

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

New York (September 27, 2024)

KBRA assigns a long-term rating of AA+ to the City of New York, NY General Obligation Bonds, Fiscal 2025 Series D, consisting of Taxable Social Bonds, Subseries D-1 and Taxable Bonds, Subseries D-2. The Outlook is Stable. Concurrently, KBRA affirms the AA+ rating and Stable Outlook on the City's outstanding General Obligation Bonds.

The rating assignment and affirmation recognize the City of New York's ("the City's") preeminent role as a domestic and international center of business, culture and tourism, the historic resiliency of its broad and diverse economic base, its elevated, yet manageable debt profile, management's track record of fiscal discipline, and the efficacy of institutionalized procedures in confronting near-term financial challenges. Counterbalancing these strengths are continuing, out-year budgetary imbalances due to ongoing spending pressures, the potential for a near-term slowdown in employment growth, and a geographic footprint that is increasingly vulnerable to climate change-driven weather events.

In a conversation with KBRA prior to the September 25, 2024 indictment of Mayor Eric Adams on federal charges of bribery, conspiracy, fraud and soliciting illegal foreign campaign donations, representatives of the mayor's Office of Management and Budget ("OMB") expressed their view that widening developments related to four federal corruption inquiries, as well as the resignation of top administration officials, would not disrupt the work of the more than 300,000 civil servants responsible for the City's day-to-day operations. KBRA acknowledges that City operations should continue unabated and further notes the considerable experience and stability of OMB and Comptroller's office professional staff responsible for the administration of City finances, debt management and budgeting. However, in our view, fallout from the indictment may create a serious distraction for City leaders, with implications for the Mayor's ability to govern effectively.

Key Credit Considerations

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

Credit Positives

- New York City's 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 resource base supporting the 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 economic base remains susceptible to financial services sector cyclicity, though reliance has moderated with increasing diversification.
- Despite greater clarity regarding plans 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 of asylum seekers. The crisis may also pressure provision of services, with quality-of-life implications.
- The City's location creates exposure to coastal and inland flooding and 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](#)

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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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