

**Rating Action: Moody's Assigns Aa3 to Jacksonville, FL's Special Revenue Bonds 2017A&B**

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Global Credit Research - 10 Aug 2017

New York, August 10, 2017 -- Issue: Special Revenue Refunding Bonds, Series 2017B; Rating: Aa3; Rating Type: Underlying LT; Sale Amount: \$32,000,000; Expected Sale Date: 08/22/2017; Rating Description: Non-Ad Valorem Tax Obligation; Issue: Special Revenue and Refunding Bonds, Series 2017A; Rating: Aa3; Rating Type: Underlying LT; Sale Amount: \$115,000,000; Expected Sale Date: 08/22/2017; Rating Description: Non-Ad Valorem Tax Obligation;

Summary Rating Rationale

Moody's Investors Service has assigned an Aa3 rating to the city of Jacksonville, FL's \$115 million Special Revenue and Refunding Bonds, Series 2017A and \$32 million Special Revenue Refunding Bonds, Series 2017B. Concurrently, Moody's maintains the Aa2 issuer rating and the Aa3 rating on the \$1.3 billion of previously issued outstanding special revenue non-ad valorem debt. The outlook is stable.

The assignment of the Aa3 rating on the bonds is based on the non-ad valorem pledge, one notch below the Aa2 Issuer Rating. The Aa2 Issuer Rating reflects the city's high fixed costs, which are elevated by weak pension funding levels. Despite a new pension reform plan, pension payments will continue to constrict the city's financial operations. The rating also reflects the city's rebounding, large and diverse economy, coupled with a strengthened balance sheet position, that both help buoy the rating at the current level. Moody's will closely monitor the city's ability to control rapidly increasing fixed costs.

Rating Outlook: Stable

Assignment of the stable outlook reflects the resurgence of the local economy, our expectation that the city will maintain sound reserve levels and the forthcoming implementation of the new pension reform plan.

Factors that Could Lead to an Upgrade

Improved cash and liquidity position as a result of controlling or reducing fixed costs

Material economic improvement reflected in increased taxable values and declining unemployment

Factors that Could Lead to a Downgrade

Inability to control fixed costs and/or deterioration of reserves and liquidity

Economic malaise or decline

Legal Security

The Special Revenue Refunding bonds are secured by the city's covenant to budget-and-appropriate legally-available non-ad valorem revenues, by amendment if necessary, to repay this obligation, after payment of essential services and bonds having a prior lien on specific non-ad valorem revenues.

Use of Proceeds

Proceeds of the Series 2017A and 2017B bonds will be used to finance various capital improvements and refinance portions of Series 2010A, 2010B and 2011B bonds as well as 2016 CP Notes. The refunding will reduce the city's exposure to rising interest rates as well as provide significant new present value savings with no extension of final maturity.

Obligor Profile

The City of Jacksonville serves as an economic hub to the southeast and is the largest city in Florida (Aa1 stable). The city's population is estimated to be approximately 890,066.

## Methodology

The principal methodology used in this rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2016. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

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