



City of St. Augustine, Florida

Credit Rating Update

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Credit Rating Overview

- ◆ As part of any public offering of debt, the City applies for credit rating(s)
- ◆ The higher the credit rating, the lower the cost of borrowing
- ◆ Ratings are maintained for the full term of the bonds and are reviewed by the rating agency periodically
- ◆ What is a Credit Rating?
 - Measure of risk to bondholders
 - Reflects issuer's ability & willingness to repay debt on time and in full (who, how, what?)
 - Factors in expected loss and recovery
 - Denotes credit quality by rating level
 - Independent opinion (subjective process)
 - Forward looking projection



Credit Rating Overview

Highest Rating



Below Investment Grade

S&P	Fitch	Moody's
AAA	AAA	Aaa
AA+	AA+	Aa1
AA	AA	Aa2
AA-	AA-	Aa3
A+	A+	A1
A	A	A2
A-	A-	A3
BBB+	BBB+	Baa1
BBB	BBB	Baa2
BBB-	BBB-	Baa3
<i>BB</i>	<i>BB</i>	<i>Ba</i>
<i>B</i>	<i>B</i>	<i>B</i>
<i>C</i>	<i>C</i>	<i>C</i>



General Obligation / Issuer Credit Rating

- ◆ The City's issuer credit rating was last reviewed in November 2017 as part of the issuance of the Capital Improvement Refunding Revenue Bonds, Series 2017
- ◆ S&P Global Ratings ("S&P") upgraded the rating from A+ (stable) to AA- (stable) and Moody's Investors Service ("Moody's") assigned a rating of Aa2
- ◆ S&P rating reflected the following:
 - Strong economy, with access to a broad and diverse metropolitan statistical area
 - Strong management, with good financial policies and practices
 - Strong budget performance, with operating surplus in the general fund
 - Very strong budgetary flexibility, with an available fund balance of 35% of operating expenditures (FY 2016)
 - Very strong liquidity
 - Adequate debt and contingent liability position with low overall net debt



General Obligation / Issuer Credit Rating

- ◆ The Aa2 issuer rating from Moody's reflects the moderately sized tax base benefitting from growth in St. Johns County, a healthy financial position with stable reserve and liquidity levels, and manageable debt and pension burdens
- ◆ Factors that could lead to an upgrade:
 - Substantial economic improvement leading to increased property tax and other major revenues
 - Improved wealth levels and socioeconomic profile
 - Significant strengthening of financial reserves and liquidity
- ◆ Factors that could lead to a downgrade:
 - Erosion of reserves, liquidity and flexibility
 - Inability to manage budgetary structural balance
 - Material declines in tax base that limit revenue raising abilities



Water and Sewer Credit Rating

- ◆ Moody's recently undertook routine surveillance on the City's water and sewer credit rating (December 2018)
- ◆ The result of that process was an upgrade of the rating from A1 to Aa3
- ◆ The upgrade reflects strong and improved debt service coverage, satisfactory liquidity, adequate legal provisions, small but growing size of the system and very low debt burden. Moody's also noted the coastal location with hurricane risk as a credit challenge.
- ◆ Factors that could lead to an upgrade:
 - Trend of improving and strong debt service coverage
 - Strengthening liquidity levels
 - Further reduction in the system's debt level
- ◆ Factors that could lead to a downgrade:
 - Significant declines in debt service coverage or liquidity