



Tagging Info

Fitch Rates NYC Muni Water Fin Auth's Fiscal 2014 Ser AA-1, 2, 5, 6 'AA+/F1' & Ser AA-3, 4 'AA+/F1+' Ratings Endorsement Policy
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Fitch Ratings-New York-05 September 2013: Fitch Ratings assigns the following ratings to the \$650,870,000 New York City Municipal Water Finance Authority (NYW), water and sewer system second general resolution revenue bonds adjustable rate fiscal 2014 series AA:

- \$125,000,000 subseries AA-1 'AA+/F1';
- \$125,000,000 subseries AA-2 'AA+/F1';
- \$100,000,000 subseries AA-3 'AA+/F1+;
- \$100,000,000 subseries AA-4 'AA+/F1+;
- \$100,435,000 subseries AA-5 'AA+/F1';
- \$100,435,000 subseries AA-6 'AA+/F1'.

In addition, Fitch affirms the long-term rating on the following NYW bonds:

- \$7.3 billion in outstanding first general resolution revenue bonds at 'AA+';
- \$16.1 billion in outstanding second general resolution revenue bonds at 'AA+'.

The Rating Outlook is Stable for the long-term ratings.

KEY LONG-TERM RATING DRIVERS

SOUND LEGAL PROTECTIONS: NYW's primary credit strength is its legal structure, including its status as a bankruptcy-remote issuer, providing substantial protection to bondholders from potential operating risks associated with the system and New York City (the city).

REGIONAL PROVIDER OF AN ESSENTIAL SERVICE: The combined system provides an essential service to an exceptionally large and diverse service area and benefits from an abundant, high-quality water supply exempt from expensive filtration requirements and transmission costs.

INDEPENDENT RATE-SETTING AUTHORITY: Strong financial management and a proven ability and willingness to independently raise rates are reflected in consistently solid financial results, despite the continued volatility in consumption.

WELL-MANAGED CAPITAL PROGRAM: Sophisticated capital planning efforts have helped achieve compliance with large and costly mandated regulatory projects and ensured the successful implementation of the large capital improvement plan (CIP).

HIGHLY LEVERAGED SYSTEM: Debt levels are high as a result of having to comply with environmental mandates and maintain a large urban system and its aging assets. Declining but still sizeable debt issuances programmed into the current capital plan will keep debt levels elevated for the long term.

IMPROVED COLLECTIONS: Below-average collection rates persist, although payment incentives and strong enforcement mechanisms have yielded positive results in recent years.

RATING SENSITIVITIES

MAINTENANCE OF SUFFICIENT RATES: Failure to achieve rate hikes sufficient to ensure adequate financial margins

and maintain current debt service coverage (DSC) levels on senior and subordinate lien obligations would be viewed negatively.

DEBT LEVELS EXCEEDING PROJECTIONS: Escalation of debt levels beyond what is currently included in the five-year financial forecast would place added pressure on the system's debt profile.

BANKS DRIVE SHORT-TERM RATINGS: The short-term rating reflects the short-term rating that Fitch maintains on the bank providing liquidity support and will be adjusted upward or downward in conjunction with the short-term rating of the bank and, in some cases, the long-term rating of the bonds. The long-term rating is exclusively tied to the creditworthiness of the bonds and will reflect all changes to that rating.

CREDIT PROFILE

The short-term 'F1' ratings assigned to the subseries AA-1, AA-2, AA-5 and AA-6 bonds are based on the liquidity support of separate standby bond purchase agreements (SBPAs) provided by: JPMorgan Chase Bank, National Association (JPM, rated 'A+/F1', Stable Outlook) for the subseries AA-1 and AA-2 bonds and Mizuho Bank (rated 'A-/F1', Stable Outlook), for the subseries AA-5 and AA-6 bonds.

The short-term 'F1+' ratings assigned to the subseries AA-3 and AA-4 bonds are based on the liquidity support of separate SBPAs provided by: TD Bank, N.A (TD Bank, rated 'AA-/F1+', Stable Outlook) for the subseries AA-3 bonds; and Bank of Montreal (BOM, rated 'AA-/F1+', Stable Outlook), for the subseries AA-4 bonds.

Each of the SBPAs provide for the payment of the principal component of purchase price plus an amount equal to 35 days of interest calculated at a maximum rate of 9%, based on a year of 365 days for tendered bonds as follows: (1) with respect to the subseries AA-1 and AA-2 bonds, the JPM SBPA will provide liquidity support during the daily, weekly and two-day rate modes; (2) with respect to the subseries AA-3 bonds, the TD Bank SBPA will provide liquidity support during the daily, weekly and two-day rate modes; (3) with respect to the subseries AA-4 bonds, the BOM SBPA will provide liquidity support during the daily, weekly and two-day rate modes; and (4) with respect to the subseries AA-5 and AA-6 bonds, the Mizuho Bank SBPA will provide liquidity support during the daily, weekly and two-day rate modes, in each case in the event that the proceeds of a remarketing of the bonds are insufficient to pay the purchase price following an optional or mandatory tender.

The SBPAs will expire on the earliest of: (1) Sept. 17, 2018 for the JPM supported subseries AA-1 and AA-2 bonds and for the TD Bank subseries AA-3 bonds; Sept. 16, 2016 for the BOM supported subseries AA-4 bonds; and Sept. 17, 2015 for the Mizuho Bank supported subseries AA-5 and AA-6 bonds, unless such scheduled termination dates for each of the respective SBPAs are extended; (2) conversion to a rate mode not supported by the series SBPA or (3) other events of default which result in a mandatory tender or other termination events related to the credit of the bonds which result in an automatic and immediate termination. The short-term ratings assigned to each subseries of bonds will expire on the expiration or prior termination of the related subseries SBPA. The short-term ratings may be adjusted upward or downward in conjunction with the long-term rating of the bonds or the short-term rating of the respective bank providing the SBPA.

The remarketing agent for the subseries AA-1, AA-2, AA-4 and AA-5 bonds is J.P. Morgan Securities LLC; TD Securities LLC is the remarketing agent for the subseries AA-3 bonds; and BMO Capital Markets Corp is the remarketing agent for the subseries AA-4 bonds. The bonds are expected to be delivered on or about Sept. 17, 2013.

All six subseries of bonds will be issued in the daily rate mode, but may be converted to a weekly, two-day, commercial paper, auction, flexible or fixed rate. While bonds bear interest in the daily, weekly or two-day rate modes, interest is paid on the 15th day of each month, commencing Oct. 15, 2013. Holders of bonds bearing interest in the daily, weekly or two-day rate modes may tender their bonds for purchase with the requisite prior notice. The tender agent is obligated to make timely draws on the respective SBPA to pay purchase price in the event of insufficient remarketing proceeds, and in connection with the expiration or termination of any series related SBPA, except in the case of the credit-related events permitting immediate termination or suspension of the SBPAs.

Funds drawn under a respective subseries SBPA are held uninvested and are free from any lien prior to that of the bondholders. The bonds are subject to mandatory tender: (1) on each interest rate mode conversion date; (2) on each interest reset date for bonds in the commercial paper and flexible rate modes; (3) upon the expiration or earlier termination of a subseries related SBPA and (4) on any substitution of a SBPA which results in a reduction or withdrawal of the ratings assigned to the bonds. Optional and mandatory redemption provisions also apply to the bonds.

Bond proceeds will be used by NYW to refund commercial paper notes and a bond anticipation note and to fund capital improvements to the water and sewer system.

For more information on Fitch's long-term rating on NYW, see Fitch's press release 'Fitch Rates New York City Muni Water Finance Authority's \$400MM Revs 'AA+' dated June 12, 2013, available on Fitch's web site at 'www.fitchratings.com'.

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Applicable Criteria and Related Research:

--'U.S. Municipal Structured Finance Criteria', February 27, 2013;
--'Rating Guidelines for Variable-Rate Demand Obligations and Commercial Paper Issued with External Liquidity Support', January 31, 2013;
--'Revenue-Supported Rating Criteria' (June 3, 2013);
--'U.S. Water and Sewer Revenue Bond Rating Criteria' (July 31, 2013);
--'2013 Water and Sewer Medians' (Dec. 5, 2012);
--'2013 Outlook: Water and Sewer' (Dec. 5, 2012).

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U.S. Municipal Structured Finance Criteria
Rating Guidelines for Variable-Rate Demand Obligations and Commercial Paper Issued with External Liquidity Support
Revenue-Supported Rating Criteria
U.S. Water and Sewer Revenue Bond Rating Criteria
2013 Water and Sewer Medians
2013 Outlook: Water and Sewer Sector

Additional Disclosure

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