City of New York

Debt Management Policy
New York City General Obligation and
New York City Transitional Finance Authority

(as of July 2025)

OVERVIEW

The purpose of this policy is to establish general guidelines for debt issuances by the City of New York (the "City") through the General Obligation ("GO") and New York City Transitional Finance Authority ("TFA") Future Tax Secured ("FTS") credits. The considerations below are consistent with the New York State Local Finance Law ("LFL") and other applicable laws, and incorporate further controls to achieve the City's policy objectives. Under the LFL[1] and the City Charter[2], the City Comptroller (through the Bureau of Public Finance) and the Mayor (through the Office of Management and Budget ("OMB")) are jointly responsible for the issuance of City debt. Pursuant to the TFA Act[3], the City Comptroller and the Mayor approve the issuance of TFA debt. The City will review the Debt Management Policy at least annually and update it as necessary.

FINANCING NEEDS

The four-year Capital Commitment Plan, which is updated three times a year, as required by the City Charter[4], shapes the capital budget and the needs for debt funding under the GO and TFA FTS credits. The financing plans for the Capital Commitment Plan are outlined in the Preliminary Budget and Executive Budget prepared by OMB. The City expects to use its GO and TFA FTS credits as the primary financing vehicles for new money capital needs funded with City resources. The City can use monies appropriated in the Capital Stabilization Fund or adjust its Capital Commitment Plan to maintain debt affordability at the levels discussed herein and remain in compliance with all relevant bond covenants and indentures.

DEBT MANAGEMENT

I. PURPOSE OF FINANCING

A. New Money Bonds

- Consistent with LFL § 11.00, the City may not issue debt for a period longer than the period of probable usefulness ("PPU") set forth in the section for such object or purpose, "provided, however, that for purposes of selling bonds or notes evidencing indebtedness contracted for any two or more objects or purposes, or any combination thereof, for which the periods of probable usefulness as determined pursuant to this section are not all the same, such indebtedness may be contracted for a period no longer than the weighted average period of probable usefulness of the objects or purposes." It is the City's objective to match the weighted average useful life of the financed capital assets with the average life of the bonds sold, while maintaining the rapidity of debt repayment. The rapidity of principal retirement for GO Bonds can be found in GO Official Statements and for TFA FTS Bonds, it can be calculated from information available in TFA's audited financial statements.

- Pursuant to the City Charter[5] and applicable State law[6], all expenditures made with proceeds of GO or TFA FTS bonds must be for capital purposes, determined in accordance with generally accepted accounting principles. In addition, pursuant to Comptroller's Directive #10, the City may only borrow for projects costing $50,000 or more, with a useful life of five years or longer, or three years or longer for projects consisting of computer hardware, software, networks, and information technology systems.

B. Refunding Bonds

- Consistent with LFL § 90.10, refunding bonds shall be issued only if they produce present value savings. The City further requires present value savings of at least 3% of aggregate refunded par, for any refunding transaction, unless otherwise approved by OMB and the City Comptroller's Office.

- In addition, the City typically structures its refinancing bond issues to achieve savings over the financial plan period, with no dissavings in any year on a cashflow basis, unless otherwise approved by OMB and the City Comptroller's Office.

- The City will typically seek to purchase State and Local Government Securities to fund its refunding escrows. However, the City may choose to fund an escrow with Open Market Securities when State and Local Government Securities are not available or market conditions make such an option preferable. If Open Market Securities are used, the City will seek competitive bids for the purchase of such securities. The City will take necessary steps to optimize execution and avoid negative arbitrage.

- For each refinancing bond issue, the City will evaluate its debt portfolio with respect to refunding bond candidates to maximize savings and/or refunding efficiency. For example, the City may use a combined structure that includes refunding bonds and remarketed multi-modal bonds.

- If any variable rate or stepped-coupon bonds are included in a refunding, savings are calculated to be neutral on a present value basis (i.e., the assumed refunded bonds interest rate equals the equivalent yield to maturity on the refunding bonds for the same maturity).

C. Reoffered/Converted Bonds

- When converting bonds between different modes, the bonds are generally reoffered in the same maturities. Any net premium generated from a conversion and reoffering may be used to redeem any outstanding maturity of the original series being converted and/or reduce the par amount offered in the transaction as permitted by State law[7] and federal tax laws[8]. The City will evaluate scenarios and structures to determine the optimal structure that meets the City's overall Debt Policy.

II. DEBT LIMITATIONS

A. General Obligation Debt

- The State Constitution[9] provides that, with certain exceptions, the City may not contract indebtedness, including contracts for capital projects to be paid with the proceeds of City bonds, in an amount greater than 10% of the average full value of taxable real estate in the City for the most recent five years (the "general debt limit"). This limitation is also prescribed in LFL § 104.00. The Financial Emergency Act[10] imposes various limitations on the issuance of City indebtedness pertaining to tax anticipation notes, revenue anticipation notes and bond anticipation notes. Should tax anticipation notes or revenue anticipation notes be issued, they must mature not later than the last day of the fiscal year in which they are issued.

B. TFA Debt

- The New York City Transitional Finance Authority Act, as amended, permits the TFA to have outstanding $30.5 billion of Future Tax Secured Bonds (including Senior Bonds and Parity debt, but excluding Recovery Obligations). The TFA may have outstanding Future Tax Secured Bonds in excess of $30.5 billion, provided that the amount of such additional Future Tax Secured Bonds, together with the amount of indebtedness contracted by the City, do not exceed the general debt limit.[11] The issuance of additional bonds must meet the requirements of the TFA's Amended and Restated Original Indenture, as restated January 25, 2024, as supplemented.

C. Variable Rate Debt

- Under LFL § 54.90, the City can issue variable rate bonds up to 25% of the general debt limit. This limitation applies only to the City and is subject to renewal annually by the State Legislature. Under the Public Authorities Law § 2799-gg, TFA FTS variable rate bonds are limited to 20% of the TFA's debt capacity.

- The City or the TFA may issue variable rate debt in such amounts as deemed necessary and/or beneficial by OMB and the City Comptroller's Office to provide funding for capital projects or refund existing obligations.[12] Such debt includes, but is not limited to, Variable Rate Demand Obligations ("VRDBs"), Auction Rate Securities, Adjustable Rate Remarketed Securities ("ARRS"), and Floating Rate Notes. The City will seek to maintain its variable rate debt at no more than 20% of outstanding GO and TFA FTS bonds. Variable rate debt allows the City to take advantage of rates on the shorter end of the yield curve for longer-term bonds and to diversify its offerings in the market.

- Limiting variable rate debt to no more than 20% of outstanding GO or TFA FTS bonds is viewed as prudent considering the City's General Fund balances, which are largely invested in short-term assets and therefore serve as a hedge against rising interest rates.

III. METHOD OF SALE

A. Negotiated Sale

- Authorization: LFL § 54.10 provides authorization, which expires under State law on June 30 of each year and has been renewed annually, for the City to sell bonds or notes on a negotiated basis. LFL § 54.90 provides authorization, which expires annually on July 15, for selling variable rate debt via negotiated sale. These statutes have been extended by the New York State Legislature each year.

- Syndicate: The City monitors the performance of its underwriting syndicate that is selected through a Request for Proposal ("RFP") process. The priority of orders, designation policy, and underwriter compensation, including takedown, expenses, and any structuring fee, are determined at the discretion of the City. The City will consider policy goals in the utilization of minority-owned and women-owned business enterprises and service-disabled veteran owned businesses.

- Selling Group: Selling group members are admitted based on an RFP and/or questionnaire review process. Selling group members are allowed to submit orders during the retail order period and member orders during the institutional order period. Selling group members may not enter priority orders, but may be designated. The City monitors the performance of its selling group members and firms that have not performed well may be removed from the Selling Group at the discretion of the City.

- Distribution Agreements: Retail distribution agreements will be considered on a case-by-case basis. Firms that submit orders pursuant to distribution agreements with other firms are responsible to the City for all actions of such other firms, including compliance with the rules for the retail order period.

- Allotments: The City reviews the record of all orders and allotments for each firm participating in a bond sale.

- Compliance: Firms that have committed any recent violation of MSRB rules, SEC rules, the City's order period rules, or similar rules or regulations which, as determined by the City are significant, are subject to suspension, removal or other disciplinary actions deemed by the City to be appropriate. At the City's discretion, a firm may have the opportunity to resume participation in bond sales following any disciplinary actions.

- Direct Placements: In certain cases, the City may enter into direct purchases of bonds with banks when such transactions may result in cost savings to the City, such as in the case of floating rate index bonds.

- Approval: Pursuant to LFL[13], all new bond issuances for GO and TFA FTS are subject to the approval of the State Comptroller, other than those sold at public sale as provided in LFL § 57.00 through § 59.00. The City does not currently utilize the LFL public sale provisions. Outstanding bonds being reoffered are not subject to State Comptroller approval.

B. Competitive Sale

- The City typically sells taxable debt on a competitive basis (i.e., "public letting" under LFL), but may sell taxable bonds through negotiated sale, if determined to be in the best interest of the City.

- The City may periodically sell tax-exempt debt on a competitive basis to provide a benchmark for bonds sold on a negotiated basis.

- Bid specifications, basis of award, and other requirements shall be provided in a Notice of Sale. Bonds sold via public letting are subject to the approval of the State Comptroller.[14]

IV. DEBT STRUCTURE

All City and TFA bond issues shall comply with the requirements of LFL, which include rules concerning amortization of debt (the 50% Rule or the 105% Rule) and the structure of PPUs.

A. Amortization

- 50% Rule: LFL § 90.00[15] – The annual principal amortization in any given year cannot exceed any prior year principal amount by more than 50%.

- 105% Rule: LFL § 21.00, as amended in 1993 – The bond structure must result in substantially level or declining debt service. Specifically, annual debt service cannot exceed the debt service in any prior year by more than the greater of 5% or ten thousand dollars.

  "For purposes of determining whether debt service is substantially level or declining on bonds issued with a variable rate of interest pursuant to section 54.90 of this article, the finance board [the Mayor and the City Comptroller] shall estimate the average rate of interest at which fixed interest rate bonds of the same maturities would be sold and amortize principal based upon such interest rate assumption."

- Under both rules, debt must begin amortizing no later than 24 months from the issue date of the bonds or if the bonds are issued to take out bond anticipation notes, no later than 24 months from the issue date of the bond anticipation notes. However, refunding bonds are required to begin amortization either by the first maturity of the refunded bonds or 24 months from the issue date of the bonds, whichever is the earliest.

B. PPUs

As discussed above under "Section I. Purpose of Financing, A. New Money Bonds", the City may issue debt for capital purposes within the constraints of certain outlined periods of probable usefulness. In addition, under "Section I. Purpose of Financing, B. Refunding Bonds", the City may issue debt for refinancing purposes within the constraints of the original refunded bonds' remaining periods of probable usefulness. The bonds sold must comply with one of the three rules below that are based on the expected PPUs of the projects being financed, which are generally designated in 5-year increments for the original new money issuances.[16]

- Actual PPU: The cumulative principal maturing in the bond structure through each year must exceed or be equal to the cumulative actual PPU amounts in every year for the group of financed projects.

- Weighted Average PPU: Financed projects' PPUs can be combined to create a weighted average PPU, which establishes the final maturity of the bond structure.

- Synthetic PPU: A combination of the Actual and Weighted Average PPU structures can be created that allows for a more efficient amortization of principal. A new set of PPUs is created (the "Synthetic PPU") such that the weighted average PPU of the Synthetic PPU structure is no greater than the weighted average PPU of the original PPU structure. Once the Synthetic PPUs are created, the cumulative principal in the bond structure must exceed or be equal to the cumulative Synthetic PPUs in every year.

C. Optional Redemption

- Tax-Exempt Bonds: The City typically sells tax-exempt bonds with a par call date no later than 10.5 years from the date of issuance, with bonds maturing beyond the call date being subject to the par call option. While the City prefers issuing longer dated-bond bonds with a par call option, the City may issue bonds with a call date shorter or longer than 10.5-years after considering the costs and benefits of such a structure and market conditions at the time of issuance, and determining such issuance is in the best interest of the City.

- Taxable Bonds: The City prefers to sell taxable bonds with a par call date no later than 10.5 years from the date of issuance, with bonds maturing beyond the call date being subject to the par call option. All taxable bonds issued are subject to a make-whole call provision until their respective maturity dates. The City may also sell taxable bonds with only a make-whole call after considering the costs and benefits of such a structure and market conditions at the time of issuance, and determining such issuance is in the best interest of the City.

D. Fixed Rate Debt

- The City aims to balance short-term and long-term debt service costs while minimizing debt service in the financial plan years.

- Tax-Exempt Bonds: The City aims to finance its capital program on a tax-exempt basis to the extent permitted by federal tax laws and regulations, and has post-issuance compliance procedures to ensure compliance with such laws and regulations to maintain the tax-exempt status of its bonds.

- Taxable Bonds: For certain capital purposes not eligible for tax-exempt financing, the City issues taxable bonds.[17] Taxable bonds may be structured to mature earlier than permitted by state law, depending on market conditions and the impact on overall debt service of a given bond issue. While the City typically limits the final maturity of taxable bonds to no more than 15 years, it may issue taxable bonds with a final maturity of up to 30 years if it is determined to be in the City's interest. The City may also issue taxable bonds for refunding purposes if it deems them in the City's interest, as approved by OMB and the City Comptroller's Office.

E. Variable Rate Debt[18]

- Variable rate bonds are typically sold with longer-dated nominal maturities amortizing after the fixed rate bonds where the fixed rate bonds are compliant with LFL on a stand-alone basis prior to the addition of the variable rate bonds in the structure.

- When considering the use of variable rate debt, the City shall consider the "all-in" cost of funds, the current interest rate environment, market dynamics for different forms of variable rate debt, and other relevant factors.

- The City may issue variable rate bonds as Variable Rate Demand Bonds (VRDBs), Adjustable Rate Remarketed Securities (ARRS), Stepped Coupon Bonds, Index Rate Bonds or in such other mode as the City determines to be in its best interest.

- Liquidity Providers: The City typically uses an RFP process to select firms that agree to provide a source of funds to purchase VRDBs that are tendered but not remarketed. Pursuant to LFL § 54.90, the City may only enter into such agreements with a "financially responsible party," as determined by the Mayor and the City Comptroller.

- Variable Rate Demand Bonds – Remarketing Agent: The City typically appoints the broker-dealer affiliated with the bank providing the liquidity for an issue of VRDBs as the remarketing agent. For VRDBs supported by bank liquidity from a provider that does not have remarketing capabilities, the City shall make remarketing assignments based on the performance of the remarketing agents of comparable liquidity banks, the par amount of the liquidity facilities provided to the City by the affiliated bank of such remarketing agents, if applicable, the concentration/diversification of remarketing agents, and other metrics as applicable. The City routinely monitors the performance and financial capabilities of its remarketing agents and will change assignments based on those considerations as appropriate.

(i) Adjustable Rate Remarketed Securities (ARRS) – Remarketing Agent: The City shall make remarketing assignments based on the performance of the remarketing agents of ARRS or comparable products, the concentration/diversification of remarketing agents, and other metrics as applicable. The City routinely monitors the performance and financial capabilities of its ARRS remarketing agents and will change assignments based on those considerations as appropriate.

V. DERIVATIVE PRODUCTS[19]

The City has adopted an Interest Rate Exchange Agreement Policy, as amended June 26, 2013, which can be found on the Comptroller's website at comptroller.nyc.gov/services/financial-matters/nyc-bonds/new-york-city-debt/policies-and-guidelines/.

VI. INVESTMENT OF GO BOND PROCEEDS

The NYC Comptroller's Office's Bureau of Asset Management is responsible for the investment of the City's funds, including unspent bond proceeds. The policy guidelines for short-term investments for the New York City Treasury and related accounts can be found on the Comptroller's website at comptroller.nyc.gov/services/financial-matters/nyc-bonds/new-york-city-debt/policies-and-guidelines/. The TFA has entered into an agreement with the NYC Comptroller's Office to invest TFA bond proceeds, subject to the TFA's indenture and investment guidelines.

VII. ARBITRAGE REBATE COMPLIANCE

The City retains an arbitrage rebate consultant, selected pursuant to an RFP process, to perform calculations that may be required to comply with the arbitrage rebate compliance requirements set forth in the Internal Revenue Code of 1986, as amended.[20]

VIII. CREDIT RATINGS

The City's General Obligation debt is currently rated by Moody's, S&P, Fitch and Kroll and the TFA FTS debt is currently rated by Moody's, S&P, and Fitch. Ratings from at least two credit rating agencies should be obtained for each GO or TFA bond issue. It is the City's current practice to obtain credit ratings from all four of the credit rating agencies for each GO bond sale and Moody's, S&P and Fitch for each TFA FTS bond sale. The financial advisor engaged for the particular bond transaction shall be responsible for soliciting ratings and communicating relevant bond sale information to the rating agencies to obtain ratings before the time of pricing. The most recent rating reports are available and will continue to be made available on the Comptroller's website at comptroller.nyc.gov/services/financial-matters/nyc-bonds/new-york-city-debt/ratings-reports/ and on OMB's investor relations website at nyc.gov/omb/bonds.

IX. CONTINUING DISCLOSURE

The City has adopted policies and procedures relating to its Continuing Disclosure Undertakings pursuant to Rule 15c2-12,[21] as so amended to date, and is fully committed to ensuring that it complies with the reporting obligations undertaken therein. The City will amend such policies and procedures as required by any applicable amendment of Rule 15c2-12.

X. DEBT AFFORDABILITY

In accordance with New York City Charter § 232, the Comptroller issues annually a report regarding the City's capital debt. The report advises as to the maximum amount and nature of debt which, in the Comptroller's opinion, the City may legally and soundly incur for capital projects during each of the four succeeding fiscal years. The report also provides an overview of the City's debt outstanding and various measures of debt burden. The report can be found on the Comptroller's website at comptroller.nyc.gov/reports/annual-report-on-capital-debt-and-obligations/.

In addition, pursuant to Chapter 16 of the Laws of 1997, the Director of Management and Budget issues annually a Statement of Debt Affordability, which includes an analysis of the City's financing program. The Statement of Debt Affordability can be found on OMB's website at nyc.gov/omb.

The primary metric the City uses to determine debt affordability is that annual debt service (GO, TFA FTS and City-related subject to appropriation debt) as a percent of tax revenues should be no more than 15%.

The City will manage its debt issuances and Capital Commitment Plan to maintain affordability of debt service.

Endnotes available here: https://comptroller.nyc.gov/services/financial-matters/nyc-bonds/new-york-city-debt/policies-and-guidelines/