

Research Update:

New York City's \$3.25 Billion Fiscal 2026 Series D and E GO Bonds Rated 'AA'; Outlook Is Stable

October 3, 2025

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to [New York City](#)'s \$1.5 billion fiscal 2026 series D (tax-exempt) general obligation (GO) bonds, \$1.29 billion fiscal 2026 subseries E-1 (federally taxable) GO bonds, and \$460 million fiscal 2026 subseries E-2 (federally taxable) GO social bonds.
- The outlook 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 D, subseries E-1, and subseries E-2 bonds. The bonds are being issued as multimodal bonds in fixed-rate mode.

The city will use proceeds from the fiscal 2026 series D and subseries E-1 bonds to fund citywide capital expenditures, and will use proceeds from the subseries E-2 bonds to reimburse prior spending for affordable housing programs within the 18-month period prior to issuance.

As of June 30, 2025, the city had \$46.7 billion of GO debt outstanding.

Credit highlights

The rating reflects our view of New York City's governance strengths and 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 fiscal trajectory remains stable, and budgetary reserves--while not projected to increase 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 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 out-year budget adjustments than envisioned in the fiscal 2025-2029 financial plan. New York City will continue to

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walk a financial tightrope throughout fiscal 2026, in our view, but has demonstrated through its robust governance framework the ability to plan, identify, and implement financial controls to respond to 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 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. Q4 2025: Below-Trend Growth Persists Amid A Swirl Of Policy Shifts](#)," Sept. 23, 2025, the forecast reflects further deceleration in real GDP growth to 1.9% in 2025 and 1.8% in 2026, from 3.2% in 2023 and 2.5% in 2024. While the U.S. economy has hummed along over the first half of 2025, S&P Global Ratings Economics notes that growth in real disposable income is slowing, consumers are more pessimistic amid employment security and an uptick in inflation, and U.S. business investments and hiring remain in flux as interest rates remain elevated and U.S. trade and tariff policy continues to evolve. Concurrently, further risks cloud the forecast as sharply slowing immigration, resurgent student loan burdens, a frozen housing market, and the potential for a prolonged federal government shutdown and reduced government spending will test the resilience of U.S. economic activity. (For more information, see "[Credit Conditions North America Q4 2025: Resilience Amid Risks](#)," Sept. 24, 2025 and "[The U.S. Government Shutdown Adds Uncertainty To The Economic Outlook](#)," Oct. 1, 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 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, could experience disproportionate inflationary wage and cost increases stemming from more restrictive immigration policy.

In fiscal 2025, the city's tax revenue increased by a projected \$6.17 billion (or 8.3%), strengthened by healthy growth in personal and business income tax revenue as well as other city tax revenue. As uncertainty clouds the economic outlook for New York City, the city's Office of Management and Budget 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 responding to changing conditions and to supporting 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 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, and 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 in fiscal years 2025 to 2026, of which approximately \$363 million is attributable to lower migrant and asylum seeker costs. The city's share of asylum seeker costs (as reflected in the financial plan) falls to \$500 million in fiscal 2029 from \$1.5 billion in fiscal 2025.
- Approximately \$3.8 billion in prepayments into fiscal 2026 compared with the \$4.4 billion prepayment into fiscal 2025 budget.

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- 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, sequentially, as the city incorporates funding for certain programs throughout the entire financial plan.
- Conservative financial plan assumptions, including 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 tourism activity that could modestly slow as a result of 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. In the 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 U.S. tax and spending 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.

The federal government shutdown, which began on Oct. 1, 2025, could have marginal direct and secondary effects on the city through furloughing or potential permanent layoffs of federal employees, as well as disruptions to certain federal government services and grants due to lapses in funding. Federal funds constitute approximately \$7.5 billion (or 6.4%) of the city's fiscal 2026 budget. We will monitor how management incorporates federal funding changes into the financial plan and the growth trajectory of out-year gaps, but we believe that the yearslong lead time, proactive management, and preservation of large budget reserves should limit the city's immediate credit exposure to the federal tax and spending bill. The city comptroller has suggested adding \$1 billion to the general reserve fund and \$847 million to the revenue stabilization fund to help mitigate potential out-year cuts to federal aid or tax revenue losses resulting from economic policy uncertainties. Nonetheless, 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.

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. 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, with the city expecting to issue bonds 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. The city continues to explore solutions to address its large OPEB liabilities and is making payments under its OPEB plan.

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The 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 the city's attractiveness as a leisure and business travel destination.
- Overall balanced financial performance through a combination of better-than-forecast revenue as a result of the city's post-pandemic resiliency and robust business income and sales tax revenue recovery, cost saving measures from the city's Program to Eliminate the Gap (PEG), 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 and that can thus 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 cybersecurity, 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, 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 limitations imposed on other New York municipalities, as well as with 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, but 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 sea walls, 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 credit fundamentals. The stable outlook further reflects our view of 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 national macroeconomic weakness impedes on New York City's economic growth expectations, or if longer-term population trends fundamentally alter the revenue forecast and property tax values. We could also lower the rating if persistent and material disruptions to operations cause structural misalignment of revenue and expenditures to emerge and we come to view the timeliness and adaptability of the city's governance and policy frameworks to address projected out-year budget gaps to be diminished without one-time solutions and draws on liquidity.

Upside scenario

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

New York City--credit summary

Institutional framework (IF)	1
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New York City--credit summary

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New York City--key credit metrics

	Most recent	2024	2023	2022	2021
Economy					
GMP per capita as % of U.S.*	144	144	144	146	145
Metro area PCPI as % of U.S.*	130	130	130	131	131
Market value (\$000s)	1,581,487,913	1,362,308,248	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	10.1	11.2	11.4	14.4
Net direct debt per capita (\$)	12,420	12,420	12,812	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

New York City--key credit metrics

	Most recent	2024	2023	2022	2021
Net pension liabilities per capita (\$)	4,406	4,406	4,753	5,055	1,267
Combined net pension liabilities (\$000s)§	37,357,819	37,357,819	39,884,157	42,136,889	10,720,448

*2024 GMP and PCPI data are forecast. §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. Note: Financial data may reflect analytical adjustments and is sourced from issuer audit reports or other annual disclosures.

Ratings List

New Issue Ratings

US\$1,500,000,000 The City Of New York, General Obligation Bonds, Fiscal 2026 Series D, dated: October 23, 2025, due: October 01, 2055	
Long Term Rating	AA/Stable
US\$1,290,000,000 The City of New York, General Obligation Bonds, Fiscal 2026 Series E, Taxable Bonds, Subseries E-1, dated: October 23, 2025, due: October 01, 2051	
Long Term Rating	AA/Stable
US\$460,000,000 The City of New York, General Obligation Bonds, Fiscal 2026 Series E, Taxable Social Bonds, Subseries E-2, dated: October 23, 2025, due: October 01, 2055	
Long Term Rating	AA/Stable

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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