



Rating Action: Moody's Ratings assigns Aa1 to NYC TFA's (NY) Future Tax Secured Subordinate Bonds, Fiscal 2025 Series I, J & K

09 May 2025

New York, May 09, 2025 -- Moody's Ratings (Moody's) has assigned Aa1 ratings to the New York City Transitional Finance Authority's (NY) (TFA) approximately \$650 million Future Tax Secured Subordinate Bonds, Fiscal 2025 Series I, Subseries I-1 (tax-exempt); \$300 million Future Tax Secured Subordinate Bonds, Fiscal 2025 Series I, Subseries I-2 (taxable); \$481.3 million Future Tax Secured Subordinate Bonds, Fiscal 2025 Series J, Subseries J-1 (tax-exempt); \$40.6 million Future Tax Secured Subordinate Bonds, Fiscal 2025 Series J, Subseries J-2 (taxable); and \$20.8 million Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2025 Series K. We maintain Aa1 ratings on approximately \$55 billion of outstanding future tax secured subordinate bonds. The bonds are expected to price May 13 and May 14. The outlook is stable.

RATINGS RATIONALE

The Aa1 subordinate lien rating, one notch higher than New York City's issuer rating, reflects very strong debt service coverage, estimated to be 7.4x in the current fiscal year, provided by the pledge of City of New York personal income tax and sales tax revenue. The bonds benefit from TFA's legal insulation from New York City bankruptcy risk and strong cash flow protections. The state collects the pledged taxes and pays the personal income tax directly to the trustee; the sales tax is paid to the trustee if income tax revenue falls below 150% of maximum annual debt service. The trustee makes quarterly set-asides for debt service, before tax revenue flows to the city for its operations, ensuring robust coverage. TFA, a separate legal entity from the city, cannot file for bankruptcy, which is a key strength that allows TFA's future tax secured bond rating to exceed the city's issuer rating. Those strengths are balanced by the open subordinate lien and New York State's ability to repeal the statutes imposing the pledged revenue.

The city's Aa2 issuer rating reflects its robust post-pandemic economic recovery driven by a highly skilled labor force, strong higher education and medical sectors, and significant global connectivity, all underpinned by very strong institutional strength and financial governance. Those strengths balance an above-average debt burden and expenditure pressure from the expansive scope of the city's operations.

RATING OUTLOOK

New York City's stable outlook reflects its continued economic expansion and tax revenue growth, and the expectation that strong financial management will help the City navigate ongoing budget pressures in fiscal years 2027 through 2029 driven by continued but waning costs of the migrant crisis and the end of pandemic-era federal aid. A strong institutional framework, including generally conservative revenue forecasts, frequent multiyear forecasting and multiyear phase-ins of changes in commercial property assessed values, provide the city ample time to make budget adjustments when necessary.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- An upgrade of New York City's issuer rating

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- A downgrade of New York City's issuer rating
- Significant weakening of the pledged revenue or large additional bond issuance that materially dilute debt service coverage

PROFILE

TFA was created by the state legislature in 1997 as a public benefit corporation of the state to provide a method of financing New York City's vital capital construction program but outside the constraints of the debt limit imposed on the city by the state constitution.

New York City is the largest city in the US by population (8.26 million estimated as of July 2023) and by the size of its economy (real GDP of \$1.1 trillion). New York City's GDP is larger than all but four states. 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 approximately one million students.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425429>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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