



Rating Action: Moody's assigns Aa2 ratings to NYC GO Fiscal 2024 Series B, Subseries B-1 and B-2; outlook stable

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New York, September 22, 2023 -- Moody's Investors Service has assigned Aa2 ratings to the City of New York's \$700 million General Obligation Bonds, Fiscal 2024 Series B, Taxable Social Bonds, Subseries B-1 and \$235 million General Obligation Bonds, Fiscal 2024 Series B, Taxable Bonds, Subseries B-2. The bonds are scheduled to price October 3 and 4. The outlook is stable.

RATINGS RATIONALE

The Aa2 general obligation rating, the same as New York City's issuer rating, reflects the city's competitive advantages which include a young and highly skilled labor pool, access to higher education and medical centers, normally strong domestic and international transportation links and low crime rates relative to other large cities. The rating also reflects the city's strong institutional budgetary and financial management and the breadth and diversity of its revenue base. New York City's financing responsibilities are broader than most local governments, since it is a city, five counties and the nation's largest school district and its debt burden is above-average because of this operational scope. Despite those responsibilities, the city's fixed costs for debt service, pensions and retiree healthcare are below the median for the largest local governments and in the bottom five among the nation's largest cities.

RATING OUTLOOK

The stable outlook reflects the strength of the city's overall financial position, including the substantial budget flexibility provided by generally conservative revenue forecasts and growing budget reserves offset by expiring federal pandemic aid. It also reflects the risk that the State of New York (Aa1 stable) will continue to push some costs down to the city over the next several years. The longer-term credit impact of hybrid work remains uncertain, especially regarding the values of office properties and the potential impact on property taxes. A strong institutional framework, including multiyear phase-ins of changes in commercial property assessed values and very strong budget practices, provide the city ample time to adjust if necessary. Future year budgets are growing as the city grapples with the migrant crisis and will need to be balanced amid forecasted slower tax revenue growth, persistent inflation, higher public employee wages as labor contracts are settled, and the need to keep pace with large pension and retiree healthcare liabilities.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Continued recovery of city economy combined with ongoing structurally-balanced budgets
- Stronger reserves, at levels similar to higher-rated peers
- Reduction of debt burden or further reduction in fixed costs

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Divergence from well-established fiscal practices and strong budgetary management
- Emergence of significant liquidity strain, especially that results in the need for large cash-flow borrowing

- Economic events such as sustained declines in equity prices, or trends that create significant structural budget imbalances

LEGAL SECURITY

The general obligation bonds are full faith and credit obligations of the city, secured by a real property tax levied without limitation as to rate or amount. All of the city's property tax is deposited into the general debt service fund, which is administered and maintained by the state comptroller.

The state also statutorily covenants not to impair the rights of city bondholders to be paid when due. In our opinion, those features do not create a statutory lien on the property tax in favor of general obligation bondholders, but are strengths in the payment mechanism that are not found in most local government general obligation bonds.

USE OF PROCEEDS

The Subseries B-1 bonds will be issued as social bonds. Proceeds will be used to reimburse the city for capital investments in a variety of affordable housing programs, including the Extremely Low and Low-Income Affordability Program; the Supportive Housing Loan Program; and the Senior Affordable Rental Apartments Program. Proceeds of the Subseries B-2 bonds will be used for general city capital purposes.

PROFILE

New York City, the largest city in the United States has an estimated population of 8.3 million people and above average wealth levels: personal income per capita is 130% of the US level. The size and scope of the city's operations are broader than most local governments: in addition to the city government, New York City is five counties and the nation's largest public school system, with approximately 1 million students. New York City's GDP is larger than all but four states.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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