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# **Jacksonville, FL 2017 A, B Special Revenue Bonds Rated 'AA-'**

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NEW YORK (S&P Global Ratings) Aug. 8, 2017--S&P Global Ratings has assigned its 'AA-' long-term rating to the city of Jacksonville, Fla.'s series 2017A and 2017B special revenue bonds. At the same time, S&P Global Ratings affirmed its 'AA-' long-term rating on the city's special revenue bonds and 'AA-' long-term rating and underlying rating (SPUR) on the Jacksonville Office of Economic Development's industrial development revenue bonds. Finally, we affirmed our 'AA' issuer credit rating (ICR) on the city.

"The stable outlook on all ratings reflects our view of the city's very strong budgetary flexibility due, in part, to strong management," said S&P Global Ratings credit analyst Hilary Sutton.

A pledge of the city's covenant revenues secures the special revenue bonds and industrial development revenue bonds. The city is also pledging a subordinate lien on its infrastructure sales tax revenues toward debt service payments on the 2017B bonds, however, we rate these bonds based on the covenant revenues, which we view as the stronger pledge.

Covenant revenues represent legally available non-ad valorem revenues deposited to the city's general fund; non-ad valorem revenues are available to pay debt service only after the city covers essential government services and debt service secured by direct pledges of one or more non-ad valorem revenues. The primary sources include sales tax, state revenue sharing, and utilities service taxes. Jacksonville has covenanted to budget and appropriate covenant revenues in an amount sufficient to make all required debt service payments. Covenant revenue totaled \$529.4 million in fiscal 2016, having increased 5% year-over-year and providing 3.7x maximum annual debt service coverage.

The 2017A bond proceeds will refund certain commercial paper (CP) notes issued under the city's CP program, refund a portion of the city's 2010A special revenue bonds, and finance certain capital improvements. Meanwhile, the 2017B bond proceeds will refund a portion of Jacksonville's series 2010B and 2011B special revenue bonds to eliminate the city's exposure to rising interest rates.

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