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Summary:

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

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Summary:

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Credit Profile

US\$750.0 mil future tax secd sub bnds ser 2016A-1		
<i>Long Term Rating</i>	AAA/Stable	New
US\$190.0 mil future tax secd sub bnds ser 2016A-2		
<i>Long Term Rating</i>	AAA/Stable	New
US\$60.0 mil future tax secd sub bnds ser 2016A-3		
<i>Long Term Rating</i>	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 2016 tax-exempt subseries A-1 and taxable subseries A-2 and A-3 future tax-secured subordinate bonds. Standard & Poor's also affirmed its 'AAA' rating on the authority's existing future tax-secured debt, including senior- and subordinate-lien bonds and recovery obligation bonds. The rating outlook is stable.

The rating on the TFA's future tax-secured debt is rated above the sovereign because we believe the TFA can maintain better credit characteristics than the U.S. in a stress scenario given that pledged revenue is locally derived and has shown resiliency throughout economic cycles. Moreover, we believe that there is limited funding interdependency with the federal government that would constrain the rating.

The rating continues to reflect 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 retailing;
- The resilient nature of the sales and income tax revenue supporting the bonds. This revenue stream is susceptible to economic slowdowns, as seen during the Great Recession although 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 (ABT).

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 2016 subseries A-1 to finance general city capital expenditures and subseries A-2 and

A-3 for other discrete capital purposes. Concurrent with the issue of the subseries A-1, A-2, and A-3 fixed-rate bonds, the authority plans to issue fiscal 2016 subseries A-4 and A-5 adjustable-rate bonds to raise \$150 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; the PIT currently covers MADS about 4x 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 ABT 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 prerecession 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 \$10.53 billion in fiscal 2015, \$10.64 billion in 2016, \$10.66 billion in 2017, \$10.9 billion in 2018, and \$11.24 billion in 2019, for an aggregate growth of roughly 18%

A 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, to \$6.78 billion in fiscal 2015, \$7.05 billion in fiscal 2016, \$7.34 billion in fiscal 2017, \$7.64 billion in fiscal 2018, and \$7.91 billion in fiscal 2019, for an aggregate growth of roughly 22%. The sales tax is levied on a variety of economic activities, including retail, services, utilities, manufacturing, and other sales activities (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 6.22x MADS coverage on the fiscal 2016 subseries A-1, A-2, and A-3 bonds and all existing senior and subordinate bonds, assuming a stress scenario with variable-rate bonds bearing interest at the maximum bond rate, and 6.71x 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 8.1% to \$17.3 billion, which would provide MADS coverage of 6.72x based on the maximum rate on variable-rate bonds and 7.26x at the 4.25% assumed adjustable rate, respectively--levels that we consider very strong.

Based on the city's current financial plan, TFA expects to issue \$3.6 billion in fiscal 2016, \$3.1 billion in fiscal 2017, \$3.4 billion in 2018, and \$3.5 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 alternating the issuance of general obligation bonds and future tax-secured bonds. As of July 31, 2015, the city and authority's debt-incurring capacity was \$26.9 billion. We believe 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 6.31x in fiscal 2019, based on assumed variable interest rates of 4.25% on tax-exempt 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 \$26.33 billion of future tax-supported debt outstanding, consisting of \$1.29 billion of senior-lien bonds and \$25.04 billion of subordinate-lien debt, including \$936.12 million of recovery bonds. It has \$1.01 billion of senior-lien variable-rate debt, and \$2.94 billion of subordinate-lien variable-rate debt, representing approximately 15% of authority debt outstanding.

Outlook

The stable outlook reflects our 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.

Downside scenario

If coverage were to significantly weaken to levels we no longer consider comparable to similarly rated peers, through additional debt (or if tax revenues fall precipitously, which is less likely than the issuance of additional debt, in our view), we could consider a lower rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Special Tax Bonds, June 13, 2007
- Criteria: Methodology And Assumptions: Approach To Evaluating Letter Of Credit-Supported Debt, Feb. 20, 2015
- USPF Criteria: Municipal Applications For Joint Support Criteria, June 25, 2007
- USPF Criteria: Bank Liquidity Facilities, June 22, 2007
- USPF Criteria: Standby Bond Purchase Agreement Automatic Termination Events, April 11, 2008
- Criteria: Joint Support Criteria Update, April 22, 2009

- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Special Tax Bonds: U.S. Recovery Underpins The Sector's Stability, Sept. 14, 2015

Ratings Detail (As Of September 18, 2015)

New York City Transitional Fin Auth Future Tax Secured (adj Rate)		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth adj rate bnds ser 2010 F		
<i>Long Term Rating</i>	AAA/A-1	Affirmed
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth adj rate bnds ser 2015A-4		
<i>Long Term Rating</i>	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth adj rate bnds ser 2015 A-3		
<i>Long Term Rating</i>	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth adj rate fiscal 2003 ser 3 subseries 3G		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth adj rate fiscal 2003 ser 3 subser 3H		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth adj rate recov bnds fiscal 2003 ser 3 subser 3		
<i>Long Term Rating</i>	AAA/NR/Stable	Affirmed
New York City Transitional Fin Auth adj rate recov bnds fiscal 2003 ser 3 subser 3C		
<i>Long Term Rating</i>	AAA/A-2/Stable	Affirmed
New York City Transitional Fin Auth adj rate recov bnds fiscal 2003 ser 3 subser 3D		
<i>Long Term Rating</i>	AAA/A-2/Stable	Affirmed
New York City Transitional Fin Auth adj rate recov bnds ser 1 subser 1B dtd 07/11/2002 RMKT dtd 08/23/2011 due 11/01/2022		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth fiscal 2013 subser A-5		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth fixed rate bnds rmktd 1/15/2014 ser 2001B		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
<i>Unenhanced Rating</i>	NR(SPUR)	
New York City Transitional Fin Auth future tax secured subordinate bnds sub (Taxable Bnds) ser A-2 due 08/01/2025		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secured subordinate bnds sub (Tax-exempt Bnds) ser A-1 due 08/01/2041		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd bnds		
<i>Long Term Rating</i>	AAA/A-1/Stable	Affirmed

Ratings Detail (As Of September 18, 2015) (cont.)

New York City Transitional Fin Auth future tax secd bnds fiscal 1998 ser C <i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth future tax secd bnds fiscal 1998 ser C <i>Long Term Rating</i>	AAA/A-1	Affirmed
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth future tax secd bnds fiscal 1999 sub-ser A-1 dtd 11/19/1998 RMKTD 12/04/2012 due 11/15/2018 <i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd bnds fiscal 2011 ser A subser A-2 (Taxable Subord Qual Sch Const Bnds) dtd 08/16/2010 due 08/01/20 <i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd rfdg bnds fiscal 2006 subseries A-2 (Sub bnds) ser A dtd 11/03/2005 due 11/01/2025 <i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd subordinate bnds fiscal 2012 ser D dtd 11/17/2011 due 11/01/2013-2033 2038 <i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd subord bnds <i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd subord bnds fiscal 2012 ser B&C dtd 11/01/2011 ser B due 11/01/2012-2027 & ser C due 11/01/2013-20 <i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd subord bnds fiscal 2015 ser B (Taxable) ser SUB B-2 dtd 11/13/2014 due 08/01/2018-2026 <i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd subord bnds fiscal 2015 ser B (Tax-exempt) ser SUB B-1 dtd 11/13/2014 due 08/01/2016-2036 2039 204 <i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd sub bnds fiscal 2012 (Qual Sch Const Bnds) taxable ser E-2 dtd 04/19/2012 due 02/01/2034 <i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd sub bnds ser 2011E&F dtd 04/25/2011 ser 2011 E due 11/01/2012-2025 & ser 2011F due 11/01 2011-2023 <i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd tax-exempt sub bnds ser 2015C <i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secd tax-exempt sub bnds ser 2015D <i>Long Term Rating</i>	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 <i>Long Term Rating</i>	AAA/A-1	Affirmed
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed

Ratings Detail (As Of September 18, 2015) (cont.)

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		
<i>Long Term Rating</i>	AAA/A-1	Affirmed
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth future tax secured bnds		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth future tax secured bnds fiscal 2007 ser A subseries A-1 (Tax-Exempt Sub Bnds) dtd 10/16/2006 due 08/01/2008-2022		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secured bnds fiscal 2010 subseries G-5 subord bnds		
<i>Long Term Rating</i>	AAA/A-2/Stable	Affirmed
New York City Transitional Fin Auth future tax secured bnds (adj rate bnds)		
<i>Long Term Rating</i>	AAA/A-2/Stable	Affirmed
New York City Transitional Fin Auth future tax secured subord bnds ser 2015 E-3 due 02/01/2045		
<i>Long Term Rating</i>	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth future tax secured subord bnds ser 2015 E-4 due 02/01/2045		
<i>Long Term Rating</i>	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth future tax secured subord bnds (Taxable Bnds) ser 2015E-2 due 02/01/2029		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax secured subord bnds (Tax-exempt Bnds) ser 2015E-1 due 02/01/2042		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax sec bnds fiscal 2013 sub-ser A-6		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth future tax sec sub bnds fiscal 2007 (ARS) subser C-2 & 3 ser 2007 dtd 06/21/2007 due 11/01/2027		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth future tax sec tax-ex subord bnds fiscal 2013 ser I dtd 06/20/2013 due 05/01/2015-2034 2038 2042-2043		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax taxable secd sub bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth future tax VRDB s		
<i>Long Term Rating</i>	AAA/NR/Stable	Affirmed
<i>Unenhanced Rating</i>	NR(SPUR)	
New York City Transitional Fin Auth future tax VRDB secd bnds fiscal 2003 ser C sub-ser C2 C4		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth future tax VRDB secd bnds fiscal 2003 ser C sub-ser C5		
<i>Long Term Rating</i>	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth future tax (AGM) (SEC MKT)		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed

Ratings Detail (As Of September 18, 2015) (cont.)

New York City Transitional Fin Auth recov adj rate fiscal 2003 ser 3 subser 3F		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth recov bnds fiscal 2003 ser 3 subser 3B1		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth recov bnds ser subser 1A		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth recov bnds ser subser 2A		
<i>Long Term Rating</i>	AAA/A-2/Stable	Affirmed
New York City Transitional Fin Auth recov bnds ser subser 2B		
<i>Long Term Rating</i>	AAA/A-2/Stable	Affirmed
New York City Transitional Fin Auth recov bnds ser subser 2E		
<i>Long Term Rating</i>	AAA/A-2/Stable	Affirmed
New York City Transitional Fin Auth recov VRDB ser subser 2F		
<i>Long Term Rating</i>	AAA/NR/Stable	Affirmed
New York City Transitional Fin Auth rev bnds		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
<i>Unenhanced Rating</i>	NR(SPUR)	
New York City Transitional Fin Auth ser 2013 A-4		
<i>Long Term Rating</i>	AAA/A-1+/Stable	Affirmed
New York City Transitional Fin Auth taxable future tax sec sub bnds (Qualified School Construction Bnds) ser 2013 C-2 dtd 12/04/2012 due 11/01/2035		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth taxable subord bnds (qual sch const bnds)		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth tax secured (MBIA) (National)		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
New York City Transitional Fin Auth tax-ex adj rate future tax sec sub bnds		
<i>Long Term Rating</i>	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth tax-ex adj rate future tax sec sub bnds		
<i>Long Term Rating</i>	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		
<i>Long Term Rating</i>	AAA/A-2/Stable	Affirmed
New York City Transitional Fin Auth tax-ex bnds ser 2014B-1 due 11/01/2033		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth tax-ex Future Tax Secured Subord Bnds fiscal 2014 ser A-1 dtd 11/13/2013 due 11/01/2015-2030 2033-2035 2038 2042		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
New York City Transitional Fin Auth Future tax secured subord bnds fiscal 2014 ser D-3 & D-4 due 02/01/2044		
<i>Long Term Rating</i>	AAA/A-1/Stable	Affirmed
New York City Transitional Fin Auth Future tax secured subord taxable bnds fiscal 2014		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Ratings Detail (As Of September 18, 2015) (cont.)

New York City Transitional Fin Auth Future tax secured subord tax-ex bnds fiscal 2014 ser D-1 dtd 04/29/2014 due 02/01/2016-2041

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 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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