MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aa2 to $1.1B of NYC GO bonds; outlook stable

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New York, April 06, 2018 -- Moody's Investors Service has assigned Aa2 ratings to the City of New York's (NY) $850 million General Obligation Bonds, Fiscal 2018 Series F, Subseries F-1; $133.5 million General Obligation Bonds, Fiscal 2018 Series F, Subseries F-2; and $116.5 million General Obligation Bonds, Fiscal 2018 Series F, Subseries F-3. We also maintain an Aa2 rating on $64 million of existing General Obligation Bonds, Fiscal Series 2004, Sub Series A-2, currently outstanding as variable rate demand bonds, that will be reoffered as fixed rate bonds. All of the bonds are scheduled to price April 11. The outlook is stable.

RATINGS RATIONALE

The ratings reflect the city's large and resilient economy, its extraordinarily large tax base, its institutionalized budgetary and financial management controls, growing reserves, its proactive responses to budget strain during economic downturns, the key but diminishing role of the volatile financial services sector, and moderate but growing costs for the combination of debt service, pension, and employee and retiree healthcare.

RATING OUTLOOK

The outlook for New York City's general obligation bonds is stable. The city's institutionalized budgetary controls and early recognition of future budget pressure help it maintain a balanced financial position and weather economic downturns. The city's economy is reliant on a volatile financial services sector, but it continues to diversify, and its finances will benefit. Even with strong budgetary controls, growth in costs for debt service, pensions and retiree health care will continue to be a challenge for the city.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Sustained reduction in the growth of the city's debt burden and other fixed costs, and establishment of formal policy for managing debt within prescribed constraints

- Establishment of significant formal budget reserves to buffer the inherent volatility of the financial services sector

- Improved and continuing growth in city employment and the property tax base

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Inability to manage rapidly rising costs in non-discretionary spending such as debt service, personnel costs, or pensions

- Divergence from well-established fiscal practices

- Emergence of significant liquidity strain and the need for large cash-flow borrowing

LEGAL SECURITY

The bonds are general obligation, full faith and credit obligations of the city, secured by a real property tax levied without limitation as to rate or amount. All of the city's property tax is deposited into the general debt service fund, which is administered and maintained by the state comptroller.

USE OF PROCEEDS

Proceeds of the bonds will be used to help finance the city's capital plan.

PROFILE

New York City is large and diverse, with a population of 8.6 million people and personal income per capita that is 130% of the US level. The city itself is five counties and the nation's largest public school system.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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