KBRA Assigns AA+ Rating to the City of New York, NY General Obligation Bonds, Fiscal 2025 Series C; Outlook is Stable

New York (August 16, 2024)

KBRA assigns a long-term rating of AA+ to the City of New York, NY General Obligation Bonds, Fiscal 2025 Series C, consisting of Tax-Exempt Bonds, Subseries C-1 and Taxable Bonds, Subseries C-2. The Outlook is Stable.

Concurrently, KBRA affirms the AA+ rating and Stable Outlook on the City's outstanding General Obligation Bonds.

Key Credit Considerations

The rating was assigned because of the following key credit considerations:

Credit Positives

- New York City's status as the nation's most populous city, its role as an international business and cultural center, and its position as the hub of the country's largest metropolitan economy highlight the diversity and resilience of the economic base supporting the G.O. Bonds.
- Institutionalized, long-range financial management and capital planning practices support financial stability.
- Total reserves, pension funded ratios and unfunded liabilities have trended positively in recent years, while annual debt service requirements continue to be maintained at below 15 percent of City tax revenues.

Credit Challenges

- The City's economic base, though broad, remains susceptible to financial services sector cyclicality, although reliance has moderated with increasing diversification.
- Despite greater clarity regarding the City's plan to address asylum seeker costs, expenditure pressures are likely to persist, particularly in the absence of significant Federal and/or State funding to assist the City in handling a continued influx in asylum seekers. The crisis may also pressure provision of services and have quality of life implications.
- New York City's coastal location creates exposure to coastal and inland flooding, as well as extreme heat, the mitigation of which entails significant city, state, and federal investment over the long-term.

Rating Sensitivities

For Upgrade

- Maintenance of sound fiscal posture, budgetary flexibility, employment growth and revenue resiliency in the face of prevailing economic and social headwinds.
- Adoption of a formalized reserve policy targeting the size of reserves and conditions for withdrawal.
- Trend of reduced or eliminated projected out-year budget gaps.

For Downgrade

- Secular economic decline and/or deterioration in a key economic segment, such as commercial real estate, of sufficient magnitude to challenge budgetary balance.
- Relaxation of, or less adherence to, well-established policies and procedures.

To access rating and relevant documents, click here.

Methodologies

- Public Finance: U.S. Local Government General Obligation Rating Methodology
- ESG Global Rating Methodology

Analytical Contacts

Linda Vanderperre, Senior Director (Lead Analyst)
+1 646-731-2482
linda.vanderperre@kbra.com

Peter Scherer, Senior Director
+1 646-731-2325
peter.scherer@kbra.com

Karen Daly, Senior Managing Director
(Rating Committee Chair)
+1 646-731-2347
karen.daly@kbra.com

Business Development Contacts

William Baneky, Managing Director
+1 646-731-2409
william.baneky@kbra.com

James Kissane, Senior Director
+1 646-731-2380
james.kissane@kbra.com

Disclosures

A description of all substantially material sources that were used to prepare the credit rating and information on the methodology(ies) (inclusive of any material models and sensitivity analyses of the relevant key rating assumptions, as applicable) used in determining the credit rating is available in the Information Disclosure Form(s) located here.

Information on the meaning of each rating category can be located here.

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