MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aa2 to NYC GO Fiscal 2022 Series A, Subseries A-1 & A-2 and Fiscal 2022 Series 1; outlook stable

13 Aug 2021

New York, August 13, 2021 -- Moody's Investors Service has assigned Aa2 ratings to the City of New York's $950 million General Obligation Bonds, Fiscal 2022 Series A, Subseries A-1 (Tax-Exempt), $250 million Subseries A-2 (Taxable) and $89 million Fiscal 2022 Series 1 (Taxable). The outlook is stable.

RATINGS RATIONALE

The Aa2 general obligation ratings reflect the city's competitive advantages which include a young and highly skilled labor pool, access to higher education and medical centers and normally strong domestic and international transportation links. The rating also reflects the city's strong institutional budgetary and financial management and the breadth and diversity of its revenue base. The city's financing responsibilities are broader than most local governments, since it is a city, five counties and the nation's largest school district, and its debt burden is above-average due to this operational scope. Despite those responsibilities, the city's fixed costs for debt service, pensions and retiree health care are below the median for the largest local governments and in the bottom five among the nation's largest cities.

RATING OUTLOOK

The city's stable rating outlook reflects improvement in the city's overall financial position, including the substantial budget flexibility provided by federal pandemic aid flowing to the city over the next several fiscal years and elimination of the risk that the State of New York (Aa2 positive) will cut aid to the city. The city's federal aid, more than $15 billion, equals 24% of estimated fiscal 2022 tax revenue. The outlook also reflects the positive impact on employment and tax revenue that the city's accelerating reopening will have, although we still expect the jobs recovery in New York to continue to lag the nation. Some major employers have announced their intent to return to the office, although with more remote work and less office space. The percentage of New York City residents who are fully vaccinated is slightly better than the US rate and will also help drive confidence in the local economy. Future year budget gaps persist and will be manageable but will need to be balanced amid slowly growing property tax revenue, reduced reserves and the need to keep pace with large pension and retiree healthcare liabilities.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Recovery of city economy to near pre-pandemic levels, combined with structurally-balanced budgets

- Stronger reserves, at levels similar to higher-rated peers

- Reduction of debt burden or further reduction in fixed costs

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Divergence from well-established fiscal practices and strong budgetary management

- Emergence of significant liquidity strain, especially that results in the need for large cash-flow borrowing

- Economic events such as sustained declines in equity prices, or trends that significantly worsen structural budget imbalances

LEGAL SECURITY

The general obligation bonds are 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 Fiscal 2022 Series A bonds will be used to finance the city's capital plan. The Fiscal 2022 Series 1 bonds will convert outstanding adjustable rate bonds to fixed rates.

PROFILE

New York City, the largest city in the United States, is large and diverse, with a population of 8.8 million people and above average wealth levels: personal income per capita is 142% of the US level. The size and scope of the city's operations are broader than most local governments: in addition to the city government, New York City is five counties and the nation's largest public school system, with 1.1 million students. New York City's GDP is larger than all but four states.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security 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.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Nicholas Samuels
Lead Analyst
State Ratings
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Emily Raimes
Additional Contact
State Ratings
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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