

### Summary:

## New York City Sales Tax Asset Receivable Corp.; Sales Tax

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Credit Profile		
New York City Sales Tax Asset Receivable Corp sales tax asset rev bnds fiscal 2005 ser A dtd 11/04/2004 due 02/15/2016-2027 2029 2032-2033		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New York City Sales Tax Asset Receivable Corp sales tax (wrap of insured) (AMBAC & AGM) (SEC MKT)		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
<b>New York City sales tax</b>		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
<b>New York City Sales Tax Asset Receivable Corp sales tax</b>		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
<b>New York City Sales Tax Asset Receivable Corp sales tax asset rev</b>		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

## Rationale

Standard & Poor's Ratings Services affirmed its 'AAA' underlying rating (SPUR), with a stable outlook, on New York City Sales Tax Asset Receivable Corp.'s (STAR Corp.) sales tax asset revenue bonds. The bonds are secured by \$170 million annually dedicated from a statewide 1% sales tax, subordinate to bonds issued by the New York State Local Government Assistance Corp. (LGAC).

The SPUR reflects what we view as:

- A diverse statewide economic base supporting the pledged tax;
- Very strong debt service coverage levels; and
- No authorization for any other prior or parity debt or payment obligations.

The state public authorities law was amended in May 2003 to include a provision for the certification and transfer of \$170 million from funds flowing to LGAC, which receives a 1% statewide sales tax, to New York City, which in turn was authorized to assign all or any portion of the \$170 million to any not-for-profit corporation for the benefit of bondholders. The \$170 million payment to STAR Corp. is made after payment of senior and subordinate LGAC (senior and subordinate sales tax bond rating 'AAA') bond debt service, including payments to LGAC swap providers or LGAC liquidity support providers.

By its terms, the public authorities law, as amended, provides that the \$170 million payment to New York City be included in the annual certification by LGAC to the New York State comptroller and the governor. Under the LGAC legislation, the amounts transferred to LGAC are subject to state appropriation. After the appropriation of pledged revenues is made to LGAC and STAR Corp., the remaining amounts flow to New York State's general

fund. Failure of the state to make appropriations will restrict use of designated sales tax receipts within the sales tax fund; thus, the impoundment provision of the LGAC legislation creates a strong incentive for the state to appropriate for debt service and expenses. The public authorities law, as amended, provides that the \$170 million payment is not considered LGAC debt service, but is a required payment under statute. If there are insufficient funds available from the 1% sales tax, the comptroller is authorized to make payments from general fund resources without further appropriation.

The pledged 1% statewide LGAC sales tax generated \$2.47 billion in the state fiscal year ended March 31, 2010, representing a 3.9% decrease from the previous year, following a 3.0% decline in fiscal 2009, and a 5.3% increase in fiscal 2008.

STAR Corp. maximum annual debt service is structured to be slightly less than the \$170 million annual payment. LGAC senior and subordinate lien before maximum annual debt service is approximately \$386 million, assuming a 6% interest rate on LGAC variable-rate debt. Combined LGAC and STAR Corp. maximum annual debt service was covered by what we view as a very strong 4.4x by fiscal 2010 pledged 1% sales tax revenues. The prior lien LGAC bonds have a closed lien--no additional prior lien debt may be sold except for refunding bonds.

## Outlook

The stable outlook is based on what Standard & Poor's considers the strength of the bond structure supporting the bonds, a substantial revenue base supporting the debt, and very strong debt service coverage.

## Related Criteria And Research

USPF Criteria: Special Tax Bonds, June 13, 2007

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