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Research Update:

New York City's Fiscal 2026 Series A, B, And C General Obligation Bonds Rated 'AA'; Outlook Is Stable

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Overview

- S&P Global Ratings assigned its 'AA' long-term ratings to New York City's $950 million fiscal 2026A, subseries A-1 (tax-exempt) general obligation (GO) bonds; $582.56 million fiscal 2026B, subseries B-1 (tax-exempt) GO bonds; $227.32 million fiscal 2026B, subseries B-2 (taxable) GO bonds; $15.02 million fiscal 2026C, subseries C-1 (tax-exempt) GO bonds; and $10 million fiscal 2026C, subseries C-2 (taxable) GO bonds.
- The outlook on all ratings is stable.

Rationale

Security

New York City's faith and credit, including its obligation to levy and collect ad valorem taxes without limitation as to rate or amount, secures the fiscal 2026, series A, subseries A-1; series B, subseries B-1 and B-2; series C, subseries C-1 and C-2 bonds; and the city's GO debt outstanding. The bonds are being issued as multi-modal bonds in the fixed-rate mode.

The city will use proceeds from the fiscal 2026, subseries A-1 bonds to fund citywide capital expenditures. Proceeds from the subseries B-1, subseries B-2, subseries C-1, and subseries C-2 bonds will refund or redeem, at or prior to maturity, certain series of GO bonds previously issued by the city.

As of June 30, 2025, the city had approximately $47 billion of GO debt outstanding.

Credit highlights

Our ‘AA’ long-term rating on New York City is anchored by its governance strengths, as well as the dynamism and resilience of its economy, which we believe support stable credit quality over the outlook horizon. At the onset of fiscal 2026, we believe that the city’s fiscal trajectory remains stable, and budgetary reserves--while not projected to increase from current levels over the near-term--provide the city with financial flexibility to navigate near-term risks. Key downside risks largely stem from persistent macroeconomic uncertainty, including lower immigration levels and implementation of tariffs against certain imports from U.S. trading partners, which on top of recent federal policy changes, could begin to slow revenue growth expectations and require more substantive outyear budget adjustments than currently envisioned in the fiscal year 2025-2029 financial plan. In our view, New York City's finances will continue to balance along a tightrope throughout fiscal 2026, and the city has demonstrated through its robust governance framework the ability to plan, identify, and implement financial controls to respond to past budgetary challenges.

In our view, New York City's economic data from the first half of the year has remained resilient and we generally expect that its economy will experience slow, but still positive growth at a rate mirroring that of the U.S. over the outlook period. Based on S&P Global Ratings Economics' report "Economic Outlook U.S. Q3 2025: Policy Uncertainty Limits Growth," published June 24, 2025, on RatingsDirect, the forecast reflects a deceleration in real GDP growth to 1.7% in 2025 and 1.6% in 2026, from 3.2% in 2023 and 2.5% in 2024. With slower growth we expect unemployment to edge up to 4.6% in the first half of next year with concurrent weakening across several key economic variables, including higher unemployment, weaker consumer spending, and a higher inflation rate. We believe effective tariff rates will settle below their April 2025 peak, but further evolution of U.S. tariff policies--and retaliatory measures from trading partners--sharply slowing immigration, and federal government cost reduction measures all could weigh on U.S. economic activity and erode resilience in the second half of 2025. While S&P Global Ratings Economics' base case continues to see the U.S. avoiding a recession in the near term, the probability of a recession beginning in the next 12 months remains near 30%. For more information, see "U.S. Business Cycle Barometer: Recession Risk Remains Elevated Amid Shifting Policies," July 22, 2025. For New York City, we will monitor the effects of these evolving conditions on consumer spending, Wall Street profits, and the city's tax revenue in future years. In addition, certain segments of the city's economy, including construction, leisure and hospitality, and other services, could experience disproportionate inflationary wage and cost increases stemming from more restrictive immigration policy.

In fiscal 2025, the city's tax revenues increased by a projected $6.17 billion (or 8.3%), strengthened by healthy growth in personal and business income tax collections, as well as other city tax revenues. As uncertainty clouds the economic outlook for New York City, the city's Office of Management and Budget (OMB) tempered its June 2025 financial plan projections to reflect more modest tax revenue growth rates of 1.2% for fiscal 2026, 1.9% for fiscal 2027, 3.2% for fiscal 2028, and 3.3% for fiscal 2029, resulting in an average annual growth rate of 2.4% over this period. While New York's City's economy and tax base have outperformed growth expectations in recent years, we believe the city's robust forecasting, financial oversight, and expenditure controls will be critical to respond to changing conditions and its ability to support balanced operating results over this period, particularly if the national economy experiences a more protracted slowdown.

New York City's enacted $115.9 billion fiscal 2026 budget represents an $842.2 million (or a 0.7%) net increase in expenditures relative to the May 2025 executive budget and a $3.5 billion (3.1%) net increase in expenditures relative to the fiscal 2025 adopted budget. Increased spending in the budget reflected approximately $1.4 billion to preserve funding for critical programs facing budget cliffs, $755 million for universal after-school programming for elementary and intermediate school students, as well as funding for rental assistance and other social services initiatives. Other key highlights of the fiscal 2026 budget and 2025-2029 financial plan include:

- Estimated savings of approximately $543 million between fiscal years 2025 and 2026, of which approximately $363 million is attributable to lower migrant and asylum seeker costs;
- Approximately $3.8 billion in prepayments into fiscal 2026, which is lower than the $4.4 billion prepayment in the fiscal 2025 budget and in past years;
- Potentially growing, but manageable out-year structural budget gaps at $5.0 billion, $6.1 billion, and $6.0 billion in fiscal years 2027 through 2029, respectively, as the city incorporates funding for certain programs throughout the entire financial plan; and
- Conservative financial plan assumptions around Wall Street profits at approximately $34 billion, which are projected to remain well below the 2021 high of $58.4 billion; residential sale activity, which is forecast to gradually improve from its 2023 low but remain below the 2021 peak; and projected tourism activity that could experience a modest slowdown compared with fiscal 2024 due to a decline in international tourism.

At the same time, we view the city's budget as having exposure to periodic events and uncertainties that have disrupted financial performance, complicating the city's ability to absorb these additional costs given the balanced budget requirements under the Financial Emergency Act. Illustrating this point is the city's recent response to a surge in migrants and asylum seekers and the related effect on the budget. Asylum seeker service expenditures continue to abate since the November 2023 financial plan because of decreasing numbers of arrivals and cost-saving measures that the city implemented--including its Program to Eliminate the Gap (PEG)--but the city has gradually rolled some of these measures back. The financial plan reflects city-share asylum seeker costs to fall gradually to $500 million in fiscal 2029 from $1.5 billion in fiscal 2025. We expect management will continue to take the steps it deems necessary to address periodic event risks and bring the budget into balance, as is legally required.

As we look to out-years of New York City's financial plan, shifts in the federal funding and policy landscape pose potential long-term risks. Key provisions from the recently passed U.S. reconciliation bill--including reductions to Medicaid, supplemental nutrition assistance, and downstream effects of federal agency program and staffing cuts--feature a deferred implementation period, making it too early to determine the full budgetary effects and credit implications, if any, that these changes will have for the city. While recent federal delays, clawbacks, and reductions had a marginal impact on fiscal 2025 operations, we believe further retrenchment in areas where federal funding has traditionally played a large role for New York City could make it difficult to budget and deliver essential services. Federal funds constitute approximately $7.5 billion (or 6.4%) of the city's fiscal 2026 budget. We will monitor how city management incorporates federal funding changes into the financial plan and the growth trajectory of out-year gaps, but we believe that the years-long lead time before these changes take effect, proactive management, and preservation of large budget reserves should limit the city's immediate credit exposure from the federal reconciliation bill. The city comptroller has suggested adding $1 billion to the general reserve fund and $847 million to the revenue stabilization fund for fiscal 2026 to help mitigate potential out-year cuts to federal aid or tax revenue losses resulting from economic policy uncertainties. For more information and our views on potential near- and longer-term effects to U.S. public finance entities, see "The Tax Bill Comes Due: Near-Term Risks Are Low, Long-Term Pressures Rising For U.S. Public Finance Entities," published July 7, 2025.

Fixed costs, including pension and other postemployment benefit (OPEB) costs, remain manageable relative to the revenue and economic base, but we believe future debt issuance to support New York City's substantial capital needs will keep per capita metrics elevated compared with those of peers. In addition, if inflation were to cause more subdued property price appreciation and higher capital costs, the city could approach its constitutional debt limit of 10% of the five-year average of property values. To provide more room for the city to address its substantial capital needs, New York State's enacted fiscal 2026 budget amended the New York City Transitional Finance Authority Act, increasing the amount of future tax-secured bonds authorized to be outstanding that will not be subject to the city's debt limit to $30.5 billion from $27.5 billion, effective July 1, 2025, which the city expects to issue in future years to finance its share of the capital funding commitment toward the Metropolitan Transportation Authority's 2025-2029 capital program. In June 2025, the New York Court of Appeals reversed a lower court's ruling that blocked the city from implementing a plan to move retirees to Medicare Advantage. However, the city decided as a policy matter not to move forward with implementation at this time. The city continues to explore solutions to address its large OPEB liabilities and is making payments under its current OPEB plan.

The long-term rating reflects our view of the city's:

- Economic dynamism, resiliency, and diversity; New York City is the largest commercial and population center in the U.S. and a globally recognized economic hub. The metropolitan statistical area has per capita personal income and gross county product metrics that compare favorably with those of the U.S. The city's economy is anchored by the presence of first-class universities and health care providers, an expansive and active finance and venture capital industry, and its attractiveness as a leisure and business travel destination.
- Overall balanced financial performance through a combination of better-than-forecast revenue due to the city's post-pandemic resiliency and robust business income and sales tax revenue recovery, cost-savings measures from the city's PEGs, and significant inflows of federal aid as part of the American Rescue Plan Act and other federal relief programs. Our assessment of the city's financial performance also factors in exposure to disruptive events and uncertainties that have materially increased costs that the city has absorbed into its budget, which can make balancing the budget more difficult.
- Large financial reserves of almost $11.4 billion (10.6% of general fund expenditures) at fiscal year-end 2024 (including approximately $4.4 billion of surplus roll), which provide an important buffer against potential budgetary pressures.
- Sophisticated management with comprehensive financial policies, long-term financial planning, and practices that we believe support effective monitoring of the budget and additionally include risk management strategies for cyber security, preparedness for physical risk events, and transparency for stakeholders. PlaNYC, released in 2023, highlights the city's efforts to protect its economy and population from climate change threats, underpinning management's proactive strengths.
- Nominally large but manageable debt service costs relative to the city's budget that remain below the 15.0% of operating expenditures threshold over the financial plan, although the inclusion of pension and OPEB contributions pushes costs to 20.9%. Combined debt and pension liabilities relative to the revenue base are approximately 125% of total government fund revenue, which we view as comparable with those of other large U.S. cities. However, a very high net OPEB liability of nearly $98.3 billion in fiscal 2024 partly offsets this, precluding a higher rating in the near term.
- Institutional framework that we consider more predictable than is typical for New York municipalities, coupled with the city's autonomy to raise property tax rates above the annual property tax levy limitations imposed on other New York municipalities, and the city's status as one of only two in the state that levies a New York Legislature-approved personal income tax

surcharge on residents, which provides additional revenue flexibility to match ongoing expenditures. For more information on our institutional framework assessment for New York municipalities, see "Institutional Framework Assessment: New York Local Governments," Sept. 10, 2024

Environmental, social, and governance

New York City benefits from a governance structure under the Financial Emergency Act that requires maintenance of a balanced budget, and from strong planning practices that mitigate risk and ensure that the financial plan addresses out-year budget gaps. In addition, the city established a formal "rainy day" reserve in fiscal 2021, bolstering our view of governance, but has not yet created a regular mechanism for annual reserve contributions.

We view social capital risks as a potential weakness in terms of recovery and long-term economic growth. For example, the city's high cost of living underscores the disparity in housing affordability, which could lead to a longer-term shift in demographic trends. To help mitigate this risk, the city continues planning and providing financing for the development of affordable housing units in all its neighborhoods. The recent surge in migrants and asylum seekers could present a demographic opportunity, as it could underpin future economic growth; however, it also could exacerbate issues around affordable housing and further tie up operational and financial resources. In addition, the city continues to prioritize resources and efforts to tackle crime.

We believe the city's exposure to the Atlantic coastline presents chronic and acute physical climate risks that are elevated relative to those of peers and could more materially affect credit quality in the longer term, should mitigation and adaptation plans fail. However, the city is ahead of peers in planning for and mitigating these risks, such as in its integration of climate scenarios underpinned by local scientific projections into its climate resiliency design guidelines that consider various climate hazards, including heat, precipitation, flooding, and sea-level rise. Furthermore, it is pursuing infrastructure projects to raise seawalls, floodgates, and berms, as well as other measures that could help protect vulnerable areas and buffer residents from the effects of climate change. Finally, New York City is recruiting the offshore wind industry to diversify its economy and energy production in the face of decarbonization and net-zero policy initiatives. In our view, its development of key performance indicators to monitor its sustainability and resiliency efforts, as well as its publication of annual reports showing progress toward its goals, are positive for transparency and accountability.

Outlook

The stable outlook reflects our view of New York City's relatively resilient economy, which we believe will provide steady tax revenue growth that supports ongoing budgetary needs over the outlook period. We believe the city's commitment to maintaining reserves at a level that can mitigate potential economic and budgetary pressures further supports its credit fundamentals. The stable outlook is also predicated on the city's continuing ability to navigate potentially disruptive economic uncertainties and sustain financial stability in the near term, particularly amid a shifting federal and state funding landscape.

Downside scenario

We could lower the rating if New York City fails to address its projected budget gaps, national macroeconomic weakness impedes current economic growth expectations, or longer-term population migration fundamentally alter the city's revenue forecast and property tax values. We could also lower the rating if persistent and material disruptions to the city's operations cause structural misalignment of revenue and expenditures to emerge, and we view the timeliness and adaptability of the city's governance and policy frameworks to be diminished in bringing spending into alignment with revenue without one-time solutions and draws on liquidity.

Upside scenario

Should the city's economic trajectory and financial reserves remain stable, we could raise the rating or revise the outlook to positive if we view the city's debt and OPEB liabilities metrics as materially improved from their currently elevated levels.

New York City--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.3
Economy	1
Financial performance	3
Reserves and liquidity	2
Management	1
Debt and liabilities	4.5

New York City--key credit metrics

	Most recent	2024	2023	2022	2021
Economy					
GMP per capita as % of U.S.	142	--	142	143	142
Metro area PCPI as % of U.S.	129	--	129	128	128
Market value ($000s)	1,581,487,913	1,453,863,073	1,348,408,001	1,271,275,008	1,177,160,961
Market value per capita ($)	186,539	171,485	163,284	152,506	139,021
Top 10 taxpayers as % of taxable value	10.2	10.2	9.0	9.0	8.0
City unemployment rate (%)	5.3	5.3	5.0	5.7	10.1
Local median household EBI as % of U.S.	101	--	101	103	100
Local per capita EBI as % of U.S.	112	--	112	115	112
Local population	8,478,072	8,478,072	8,390,888	8,356,179	8,453,772
Financial performance					
Operating fund revenue ($000s)	--	112,387,407	107,779,550	106,795,525	99,182,509
Operating fund expenditures ($000s)	--	112,539,397	107,714,699	105,487,753	99,591,563
Net transfers and other adjustments ($000s)	--	217,898	169,391	147,672	96,428
Operating result ($000s)	--	65,908	234,242	1,455,444	-312,626
Operating result as % of revenue	--	0.1	0.2	1.4	-0.3
Operating result three-year average %	--	0.5	0.4	0.3	-0.1
Reserves and liquidity					
Available reserves as % of operating revenue	--	10.1	11.8	12.6	10.9
Available reserves ($000s)	--	11,399,240	12,755,406	13,445,348	10,826,057
Debt and liabilities					
Debt service cost as % of revenue	10.4	10.1	11.2	11.4	14.4

New York City--key credit metrics

	Most recent	2024	2023	2022	2021
Net direct debt per capita ($)	12,749	12,751	13,018	11,184	10,761
Net direct debt ($000s)	102,822,097	105,295,403	107,500,113	93,228,845	91,122,490
Direct debt 10-year amortization (%)	44	--	--	--	--
Pension and OPEB cost as % of revenue	11	11	11	13	12
Net pension liabilities per capita ($)	4,524	4,524	4,830	5,055	1,267
Combined net pension liabilities ($000s)*	37,357,819	37,357,819	39,884,157	42,136,889	10,720,448

Note: Financial data may reflect analytical adjustments and is sourced from issuer audit reports or other annual disclosures. *Pension calculations reflect information for the NYC City Police Pension Fund and NYC Fire Pension Fund, NYC Teachers Retirement System, NYC Employee Retirement System, and NYC Board of Education Retirement System reported as of June 30, 2024. Economic data is generally sourced from S&P Global Market Intelligence (based on information from the Bureau of Economic Analysis), the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. EBI--Effective buying income. GMP--Gross metro area product. OPEB--Other postemployment benefits. PCPI--Per capita personal income.

Ratings List	
New Issue Ratings	
US$15,020,000 New York City, New York, Fixed Rate Tax-exempt Refunding General Obligation Bonds, Series 2026C-1, dated: August 19, 2025, due: February 01, 2030	
Long Term Rating	AA/Stable
US$10,000,000 New York City, New York, Fixed Rate Refunding Taxable General Obligation Bonds, Series 2026C-2, dated: August 19, 2025, due: February 01, 2026	
Long Term Rating	AA/Stable
US$227,320,000 New York City, New York, Fixed Rate Taxable Refunding General Obligation Bonds, Series 2026B-2, dated: August 19, 2025, due: August 01, 2027	
Long Term Rating	AA/Stable
US$582,555,000 New York City, New York, Fixed Rate Tax-exempt Refunding General Obligation Bonds, Series 2026B-1, dated: August 19, 2025, due: August 01, 2033	
Long Term Rating	AA/Stable
US$950,000,000 New York City, New York, Fixed Rate Tax-exempt General Obligation Bonds, Series 2026A-1, dated: August 19, 2025, due: August 01, 2054	
Long Term Rating	AA/Stable