STANDARD & POOR'S RATINGS SERVICES

RatingsDirect®

Summary:

New York City Transitional Finance Authority; General Obligation; Joint Criteria; Liquidity Facility; Miscellaneous Tax

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Credit Profile		
US$307.545 mil future tax sec tax ex sub bnds ser 2013 D due 11/01/2032		
Long Term Rating	AAA/Stable	New
US$217.285 mil future tax sec tax-ex sub bnds ser 2013 E due 11/01/2027		
Long Term Rating	AAA/Stable	New
US$130.0 mil future tax sec taxable sub bnds ser 2013 C-3 due 11/01/2024		
Long Term Rating	AAA/Stable	New
US$100.0 mil future tax sec sub bnds (Qualified School Construction Bnds) ser 2013 C-2 due 11/01/2035		
Long Term Rating	AAA/Stable	New
US$100.0 mil future tax sec sub bnds ser 2013 C-1 due 11/01/2027		
Long Term Rating	AAA/Stable	New
New York City Transitional Fin Auth Future Tax Secured (adj Rate)		
Long Term Rating	AAA/NR/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating and stable outlook to New York City Transitional Finance Authority's (TFA) fiscal 2013 series C subseries C-1, C-2, and C-3 future tax-secured subordinate-lien bonds; fiscal 2013 series D future tax-secured subordinate-lien bonds; and fiscal 2013 series E future tax-secured subordinate-lien bonds.

Standard & Poor's also affirmed its 'AAA' long-term rating and underlying rating (SPUR), with a stable outlook, on the authority's existing future tax-secured debt, including senior- and subordinate-lien bonds and recovery obligation bonds.

We understand the authority plans to convert $32.6 million of its fiscal 1999 series A subseries A-1 future tax-secured bonds into a fixed-rate mode on Dec. 4, 2012. We expect to assign an 'AAA' rating and stable outlook to the bonds upon conversion.

The rating reflects our opinion of:

- A strong bond structure that separates the revenue stream supporting the bonds from New York City and New York State;
- The city's substantial and diverse economy that supports pledged revenue with a resident population base of more than eight million that has steadily expanded -- The city continues its role as a major global center for finance,

commerce, tourism, and retail activity; it is one of the nation's leading employment centers;
- The sales and income tax revenue that supports the bonds' resilient nature -- Although this revenue stream is susceptible to economic slowdowns, it has generally, as evidenced by recent decreases, been quick to recover; the city has adjusted its rates over time, further insulating pledged revenue; and
- The authority's cash flows and coverage, which are strong and more than sufficient to make timely interest and principal payments under severe stress requirements.

We understand the authority intends to use bond proceeds to finance various capital improvements. We also understand the authority intends to issue the fiscal 2013 subseries C-2 bonds as taxable Qualified School Construction Bonds (QSCBs) pursuant to the Hiring Incentives to Restore Employment Act of 2010 and that it will receive a direct subsidy payment from the U.S. Treasury. The authority has not pledged the subsidy payment as security for the bonds. In addition, it is our understanding the authority will make sufficient annual sinking fund payments, coupled with sinking fund investment earnings, to pay maturing principal on the subseries C-2 bonds on Nov. 1, 2035.

Personal income tax (PIT) and sales tax revenue secures the bonds. Pursuant to the enabling legislation, sales tax revenue is available to pay debt service on the bonds if the city projects the PIT will be insufficient to provide 150% of maximum annual debt service (MADS) on the parity bonds. In 2009, the New York State Legislature authorized $13.5 billion of future tax-secured bonds for the TFA, excluding recovery obligations.

The legislature also authorized the issuance of additional future tax-secured bonds subject to the city's debt limitation, coupled with its general obligation (GO) bonds. We understand New York City intends to continue to alternate the issuance of GO bonds and future tax-secured bonds. As of Sept. 20, 2012, the city and authority's debt-incurring capacity was $23.3 billion. We believe the TFA could issue additional debt while maintaining, what we consider, strong debt service coverage (DSC).

The bond indenture includes an agreement that provides that senior-lien debt cannot exceed $12 billion in principal and that senior-lien debt is subject to a maximum quarterly senior-lien debt service payment that cannot exceed $330 million. Subordinate-lien debt is not subject to the quarterly DSC requirement under the terms of the indenture for senior-lien bonds. Subordinate-lien debt must still comply with, what we regard as, the conservative and more-traditional additional bonds test with DSC calculated annually, requiring 3x DSC. We rate the senior- and subordinate-lien bonds the same because of the strength of the bond structure established to pay debt service for senior- and subordinate-lien bonds and because of what we view as the high DSC on all TFA bonds.

TFA's statutory revenue consists of PIT and sales tax revenue. Both tax sources supporting the TFA bonds and notes have been cyclical during recessions. The PIT is the primary statutory revenue source: It accounted for 58% of pledged revenue in fiscal 2012. After decreasing by 24.7% to $6.7 billion in fiscal 2009, PIT revenue rebounded in fiscal years 2010 and 2011 because of economic recovery. PIT revenue increased by $659 million to a total of $7.6 billion in fiscal 2011 and by another $368 million to a total of roughly $8 billion in fiscal 2012. Although revenue projections have moderated somewhat because of lagging compensation in the financial services industry in 2011, officials still expect steady growth in this revenue stream to $8.5 billion in fiscal 2013, $8.6 billion in fiscal 2014, $9.2 billion in fiscal 2015, and $9.5 billion in fiscal 2016.

The sales tax is the other leading revenue source: It accounted for approximately $5.8 billion in fiscal 2012, a $254 million increase over fiscal 2011 results. Projections have sales tax revenue increasing to $6.1 billion in fiscal 2013, $6.4 billion in fiscal 2014, $6.6 billion in fiscal 2015, and $6.9 billion in fiscal 2016. The projected growth partially stems from a recovering economy and the city's strong tourism sector; the balance is due to an increase in the sales tax rate to 4.5% from 4%, the repeal of the exemption for clothing and footwear costing $110 or more, and the extension of the sales tax to electricity and natural gas transmission.

Despite decreases during the recession, revenue performance and MADS coverage have been, in our opinion, strong. Since fiscal 2002, MADS coverage -- based on MADS of $1.32 billion on future tax-secured bonds -- has ranged from 4.1x-7.2x. Combined revenue of $13.2 billion in fiscal 2011 covered MADS on all senior- and subordinate-lien bonds and recovery bonds by, in our view, a strong 7x on a pro forma basis; this assumed floating-rate bonds will bear interest at the maximum rate. We also considered actual fiscal 2011 DSC a strong 12.4x. In fiscal 2012, revenue increased to $13.8 billion with coverage at about 9.2x, which we still consider very strong. With additional planned debt issuance, city officials are projecting DSC to decrease slightly but remain, what we view as, a strong 6.63x in fiscal 2016. Historical coverage calculations assume the maximum rate on variable-rate debt. Projected coverage does not include the federal subsidy for Build America Bonds and QSCBs; projections, however, assume a 5% interest rate on tax-exempt variable-rate debt, a 7% rate on taxable variable-rate debt, and a 6% rate on all planned bond issuances through 2016.

The authority has approximately $21.1 billion of future tax-supported debt, consisting of $2.7 billion of senior-lien bonds and $18.5 billion of subordinate-lien debt, including $1.3 billion of recovery bonds. It has $1.2 billion of senior-lien variable-rate debt and $2.4 billion of subordinate-lien variable-rate debt. Based on the city's current finance plan, the TFA intends to issue $3.4 billion in fiscal 2013, $2.9 billion in fiscal 2014, $2.6 billion in fiscal 2015, and $2.3 billion in fiscal 2016.

(For additional information on the authority, please see the article, published Aug. 3, 2012, on RatingsDirect on the Global Credit Portal.)

Outlook

The stable outlook reflects Standard & Poor's opinion of the strong protections afforded bondholders from statutory revenue -- both PIT and sales tax revenue -- and the required flow of these funds by statute, as well as the indenture to pay debt service during the bonds' life. We believe DSC will likely remain, in our view, strong despite additional planned debt issuance. Furthermore, we believe the city's substantial and diverse economy will likely continue to support pledged revenue growth. Due to these factors, we do not expect to change the rating during the outlook's two-year period.

Related Criteria And Research

USPF Criteria: Special Tax Bonds, June 13, 2007

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Ratings Detail (As Of November 14, 2012)		
New York City Transitional Fin Auth adj rate bnds ser 2010 F		
Long Term Rating	AAA/A-1	Affirmed
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth adj rate fiscal 2003 ser 3 subseries 3G		
Long Term Rating	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth adj rate recov bnds fiscal 2003 ser 3 subser 3		
Long Term Rating	AAA/NR/Stable	Affirmed
New York City Transitional Fin Auth adj rate recov bnds fiscal 2003 ser 3 subser 3C		
Long Term Rating	AAA/A-2/Watch Neg	On CreditWatch Negative
New York City Transitional Fin Auth adj rate recov bnds fiscal 2003 ser 3 subser 3D		
Long Term Rating	AAA/A-2/Watch Neg	On CreditWatch Negative
New York City Transitional Fin Auth future tax		
Long Term Rating	AAA/Stable	Affirmed
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth future tax secd bnds fiscal 1998 ser C		
Long Term Rating	AAA/A-1	Affirmed
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth future tax secd bnds fiscal 1998 ser C		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth future tax secd rfdg bnds		
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd subordinate bnds fiscal 2012 ser E-1 due 02/01/2034		
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd subordinate bnds fiscal 2012 ser F ser 2012 F-1 due 05/01/2033		
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secrd VRDO ser 2003A-2 & 2003A-3 dtd 07/02/2002 RMKT dtd 11/01/2011 due 11/01/2029		
Long Term Rating	AAA/A-1	Affirmed
New York City Transitional Fin Auth future tax secrd VRDO ser 2003A-2 & 2003A-3 dtd 07/02/2002 RMKT dtd 11/01/2011 due 11/01/2029		
Long Term Rating	AAA/A-1	Affirmed
New York City Transitional Fin Auth future tax secured bnds fiscal 2010 subseries G-5 subord bnds		
Long Term Rating	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth future tax secured bnds (adj rate bnds)		
Long Term Rating	AAA/A-2/Watch Neg	On CreditWatch Negative
New York City Transitional Fin Auth future tax secured VRDB 19th ser resol		
Long Term Rating	AAA/NR/Stable	Affirmed
New York City Transitional Fin Auth future tax VRDB s		
Long Term Rating	AAA/NR/Stable	Affirmed
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Ratings Detail (As Of November 14, 2012) (cont.)		
New York City Transitional Fin Auth future tax VRDB scd		
Long Term Rating	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth future tax VRDB secd bnds fiscal 2001 ser C tax exempt adj rate bnds		
Long Term Rating	AAA/NR/Stable	Affirmed
New York City Transitional Fin Auth future tax VRDB secd bnds fiscal 2003 ser C sub-ser C2 C4		
Long Term Rating	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth future tax VRDB secd bnds fiscal 2003 ser C sub-ser C5		
Long Term Rating	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth future tax (AGM) (SEC MKT)		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth recov bnds		
Long Term Rating	AAA/NR/Stable	Affirmed
New York City Transitional Fin Auth recov bnds fiscal 2003 ser 3 subser 3B1		
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth recov bnds ser subser 1A		
Long Term Rating	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth recov bnds ser subser 2A		
Long Term Rating	AAA/A-2/Watch Neg	On CreditWatch Negative
New York City Transitional Fin Auth recov bnds ser subser 2B		
Long Term Rating	AAA/A-2/Watch Neg	On CreditWatch Negative
New York City Transitional Fin Auth recov bnds ser subser 2C & 2D		
Long Term Rating	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth recov bnds ser subser 2E		
Long Term Rating	AAA/A-2/Watch Neg	On CreditWatch Negative
New York City Transitional Fin Auth recov VRDB ser subser 2F		
Long Term Rating	AAA/NR/Stable	Affirmed
New York City Transitional Fin Auth taxable subord bnds fiscal 2013 subser ser A-3 due 08/01/2024		
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth taxable subord bnds fiscal 2013 subser (Qualified Sch Const Bnds) ser A-2		
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth tax secured (MBIA) (National)		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth tax-ex subord bnds fiscal 2013 ser A-1 due 08/01/2026		
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth Future Tax Secured (liq)		
Long Term Rating	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth Fut Tax Sec Bnds		
Long Term Rating	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth New York City recovery bnds fiscal 2003 ser A ser subser 1-E		
Long Term Rating	AAA/NR/Stable	Affirmed

Ratings Detail (As Of November 14, 2012) (cont.)		
New York City Transitional Fin Auth New York City recov bnds fiscal 2003 ser A ser subser 1-C		
Long Term Rating	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth VRDB fiscal 2003 ser A 1-D		
Long Term Rating	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth VRDO ser 2003A-4		
Long Term Rating	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth future tax secd bnds		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax VRDB		
Long Term Rating	AAA/A-2/Watch Neg	On CreditWatch Negative
New York City Transitional Fin Auth Future Tax		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth Future Tax Secured		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth GO		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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