S&P Global
Ratings

RatingsDirect®

New York City's Fiscal 2018 Series E1-3 General Obligation Bonds Rated 'AA'; Other Ratings Affirmed

Primary Credit Analyst:
Anne E Cosgrove, New York (1) 212-438-8202; anne.cosgrove@spglobal.com

Secondary Contact:
Rahul Jain, New York 212-438-1202; rahul.jain@spglobal.com

NEW YORK (S&P Global Ratings) Feb. 20, 2018--S&P Global Ratings assigned its 'AA' long-term rating to New York City's fiscal 2018 series E bonds (subseries tax-exempt E-1, taxable E-2, and taxable E-3) general obligation (GO) bonds. Concurrent with the issuance of these bonds, the city expects to issue $50 million of tax-exempt fiscal 2018 subseries E-5 multi-modal variable rate bonds, which we will rate at a future date. At the same time, New York City is converting fiscal 2004 subseries A-6, fiscal 2008 J-4, and fiscal 2011 subseries F-3 indexed-rate bonds outstanding into fixed-rate bonds; we are affirming our existing 'AA' long-term general obligation bond ratings on these series. The outlook is stable.

At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on New York City's GO debt outstanding and its 'AA-' rating on the city's lease revenue bonds. S&P Global Ratings also affirmed its 'AA-' rating on the Dormitory Authority of the State of New York's and the New York City Education Construction Fund's lease revenue and educational fund revenue bonds outstanding. As well, S&P Global Ratings affirmed its 'AA-' rating on the New York City's Industrial Development Authority series 2009A bonds, and its ratings on various issuances where the short-term ratings are based on the liquidity support provided by various financial institutions.

The 'AA' GO rating reflects our view of New York City's:
- Strong economy;

- Very strong management;
- Strong budgetary performance;
- Strong budgetary flexibility;
- Very strong liquidity;
- Very weak debt and contingent liability position; and
- Very strong institutional framework score.

We understand the city plans to use bond proceeds to for capital purposes.

The city's economy remains solid, serving as the economic engine for the Mid-Atlantic region. Its major employment sectors are trade, financial services, professional services, education, health care, and government. Despite recent economic diversification, there is still a higher-than-average reliance on the financial sector; in 2016, the financial activities and professional and business services sectors accounted for about 27% of employment, while the earnings share was approximately 45%. In the nation, these same service-producing sectors accounted for only about 20% of employment and 26% of earnings in 2016.

"The stable outlook reflects what we view as New York City's deep and diverse economy and status as the nation's largest employment center," said S&P Global Ratings credit analyst Anne Cosgrove. Strong and tested financial management policies and practices further support the rating. We believe these factors, together with the city's very strong liquidity position--but offset by New York City's very weak debt and contingent liability profile--will be stable during the two-year outlook horizon.

If the economy outperforms long-term expectations and results in a stronger financial performance and ability to manage costs, while the city addresses needed infrastructure improvements without unduly increasing the debt profile, we could raise the rating. However, given the high debt position and weak contingent liability profile, this is unlikely to happen over the two-year outlook horizon.

In our view, New York City's projected budget gaps in fiscal years 2020-2022 are manageable relative to historically projected gaps if favorable economic conditions continue. However, should economic conditions deteriorate significantly, we believe the city could face problems adjusting its budget to maintain a stable financial position, given its fixed cost structure. An ongoing period of structural misalignment could result in weakened financial flexibility and performance, leading to a lower rating.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of

RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.