

**RATING ACTION COMMENTARY****Fitch Rates NYC Transitional Finance Auth \$2B Fiscal 2026 Ser F1, F2, F3 Bonds 'AAA'; Outlook Stable**

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Fitch Ratings - New York - 09 Jan 2026: Fitch Ratings has assigned a 'AAA' rating to the following New York City Transitional Finance Authority (TFA) future tax secured (FTS) subordinate bonds:

--\$1,500,000,000 fiscal 2026 (tax-exempt) subseries F-1;

--\$300,000,000 fiscal 2026 (taxable) subseries F-2;

--\$200,000,000 fiscal 2026 (tax-exempt) adjustable rate bonds, subseries F-3.

The subseries F-1 bonds will be sold through negotiated sale on Jan. 13; the subseries F-2 bonds will be sold competitively on Jan. 14. The subseries F-3 bonds will be subject to initial rate setting on Feb. 2nd. Bond proceeds will be used for general capital purposes.

Fitch has also assigned a 'AAA' rating to bank bonds associated with the subseries F-3 adjustable rate bonds in connection with the execution of a standby bond purchase agreement with U.S. Bank National Association, the liquidity support provider. Based on a review of the terms governing bank bonds specified in the agreement, Fitch believes that the incremental risk associated with bank bonds does not have a material impact on TFA's long-term credit rating.

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 New York City Transitional Finance Authority (TFA) subordinate future tax-secured (FTS) revenue bonds reflects solid long-term growth prospects for pledged revenue and the bonds' highly resilient structure. Fitch expects the bond structure 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. However, Fitch expects issuance will 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**

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**

Coverage of pro forma debt service from fiscal 2025 pledged revenue remains very strong at 4.8x. This is based on audited fiscal 2025 pledged revenues of \$28.8 billion, compared with projected fiscal 2029 debt service of \$5.97 billion. The projected debt service assumes issuances of an additional \$21.1 billion in new debt through fiscal 2029 for general city capital purposes after giving effect to the recent issuance of the future tax secured subordinate bonds, fiscal 2026 series C, D and E and upcoming issuance of future tax secured subordinate bonds, fiscal 2026 series F.

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 moderate pledged revenue growth of 2.4% in fiscal 2026, a modest decline in fiscal 2027, followed by growth of 4.6% in fiscal 2028 and 4.0% in fiscal 2029.

Fitch considers the city's pledged revenue projections to be reasonable given expectations for economic growth to moderate in the second half of fiscal 2026 considering reduced but still active consumer spending levels as job and wage growth decelerates. However, tourism, is expected to remain relatively healthy, notwithstanding a slowdown in foreign visitors.

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.

## **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**

Fitch does not provide ESG relevance scores for New York City Transitional Finance Authority (NY).

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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

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New York City Transitional Finance Authority (NY)

EU Endorsed, UK Endorsed

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