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Summary:

New York City Transitional Finance Authority; Joint Criteria; Miscellaneous Tax

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Credit Profile		
US$650.0 mil future tax secured subord bnds (Tax-exempt Bnds) ser 2015E-1 due 02/01/2042		
Long Term Rating	AAA/Stable	New
US$200.0 mil future tax secured subord bnds (Taxable Bnds) ser 2015E-2 due 02/01/2029		
Long Term Rating	AAA/Stable	New

Rationale

Standard & Poor's Ratings Services has assigned its 'AAA' long-term rating, and stable outlook, to New York City Transitional Finance Authority's (TFA) fiscal 2015 tax-exempt subseries E-1 and taxable subseries E-2 future tax-secured subordinate bonds. Standard & Poor's also affirmed its 'AAA' long-term rating, with a stable outlook, on the authority's existing future tax-secured debt, including senior- and subordinate-lien bonds and recovery obligation bonds.

The rating reflects our opinion of:

- A strong legal 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 8 million that has steadily expanded. New York City is the nation's leading employment center and continues in its role as a major global center for finance, commerce, tourism, and retail activity;
- The resilient nature of the sales and income tax revenue supporting the bonds. Although this revenue stream is susceptible to economic slowdowns, generally, as evidenced by the Great Recession, it has been quick to recover;
- The authority's cash flows and coverage, which are strong and more than sufficient to make timely interest and principal payments under stress scenarios; and
- Strong bond provisions, including what we consider a conservative additional bonds test.

The bonds are secured by a subordinate lien on tax revenues of the authority and certain accounts held by the trustee. The authority is issuing the fiscal 2015 subseries E-1 to finance general city capital expenditures and subseries E-2 for other discrete capital purposes. Concurrent with the issue of the subseries E-1 and E-2 fixed rate bonds, the authority plans to issue fiscal 2015 subseries E-3 and E-4 adjustable rate bonds in an aggregate principal amount of $180 million.

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 outstanding bonds (it currently provides nearly 4x MADS coverage based on the current and outstanding issues).

The bond indenture includes an agreement that provides that senior-lien debt cannot exceed $12 billion in principal and that it 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 debt service coverage (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, requiring 3x DSC, with DSC calculated annually. 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.

The PIT and sales tax revenue supporting TFA's bonds and notes is sensitive to economic cycles. The PIT is the primary statutory revenue source: It accounted for 60% of pledged revenue in fiscal 2014 (the most recently audited fiscal year). After decreasing by 24% to $6.69 billion in fiscal 2009, PIT revenue began to recover in fiscal 2010, and exceeded its pre-recession peak by fiscal 2013. Fiscal 2013 collections grew a further 15.4% to $9.23 billion, boosted by the continuing economic recovery and an increase in the federal capital gains rate, which caused city taxpayers to spin up capital gains tax payments to 2013 from 2014. Despite the spin-up, cash basis collections still grew 3.4%, to $9.54 billion, in fiscal 2014, and growth is expected to continue, along with the economic recovery, throughout the forecast period. Officials project cash basis collections of $9.86 billion in fiscal 2015, $10.12 billion in 2016, $10.35 billion in 2017, $10.64 billion in 2018, and $10.95 billion in 2019 for projected aggregate growth of 15% during the forecast period.

Sales tax is the other leading TFA revenue source: It accounted for approximately 40%, or $6.46 billion of pledged revenue in fiscal 2014, a 5.2% increase from fiscal 2013. Collections are expected to grow throughout the plan period, increasing to $6.81 billion in fiscal 2015, $7.1 billion in fiscal 2016, $7.35 billion in fiscal 2017, $7.65 billion in fiscal 2018, and $7.92 billion in fiscal 2019 for aggregate growth of 23% over the forecast period. The sales tax is levied on a variety of economic activities including retail, services, utilities, manufacturing, and other sales (including construction, wholesale trade, arts, entertainment, and recreation).

Despite decreases during the recession, MADS coverage has remained strong, in our opinion. Fiscal 2014 actual pledged revenue collections of $16 billion provide what we consider very strong 6.4x MADS coverage on all current and existing senior and subordinate bond series, assuming a stress scenario with variable-rate bonds bearing interest at the maximum bond rate, and 6.85x at budgeted rates. Based on actual interest rates paid, fiscal 2014 pledged revenues provided annual DSC of 9.7x. Fiscal 2015 projections show combined pledged revenues increasing 4.2% to $16.67 billion, which would provide annual DSC of 8.1x, and MADS coverage of 6.7x based on the maximum rate on variable-rate bonds and 7.14x at the 5% assumed adjustable rate, respectively -- levels that we consider very strong. Given that pledged revenue is locally derived and has shown resiliency throughout economic cycles, we believe that there is limited funding interdependency with the federal government that would constrain the rating.

Based on the city's current financial plan, TFA expects to issue $2.7 billion in fiscal 2015 (including bonds issued to date), $2.5 billion in fiscal 2016, $3.0 billion in fiscal 2017, $3.1 billion in 2018, and $3.1 billion in 2019. In 2009, the New York State Legislature authorized the TFA to have outstanding $13.5 billion of future tax-secured bonds, excluding recovery obligations. The legislature also authorized the issuance of additional future tax-secured bonds provided that the city's total indebtedness does not exceed its statutory debt limit. We understand New York City intends to continue to alternate the issuance of general obligation bonds and future tax-secured bonds. As of Dec. 31, 2014, the city and authority's debt-incurring capacity was $24.4 billion. We believe the TFA could issue additional debt while maintaining what we consider very strong DSC.

With additional debt issuance planned, city officials are projecting DSC to decrease during the forecast period but to remain what we view as strong at 6.39x in fiscal 2019 based on assumed variable interest rates of 5% on tax-exempt variable-rate bonds outstanding, 7% on taxable variable-rate bonds outstanding, and 6% on all planned bond issuances through 2019. Projected coverage does not include the federal subsidy for Build America Bonds and qualified school construction bonds.

The authority has approximately $25.47 billion of future tax-supported debt outstanding, consisting of $1.29 billion of senior-lien bonds and $24.18 billion of subordinate-lien debt, including $946 million of recovery bonds. It has $1.01 billion of senior-lien variable-rate debt and $2.76 billion of subordinate-lien variable-rate debt representing approximately 15% of authority debt outstanding.

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 very strong during the two-year outlook horizon despite additional planned debt issuance. Furthermore, we believe New York 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. Although unlikely given the very strong coverage levels and bond provisions, a substantial reduction in coverage could exert credit pressure.

Related Criteria And Research

Related Criteria

- USPF Criteria: Special Tax Bonds, June 13, 2007
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Ratings Detail (As Of April 14, 2015)		
New York City Transitional Fin Auth Future Tax Secured (adj Rate)		
Long Term Rating	AAA/Stable	Affirmed
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 bnds ser 2015A-4		
Long Term Rating	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth adj rate bnds ser 2015 A-3		
Long Term Rating	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth adj rate fiscal 2003 ser 3 subseries 3G		
Long Term Rating	AAA/A-1+/Stable	Affirmed

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Ratings Detail (As Of April 14, 2015) (cont.)		
New York City Transitional Fin Auth adj rate fiscal 2003 ser 3 subser 3H		
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/Stable	Affirmed
New York City Transitional Fin Auth adj rate recov bnds fiscal 2003 ser 3 subser 3D		
Long Term Rating	AAA/A-2/Stable	Affirmed
New York City Transitional Fin Auth fixed rate bnds rmktd 1/15/2014 ser 2001B		
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax		
Long Term Rating	AAA/Stable	Affirmed
Unenhanced Rating	NR(SPUR)	
New York City Transitional Fin Auth future tax seccured subordinate bnds sub (Taxable Bnds) ser A-2 due 08/01/2025		
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd bnds		
Long Term Rating	AAA/A-1/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 subord bnds		
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd tax-exempt sub bnds ser 2015C		
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
Unenhanced Rating	AAA(SPUR)/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
Unenhanced Rating	AAA(SPUR)/Stable	Rating Assigned
New York City Transitional Fin Auth future tax secured bnds		
Long Term Rating	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth future tax secured bnds fiscal 2010 subseries G-5 subord bnds		
Long Term Rating	AAA/A-1/Watch Neg	Affirmed
New York City Transitional Fin Auth future tax secured bnds fiscal 2013 subser A-5		
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/Stable	Affirmed

Ratings Detail (As Of April 14, 2015) (cont.)		
New York City Transitional Fin Auth future tax sec bnds fiscal 2013 sub-ser A-6		
Long Term Rating	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth future tax taxable secd sub bnds		
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax VRDB s		
Long Term Rating	AAA/NR/Stable	Affirmed
Unenhanced Rating	NR(SPUR)	Withdrawn
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 adj rate fiscal 2003 ser 3 subser 3F		
Long Term Rating	AAA/A-1+/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/Stable	Affirmed
New York City Transitional Fin Auth recov bnds ser subser 2B		
Long Term Rating	AAA/A-2/Stable	Affirmed
New York City Transitional Fin Auth recov bnds ser subser 2E		
Long Term Rating	AAA/A-2/Stable	Affirmed
New York City Transitional Fin Auth recov VRDB ser subser 2F		
Long Term Rating	AAA/NR/Stable	Affirmed
New York City Transitional Fin Auth rev bnds		
Long Term Rating	AAA/A-1+/Stable	Affirmed
Unenhanced Rating	NR(SPUR)	Withdrawn
New York City Transitional Fin Auth taxable subord bnds (qual sch const bnds)		
Long Term Rating	AAA/Stable	Affirmed
New York City Transitional Fin Auth tax-ex adj rate future tax sec sub bnds		
Long Term Rating	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth tax-ex adj rate future tax sec sub bnds		
Long Term Rating	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth tax-ex adj rate new money bnds ser 2014B-3 due 02/01/2031		
Long Term Rating	AAA/A-1/Watch Neg	Affirmed
New York City Transitional Fin Auth tax-ex bnds ser 2014B-1 due 11/01/2033		
Long Term Rating	AAA/Stable	Affirmed

Ratings Detail (As Of April 14, 2015) (cont.)		
New York City Transitional Fin Auth Future tax secured subord bnds fiscal 2014 ser D-3 & D-4 due 02/01/2044		
Long Term Rating	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth Future tax secured subord taxable bnds fiscal 2014		
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
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 NYC recovery bnds		
Long Term Rating	AAA/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/Stable	Affirmed
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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