

RATING ACTION COMMENTARY

Fitch Rates New York City, NY's \$1.4B Fiscal 2025 Series E and F GO Bonds 'AA'; Outlook Stable

Fri 28 Feb, 2025 - 5:19 PM ET

Fitch Ratings - New York - 28 Feb 2025: Fitch Ratings has assigned a 'AA' rating to the following city of New York, NY general obligation (GO) bonds:

--\$500,000,000 fiscal 2025, series E;

--\$906,820,000 fiscal 2025, series F;

--\$67,995,000 (fixed-rate) fiscal 2006, series I, subseries I-6.

The bonds will be priced on March 4 and 5 via negotiation. Proceeds of the series E bonds will be used to support general city capital expenditures; series F proceeds will be used refund a portion of the city's outstanding GO bonds for savings. Concurrently with the issuance of the fiscal 2025 series E and F GO bonds, the city will be converting its outstanding fiscal 2006 series I, subseries I-6 GO bonds to fixed-rate mode.

Fitch has also affirmed the city's Issuer Default Rating (IDR), the ratings on the city's outstanding GO bonds, and the rating on various bank bonds associated with the certain outstanding adjustable rate bonds at 'AA'.

Fitch has additionally affirmed the ratings on the following obligations which the city supports through its commitment to appropriate for debt service:

--Approximately \$16.9 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) at 'AA-';

--Outstanding New York City Health and Hospitals Corp. (NYCHHC) health system bonds at 'AA-';

--Hudson Yards Infrastructure Corp. (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 at 'AA-'.
 The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
New York City (NY) [General Government]	LT IDR	AA	Affirmed	AA
New York City (NY) /City Appropriation - HHC/1 LT	LT	AA-	Affirmed	AA-
New York City (NY) /City Appropriation - NYSE/1 LT	LT	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 Yards Infrastructure Corporation (NY) /Lease Obligations - Standard - Second Indenture - PILOT/1 LT	LT	AA-	Affirmed	AA-
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New York City's 'AA' Long-Term IDR and GO bond rating reflect New York City's exceptionally strong budget monitoring and controls, supporting Fitch's 'aa' financial resilience assessment given the city's 'High' revenue control, 'Midrange' expenditure control and Fitch's expectation that the city will maintain reserves at or above 7.5% of spending.

For the purposes of this calculation, Fitch includes unrestricted general fund reserves (the sum of committed, assigned and unassigned), the available balance in the retirees' health benefits trust (RHBT), and the fiscal year-end budget stabilization and discretionary transfers of surplus for prepayment of certain of the following year's operating expenditures. The available balance as of fiscal year-end 2024 (ended Jun 30) was \$11.4 billion, equal to 10.1% of expenditures and transfers out.

The city's demographic and economic trend and level metrics are mixed relative to Fitch's local government ratings portfolio. 'High' educational attainment levels and 'Midrange' income and unemployment levels mitigate the city's declining population trends.

These factors help offset the city's elevated long-term liability burden, which Fitch assesses as 'Weak' due to the very high liabilities-to-personal income metric of 25%, elevated carrying costs and moderate liabilities compared to total governmental revenues when compared to Fitch's local government ratings portfolio. Fitch expects the city's long-term liabilities to remain elevated compared to personal income levels. This expectation is based on future debt needs, the status of the city's net pension liabilities (NPLs) over time (assuming actuarial assumptions are met) and improvement in the resource base.

The ratings also reflect the application of a positive one-notch Additional Analytical Factor recognizing the city's important role and significant contributions to the growing New

York-Newark-Jersey City, NY-NJ-PA metropolitan statistical area (MSA), the largest MSA in the nation. The MSA is the largest contributor of national metropolitan area real GDP, accounting for 9.3% of the total metropolitan area portion in 2023.

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 future revenue growth, uncertainty around changes in federal policies and federally funded programs, and additional city funding requirements imposed by the state.

Fitch expects the city to maintain its strong budget and fiscal management practices, notwithstanding recent events surrounding the city's mayor. This includes continuing to achieve general fund operational stability while maintaining reserves at close to or better than current levels. Continued careful expense management and use of budgetary tools to match changes in revenues will be key to support these expectations. Prepayment of expenses and availability of reserves are expected by Fitch to further mitigate risks associated with unexpected cost pressures or revenues falling short of budget.

The rating on the HYIC revenue bonds is currently capped at 'AA-' (one notch below the city's IDR of AA) because debt service coverage based solely on the most current fiscal 2024 audited recurring PILOT revenues (which are not subject to appropriation) provided for low coverage levels of MADS. Including only the recurring PILOT payments would equate 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.

Continued growth in recurring PILOT revenues, and improved coverage of MADS inclusive of any future planned debt, would be viewed positively and could support upward rating movement.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-- A sustained erosion of the city's reserve cushion to below 7.5% of spending, which would lead to a change in the financial resilience assessment to below the current assessment of 'aa';

-- An approximate 35%-40% sustained increase in long-term liabilities associated with debt and NPLs and carrying costs, assuming current levels of personal income and governmental resources;

-- Weakened underlying economic and demographic performance, particularly around median household income (MHI) and unemployment rates;

-- Fitch's view that the city's capacity to manage changes in the city's OPEB benefits is constrained and, as a result, unfunded OPEB liabilities will remain very high.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- Expectation for maintenance of available reserves above 10% of general fund spending;

-- An approximate 30%-40% decrease in long-term liabilities and carrying costs, assuming current levels of personal income, governmental revenues and spending;

-- Notable improvement in the city's demographic and economic strengths metrics, evidenced most notably by higher resident income and improved population trends.

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 includes tax equivalency payments, which are subject to appropriation by the city of New York.

In addition, 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.

FITCH'S LOCAL GOVERNMENT RATING MODEL

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the IDR except in certain circumstances explained in the applicable

criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

RATINGS HEADROOM & POSITIONING

New York City Model Implied Rating: 'AA' (Numerical Value: 8.46)

-- Metric Profile: 'AA-' (Numerical Value: 7.46)

-- Net Additional Analytical Factor Notching: +1.0

Individual Additional Analytical Notching Factors:

-- Economic and Institutional Strength: +1.0

New York City's Model Implied Rating is 'AA'. The associated numerical value of 8.46 is in the middle of the 8.0 to 9.0 range for a 'AA' rating.

KEY RATING DRIVERS

FINANCIAL PROFILE

Financial Resilience - 'aa'

New York City's financial resilience is driven by the combination of its 'High' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'High Midrange' budgetary flexibility assessment.

-- Revenue control assessment: High

-- Expenditure control assessment: Midrange

-- Budgetary flexibility assessment: High Midrange

-- Minimum fund balance for current financial resilience assessment: $\geq 7.5\%$

-- Current year fund balance to expenditure ratio: 10.1% (2024)

-- Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2024: 8.6% (2020)

Revenue Volatility - 'Strongest'

New York City's weakest historic three-year revenue performance is neutral to the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 5.5% increase for the three-year period ending fiscal 2011

-- Median Fitch portfolio issuer decline: -4.5% (2024)

DEMOGRAPHIC AND ECONOMIC STRENGTH

Population Trend - 'Weakest'

Based on the median of 10-year annual percentage change in population, New York City's population trend is assessed as 'Weakest'.

Population trend: -0.4% 2023 median of 10-year annual percentage change in population (3rd percentile)

Unemployment, Educational Attainment and MHI Level - 'Midrange'

The overall strength of New York City's demographic and economic level indicators (unemployment rate, educational attainment and MHI) in 2024 are assessed as 'Midrange' on a composite basis, performing at the 41st percentile of Fitch's local government rating portfolio. This is due to high education attainment levels offsetting low median-issuer indexed adjusted MHI and high unemployment rate.

-- Unemployment rate as a percentage of national rate: 144.4% (2023) Analyst Input (14th percentile) relative to the national rate of 4.0%

-- Percent of population with a bachelor's degree or higher: 41.0% (2023) (76th percentile)

-- MHI as a percent of the portfolio median: 89.0% (2023) (32nd percentile)

Economic Concentration and Population Size - 'Strongest'

New York City's population in 2023 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 8,258,035 (2023) Analyst Input (above the 15th percentile)

-- Economic concentration: 42.7% Analyst Input (above the 15th percentile) (vs. 28.1% 2024 Actual)

Demographic and Economic Strength Additional Analytical Factors and Notching: +1.0 notch (for Economic and Institutional Strength)

A one-notch positive Additional Analytical Factor has been applied to recognize the city's important role and significant contributions to the growing New York-Newark-Jersey City, NY-NJ-PA MSA, the largest MSA in the nation. The MSA is the largest contributor of national metropolitan area real GDP, accounting for 9.3% of the total metropolitan area portion in 2023. The MSA accounts for approximately 10.3 million jobs and ranks as the largest job market in the nation.

Analyst Inputs to the Model

Data inputs reflect use of most recent 2023 data.

LONG-TERM LIABILITY BURDEN

Long-Term Liability Burden - 'Weak'

New York City's carrying costs to governmental expenditures and liabilities to personal income remain weak while liabilities to governmental revenue remain midrange. The long-term liability composite metric in 2024 is at the 28th percentile, indicating a somewhat elevated liability burden relative to Fitch's local government rating portfolio.

-- Liabilities to personal income: 25.0% Analyst Input (1st percentile) (vs. 24.1% 2024 Actual)

-- Liabilities to governmental revenue: 160.7% Analyst Input (59th percentile) (vs. 154.7% 2024 Actual)

-- Carrying costs to governmental expenditures: 17.5% (2024) (31st percentile)

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts or non-recurring events that may otherwise skew the time series.

Direct debt was adjusted to reflect principal amortization through the end of fiscal 2025 and includes this issuance, plus the addition of non-refunding city GO bond and TFA revenue bond issuances occurring subsequent to the end of fiscal 2024.

PROFILE

Fitch considers the city's status as an international center for numerous industries and a major tourism destination, as well as its proven resilience through the pandemic-related downturn 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 years 2022 and 2023, and employment now exceeds pre-pandemic levels.

The local economy and operating budget remain strongly linked to the financial activities sector which accounts for 25% of earnings, compared with 10% for the U.S., according to 2023 data. Professional and business services accounted for 21% of earnings during 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 2023 data.

The economic profile of the city features high wealth levels; per capita personal income was approximately 129% of the U.S. average in 2023. However, the city's above-average individual poverty rate of 17.2% exceeds the national rate of 12.5%, indicative of some income disparity and the demand for social services, also common in other large urban U.S. cities.

Estimated census figures for July 2023 report New York City's population at 8,258,035, a 6.2% decrease from 2020. New York City is the most populous city in the U.S., 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 of revenues, with a reported record of nearly 67 million visitors in 2019 and 64 million visitors in 2024, according to New York City Tourism + Conventions. Tourism activity has rebounded as evidenced by still high hotel occupancy levels (offset partially by additional new rooms) during 2024 compared with pre-pandemic levels, higher average daily room rates and strong December 2024 yoy air traveler numbers as reported by the Port Authority of New York and New Jersey.

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>.

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[U.S. Public Finance Local Government Rating Criteria \(pub. 02 Apr 2024\) \(including rating assumption sensitivity\)](#)

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, v3.1.0 (1)

U.S. Local Government Rating Model, v1.2.0 (1)

ADDITIONAL DISCLOSURES

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ENDORSEMENT STATUS

Hudson Yards Infrastructure Corporation (NY)

EU Endorsed, UK Endorsed

New York Liberty Development Corporation (NY)

EU Endorsed, UK Endorsed

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