

Research Update:

New York Water Series 2026 AA Water And Sewer System Second General-Resolution Revenue Bonds Rated 'AA+'; Outlook Stable

November 3, 2025

Overview

- S&P Global Ratings assigned its 'AA+' rating to the [New York City Municipal Water Finance Authority](#)'s series 2026 AA water and sewer system second general-resolution revenue bonds, consisting of approximately \$600 million of subseries AA-1 and approximately \$429.4 million of subseries AA-2, issued for New York Water (NYW).
- At the same time, we affirmed our 'AAA' rating on the authority's first general resolution bonds, our 'AA+' rating on its second general resolution bonds, and our 'A-1+' commercial paper program rating.
- Finally, we affirmed our 'A-1+' and 'A-1' short-term ratings on the system's debt outstanding, where applicable; the ratings are based on the liquidity provider's short-term rating.
- The outlook is stable.

Rationale

Security

All bondholders benefit from a gross revenue pledge and a statutory, perfected lien. The second resolution bonds do not benefit from a debt service reserve fund. We maintain a one-notch difference between the first and second general resolution bonds based primarily on the significantly stronger coverage of the first-lien bonds and that the amount of debt outstanding on the first resolution, while representing only 1.2% of first and second resolution outstanding bonds, is substantial in par amount; NYW has approximately \$190.3 million in first general resolution bonds and \$33.3 billion in second general resolution bonds outstanding. The 2026 subseries AA-1 will be used for capital projects, while the subseries AA-2 will be used to refinance existing bonds.

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Current law does not authorize NYW or the board to declare bankruptcy. While S&P Global Ratings does not rate to recovery, the presence of a statutorily perfected lien and limitations around bankruptcy are viewed as positive structural provisions.

Credit highlights

The rating reflects our view of NYW's broad, diverse, and affluent service area and sophisticated management team that supports a highly complex operating profile and capital plan. The water and sewer system has used carry-forward cash balances to fund debt service well in advance of payment dates, which functions as a de facto set-aside payment for all bonds. Debt service coverage without set asides is projected to get narrower through the forecast period, but NYW has historically been able to achieve positive budget variances. The security structure and robust system liquidity mitigate the weaker margins. Because of this strength, the rating incorporates a consideration for extraordinary financial strength related to lien-based debt service coverage (DSC) on all debt that is significantly higher than 3x, and maintenance of unrestricted liquidity that has not decreased below \$1 billion for, at least, the past five fiscal years. As of June 30, 2025, unrestricted cash and investments totaled \$2.4 billion.

In our view, the next several fiscal years will be critical from a financial perspective as the city reauthorized lien sales, which resulted in a meaningful increase of \$180 million in revenues during the 2025 fiscal year. The last time tax lien sales related to utility collections occurred was fiscal 2019, with the current authorization extending from the start of fiscal 2025 through the end of calendar 2028, which we view positively. Since fiscal 2021, however, accounts receivable past 30 days delinquent have increased by more than 35%, totaling \$1.36 billion at June 30, 2025, despite a 20% decline in the number of accounts delinquent. While the reduction in the number of delinquent accounts demonstrates progress the city is making in its overall collection strategy, including not only lien sales, but also heightened enforcement efforts, service shut-offs, and flexible payment terms, this level of accounts receivable, gauged as a percentage of operating revenues, remains a significant outlier. It is our understanding that a large percentage of accounts receivable originate from multifamily and commercial properties.

We also will be monitoring the water board's capacity to continue with rate increases that are in line with current projections indicating 8.5% annual rate increases from 2028-2030. Historically, while there have been exceptions, particularly during COVID, rate increases have generally been implemented in a fashion that supports all of NYW's costs, maintenance of carryforward, cash-funded capital projects, and lien-based debt coverage metrics well in excess of minimum covenants. Our rating is currently supported by the water board's willingness to consider all of these factors in its rate-setting, taking a long-term view on operations and cost recovery. A shift in priorities related to rate-setting could have a negative impact on the rating if financial margins and carryforward begin to erode.

When accounting for all utility operating expenses--including those that are subordinate, such as base rental--we consider projected all-in DSC somewhat lower than that of similar-rated peers. On this all-in net revenue basis of coverage, our calculations indicate DSC equal to about 2x historically. Our review of management's projections indicates that to maintain this 2x DSC, management will likely need to outperform projections through some combination of positive operating variances through rate revenue or other revenue and expense line items, debt-refinancing opportunities, or a lower base-rental payment. Management's projections assume the maximum full base-rental payment request for future fiscal years, but the city has, to date, not requested these payments for future fiscal years. We would note that without consideration of carryforward, our calculations indicate that projected total annual revenues generate margins that just exceed 1x total operating and debt service costs, demonstrating the importance of

maintaining carryforward balances and the nature of the capital program, which is largely debt financed. Sustained failure to maintain sufficient operating margins could pressure credit quality.

Additional key credit factors supporting the current rating include our view of NYW's:

- Broad and diverse economic and customer base, without comparable-sized peers. While economic recovery has begun, it remains slightly below the national level, with continued weakness in income and population growth.
- Affordable rates, with annual increases of 7.0% projected in 2027 and 8.5% 2028-2030, following a 3.7% approved rate increase for fiscal 2026; rate-setting is flexible, with the ability to increase rates within 30 days, which we view favorably.
- Seasoned and effective management team and board, with a strong sense of fiduciary duty and operational and financial acumen, supporting our credit view and confidence in management, despite the substantial complexities NYW faces during the two-year outlook, including a sizable capital plan, labor challenges, uncertainties related to collections and lien policy, and increasing climate-change pressure, all in a challenging economic environment.
- Extremely strong liquidity, both actual and on a days' cash on hand basis, which is critical to financial flexibility and credit strength. The ability to maintain significant cash balances directly influences DSC due to the annual carryforward of balances. This practice also allows for a more level rate structure, but if the use of rolling cash balances results in postponed rate increases, we would view it as indicative of potential structural issues, which could pressure credit quality.

Environmental, social, and governance

New York Water is faced with numerous ongoing environmental, social, and governance factors that affect our analysis. We believe the system has outsized environmental risks, given the regulatory and climate-resilience efforts that will be required to maintain its infrastructure at adequate levels.

The management and governance structure--with separate entities for operations, governance, and finance--has allowed for critical and apolitical decision-making, with an eye to both financial integrity and maintaining operations at a high level. We believe its governance efforts are sophisticated, which support addressing long-term risks associated with asset adequacy.

To help mitigate effects from extreme weather events, NYW and the city have several planning initiatives, including resiliency planning, climate-change modeling, and annual reporting to measure progress. We believe management's approach to climate resiliency and sustainability is sound, and there is strong collaboration with the city. Given the age of the system and the regional climate risks, the capital plan addresses infrastructure projects that result in a more resilient system and have been enhanced to incorporate additional climate resiliency projects.

Management continues to refine and improve its asset-management program, including well-defined policies that provide a uniform methodology for a comprehensive evaluation of capital assets and a systematic approach to scheduling preventive maintenance and upgrades. This is a critical factor in our asset-adequacy assessment and our view of governance, given the advanced age of NYW's infrastructure and the potential risks for catastrophic failures.

Median household effective buying income varies widely from borough to borough. Given those differences, the city's Department of Environmental Protection (DEP) has a bill pay assistance

program for low-income, senior, and disabled customers that we consider at least as robust as those of comparable peer cities in achieving social goals.

Rating above the sovereign

Although the rating on NYW's first general resolution bonds is currently above that of the U.S., its revenue base is predominantly locally derived. Local service charges, derived through an autonomous rate-setting process, represent virtually all the entity's revenue. This, coupled with operating expense flexibility, precludes exposure to federal revenue and allows us to rate the system's first general resolution debt above that of the U.S.

Outlook

The stable outlook reflects our belief that NYW will retain the financial capacity and management autonomy to navigate its near-term economic, infrastructure, climate, and regulatory pressures. Maintenance of the stable outlook relies on management's ability to successfully balance rate affordability, financial health, and system investment, especially since economic recovery has been relatively slow and the city continues to face challenges.

Downside scenario

While we think NYW's budgeting practices are generally conservative and credit supportive at the current rating, a general misalignment between revenue and revenue requirements, or a reduction in enforcement ability that leads to consistently weaker finances than historical trends, could pressure the rating. We think management has the capacity and willingness to adjust rates to meet its capital and operating needs, as evidenced by the board having a very long history of adjusting rates, usually annually, as needed. However, we will monitor the need for additional rate increases and any indication of reduced rate-setting flexibility, a change to enforcement actions, or impaired management autonomy.

Economic considerations for the city could also affect the rating, as evidenced by the city requesting base-rental payments for fiscal years 2024 and 2025, also indicating the economic impact on city finances.

Upside scenario

Consistent with the application of our "[Assigning Issue Credit Ratings Of Operating Entities](#)," criteria (May 20, 2015), we do not consider there to be upward rating potential on the second general resolution debt.

New York City Municipal Water Finance Authority--economic and financial data

	Most recent	Fiscal year-end			
		2025	2024	2023	Median (AAA)
Economic data					
MHHEBI of the service area as % of the U.S.	97.3				114.0
Unemployment rate (%)	4.6				3.4
Poverty rate (%)	18.2				10.3
Water rate (6,000 gallons or actual) (\$)	40.4				33.3
Sewer rate (6,000 gallons or actual) (\$)	64.2				37.2
Annual utility bill as % of MHHEBI	1.9				1.0

New York City Municipal Water Finance Authority--economic and financial data

	Most recent	Fiscal year-end			Median (AAA)
		2025	2024	2023	
Operational management assessment	Good				Good
Financial data					
Total operating revenues (\$000s)		4,821,078	4,261,721	4,202,967	73,371
Total operating expenses less depreciation (\$000s)		2,357,464	2,123,276	1,921,624	53,231
Net revenues available for debt service (\$000s)		4,613,622	4,229,681	3,934,151	--
Debt service (\$000s)		1,986,900	1,998,800	1,706,600	--
S&P Global Ratings-adjusted all-in DSC (x)		2.0	2.0	2.3	2.6
Unrestricted cash (\$000s)		2,398,253	2,178,173	2,056,066	90,711
Days' cash of operating expenses		371	374	391	713
Total on-balance-sheet debt (\$000s)		36,158,597	35,299,767	34,866,782	140,491
Debt-to-capitalization ratio (%)		93.4	94.3	94.8	26.0
Financial management assessment	Strong	--	--	--	Strong

Note: Most recent economic data available from our vendors. MHHEBI--Median household effective buying income. DSC--Debt service coverage.

Ratings List

New Issue Ratings

US\$429.36 mil wtr and swr sys 2nd gen resolution rev bnds subseries 2026AA-2 dtd 12/02/2025 due 06/15/2050

Long Term Rating AA+/Stable

US\$600.0 mil wtr and swr sys 2nd gen resolution rev bnds subseries 2026AA-1 dtd 12/02/2025 due 06/15/2060

Long Term Rating AA+/Stable

Ratings Affirmed

Water & Sewer

New York City Mun Wtr Fin Auth, NY Water and Sewer System AAA/Stable

New York City Mun Wtr Fin Auth, NY Water and Sewer System 2nd Lien AA+/Stable

New York City Mun Wtr Fin Auth, NY Water and Sewer System 2nd Lien A-1+

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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