FitchRatings

RATING ACTION COMMENTARY

Fitch Rates New York City, NY's $1.2B GO Bonds 'AA'; Outlook Stable

Fri 23 Feb, 2024 - 5:44 PM ET

Fitch Ratings - New York - 23 Feb 2024: Fitch Ratings has assigned a 'AA' rating to New York City, NY's $1.2 billion general obligation (GO) bonds (tax-exempt), fiscal 2024 series C.

The bonds will be priced on Feb. 27 and 28, 2024 via negotiation. Proceeds of the series C bonds will support general city capital expenditures.

Fitch has also affirmed the city's Issuer Default Rating (IDR), the rating on approximately $40 billion in outstanding GO bonds, and the rating on various bank bonds associated with the certain outstanding adjustable rate bonds listed at the end of this release, at 'AA'.

Fitch has additionally affirmed the ratings on obligations which the city supports through its commitment to appropriate for debt service as listed at the end of this release.

Concurrently with the issuance of the fiscal 2024 series C bonds, the city will be converting its outstanding series 2006J-2, series 2006J-3, series 2008A-4, and series 2008C-4 bonds from auction rate to fixed rate and its series 2009B-3 bonds from adjustable rate to fixed rate and these outstanding bonds are affirmed at 'AA'. The series 2006J-2 and 2006J-3 bonds will be redesignated as series 2006J-A bonds upon conversion to fixed rate.

The Rating Outlooks on the IDR, GO bonds, bank bonds and appropriation backed bonds listed at the end of this release are Stable.

RATING ACTIONS

ENTITY / DEBT	RATING	PRIOR

New York City (NY) [General Government]	LT IDR	AA Rating Outlook Stable	Affirmed	AA Rating Outlook Stable
New York City (NY) /City Appropriation - HHC/1 LT	LT	AA- Rating Outlook Stable	Affirmed	AA- Rating Outlook Stable
New York City (NY) /City Appropriation - NYSE/1 LT	LT	AA- Rating Outlook Stable	Affirmed	AA- Rating Outlook Stable
New York City (NY) /General Obligation - Unlimited Tax/1 LT	LT	AA Rating Outlook Stable	Affirmed	AA Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

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.

ANALYTICAL CONCLUSION

The 'AA' IDR and GO bond rating reflect the city's exceptionally strong budget monitoring and controls, supporting Fitch's high assessment of operating performance. 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 through future economic downturns, including near-term challenges due to an expected deceleration of revenue growth, rising labor and asylum seeker costs and other uncertainties associated with a high inflationary environment.

Fitch expects the city's slightly elevated but still moderate long-term liability burden to remain relatively stable based on future debt needs and the status of its net pension liabilities (NPLs) over time (assuming actuarial assumptions are met). Other post-employment benefit (OPEB) liabilities are high, equal to almost half of the combined level of debt and NPLs, but will fluctuate depending on the interest rate environment.

Fitch expects management will continue to achieve general fund operational stability while maintaining reserves at close to or better than current levels. Fitch's expectations for resumption of revenue growth, following near-term interruptions in economic activity due to elevated interest rates and high inflation, coupled with continued close expense management and use of budgetary tools support these expectations. The combination of prepayments and availability of reserves will additionally mitigate risks of unexpected cost pressures or actual revenue lower than budget.

The rating on the bonds supported by appropriations from the city are one-notch off the city's IDR reflecting the slightly higher degree of optionality associated with payments.

Economic Resource Base

Fitch considers the city's unique economic profile as an international center for numerous industries and a major tourism destination, as well as its proven resilience through the recent 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 2022 and through 2023 and employment in the city has now recovered to pre-pandemic levels.

The local economy and operating budget remain strongly linked to the financial activities sector, which was relatively unaffected by the pandemic and accounts for 25% of earnings compared with 10% for the U.S., according to 2022 data. Professional and business services accounted for 21% of earnings, for 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 2022 data.

KEY RATING DRIVERS

Revenue Framework: 'aa'

New York City has a highly diverse revenue base that is resilient to changes in economic conditions. Fitch expects revenue growth to range between long-term inflation and U.S. GDP with a return to at least pre-pandemic levels of personal and corporate income tax revenues, and continued strength in residential real estate values offset by pressure on commercial growth in the medium term.

The city has solid independent legal ability to adjust property tax rates and a variety of fees and charges to offset the modest revenue declines expected in a typical economic downturn. Rates for other important revenue sources (mainly income and sales taxes and state aid) are not within management's independent control.

Expenditure Framework: 'a'

Carrying costs are moderate, typically about 20% of governmental funds spending. Other than education-related employees, most labor contracts are subject to binding arbitration; however, the city has demonstrated adequate expenditure flexibility primarily through its control over employee headcount. Fitch expects long-term spending patterns to be above revenue growth when excluding policy actions.

Long-Term Liability Burden: 'a'

Ongoing and substantial capital needs will be the primary driver of expected growth in the city's long-term liability burden to an elevated but still moderate level as the resource base expands. However, debt policies in place support maintenance of debt issuances within affordability levels. Reported NPLs incorporate market volatility but the city is required to fully fund its actuarially determined contributions. Net OPEB liabilities represent close to 14% of personal income but annual costs are a moderate portion of the budget excluding periodic contributions above pay-go.

Operating Performance: 'aaa'

The 'aaa' assessment reflects a very strong gap closing ability and the city's close budget monitoring and control, as demonstrated by its ability to maintain consistent balance and manage out-year gaps. A high level of inherent budgetary flexibility provides protection against typical economic and revenue volatility.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to a positive rating action/upgrade:

--Sustained long-term liabilities associated with debt and NPLs at a level below 20% of personal income and active management to control growth in OPEB liabilities;

--Improved expenditure flexibility as evidenced by, among other items, reductions in fixed cost spending as a percent of governmental spending;

--Sustained revenue growth above national GDP levels.

Factors that could, individually or collectively, lead to a negative rating action/downgrade:

--An increased gap between the natural pace of revenue and expenditure growth due either to a slowing of economic activity and prospects for revenue growth, or an acceleration of spending growth, or both;

--Sustained erosion of the city's reserve cushion or reduced ability to use related budget management tools such as the annual prepayment of expenditures.

CURRENT DEVELOPMENTS

Fiscal 2025 Preliminary Budget and Forecast Reflects Conservative Assumptions; Reduced Budget Gaps

The Mayor's preliminary fiscal 2025 budget (FYE June 30) and updated financial plan for fiscal years 2024 through 2028 (the January 2024 financial plan) anticipate balanced budgets for fiscal 2024 and fiscal 2025 and smaller and more manageable annual budget gaps for fiscal years 2026 through 2027 compared to the November 2023 financial plan. Revenues are performing better than anticipated in most areas due to continued solid economic activity and expenditures have been modified to reflect Program to Eliminate the Gap (PEG) savings initiatives, a hiring freeze (with exceptions for critical positions supporting public health, public safety, and revenue generation) and lower estimated costs related to asylum seekers due to program changes and additional state support. Reserve levels are projected to be $8.2 billion for fiscal 2025 compared to the all funds budget of $109 billion (up 2% yoy).

Net revenues for fiscal 2024, based on the January 2024 financial plan, are projected to increase by $2.44 billion (or 3.2%) over the June 2023 financial plan net revenue forecast of $76.94 billion, with non-property tax revenues including personal and business income taxes and sales and hotel taxes seeing better than anticipated growth. The growth projection reflects continued economic and employment growth the last half of 2023, a larger workers' wage base and strong tourism activity supported by higher room rates.

Mortgage recording and transaction tax revenues declined compared to budget due mostly to a weak residential market because of elevated mortgage rates. Economic headwinds remain, including potential changes in the Fed's monetary policies that could soften growth for the remainder of the fiscal year with more moderate growth expectations budgeted for fiscal 2025 and the subsequent three fiscal years of the financial plan.

Both the June 2023 financial plan and subsequent Nov 2023 financial plan anticipated larger than typical budget gaps made worse by asylum seeker spending. Management instituted PEGs and made changes to the asylum seeker policies and spending, leading to approximately $1.7 billion in savings over fiscal years 2024 and 2025 relative to previous budgeted projections. Compared to the June 2023 financial plan, the January 2024 financial plan reflects a net decrease in projected net expenditures of $1.34 billion (-1.7%) in fiscal 2024 and net increase in projected expenditures of $1.28 billion in fiscal 2025.

Expenditure changes for fiscal 2024 include higher agency expense changes offset by agency PEG savings, pension and debt service savings and the aforementioned asylum seeker cost reductions. The projections include the use of $1.15 billion of the general reserve and $0.25 billion capital stabilization reserves. The city estimates that the provision for prepayment in fiscal 2024 of fiscal 2025 expenses will increase to $3.8 billion (3.5% of fiscal 2025 all funds budget).

The January 2024 financial plan for fiscal years 2025 through 2028 is based on conservative assumptions for revenue growth and eliminates the fiscal 2025 $7.1 billion budget gap indicated in the November 2023 financial plan. Projected outyear budget gaps are now reduced to $5.2 billion in FY 2026, $5.1 billion in FY 2027 and $6.0 billion in FY 2028 - down 20% for fiscal 2026 and 2027 and 12% for fiscal 2028 compared to the November 2023 financial plan. These projected gaps are viewed by Fitch as manageable and more in line with historical budget gap levels. PEG savings for agency and asylum seeker expenses and reduced asylum costs due to policy and vendor-related changes contributed to the fiscal 2025 budget gap elimination, along with $2 billion in new revenue assumptions and an increase in the fiscal 2024 projected prepayments.

The preliminary fiscal 2025 budget includes increases in employee related salaries, wages and benefits, higher debt service costs and $3.56 billion towards asylum seekers, up $1.26 billion compared to projected costs for fiscal 2024. The preliminary budget includes $1.3 billion in state funds for asylum related costs, down from $1.76 billion projected for fiscal 2024. The financial plan includes $156 million in federal funds for costs related to asylum seekers in fiscal year 2024, all of which has been allocated, with no federal funding included in fiscal years 2025 and beyond. Labor- and agency-related expenses as well as growing debt service costs will continue to drive expenditure increases through the final three years of the plan.

The city continues to advocate for additional state and federal aid, as well as obtaining work authorizations for migrants. While these measures alone may not necessarily be sufficient to fully cover the projected asylum seeker costs should they be realized, management's quick actions implemented during the early months of the current fiscal year should help control growth in budgeted and unanticipated costs. Fitch believes these costs will continue to be managed, but could put pressure on future budgets or a use of reserves depending on actual activity and level of external support actually received.

CREDIT PROFILE

Economic Resource Base Details

The economic profile of the city features high wealth levels, with per capita personal income approximately 122% of the U.S. in 2022. However, the above-average individual poverty rate of 17.2% exceeds the national rate of 12.5%. This is indicative of some income disparity and drives the demand for social services, which is also common in other large urban U.S. cities.

Estimated census figures for July 2022 report population at 8,335,897, a 2% increase in population from 2010, but a 5% decline since 2020. New York City is the most populous city in the U.S. with a larger population 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 economic driver, with 62 million visitors projected for 2023, according to New York City Tourism + Conventions, still below the peak 67 million visitors in 2019. Tourism activity has rebounded post-pandemic, as evidenced by improved levels of hotel occupancy during 2023 when compared to year-ago levels, higher average room rates, and an improved number of air travelers as reported by the Port Authority of NY & NJ.

The current hybrid work-from-home arrangements are not anticipated by Fitch to change materially in the near term and will likely adversely affect commercial property values and tax revenues, and could constrain future growth of tax revenues generated by retail and entertainment activity. Kastle Systems estimates of the rate of occupancy of office workers in the New York metro area has averaged just under 50% for the past several months. The full impact on commercial real estate tax revenues will take longer to become clear as commercial lease terms are typically up to 10 years.

Additionally, the high interest rate environment has stalled commercial transactions and limited refinancing opportunities for property owners with costly variable rate mortgages. Manhattan office vacancy rates of 22.1% in the third quarter of 2023 remain high by historical standards and Fitch expects they could remain stubbornly high for the near to medium term.

Depending on the magnitude of decline, a change in a property's market value is typically phased-in over five years. The taxable billable assessed value (TBAV) is the basis for the tax levy and it is based on the lower of the actual value (45% of the current year market value) or transitional assessed value (which is the cumulative value of the phase-ins from the five-year market value changes). This phase-in of changes in value helps mitigate the potential volatility of tax rate changes and impacts on the annual operating budgets.

Class 4 TBAV, which consists of all commercial properties such as office buildings, factories, stores and vacant land, is forecast to increase 1.8% in fiscal 2025. Average Class 4 TBAV growth is forecast to be 2.0% from fiscal years 2026 through 2028 as a result of actual growth in Class 4 market values and the phase in approach of changes in values.

Office buildings accounted for approximately 18.5% of the total net billed property tax levy in fiscal 2023 of $32.3 billion, and about 5.5% of total all city funds revenues. Office buildings accounted for close to half of the total class 4 property tax levy.

Fitch considers class 4 office and retail properties to be currently vulnerable to changes in value downward, but also recognizes that these associated revenues are a smaller part of the city's overall diverse revenue base and changes in value are potentially mitigated by the phase-in process. Stability of other property class values and growth in non-property tax revenues will be key to offsetting potentially larger declines than anticipated.

The fiscal 2025 tentative citywide assessment roll was released January 16, 2024, subsequent to the release of the January 2024 financial plan, and reflected a TBAV of $299 billion, up 4.15% yoy. The January 2024 financial plan reflects fiscal 2025 budgeted TBAV at an estimated $293 billion, up $5 billion or 1.8% yoy, with growth of 2.1%, 2.9% and 1.8% in fiscal years 2026, 2027 and 2028 respectively.

Revenue Framework

The city has a diverse revenue profile, in part because it serves the functions of a city, county and school district. Property tax revenues are the largest source at roughly 30% of general fund revenues. The tax levy for operations is limited to 2.5% of the average full value of taxable real estate of the current and last four fiscal years. This phase-in process both stabilizes the maximum tax levy and typically provides good visibility on future-year revenue growth and limitations. The 5% decline in billable assessed values for fiscal 2022 was due to pandemic-induced pressure on property values and followed several years of brisk growth. Fiscal 2023 billable assessed values increased by 7% due to better performance of residential and office properties with continued growth of 4% for fiscal 2024.

Sales and income taxes are also substantial components of revenues at roughly 10% and 22% of the total, respectively, with their rates controlled by the state. Intergovernmental revenues typically make up another quarter of the general fund total.

Sales tax revenues are conservatively projected to rise by a more moderate 4.0% yoy reflective of a spend-down of excess savings, inflationary pressures and slowing labor market. This projected growth is compared to the double-digit growth achieved last year.

City projections show personal income tax (PIT) revenues (14% of total revenues) for fiscal 2024 declining by 6.9% yoy reflective of larger declines in non-withholding revenue, inclusive of PTET, following strong fiscal 2023 performance. Growth is projected to resume beginning in fiscal 2025 through fiscal 2028 more in line with pre-pandemic levels.

The NYC PTET was created in 2022. The pass-through is structured as a workaround to the $10,000 cap on state and local tax deductions that were included in the 2017 Tax Cuts and Jobs Act. It is intended to be revenue-neutral for the city, but the complicated mix of payments, credits and refunds can take multiple years, resulting in unpredictable revenue volatility in any single year. In fiscal 2024, PTET revenues are projected to decline 27.9%, to $1.7 billion, followed by a 6% uptick in fiscal 2025.

Business corporation and unincorporated income tax revenues (8% of total revenues) are projected to increase in fiscal 2024 by 4.0% yoy as the financial services industry rebounds following its down year in 2023. Non-finance sectors are experiencing more moderate growth following robust activity the last two years.

Fitch considers the city's pledged revenue projections to be reasonable as it expects a moderation of economic growth throughout calendar 2024 due to current high interest rate environment but with a potential downward adjustment of rates mid-year, reduced spending levels with a transition to a more typical mix of purchased good and services following record highs that occurred following the pandemic, and a deceleration of job growth. Tourism levels, which have bounced back close to pre-pandemic levels, are expected to remain relatively healthy.

The city's operating levy is generally below the 2.5% cap even with the inclusion of a portion of GO debt service, affording sound flexibility to offset what Fitch anticipates would be a modest revenue decline in a moderate recession. Components of the sales and income tax rates are subject to periodic state legislative renewal. Fitch considers such approval pro forma, although modest changes to certain components (such as increases in or expansions of exclusions) are expected.

Expenditure Framework

New York's responsibilities are very broad. The largest expenditure category is education, typically representing one-third of general fund spending, followed by health and social services at 20%-25%. Public safety's share is normally 10%-15% of spending, a relatively low share for a local government, reflecting the breadth of the city's service demands.

Given these responsibilities, the natural pace of spending, absent policy actions, is expected to remain above revenue growth expectations. Carrying costs are moderately high, typically about 20% of spending, and are expected to remain in this range with changes in debt service and retiree benefit costs. Robust capital planning and debt management should keep debt service beneath the city's policy cap of 15% of tax revenues (about 10% of total spending).

The city consistently pays the pension ADC as required by charter and has made contributions above pay-go to the retiree health benefits trust (RHBT) to support future costs of health and welfare benefits of eligible participants.

The city provides ongoing financial support for New York City Health and Hospitals Corp. (NYCHHC), including the non-federal share of supplemental Medicaid. While the current financial plan projects declining annual appropriations beginning in fiscal 2026, unexpected increases could widen the pace of expected spending growth and/or reduce the city's flexibility to reduce spending in an economic downturn.

Other notable spending areas include funding for operations, maintenance, and upgrades for the MTA, whose ridership and farebox revenues still remain well below pre-pandemic levels, and for New York City Housing Authority (NYCHA) facilities. Some of the required funding will be for capital projects and will be debt financed. Fitch expects continued pressure on the city to increase contributions to both authorities as they provide vital city services and have widely-reported repair needs. Federal stimulus support has been robust and eased pressure on the city to a degree.

The state's fiscal 2024 budget included additional funding for the MTA and state legislation provides for congestion tolling for vehicles entering a designated congestion zone below 60th street in Manhattan, the revenues from which will be directed to the MTA. The federal government provided final approval to move forward with congestion pricing and in July 2023 and in December 2023 MTA's Traffic Mobility Review Board provided a recommended toll structure. The MTA plans to hold a final round of public hearings in February and March of 2024, and expects to implement the program later in 2024. In July 2023 the state of New Jersey filed a lawsuit challenging the federal government's approval of the congestion pricing plan. Other parties, including Staten Island and the United Federation of Teachers, have also sued to block congestion pricing.

Other cost pressures exist, which have not been fully considered in the current financial plan. These include, amongst other items, state mandated tuition for special education students placed by families in private school settings and maximum class size requirements for grades K through 12 which is being phased in.

On May 25, 2023, the City Council passed a series of bills that revise the City's housing rental assistance voucher program for individuals and families who are experiencing or at risk of homelessness. The bills change and expand existing eligibility requirements which would lead to a substantial increase in future budget costs to the city not reflected in the financial plan. The Mayor vetoed the bills on June 23, 2023, noting operational, policy and legal issues presented in the legislation. The City Council voted to override the vetoes on July 13, 2023.

The resulting laws, comprised of Local Law Numbers 100, 101 and 102 of 2023, were scheduled to take effect on Jan. 9, 2024. The City Commissioner of Social Services advised City Council in December 2023 that it would not be implementing the local laws at this time due to the concerns raised by the Mayor. On Feb. 8, 2024, the City Council authorized of the speaker of the council to commence litigation seeking to compel implementation of the local laws. If these laws are implemented it is estimated to cost the city several billion dollars over the years of the financial plan.

The city has gone further than most coastal communities in its climate change resiliency efforts and in evaluating risks and articulating a resiliency strategy, including estimated costs. While the resiliency efforts represent a substantial investment by the city, and rely on state and federal support, Fitch considers it manageable in the context of the current $114 billion annual operating budget and $65 billion four-year capital commitment plan

(FY25-FY28) and unlikely to materially shift the assessment of city's expenditure framework or long-term liability burden.

Fitch believes the city retains a reasonable amount of flexibility to contain growth in employee compensation or reduce headcount if needed.

Long-Term Liability Burden

Combined debt and Fitch-adjusted NPLs (to reflect a 6% investment return rate) are equal to about 27% of the city's estimated personal income, with combined city GO and Transitional Finance Authority (TFA) debt experiencing gradual growth during the last three fiscal years.

The city's capital plan is extensive and debt service costs are projected to ramp up gradually based on planned issuances, but remain manageable. Additional GO bond and TFA revenue bond debt issuance of approximately $48 billion (about 55% of outstanding GO and TFA debt) is projected for the remaining period of fiscal 2024 through fiscal 2028. Debt issuances will be managed to ensure compliance with a policy to maintain debt service costs below 15% of tax revenues and project spending can be deferred if economic situations warrant such action.

Fitch anticipates long-term liabilities will remain slightly elevated, looking through year-to-year market volatility affecting pension asset performance and focusing on expectations for the long-term trend of the liability burden. Debt issuance plans are robust and Fitch expects the long-term liability burden will remain close to or above 25% of personal income levels over time. The city's debt service policy and state restrictions on debt amortization rates help control growth in debt levels.

The city maintains five pension systems, of which two (for police and fire) are single-employer plans. Although the other three are cost-sharing plans, the city bears the responsibility for the majority of the liabilities and virtually all for the two education-related plans. On a combined basis, the ratio of assets to liabilities is 83% on a reported basis as of fiscal 2023, or approximately 75% using Fitch's 6% investment return assumption.

Fitch recognizes that the age and size of the city's infrastructure make capital investment a constant need. New York City conducts an extensive city charter-mandated annual study of its major infrastructure assets (Asset Information Management System, or AIMS), which serves as a guide in developing its operating expenditures for maintenance and its five-year capital commitment plan and 10-year capital strategy.

Key agencies, including MTA and NYCHA, are not included in the AIMS report. The recent capital funding increases for those agencies reflect the broad scope of the city's asset maintenance and investment needs. State and city proposals to increase the city's permitted debt capacity, including for TFA, are pending. The long-term liability burden assessment anticipates the city will continue to keep a close eye on affordability and would alter its capital spending plans if conditions made debt more of a burden on resources.

The unfunded OPEB liability is approximately 14% of personal income and management established an irrevocable trust in 2006, the RHBT, to help manage these costs. Actual annual benefit costs have trended at reasonable levels when compared to the city's operating budget and represent a manageable percentage of fixed cost spending when excluding RHBT contributions above pay-go. Efforts to control growth in these costs are ongoing.

Operating Performance

The combination of strong revenue control, adequate spending flexibility and available financial cushion and other tools leaves the city well positioned to address the effect of a moderate economic downturn. Fitch does not believe unrestricted general fund reserves as reported in the audited financial statements provide a complete picture of financial resilience, primarily because they do not incorporate the city's budget stabilization reserve, or annual surplus roll.

Due to prior state law and city charter constraints on using a traditional reserve fund, the city utilized alternative budget tools. Following a city charter amendment in 2021, a state law was passed to allow for a revenue stabilization fund (RSF) using annual operating surpluses. The balance in the fund at the end of fiscal 2023 was $1.96 billion, or 1.8% of spending. Including $5.3 billion in the RHBT, available reserves equaled 7% of spending at fiscal end 2023. When including the fiscal 2023 budget stabilization and discretionary transfers of $5.5 billion, available reserves are close to 12% of spending.

In addition to the RHBT and now the RSF, the city uses generated general fund surpluses in one year to prepay certain expenses for upcoming fiscal years (the surplus roll) including debt service, retiree health care costs, and subsidies to entities like NYCHH. In recent years, prepayments have been in the range of 5% of spending but increased in fiscal years

2021 and 2022 with unexpectedly strong PIT revenue performance. The surplus roll for fiscal 2023 to prepay fiscal 2024 expenses was $5.5 billion (5% of fiscal 2023 spending).

Fitch expects the city to maintain the practice of prepayments, with the amounts varying somewhat depending on the city's budgetary results. Higher roll-outs into the next fiscal year versus roll-ins from the prior fiscal year represent operating surpluses, and vice versa. A consistent trend of lower net rolls would be cause for concern.

Fitch considers budget monitoring and control a key strength of the city's operating performance assessment. Fitch expects that officials would address any potential erosion in revenues in a reasonably timely and thorough manner.

Fiscal discipline instilled following the city's financial crisis in the 1970s is long institutionalized. The city is required to present a balanced budget on a GAAP basis, publish a four-year financial plan, which is updated three times per year, and present a biennial 10-year capital strategy, based partly on the AIMS report noted above. Plans are thorough and highly detailed and tend to be based on realistic assumptions, in Fitch's view.

Outside monitors who regularly report on the city's budget and financial plan include the Financial Control Board, the state comptroller, the city's charter-required Independent Budget Office and the privately funded Citizen's Budget Commission.

Rating Affirmations

Fitch has also affirmed its rating on the following obligations that the city supports through its commitment to appropriate for debt service:

--Outstanding New York City Health and Hospitals Corp (NYCHHC) health system bonds at 'AA-'. The HHC Act requires maintenance of a capital reserve fund equal to maximum annual debt service for all outstanding NYCHHC debt. If there is a deficiency in the fund that cannot be restored from operating revenues, the corporation shall request an amount sufficient to cure the capital reserve fund deficiency, and the city shall make the payment, subject to appropriation.

--Approximately $30 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-'. On or before March 31 of each year, the IDA certifies to the city the amounts payable (including debt service on the IDA bonds) under the facility financing agreement.

The city covenants that the mayor will include in the executive expense budget submitted to the city council each fiscal year an appropriation equal to the amounts projected to be payable under the agreement. The agreement also provides that the mayor will seek to increase appropriations during the fiscal year if necessary to pay the amounts due under the agreement.

The IDA pledges and assigns to the trustee its rights under the agreement, including the amounts received from the city. The administration of all city appropriation and lease-backed debt is centralized and treated as a single unit of appropriation in the city's debt service budget.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

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.

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PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

U.S. Public Finance Tax-Supported Rating Criteria (pub. 04 May 2021) (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, v3.0.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

New York Liberty Development Corporation (NY)	EU Endorsed, UK Endorsed

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