22 MAR 2024

Fitch Rates New York City, NY's $1.28B Ser D, E & F GO Bonds 'AA'; Outlook Stable

Fitch Ratings - New York - 22 Mar 2024: Fitch Ratings has assigned a 'AA' rating to the following New York City, NY general obligation (GO) bonds:

--$1,100,000,000 fiscal 2024 series D;

--$163,815,000 fiscal 2024 series E;

--$15,230,000 fiscal 2024 series F.

The bonds will be priced on March 25 and 26, 2024 via negotiation. Proceeds of the series D bonds will support general city capital expenditures. Proceeds of the series E and series F bonds will be used to refund a portion of the city's outstanding GO bonds.

Fitch has also affirmed the city's Issuer Default Rating (IDR), approximately $40 billion in outstanding GO bonds, and various bank bonds associated with certain of the city's outstanding adjustable rate bonds at 'AA'.

Fitch additionally has affirmed the 'AA-' rating on the Hudson Yards Infrastructure Corp. NY (HYIC) Hudson Yards revenue bonds, fiscal 2017 series A and series B, and fiscal 2022 series A, which the city supports through its commitment to appropriate a portion of pledged recurring revenues.

Concurrently with the issuance of the fiscal 2024 series D, E and F GO bonds, the city will be converting its outstanding fiscal 2006 series I, subseries I-4 and fiscal 2006 series I, subseries I-5 GO bonds to fixed rate mode, and Fitch has affirmed these outstanding bonds at 'AA'.

The Rating Outlooks on the IDR, GO bonds, bank bonds and HYIC revenue bonds are Stable.

SECURITY

The GO bonds carry a pledge of 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 city is not subject to New York State's property tax cap.

The outstanding Hudson Yards revenue bonds are special obligations of HYIC (the corporation) 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 recurring revenues include tax equivalency payments, which are subject to appropriation by the city of New York. Additionally, bond interest is supported by interest support payments from the city of New York subject to annual appropriation, if project revenues are insufficient. The city is not obligated to pay principal on the bonds.

ANALYTICAL CONCLUSION

New York City's 'AA' IDR and GO bond ratings reflect the city's exceptionally strong budget monitoring and controls, supporting Fitch's high assessment of operating performance. The city experienced record revenue performance and strong recovery coming out of the pandemic, as well as improvement in reserve levels, which will help management navigate future economic downturns. The city's near-term challenges include expected deceleration of revenue growth, rising labor and asylum seeker costs and other uncertainties associated with a high inflationary environment.

Fitch expects the city's long-term liabilities to remain slightly elevated but still moderate when compared to personal income levels. This expectation is based on future debt needs, the status of its net pension liabilities (NPL) over time (assuming actuarial assumptions are met) and improvement in the resource base. Other post-employment benefit (OPEB) liabilities are high, equal to almost half of the combined level of debt and NPLs; however, these liabilities will fluctuate depending on the interest rate environment.

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 the resumption of revenue growth, following near-term economic interruptions due to elevated interest rates and high inflation, coupled with continued careful expense management and use of budgetary tools support these expectations. The prepayment of expenses and availability of reserves will further mitigate the risks of unexpected cost pressures or revenues falling short of budget.

The rating on the HYIC revenue bonds is capped at one-notch below the city's IDR of 'AA' because debt service coverage based solely on fiscal 2023 audited recurring PILOT revenues (which are not subject to appropriation) provided for low coverage levels of MADS. This equates to a much lower bond structure resilience assessment compared to the appropriation rating of 'AA-', which reflects a portion of pledged revenues requiring city appropriation, thereby strengthening the resilience of the bond structure. Fitch would view continued growth in recurring PILOT revenues positively and potentially supportive of upward rating movement.

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 lagged national trends following the pandemic, but job growth picked up notably during calendar 2022 and through 2023. Employment in the city has now recovered to pre-pandemic levels.

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 2022 data. Professional and business services accounted for 21% of earnings, for the same period, and this sector, along with the financial activities sector, has a higher share of wage earnings than the other service-producing and governmental sectors in the city based on 2022 data.

KEY RATING DRIVERS

Revenue Framework: 'aa'

New York City has a highly diverse revenue base that is resilient to changes in economic conditions. Fitch expects that overall revenue growth will fluctuate between the long-term inflation rate and U.S. GDP growth. Sales tax revenues are expected to moderate following significant growth the last two years, and income taxes are expected to benefit from wage growth but are influenced by changes in corporate performance and the investment markets. Residential real estate values should maintain their strength, which is expected to offset the 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 annual governmental funds spending. Other than education-related employees, 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 when excluding policy actions.

Long-Term Liability Burden: 'a'

The city's ongoing and substantial capital needs will be the primary driver of expected growth in the long-term liability burden to an elevated but still moderate level as the city's resource base expands. The city's debt policies support the maintenance of debt issuances within affordability levels. Reported NPLs incorporate market volatility but the city is required to fully fund its actuarially determined contributions (ADCs). Net OPEB liabilities represent close to 14% of personal income, but annual costs are a moderate portion of the budget excluding periodic contributions above pay-as-you-go.

Operating Performance: 'aaa'

The 'aaa' assessment reflects a very strong gap-closing ability and the city's careful budget monitoring and control, as demonstrated by its ability to maintain consistent balance and manage outyear 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.

For the Hudson Yards Infrastructure Corporation bonds:

--An upgrade of the city's IDR;

--Continued and sustained growth in pledged PILOT revenues leading to a solid debt service cushion from PILOTs alone of at least 1.25x or higher.

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.

For Hudson Yards Infrastructure Corporation:

--A downgrade of the city's IDR;

--Severe and unexpected decline in combined pledged revenues closer to 1.25x without expectation of near-term recovery.

CURRENT DEVELOPMENTS

Fiscal 2025 Preliminary Budget and Forecast Reflects Conservative Assumptions; Reduced Budget Gaps

Mayor Eric Adams' preliminary fiscal 2025 budget (fiscal year ended June 30) and updated financial plan for fiscal years 2024 through 2028 (the January 2024 financial plan) anticipate balanced budgets for fiscal 2024 and fiscal 2025 and smaller and more manageable annual budget gaps for fiscal years 2026 through 2027 compared to the November 2023 financial plan. The city's revenues are outperforming expectations in most areas due to continued solid economic activity, and expenditures have been modified to reflect Program to Eliminate the Gap (PEG) savings initiatives, a hiring freeze (with exceptions for critical positions supporting public health, public safety, and revenue generation) and lower estimated costs related to asylum seekers due to program changes and additional state support. Reserve levels are projected to be $8.2 billion for fiscal 2025 compared to the all funds budget of $109 billion (up 2% yoy).

Based on the January 2024 financial plan, net revenues for fiscal 2024 are projected to increase by

$2.44 billion, or 3.2%, over the June 2023 financial plan net revenue forecast of $76.94 billion. Non-property tax revenues including personal and business income taxes and sales and hotel taxes are seeing better than anticipated growth. The growth projection reflects continued economic and employment growth during 2H23, a larger workers' wage base and strong tourism activity supported by higher room rates.

Mortgage recording and transaction tax revenues declined compared to budget due mostly to a weak residential market because of elevated mortgage rates. Economic headwinds remain, including potential changes in the Fed's monetary policies that could soften growth for the remainder of the fiscal year with more moderate growth expectations budgeted for fiscal 2025 and the subsequent three fiscal years of the financial plan.

Both the June 2023 and November 2023 financial plans anticipated larger-than-typical budget gaps made worse by spending related to asylum seekers. Management instituted PEGs and made changes to the asylum seeker policies and spending, leading to approximately $1.7 billion in savings over fiscal years 2024 and 2025 relative to previous budgeted projections. Compared to the June 2023 financial plan, the January 2024 financial plan reflects a net decrease in projected net expenditures of $1.34 billion (-1.7%) in fiscal 2024 and a net increase in projected expenditures of $1.28 billion in fiscal 2025.

Fiscal 2024 expenditure changes include higher agency expense changes offset by agency PEG savings, pension and debt service savings and the aforementioned asylum seeker cost reductions. The projections include the use of $1.15 billion of the general reserve and $0.25 billion capital stabilization reserves. The city estimates that the provision for prepayment in fiscal 2024 of fiscal 2025 expenses will increase to $3.8 billion (3.5% of the fiscal 2025 all funds budget).

The January 2024 financial plan for fiscal years 2025 through 2028 is based on conservative assumptions for revenue growth and eliminates the fiscal 2025 $7.1 billion budget gap indicated in the November 2023 financial plan. The revised forecast projected lower outyear budget gaps which are reduced to $5.2 billion in fiscal 2026, $5.1 billion in fiscal 2027 and $6.0 billion in fiscal 2028, down 20% for fiscal years 2026 and 2027 and 12% for fiscal 2028 when compared to the November 2023 financial plan. Fitch views these projected gaps as manageable and more in line with historical budget gap levels. PEG savings for agency and asylum seeker expenses and reduced asylum costs due to policy- and vendor-related changes contributed to the fiscal 2025 budget gap elimination, along with $2 billion in new revenue assumptions and an increase in the fiscal 2024 projected prepayments.

The preliminary fiscal 2025 budget includes increases in employee-related salaries and benefits, higher yoy debt service costs and $3.56 billion toward asylum seekers, up $1.26 billion compared to projected costs for fiscal 2024. The preliminary budget includes $1.3 billion in state funds for asylum-related costs, down from $1.76 billion projected for fiscal 2024. The financial plan includes $156 million in federal funds for costs related to asylum seekers in fiscal year 2024, all of which has been allocated, with no federal funding included in fiscal years 2025 and beyond. Labor- and agency-related expenses as well as growing debt service costs will continue to drive expenditure increases through the final three years of the plan.

The city continues to advocate for additional state and federal aid, as well as obtaining work authorizations for migrants. While these measures alone may not be sufficient to fully cover the projected asylum seeker costs should they be realized, management's quick actions implemented during the early months of the current fiscal year should help control growth in budgeted and unanticipated costs. Fitch believes these costs will continue to be managed but could put pressure on future budgets or a use of reserves depending on actual activity and level of external support actually received.

CREDIT PROFILE

Economic Resource Base Details

The economic profile of the city features high wealth levels, with per capita personal income approximately 122% of the U.S. in 2022. However, the above-average individual poverty rate of 17.2% exceeds the national rate of 12.5%. This is indicative of some income disparity and drives the demand for social services, which is also common in other large urban U.S. cities.

Estimated census figures for July 2023 report the city's population at 8,258,035, a 1% increase from 2010 but a 6% decline since 2020. New York City is the most populous city in the U.S., with a larger population 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 economic driver, with 62 million visitors projected for 2023, according to New York City Tourism + Conventions, although this is still below the peak of 67 million visitors in 2019. Tourism activity has rebounded since the pandemic, as evidenced by improved levels of hotel occupancy during 2023 and 2022 levels, higher average room rates, and an improved number of air travelers as reported by the Port Authority of NY & NJ.

Fitch does not expect the current hybrid work-from-home arrangements to change materially in the near term. These arrangements will likely adversely affect commercial property values and tax revenues and could constrain future growth of tax revenues generated by retail and entertainment activity. Kastle Systems' estimates of the rate of occupancy of office workers in the New York metro area has averaged around 50% for the past several months. The full impact on commercial real estate tax revenues will take longer to become clear as commercial lease terms are typically up to 10 years. Additionally, the high interest rate environment has stalled commercial transactions and limited refinancing opportunities for property owners with costly variable-rate mortgages. Manhattan office vacancy rates of 22.8% in the fourth quarter of 2023 remain high by historical standards, and Fitch expects they could remain stubbornly high for the near to medium term.

Depending on the magnitude of decline, a change in a property's market value is typically phased-in over five years. The taxable billable assessed value (TBAV) is the basis for the tax levy, and it is based on the lower of the actual value (45% of the current year market value) or transitional assessed value (which is the cumulative value of the phase-ins from the five-year market value changes). This phase-in of changes in value helps mitigate the potential volatility of tax rate changes and impacts on annual operating budgets.

Class 4 TBAV, which consists of commercial properties such as office buildings, factories, stores and vacant land, is forecast to increase 1.8% in fiscal 2025. Average Class 4 TBAV growth is forecast to be 2.0% from fiscal 2026 through fiscal 2028 as a result of actual growth in Class 4 market values and the phase-in approach of changes in values.

Office buildings accounted for approximately 18.5% of the total net billed property tax levy in fiscal 2023 of $32.3 billion, and about 5.5% of total all city funds revenues. Office buildings accounted for close to half of the class 4 property tax levy.

Fitch considers class 4 office and retail properties to be currently vulnerable to changes in value downward, but also recognizes that these associated revenues are a smaller part of the city's overall diverse revenue base, while changes in value are potentially mitigated by the phase-in process. Stability of other property class values and growth in non-property tax revenues will be key to offsetting potentially larger-than-anticipated declines.

The fiscal 2025 tentative citywide assessment roll was released Jan. 16, 2024, subsequent to the release of the January 2024 financial plan, and reflected a TBAV of $299 billion, up 4.15% yoy. The January 2024 financial plan reflects fiscal 2025 budgeted TBAV at an estimated $293 billion, up $5 billion or 1.8% yoy, with growth of 2.1%, 2.9% and 1.8% in fiscal years 2026, 2027 and 2028, respectively.

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 increased by 7% due to better performance of residential and office properties with continued growth of 4% for fiscal 2024.

Sales and income taxes are also substantial components of revenues at roughly 10% and 22% of the total, respectively, with their rates controlled by the state. Intergovernmental revenues typically make up another quarter of the general fund total.

Sales tax revenues are conservatively projected to rise by a more moderate 4.0% yoy reflective of a spend-down of excess savings, inflationary pressures and slowing labor market. This projected growth is compared to the double-digit growth achieved last year.

City projections show personal income tax (PIT) revenues (14% of total revenues) for fiscal 2024 declining by 6.9% yoy reflective of larger declines in non-withholding revenue, inclusive of PTET, following strong fiscal 2023 performance. Growth is projected to resume beginning in fiscal 2025 through fiscal 2028 more in line with pre-pandemic levels.

The NYC PTET was created in 2022. The pass-through is structured as a workaround to the $10,000 cap on state and local tax deductions that were included in the 2017 Tax Cuts and Jobs Act. It is intended to be revenue-neutral for the city, but the complicated mix of payments, credits and refunds can take multiple years, resulting in unpredictable revenue volatility in any single year. In fiscal 2024, PTET revenues are projected to decline 27.9%, to $1.7 billion, followed by a 6% uptick in fiscal 2025.

Business corporation and unincorporated income tax revenues (8% of total revenues) are projected to increase in fiscal 2024 by 4.0% yoy as the financial services industry rebounds following its down year in 2023. Non-finance sectors are experiencing more moderate growth following robust activity the last two years.

Fitch considers the city's pledged revenue projections to be reasonable as it expects a moderation of economic growth throughout calendar 2024 due to current high interest rate environment but with a potential downward adjustment of rates mid-year, reduced spending levels with a transition to a more typical mix of purchased good and services following record highs that occurred following the pandemic, and a deceleration of job growth. Tourism levels, which have bounced back close to pre-pandemic levels, are expected to remain relatively healthy.

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

The city consistently pays the pension ADC as required by charter and has made contributions above pay-go to the retiree health benefits trust (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. (NYCHHC), including the non-federal share of supplemental Medicaid. While the current financial plan projects declining annual appropriations beginning in fiscal 2026, 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.

The state's fiscal 2024 budget included 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. The federal government provided final approval to move forward with congestion pricing and in July 2023 and in December 2023 MTA's Traffic Mobility Review Board provided a recommended toll structure. The MTA concluded its final round of public hearings in March of 2024, and expects to implement the program later in 2024. In July 2023 the state of New Jersey filed a lawsuit challenging the federal government's approval of the congestion pricing plan. Other parties, including the Staten Island borough president and the United Federation of Teachers, have also sued to block congestion pricing.

Other cost pressures exist, which have not been fully considered in the current financial plan. These include, amongst other items, state mandated tuition for special education students placed by families in private school settings and maximum class size requirements for grades K through 12 which is being phased in.

Additionally, City Council passed a series of bills that revise the city's housing rental assistance voucher program for individuals and families who are experiencing or at risk of homelessness. The bills change and expand existing eligibility requirements which would lead to a substantial increase in future budget costs to the city not reflected in the financial plan. If these laws are implemented it is estimated to cost the city several billion dollars over the years of the financial plan.

Long-Term Liability Burden

Combined debt and Fitch-adjusted NPLs (to reflect a 6% investment return rate) are equal to about 27% of the city's estimated personal income, with combined city GO and Transitional Finance Authority (TFA) debt experiencing gradual growth during the last three fiscal years.

The city's capital plan is extensive and debt service costs are projected to ramp up gradually based on planned issuances, but remain manageable. Following the current issuance, additional GO bond and TFA revenue bond debt issuance of approximately $47 billion (about 50% of outstanding GO and TFA debt) is projected for the remaining period of fiscal 2024 through fiscal 2028. 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.

Fitch anticipates long-term liabilities will remain slightly elevated, looking through year-to-year market volatility affecting pension asset performance and focusing on expectations for the long-term trend of the liability burden. Debt issuance plans are robust and Fitch expects the long-term liability burden will remain close to or above 25% of personal income levels over time. The city's debt service policy and state restrictions on debt amortization rates help control growth in debt levels.

State and city proposals to increase the city's permitted debt capacity, including for TFA, are pending. The long-term liability burden assessment anticipates that 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 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 83% on a reported basis as of fiscal 2023, or approximately 75% using Fitch's 6% investment return assumption.

The unfunded OPEB liability is approximately 14% of personal income and management established an irrevocable trust in 2006, the RHBT, to help manage 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 annual surplus roll.

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 2023 was $1.96 billion, or 1.8% of spending. Including $5.3 billion in the RHBT, available reserves equaled 7% of spending at fiscal end 2023. When including the fiscal 2023 budget stabilization and discretionary transfers of $5.5 billion, available reserves are close to 12% 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 NYCHHC. In recent years, prepayments have been in the range of 5% of spending but increased in fiscal years 2021 and 2022 with unexpectedly strong personal income tax revenue performance. The surplus roll for fiscal 2023 to prepay fiscal 2024 expenses was $5.5 billion (5% of fiscal 2023 spending).

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 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. 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.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
New York City (NY) [General Government]	LT IDR	AA	Affirmed		AA
• New York City (NY) /General Obligation - Unlimited Tax/ 1 LT	LT	AA	Affirmed		AA
Hudson Yards Infrastructure Corporation (NY) [General Government]					
• Hudson	LT	AA-	Affirmed		AA-

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Yards Infrastructure Corporation (NY) /Lease Obligations - Standard - Second Indenture - PILOT/ 1 LT			

RATINGS KEY OUTLOOK WATCH

RATINGS KEY	OUTLOOK	WATCH
POSITIVE	⊕	⬘
NEGATIVE	⊖	⬙
EVOLVING	◎	◆
STABLE	⊙	

Applicable Criteria

U.S. Public Finance Tax-Supported Rating Criteria (pub.04 May 2021) (including rating assumption sensitivity)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.0.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Hudson Yards Infrastructure Corporation (NY)	EU Endorsed, UK Endorsed
New York City (NY)	EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch’s website.

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