CITY OF JACKSONVILLE

Debt Overview

August 23, 2013

Debt Process

CIP Requested (Internal User) → **CIP Proposed** (Budget Office) → **CIP Authorized** (City Council) → **Funding** (Treasury)

CIP Requested (Internal User)
- Prioritize initiatives
- Define scope
- Determine cost

CIP Proposed (Budget Office)
- Appropriateness
- Scoring Committee
- Determine pay-go
- Evaluate impact on Debt Affordability

CIP Authorized (City Council)
- Reviews; Edits
- Authorizes CIP
- Authorizes funding

Funding (Treasury)
- Minimize cost of borrowing
- Loan to fund internal user's CIP request

The 5-year CIP is used to determine and prioritize funding allocation for capital projects on a yearly basis. Borrowing is necessary where pay-go cannot meet the funding needs. The Debt Affordability study is crucial in determining the amount that is appropriate to borrow.

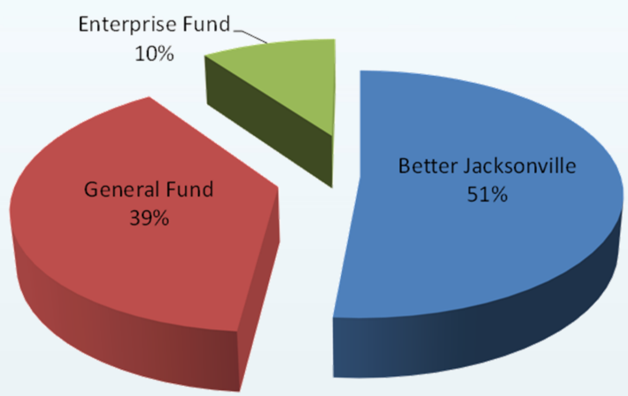
Debt by Repayment Source

Debt Obligation by Source

	Better [1][2]	General Fund [3]		Enterprise Fund		
	Jacksonville	City-wide	Banking Fund	BJP [2]	GF [3]	Total
Revenue Specific Pledge	1,048,577,257	366,926,534	233,550,000	116,644,154	141,030,402	1,906,728,347
Covenant Pledge	292,320,000	388,830,000	-	-	-	681,150,000
Commercial Paper	-	-	19,010,000	-	-	19,010,000
Total	1,340,897,257	755,756,534	252,560,000	116,644,154	141,030,402	2,606,888,347

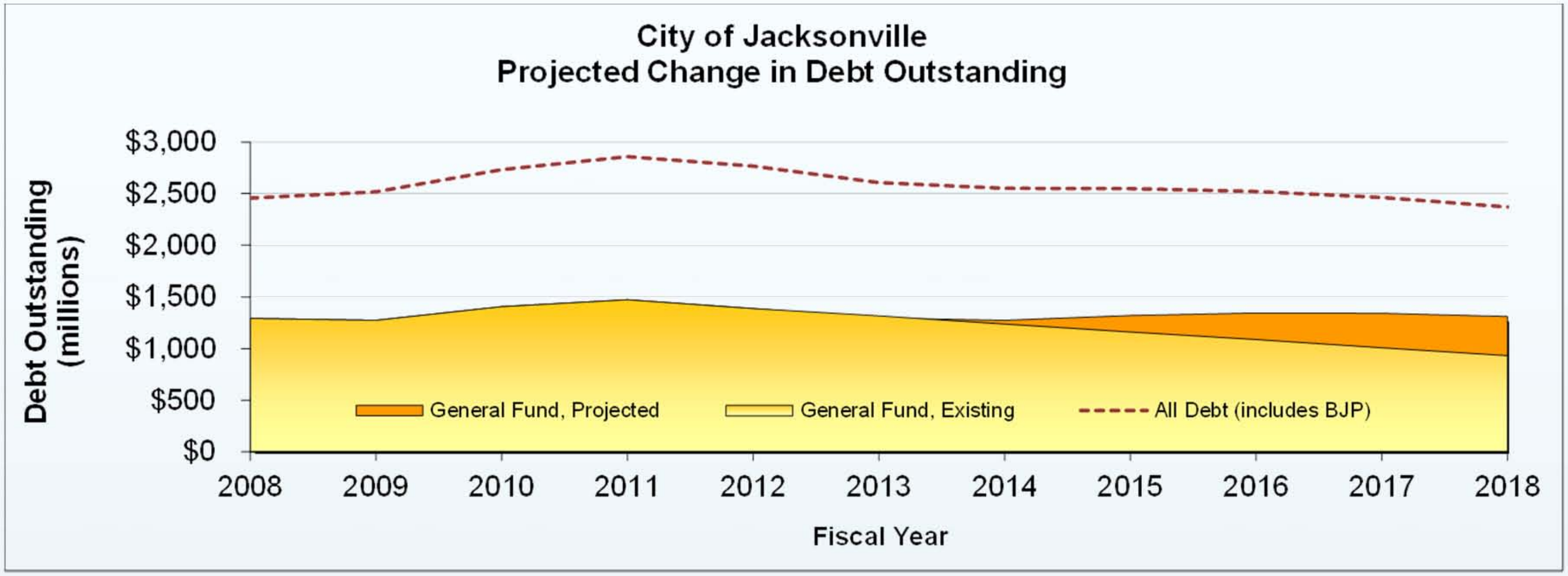
as of July 31, 2013

(1) Inclusive of FDOT State Infrastructure Bank (SIB) loans.
(2) A portion of BJP debt is allocated to the Enterprise Funds. The total BJP debt outstanding is $1,457,541,411.
(3) A portion of General Fund debt is allocated to the Enterprise Funds. The total General Fund debt outstanding is $1,149,346,936.



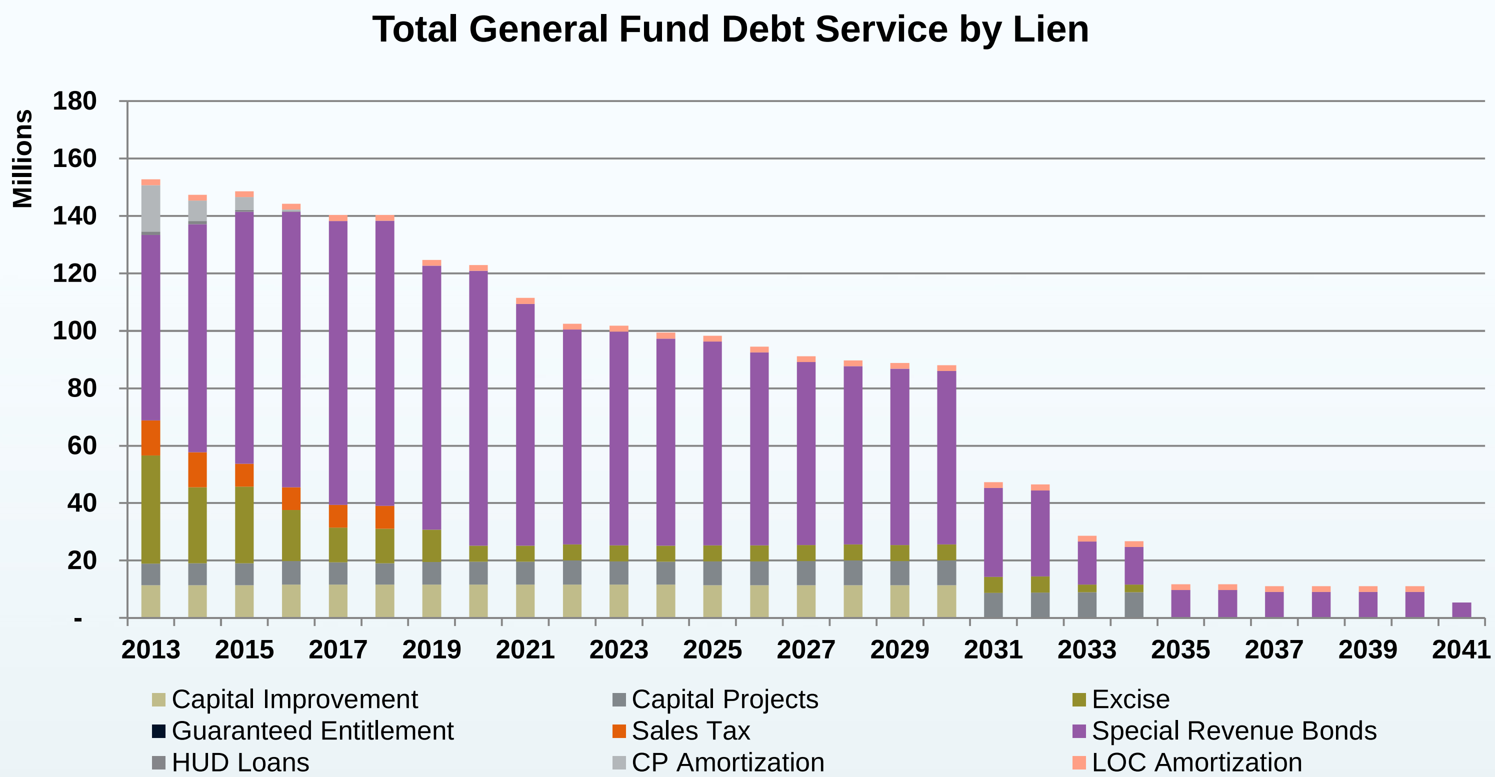
As of July 31, 2013, General Fund debt outstanding is $1.01 billion ($1.15 billion including portion allocated to Enterprise Fund). This amount is consistent with General Fund debt outstanding over the past 15 years.

Changes in Debt Outstanding



General Fund debt (inclusive of Banking Fund and Enterprise) remains steady. Overall debt (inclusive of BJP) is projected to decrease every year throughout 5-year CIP horizon. We are paying off more debt than we are planning to borrow.

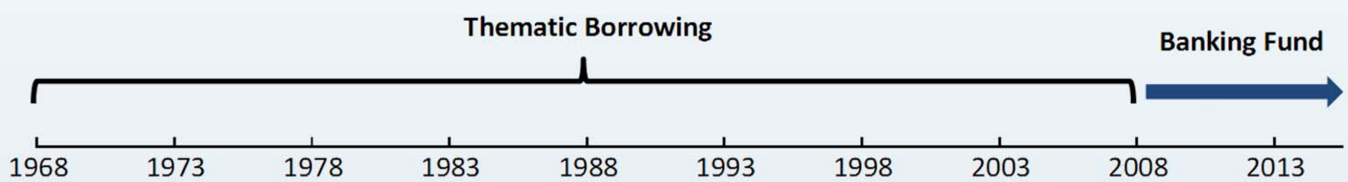
Debt Service by Pledge



Debt payments on existing debt (non-BJP) peak during fiscal years 2016-2018, then tapers off until 2030. Limited amounts of debt payments are currently programmed beyond 2030, providing adequate capacity for future debt issuances.

Banking Fund

- Banking Fund has been the primary funding mechanism for the Capital Improvement Program since FY 2008
- Replaces pledge specific, thematic borrowing
- Advantages:
  - Lower/blended cost of capital
  - Flexible timing
  - Efficient bond sizing
  - Aggregated reserve reduces borrowing size
  - “Re-lending” opportunities
  - Customized loans to internal users



Banking Fund (continued)

2012/2013 Banking Fund Authorized, But Not Yet Funded

	Prior All Years	Intraperiod Adjustments (2)	Prior Reclass of Courthouse to GF (4)	FY 13-14 Authorization	Amended All Years
Projects Authorized	720,445,272	(1,324,087)	(124,500,000)	23,518,928	618,140,113
Removal of Capacity	(113,651,974)	(55,357,133) (3)	124,500,000	(11,755,233)	(56,264,340)
Net Projects Authorized	606,793,298	(56,681,220)	-	11,763,695	561,875,773
Projects Funded	(495,456,408) (1)	(4,020,000)	124,500,000 (1)	-	(374,976,408)
Authorized, but Not Yet Funded	111,336,890	(60,701,220)	124,500,000	11,763,695	186,899,365
Banking Fund Bonds and Notes Issued (5)					372,745,000
Less Bonds and Notes Redeemed (6)					(120,185,000)
Total Banking Fund Bonds and Notes Outstanding					252,560,000

(1) The Prior All Years amount for the Projects Funded is over reported by $76.5 million. During fiscal year 2011, a $76.5 million portion of the Courthouse was appropriated and then deappropriated from the Banking Fund. Each the appropriation and deappropriation was reflected in the 2011/2012 schedule, resulting in a zero ($0) Banking Fund appropriation. However, the associated $76.5 million of Projects Funded was not removed and was therefore over reported. The reclass of the Courthouse from the Banking Fund to the General Fund in footnote (4) will decrease the $76.5 million from Projects Funded and, therefore, increase the Authorized, but Not Yet Funded amount.

(2) This column reflects Banking Fund adjustments made since the prior reporting period.

(3) Includes the removal of the $48 million portion of Courthouse from the Banking Fund to the General Fund.

(4) A $76.5 million portion and a $48 million portion of the Courthouse project was initially appropriated through the Banking Fund, but subsequently reclassed to the General Fund. This column reflects the reclass of the entire $124.5 million of Courthouse related projects from the Banking Fund and the related transactions. The resulting Amended All Years column will reflect the life-to-date activity in the Banking Fund, except for the now General Fund related Courthouse projects.

(5) Banking Fund Bonds and Notes Issued will not match Projects Funded. The amount of bonds or notes issued may be impacted by bond premium or discount, bond insurance, reserve requirements, and cost of issuance.

(6) As of 7/15/2013.

As of July 15, 2013, the proposed (net) authorization for the Banking Fund is $561.9 million, against which $375.0 million of projects have been funded leaving $186.9 million of projects yet to be funded

Debt Management Tools

- Ordinance Code establishes City Council as only entity authorized to approve the issuance of debt.
- Debt Policy
    - Approved by City Council
    - Establishes debt management parameters
    - Establishes Debt Oversight Committee
- Annual Debt Affordability
    - Forecasts financial feasibility of 5-year CIP
    - Debt position measured against standard ratios
    - Establishes targets and comparisons to benchmarks

Effect of Proposed Debt on Performance Measurements

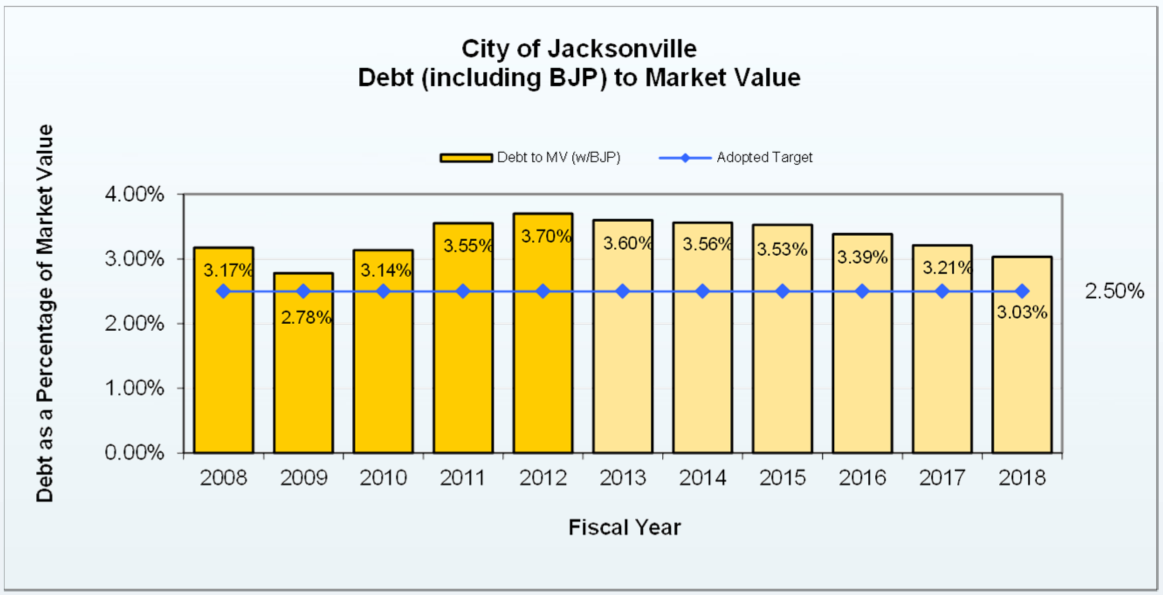
City of Jacksonville, Florida Effect of the New Debt Issuance on Debt Ratios Overall								
			Projected End of Fiscal Year					
	Adopted Target	Maximum	2013	2014	2015	2016	2017	2018
Overall Debt to Estimated Full Value	2.50%	3.50%	**3.60%**	3.56%	3.53%	3.39%	3.21%	3.03%
Debt Service as a % of General Expenditures	11.50%	13.00%	12.36%	11.27%	11.02%	11.38%	11.84%	12.30%
(1) Ten Year Principal Paydown	50%	30% (2)	49.46%	51.31%	52.85%	54.98%	57.82%	60.78%
Overall Debt Per Capita	$2,600	$3,150	$3,001	$2,918	$2,894	$2,834	$2,743	$2,639

(1) Debt Service as a % of General Expenditures excludes BJP debt due to it's self supporting nature.
(2) Minimum

All of the most stressed ratios are in fiscal year 2013. Despite improvement in all ratios thereafter, a waiver to breach the maximum will need to be pursued for the Overall Debt to Estimated Full Value, which is still under pressure due to declining property values.

Debt to Market Value

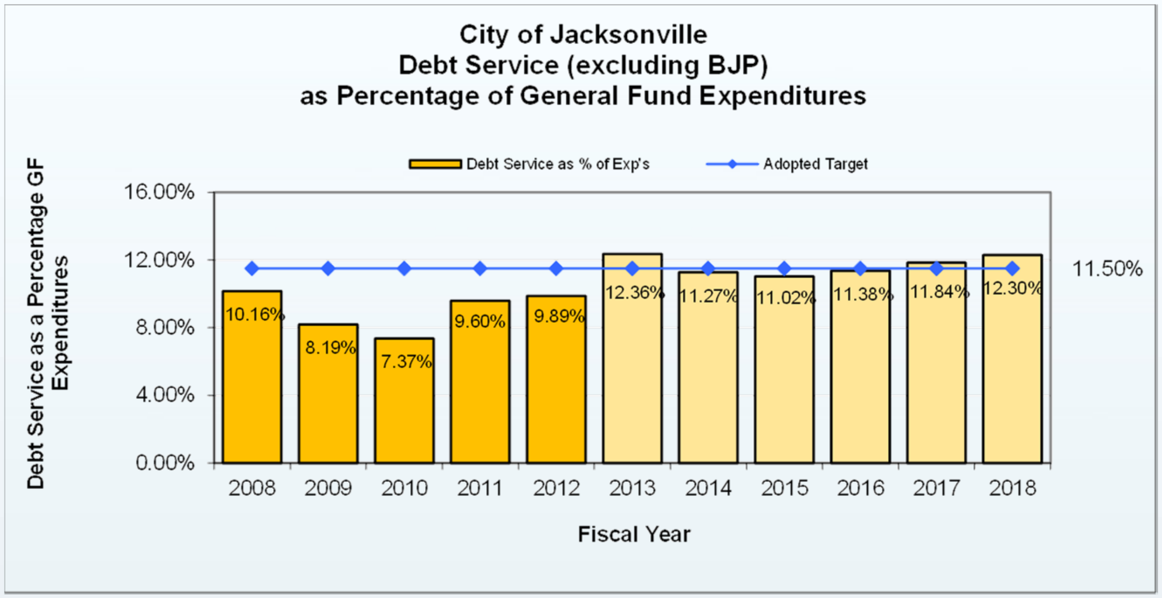
- Defined as overall net debt outstanding, including overlapping debt of other taxing authorities supported by the same taxpayers, divided by the estimated full market value of taxable property.



Expectations for taxable property values have moderated slightly, but are still in decline. Despite expected decreases to debt outstanding, this ratio is expected to breach our adopted maximum of 3.50% until fiscal year 2016.

Debt Service as % of General Expenditures

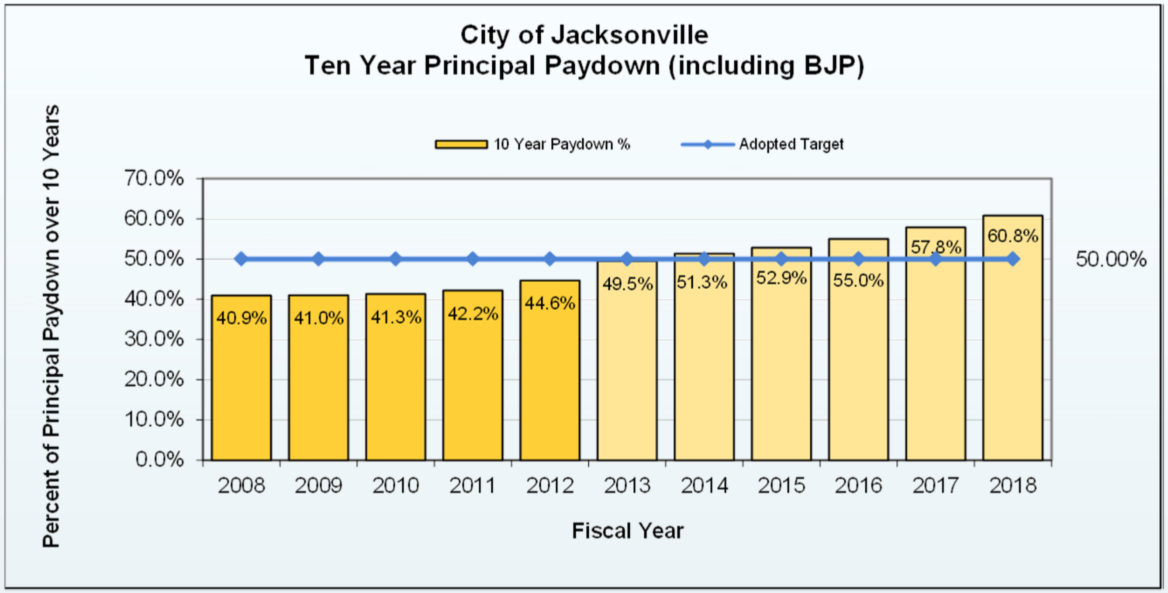
- Defined as general debt service (excluding BJP and Enterprise) divided by total general expenditures (including transfers).



Debt service peaks in fiscal year 2013. Forecasted percentages reflect continued focus on expenditure management and Certified Interest Rates for variable rate debt. While efforts to reduce expenditures are generally viewed favorably, this ratio will naturally rise as expenditures are decreased.

Ten-Year Principal Paydown

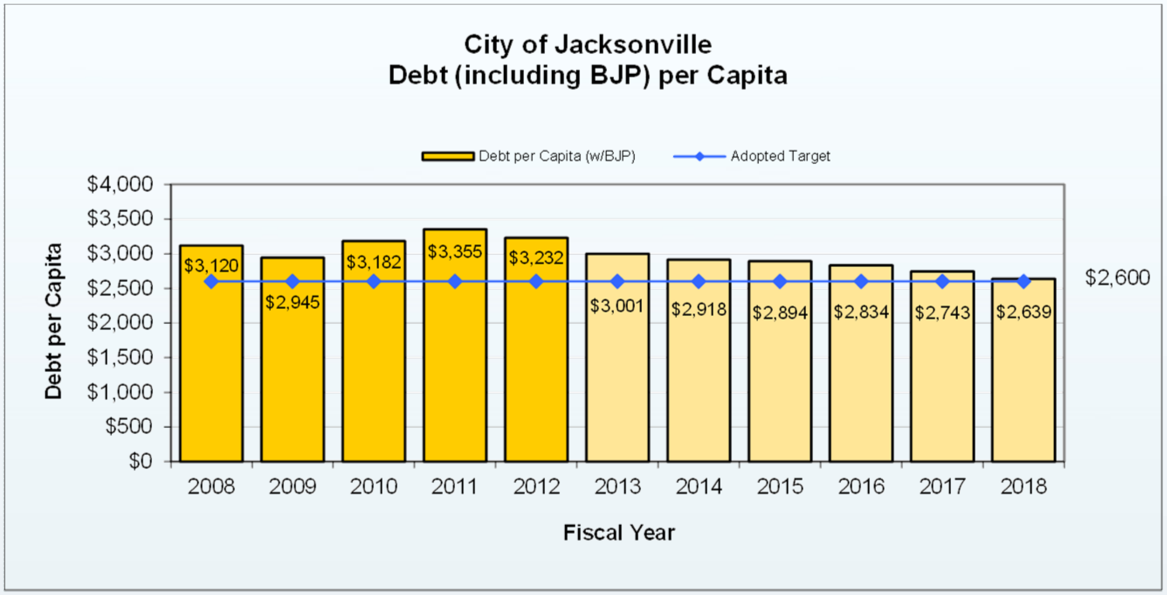
- Defined as total principal repayments scheduled for the next ten years divided by total debt outstanding.



This measure was suppressed during 2009 to 2011 by the addition of the Courthouse debt and BJP bridge funding. This ratio improves materially in 2013 when the principal amortizations begin to escalate on those bond issues and surpasses our target beginning with 2014.

Debt Per Capita

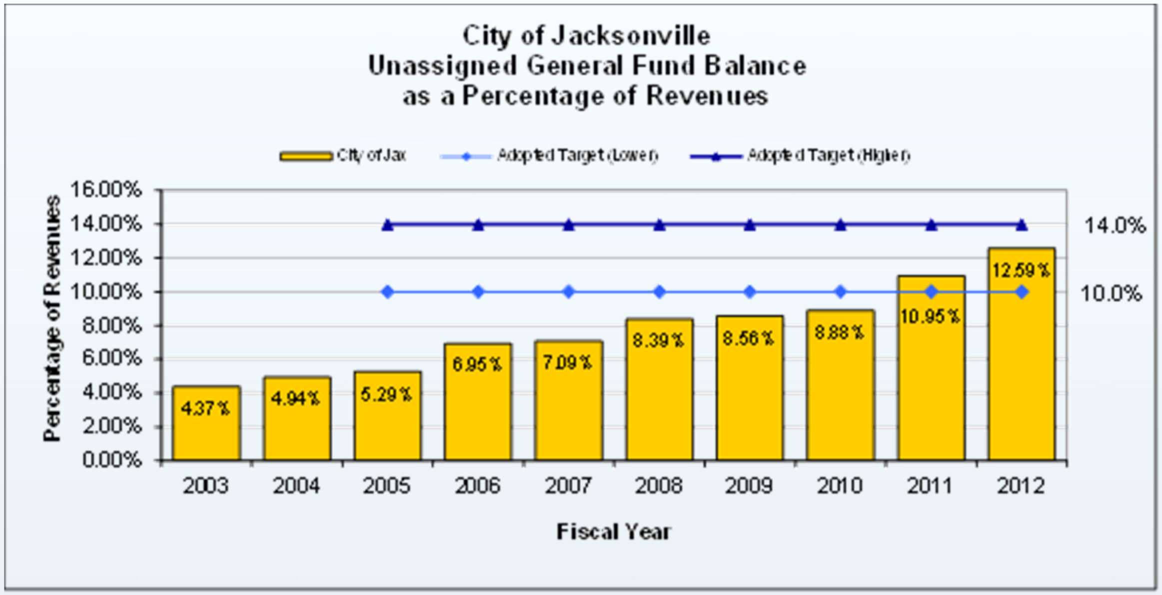
- Defined as the amount of an issuer's debt divided by the most recent population within the boundaries of local government.



This ratio increased during 2009 to 2011 as debt levels increased to fund the Courthouse and BJP bridge funding. The forecasted improvement in this ratio is primarily a result of a decrease to BJP debt levels.

Unreserved General Fund Balance as % of General Fund Revenues

- Defined as unassigned general fund balance, plus city council emergency reserves, divided by total general fund operating revenues.



This ratio is a critical ratings consideration addressing the stability of financial operations. Despite an appreciably increase from 8.88% in 2010 to 12.59% in 2012, continued focus is necessary to move toward reserve levels held by our peers.

Ratings

- Issuer Ratings is currently AA+
- Covenant pledge is currently AA

- Strengths cited:
  - Increasing reserves
  - Improving financial performance
  - Moderate debt position
  - Broad-based economy
  - Proactive management
- Concerns cited:
  - Controlling pension costs
  - Potential for military cuts
  - Lean unassigned reserves

Bond ratings are an important indicator of a city's financial health, as well as an independent confirmation of a city's principals and practices. Strong ratings ensure the city's ability to borrow and to do so at favorable interest rates.