

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aa3 enhanced to NYS Muni. Bond Bank Agency's (NY) revenue bonds

25 Mar 2022

New York, March 25, 2022 -- Moody's Investors Service has assigned a Aa3 enhanced rating to the State of New York Municipal Bond Bank Agency, NY's estimated \$7 million Special Program (City of Buffalo) Refunding Revenue Bonds, 2022 Series A.

RATINGS RATIONALE

The Aa3 rating reflects the Buffalo City School District's obligation to make payments to the State of New York Municipal Bond Bank Agency (MBBA) to pay debt service, sound state aid intercept mechanics which provide for timely payments to bondholders, and a flow of funds that provides full segregation of debt service, on a junior lien basis, 30 days before annual principal and interest payments are due. The rating additionally factors anticipated healthy coverage of maximum debt service from pledged revenues, given the district's high reliance on state operating aid. The rating reflects New York State's Aa2 general obligation rating, given projected 100% funding of debt service from state aid which is subject to annual appropriation by the state, and mechanics which require payment to the trustee directly from the state.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Upgrade of the State of New York's issuer rating

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Downgrade of the State of New York's issuer rating
- Significant decline in coverage

LEGAL SECURITY

The 2022 Series A bonds are special obligations of the MBBA and are paid solely from the Buffalo City School District's (CSD) state school aid payments. The aid received in March, will be deposited in a state aid depository fund by the state comptroller. On the first of April every year the depository will make payments to the trustee for debt service due and payable on May 1 and November 1. The city and school district have agreed to appropriate in their budget sufficient aid for the payment of the bonds. In the event of non-appropriation the trustee will notify the state comptroller by February 15 to intercept state school aid to the extent available.

All state aid (state building and operating aid) will flow directly to the State Aid Depository Fund. Each July 15th the CSD will provide to the trustee a "state aid payment certificate" which will delineate the percent of debt service to be deducted from state aid during the collection period for the Erie County Industrial Development (ECIDA) Joint School Construction Bonds (JSCB) (the aid-rich period between December 1st and March 31st during which time approximately 60% of annual state aid is typically received) and the MBBA bonds (March only). The MBBA bonds will have a junior claim on revenues but given that the majority of state aid is received in March (27% of total aid) and coverage levels in a worst case scenario are ample, it mitigates the absence of a debt service reserve fund and the junior lien status of the bonds.

USE OF PROCEEDS

The bonds will refund the 2012 Series A bonds for net present value savings.

PROFILE

The Buffalo City School District serves a student population of approximately 30,540 in the City of Buffalo (A1 stable). The State of New York Municipal Bond Bank Agency is governmental agency created by the state legislature and authorized to issue bonds for the Buffalo City School District.

METHODOLOGY

The principal methodology used in this rating was State Aid Intercept Programs and Financings Methodology published in March 2022 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1309599. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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