MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aa2 and stable outlook to Jacksonville FL's $70.78M Special Revenue Bonds, Series 2013A&B

Global Credit Research - 12 Jul 2013

Aa2 and stable outlook apply to $566.7M of special revenue bonds, post-sale

New York, July 12, 2013 --

Moody's Rating

Issue: Special Revenue Refunding Bonds, Series 2013A; Rating: Aa2; Sale Amount: $34,175,000; Expected Sale Date: 07-23-2013; Rating Description: Special Tax: Non-Sales/Non-Transportation

Issue: Taxable Special Revenue Refunding Bonds, Series 2013B; Rating: Aa2; Sale Amount: $36,605,000; Expected Sale Date: 07-23-2013; Rating Description: Special Tax: Non-Sales/Non-Transportation

Opinion

Moody's Investors has assigned a Aa2 rating and stable outlook to the City of Jacksonville's $34.175 million Special Revenue Refunding Bonds, Series 2013A and $36.605 million Taxable Special Revenue Refunding Bonds, Series 2013B. Moody's maintains the outstanding Aa1 issuer rating on the City of Jacksonville.

RATINGS RATIONALE

The 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. With this refunding issue, bondholders agree to a change in the definition of the anti-dilution test, to a form more common among Florida issuers. This change will not become effective until over 50% of non-ad valorem bondholders are included.

The assignment of the Aa2 rating and stable outlook reflects the city's large and diverse economy, manageable debt profile and improved financial position, albeit with looming pension pressures which officials are attempting to address. Bond proceeds will refund $60.907 million of outstanding obligations to achieve an estimated $4.5 million net present value savings (7.5% of refunded par) taken over the life of the issues. The refunding is also intended to help simplify the city's debt structure by refunding other securities (excise tax bonds) under the "covenant" pledge. The Series 2013A bonds will refinance: $20.48 million excise tax Series 2005A and $16.48 million excise tax, Series 2006A. The Series 2013B bonds will refinance $23.947 million excise tax, Series 2009A and be used to purchase a municipal building ($14.3 million) from the police and fire pension fund.

STRENGTHS

-Large northeast Florida regional center with broad-based economy

-Improved financial condition

CHALLENGES

-Control increasing fixed costs, especially pensions

-Economic stability and growth, especially in light of potential military cuts

What could make the rating go up:

-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

What could make the rating go down:

-Inability to control fixed costs and/or deterioration in cash and liquidity

-Further economic malaise or decline

The principal methodology used in this rating was General Obligation Bonds Issued by US Local Governments published in April 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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