FitchRatings

Public Finance
Tax-Supported
U.S.A.

New York City, New York

Ratings

Long Term Issuer Default Rating[a]	AA

New Issues

$559,650,000 General Obligation Bonds, Fiscal 2023 Series C	AA
$117,810,000 General Obligation Bonds, Fiscal 2023 Series D	AA

Outstanding Debt Details on Page 3

[a]Upgraded from 'AA–' on Feb. 17, 2023.

Rating Outlook

Stable

Applicable Criteria

U.S. Public Finance Tax-Supported Rating Criteria (May 2021)

Related Research

Fitch Upgrades New York City, NY's GO Bonds and IDR to 'AA'; Assigns 'AA' to Fiscal 2023 Ser C&D GOs (February 2023)

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New Issue Summary

Sale Date: Week of Feb. 22, 2023 via negotiated sale

Series: Approximately $559,650,000 General Obligation Tax-Exempt Bonds, Fiscal 2023 Series C and approximately $117,810,000 General Obligation Tax-Exempt Bonds, Fiscal 2023 Series D

Purpose: To refund certain outstanding GO bonds of the city.

Security: New York City's full faith and credit, supported by a levy by the city of ad valorem taxes (without limit as to rate or amount) on all real property within the city subject to taxation.

The upgrade of the city's Issuer Default Rating (IDR) and GO bond rating to 'AA' reflects the improved financial foundation coming out of the pandemic, which places the city in a much stronger position to manage through future economic downturns, including near-term challenges due to an expected deceleration of revenue growth.

The record revenue performance and strong recovery from the pandemic, as well as improvement in reserve levels following the removal of restrictions on such activity, will help management mitigate these pressures and other uncertainties associated with inflation and future labor costs. Collective bargaining agreements with the bulk of city employees are in negotiations and the potential impact to the budget remains to be seen.

The 'AA' IDR and GO bond ratings reflect the city's exceptionally strong budget monitoring and controls, supporting Fitch's assessment of operating performance. Federal stimulus aid has relieved fiscal pressure that would have otherwise resulted from the city's lagged economic recovery and supported structural budgetary balance.

Fitch expects the city's slightly elevated but still moderate long-term liability burden to remain relatively stable based on future debt needs and the status of its net pension liabilities (NPL) over time (assuming actuarial assumptions are met). Other post-employment benefit (OPEB) liabilities are high, and roughly half of the combined level of debt and NPLs, but will fluctuate depending on the interest rate environment.

Economic Resource Base: Fitch considers the city's unique economic profile as an international center for numerous industries and a major tourism destination, as well as its proven resilience through the recent and prior severe economic disruptions, as credit strengths. Employment recovery had lagged national trends following the pandemic but job growth picked up notably during calendar 2022.

The city has recovered approximately 90% of jobs lost during the pandemic. The local economy and operating budget remain strongly linked to the financial activities sector, which was relatively unaffected by the pandemic and accounts for 25% of earnings compared with 10% for the U.S., according to 2021 data. The technology sector saw considerable growth over the past decade, but growth is projected to subside following over-hiring during the pandemic and slowing macro-economic conditions.

Key Rating Drivers

Revenue Framework: 'aa': New York City has a highly diverse revenue base supporting its resilience to changes in economic conditions. Fitch expects revenue growth to range between long-term inflation and U.S. GDP based on a return to at least pre-pandemic levels of personal and corporate income taxes, and continued strength in residential real estate values offset by pressure on commercial growth in the medium term.

The city has solid independent legal ability to adjust property tax rates and a variety of fees and charges to offset the modest revenue declines expected in a typical economic downturn. Rates for other important revenue sources (mainly income and sales taxes and state aid) are not within management's independent control.

Expenditure Framework: 'a': Carrying costs are moderate, typically about 20% of governmental funds spending. Other than education related employees (roughly half of the workforce), most labor contracts are subject to binding arbitration; however, the city has demonstrated adequate expenditure flexibility primarily through its control over employee headcount. Fitch expects long-term spending patterns to be above revenue growth excluding policy actions.

Long-Term Liability Burden: 'a': Ongoing and substantial capital needs will be the primary driver of expected growth in the city's long-term liability burden to an elevated but still moderate level as the resource base expands. However, debt policies in place support monitoring of debt issuances within affordability levels. Reported NPLs will reflect market volatility but the city is required to fully fund its actuarially determined contributions. Net unfunded OPEB liabilities represent 10% of personal income but annual costs are a moderate portion of the budget excluding contributions above pay-go.

Operating Performance: 'aaa': The 'aaa' assessment reflects a very strong gap closing ability and the city's close budget monitoring and control, as demonstrated by its ability to maintain consistent balance and manage out-year gaps. A high level of inherent budgetary flexibility provides protection against typical economic and revenue volatility.

Rating Sensitivities

Factors that could, individually or collectively, lead to a positive rating action/upgrade:

- Sustained long-term liabilities associated with debt and NPLs at a level below 20% of personal income and active management to control growth in OPEB liabilities.
- Improved expenditure flexibility as evidenced by, among other items, reductions in fixed cost spending as a percent of governmental spending.
- Sustained revenue growth above national GDP levels.

Factors that could, individually or collectively, lead to a negative rating action/downgrade:

- An increased gap between the natural pace of revenue and expenditure growth due either to a slowing of economic activity and prospects for revenue growth, or an acceleration of spending growth, or both.
- Sustained erosion of the city's reserve cushion or reduced ability to use related budget management tools such as the annual prepayment of expenditures.

Current Developments

Fiscal 2023 Revenue Forecast Trending Stronger than Budget

On Jan. 12, 2023 the mayor released the preliminary budget for fiscal year 2024 and the city submitted to the New York State Financial Control Board a revised financial plan for the 2023 through 2027 fiscal years (the current financial plan).

Forecast revenues for fiscal YE 2023 are projected to increase by $1.7 billion over budget with non-property tax revenues including sales, hotel and business taxes seeing better than anticipated growth. The growth projection reflects mostly strong local consumption, even with a stubbornly slow return to office recovery, and an active holiday season with an increase in tourists to the city. No change has been made to the budgeted property tax and personal income tax revenues, the latter of which was budgeted downward by 8% yoy coming off a record fiscal 2022 level, but still above historical averages.

City spending reflects a $480 million decrease in net expenditures compared to budget due to lower debt service costs and departmental spending including elimination of vacant positions.

Rating History (IDR and GO Bonds)

Rating	Action	Outlook/ Watch	Date
AA	Upgraded	Stable	2/17/23
AA–	Affirmed	Positive	5/12/22
AA–	Affirmed	Stable	8/13/21
AA–	Downgraded	Negative	12/08/20
AA	Affirmed	Negative	4/21/20
AA	Revised	Stable	4/05/10
AA–	Upgraded	Stable	6/29/07
A+	Affirmed	Stable	12/08/03
A+	Affirmed	Negative	12/23/02
A+	Upgraded		9/15/00
A	Upgraded		3/08/99
A–	Affirmed		11/05/96
A–	Affirmed	Negative[a]	2/26/96
A–	Assigned		7/15/93

[a]Rating Watch

The city estimates that the provision for prepayment in fiscal 2023 of fiscal 2024 expenses will be $2.17 billion. Reserves are projected to remain at a record high $8.3 billion or 8% of spending (up from $6.5 billion at fiscal end 2022) positioning the city well for unexpected declines in revenues or changes in expenses.

Fiscal 2024 Preliminary Budget and Financial Plan Reflects Conservative Assumptions

The forecast for fiscal 2024 through fiscal 2027 reflects conservative assumptions for revenue growth and manageable increases in expenditures in the outer years. The current financial plan reflects a $738 million improvement (1% increase yoy) in revenues for fiscal 2024 to $69 billion based on the improved fiscal 2023 revenue projections and updated outlook for tax and non-tax revenues. Revenue projections are expected to increase 2% on average in fiscal years 2025 through 2027.

Property tax revenues, at about 45% of fiscal 2023 forecast tax revenues and 29% of total revenues, are projected to increase modestly during fiscal 2024 under the current financial plan and then remain flat. However, the tentative fiscal 2024 billable assessed values, which reflect an increase of $12 billion over the fiscal 2023 final assessment roll of $275 billion, or 4.4% growth, are not factored into the current financial forecast. Market values improved, particularly in Class 1 (residential) and Class 4 properties (office, retail and hotels).

Non-property tax revenues, including sales tax (typically comprising slightly under 10% of total revenues), are conservatively projected to see moderate growth as spending activity slows, due to the higher interest rate environment and reduced personal savings account levels following record spending during fiscal 2022. Job growth is helping support personal income tax levels, but bonus income is projected to fall well short of the fiscal 2022 levels following a record year for the financial sector. Personal and corporation income tax revenues (20% to 25% of total revenues) are projected to return closer to pre-pandemic levels due to less robust but still healthy financial services activity.

The fiscal 2024 budget includes savings projected to be derived from management's Program to Eliminate the Gap (PEG), including the elimination of approximately 4,300 vacant positions to provide for annual savings across all fiscal years of the current financial plan. Notably, about 23,000 vacancies still remain citywide. With inclusion of the estimated savings from the PEG, the city eliminated the originally projected fiscal 2024 budget gap of $4.2 billion (as of June 2022). Projected out-year gaps are slightly higher than recent years' forecast but remain manageable at an estimated 3% to 6% of spending through fiscal 2027.

The city's capital plan is extensive and debt service costs are projected to ramp up gradually from current levels based on planned issuances, but remain manageable. Additional GO bond and TFA revenue bond debt issuance of $53 billion (about 57% of current debt) is projected from the remainder of fiscal 2023 through fiscal 2027. Debt issuances will be managed to ensure compliance with a policy to maintain debt service costs below 15% of tax revenues and project spending can be deferred if economic situations warrant such action.

Labor Costs Expectations Still Subject to Negotiation

Employee contracts expired June 30, 2022 for the majority of employees, and Fitch considers the cost of settling labor agreements to be a continuing uncertainty, and therefore will likely impact future expenditure costs in the current financial plan. Other labor-related concerns include control of overtime spending and benefit costs. Pension contribution costs have risen from lower fiscal 2021 levels due to weaker pension asset performance, for which losses are smoothed over five years.

For local governments across the nation, the rise in inflation and desire among employers to retain or attract staff has led to wage increases that have trended higher than typical historical patterns. The fiscal 2023 budget and current financial plan through fiscal 2027 provides resources in the reserve for collective bargaining for modest annual 1.25% wage increases, which Fitch believes could be challenging to attain. However, Fitch believes overall costs for wages and salaries including potential increases will remain manageable in the context of the city's expenditure profile and expected revenue growth.

Outstanding Debt

New York City General Obligation Bonds[b]	AA
Hudson Yards Infrastructure Corporation 2nd indenture Revenue Bonds[c]	AA–
New York City Health & Hospitals Corp. Health System Bonds[c]	AA–
New York City Industrial Development Agency (New York City - New York Stock Exchange Project) Special Revenue Bonds Series 2019A[c]	AA–
New York City Industrial Development Agency (New York City - New York Stock Exchange Project) Bank Bonds Associated with Series 2004B Adjustable Rate Special Revenue Bonds[c]	AA–

[b]Upgraded from 'AA-' on Feb. 17, 2023.
[c]Upgraded from 'A+' on Feb. 17, 2023.

Other cost pressures exist, which have not been fully considered in the current financial plan. These include, amongst other items, state mandated increases in the city's share of MTA paratransit operating deficits from 33% to 50%, and higher projected MTA Bus Company's losses than forecast by the city. Additionally, recently approved legislation that caps class sizes for the city's school district is projected to increase outyear costs without additional state funding. The state's recent fiscal 2024 budget proposal includes an approximate $500 million increase of the city's share of funding to the MTA to cover paratransit operating deficits and discounted student fares.

The state budget proposal also calls to remove the cap on the number of regional charter schools and the reissuance of charters to schools that had closed since July 2015, which the city estimates could cost approximately $1 billion over a phase-in period of approvals. Costs related to the influx of asylum seekers are estimated by the city to be $1.4 billion in fiscal 2023 and $2.8 billion in fiscal 2024, however the financial plan does not fully include these costs as the level of state and federal support is unknown. The state budget proposal provides $1 billion to the city split over two fiscal years. Fitch believes these costs will continue to be managed, but could put pressure on future budgets.

Longer Term, Focus on Economic Recovery

Fitch expects employment and tourism will continue to show improvement and eventually recover to pre-pandemic levels. Hotel occupancy levels have been much closer to pre-pandemic levels with city reported occupancy levels surpassing 90% for the first week of December 2022. Revenue per available room (RevPAR) has exceeded pre-pandemic levels. However, uncertainty regarding the impact of high inflation, rising interest rates, reductions in spending and a volatile stock market, is projected to lead to deceleration of the city's economic growth for at least the remainder of 2023.

Permanent work-from-home arrangements have the potential to adversely affect commercial property values and tax revenues, and could constrain future growth of tax revenues generated by retail and entertainment activity if the return to office recovery stalls. Kastle Systems estimates the rate of occupancy of office workers in the New York metro area has averaged just under 50% for the past several months. The impact on commercial real estate tax revenues will take longer to become clear as commercial lease terms are typically up to 10 years.

Management's assumptions for property tax growth for Class 4 commercial properties is flat for fiscal years 2024 thru 2027, which may not prove conservative enough if office vacancy rates remain high. Office properties account for approximately 18% of the property tax levy.

Fitch expects management will continue to achieve general fund operational stability while maintaining reserves at close to or better than current levels. Fitch’s expectations for resumption of revenue growth, following near-term interruptions due to rising interest rates and high inflation, coupled with continued close expense management and use of budgetary tools should support these expectations. The combination of prepayments and increase in reserves for fiscal 2023 to historical levels will additionally support unexpected cost pressures or a decline in revenues below already conservative assumptions.

Credit Profile

Economic Resource Base Details

The economic profile of the city features high wealth levels; per capita personal income is approximately 130% of the U.S. However, the above-average individual poverty rate of 17.0% exceeds the national rate of 12.6%, indicative of some income disparity and the demand for social services, but common in other large urban U.S. cities. The census population for the city for 2020 was 8.8 million, up 7.7% since 2010 (compared to 7.4% nationally).

Estimated census figures as of July 2021 show a 3.8% drop from 2020 levels to 8,467,513. The city is the most populous city in the United States and its population is larger than the combined populations of Los Angeles and Chicago, the next two most populous cities in the nation.

The city's tourism sector is an important driver, with a reported record of nearly 67 million visitors in 2019. The city had experienced reduced activity due to the pandemic; however, activity has rebounded, as evidenced by improved levels of hotel occupancy and improved number of air travelers as reported by the Port Authority of NY & NJ. Total air passenger traffic at New York City airports surpassed pre-pandemic levels for the first time in November 2022 and hotel occupancy in the city continues to improve. Fitch expects New York City to resume its role as the leading American city for both domestic and international tourism as recovery continues.

Revenue Framework

The city has a diverse revenue profile, in part because it serves the functions of a city, county and school district. Property tax revenues are the largest source at roughly 30% of general fund revenues. The tax levy for operations is limited to 2.5% of the average full value of taxable real estate of the current and last four fiscal years. This phase-in process both stabilizes the maximum tax levy and typically provides good visibility on future-year revenue growth and limitations. The 5% decline in billable assessed values for fiscal 2022 was due to pandemic-induced pressure on property values and followed several years of brisk growth. Fiscal 2023 billable assessed values were up 7% due to strong performance of residential and office properties.

Sales and income taxes are also substantial components of revenues at roughly 10% and 20%-25% of the total, respectively; their rates are controlled by the state. Intergovernmental revenues typically make up another quarter of the general fund total.

Fitch expects the city's prospects for revenue growth to exceed the expectations for long-term rates of inflation over time. A lengthy high interest rate environment and macroeconomic factors might slow economic growth during the near term and the uncertainty around return to office trends could impact future revenue growth, notwithstanding recent robust growth in non-ad valorem revenues.

The city's operating levy is generally below the 2.5% cap even with the inclusion of a portion of GO debt service, affording sound flexibility to offset what Fitch anticipates would be a modest revenue decline in a moderate recession. Components of the sales and income tax rates are subject to periodic state legislative renewal. Fitch considers such approval pro forma, although modest changes to certain components (such as increases in or expansions of exclusions) are expected.

Expenditure Framework

New York's responsibilities are very broad, as noted above. In addition, New York State counties and New York City are responsible for a portion of Medicaid spending, and the city's public hospital system is a component unit that receives ongoing city general fund support. The largest expenditure category is education, typically representing one-third of general fund spending, followed by health and social services at 20%-25%. Public safety's share is normally 10%-15% of spending, a relatively low share for a local government, reflecting the breadth of the city's service demands.

Given these responsibilities, the natural pace of spending, absent policy actions, is expected to remain above revenue growth expectations. Carrying costs are moderately high, typically about 20% of spending, and are expected to remain in this range with changes in debt service and retiree benefit costs. Robust capital planning and debt management should keep debt service beneath the city's policy cap of 15% of tax revenues (about 10% of total spending).

The city consistently pays the pension ADC as required by charter and has made contributions above pay-go to the RHBT to support future costs of health and welfare benefits of eligible participants.

The city provides ongoing financial support for New York City Health and Hospitals Corp., including the non-federal share of supplemental Medicaid. While the current financial plan projects declining annual appropriations, unexpected increases could widen the pace of expected spending growth and/or reduce the city's flexibility to reduce spending in an economic downturn.

Other notable spending areas include funding for operations, maintenance, and upgrades for the MTA, whose ridership and farebox revenues still remain well below pre-pandemic levels, and for New York City Housing Authority (NYCHA) facilities. Some of the required funding will be for capital projects and will be debt financed. Fitch expects continued pressure on the city to increase contributions to both authorities as they provide vital city services and have widely reported repair needs beyond levels now being addressed.

However, federal stimulus support has been robust and eased pressure on the city to a degree. The state's preliminary budget proposal includes additional funding for the MTA and state legislation provides for congestion tolling for vehicles entering a designated congestion zone below 60th street in Manhattan, the revenues from which will be directed to the MTA. Details of the plan have not yet been determined, but current expected start date is in 2024.

The city has gone further than most coastal communities in its climate change resiliency efforts and in evaluating risks and articulating a resiliency strategy, including estimated costs. While the resiliency efforts represent a substantial investment by the city, and rely on state and federal support, Fitch considers it manageable in the context of the approximately $100 billion annual operating budget and $60 billion four-year capital commitment plan and unlikely to materially shift the assessment of the city's expenditure framework or long-term liability burden.

Fitch believes the city retains a reasonable amount of flexibility to contain growth in employee compensation or reduce headcount if needed.

Long-Term Liability Burden

Combined debt and Fitch-adjusted net pension liabilities (to reflect a 6% investment return rate) are equal to about 20% of the city's personal income and have averaged close to this level for several years. Debt represents 61% of the liabilities.

Fitch looks through year-to-year market volatility impacting pension asset performance and focuses its assessment on expectations for the long-term trend of the liability burden, which Fitch anticipates will remain slightly elevated. Debt issuance plans are robust and Fitch expects the long-term liability burden will remain close to or above 20% of personal income levels over time. City policy caps debt service at 15% of tax revenues and state restrictions on debt amortization rates help control growth in debt levels.

The city maintains five pension systems, of which two (for police and fire) are single-employer plans. Although the other three are cost-sharing plans, the city bears the responsibility for the majority of the liabilities and virtually all for the two education-related plans. On a combined basis, the ratio of assets to liabilities is 81% on a reported basis as of fiscal 2022, or approximately 73% using Fitch's 6% investment return assumption.

Fitch recognizes that the age and size of the city's infrastructure make capital investment a constant need. New York City conducts an extensive city charter-mandated annual study of its major infrastructure assets (Asset Information Management System, or AIMS), which serves as a guide in developing its operating expenditures for maintenance and its five-year capital commitment plan and 10-year capital strategy.

Key agencies, including MTA and NYCHA, are not included in the AIMS report. The recent increases for those agencies reflect the broad scope of the city's asset maintenance and investment needs. The long-term liability burden assessment anticipates the city will continue to keep a close eye on affordability and would alter its capital spending plans if conditions made debt more of a burden on resources.

The unfunded OPEB liability is approximately 10% of personal income and management established an irrevocable trust in 2006, the retiree health benefits trust, to help cover these costs. Actual annual benefit costs have trended at reasonable levels when compared to the city's operating budget and represent a manageable percentage of fixed cost spending when excluding RHBT contributions above pay-go. Efforts to control growth in these costs are ongoing.

Operating Performance

The combination of strong revenue control, adequate spending flexibility and available financial cushion and other tools leaves the city well positioned to address the effect of a moderate economic downturn. Fitch does not believe unrestricted general fund reserves as reported in the audited financial statements provide a complete picture of financial resilience, primarily because they do not incorporate the city's budget stabilization reserve, or surplus roll (defined below).

Due to prior state law and city charter constraints on using a traditional reserve fund, the city utilized alternative budget tools. Following a city charter amendment in 2021, a state law was passed to allow for a revenue stabilization fund (RSF) using annual operating surpluses. The balance in the fund at the end of fiscal 2022 was $1.95 billion, or 1.9% of spending. Including $5.4 billion in the RHBT, available reserves equaled 7% of spending at fiscal end 2022. The roll of surplus to support the fiscal 2023 budget was $6.1 billion or 5.8% of spending.

In addition to the RHBT and now the RSF, the city uses generated general fund surpluses in one year to prepay certain expenses for upcoming fiscal years (the surplus roll) including debt service, retiree health care costs, and subsidies to entities like NYCHH. In recent years prepayments have been in the range of 5% of spending but increased in fiscal years 2021 and 2022 with unexpectedly strong PIT revenue performance. The surplus roll for fiscal 2022 to prepay fiscal 2023 expenses was $6.1 billion (6% of the fiscal 2023 budget).

Fitch expects the city to maintain the practice of prepayments, with the amounts varying somewhat depending on the city's budgetary results. Higher roll-outs into the next fiscal year versus roll-ins from the prior fiscal year represent operating surpluses, and vice versa. A consistent trend of lower net rolls once the city's economy regains strength would be cause for concern.

Fitch considers budget monitoring and control a key strength of the city's operating performance assessment. Fitch expects that officials would address any potential erosion in revenues in a reasonably timely and thorough manner.

Fiscal discipline instilled following the city's financial crisis in the 1970s is long institutionalized. The city is required to present a balanced budget on a GAAP basis, publish a four-year financial plan, which is updated three times per year, and present a biennial 10-year capital strategy, based partly on the AIMS report noted above. Plans are thorough and highly detailed and tend to be based on realistic assumptions, in Fitch's view.

Outside monitors who regularly report on the city's budget and financial plan include the Financial Control Board, the state comptroller, the city's charter-required Independent Budget Office and the privately funded Citizen's Budget Commission.

Rating Upgrades of Other Outstanding City Obligations

Fitch has also upgraded its rating on the following obligations, which the city supports through its commitment to appropriate for debt service:

--Outstanding New York City Health and Hospitals Corp (NYCHHC) health system bonds to 'AA-' from 'A+';

--Outstanding Hudson Yards Infrastructure Corp (HYIC) revenue bonds, fiscal 2017 series A and series B, and fiscal 2022 series A, to 'AA-' from 'A+'; and

--Approximately $30 million special revenue bonds (New York City-New York Stock Exchange Project) series 2019A and bank bonds associated with $30 million in special revenue bonds (New York City-New York Stock Exchange Project) series 2004B, issued by the New York City Industrial Development Agency (IDA) to 'AA-' from 'A+'.

Security Description for these Other Obligations

NYCHHC Bonds: The HHC Act requires maintenance of a capital reserve fund equal to MADS for all outstanding NYCHHC debt. If there is a deficiency in the fund that cannot be restored from operating revenues, the corporation shall request an amount sufficient to cure the capital reserve fund deficiency, and the city shall make the payment, subject to appropriation.

HYIC bonds: the bonds are special obligations of HYIC payable from a combination of recurring and non-recurring revenues expected to be generated from development in the Hudson Yards area of Manhattan after payment of HYIC's operating expenses. A portion of pledged recurring revenues, the Tax Equivalency Payments, are subject to appropriation by the City of New York. Bond interest is supported by interest support payments (ISPs) from the City of New York, subject to annual appropriation, if HYIC revenues are insufficient. The city is not obligated to pay principal on the bonds

New York City IDA bonds: On or before March 31 of each year, the IDA certifies to the city the amounts payable (including debt service on the IDA bonds) under the facility financing agreement. The city covenants that the mayor will include in the executive expense budget submitted to the city council each fiscal year an appropriation equal to the amounts projected to be payable under the agreement. The agreement also provides that the mayor will seek to increase appropriations during the fiscal year if necessary to pay the amounts due under the agreement.

The IDA pledges and assigns to the trustee its rights under the agreement, including the amounts received from the city. The administration of all city appropriation and lease-backed debt is centralized and treated as a single unit of appropriation in the city's debt service budget.

ESG Considerations

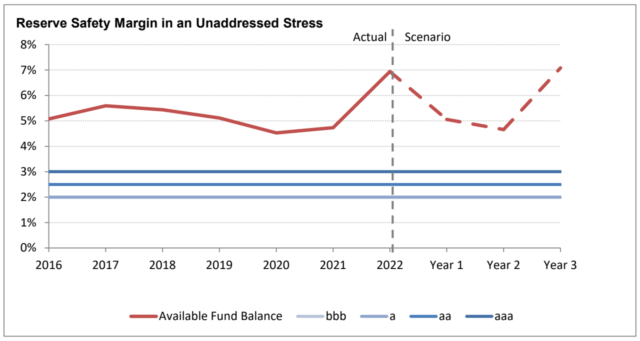
Fitch has revised New York City's [General Government] ESG Relevance Score to '3' from '4' for Labor Relations & Practices as Fitch believes the city is well positioned to manage its labor expenditure requirements, including costs to settle expired employee contracts. Labor Relations & Practices is viewed as now being minimally impactful to the assigned rating.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

New York City (NY)

Scenario Analysis

Ver 48



Analyst Interpretation of Scenario Results

The combination of strong revenue control, adequate spending flexibility and available financial cushion and other tools leaves the city well positioned to address the effect of a moderate economic downturn. Fitch does not believe unrestricted general fund reserves as reported in the audited financial statements provide a complete picture of financial resilience, primarily because they do not incorporate the city's budget stabilization reserve, or surplus roll (defined below).

Due to prior state law and city charter constraints on using a traditional reserve fund, the city utilized alternative budget tools. Following a city charter amendment in 2021, a state law was passed to allow for a revenue stabilization fund (RSF) using annual operating surpluses. The balance in the fund at the end of fiscal 2022 was $1.95 billion, or 1.9% of spending. Including $5.4 billion in the RHBT, available reserves equaled 7% of spending at fiscal end 2022. The roll of surplus to support the fiscal 2023 budget was $6.1 billion or 5.8% of spending.

Scenario Parameters:					Year 1	Year 2	Year 3
GDP Assumption (% Change)					(1.0%)	0.5%	2.0%
Expenditure Assumption (% Change)					2.0%	2.0%	2.0%
Revenue Output (% Change)	*Min Y1 Stress:*	**-1%**	*Case Used:*	**Moderate**	(1.0%)	3.5%	4.9%
Inherent Budget Flexibility						High	

Revenues, Expenditures, and Fund Balance	Actuals							Scenario Output		
	2016	2017	2018	2019	2020	2021	2022	Year 1	Year 2	Year 3
Total Revenues	79,399,507	83,029,725	87,479,579	91,343,801	94,618,150	99,182,509	106,795,525	105,727,570	109,422,449	114,770,908
% Change in Revenues	-	4.6%	5.4%	4.4%	3.6%	4.8%	7.7%	(1.0%)	3.5%	4.9%
Total Expenditures	73,700,743	77,027,929	80,700,975	84,758,165	87,849,439	91,103,926	98,933,172	100,911,835	102,930,072	104,988,674
% Change in Expenditures	-	4.5%	4.8%	5.0%	3.6%	3.7%	8.6%	2.0%	2.0%	2.0%
Transfers In and Other Sources	159,154	139,513	149,891	140,310	136,064	96,428	147,672	146,195	151,304	158,700
Transfers Out and Other Uses	5,852,720	6,136,099	6,923,391	6,720,863	6,945,583	8,588,610	6,706,208	6,840,332	6,977,139	7,116,682
Net Transfers	(5,693,566)	(5,996,586)	(6,773,500)	(6,580,553)	(6,809,519)	(8,492,182)	(6,558,536)	(6,694,137)	(6,825,834)	(6,957,982)
Bond Proceeds and Other One-Time Uses	-	-	-	-	-	-	-	-	-	-
Net Operating Surplus/(Deficit) After Transfers	5,198	5,210	5,104	5,083	(40,808)	(413,599)	1,303,817	(1,878,403)	(333,458)	2,824,253
Net Operating Surplus/(Deficit) (% of Expend. and Transfers Out)	0.0%	0.0%	0.0%	0.0%	(0.0%)	(0.4%)	1.2%	(1.7%)	(0.3%)	2.5%
Unrestricted/Unreserved Fund Balance (General Fund)	-	-	-	-	493,239	498,550	1,953,849	75,446	(258,011)	2,566,241
Other Available Funds (GF + Non-GF)	4,036,331	4,653,903	4,765,799	4,679,551	3,800,489	4,220,507	5,376,499	5,376,499	5,376,499	5,376,499
Combined Available Funds Balance (GF + Other Available Funds)	4,036,331	4,653,903	4,765,799	4,679,551	4,293,728	4,719,057	7,330,348	5,451,945	5,118,488	7,942,740
Combined Available Fund Bal. (% of Expend. and Transfers Out)	5.1%	5.6%	5.4%	5.1%	4.5%	4.7%	6.9%	5.1%	4.7%	7.1%

Reserve Safety Margins	Inherent Budget Flexibility				
Moderate	Minimal	Limited	Midrange	High	Superior
Reserve Safety Margin (aaa)	16.0%	8.0%	5.0%	3.0%	2.0%
Reserve Safety Margin (aa)	12.0%	6.0%	4.0%	2.5%	2.0%
Reserve Safety Margin (a)	8.0%	4.0%	2.5%	2.0%	2.0%
Reserve Safety Margin (bbb)	3.0%	2.0%	2.0%	2.0%	2.0%

Notes: Scenario analysis represents an unaddressed stress on issuer finances. Fitch's scenario analysis assumes the GDP and expenditure growth sequence shown in the 'Scenario Parameters' section. Inherent budget flexibility is the analyst's assessment of the issuer's ability to deal with fiscal stress through tax and spending policy choices, and determines the multiples used to calculate the reserve safety margin. For further details, please see Fitch's US Tax-Supported Rating Criteria.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.