

# Municipal Credit > Investment Grade



## NYC Transitional Finance Authority (TFA), NY Subordinate Future Tax Bonds

Updated: Oct 31, 2015

### Trade Idea:

- ▶ Buy NYC Transitional Finance Authority, NY Subordinate Future Tax Bonds.
- ▶ This is a name specific recommendation. The credit provides solid carry with little downside risk but we do not expect spreads to grind tighter.

### Investment Rationale:

- ▶ Security: The bonds are secured by New York City personal income (PIT) and sales tax revenue. Sales taxes are only available to the Authority if PIT revenues fall below statutorily specified debt service coverage levels.
- ▶ Bankruptcy remote with perfected security interest.
- ▶ Insulated from New York City fiscal stress, non-impairment commitment, and no appropriation risk.
- ▶ Total combined PIT and sales tax revenue increased from \$16 billion in fiscal year 2014 to \$17 billion in fiscal year 2015.
- ▶ Net revenues cover actual annual senior and subordinate debt service by 8.6x and maximum annual debt service (MADS) by a solid 6.8x.

### Recommendation(s):

View	Trade Horizon	Credit	Moody's/S&P /Fitch Ratings	Internal Rating	Cusip	Maturity	Par Amount of Selected Maturity	Last Trade to AAA Curve	Next Expected Issuance
Buy	12 Months	NYC Transitional Finance Authority, NY Subordinate Future Tax Bonds	Aa1/AAA/AAA	AA+/Stable	64971WEM8	2/01/2038	44.7 million	+32	2.6b in FY16, \$2.6b in FY17, and \$2.5b in FY18