

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aa1 to NYC TFA's (NY) Future Tax Secured Subordinate Bonds, Fiscal 2025 Series F & G; outlook stable

07 Feb 2025

New York, February 07, 2025 -- Moody's Ratings (Moody's) has assigned Aa1 ratings to the New York City Transitional Finance Authority's (NY) (TFA) \$1.3 billion Future Tax Secured Subordinate Bonds, Fiscal 2025 Series F, Subseries F-1 (Tax-Exempt); \$81.4 million Future Tax Secured Subordinate Bonds, Fiscal 2025 Series F, Subseries F-2 (Taxable); \$195.4 million Future Tax Secured Subordinate Bonds, Fiscal 2025 Series G, Subseries G-1 (Tax-Exempt); and \$42.2 million Future Tax Secured Subordinate Bonds, Fiscal 2025 Series G, Subseries G-2 (Taxable). We maintain Aa1 ratings on approximately \$53 billion of outstanding future tax secured subordinate bonds. The bonds are scheduled to price February 11 and 12. 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 7.1x in the current fiscal year, provided by the pledge of City of New York personal income tax and sales tax revenue and a very strong legal structure that insulates TFA from potential city fiscal stress, both key strengths that allow 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 (issuer rating Aa1 stable) 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 2026 through 2028 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

LEGAL SECURITY

The bonds are paid by a pledge of New York City income and sales taxes and benefit from TFA's legal insulation from New York City bankruptcy risk and strong cash flow protections. The state collects the pledged taxes. The personal income tax is paid directly to the trustee, with the sales tax being paid to the trustee is coverage by personal income tax revenue is insufficient to provide at least 150% of maximum annual debt service on TFA's outstanding bonds. The trustee then makes quarterly set-asides for debt service, ensuring robust coverage. TFA is a separate legal entity from the city and cannot file for bankruptcy.

USE OF PROCEEDS

Proceeds of the bonds will be used to refund outstanding future tax secured bonds for savings.

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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