# KBRA Assigns AA+ Rating, Stable Outlook to the City of New York General Obligation Bonds

New York (July 31, 2025)

KBRA assigns a long-term rating of AA+, with a Stable Outlook to the City of New York (the City) General Obligation Bonds, Fiscal 2026 Series A, B and C, consisting of Tax-Exempt Bonds, Subseries A-1, Tax-Exempt Bonds, Subseries B-1, Taxable Bonds, Subseries B-2, Tax-Exempt Bonds, Subseries C-1, and Taxable Bonds, Subseries C-2. At June 30, 2025, there was approximately $46.72 billion of General Obligation (G.O.) Bonds outstanding.

G.O. Bonds are secured by the City's faith and credit pledge. All City taxable real property is subject to the levy of ad valorem taxes, without limitation as to rate or amount, for payment of debt service. Pursuant to the Financial Emergency Act for the City of New York, a general debt service fund ("the Fund") is established for G.O. Bonds and certain notes. Payments of the City real estate tax must be deposited into the Fund upon receipt and retained under a statutory formula. Since its inception in 1978, the Fund, which is held by the State Comptroller as Custodian, has been fully funded at the beginning of each payment period.

A detailed discussion of key rating determinants pertaining to the City of New York's General Obligation Bonds is provided in KBRA's report dated April 7, 2025.

## Key Credit Considerations

The ratings reflect the following key credit considerations:

Credit Positives

- The City's role as an international business and cultural center, and its position as the hub of the country's largest metropolitan economy highlight the diversity and resilience of the resource base supporting G.O. Bonds. Institutionalized, long-range financial management and capital planning practices support financial stability.
- Reserves stand at a record $8.5 billion (approximately 10% of City Funds revenue), although the City did not contribute to the General Reserve or the Rainy Day Reserve for FY 2026. Upward revisions to forecast tax revenues - combined with asylum seeker savings through FY 2027 and decreases in pension contributions through FY 2028 - contribute to near-term budgetary stability and manageable out-year gaps of approximately $5.04 billion in 2027, $6.10 billion in 2028, and $5.96 billion in FY 2029.
- Pension funded ratios and unfunded liabilities have trended favorably in recent years, while annual debt service requirements are projected to remain below 15 percent of City tax revenues over the 2025-2029 forecast period.

Credit Challenges

- Material risks to the City's FY 2026 Financial Plan include potential reductions in federal categorical grant funding, as well as spending cuts included in the One Big Beautiful Bill Act (OBBBA), which may be passed through to both the City and New York City Health + Hospitals (NYCHH).
- A July 2025 appellate court ruling upholding City Council-enacted expansions to the CityFHEPS rental assistance program, if not successfully appealed, could entail estimated costs ranging from $10 billion to $17 billion over five years, none of which are currently incorporated into baseline budget projections. Costs of compliance with State mandated class size requirements in FY 2027 and beyond is also unbudgeted.
- Mitigating the City's exposure to rising sea levels, coastal and inland flooding, and extreme heat is expected to entail substantial, long-term City, State, and Federal investment.

The Stable Outlook reflects the resilient performance of the City's diverse revenue portfolio, underscored by well-established fiscal oversight and tracking mechanisms embedded in the Act and the City Charter. While we expect the recent trend of positive operating performance, record reserves, and ample budgetary flexibility to provide a satisfactory buffer against a possible economic downturn, budgetary uncertainty posed by potential reductions in federal categorical and discretionary funding represents a key risk to the City's otherwise positive financial and economic outlook.

## Rating Sensitivities

For Upgrade

- Maintenance of sound fiscal posture, employment growth and revenue resiliency in the face of prevailing policy and economic headwinds.
- Adoption of a formalized reserve policy targeting reserve size and conditions for deposits and withdrawals.
- Formalization, through incorporation to the City Charter, of the City's policy of limiting debt service to 15 percent of tax revenues in each year of the Financial Plan.
- Trend of reduced projected out-year budget gaps.

For Downgrade

- Reduced Federal or State grants for education, community development, social services, and entitlement programs, and/or adverse changes to Medicaid or other third-party payor programs impacting NYCHH, of a magnitude sufficient to upend the City's Financial Plan assumptions, resulting in budgetary instability.
- Secular economic decline and/or deterioration in a key economic segment, of a magnitude sufficient to challenge budgetary balance.
- Relaxation of, or diminished adherence to, well-established policies and procedures.

To access ratings and relevant documents, click here.

### Related Publication

- City of New York, NY General Obligation Bonds Rating Report

### Methodologies

- Public Finance: U.S. Local Government General Obligation Rating Methodology
- ESG Global Rating Methodology

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## Disclosures

A description of all substantially material sources that were used to prepare the credit rating and information on the methodology(ies) (inclusive of any material models and sensitivity analyses of the relevant key rating assumptions, as applicable) used in determining the credit rating is available in the Information Disclosure Form(s) located here.

Information on the meaning of each rating category can be located here.

Further disclosures relating to this rating action are available in the Information Disclosure Form(s) referenced above. Additional information regarding KBRA policies, methodologies, rating scales and disclosures are available at www.kbra.com.

## About KBRA

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