



CITY OF NEW YORK  
**OFFICE OF THE COMPTROLLER**  
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PUBLIC FINANCE

BUREAU OF PUBLIC FINANCE

Mr. Ronald Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1300 I Street, NW, Suite 1000  
Washington, DC 20005

March 7, 2022

Re: Request for Information on Environmental, Social and Governance (“ESG”) Practices in the Municipal Securities Market

Dear Mr. Smith:

Thank you for the opportunity to provide input in connection with the disclosure of information regarding ESG-related risk factors and ESG-related practices (“ESG-related Disclosures”) and the labeling and marketing of municipal securities with ESG-labeled designations.

The New York City Comptroller serves as the chief fiscal officer of New York City. The Mayor and the Comptroller are jointly responsible for the debt issuance of the City of New York, the New York City Transitional Finance Authority, the New York City Municipal Water Finance Authority, and other City-related bond-issuing entities. The combined amount of debt issued annually and outstanding make New York City and its affiliated issuers among the most active issuers of municipal bonds in the United States. The Mayor and Comptroller are jointly responsible for the disclosure to the municipal marketplace of all material, City-related information, including information regarding ESG-related matters. The City Comptroller’s Office appreciates the opportunity to respond to the request for information.

- 1. Are you currently providing ESG-Related Disclosures or ESG-related information beyond the legally required disclosures in your offering documents, continuing disclosures or other investor communications? If so, please consider providing examples. If not, please consider describing how*

*you address ESG-Related Disclosures in your offering documents, continuing disclosures or other investor communications. In your view, should municipal issuers include a separate section in their official statements and other offering documents expressly devoted to ESG-Related Disclosures?*

We believe that the City's offering documents provide the ESG-related disclosures and ESG-related information, and do not omit any such information, that would be material to a reasonable investor. The details provided in the offering documents relating to environmental risks may go beyond what is legally required. New York City's relevant ESG-related Disclosure includes the following matters:

Governance:

The Official Statements of New York City contain a section on the structure of City government which lists the leading public officials and describes their responsibilities. The offices listed are: the Mayor; the City Comptroller; the Public Advocate; and the five Borough Presidents. The responsibilities of the City Council, the legislative body of the New York City, are also described. Subsequent sections describe the City's financial management, budgeting and controls, indebtedness, pension systems and other post-employment benefits, and the capital planning process.

Environmental:

The Official Statements contain a section on environmental matters. The section's sub-headings describe: Hurricane Sandy and the costs of ongoing recovery efforts; the impact of climate change on New York City and the City's coastal resiliency projects; and various superfund designations and the City's responses and remediation measures. Part of the City's due diligence procedures in advance of the printing of offering documents include responding to questions regarding climate change risks and related matters.

Social:

While there are no specific sections relating to "social" matters, information about the City's social risks is mentioned throughout the City's offering documents. Issues discussed extensively include the impact of health and safety risks arising from the pandemic, the need for and

expenditures on services such as education, health care and safety net assistance for individuals and families in need, and the status of labor negotiations. A section on City Services and Expenditures expands further on many of these matters.

City officials entertain questions from investors upon request and respond to questions regarding its ESG practices

With respect to our view as to whether issuers should include a separate section in their offering documents devoted to ESG-related matters, we think it is helpful to consider the environmental, social and governance components of ESG separately. Climate change, of course, gives rise to environmental risks that affect general governmental, utility, and transit issuers, among others, in different ways depending on their location. Potential costs relating to remediation and rebuilding following an extreme weather event, resilience measures to protect against the expected future impacts of climate change, and the transition from fossil-fuel based energy production to renewable sources, could all be material. Our view is that there should be a separate section in offering documents for issuers exposed to climate change risks that provides information to investors about the specific risks faced and how they are being addressed, together with the anticipated future costs, to the extent they can be quantified.

For the social and governance aspects of ESG-related Disclosures, we believe there is no real consensus in the municipal market regarding how to isolate those risks from general considerations of credit worthiness. Of course, at the extremes, social and governance factors affecting an issuer, such as widespread poverty or an inability to deliver essential services, are material and would be disclosed as a matter of course in a public bond offering. We believe that it is difficult, however, to isolate such risks in a meaningful way from the general credit of an issuer, and therefore would not recommend a separate section in bond offering documents relating to social and governance matters for all issuers.

- 2. Do you believe that the information included in ESG-Related disclosures should be standardized? If so, how? If not, why not? In your view, is there a consensus on what information and which metrics are important? If so,*

*could you provide insight as to what consensus you believe does or could exist? If not, what barriers do you believe exist in reaching a consensus? What topic areas do you believe are relevant and should be included in ESG-Related Disclosures?*

Again, we think that it is helpful to distinguish among the elements of ESG-related Disclosure in response to this question.

Environmental:

Climate change affects different geographic areas of the country in different ways. For example, coastal areas are potentially impacted by sea level rise. Intense storms and other extreme weather events affect almost all regions of the country in different ways. Accordingly, the establishment of uniform standards that would be relevant and meaningful would be a difficult goal to achieve. Perhaps a minimum threshold of disclosure with general guidance that might be adaptable to each issuer might work better in the environmental area.

Social:

Local governments around the country are faced with many different types of social challenges which become material for investors when they affect a locality's general economic condition, including the ability to raise revenues and achieve balanced budgets, and prospects. We think that it would be difficult, if not impossible, to develop standardized disclosure about social risks because their impact on the credit worthiness of a local government depends on the specific economic, demographic and other circumstances facing each government.

Governance:

Governance risks of issuers across the country are similarly not uniform. Further, it is difficult to know when issues such as the inability of government officials to work together, dysfunctional legislatures, indictments of prominent officials, and turnover in personnel would rise to the level of materiality to an investor, absent an impact on the issuer's ability to operate and raise revenues. Like unhappy families, every dysfunctional government is dysfunctional in its own way. Therefore, we do not think that standardized disclosure would be useful in this context.

The standard for inclusion should be consistent with other disclosure matters: whether the ESG-related issue at hand would be material to a potential investor in making a decision as to whether to purchase the issuer's bonds.

While it is clear under current disclosure standards that ESG matters that would be material to an investor should be disclosed, there is no current consensus on the specific information that should be disclosed and metrics that should be used. The problems confronting the thousands of bond issuers across the country are often vastly different, unforeseeable, and often unquantifiable, and need to be considered in the context of each issuer's particular circumstances. While there is no one-size-fits-all approach, clearer standards as to what constitutes "green" or other ESG-labeled bonds could provide more clarity to issuers, improve investor acceptance, and potentially lead to a pricing advantage for these bonds. In any event, issuers should provide specific details about their ESG challenges and their current and expected impact on future operations and financial stability if they are material. Further, issuers should discuss their plans to address such challenges, to the extent feasible, accompanied by appropriate cautionary language particularly regarding unpredictable events.

- 3. Have you issued ESG-labeled bonds? If so, please consider providing an example and describing what criteria were used to make the ESG designation. Did you utilize an independent party to validate or otherwise attest to the use of the ESG designation? Please consider explaining why or why not.*

New York City and its main affiliated issuer entities have not yet issued ESG-labeled bonds. But the Hudson Yards Infrastructure Corporation, an independent issuing entity with City officials serving on its board and staffed by employees of the Mayor's office, recently issued refunding bonds with a Green Bonds designation. The bond issue refunded a prior bond issue that had used the proceeds to build an extension to a subway line in Manhattan and accordingly fell squarely under the "environmental" rubric as a mass transit project. Hudson Yards did use an independent party to validate or otherwise attest to the use of

the Green Bonds designation. We obtained the second party opinion because its cost was reasonable, and we had hoped that the involvement of an independent party would contribute to wider distribution and superior pricing on the transaction.

- 4. If you used ESG-Labeled bonds, did you commit to providing any ongoing or continuing disclosure related to the ESG designation? If so, was that disclosure commitment incorporated into the continuing disclosure agreement or similar contractual obligation related to the Securities Exchange Act Rule 15c2-12 (collectively, "CDA")? If so, please consider providing an example of the CDA. If the disclosure agreement was not incorporated into the CDA, how is the information made available to an investor on an ongoing basis and at what frequency?*

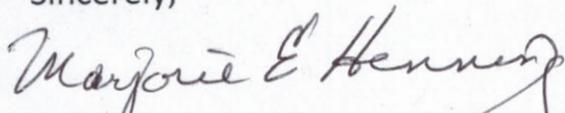
The proceeds of the Hudson Yards Infrastructure Corporation's recent Green Bond issue were used to refund bonds that had been issued to build an extension to a subway line in Manhattan. The proceeds of the prior issue had been fully spent and the subway extension has been operational for several years. Accordingly, since the environmental purpose had been achieved, it was not necessary to commit to provide ongoing, continuing disclosure relating to the Green Bonds designation.

- 5. Are you providing information to the credit rating agencies regarding ESG-related risk factors and ESG-related practices? If so, what type? In your view, how does this information generally compare to the information provided in your offering documents and continuing disclosures? Are the credit rating agencies requesting any new types of ESG-related information? Has the credit rating process changed in any significant ways in relation to ESG-related information?*

Officials of the Comptroller's Office's finance team meet with the credit rating agencies on a regular basis on various matters relating to New York City, including matters relating to ESG risk factors and ESG-related practices. The information provided is typically a summary of what has been disclosed to investors in our most recent Official Statement. The credit rating agencies have not specifically requested any new types of ESG-related information over and above what we disclose in our disclosure documents. The credit rating process has changed recently as some of the

rating agencies now have special categories concerning ESG-related matters that influence the issuers' long-term credit ratings. Each rating agency has its own unique approach and there is a lack of transparency regarding how they reach conclusions in these areas.

Sincerely,

A handwritten signature in cursive script that reads "Marjorie E. Henning". The signature is written in dark ink and is positioned above the printed name and title.

Marjorie E. Henning  
Deputy Comptroller for Public Finance