



Rating Action: Moody's Ratings assigns Aa2 to NYC GO Bonds, Fiscal 2026, Series D & E; outlook stable

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New York, October 03, 2025 -- Moody's Ratings (Moody's) has assigned Aa2 ratings to the City of New York's \$1.5 billion General Obligation Bonds, Fiscal 2026 Series D (Tax-Exempt), \$1.3 billion General Obligation Bonds, Fiscal 2026 Series E, Subseries E-1 (Taxable) and \$460 million General Obligation Bonds, Fiscal 2026 Series E, Subseries E-2 (Taxable Social Bonds). We maintain Aa2 ratings on approximately \$47 billion of outstanding general obligation bonds. The outlook is stable.

RATINGS RATIONALE

The Aa2 general obligation rating, the same as the city's Aa2 issuer rating, reflects New York City's post-pandemic economic recovery, including a record-high employment-to-population ratio, positive trends in assessed property values despite commercial real estate challenges, and steady but slow tax revenue growth.

The expanding economy is driven by the city's competitive advantages: a young, highly skilled labor pool that over time has helped make New York City households wealthier; strong higher education and medical centers that also contribute higher paying jobs; and strong domestic and international transportation links that support New York City's position as a global economic, financial and cultural hub.

Very strong institutional strength and financial governance have allowed successful implementation of budget control measures to close budget gaps primarily caused by now-waning asylum seeker costs. However, job growth now is primarily driven by the healthcare sector, which is pressured by federal policy changes that will reduce the number of insured people able to pay for care and will pressure future job growth. Core city industries such as finance are at the forefront of adopting artificial intelligence, and efficiencies gained through that technology could also negatively impact jobs.

Projected budget gaps remain in fiscal years 2027 through 2029 but are manageable in size and based on conservative revenue forecasts. Through fiscal 2029, federal funds average just more than 6% of total revenue and federal cuts could create pressure to cut the budget more or backfill programs with city funds.

While budget basis reserves are healthy at more than 10% of city funds revenue, Moody's calculation of fiscal 2024 available fund balance as a percentage of governmental fund revenue was slightly negative. This largely reflects prior capital spending from the general fund outpacing debt financings, causing a large deficit in the Capital Projects Fund as of fiscal year end 2024. The city has increased the size and pace of its borrowings to try to cure this: fiscal 2025 audited results due by the end of October will illustrate if this is successful.

New York City's financing responsibilities are broader than most local governments, since it is a city, five counties and the nation's largest school district, and its debt burden is above-average because of this operational scope. Despite those responsibilities, the city's fixed costs for debt service, pensions and retiree healthcare are among the strongest of the nation's largest local governments.

The GO rating also reflects the full faith and credit obligations of the city, secured by a real property tax levied without limitation as to rate or amount.

RATING OUTLOOK

New York City's stable outlook reflects its continued economic expansion and tax revenue growth, and the expectation that strong financial management will help the city navigate ongoing budget pressures in fiscal years

2027 through 2029 driven by the waning costs of the migrant crisis; the end of pandemic-era federal aid; and changes in federal policy that could shift more social safety net costs on to the city. A strong institutional framework, including generally conservative revenue forecasts, frequent multiyear forecasting and multiyear phase-ins of changes in commercial property assessed values, provide the city ample time to make budget adjustments when necessary.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Continued economic recovery that brings tax revenue growth closer to the 5.4% pre-pandemic trend, and ongoing structurally balanced budgets
- Stronger reserves, including deposits to the Revenue Stabilization Fund
- Reduction of fixed costs ratio closer to Aa median of about 11%

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Additional spending pressure that pushes forecast budget gaps closer to 10% of city funds revenue
- Further declines in our calculated available fund balance, or use of OPEB assets to balance the budget
- Economic events such as sustained declines in equity prices, or trends that create significant structural budget imbalances beyond those caused by the current migrant influx
- Divergence from well-established fiscal practices and strong budgetary management

PROFILE

New York City is the largest city in the US by population (8.48 million estimated as of July 2024) and by the size of its economy (real GDP of \$1.1 trillion). New York City's GDP is larger than all but four states. The size and scope of the city's operations are broader than most local governments: in addition to the city government, New York City is five counties and the nation's largest public school system, with approximately one million students.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties published in July 2024 and available at <https://ratings.moody.com/rmc-documents/425429>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

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