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RATING ACTION COMMENTARY

Fitch Rates NYC Transitional Finance Auth $1.5B Fiscal 2026 Ser B Bonds 'AAA'; Outlook Stable.

Fri 17 Oct, 2025 - 3:04 PM ET

Fitch Ratings - New York - 17 Oct 2025: Fitch Ratings has assigned a 'AAA' rating to the following New York City Transitional Finance Authority (TFA) future tax secured (FTS) subordinate bonds:

--$1.5 billion fiscal 2026 (tax-exempt) series B.

The bonds will be sold through negotiated sale on Oct. 21 and Oct. 22. Proceeds of the series B bonds will be used for general capital purposes.

The rating on the TFA's outstanding subordinate lien FTS bonds is 'AAA'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING	PRIOR
New York City Transitional Finance Authority (NY)		

New York City Transitional Finance Authority (NY) /NYC TFA Future Tax Secured - Subordinated/2 LT	LT	AAA Rating Outlook Stable Affirmed	AAA Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The 'AAA' rating on the subordinate future tax-secured (FTS) revenue bonds reflects solid long-term growth prospects for pledged revenue and the bonds' highly resilient structure. Fitch anticipates that the bond structure will be able to withstand changes in economic cycles and maintain solid debt service coverage.

Fitch's analysis indicates resilience would be strong, even if New York City leveraged the pledged revenue up to its legally permitted amount, but Fitch expects issuance to be well below that level as excess revenue flows to the city for general operations. The very strong legal structure insulates bondholders from the operating risk of New York City (Issuer Default Rating [IDR], AA/Stable).

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A decline in pledged revenue that is more severe and prolonged than anticipated, combined with a significant increase in leverage closer to the additional bonds test (ABT).

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Not applicable, as the bonds are already rated at Fitch's highest rating level.

DEDICATED TAX SECURITY

The bonds are payable from a subordinate lien on revenue derived from a personal income tax (PIT) and a sales and use tax (SUT, collectively, the pledged revenue) imposed by New York City, as authorized by the state of New York. Payment of the PIT and SUT revenue to the TFA is not subject to city or state appropriation.

All references to PIT revenue also include the revenue from the NYC pass-through entity tax (PTET) on certain partnerships and S corporations that elect to pay such tax and whose partners or shareholders receive a corresponding credit against their PIT liabilities.

SUT revenue will be available for the payment of debt service if PIT revenue is projected to be insufficient to provide at least 150% of the maximum annual debt service (MADS) on the TFA's outstanding bonds.

Additional bonds may be issued as senior bonds if net pledged revenue for the 12 consecutive calendar months preceding authorization is at least 3x the maximum amount of annual senior debt service, including debt service on the bonds to be issued. Senior lien bonds, if issued, are subject to a $330 million limit on quarterly debt service. The TFA does not have any senior lien obligations outstanding.

The subordinate ABT requires that pledged revenue for the most recent fiscal year is at least 3x the sum of $1.32 billion (covenanted MADS for senior lien bonds) plus projected maximum annual subordinate debt service, including debt service on the bonds to be issued. Debt service on variable-rate bonds is assumed at the maximum rate for the purposes of the ABT.

DEDICATED TAX KEY RATING DRIVERS

Growth Prospects for Revenues - 'aa'

Solid Growth Prospects

Pledged revenues benefit from the city's unique economic profile, which reflects its identity as an international center for numerous industries and institutions, and a major tourist destination. Fitch believes longer-term growth levels of pledged revenue may slow from the record fiscal 2025 levels but remain solid at levels between long-term rates of inflation and U.S. GDP. This level of revenue growth is consistent with a 'aa' assessment.

Sensitivity and Resilience - 'aaa'

Robust Resilience

The high coverage levels from growing pledged revenue provide for very strong levels of resilience to changes in the economy and through downturns. Strong legal and practical protection against overleveraging also supports the 'aaa' level of resilience.

Exposure To Related Government

Strong Legal Framework

The bankruptcy-remote, statutorily defined nature of the issuer pursuant to state legislation and a bond structure involving a first-perfected security interest in the PIT and SUT revenue are key credit strengths. Payment of the PIT and SUT revenue to the TFA is not subject to city or state appropriation. Statutory covenants prohibit action that would impair bondholders.

As a true sale structure, TFA's rating is limited to six notches above New York City's IDR of 'AA'/Stable.

PROFILE

PIT revenues increased by 17.8% in fiscal 2025 (ended June 30) to a record level of $18.5 billion, mostly due to stronger financial services profits and Wall Street bonus activity. Approximately 73% of PIT revenues were collected through withholding, which slightly exceeds the 10-year average of 71%. PIT revenues are projected by the city to decline slightly in fiscal 2026 before improving annually through fiscal 2029.

SUT revenues experienced more moderate growth in fiscal 2025 (+4.5%) yoy, reflecting a spend-down of excess savings, inflationary pressures and a pullback in growth of the overall economy considering some uncertainties around the effect of federal policy decisions. The city's June 30, 2025 financial plan for the fiscal years 2025 through 2029, shows annual SUT revenue continuing to experience moderate growth over the plan period.

Pro forma debt service coverage remains very strong at 4.8x. This is based on audited fiscal 2025 pledged revenue of $28.8 billion, compared with projected fiscal 2029 debt service of $6.05 billion. The projected debt service assumes issuances of an additional $24.6 billion in new debt through fiscal 2029 for general city capital purposes after giving effect to the issuance of the series B bonds.

Fiscal 2025 pledged revenue grew by a strong 12.7% yoy and covered annual debt service by a very strong 7.6x. Future year projections show relatively flat pledged revenue growth in fiscal 2026 and growth of 2.2% in fiscal 2027, 4.6% in fiscal 2028 and 4.0% in fiscal 2029.

Fitch considers the city's pledged revenue projections to be reasonable and for economic growth to moderate in fiscal 2026 due to the still relatively high interest rate environment, reduced but still active consumer spending levels and the uncertainty of the impact of the new federal administration's policy actions. Fitch expects job growth to decelerate;

however, tourism, which has rebounded and started to surpass pre-pandemic levels, is expected to remain relatively healthy, notwithstanding a slowdown in foreign visitors.

As of Aug. 31, 2025, the city and the TFA's combined remaining debt-incurring power was approximately $41.7 billion. The state's fiscal 2025 budget increased the total authorized amount of FTS bonds to be outstanding, and not subject to the city's debt limit, by $14 billion from $13.5 billion to $27.5 billion, with $8 billion of such increased capacity available beginning on July 1, 2024 and the remaining $6 billion available beginning on July 1, 2025. The fiscal 2026 enacted budget for the state of New York further increased the total amount of FTS bonds authorized to be outstanding and not subject to the city's debt limit by an additional $3.0 billion, with the total authorized amount not subject to the city's debt limit increasing to $30.5 billion as of July 1, 2025.

The statutory debt limits are binding on the TFA but are not covenants with bondholders and are subject to change by legislation adopted by the state.

Fitch expects the city will manage future debt issuances to comply with city debt policies and that future TFA debt service coverage will remain well above ABT permitted levels, as management relies on surplus revenue to support operations.

Economic Resource Base

Fitch considers the city's status as an international center for numerous industries and institutions and as a major tourism destination, as well as its proven resilience through the recent and prior severe economic disruptions, as credit strengths. Job growth following the pandemic picked up notably during 2022 and 2023 and reached record highs through year-end 2024. As of August 2025, total employment in the city of 4,879,900 was up 1.9% since August 2024, according to data provided by the New York State Department of Labor, which are not seasonally adjusted.

The local economy and operating budget remain strongly linked to the financial activities sector, which was relatively unaffected by the pandemic and accounts for 25% of earnings, compared with 10% for the U.S., according to 2023 data. Professional and business services accounted for 21% of earnings during the same period, and this sector, along with the financial activities sector, has a higher share of wage earnings than the other service-producing and governmental sectors in the city, based on 2023 data.

The city's economic profile features high wealth levels; per capita personal income was approximately 129% of the U.S. average in 2023. However, the city's above-average individual poverty rate of 17.2% exceeds the national rate of 12.5%, indicating some income disparity and the demand for social services, also common to other large urban U.S. cities.

Estimated census figures for July 2024 report the city's population at 8,478,072, a 1.0% yoy increase but a 3.7% decrease from 2020. New York is the most populous city in the U.S., and its population is larger than the combined populations of Los Angeles and Chicago, the next two most populous in the nation.

Solid Pledged Revenue Growth Prospects

Total pledged revenues grew at a CAGR of approximately 5.2% over the 10 fiscal years through 2025. Fitch believes the city continues to have solid economic growth prospects. Given the sensitivity of both PIT and SUT revenues to economic activity, Fitch expects revenue growth over time to exceed its expectations for long-term rates of inflation but be below GDP growth, consistent with a 'aa' revenue growth assessment.

Sensitivity and Resilience of Pledged Revenues through Economic Declines

To evaluate the sensitivity of the dedicated revenue stream to cyclical decline, Fitch considers both revenue sensitivity results (using a 1% decline in national GDP stress scenario) and the largest decline in revenues over the period covered by the revenue sensitivity analysis. The Fitch Analytical Stress Test (FAST) model generates a 7.3% decline in pledged revenue under the -1% U.S. GDP moderate recession scenario. The largest actual cumulative decline in historical revenues was a sizable 17.9% drop between fiscal years 2001 and 2003. A slightly smaller decline occurred in fiscal 2009 amid the financial crisis. Both were due in part to recessions; the former was also affected by the September 11 terrorist attacks and the latter by adjustments for prior-year PIT overpayments.

Assuming issuance up to the 3.0x ABT, Fitch estimates that pledged revenues would have to decline by roughly 67% before MADS coverage is less than 100%, or 9.1x the revenue sensitivity results produced by FAST in a 1% U.S. GDP decline scenario and more than 3.7x the largest actual cumulative decline. These results are consistent with a 'aaa' resilience assessment. Fiscal 2025 pledged revenues of $28.8 billion could decline by 79% and still cover pro forma annual debt service of $6.05 billion in fiscal 2029 by 1.0x.

Fitch believes issuance to the ABT is highly unlikely, given the city's debt issuance plans for pledged revenues and reliance on residual revenue for its operations. Fitch assumes the city would delay future borrowing plans if pledged revenues fell significantly short of management's expectations to preserve sufficient residual revenues to fund operating expenses.

Pledged PIT revenues are deposited into the collection account daily, with a monthly amount retained in the debt service fund equal to one-half of the debt service payable in the subsequent three-month period. Revenues are retained for debt service until debt service is fully funded for the following three-month period.

Date of Relevant Committee

08-May-2025

Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

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APPLICABLE CRITERIA

U.S. Public Finance Local Government Rating Criteria (pub. 02 Apr 2024) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.1.0 (1)

ADDITIONAL DISCLOSURES

Solicitation Status

Endorsement Policy

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