



## Fitch Rates NYC Muni Water Fin Auth's Fiscal 2016 Series AA-1, AA-2 and AA-3

Fitch Ratings-New York-22 October 2015: Fitch Ratings has assigned the following ratings to the New York City Municipal Water Finance Authority (NYW) water and sewer system second general resolution (SGR) revenue bonds adjustable-rate fiscal 2016 series AA:

- \$100,000,000 Fiscal 2016 subseries AA-1, 'AA+/F1';
- \$100,000,000 Fiscal 2016 subseries AA-2, 'AA+/F1';
- \$50,000,000 Fiscal 2016 subseries AA-3, 'AA+/F1+'.

The Rating Outlook is Stable for the long-term rating.

### KEY RATING DRIVERS:

NYW's long-term 'AA+' rating continues to reflect primarily its status as a bankruptcy-remote issuer, providing substantial protection to bondholders from potential operating risks associated with the combined utility system (the system) and New York City (the city). Additional rating considerations include the NYW's exceptionally large, diverse and economically important service area, its independent rate-setting authority, strong financial and capital program management, sound financial metrics, and high debt levels. For more information on Fitch's long-term rating on NYW, see the press release 'Fitch Rates New York City Muni Water Finance Authority's \$435MM Revs 'AA+' dated May 15, 2015, available on Fitch's web site at 'www.fitchratings.com'.

The short-term ratings are based on the liquidity support in the form of Standby Bond Purchase Agreements (SBPAs) provided by Bank of America, National Association ('A/F1', Stable Outlook) for subseries AA-1, PNC Bank, N.A. ('A+/F1', Stable Outlook) for subseries AA-2 and Royal Bank of Canada, ('AA/F1+', Stable Outlook) for subseries AA-3.

The series SBPAs provide for the payment of the principal component of purchase price plus an amount equal to 35 days of interest calculated at a maximum rate of 9%, based on a year of 365 days for tendered bonds during the daily, weekly, and two-day rate modes in the event that the proceeds of a remarketing of the bonds are insufficient to pay the purchase price following an optional or mandatory tender. The SBPAs will expire on Oct. 28, 2019 (AA-1), Oct. 26, 2018 (AA-2), and Oct. 26, 2018 (AA-3), the stated expiration dates, unless such dates are extended, conversion to a rate mode other than daily, weekly, or two-day rate; or upon the occurrence of certain other events of default which result in a mandatory tender or other termination events related to the credit of the bonds which result in an automatic and immediate termination. The remarketing agents for the bonds are Merrill Lynch, Pierce, Fenner and Smith Incorporated (subseries AA-1), PNC Capital Markets LLC (subseries AA-2) and RBC Capital Markets, LLC (subseries AA-3). The bonds are expected to be delivered on or about Oct. 29, 2014.

The subseries AA-1, AA-2, and AA-3 bonds will be issued in the daily rate mode, but may be converted to a weekly, two-day, commercial paper, flexible or fixed rate. While bonds bear interest in the daily, weekly, or two-day rate mode, interest is paid on the 15th calendar day of each month, commencing Nov. 15, 2015. Holders of bonds bearing interest in the daily, weekly, or two-day rate modes may tender their bonds for purchase with the requisite prior notice. The trustee/tender agent is obligated to make timely draws on the SBPAs to pay purchase price in the event of insufficient remarketing proceeds, and in connection with the expiration or termination of the SBPAs, except in the case of the credit-related

events permitting immediate termination or suspension of the SBPAs.

Funds drawn under the SBPAs are held uninvested, and are free from any lien prior to that of the bondholders. Bonds are subject to a mandatory tender: (1) on each interest rate mode conversion date, except between daily, weekly, and two-day rate modes; (2) on each interest reset date for bonds in the commercial paper and flexible rate modes; (3) upon the expiration or earlier termination of the SBPAs, and (4) on any substitution of the SBPAs which results in a reduction or withdrawal of the ratings assigned to the bonds. Optional and mandatory redemption provisions also apply to the bonds pursuant to the terms of the documents.

Bond proceeds will be used by NYW: (i) to provide for the payment of the principal of the refunded notes, if any, (ii) to pay certain costs of issuance of the 2016 series AA bonds, and (iii) to the extent any 2016 series AA bond proceeds remain, to fund a portion of the capital program.

#### RATING SENSITIVITIES

The short-term rating reflects the short-term rating that Fitch maintains on the bank providing liquidity support and will be adjusted upward or downward in conjunction with the short-term rating of the bank and, in some cases, the long-term rating of the bonds. The long-term rating is exclusively tied to the creditworthiness of the bonds and will reflect all changes to that rating.

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Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

#### Applicable Criteria

Rating Guidelines for Variable-Rate Demand Obligations and Commercial Paper Issued with External Liquidity Support (pub. 22 Jan 2015) ([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=856189](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=856189))

Revenue-Supported Rating Criteria (pub. 16 Jun 2014)

([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=750012](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=750012))

U.S. Municipal Structured Finance Criteria (pub. 23 Feb 2015)

([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=862222](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=862222))

**Additional Disclosures**

Dodd-Frank Rating Information Disclosure Form

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