

CREDIT OPINION

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New Issue
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JEA, FL Water and Sewer Enterprise

New Issue - Moody's assigns Aa2 to JEA, FL's \$372.115M Water & Sewer Revenue 2017 Bonds

Summary Rating Rationale

Moody's Investors Service assigns Aa2 rating to JEA's (FL) \$316.765 million Water and Sewer System Revenue Bonds, 2017 Series A and \$55.35 million Water and Sewer System Subordinated Revenue Bonds, 2017 Series A. Moody's maintains the Aa2 ratings and stable outlooks on \$1.34 billion senior lien bonds and \$263.4 million subordinated bonds.

The Aa2 senior and subordinate lien ratings reflect the credit strengths of JEA's water and sewer system, which include the utility's sizable and diverse service area that also contains acquired systems outside Jacksonville (Aa2 stable); good financial operations characterized by healthy total debt service coverage; competitive rates and sound liquidity; and a manageable capital program. The long-term planning of JEA officials is also a key credit aspect of the system.

Further, the Aa2 rating on the subordinated water and sewer bonds recognizes the moderate amount of subordinated debt (16.4% of total water and sewer indebtedness) in relation to the significant amount of senior lien debt, the maintenance of debt service reserves (on fixed rate bonds), and the healthy coverage afforded subordinate bonds, which mitigate the legal distinctions related to the sum-sufficient rate covenant and additional bonds test.

