

RatingsDirect®

Summary:

New York City Municipal Water Finance Authority; CP; State Revolving Funds/Pools; Water/Sewer

Primary Credit Analyst:

James M Breeding, Dallas (1) 214-871-1407; james.breeding@standardandpoors.com

Secondary Contact:

Theodore A Chapman, Dallas (1) 214-871-1401; theodore.chapman@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

New York City Municipal Water Finance Authority; CP; State Revolving Funds/Pools; Water/Sewer

Credit Profile

| | | |
|---|------------|-----|
| US\$335.0 mil wtr and swr sys rev bnds ser 2016 CC due 06/15/2038 | | |
| <i>Long Term Rating</i> | AA+/Stable | New |
| US\$185.0 mil wtr and swr sys rev bnds ser 2016 A due 06/15/2036 | | |
| <i>Long Term Rating</i> | AAA/Stable | New |
| US\$85.0 mil wtr and swr sys rev bnds ser 2016CC due 06/15/2038 | | |
| <i>Long Term Rating</i> | AA+/Stable | New |

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating to New York City Municipal Water Finance Authority's (NYCMWFA or New York Water) series 2016A water and sewer system revenue bonds. At the same time, Standard & Poor's assigned its 'AA+' rating to the authority's series 2016CC second general resolution water and sewer system revenue bonds.

Standard & Poor's affirmed its 'AAA' unenhanced long-term rating on the system's first general resolution revenue bonds and its 'AA+' underlying ratings (SPURs) on the authority's existing second-resolution bonds. Additionally, Standard & Poor's affirmed its 'A-1+' rating on NYCMWFA's commercial paper (CP) program. The outlook is stable for all ratings.

We understand bond proceeds will be used to refund certain of the authority's outstanding obligations. A portion of the series 2016CC bonds will be purchased directly by Citigroup Global Markets. There are no additional risks introduced, in our view, as a result of this transaction, as those bonds are being issued under the same resolution protections as the publicly offered second-resolution bonds.

The difference between the long-term ratings on the first- and second-resolution bonds reflects lien priority and the active use of both liens. We have applied the primary criteria to determine the entity's general creditworthiness (issuer credit rating) and have applied this rating to the first general resolution (senior) issues, and also assigned a rating that is one notch lower to the second general resolution (subordinate lien) issues. The long-term ratings reflect the combination of an extremely strong enterprise risk profile assessment and an extremely strong financial risk profile assessment.

The extremely strong enterprise risk profile assessment reflects:

- An exceptionally broad and diverse economic and customer base,

- Rates that remain affordable, despite ongoing increases, and
- Our opinion of the authority's strong operational management.

The extremely strong financial risk profile assessment reflects:

- Extremely strong coverage levels,
- An extremely strong liquidity position, both nominally and on a days' cash basis, and
- What we consider to be very strong financial management policies and practices.

Additional strengths are the bondholder protections provided by the issuer's legal and structural features, which include a gross pledge of revenues that results in true separation from the utility's operating function, coupled with the New York City Water Board's ability to raise rates (a true-up mechanism) and the segregation of funds.

The system serves about 836,000 accounts, primarily in New York's five boroughs, all but 5% of which are metered. In addition, the authority provides water and sewer services to about 1 million customers in Westchester, Putnam, Orange, and Ulster counties, as it is required to make service available to any county in which the authority has water facilities. About 91% of the system is residential, with commercial and industrial users accounting for the balance. The overall operational profile, reviewed on a regular basis by a consulting engineer and most recently in March 2015, continues to receive high marks. The raw water source remains pristine and has been ample for decades, even as per capita per day consumption continues to decline. Treatment capacity is adequate to meet demand for both the water and sewer systems, and the treatment plants overall face no ongoing compliance-related issues.

As of Feb. 1, 2016, NYCMWFA has about \$30.5 billion in total outstanding debt, \$26.5 billion of which is second-resolution debt. A first-lien pledge on the system's gross revenues secures the first-resolution debt. A debt service reserve fund (DSRF) provides additional liquidity to the first-resolution debt. The second-resolution bonds are subordinate and do not benefit from a DSRF. Although New York Water's debt is currently rated above the U.S., the system has a predominantly locally derived revenue base. Local service charges, derived through an autonomous rate-setting process, represent virtually all of the entity's revenues. This, coupled with operating expense flexibility, precludes exposure to federal revenues.

Outlook

The stable outlook reflects Standard & Poor's expectation that the system's financial profile will remain commensurate with the ratings over our two-year horizon. The large capital improvement plan (CIP) simply reflects the current regulatory environment and a large system that serves about 9 million people. We believe the strong management, including long-term planning and transparency regarding future rate adjustments, will continue to allow the authority to fund identified needs despite expected inflationary rises in operating costs and sizable amounts of additional debt.

Upside scenario

Given the application of our "Assigning Issue Credit Ratings Of Operating Entities" criteria, we do not view there to be upward rating potential on the second general resolution debt, unless the senior lien was closed and the amount of senior lien obligations remained minimal relative to total debt outstanding.

Downside scenario

While highly unlikely, downward pressure on the rating would most likely be associated with a complete collapse of the financial risk profile, possibly associated with remote events such as extraordinary intervention, aggressive use of riskier debt instruments, or a new unfunded mandate from environmental regulators that could cause a sharp deviation in financial performance.

Related Criteria And Research

Related Criteria

- USPF Criteria: Rating Methodology And Assumptions For U.S. Municipal Waterworks And Sanitary Sewer Utility Revenue Bonds, Jan. 19, 2016
- USPF Criteria: Methodology: Definitions And Related Analytic Practices For Covenant And Payment Provisions In U.S. Public Finance Revenue Obligations, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- 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

- U.S. State And Local Government Credit Conditions Forecast, Jan. 11, 2016

| Ratings Detail (As Of February 23, 2016) | | |
|---|-----------------|----------|
| New York City Mun Wtr Fin Auth wtr & swr (1st resolution) | | |
| Long Term Rating | AAA/Stable | Affirmed |
| New York City Mun Wtr Fin Auth fiscal ser 2008 B-2 | | |
| Long Term Rating | AAA/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth ser 2008B-1B | | |
| Long Term Rating | AAA/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth ser 2008 B-3 | | |
| Long Term Rating | AAA/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth ser 2008 B-4 | | |
| Long Term Rating | AAA/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr and swr sys second gen resolution rev bnds ser 2016 AA-1 due 06/15/2046 | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr and swr sys second gen resolution rev bnds ser 2016 AA-2 | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr and swr sys second gen resolution rev bnds ser 2016 AA-3 | | |
| Long Term Rating | AA+/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr and swr sys second gen resolution rev bnds ser 2016 BB-1 dtd 11/24/2015 due 06/15/2046 | | |
| Long Term Rating | AA+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr and swr sys second gen resolution rev bnds ser 2016 BB-2 dtd 11/24/2015 due 06/15/2046 | | |
| Long Term Rating | AA+/Stable | Affirmed |

Ratings Detail (As Of February 23, 2016) (cont.)

| | | |
|--|------------------|----------|
| New York City Mun Wtr Fin Auth wtr and swr sys sec gen res rev bnds | | |
| Long Term Rating | AA+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr sys rev bnds | | |
| Long Term Rating | AAA/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr sys rev bnds | | |
| Long Term Rating | AAA/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr sys rev bnds adj rate | | |
| Long Term Rating | AAA/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr sys rev bnds adj rate | | |
| Long Term Rating | AAA/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr sys rev bnds adj rate | | |
| Long Term Rating | AAA/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr sys rev bnds adj rate | | |
| Long Term Rating | AAA/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr sys 2nd gen resolution rev bnds adj rate fiscal 2006 sub-ser AA-1A & AA-1B dtd 10/27/2005 rmktd dtd 10/04/201 | | |
| Long Term Rating | AA+/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr sys 2nd gen resolution rev bnds adj rate fiscal 2006 sub-ser AA-1A & AA-1B dtd 10/27/2005 rmktd dtd 10/04/201 | | |
| Long Term Rating | AA+/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr sys 2nd gen res bnds | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr (FGIC) (SEC MKT) | | |
| Unenhanced Rating | AAA(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr (MBIA) (FGIC) (National) | | |
| Unenhanced Rating | AAA(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr (National) | | |
| Unenhanced Rating | AA+(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth CP series One | | |
| Short Term Rating | A-1+ | Affirmed |
| New York City Mun Wtr Fin Auth EMCP series 7 | | |
| Short Term Rating | A-1+ | Affirmed |
| New York City Mun Wtr Fin Auth EMCP series 8 | | |
| Short Term Rating | A-1+ | Affirmed |
| New York City Mun Wtr Fin Auth WS | | |
| Long Term Rating | AAA/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS | | |
| Long Term Rating | AAA/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS | | |
| Long Term Rating | AAA/A-1/Stable | Affirmed |

Ratings Detail (As Of February 23, 2016) (cont.)

| | | |
|--|------------------|----------|
| New York City Mun Wtr Fin Auth WS | | |
| Long Term Rating | AAA/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS | | |
| Long Term Rating | AAA/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS | | |
| Long Term Rating | AA+/A-2/Stable | Affirmed |
| Unenhanced Rating | NR(SPUR) | |
| New York City Mun Wtr Fin Auth WS VRD | | |
| Long Term Rating | AAA/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (wrap of insured) (AGM & BHAC) (SEC MKT) | | |
| Unenhanced Rating | AAA(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (AGM) | | |
| Unenhanced Rating | AA+(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (AGM) (SEC MKT) | | |
| Unenhanced Rating | AA+(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (AGM) (SEC MKT) | | |
| Unenhanced Rating | AAA(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (BHAC) (SEC MKT) | | |
| Unenhanced Rating | AAA(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (CIFG) (SEC MKT) | | |
| Unenhanced Rating | AAA(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (MBIA) (AGM) | | |
| Unenhanced Rating | AAA(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/A-2/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/A-2/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |

Ratings Detail (As Of February 23, 2016) (cont.)

| | | |
|---|------------------|----------|
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) ser 2008 BB-2 BB-5 | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) ser 2008 BB-3 and BB-4 | | |
| Long Term Rating | AA+/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WS (2nd gen resolution) (CIFG) (SEC MMKT) | | |
| Unenhanced Rating | AA+(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| Unenhanced Rating | AA+(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| Long Term Rating | AAA/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| Long Term Rating | AA+/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| Long Term Rating | AA+/A-1/Stable | Affirmed |

Ratings Detail (As Of February 23, 2016) (cont.)

| | | |
|---|------------------|----------|
| New York City Mun Wtr Fin Auth WTRSWR | | |
| <i>Long Term Rating</i> | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| <i>Long Term Rating</i> | AA+/A-1/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| <i>Long Term Rating</i> | AA+/A-1+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| <i>Unenhanced Rating</i> | AAA(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| <i>Unenhanced Rating</i> | AAA(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth WTRSWR | | |
| <i>Long Term Rating</i> | AA+/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr | | |
| <i>Unenhanced Rating</i> | AA+(SPUR)/Stable | Affirmed |
| New York City Mun Wtr Fin Auth wtr & swr VRDB ser 1995A | | |
| <i>Unenhanced Rating</i> | AA+(SPUR)/Stable | Affirmed |
| New York St Envir Facs Corp, New York | | |
| New York City Mun Wtr Fin Auth, New York | | |
| New York St Envir Fac Corp (New York City Mun Wtr Fin Auth) state wtr poll ctl | | |
| <i>Long Term Rating</i> | AAA/Stable | Affirmed |
| New York St Envir Fac Corp (New York City Mun Wtr Fin Auth) wtr poll ctl revolv fd (2nd Resolution) | | |
| <i>Long Term Rating</i> | AAA/Stable | Affirmed |

Many issues are enhanced by bond insurance.

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