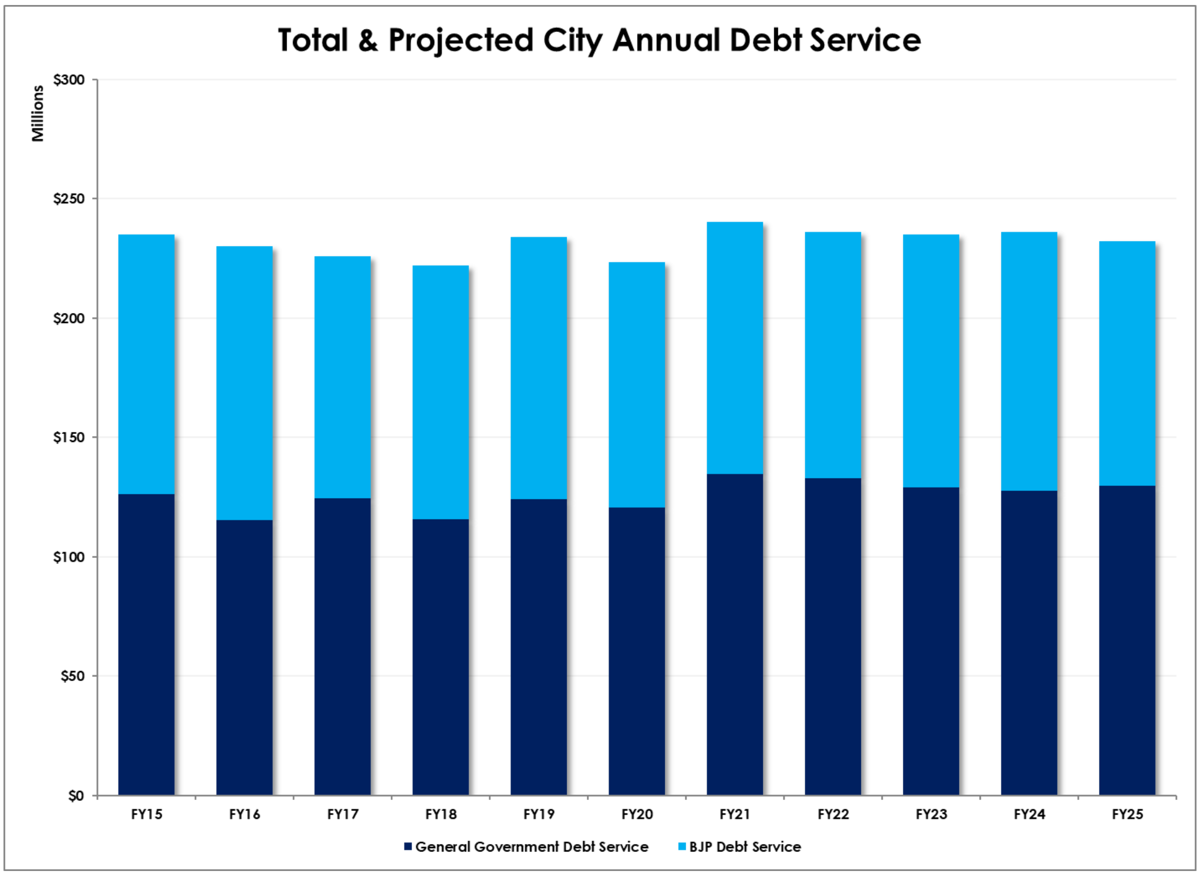
Even though the BJP debt has a dedicated revenue stream and a significant portion of the revenues dedicated to repay the debt are generated from non-residents, it is still considered "tax-supported" debt and is included with other tax-supported debt by rating agencies when calculating some of the City's 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 FY20, the City will have paid down and reduced its debt by over $342 million of outstanding debt since FY15. Overlapping debt has decreased over the same period by approximately $48 million, bringing the total tax-supported debt reduction to $390 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 review a variety of factors, trends, and parameters/measures. Rating agencies also 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 generally 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

On October 11, 2018, Moody's Investors Service downgraded the City's Issuer Credit Rating and Excise Taxes Revenue bonds to 'A2' from 'Aa2', its Capital Projects and Capital Improvement Revenue bonds to 'A2' from 'Aa3', its Infrastructure Sales Tax and Transportation Sales Tax Revenue bonds to 'A2' from 'A1', and its Special Revenue bonds to 'A3' from 'Aa3'. Moody's stated in a credit opinion dated October 12, 2018, that their rationale for the multiple downgrades were directly related to the City's participation as a plaintiff with JEA against Municipal Energy Authority of Georgia (MEAG) in litigation to have a Florida state court invalidate a "take-or-pay" power contract between JEA and MEAG. Moody's opinion is that the City's action to participate in this litigation "calls into question its willingness to support an absolute and unconditional obligation of its largest municipal enterprise," which "weakens the City's creditworthiness on all of its debt."

The City continues to strongly disagree with the action taken by Moody's. The City does not believe that its participation in the litigation with JEA in any way reflects the City's willingness or ability to pay its own obligations, and has consistently demonstrated over time that it makes payments to all counterparties when due. In a report dated October 23, 2018, S&P Global Ratings affirmed its current 'AA' rating on each of the City's various bonds, citing that City officials have "indicated payment of current debt obligations remains a priority" and that the City's has strong finances with the ability to deal with the "unlikely situation" of having to support JEA's debt burden associated with their power contract with MEAG. Fitch Ratings took no action on the matter.

	2011	2012	2013	2014	2015	2016	2017	2017	2018	2019	2020
Moody's:											
Issuer Credit Rating	Aa1			Aa2[5]					A2[11]		
Covenant Bonds	Aa2			Aa3[5]					A3[11]		
Revenue Bonds	Aa2/A1		Aa2/Aa3[3]						A2[11]		
BJP Infrastructure	A1								A2[11]		
BJP Transportation	Aa2	A1[2]							A2[11]		
Commercial Paper	P1[1]			[4]							
Standard & Poors:											
Issuer Credit Rating	AA										
Covenant Bonds	AA-								AA[9]		
Revenue Bonds	AA+/A		AA+/AA-[3]			AA[8]					
BJP Infrastructure	A					A+[7]					
BJP Transportation	AA-										
Commercial Paper	A-1+		[1]	A-1[4]							
Fitch:											
Issuer Credit Rating	AA+			AA[6]							
Covenant Bonds	AA			AA-[6]							
Revenue Bonds	AA+/AA-			AA/AA-[6]					AAA/AA/AA-[10]		
BJP Infrastructure	AA-	A+[2]									
BJP Transportation		AA-[2]									
Commercial Paper				F1[4]							

[1]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

[2]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

[3]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.

[4]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.

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

[6]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.

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

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

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

[10]On September 10, 2018, Fitch upgraded the Excise Tax Revenue bonds one notch.

[11]On October 11, 2018, Moody's downgraded the City's ICR, BJP Infrastructure Sales Tax, Transportation Sales Tax, Capital Projects, Capital Improvement, and Excise Tax bonds to A2, and also downgraded the Special Revenue program to A3.

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.

2019-2020 Millage Rate Comparison of Ten Largest Cities in Florida

City	Population	Municipal Millage Rate	Countywide Millage Rate	Combined Millage Rate
Port St. Lucie	191,903	5.0547	7.6898	12.7445
Tallahassee	195,713	4.1000	8.3144	12.4144
Miami	490,947	7.5665	4.6669	12.2334
St. Petersburg	269,357	6.7550	5.2755	12.0305
Tampa	390,473	6.2076	5.7309	11.9385
Jacksonville	**970,672**	**n/a**	**n/a**	**11.4419**
Orlando	291,800	6.6500	4.4347	11.0847
Hialeah	239,722	6.3018	4.6669	10.9687
Cape Coral	185,837	6.4903	4.0506	10.5409
Fort Lauderdale	186,220	4.1193	5.4878	9.6071

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

	2021	2022	2023	2024	2025
Estimated Full Value	2.00%	2.00%	2.00%	2.00%	2.00%
*Population	1.34%	1.31%	1.27%	1.20%	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				

*Based on the results from the Florida Demographic Estimating Conference, February 2019 and UF, BEBR, Florida Population Studies, Volume 52, Bulletin 183, April 2019 medium county projections.

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 is paying down in FY20, as well as the scheduled retirements of debt through FY25. This table shows the City will pay down approximately $446 million of general fund debt over this period due to retirements of existing obligations. While the retirement of $403 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
2020	71,795	58,226	130,021
2021	80,190	62,742	142,932
2022	75,200	63,488	138,688
2023	71,095	69,479	140,574
2024	71,675	75,430	147,105
2025	75,970	73,320	149,290
	$ 445,925	$ 402,685	$ 848,610

FY20 and FY21 amounts are actuals. FY22-25 include assumed borrowing for already authorized projects.

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 increase its 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.

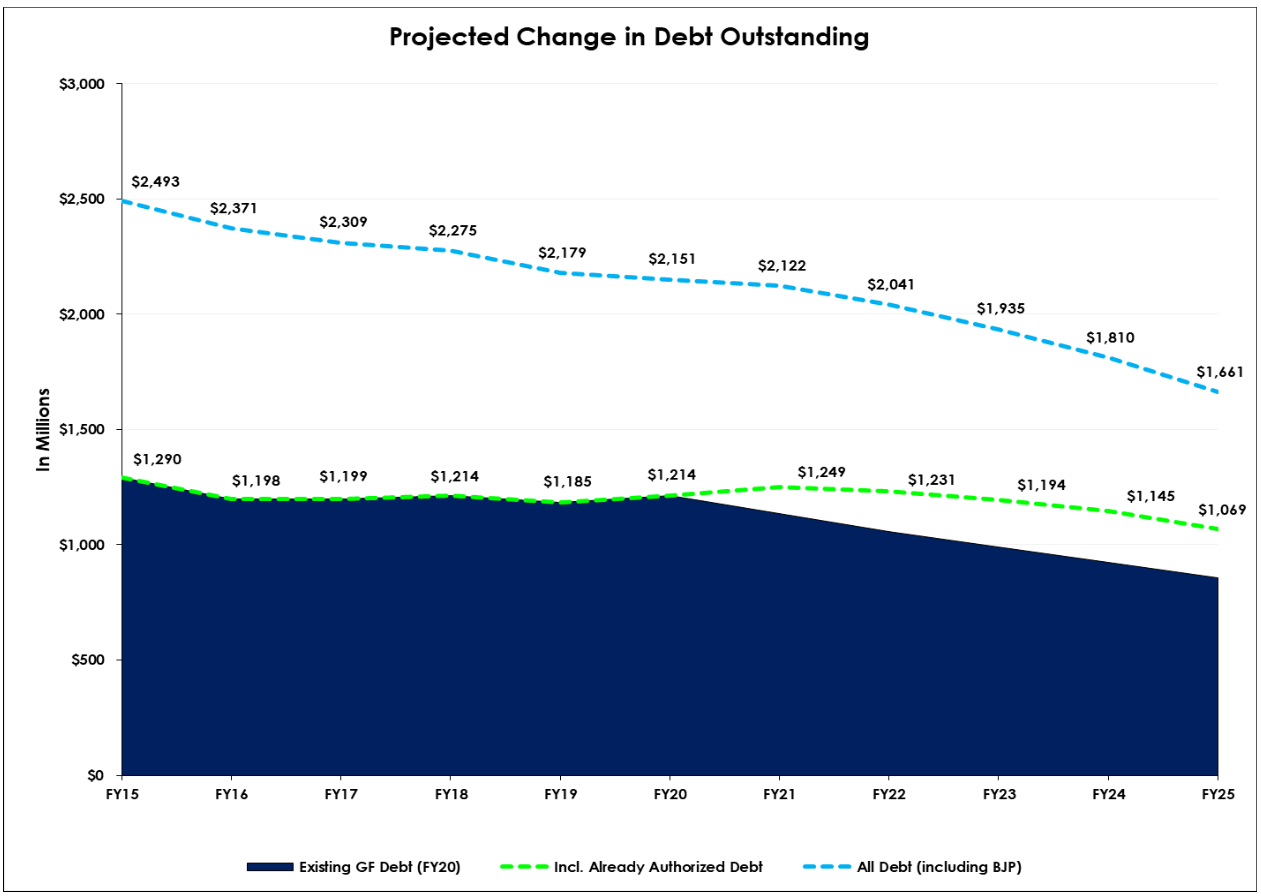
While the city's debt burden is forecasted to improve and otherwise create availability for new debt, it must be cautioned that other rising costs and other demands on city resources may offset some (or all) of this benefit. It is also important to note that these forward-looking ratios are dependent 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 $115 million of new money long-term debt ($80 million of which has already been authorized in previous budgets with the remaining $35 million for the city's port to support the ongoing dredging project) and retire around $849 million of debt over the next five years. This would result in a decrease in outstanding debt of $489 million from Projected FYE20 to FY25. The table below reflects issuances and retirements for this period (inclusive of BJP):

Projected Change in Debt Outstanding

FISCAL YEAR END	2020	2021	2022	2023	2024	2025
Outstanding Debt, Beginning		**$2,150,585**	**$2,122,256**	**$2,040,869**	**$1,934,676**	**$1,810,491**
Already Authorized - Prior CIP		114,603	57,302	34,381	22,921	-
Borrowing for Proposed Authorizations - FY21 5Y CIP*		-	-	-	-	-
Debt Paydown		(142,932)	(138,689)	(140,574)	(147,106)	(149,290)
Outstanding Debt, Ending	**$2,150,585**	**$2,122,256**	**$2,040,869**	**$1,934,676**	**$1,810,491**	**$1,661,201**

* Assumes the CIP borrowing authorized in a particular year is actually borrowed ov er the course of four years (50% in Year 1, 25% in Year 2, 15% in Year 3, and 10% in Year 3)



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 about an average debt burden level of reserves. As will be seen later 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 [3]	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	**AA**	**2.0%**	**9.8%**	**67.8%**	**2,247**	**25.5%**
Broward County, FL	AAA	1.6%	3.2%	100.0%	2,018	37.8%
Hillsborough County, FL	AAA	1.9%	6.9%	27.7%	1,745	24.2%
Miami-Dade County, FL	AA	2.0%	6.4%	34.5%	2,953	17.9%
Charlotte, NC	AAA	2.4%	22.0%	78.8%	2,799	28.3%
Portland, OR	AA+	1.9%	6.2%	74.7%	4,385	17.6%
Seattle, WA	AAA	0.6%	5.8%	63.4%	1,988	34.4%

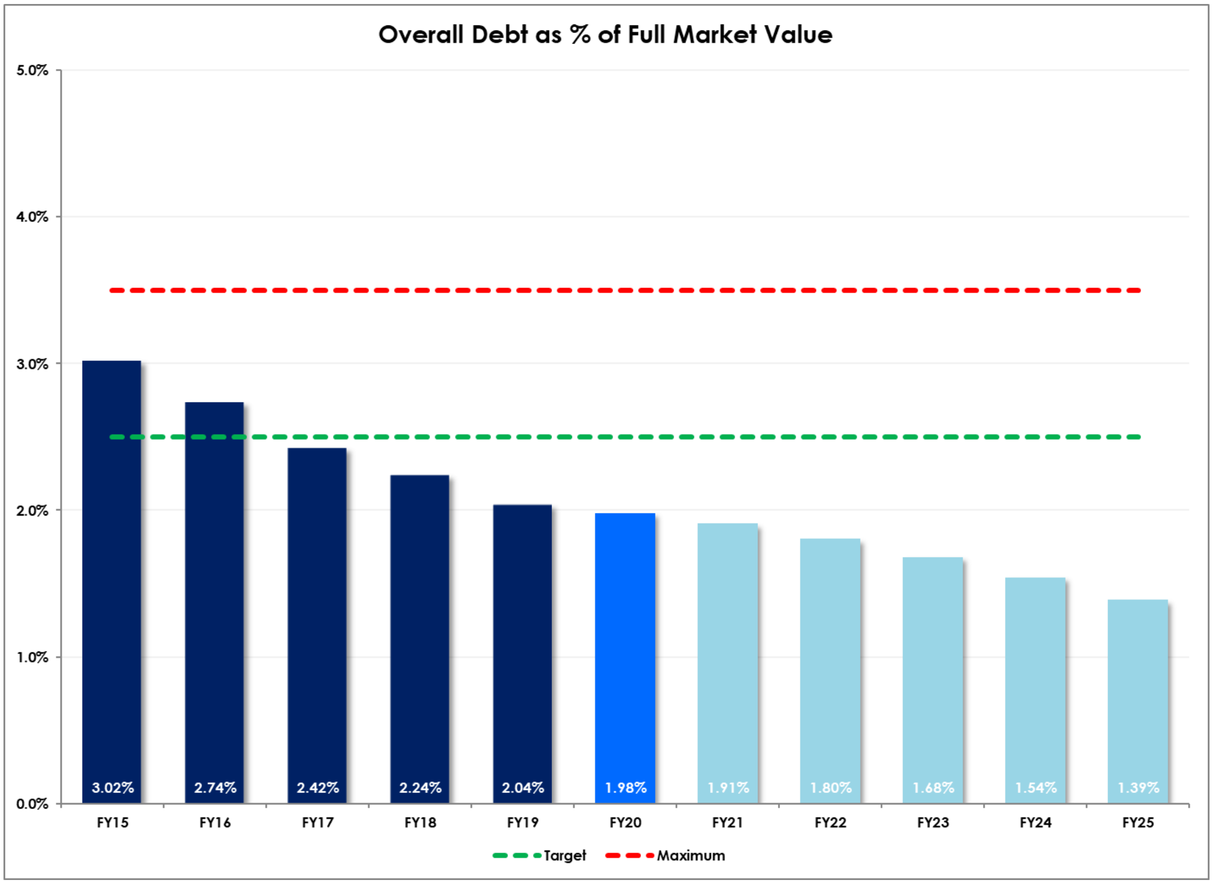
Note: For general comparison only. Jacksonville data is provided by the City of Jacksonville. All other data is sourced from Moody's Investors Service except for comparative ratings, which have been provided by S&P. The most recent available data has been used. The accuracy of data provided, as well 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.

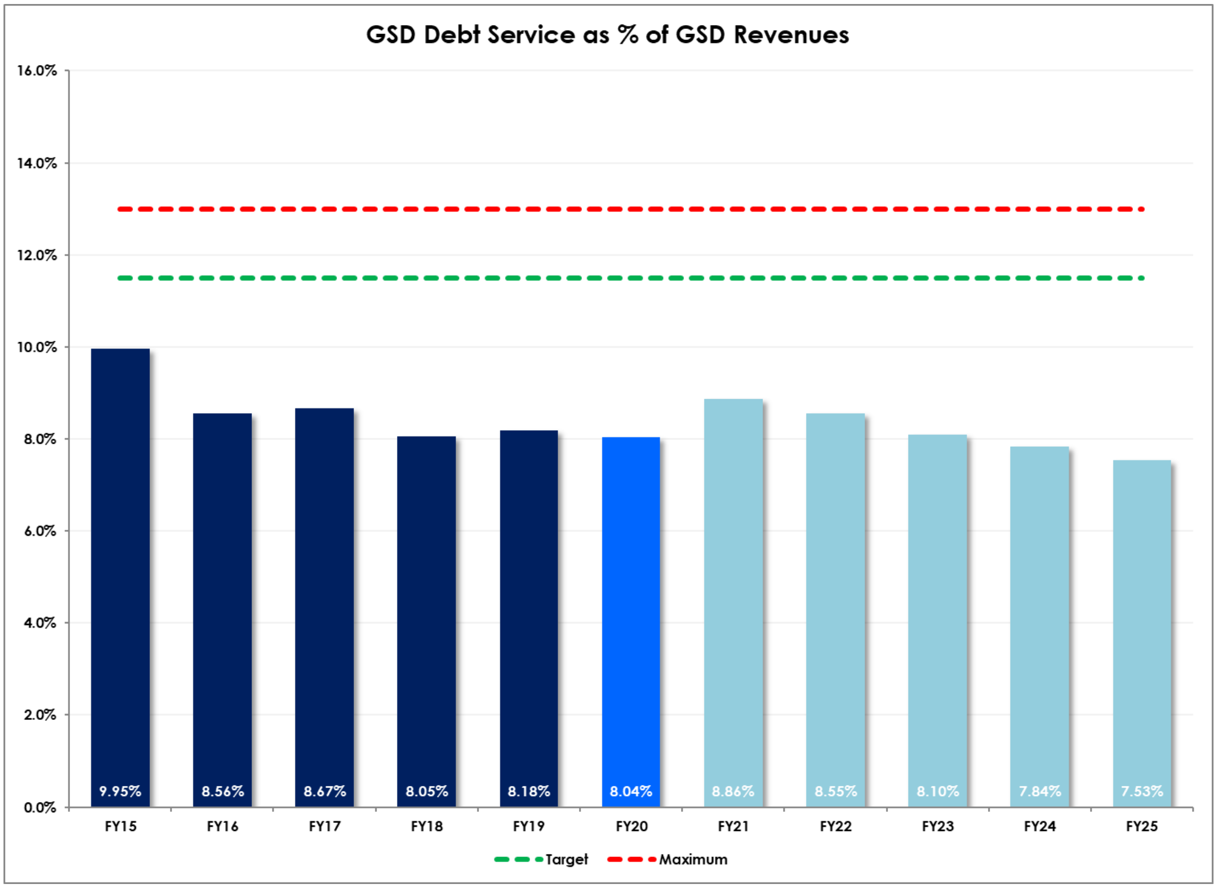
[2]Data available from Moody's is GF Balance as % of Revenues, so the Jacksonville metric was modified for a more appropriate comparison.

[3]Current Ratings available from S&P.

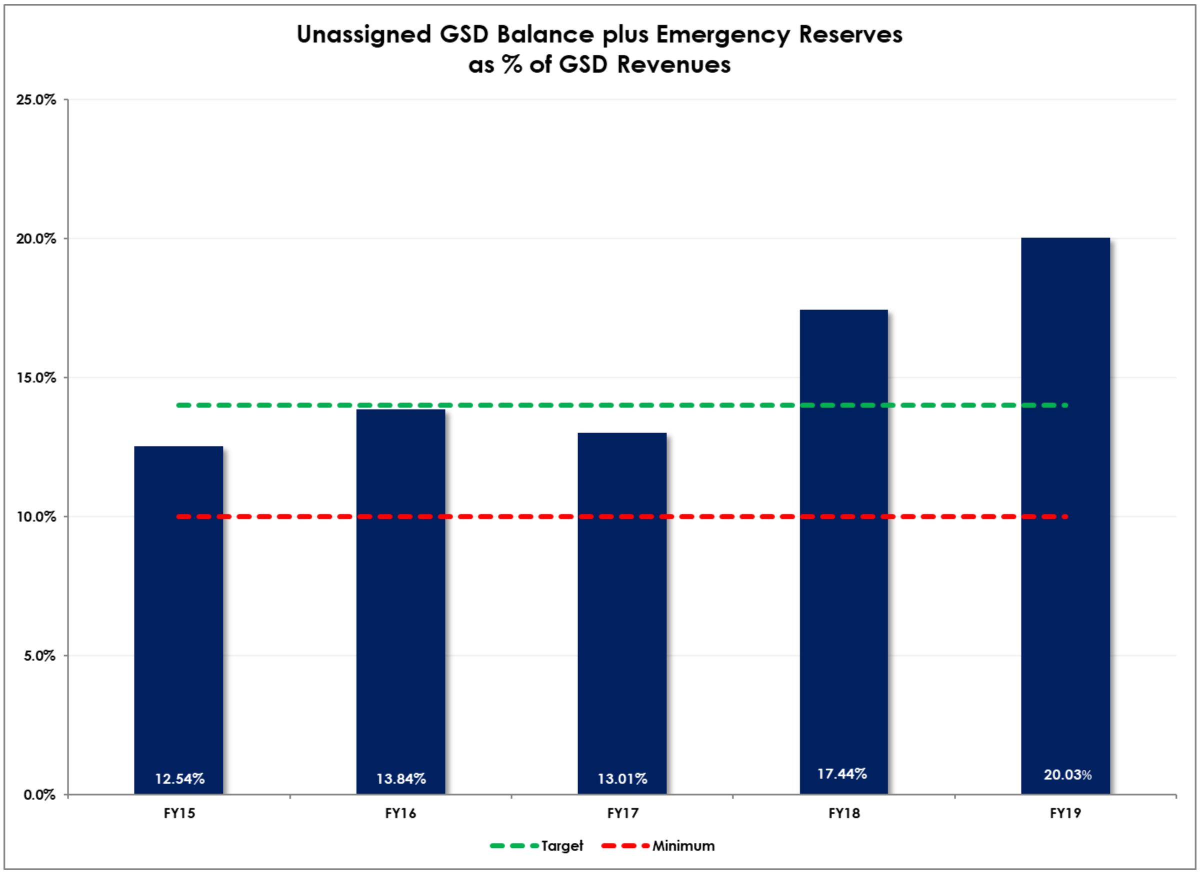
Credit rating agencies review changes in debt ratios over time. Presentations of the City's key debt ratios for the past five years as well as projected ratios for the next five years are shown in the following pages. These ratios only include projected debt outstanding at the end of FY20, as well as an assumption for borrowing related to projects that have already been authorized by prior City budgets. No impact of the FY21 budget or beyond is included in this analysis as such will be illustrated in the second version of this report each year.



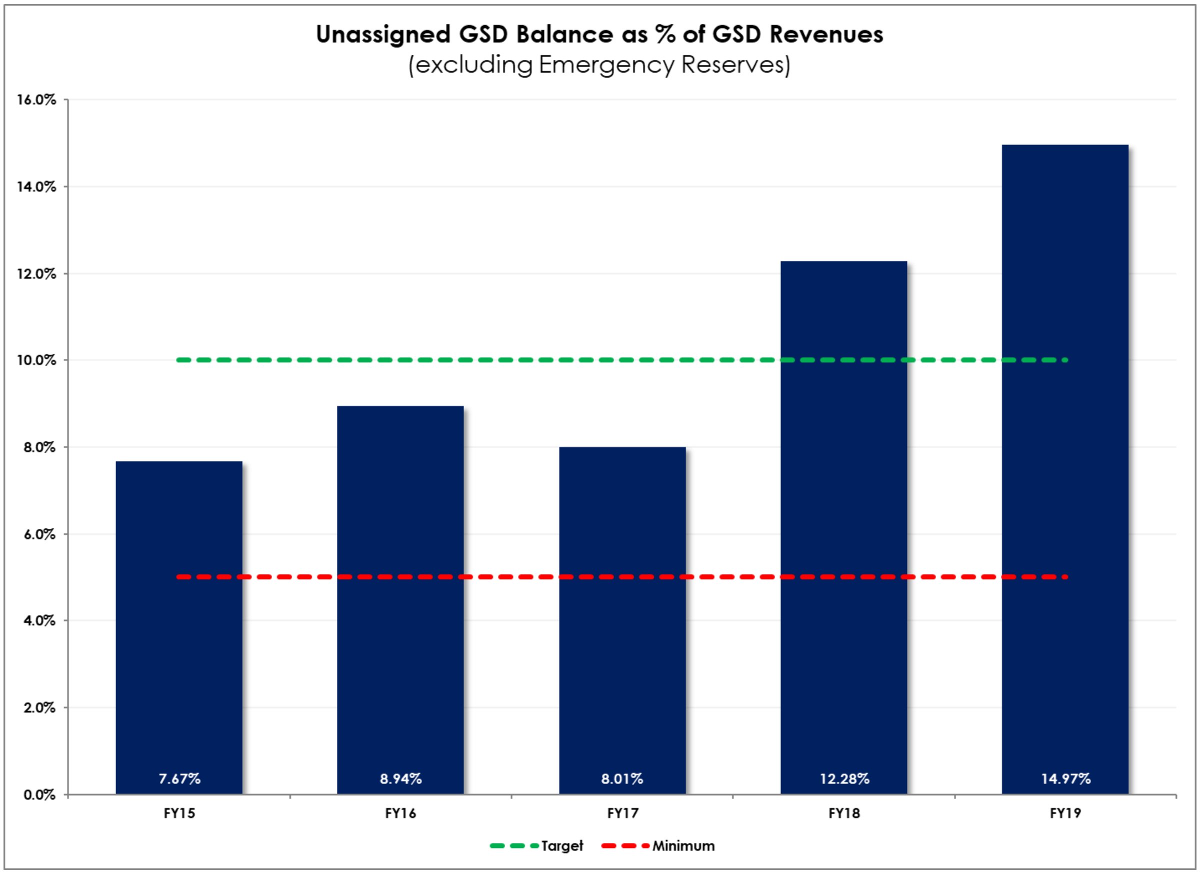
Rising market values and reduced debt outstanding in recent years have helped this ratio move towards (and below) the adopted target of 2.5% -- with FY20 projected to come in below the target at approximately 1.98%. As the City continues to pay off more debt each year than it borrows and if the local economy continues to improve, this measure should remain below target for the foreseeable future.



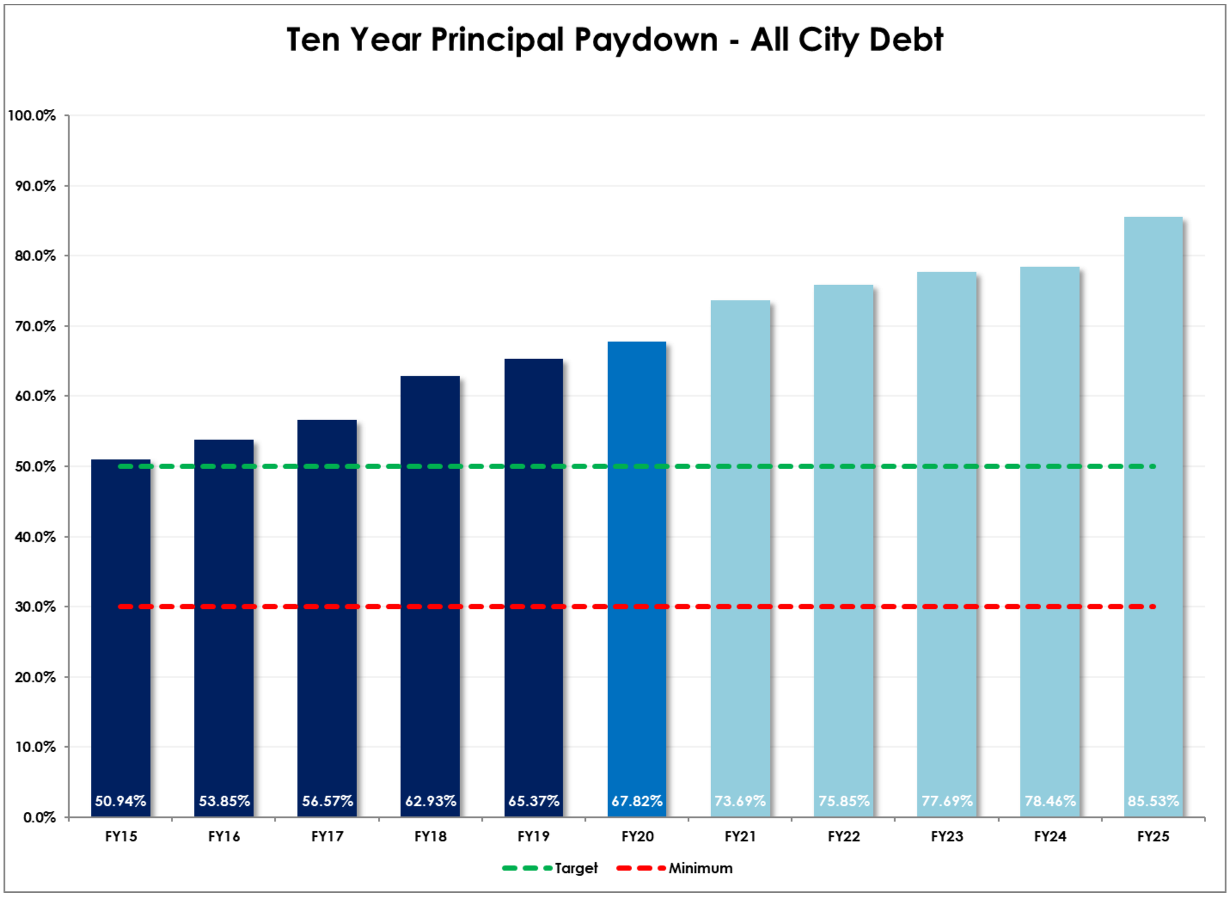
Following projections of a slight decrease in FY20, GSD Debt Service as % of GSD Revenues is expected to rise over the short term and then trend downward over the next few years. This trend is based on the city continuing to practice fiscal discipline and improving GSD Revenues. The structure of individual bond pay-downs sometimes introduces "lumpiness" into an issuer's annual debt service – meaning some years might be higher than others. 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.



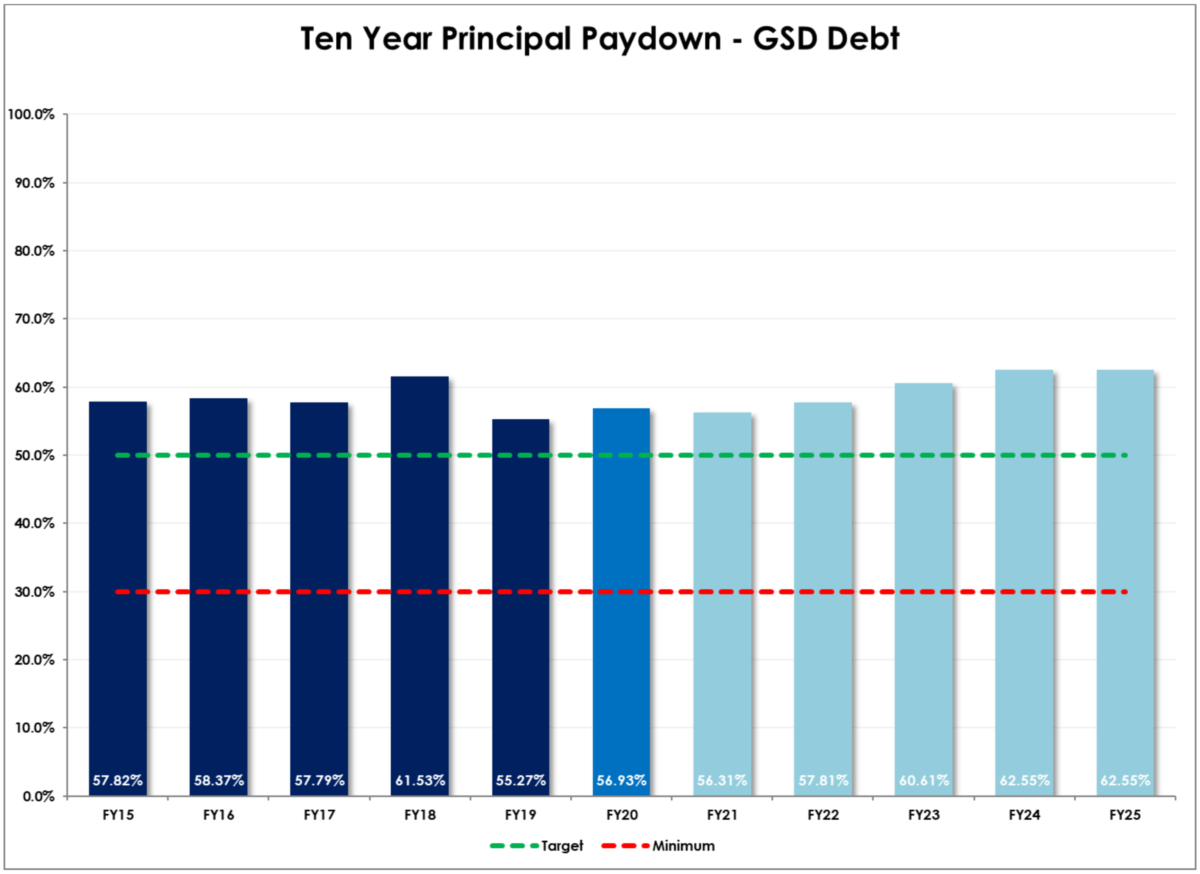
Because it is difficult to predict what Fund Balance will be at the end of FY20, the City looks at the combined Unassigned GSD Balance including the City Council Emergency Reserve as a % of GSD Revenues on an actual basis. For FY19, Unassigned GSD Fund Balance including the City Council Emergency Reserve increased to just under $251 million, or 20.03% of GSD Revenues. Jacksonville is now well above its target balance of 14%. 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 considered alongside the remainder of the City's financial profile. Ratings agencies see the City's strong reserves as a counter to its elevated debt and pension obligations.



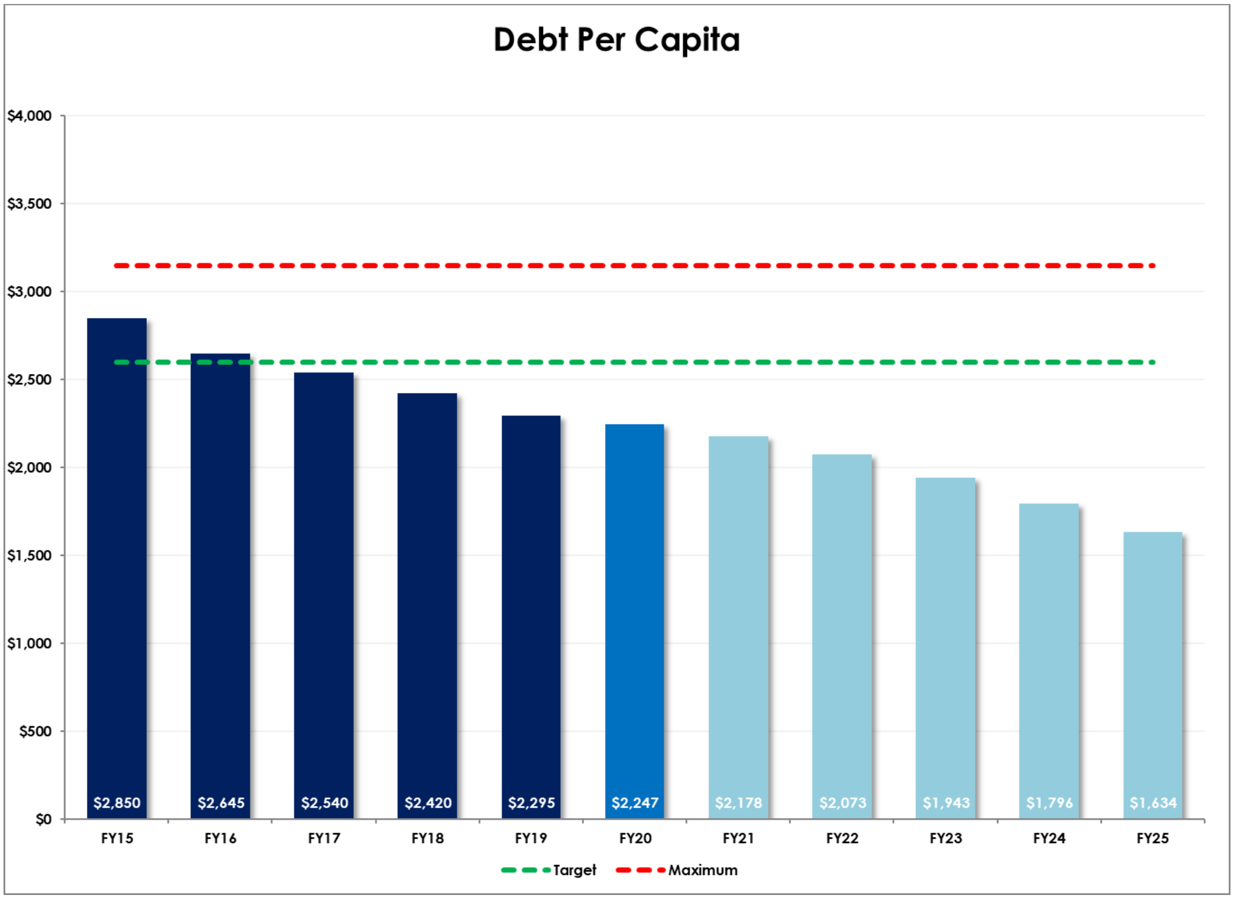
Like the previous measure, the City also looks at FY19 data here since it is difficult to predict what Fund Balance will be at the end of FY20. Unassigned GSD Fund Balance excluding City Council Emergency Reserve for FY19 increased to $187 million, or 15% of GSD revenues. As discussed with the previous 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. 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 FY20, the Ten-Year Principal Pay-down – All City Debt ratio is expected to be 67.82%, 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 FY25, 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 FY20, the Ten-Year Principal Pay-down ratio on GSD Debt is projected to be 56.9%, 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 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 $2,247 as of the end of FY20. This is below the adopted target, and a significant improvement over five years ago when Debt Per Capita was above the target and closer to the established maximum. This continued improvement is a testament to Jacksonville's growing population and the City's disciplined strategy of reducing debt outstanding over time.

Exhibit A
Schedule of Outstanding Debt

CITY OF JACKSONVILLE, FLORIDA
PROJECTED DEBT OUTSTANDING
SEPTEMBER 30, 2020

		PRINCIPAL OUTSTANDING
GOVERNMENTAL ACTIVITIES:		
Revenue Bonds Supported by General Funds:		
Special Revenue Bonds, Taxable Series 2009C-2 (Build America Bonds)		2,970,000
Special Revenue Bonds, Series 2010A		1,920,020
Special Revenue Bonds, Series 2011A		69,430,000
Special Revenue Refunding Bonds, Series 2012C		113,790,000
Special Revenue Refunding Bonds, Series 2012D		4,635,000
Special Revenue Refunding Bonds, Series 2012E		7,865,000
Special Revenue Bonds, Series 2013A		27,175,000
Special Revenue Refunding Bonds, Series 2014		61,401,000
Special Revenue Bonds, Series 2016A		45,800,253
Special Revenue and Refunding Bonds, Series 2017A		10,600,000
Special Revenue Refunding Bonds, Series 2019A		100,334,169
Total Revenue Bonds Supported by General Funds	**$**	**445,920,442**
Special Revenue Bonds Payable from Internal Service Operations:		
Special Revenue Bonds, Taxable Series 2009C-2 (Build America Bonds)		7,915,000
Special Revenue Bonds, Series 2010A		21,574,980
Special Revenue Bonds, Series 2010C-1		4,010,000
Special Revenue Bonds, Series 2011A		20,635,000
Special Revenue Bonds, Series 2013A		22,045,000
Special Revenue Bonds, Taxable Series 2013B		13,785,000
Special Revenue and Refunding Bonds, Series 2014		35,280,000
Special Revenue Bonds, Series 2016A		38,139,747
Special Revenue and Refunding Bonds, Series 2017A		72,480,000
Special Revenue Bonds, Series 2018		64,430,000
Special Revenue Refunding Bonds, Series 2019A		50,960,000
Special Revenue Bonds, Series 2020 (Proposed City New Money)		80,000,000
Special Revenue Bonds, Series 2020 (Proposed Port Dredging Borrowing)		35,000,000
Total Special Revenue Bonds Payable from Internal Service Operations	**$**	**466,254,727**
Notes Payable from Internal Service Operations:		
Amort. Short Term Debt		67,500,000
Total Notes Payable from Internal Service Operations	**$**	**67,500,000**

CITY OF JACKSONVILLE, FLORIDA (Continued)
PROJECTED DEBT OUTSTANDING
SEPTEMBER 30, 2020

		PRINCIPAL OUTSTANDING
Revenue Bonds Supported by BJP Revenues:		
Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2011		31,435,000
Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2012		157,460,000
Transportation Revenue Refunding Bonds, Series 2012A		151,660,000
Transportation Revenue Refunding Bonds, Series 2012B		24,965,000
Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2012A		41,095,000
Transportation Revenue Refunding Bonds, Series 2015		181,815,000
Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2016		62,910,000
Transportation Revenue Refunding Bonds, Series 2018		44,350,000
Total Revenue Bonds Supported by BJP Revenues	**$**	**695,690,000**
Special Revenue Bonds Supported by BJP Revenues:		
Special Revenue Bonds, Series 2009B-1A	$	-
Special Revenue Bonds, Series 2010B		30,840,000
Special Revenue Bonds, Series 2011B		29,600,000
Special Revenue Refunding Bonds, Series 2013C		31,565,000
Special Revenue Refunding Bonds, Series 2016B		58,645,000
Special Revenue Refunding Bonds, Series 2017B		31,455,000
Special Revenue Refunding Bonds, Series 2019B		45,535,000
Total Special Revenue Bonds Supported by BJP Revenues	**$**	**227,640,000**
Notes Payable Supported by BJP Revenues:		
State Infrastructure Bank Loan #1	$	8,689,014
State Infrastructure Bank Loan #2		4,180,725
Total Notes Payable Supported by BJP Revenues	**$**	**12,869,739**
TOTAL GOVERNMENTAL ACTIVITIES	**$**	**1,915,874,908**
BUSINESS-LIKE ACTIVITIES:		
Revenue Bonds Supported by Business-Type Activities:		
Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2012		41,480,000
Better Jacksonville Sales Tax Revenue Refunding Bonds, Series 2012A		73,795,000
Capital Improvement Revenue Refunding Bonds, Series 2012		81,890,000
Special Revenue and Refunding Bonds, Series 2014		1,784,000
Special Revenue and Refunding Bonds, Series 2017A		21,030,000
Amortizing Short Term Debt		14,400,000
Special Revenue Refunding Bonds, Series 2019A		330,831
TOTAL BUSINESS-TYPE ACTIVITIES	**$**	**234,709,831**
TOTAL BONDED INDEBTEDNESS	**$**	**2,150,584,739**

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
/						
/						