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New York City Gets Low Yields in First Bond Sale Since Union Deals.

(Reuters) – A scarcity of new paper in the U.S. municipal bond market helped New York City borrow more at lower rates on Wednesday, in its first bond deal since Mayor Bill de Blasio's multibillion-dollar accord with labor unions in May.

Critics said they expected investors to shy away from the city's debt because of the new mayor's liberal, big-ticket policies. But the city suffered no blowback in this sale, at least in part because of technical market factors, including low yields and tight supply.

New York increased the size of the deal to $1.02 billion from a planned $850 million offering of general obligation refunding bonds.

In the longest maturity, 2034, the city was able to borrow at a yield of 3.87 percent – 30 basis points lower than it did in March, when the same maturity sold with a 4.17 percent yield, according to the Mayor's Office of Management and Budget.

Morgan Stanley was the senior manager on the negotiated deal, which had a two-day retail order period beginning on Monday resulting in about $203 million of retail orders.

The deal priced for institutional investors on Wednesday, when the size of the offering was increased, the OMB said.

Some analysts sounded a note of alarm on the city's finances and creditworthiness after de Blasio reached an agreement with teachers, who had gone for years without a contract under former Mayor Michael Bloomberg.

De Blasio's labor deal could cost the city close to $20 billion through 2021, not including healthcare savings, when applied to all city workers. It has helped create budget gaps of $2.2 billion to $3.2 billion from 2016 to 2018, according to the city's estimates.

(Reporting by Hilary Russ; Editing by Jonathan Oatis)