



Rating Action: Moody's Ratings affirms NYC Muni Water Finance Authority's (NY) Aa1; assigns Aa1 to Fiscal 2026 Series AA bonds; outlook stable

30 Oct 2025

New York, October 30, 2025 -- Moody's Ratings (Moody's) has assigned Aa1 ratings to the New York City Municipal Water Finance Authority's (NY) Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series AA, consisting of about \$600 million Fiscal 2026 Series AA-1 and \$429 million Fiscal 2026 Series AA-2.

Concurrently, we have affirmed the Aa1 rating on the authority's outstanding first and second general resolution revenue bonds. The second general resolution revenue bonds have a subordinate pledge, but are rated the same given similar strengths for both liens. The authority has approximately \$190 million and \$33.3 billion of first and second resolution revenue bonds outstanding, respectively. The outlook remains stable.

We have also affirmed the P-1 short-term ratings on the authority's Extendable Municipal Commercial Paper Notes, Series Seven and Series Eight programs, and affirmed the VMIG 1 short-term enhanced ratings on variable rate demand bonds supported by several standby bond purchase agreements.

Affirmation of the ratings and outlook reflects a trend of steady revenue growth, solid debt service coverage and strong liquidity.

RATINGS RATIONALE

The Aa1 rating reflects a claim on revenue generated by an essential service utility in a vast and diverse metropolitan area, the strong liquidity of the water and sewer system, and strong rate management by the New York City Water Board. The second resolution bonds are rated the same as the first resolution bonds despite being subordinate to them. The annual debt service on first resolution bonds is minimal, providing holders of second resolution bonds access to essentially the same revenue base.

On a bond ordinance basis, coverage of annual debt service will remain very strong, given a gross revenue pledge and the authority's use of prior year surplus revenue to defease debt and lessen debt service requirements. Defeasance of debt has had no impact on liquidity, which itself is on a steady growth trend thanks to annual operating surpluses. On a net revenue basis, coverage is lower but still solid and well in line with coverage ratios maintained by other large municipal utility systems in the US. Additionally, the authority has established a bondholder-protective flow of funds, backed by early set-aside of debt payments that typically results in full funding of annual debt service requirements transferred to the trustee within the first several months of the fiscal year.

The P-1 ratings incorporate the long-term credit quality of the authority's Aa1 revenue pledges. The P-1 ratings further reflect the authority's strong market access and its healthy liquidity.

The VMIG 1 ratings incorporate the long-term credit quality of the authority's Aa1 revenue pledges. The VMIG 1 ratings further reflect the credit quality of the banks providing conditional support and our assessment of the low likelihood of an early termination of any support agreement without a mandatory tender. Events that could cause any outstanding agreements to terminate without a mandatory purchase of the bonds are directly related to the credit of the authority. Accordingly, the likelihood of any such event occurring is reflected in the long-term Aa1 rating assigned to the bonds.

RATING OUTLOOK

The stable outlook associated with the long-term rating incorporates the expectation that system rate increases will continue to be sufficient to maintain strong liquidity and solid debt service coverage while making necessary capital investments that support system operations.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Moderated borrowing or accelerated growth in revenue that brings the system's debt burden down to a level more in line with large system peers without adverse effects on system infrastructure
- Short-term rating: Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Drop in coverage below 1.3x combined first and second resolution bond debt service, as measured by us on a net revenue basis
- A fall in operating liquidity to under 250 days of operating expenses
- Growth in the system's debt burden to over 8x gross revenue
- The long-term rating on the second resolution bonds could be downgraded if the authority materially increased its issuance of first resolution bonds
- Short-term rating: Downgrade of the short-term CR Assessment of the applicable Bank.
- Short-term rating: Downgrade of the long-term rating of the Bonds.

PROFILE

The New York City Water and Sewer System serves a population of approximately 8.5 million in the five boroughs of New York City, a service area of more than 300 square miles. It also provides water to an additional one million people in the counties where its water supply facilities are located. The system is vast: its watershed area is 1.2 million acres; there are 19 water reservoirs and three controlled lakes; 6,800 miles of water mains; 7,500 miles of sewers; and 14 wastewater treatment plants. The New York City Municipal Water Finance Authority finances the capital needs of the system. The New York City Water Board sets the system's rates. The City of New York operates the system.

METHODOLOGY

The principal methodology used in the long-term ratings was US Municipal Utility Revenue Debt published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/416489>. The principal methodology used in the short-term ratings was US Municipal Short-term Debt published in October 2024 and available at <https://ratings.moodys.com/rmc-documents/430699>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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